YATRA CAPITAL

Quarterly Report

For the Quarter ended June 2015

As on June 30, 2015

Section I – Economic & Real Estate Current Status

As we write this Report, growth in advanced economies is projected to increase from 1.8% in 2014 to 2.1% in 2015 and 2.4% in 2016, albeit a more gradual pickup than was forecast in the April 2015 World Economic Outlook of the International Monetary Fund. The US economy rebounded on stronger consumption growth and steadily improving labour market conditions. The economic recovery in the euro area seems broadly on track, with a generally robust recovery in domestic demand and inflation beginning to increase. In Japan, growth in the first quarter of 2015 was stronger than expected, supported by a pickup in capital investment. However, consumption remains sluggish, and growth has slowed in the second quarter of 2015

Growth in emerging market and developing economies is projected to slow from 4.6% in 2014 to 4.2% in 2015, broadly as expected. The slowdown reflects the dampening impact of lower commodity prices and tighter external financial conditions. The Chinese economy is slowing on macroeconomic rebalancing, sizable stock market corrections, a cooling property market and excess capacity in several manufacturing industries. Recessionary conditions persist in both Russia and Brazil, with downside risks from commodity prices and geopolitical developments. Per expectations of the International Monetary Fund, growth in emerging market and developing economies is expected to pick up to 4.7% in 2016. Thus, in aggregate, the projected pickup in global growth, while still expected, has not yet firmly materialized

In India, the monsoons, while being sub-normal, are not expected to significantly impact agricultural output this season. This would translate into the stronger rural demand, providing an important boost to activity. On the other hand, shrinking exports, in part a result of global overcapacity, has contributed to weak aggregate demand. The contraction in exports in Q1FY2016, both volume and value, was the steepest since Q2FY2010. Investment, as measured by new projects, continues to be weak, primarily because of the low capacity utilization

However, there are signs that consumption demand, especially in urban areas, is picking up. Car sales for July were strong. Nominal bank credit growth is lower than previous years, but adjusted for factors such as lower inflation and lower borrowing by oil marketing companies, credit availability seems to be adequate for most sectors. The Government’s planned infusion of capital into public sector banks will help loan growth and will assist in transmission of rate cuts previously announced. Survey-based expectations of the outlook for the services sector also point to positive sentiment in Q2FY2016. Lower trade deficit, on the back of lower crude oil prices, and sustained capital flows arising from foreign direct investment have led to lower external financing requirement. Bearing these factors, both positive and negative, in mind, the Reserve Bank of India has maintained its 7.6% growth outlook for FY2016

The real estate sector has witnessed mixed sub-sector trends since the last two quarters and the same trend was seen during the current quarter as well. On the positive side, the commercial segment has shown robust increase in demand and absorption coupled with new project completions. The residential segment continues to maintain status quo with similar supply and absorption volumes compared to previous quarter. However, the organized retail segment continues to underperform due to muted response from reputed retailers on single brand retail, lack of clarity on FDI policy in multi-brand retail and competition from e-commerce (which reduces the demand for retail space)

Even though at an all-India level, the residential segment has 36 months of unsold inventory, the micro-market specific data shows a healthier scenario. The Residential segment has witnessed a decrease (around 12%) in new launches over the last quarter at all-India level. Pune market has done well compared to the other larger markets. NCR saw a significant reduction in new launches (around 46%) with developers focussing on clearing off existing inventory. Majority of new supply (92%) across the country, catered to mid segment housing and is priced under ` 7,500 per ft^2. The absorption volumes reduced marginally by 2.6% q-o-q and the absorption rate marginally reduced to 8.4% q-o-q from 8.8% last quarter. In terms of overall volumes, Mumbai was the lead contributor followed by Bengaluru and NCR. Developers focussed on timely execution have seen their projects being prioritized by both investors and final buyers

In the office space segment, the major demand driver is the IT/ITeS industry followed by financial services, telecom and e-commerce. During Q2 CY2015, around 10.2 mn ft^2 of office space became operational compared to 7.8 mn ft^2 in the previous quarter, taking the overall stock to 423.9 mn ft^2. The new office space supply in the quarter was led by NCR and Bengaluru. The pan India absorption was 11.2 mn ft^2 compared to 6.9 mn ft^2 in the previous quarter. The improvement in volumes is on account of healthy office space off take by IT, BFSI and e- commerce sectors. Bengaluru and NCR contributed to half of the total leasing volumes

