

# Milestone Commercial Real Estate Series - I

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A Discretionary PMS







# Index

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## MILESTONE COMMERCIAL REAL ESTATE SERIES - I

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## Introduction

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- **Milestone Commercial Real Estate Series - I**, a discretionary PMS offering in Indian real estate
- The offer is aimed to **maximise returns** from investments into pre-leased commercial spaces in Tier-I cities
- Investors can expect regular returns in form of quarterly rental income & capital appreciation on exit
- Managed by Milestone Capital Advisors Limited, a INR 3,900 crores (AUM) real estate fund manager, having raised, invested, managed 9 real estate funds

### MILESTONE COMMERCIAL REAL ESTATE SERIES - I

PMS Offer size

**INR 200 crs.**

Investment Horizon

**5-6 years**

**18-20%  
Target IRR**

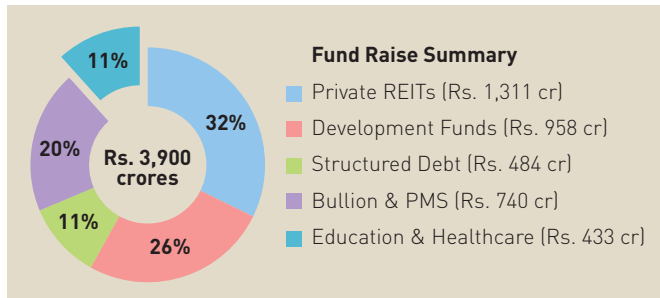
**GRADE-A COMMERCIAL  
OFFICE INVESTMENTS**

## Milestone Advantage

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### Milestone Capital is India's leading independent Real Estate Private Equity investment management platform

- Successfully raised and distributed over **INR 3,900** crores across real estate & other funds
- **61 investments** pan-India
- **26 mn sq feet** of residential and commercial assets across the country
- **11 funds** – 9 Domestic and 2 Offshore
- Over **14,000 investors** across Banks, Insurance companies, Corporate houses and high net-worth investors
- **Strong relations** with leading developers across the country. High degree of “stickiness” with existing relationships
- **Experienced team** of real estate professionals with full cycle capability from investment to asset management and exits
- **High standards of corporate governance**, one of the few companies to carry out board evaluation study



#### DEVELOPMENT & MEZZANINE FUNDS

##### 22 mn sq ft invested into:

- Mid income residential projects
- Affordable housing
- Semi - Luxury residential
- Plotted development

#### REIT FUNDS

##### 4 mn sq ft invested into:

- Commercial Offices
- IT/ ITes
- Warehousing
- Retail

# Track Record – Commercial Real Estate Funds



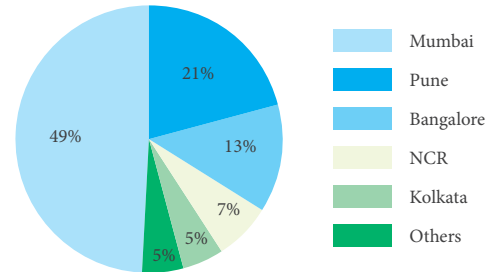
Rs. 1,186 crores funds raised

15% p.a Realized Gross IRRs

1.5x Realized Gross portfolio multiple

32 quarters - Consistent Yield Payouts

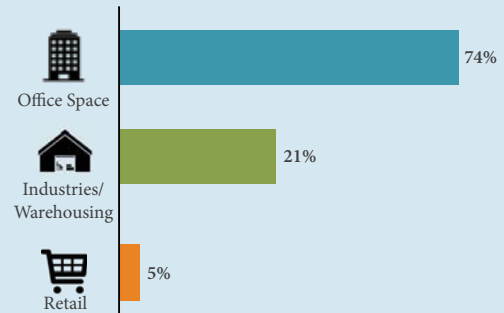
SPREAD OF INVESTMENTS (by value)



## Past Private REITs Funds Performances

	IMF I	IMF II, IIA & IIB
Fund Corpus	Rs. 516 crores	Rs. 570 crores
Fund Close Date	March 2008	March 2010
No of Investments	Six (6)	Six (6)
No of Exits	Six (6)	Six (6)

