YATRA CAPITAL

Quarterly Report

For the Quarter ended December 2012

As on February 11, 2012

Section I – Economic & Real Estate Current Status

Even after four years of the global financial crisis, the world economy continues to struggle. During 2012, economic growth weakened further. Some economies in sovereign debt distress moved deeper into a recession, caught in the downward spiral of high unemployment, weak aggregate demand compounded by fiscal austerity, high public debt burdens and financial sector fragility. During Q4 CY 2012, the central concern for the global economy continued to be uncertainty in the Euro zone. However, policy makers have taken a number of measures to tide over the debt, banking and growth risks that plague the Euro Zone. While the US economy continued to grow in Q4 CY 2012, the rate of growth showed moderation. In emerging markets, the Chinese economy witnessed a rebound after 7 quarters of slowdown. However, manufacturing, the mainstay of the economy, continued to moderate.

The Indian Economy has also been witnessing moderation across sectors for over two years. To counter this, the Government has initiated several reform measures. Fuel subsidies have been cut, with a view to reducing the fiscal deficit. The Government has allowed the long waited FDI in multi brand retail. Steps have also been taken to allow FDI into aviation, broadcasting and electricity exchanges. The controversial moves in tax laws were also addressed. In addition to these measures, the RBI is infusing more liquidity in the system to promote investment. These measures are paving the path for improving investor confidence.

India's GDP growth has been witnessing moderation due to both domestic and external factors. Domestically, a high interest environment and high fiscal deficit have led to limited investment from both the private sector and the Government for capital formation. With headline inflation and core inflation abating, the Reserve Bank recently cut rates signaling lower interest regime. However, RBI has expressed that high food inflation continues to be a concern. The other challenges come from a rising current account and fiscal deficit.

The Indian real estate sector has witnessed mixed trends across sub-sectors during the quarter. Moderation in terms of activity levels persists compared to last year. The Residential segment has witnessed an increase in new launches over the last quarter in most cities except Chennai and Pune. However, the absorption of residential space dipped marginally during the quarter. The average capital values for residential units appreciated by 3.4% across all major cities, with Hyderabad and Chennai witnessing the fastest q-o-q growth. In the Office space segment, around 9.8 mn ft^2 of office space became operational in Q4 2012 taking the overall stock to 340 mn ft^2. During the quarter, the pan India absorption was 7.2 mn ft^2 compared to 6.8 mn ft^2 in the previous quarter. The pan-India Vacancy rates during the quarter witnessed a slight increase to 17.3%. Office rentals in Mumbai and Chennai witnessed moderate growth while NCR and Bengaluru remained stable.In the Retail segment, Q4 2012 saw the addition of 1.1 mn ft^2 in NCR, Mumbai and Chennai. However, an additional supply of 8.6 mn ft^2 is expected in 2013 with Chennai adding 4.6 mn ft^2. On the back of supply rationalizations and lack of large completions, the overall vacancy level during the last quarter fell to 18.4% in Q4 2012 from 20.2% in Q4 2011. The good quality malls continue to enjoy high occupancy levels while poor quality malls continue to struggle with high vacancy as they fail to garner retailer interest. Rentals have seen marginal rise primarily due to quality malls becoming operational. Going forward, with the government approving FDI in multi brand retailing, the demand for Grade A retail space is likely to increase.

Section II – Economic & Real Estate Outlook

The outlook for the Indian markets and the economy for 2013 is positive as the government seems committed to its reforms agenda. Even global factors seem positive towards India, as economies in other BRIC countries—China, Brazil and Russia—seem subdued and making India one of the more attractive BRIC economies to be invested in terms of future outlook. Other keenly awaited measures like the implementation of the goods and services tax as well as power sector reforms would go a long way in helping maintain this positive outlook. The year 2012 closed with a few notes of positivity as the inflation was below the Reserve Bank of India's (RBI's) projected levels and the Index of Industrial Production (IIP) growth increased in the last two months of the year, giving new hopes for 2013.

