

A Yield Driven Real Estate Fund

April-June 2013

Dear Investors

Warm Greetings from the IL&FS – Milestone family! We are pleased to present the Fund Update for the period ending June 30th 2013 for the IL&FS Milestone Fund I (Fund).

During last few days, despite low sentiments towards India due to precipitous fall in rupee to record lows, the economy has experienced several green shoots – decrease in current account deficit to 3.6% as compared to last quarter, rating agency Fitch increasing India sovereign ratings outlook to 'stable' from 'negative', fall in prices of import commodities especially gold & oil, government initiatives on reforms & fiscal consolidation and timely onset of monsoons are all positive blips in an otherwise unsettling economic scenario.

In 2013-14, the economy is pegged to grow at ~6% while reducing its fiscal and current deficits, with a tighter control on inflationary movements.

India has moved one more step closer to regulate and bring transparency to the real estate sector; the Cabinet has recently proposed to the Parliament the Draft Real Estate Regulation and Development Bill which is aimed to protect consumer interests, promote accountability and reinforce confidence and trust amongst investors.

The commercial real estate markets appear to have stabilized. In wake of rental and interest rate cycles bottoming out, the market outlook is expected to only look-up from here. Going forward, vacancy levels are expected to recede on the back of constrained incremental supply and improved demand condition. The reduced vacancy levels would ensure rise in rentals across the country's office market in the future. Hence, office space investments are expected to yield better returns going forward.

The Bangalore office market is the strongest leasing market in the country and has favourable demand-supply balance thus resulting in declining vacancies, bringing stable rentals and marginally appreciated capital values.

Mumbai witnessed signs of improvement in submarkets of SBD-BKC, Navi Mumbai and Thane. The driving force was consolidation and relocation of office space. Also robust sale transactions have been recorded in these markets. Vacancy rates reduced minimally and rentals and capital values have remained the same.

In Pune, there has been moderate transaction activity, with the vacancy rate seeing marginal decrease due to lack of new supply. In Chennai, leasing activity has improved moderately, with rents continuing to remain under pressure amid high vacancy and upcoming supply and capital values remaining consistent. Kolkata continued to witness moderate leasing activity in the office sector. The vacancy in the city remained same on the back of sluggish demand and absence of new completions. Rentals and capital value are also stable and remain same.

With regards to the IL&FS Milestone Fund- I, it is fully committed and invested across 6 investments in the commercial, retail, warehousing and the IT Park space across India.

The Fund is actively pursuing the exit process and currently in advanced stage of discussion to sell Fund's stake in Bhiwandi warehousing and IBM, Kolkata property.

The current valuation is being worked out by Knight Frank (International Property Consultant) and the same shall be shared soon.

We thank you for your continued support.

IL&FS Milestone Realty Advisors Pvt. Ltd.

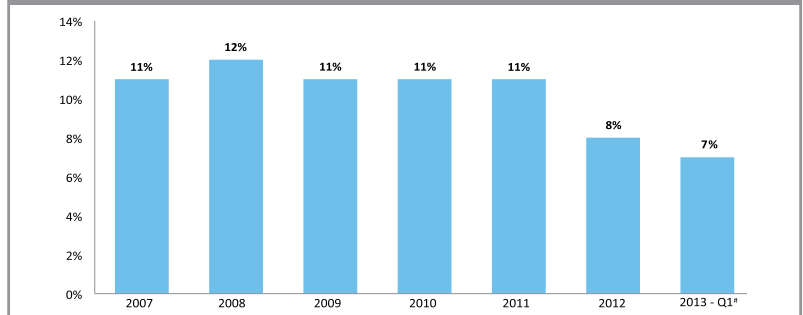
Fund Summary

Fund Status as on June 30, 2013

Total Corpus	Rs. 525 Crores*
Final Closing Date	March 31st 2008
Term	4 years + 1 year + 1 year
No. of Investments	6
Committed Amount	Rs. 486.75 Crores
Capital Divested	Rs. 37.72 Crores (7.18%)
Income Generated (Pre-tax)	Rs. 242.88 Crores
Income Distributed	Rs. 280.60 Crores (53.44%)

*Includes the corpus of co-investment vehicles

Yields Distributed *



* Pre-Tax Annualised Yield distributed
Current year yield on quarterly payout basis

Investment Summary as on June 30, 2013

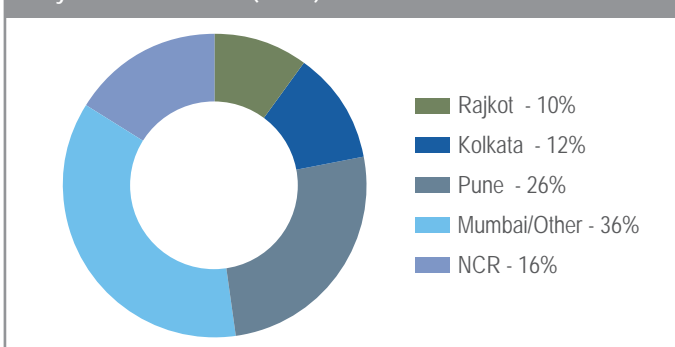
Project	Location	Investment Date	Investment Commitment (Rs. In Cr)	Asset Class	Key Tenants
Millenium Tower - 1	Kolkata	Mar-08	57.00	IT Park	IBM
Grand Central Mall	Rajkot	Nov-07	47.00	Retail	Westside, Cinemax, Levis, Benneton, Giny-n-Jony
ACORN Warehouse	Bhiwandi (Mumbai Metropolitan Region)	Jan-08	130.00	Integrated Logistic Park	TESCO, Flipkart, Uniworld Logistics, Damco
The Cerebrum B2	Pune	Mar-08	128.00	IT/ITeS	Standard Chartered Bank, Redknee India, Vodafone, Fiserv, Reliance Communications
ACORN Warehouse	Dharuhera (National Capital Region)	Jun-08	78.75	Integrated Logistic Park	TCI India, Uniworld Logistics, OEC Record, HTSI, Amtec Auto
Raheja Titanium	Mumbai	Dec-08	46.00	Commercial	Baroda Pioneer, BT Global
Total			486.75		