IMF I – IL&FS Milestone Fund - I  
IMF II – IL&FS Milestone Fund - II



## Backed by largest investor base in Indian PE

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- One of the few professionally managed independent real estate independent management platforms in India
- All funds have been invested in by the most sophisticated investors like banks, insurance companies, family offices and corporate houses
- The largest investor base in the Indian private equity space with over 16,500 investors
- Funds have been distributed by over 15 domestic and MNC banks and more than 40 private wealth management groups
- Many investors have invested across multiple funds
- Earlier funds distributed by large Indian and global channel partners like Merrill Lynch (Julius Baer), Barclays Bank, Standard Chartered, ICICI Bank, Kotak Mahindra Bank, HDFC Bank, RBS, Religare amongst others

Investors	Category	No of Investors
Public Sector Banks	Institutional	13
Insurance Companies	Institutional	3
Corporate Houses	Institutional	93
UHNI/Family offices & Trusts	Family office managers	30
Govt. Funds	Institutional	2
HNI/Retail Investors	Retail	+16,500

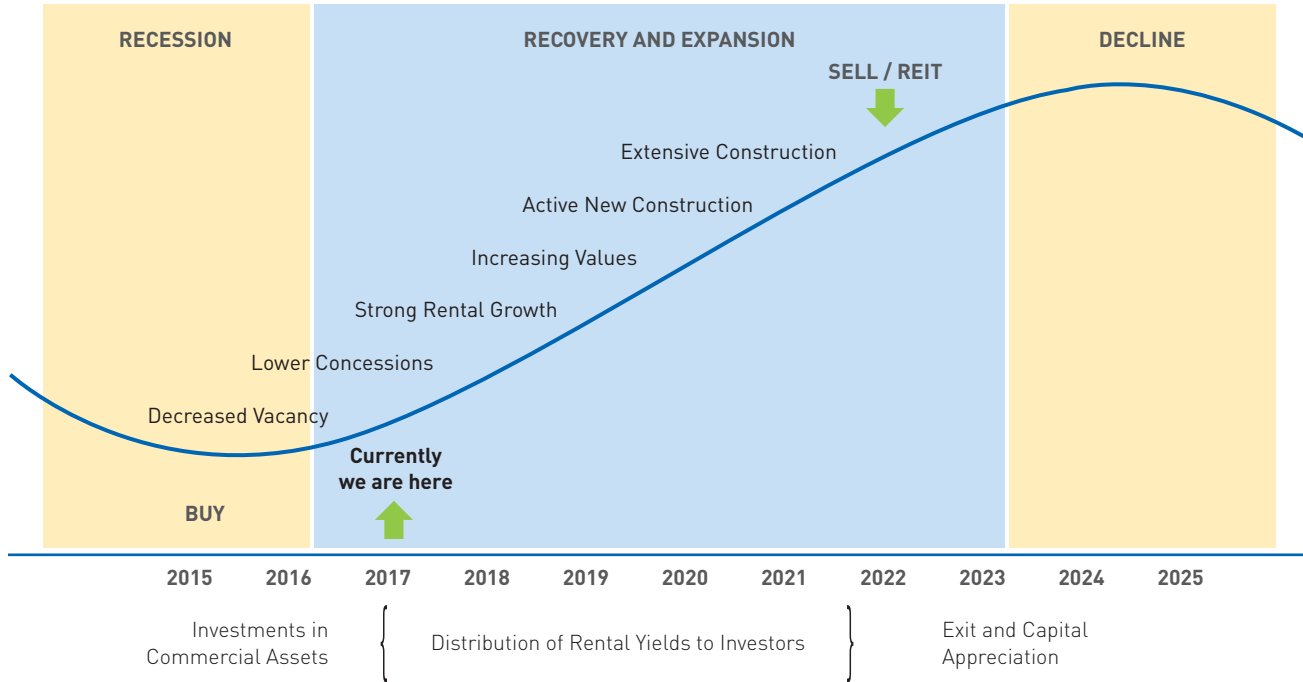
Note: \*Number of investors does not include offshore investors as funds are largely raised through bank distributors

