YATRA CAPITAL

Quarterly Report

For the Quarter ended June 2011

As on August 15, 2011

Section I – Economic & Real Estate Current Status

In India, while GDP did grow by 8.5% in FY2011 compared to 8% in FY2010, the quarterly GDP growth has however declined sequentially in FY2011. This has been on account of moderation in industrial and service sector growth. There has also been a significant slowdown in investments over the past few quarters, partly attributable to the rising interest rates, which have now been raised by 425 basis points since March 2010. Inflationary pressures have persisted during Q1FY2012 with headline inflation consistently above 9% since April 2011. The Reserve Bank of India has put out clear indications that it would fight inflation, even if it is at the cost of growth

Global macro-economic environment is subdued with factors such as high commodity prices, rising inflations, political strife in the Middle East, earthquake in Japan and Eurozone debt crisis. Most recent developments relating to the downgrade of the US economy from AAA to AA+ by Standard & Poor (S&P) have also cast a shadow of fear and uncertainty in the global markets

These factors have reflected in a significant slowdown in Foreign Institutional Investment (FII) inflows, which have declined 50% in Q1FY2012, compared to Q1FY2011, as also naturally on the stock markets, which have declined 6% between April-July 2011 and ~11% since January 2011

On the currency front, the Indian Rupee had appreciated marginally since April 2011 against all major currencies and reached ` 44.1 per US$ at the end of July 2011, before the recent decline to ` 45.2 per US$ due to the uncertainty in global markets caused by the S&P downgrade of US economy

The quarter saw certain key draft regulations being put up for public debate namely the Land Acquisition Bill, the revised Development Control Legislation (for Mumbai) and the proposal to allow FDI in multi brand retail. The full impact of these would need to be ascertained once the draft legislations are passed into law.

During the quarter, concerns on both demand and cost front persisted for the real estate sector. The residential segment saw significant reduction in transaction volume in most micro markets including Mumbai and NCR. This was mainly on account of falling affordability due to high prevailing prices and increase in mortgage rates. Markets like Bengaluru, Hyderabad and Chennai saw stable volumes and even marginal price increases. The commercial segment witnessed an improvement in offtake in select micro markets. However with fresh supply being added across all micro markets, the rentals did not witness any appreciation. The retail sector witnessed stable rentals despite increase in vacancy levels due to fresh supply. The latest increase in interest rates by RBI is likely to further impact real estate demand. The sector also faces liquidity concerns which impacted the performance of the BSE Realty Index. The index closed with an overall fall of 16% during the quarter

Section II – Economic & Real Estate Outlook

Global recovery is slowing due to weak labour and housing markets, and lingering sovereign debt concerns. Inflation is on the rise in most economies, particularly in emerging economies. In India, the Reserve Bank has made it abundantly clear that it would fight high inflation, even at the cost of output growth. In the recent past, partly in response to the tightening monetary policy, the domestic economy has shown early signs of moderation

According to the Prime Ministers Economic Advisory Council (PMEAC), agriculture output is expected to grow by 3% in FY2012 as against 6.6% in FY2011 on the back of a normal monsoon. Industry is projected to grow by 7.1% in the current fiscal as against 7.9% in FY2011 due to a slowdown in investment and the weak business sentiment. The services sector, which accounts for over 50% of the GDP has however been projected to grow at 10% in FY2012 as compared to 9.2% in FY2011. The Council expects the overall economy to grow at 8% in FY2012

However, most recent developments relating to the downgrade of the US economy from AAA to AA+ by Standard & Poor's has cast a shadow of fear and uncertainty in the global markets. The Indian public markets have also reacted negatively since the downgrade. The medium to long term impact of the downgrade on the US economy and its linkage to the Indian economy is uncertain and if indeed the US and global growth slows down, the growth expectations for India, as outlined above, would need to be recalibrated

Inflation remains the predominant policy concern of RBI as reflected in its aggressive 50 bps hike in the repo rate. With inflation targeting the key policy goal, it seems the rate hike cycle is yet to pause. The RBI policy coupled with the high crude oil prices have started to impact the GDP growth projections