The Government is expected to focus towards growth in 2013, although risks of inflation will continue to remain. Analysts expect that interest rates may witness a downward trend of 100 to 150 bps in 2013. The softening of interest rates is expected to reduce the home loan rates, in turn increasing the buying of real estate assets. Increasing urbanisation and consumption despite the slowdown in GDP growth will be the key drivers of the economy in 2013. The recent policy initiatives are expected to improve the investment climate and business environment, and they are likely to benefit the real estate sector in 2013. Few policy decision to watch out in in 2013 are: the Real Estate Regulation Bill (likely to be tabled in the upcoming budget session of the parliament ; the real estate investment trusts (REITs) or real estate mutual funds (REMFs) (expected to get launched in 2013); and the Land Acquisition and Rehabilitation and Resettlement Bill (likely to be tabled in the upcoming budget session in 2013). The infrastructure sector achieved a substantial FDI of USD 2.8 billion, accounting for a notable 7.7% of the total FDI inflow in FY 2012. In the year 2013, the relaxation of FDI policies in multi-brand retail is expected to surge the investment in back-end infrastructure development such as logistics. Moreover, an FDI of up to 100% is also permitted under the automatic route in built-up infrastructure and is likely to surge the development of the city and the regional level infrastructure in 2013. While challenges exist, India's fundamentals continue to be healthy in terms of strong domestic demand, favorable demographics, large investment requirements in infrastructure, high savings rate etc

All the above will bode well for the real estate sector and growth is expected in all the three key verticals. Office space absorption in 2013 is likely to remain equal to that in 2012 (2012- 26.7 mn ft^2 as compared to 2012 - 28.7 mn ft^2). Supply correction will lead to fewer options for occupiers, and steady absorption will decrease vacancy levels. Competition for space in prime buildings in prime locations is expected to increase in 2013, and these spaces will start earning a premium. Rents are expected to increase from 2H13 onwards as fewer new projects are being launched, and vacant spaces are steadily filling up. The relaxation in FDI policies in multi-brand retail interestingly has surged aggressive growth amongst Indian retailers to take the first-mover advantage. This is expected to drive the demand in 2013. However, as supply of existing quality retail malls remains a challenge, retailers are likely to opt for built-to-suit (BTS) options or high-street properties until the renewed interest in mall construction brings in newer quality supply with lag effect. The residential sector is expected to receive a fillip from lowering of mortgage rates and probably increased demand on the back of price cuts which will provide a fillip to demand. Affordable housing and right priced product has seen strong demand this is expected to get continue in 2013 as well.

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.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 projects are not further burdened with debt which is difficult to 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%	97%	●	●	●	●	◕
Forum IT SEZ, Kolkata	Office	Forum Group	16.68	49.00%	77%	●	●	●	◔	○
Residential Project, Pune	Residential	Kolte Patil	15.88	49.00%	100%	●	◖	◖	◔	◔
Treasure Market City, Indore	Mixed-use	TWDPL	10.98	28.90%	29%##	●	●	●	◕	◖
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	6.28	50.00%	100%	●	●	●	◖	◖
Taj Gateway, Kolkata	Hospitality	Jalan Group	4.64	40.00%	86%###	●	●	●	◕	n/a
Market City Hospitality, Pune	n/a	Phoenix Mills	4.58	20.00%	n/a	●	n/a	n/a	n/a	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
incorporates current estimates of anticipated increase in costs, principal repayments and interest on incremental loan; could change as and when the financing is arranged by the company
Manager's latest estimate accounting for opening budget; yet to be confirmed by the Company

● 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 159.61 mn and the amount disbursed towards these is EUR 158.49 mn. The company has sufficient cash to honour its outstanding capital commitments.

Disbursements during the Quarter

The disbursement in the October 12-December 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 October 1, 2012	**24.83**
Add : Bank interest received during the period	0.08
Add : Interest of CCD's received during the period	0.09
Add : Dividend received during the period	0.02
Total	25.02
Less : Expenses (including Eur 7.5 mn share redemption)	8.51
Disbursements	-
Closing balance as on December 31, 2012	**16.51**