### Repeat Investors\*

No. of Funds Invested	No. of Investors
5	7
4	41
3	216
2	1,361



# Investment Opportunity in Commercial Real Estate



- Momentum in commercial office demand continues – 35 million sq ft in 2016
- Vacancies also at all time lows in certain micro markets
- Interest Rates headed down – to result in further cap rate compressions

## Office Rental Value Index

REIS 4Q16	RENTS DECLINING	DECLINE SLOWING	RENTS RECOVERING						Rental Value Index
	2009	2010	2011	2012	2013	2014	2015	2016	4Q16
Bangalore	-17.7%	3.3%	10.8%	5.3%	-0.6%	0.8%	6.8%	8.1%	118.8
Mumbai City	-34.3%	0.8%	1.1%	0.8%	0.5%	0.2%	-1.6%	-0.3%	61.4
Delhi City	-41.6%	2.2%	3.2%	1.3%	0.0%	0.0%	0.5%	-2.4%	58.6
Mumbai Suburbs	-34.3%	0.0%	7.4%	1.1%	2.1%	0.6%	3.0%	2.3%	77.6
Gurgaon (Prime)	-31.1%	2.8%	11.8%	5.7%	5.0%	1.0%	2.8%	0.3%	85.6
Gurgaon (Off Prime)	-38.2%	-2.4%	9.8%	4.4%	2.1%	0.7%	0.0%	1.4%	71.8
Noida	-16.6%	-9.0%	3.3%	2.7%	3.6%	0.2%	4.3%	3.1%	84.9
Chennai	-22.4%	0.0%	6.4%	4.9%	4.4%	0.6%	3.5%	3.3%	99.6
Pune	-20.7%	0.0%	3.4%	7.3%	6.8%	1.8%	10.6%	7.1%	99.7
Hyderabad	-14.0%	0.0%	4.1%	5.1%	1.1%	1.1%	4.6%	6.8%	97.2
Kolkata	-27.4%	0.0%	5.7%	8.2%	-0.3%	-0.5%	3.4%	1.0%	77.3

Source: Real Estate Intelligence Service (JLL), 4Q16

Base for indexing – Rental levels of 3Q08

Note: Mumbai City includes CBD, SBD Central, SBD BKC and SBD North. Mumbai Suburbs includes Eastern and Western Suburbs. Delhi City includes CBD and SBD of Delhi.



# Investment Strategy

<b>Investment Type</b>	<b>Core Plus</b> Commercial Assets with High Occupancy	<b>Value Add</b> Commercial Assets with Low/Moderate Occupancy
<b>Fund Allocation</b>	Upto 60%	Upto 40%
<b>Target Gross IRR</b>	17-20% p.a.	18-20% p.a.
<b>Strategy</b>	Regular Income with Capital Appreciation on Exit	Discounted Entry with High Margin, for Capital Appreciation on Exit
<b>Leverage <sup>(1)</sup></b>	upto 50%	-
<b>Investment Focus</b>	<ul style="list-style-type: none"><li>- Grade A office spaces</li><li>- Focus on prime location in tier-1 Cities</li><li>- Preferred investments in standalone buildings with multiple high grade MNCs as tenants</li></ul>	<ul style="list-style-type: none"><li>- Partly leased Grade A office spaces by reputed developers</li><li>- Focus on strategically located buildings with strong office space demand in the micro-market</li><li>- Preferred investments in IT/ITeS parks in cities like Pune, Bangalore, Hyderabad</li></ul>
<b>Exit Route</b>	Portfolio Exit – REIT Listings <sup>(2)</sup> /Institutions Sale to Corporate / HNI / PE / NRI Investor	

Note 1 - Leverage on overall portfolio will not exceed 25% of the total portfolio size

Note 2 - Subject to the REIT listing regulations and market dynamics



## Key Terms

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Objective	Investment in pre-leased commercial assets with quarterly income from rental yields
Asset Class	Focus on High quality Commercial and IT/ITES Office Space
Target Cities	Top 6 Cities – Mumbai, Pune, Chennai, Bangalore, Hyderabad & NCR region
Issue Size	Rs. 200 Crores
Ticket Size for Investment	Minimum Rs. 25 Lakh
Expected Return	19 – 20% p. a.
Investment Tenure	60 months



