YATRA CAPITAL

Quarterly Report

For the Quarter ended December 2017

As on December 31, 2017

Section I – Economic Current Status

In the last few weeks, financial markets have become volatile due to uncertainty over the pace of normalisation of the US Fed monetary policy in view of January 2018 payrolls data showing rapidly accelerating wage growth and better than expected employment. The volatility index has climbed to its highest level since Brexit. Equity markets have witnessed a sharp correction, both in advanced economies (AEs) and emerging market economies (EMEs). Bond yields in the US have hardened sharply, adding to the upward pressures seen during January, with concomitant rise in bond yields in other AEs and EMEs. Forex markets have become volatile as well.

On the domestic front, the gross value added (GVA) growth is estimated to have decelerated to 6.1% in 2017-18 from 7.1% in 2016-17, mainly due to slowdown in agriculture, mining and manufacturing. Retail inflation in India, measured by the year-on-year change in the consumer price index (CPI), increased for the sixth consecutive month in December on account of a strong unfavourable base effect. The implementation of the Goods and Service Tax (GST) is stabilizing. There are also early signs of revival in investment activity as reflected in improving credit offtake, large resource mobilisation from the primary capital market, and improving capital goods production and imports. The process of recapitalisation of public sector banks is also underway, which is expected to improve credit flows further and create demand for fresh investment. Taking into consideration the above factors, the Reserve Bank of India expects GVA growth increasing to 7.2% in 2018-19

Section II – Real Estate Outlook

The real estate sector is in a state flux on account of various factors ranging from government regulations, market conditions (includes growth prospects, high interest rates and capital values) and cautious consumer sentiments. The residential segment is recovering from the twin effect of changing regulatory environment and general demand slowdown. The organized retail segment, on the other hand, is in a transitory phase due to an evolving business model and a diverse competitive landscape spanning across high-street to e-commerce. Commercial office space continues to be buoyant with good supply and demand volumes. The major driver for this segment continues to be IT/ITeS followed by financial services, telecom, start-ups and e-commerce companies, who prefer asset light models for operations resulting in increased leasing volumes. The current robust performance of the commercial segment has attracted Real Estate Funds to buyout good quality assets, including office building and retail malls

The recent RERA regulation, which impacted the residential segment, is now largely neutral. The sector is now coming out of this phase as most developers have got their projects registered, which has increased confidence amongst consumers. This is aided by greater focus on the residential affordable segment by the government through interest subsidy. This has resulted in all major developers launching projects catering to this segment since the last few months. The last three years have shown significantly slowing down of absorption and the current levels of absorption is far lower than those seen in 2013, which is likely to change with more affordable projects being launched more in line with the latent demand for housing that exists. Implementation of Goods and Services Tax has also taken a toll due to ambiguity in tax rates both in the minds of the consumer as well as the developer

Also in the last 2 years, the Reserve Bank of India has tried to significantly clean up the bad loans in the system, pushing banks to clean up their balance sheets. This has made the Public Sector banks overly cautious and not only have they stopped giving out new loans, but also insisting on higher security cover for existing loans. The recent Government initiative on recapitalization of banks should improve liquidity availability in the market and lower the cost of funds. However, the sector continues to face low sales, delays on project execution, coupled with curtailed availability of affordable debt, with many of the projects significantly strained financially. Even good projects get financing from NBFCs, and other local PE players at costs exceeding 16% - 18%, thereby affecting project viability in the long run

Section III – Yatra Portfolio

Yatra has completed 11 full exits with only 3 invested projects remaining.

Section IV – Yatra Financial position

The net capital commitments of Yatra towards the Indian Portfolio Companies as on 31 December 2017 is EUR 28.13 mn

Disbursements during the Quarter

The Company returned capital of EUR 10 mn to its shareholders in December 2017 by way of compulsory share redemption.

Cash Flow summary for the Quarter

The cash flow summary of the Company for the quarter ending 31 December 2017 is below :

Particulars	Amount (Eur mn)
Opening balance as on October 1, 2017	**10.32**
Add : Cash flow realization from investments	3.43
Add : Other receipts	0.03
Total	13.78
Less : Expenses during the quarter	1.01
Less : Return of capital during the quarter	10.00
Closing balance as on December 31, 2017	**2.77**

Yatra has returned EUR 95.5 mn to its shareholders to date since December 2012, excluding EUR 0.95 mn share buy back. Total capital returned to shareholders todate is EUR 96.45 mn.