# YATRA CAPITAL

# Quarterly Report

**For the Quarter ended December 2016**

As on December 31, 2016

## Section I – Economic Current Status

The IMF in its World Economic Outlook Update (January 2017) has estimated global output growth at 3% p.a. for Q3CY2016 broadly unchanged from the previous 2 quarters. Among advanced economies, activity rebounded strongly in the United States after a weak H1CY2016. Output was below potential in a number of other advanced economies, notably in the Euro area. Preliminary third-quarter growth figures were somewhat stronger than previously forecast in some economies, such as Spain and the United Kingdom, where domestic demand held up better than expected in the aftermath of the Brexit vote.

The IMF has projected economic activity to pick up pace over the next 2 years, with projected growth at 3.4% in 2017 and 3.6% in 2018. While advanced economies are projected to grow by 1.9% and 2% in 2017 and 2018, emerging markets are projected to grow by 4.5% and 4.8% in the same period. The global outlook reflects a projected fiscal stimulus in the USA and China and higher growth in emerging and developing economies. The report has noted negative risks to activity including a possible shift toward inward-looking policy platforms and protectionism, a sharper than expected tightening in global financial conditions that could interact with balance sheet weaknesses in parts of the euro area and in some emerging market economies, increased geopolitical tensions, and a more severe slowdown in China.

## Section II – Real Estate Outlook

The real estate sector witnessed mixed trends across sub-sectors. The commercial segment saw absorption volumes higher than the supply during the quarter. The residential segment has seen a significant drop in new launches and sales volumes, largely on account of the demonetization exercise. This has resulted in increase in under construction unsold inventory. The organized retail segment is in a transition phase with poor quality malls being withdrawn leading to reduction in available stock. In addition, absorption volume was insignificant due to unavailability of quality mall space. However, good quality malls continue to see low vacancy rates and increase in lease rentals.

The Government has introduced several important regulatory changes in the last one year to bring about growth through transparency and investment in the sector. The various changes introduced cover all aspects critical to the sector i.e land acquisition policy, REITs, FDI in Single Brand Retail and Real Estate Regulation on the supply side. Further, to boost demand, the Reserve Bank of India has reduced interest rates. In addition, Banks have introduced several innovative loan schemes to encourage retail buyers to invest in real estate. The quarter also saw the government implementing the withdrawal of high value notes to tackle with the issue of unaccounted money. This resulted in adverse impact on the luxury residential segment, secondary sale market and land/plots purchase, as these were the major avenues to park unaccounted money. In the long term this will improve transparency in the sector. In the short term, the liquidity position of the banks have improved due to sudden inflow of the high value currency and this has caused the banks to lower the interest rates on home loans by 100 bps, which is expected to improve the demand for housing.

In the recently concluded annual budget announced by the Central Government, the housing segment has received several incentives. To boost the supply side, the affordable housing segment has been granted infrastructure status, which is expected to increase the institutional avenues for raising construction finance coupled with lower cost of borrowing. On the demand side, the government has allowed 4% interest subsidy for customers in affordable housing projects (Apartments lesser than 30 sq m in the 4 metros and lesser than 60 sqm in other areas). This subsidy would definitely help in enhancing affordability for the buyer and hence boost sales. Further, till last year, the unsold inventory in completed projects was taxed under the concept of deemed rental income. To alleviate the liquidity situation of the developers, this budget has proposed to allow one year tax free period on such unsold inventory.

The last three years have shown a significantly slowing down of absorption and the current levels of absorption is far lower than those seen in 2013. 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. Thus with low sales, time delays on project execution, coupled with curtailed availability of affordable debt, many of the projects have been significantly strained financially. Even good projects get financing from NBFCs, and other local PE players at costs exceeding 18%, thereby affecting project viability in the long run.

## Section III – Yatra Portfolio

Yatra has completed 6 full and 4 phased exits with only 4 invested projects remaining

## Section IV – Yatra Financial position

The net capital commitments of Yatra towards the Indian Portfolio Companies as on 31 December 2016 is EUR 47.37 mn

### 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, 2016** | **2.36** |
| Add : Cash flow realization from investments | 5.31 |
| Add : Other receipts | - |
| Total | 7.67 |
| Less : Expenses during the quarter | 0.64 |
| Return of Capital during the quarter | - |
| **Closing balance as on December 31, 2016** | **7.03** |

Yatra has returned EUR 85.5 mn to its shareholders to date since December 2012