## Returns Illustration

Period	31-Oct-17	31-Oct-18	31-Oct-19	31-Oct-20	31-Oct-21	31-Oct-22	TOTAL
Particulars		Year 1	Year 2	Year 3	Year 4	Year 5	
Capital Contribution	-25,00,000						-25,00,000
<b>Income Particulars</b>							
Average Annualised Yield (from asset)		9.1%	10.4%	11.6%	11.6%	10.7%	
Rental Yield (A)	0	2,27,219	2,60,956	2,89,808	2,89,808	1,38,831	12,06,622
Return of Capital on Exit (B)					12,21,250	12,21,250	24,42,500
Capital Appreciation upon Exit (C)					5,57,489	9,81,867	15,39,355
<b>Total Income (D) = (A) + (B) + (C)</b>	<b>0</b>	<b>2,27,219</b>	<b>2,60,956</b>	<b>2,89,808</b>	<b>20,68,547</b>	<b>23,41,948</b>	<b>51,88,477</b>
<b>XIRR Cash Flows</b>	<b>(25,00,000)</b>	<b>2,27,219</b>	<b>2,60,956</b>	<b>2,89,808</b>	<b>20,68,547</b>	<b>23,41,948</b>	<b>19.7%</b>
<b>IRR - Pre-tax and pre-expenses (%)</b>							<b>19.7%</b>
<b>Gross Multiple</b>							<b>2.1</b>
<b>Expense Particulars</b>							
Set-up Fees inclusive of S.T. (E)	-57,500						-57,500
Maximum Operational Expenses (F)		-12,500	-12,500	-12,500	-12,500	-12,500	-62,500
Management Fees inclusive of S.T. (G)		-57,500	-57,500	-57,500	-57,500	-29,411	-2,59,411
Total expenses (H) = (E) + (F) + (G)	-57,500	-70,000	-70,000	-70,000	-70,000	-41,911	-3,79,411
<b>Income Net of Expenses (I) = (D) - (H)</b>	<b>-57,500</b>	<b>1,57,219</b>	<b>1,90,956</b>	<b>2,19,808</b>	<b>19,98,547</b>	<b>23,00,036</b>	<b>48,09,066</b>
<b>XIRR Cash Flows</b>	<b>(25,00,000)</b>	<b>1,57,219</b>	<b>1,90,956</b>	<b>2,19,808</b>	<b>19,98,547</b>	<b>23,00,036</b>	<b>17.3%</b>
<b>IRR - Pre-tax and post-expenses (%)</b>							<b>17.3%</b>
Carried Interest (J)						-2,47,360	-2,47,360
<b>Total Income Post exp, Post Carry (K) = (I) - (J)</b>		<b>1,57,219</b>	<b>1,90,956</b>	<b>2,19,808</b>	<b>19,98,547</b>	<b>20,52,677</b>	<b>46,19,206</b>
<b>XIRR Cash Flows</b>	<b>(25,00,000)</b>	<b>1,57,219</b>	<b>1,90,956</b>	<b>2,19,808</b>	<b>19,98,547</b>	<b>20,52,677</b>	<b>16.0%</b>
<b>Multiple (Post Exp, Post Carry)</b>							<b>1.85</b>

## Fund Investment Team

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### **Nilesh Karkhanis**

Partner, Real Estate & Projects / 9 years at Milestone

With over 23 years of professional project management & real estate investment experience in India and overseas, Nilesh brings in the planning, design and statutory compliance perspective to all real estate investments. He has been instrumental in ensuring all projects perform under regulatory and financial framework, and has demonstrated performance throughout the deal life cycle-origination, investments and exits.

