YATRA CAPITAL

Quarterly Report

For the Quarter ended June 2018

As on June 30, 2018

Section I – Economic Current Status

The global economy has been witnessing a broadbased cyclical upturn. As per World Economic Outlook released by International Monetary Fund (IMF), global GDP growth is estimated to have picked up from 3.2% in CY2016 to 3.7% in CY2017, and is expected to further increase to 3.9% in CY2018. Global trade, which has been picking up since late 2016 - early 2017, led by strengthening global demand, capital spending and robust manufacturing activity, accelerated further in Q4CY2017. The forward-looking export orders index of the World Bank has reached its highest level since CY2011, pointing to sustained expansion in trade flows in the first half of CY2018. However, protectionist measures announced by the US and retaliatory actions could exacerbate trade wars and undermine global growth, trade and welfare. The recent volatility in financial markets stemming mainly from the uncertainty over the pace of normalisation of monetary policy in Advanced Economies could also pose a challenge to the Emerging Market Economies

The Indian Economy has reclaimed the status of the fastest growing major economy shedding concerns over the recent disruptive reforms such as Demonetization and Goods and Services Tax (GST). Major economic indicators such as Current Account Deficit (CAD) and Inflation still remain under the comfortable limits set by the Central Bank. However, there are global headwinds from rising crude prices and increasing geo-political tensions which may pose challenges in sustaining the current growth levels

In India, as per the Reserve Bank of India (RBI), real GDP growth is projected to improve from 6.6% in FY2018 to 7.4% in FY2019. GDP growth in H1FY2018 was subdued on account of the disruption caused by the GST implementation and the lingering impact of demonetization. Activity in the services sector picked up and became broad-based in H2FY2018, buoyed by recovery in construction activity and support from public sector expenditure. The recovery in the construction sector was also reflected in the robust growth in steel consumption and cement production, with the cement sector growing at ~23% yoy in February 2018

The key factors which are expected to drive growth in FY2019 are robust implementation of GST, recapitalization of public sector banks and resolution of distressed assets under Insolvency and Bankruptcy Code. However, uncertainty over the pace and timing of monetary policy normalisation by the advanced economies, protectionist tendencies and fears of a global trade war pose significant risks to growth

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 30 June 2018 is EUR 28.13 mn

Cash Flow summary for the Quarter

The cash flow summary of the Company for the quarter ending 30 June 2018 is below :

Particulars	**Amount (Eur mn)**
Opening balance as on April 1, 2018	**2.58**
Add : Cash flow realization from investments	1.24
Total	3.82
Less : Expenses during the quarter	0.15
Closing balance as on June 30, 2018	**3.67**

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.