YATRA CAPITAL

Quarterly Report

For the Quarter ended June 2017

As on June 30, 2017

Section I – Economic Current Status

There is a general positive sentiment towards India as one of the fastest growing emerging economy in the world. Record low core inflation figures and a CAD under 2% of GDP, give enough room for RBI to further lower the key rates and boost the credit growth in the economy. The Government has also been pushing forward with much anticipated structural reforms. Latest of these reforms were a unified indirect tax regime namely GST, and Real Estate Regulatory Authority (RERA). Nikkei India Manufacturing PMI survey has indicated that post introduction of GST, the manufacturing activity indicator has slipped down to 47.9 in July as compared to 50.9 in June. However, in the long run, these reforms are expected to lead to massive cost efficiencies and improve domestic supply and consumption. On a cautionary note, a strong rupee and lingering uncertainties around future of IT exports may prove to be challenges in containing the trade deficit going forward. While there has been a good influx of money in Indian markets from FDI and FPIs so far, the same could see a drop if US Fed continues with its rate hike program which may lead to contraction in global liquidity and in turn impact growth.

Section II – Real Estate Outlook

The real estate sector witnessed mixed trends in leading indicators across sub-sectors. The commercial segment saw improvement in absorption volumes and new supply compared to the previous quarter. The residential segment has seen a significant drop in sales volumes, due to sluggishness on account of demonetization. This has resulted in increase in under construction unsold inventory. Residential supply has also decreased from the last quarter due to introduction of Real Estate Regulation Act (RERA), which entails that new / existing projects be registered with the Government Authorities by 31st July 2017, before commencement of sales on such projects. As a result, buyers have postponed the purchase decisions till the projects are duly registered. The organized retail segment is in a transition phase with poor quality malls being withdrawn leading to reduction in available stock.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. To boost demand, the Government has allowed for interest subsidy in affordable housing projects. In addition, RBI has reduced interest rates by 125 bps over the last one year. However, the residential segment continues to be hampered by the twin effects of demonetization and RERA, which is reflected in the reduction of new launches and in absorption volumes. However, these measures will give boost to the sector in the medium to long run as it brings greater transparency to the sector thereby boosting consumer confidence on completion of projects.

The Goods and Services Tax (GST) was operationalized last month. The Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that will be levied on every value addition. GST is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India. GST is expected to be a sentiment booster for the industry and will seek to revive buyer and investor interest by bringing more transparency in taxation. The taxation earlier was too complicated for buyers.

With greater focus on the residential affordable segment by the government through interest subsidy, all major developers have launched projects catering to this segment since the last one year. The commercial segment has benefitted by new quality supply, lower rentals and resulting demand from new areas namely telecom and startups in addition to offtake from IT/ITeS and financial services. This has also resulted in traction in buyout of ready and leased out assets by Real Estate Funds. With the interest rate scenario expected to show a downward bias going forward, such investments are finding favour with the investor community. The retail segment is in a transition phase largely on account of competition from e-retail, which has caused a disruption in the business model of these malls reflected in the subdued activity levels in this sub-segment. However, good quality malls have high levels of occupancy and steady rental growth. This segment is also witnessing buyout of operational malls by FII investors/ Funds with a view to develop a yield based mall portfolio, along with commercial office buildings, for a possible REIT listing in the future.

Section III – Yatra Portfolio

Yatra has completed 7 full and 4 phased 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 2017 is EUR 42.73 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 April 1, 2017	**6.80**
Add : Cash flow realization from investments	1.10
Add : Other receipts	-
Total	7.90
Less : Expenses during the quarter	0.48
Return of Capital during the quarter	-
Closing balance as on June 30, 2017	**7.42**

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