G.D. Architecture (Gold Medalist), Mumbai. PMP Trained (Dubai)



### **Sachin Sahasrabudhe**

Head, Property Mgmt. / 7 years at Milestone

Over 20 years in set-up & establishment of Commercial & Residential Buildings. Last 6 years while in Milestone, has been responsible for asset management for the real estate commercial funds. Oversees pre-investment due diligence, lease management & exit of investments. Has worked with Jones Lang LaSalle, BSE & WTC – Mumbai

Licentiate in Civil and Sanitary Engineering (LC&SE)



### **Tanushree Agarwal**

VP, Real Estate / 4 years at Milestone

Over 8 years of experience in capital intensive sectors like real estate and project finance. Currently part of the Investments team mainly structuring deals, negotiation with developers and due diligence of projects. Has in the past worked with Yes Bank in their Infrastructure Banking team and with IDFC as an Analyst

Chartered Financial Analyst (US), MBA - FMS Delhi, B.E. (Comp)



### **Kedar Deshpande**

AVP, Real Estate

Over 6 years of work experience in Investment Sales and Capital Raising for real estate developers. He was last associated with Cushman & Wakefield as Senior Manager - Developer & Investor. He has worked with Jones Lang LaSalle Capital Markets in Pune for 3 years before joining Cushman & Wakefield

Masters in Real Estate, Glasgow, MBA and B.Sc. Electronics



### **Sharat Singhee**

VP, Real Estate / 4 years at Milestone

Over 11 years of experience in Real Estate Investments, Investment banking and fund raising. Key responsibilities include deal structuring & execution of transactions, monitoring existing investments and managing exits across the development funds. Earlier, he has worked on various real estate advisory and fund raising transactions in his last two roles at Sapien Capital & Nomura Securities including IPOs, private placement of equity, potential REIT offerings & others.

MBA - JBIMS, Mumbai, B. Com.



### **Leena Bhaskar**

VP, Fund Raising

Over 11 Years of experience in Fund Raising, Distribution and Wealth Management. She was last associated with Indiabulls Asset Management as an Associate Vice President - Sales. Earlier assignments includes Anand Rathi, Indusind Bank, Dawnaday AV. Key responsibilities includes Business Development and Fund Raising.

MBA - Marketing, BVMSR; Bachelor in Pharmacy



### **Prabhu Anantharaman**

AVP, Investor Relations / 7 years at Milestone

Over 13 years of work experience across client servicing and wealth management operations. Oversees investor relations management alongside all matters pertaining to fund operations & reporting. Previously has worked with Kotak Securities, ASK Wealth and Kary Wealth.

CFP, B.Com.



## Prospective Investment – Ready Commercial Asset in Kharadi, Pune

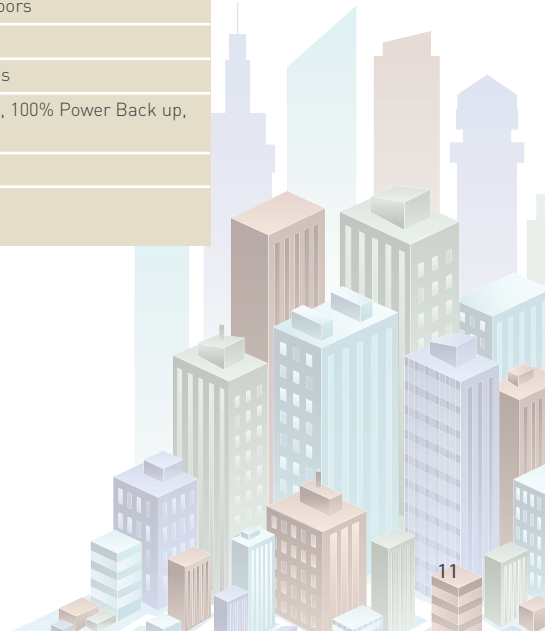


### Location Highlights

- Attractive commercial and residential location in East Pune
- Presence of Large IT, ITeS, BFSI companies in near vicinity
- Well developed social infrastructure including schools, colleges, hospitals, malls and multiplexes etc.
- Good public transport availability

### Investment Overview

Location	Pune
Building Grade	Grade A IT / ITeS Park
Avg. Warm Shell Monthly Rental	Rs. 58/- sq.ft/month
Total Building Area	2,20,000 sq.ft.
Total Available Area	2,20,000 sq.ft.
Occupancy	80%
Building Structure	Basement + Ground + 5 Office Floors
Floor Plate	Approx. 45,000 sq.ft
Tenant Profile	Leading Indian IT/ITeS Companies
Amenities	Glass Facade, Modern Amenities, 100% Power Back up, Ample Car Parks, Chillers
Building Age	Completed in Oct 2013
Gross Overall Expected Returns	Approx. 20% per annum