The short term outlook still remains mixed, especially in Mumbai and NCR. However, over the next couple of months, the headwinds due to the ambiguity caused by the revised approval process and land acquisition is expected to play out. For these two micro markets, the medium term outlook still looks good due to the sheer demand of residential units. In the rest of the country, volumes have been healthy

Commercial real estate is looking more positive as it had corrected significantly during the downturn. Leasing has increased as well as inquiry on leasing. IT has renewed its hiring as well as is looking at taking up more IT space in key Tier I and II cities

Retail, which had corrected more than any other real estate asset class, has started to show much more activity. Rationalizing of supply during the downturn, as well as conversion of many retailers to the revenue share model of leasing has made the sector more rational on pricing. This sector may see significant activity once the FDI in retailing is allowed too.

Hospitality continues to grow, both due to the increase in international and domestic tourism. There is a significant dearth of hotel rooms across the country, though pockets of oversupply would occur in select markets. The government, has always given many incentives to this sector, including higher FSI, easier access to capital (both debt and equity), export incentives etc and hence would allow the sector to continue its growth path

Section III – Yatra Portfolio

Yatra is proactively working to ensure that the portfolio is in tune with the changing needs of the current market. The objectives of the company and the fund manager have been to preserve value through the downturn and position the portfolio for the present markets. Two of the key changes that have come about by this exercise are- first the transition of the portfolio from a retail led to a residential led portfolio, which is self liquidating in nature, and second, the restructuring of development planning and construction to ensure minimal amounts of debt are drawn down and that none of the projects are burdened with debt which they cannot service.

Project Name	Asset Class	Partner	Equity Committed € mn	Equity Stake	Land Acquisition	Planning Approvals	Pre-Construction Activities	Construction Status	Leasing/ Sales Status
Market City, Bangalore #	Residential	Phoenix Mills	28.07	30.00%	●	◔	◐	○	○
Batanagar, Kolkata	Residential	Hiland Group	20.28	50.00%	●	◐	◐	◔	◔
Market City Retail, Pune	Retail Mall	Phoenix Mills	17.05	24.00%	●	●	●	●	◕
Forum IT SEZ, Kolkata	Office	Forum Group	16.68	49.00%	●	●	●	◔	○
Residential Project, Pune	Residential	Kolte Patil	15.88	49.00%	●	◕	◐	◔	◔
Treasure Market City, Indore	Mixed-use	EWDPL	11.02	28.90%	●	●	●	◕	◐
Nashik City Centre, Nashik	Retail Mall	Sarda Group	10.42	50.00%	●	●	●	●	◕
Saket Engineers Private Ltd	Enterprise Level	Saket Group	10.12	26.05%	n/a	n/a	n/a	n/a	n/a
Treasure City, Bijalpur	Residential	EWDPL	7.71	40.00%	●	◕	●	◐	◐
Mixed Use, Bhavnagar	Retail Mall	Modi Developers	6.36	50.00%	●	●	●	◐	◐
Taj Gateway, Kolkata	Hospitality	Jalan Group	4.64	40.00%	●	●	●	◕	n/a
Market City Hospitality, Pune	Hospitality	Phoenix Mills	4.58	20.00%	●	●	●	◐	n/a
Phoenix United Mall, Agra	Retail Mall	Big Apple	4.04	28.00%	●	n/a	n/a	n/a	n/a
The Phoenix Mills	Enterprise Level	Phoenix Mills	3.73	0.44%	n/a	n/a	n/a	n/a	n/a

includes two SPVs

● Complete / Almost complete ◐ Advanced stage ○ Yet to commence
◕ Significantly complete ◔ Initial stage

Section IV – Yatra Financial position

The capital commitments of Yatra towards the Indian Portfolio Companies as on date is EUR 160.87 mn and the amount disbursed towards these is EUR 156.67 mn. The company has sufficient cash to honour its outstanding capital commitments.

Disbursements during the Quarter

The disbursement in the April 11-June 11 quarter was Euro 786,350.71 being the tranche 3 CCD subscription paid to Saket Engineers Private Limited.

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, 2011	**33.82**
Add : Bank interest received during the period	0.18
Add : Interest of CCD's received during the period	0.10
Total Receipts	34.10
Less : Expenses	0.78
Disbursements	0.28
Closing balance as on June 30, 2011	**33.04**