In the Retail segment, Q2 CY2015 saw the addition of one new mall, taking the all India overall stock to 72 mn ft^2 compared to 71.7 mn ft^2 in the previous quarter. During Q2 CY2015, only 0.1 mn ft^2 absorption was witnessed, same as in the previous quarter, on account of historically low demand and supply. This could be attributed to uncertainty over FDI in multi brand retail which has resulted in slowdown in the sector

The Hospitality segment witnessed decrease in operating indicators due to April 2015 to June 2015 being the off- peak season for tourists coupled with subdued business related travel. This has affected the sector in both leisure and business destinations. The average occupancy rates in June 2015 stood at 58% compared to 67% in March 2015. The Average Room Rates achieved in June 2015 was ` 6,250 compared to ` 7,000 in March 2015. As a result, the ReVPAR in June 2015 was ` 3,650 compared to ` 5,150 in March 2015

Section II – Economic & Real Estate Outlook

The outlook for growth in India is improving gradually. Softer inflation, improved current account deficit and capital inflows are positives for the Indian economy. Level of business confidence is positive, reflective of the various reform measures undertaken by the Government. But investments, as measured by new projects is yet to pick up, primarily on account of the still-low capacity utilization

Recent trends indicate that consumption in urban areas is picking up. Car sales in July were strong. If monsoons are normal in the next couple of months, agricultural output is expected to be strong. This would translate to stronger rural demand, providing an important boost to overall consumption demand in the economy

The Residential sector is witnessing over supply scenario in certain pockets across product categories as rising inflation and interest rates have reduced affordability for end users. Further, the liquidity constraints for developers continues to persist as formal sources of debt funding are limited and the cost of such debt is high. As a result, developers are employing innovative marketing strategies to encourage buyers, ranging from freebies to subvention schemes etc. The Commercial real estate sector is highly dependent on the growth prospects of the economic drivers of a city. Bengaluru, Chennai and Pune, the cities primarily dependent on IT, will show moderate to stable performance as IT/ITeS industry continues to grow at an above average pace. Mumbai and NCR markets are more dependent on the performance of BFSI and Non-IT service sectors. A supply of 93.7 mn ft^2 is expected during 2015-2017. While NCR-Delhi and Mumbai are expected to absorb 18.6 and 20.1 mn ft^2, respectively. During 2015-17, Bangalore alone is expected to see a take-up of 20 mn ft^2. Mumbai and NCR will continue to be the lead cities with supply of 20 mn ft^2 and 26mn ft^2 respectively during 2015-17. On the other hand, Bangalore is forecasted to add nearly 16.7 mn ft^2. At a pan-India level, vacancy rate is forecasted to decline gradually over the medium to longer term and reach a level around 14.8% by end 2017

In the Retail sector, the supply-demand mismatch will continue in the short to medium term, increasing vacancy rate. An absorption of 3.9 mn ft^2 has been forecast for 2015, coupled with a completion of 5 mn ft^2. Vacancy rates are expected to rise in NCR-Delhi by end 2015, and a marginal drop is expected in Mumbai, thus taking the forecast 2015 year end vacancy to around 19%. The rentals will continue to be under pressure due to polarization of good quality malls and poor quality malls. In addition, occupiers are gradually moving towards revenue sharing model. Hence, realizations for developers are linked to actual sales, which will continue to be depressed till the overall economic scenario improves. Lack of clarity on FDI in multi-brand retail has further slowed the recovery in the segment coupled with competition from e-commerce. The industry witnessed softness in demand during CY2014 due to overall slowdown in the economy. Growth in room demand is, however, likely to pick up marginally from H2 CY2015 onwards. Moreover, supply additions are also expected to moderate leading to an increase in RevPARs between 2015 and 2018

Section III – Yatra Portfolio

Yatra has completed four full and six partial 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 2015 is EUR 73.38 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, 2015	**27.76**
Add : Cash flow realization from investments	12.32
Add : Other receipts	0.03
Total	40.11
Less : Expenses during the quarter	0.41
Return of Capital	20.00
Closing balance as on June 30, 2015	**19.70**

Yatra has returned EUR 57.5 mn to its shareholders since December 2012.