## Prospective Investment – Ready Commercial Asset in Andheri, Mumbai



### Location Highlights

- Emerging cost-effective front office location
- Good mix of occupier profile
- Good connectivity with all public transport including airport

### Investment Overview

Location	Mumbai
Building Grade	IT/ITeS
Avg. Warm Shell Monthly Rental	Rs. 115/- sq.ft./month
Total Building Area	2,00,000 sq. ft.
Area Offered	18,000 sq.ft.
Occupancy	100%
Building Structure	2 Basements + Ground + 7 Floors
Floor Plate	Approx. 18,000 sq.ft
Tenant Profile	Marquee MNC clients
Amenities	Glass Façade, Capsule Lifts
Building Age	Completed in Mar 2006
Gross Overall Expected Returns	Approx. 18-19% per annum





## Annexure

# Fund Expenses

<b>Hurdle Rate</b>	11% p.a. (post Fund Expenses)
<b>Fund Expenses</b>	<ul style="list-style-type: none"><li>• Set-up Fees (one time) – 2%*</li><li>• Management Fees (annual): 2% p.a.*</li><li>• Operating Expenses (annual): At actuals, capped at 0.5% p.a.</li><li>• Performance Fees (on exit from portfolio investment)<ul style="list-style-type: none"><li>– Returns up to Hurdle Rate – Nil</li><li>– Returns above Hurdle Rate – 20% of returns*</li></ul></li></ul>

\*Plus applicable taxes





# Past Transactions

## 247PARK, VIKHROLI, MUMBAI



### LOCATION



#### Project Highlights

- Strategically located Grade A commercial/IT building in Mumbai
- Post investment, 74% of the project was owned by Milestone commercial funds (including co-investors' share); balance was held by HCC group
- **Gross asset valuation of Rs. 775 cr** at the time of investment with 1:1 debt to equity ratio

MULTIPLE

2.4x

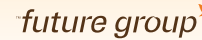
IRR RETURNS

21%

#### Project Overview

- |                   |                                                             |
|-------------------|-------------------------------------------------------------|
| Developer Name    | • HCC Real Estate                                           |
| Location          | • Vikhroli (W), Mumbai                                      |
| Project Type      | • Commercial and retail                                     |
| Leasable Area     | • 1.14 million sq.ft.                                       |
| Investment Amount | • Rs. 260 Cr (July 2010)                                    |
| Project Status    | • Fully exited at gross asset valuation of INR 10.6 billion |
| Exit Date         | • July 2015                                                 |

#### KEY TENANTS

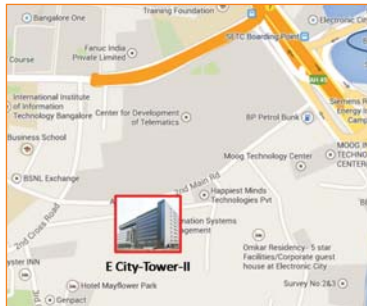


## Past Transactions

### E-CITY II, BANGALORE



### LOCATION



#### Project Highlights

- Well located A-grade IT building in Bangalore
- Entire building acquired in two phase investment (Phase I – Ground to 4th Floor; Phase II – 5th to 8th Floor)

MULTIPLE

1.7x

IRR RETURNS

18%

#### Project Overview

- Developer Name • Scrips N Scroll
- Location • Electronic City, Bangalore
- Project Type • IT / ITeS
- Leasable Area • 345,658 sq.ft.
- Investment Amount • Rs. 121 cr (April 2010/March 2012)
- Project Status • Fully Exited
- Exit Date • March 2016

#### KEY TENANTS





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There can be no guarantee that the position regarding taxation of the fund and taxation of contributors of the fund would be necessarily accepted by the income-tax authorities under ITA. Prospective contributors are urged to consult their own tax advisers in this regard.

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