Exit Details

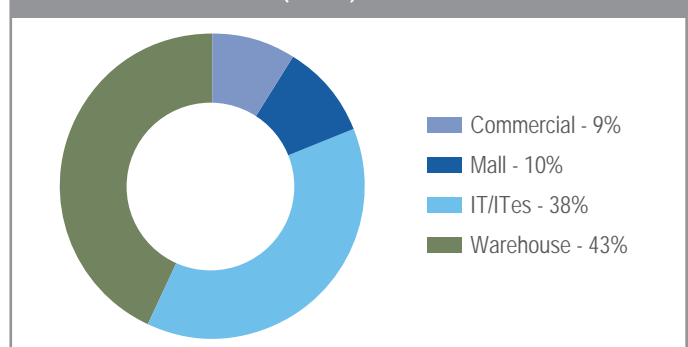
Property Name	Location	Asset Class	IRR Realized
Raheja Titanium	Mumbai	Commercial	20.49%

Fund Allocation

City-Wise Distribution (In Rs.)



Sector Wise Distribution (In Rs.)



IL&FS-Milestone Fund - I – Project Snapshots



Project : Millennium Tower - 1
Location : Kolkata, West Bengal

Asset Class	Commercial
Investment Commitment	Rs. 57 Crores
Date of Initial Investment	March-2008
Total Leasable Area	94,624 sq ft
Key Tenants	IBM

Transaction Overview and Investment Rationale

Millennium Park is a Grade-A commercial space located in Salt Lake, Kolkata one of the fastest growing software technology hubs in India. The property is entirely occupied by IBM India, a reputed multinational technology firm.



Project : Grand Central Mall
Location : Rajkot, Gujarat

Asset Class	Retail
Investment Commitment	Rs. 47 Crores
Date of Initial Investment	November-2007
Total Leasable Area	165,085 sq ft
Key Tenant(s)	Westside, Cinemax, Levis, Benetton, Giny-n-Jony

Transaction Overview and Investment Rationale

Grand Central Mall is one of the largest malls of Saurashtra and Kutch with over 150,000 sq ft of retail space. The project is located on Nana Mawa Road in Rajkot and is well highlighted on the road side. Anchor tenants include Cinemax, one of the largest theatre chains in India and Westside, one of India's largest and fastest growing departmental store chains. Other tenants include United Colors of Benetton, Bata, Biba etc..



Project : The Cerebrum B2
Location : Pune, Maharashtra

Asset Class	IT/ITeS
Investment Commitment	Rs. 128 Crores
Date of Initial Investment	March-2008
Total Leasable Area	250,535 sq ft
Key Tenant(s)	Standard Chartered Bank, Redknee India, Vodafone, Fiserv, Reliance Communications

Transaction Overview and Investment Rationale

Cerebrum B2 is a state-of-the-art IT Building located in Kalyani Nagar, a desirable location in Pune due to its connectivity to Central Pune and its proximity to the airport. Despite being a predominantly residential area, rapid development and improved accessibility over the years has led to emergence of several IT parks in the vicinity. Cerebrum B2 is entirely occupied by reputed IT/ITeS firms.

IL&FS-Milestone Fund - I – Project Snapshots



Project : ACORN Warehouse
Location : Bhiwandi, Mumbai Metropolitan Region

Asset Class	Integrated Logistic Park
Investment Commitment	Rs. 130 Crores
Date of Initial Investment	January-2008
Total Leasable Area	990,000 sq ft
Key Tenant(s)	TESCO, Flipkart, Uniworld Logistics & a few 3 PL companies

Transaction Overview and Investment Rationale

The Fund invested in a warehousing facility in Bhiwandi, on the outskirts of Mumbai. The economic boom in the country and increase in consumption in particular has led to companies focussing on improving back end infrastructure of material handling and this has resulted in a higher demand for warehousing facilities. Bhiwandi has been a front runner among all potential destinations due to its close proximity to Mumbai, India's commercial and financial hub.



Project : ACORN Warehouse
Location : Dharuhera, National Capital Region

Asset Class	Integrated Logistic Park
Investment Commitment	Rs. 78.75 Crores
Date of Initial Investment	June-2008
Total Leasable Area	750,000 sq ft
Key Tenant(s)	TCI India, Uniworld Logistics, OEC Record, Amtech Auto Transystem Logistics

Transaction Overview and Investment Rationale

The Fund invested in a warehousing facility in Dharuhera in the National Capital Region. The economic boom in the country and increase in consumption in particular has led to companies focusing on improving back-end infrastructure of material handling and this has resulted in a higher demand for warehousing facilities. Dharuhera is slowly shifting from an agrarian economy to an industrial one due to its close proximity to New Delhi and Indira Gandhi International Airport and hence there is a high demand for warehouses in this region.

Disclaimer: The contents of this bulletin are for information purposes only and should not be construed as advice, representation or warranties from the Fund. You are advised to carry out an independent inquiry, investigation / analysis before relying on the information provided herein. The Fund will not be liable for any loss or damage whatsoever, arising as a result of any person acting or refraining from acting in reliance on any information contained therein or anything stated or omitted to be stated herein or for any other reason whatsoever. The Fund accepts no liability for any errors, misprints, inaccuracies or omissions in this publication.