

## A Yield Driven Real Estate Fund

July-Sept 2013

Dear Investors

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

This period was pre-dominantly marked by exchange rate volatility which anchored various monetary tightening measures by RBI and general weakening of sentiments. Although, measures by the newly appointed Central Bank Governor and unexpected global events have helped reverse some of the damage in the short-term.

The passage of the Companies Act 2013 and notification of increase in FDI limits were some of the key positives. With national elections scheduled next year, there is a general mood of deferment in the decision making process.

There are definite liquidity pressures and the interest rate curve has become inverted resulting in delays in property exits. The impact of the slowdown is being felt on the office market with leasing of space dropping by 20% in Q2-2013 (q-o-q). Bangalore saw the highest take up of space accounting for 42% of the total demand (across top seven cities). Demand continued to remain subdued as occupiers are focussing on consolidation and cost-effective options.

Leasing activity in Delhi NCR was down 27% (q-o-q). Kolkata and Chennai were the only cities that recorded a growth in leasing of 28% and 17% q-o-q respectively.

The overall vacancy rate increased in this quarter, which is a reflection of the sharp drop in demand for space during the period coupled with infusion of new supply.

Except Mumbai, rentals across the cities remained unchanged. In Mumbai, rentals in the Central Business District (CBD) continued to decline because of slackening demand and also because of occupiers preferring locations in off-CBD and suburban micro-markets.

IL&FS Milestone Fund-I is fully committed and invested across 6 investments (one exited) in the commercial, retail, warehousing and the IT Park space across India.

The Fund is in advanced stages of exiting the Cerebrum - Pune and IBM - Kolkata properties. The Fund is also negotiating to sell its stake in the Bhiwandi warehouse transaction. The Fund team has also stepped up its efforts to exit other remaining properties in this portfolio.

We thank you for your continued support.

IL&FS Milestone Realty Advisors Pvt. Ltd.

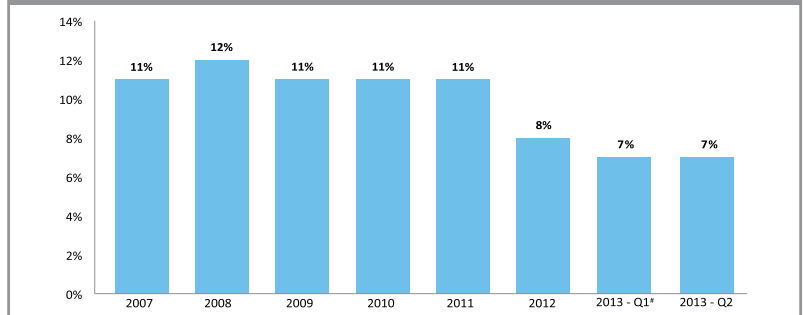
# Fund Summary

## Fund Status as on September 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. 250.85 Crores
Income Distributed	Rs. 288.57 Crores (55%)

\*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 September 30, 2013

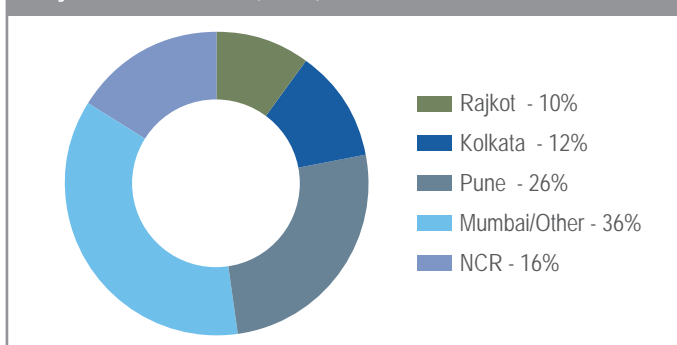
Project	Location	Investment Date	Investment Commitment (Rs. In Cr)	Asset Class	Key Tenants
Millennium Tower - 1	Kolkata	Mar-08	57.00	IT Park	IBM
Grand Central Mall	Rajkot	Nov-07	47.00	Retail	Westside, Cinemax, Levis, Benneton, Giny-n-Jony
ACORN Warehouse	Bhiwandi (Mumbai Metropolitan Region)	Jan-08	130.00	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
<b>Total</b>			<b>486.75</b>		

## Exit Details

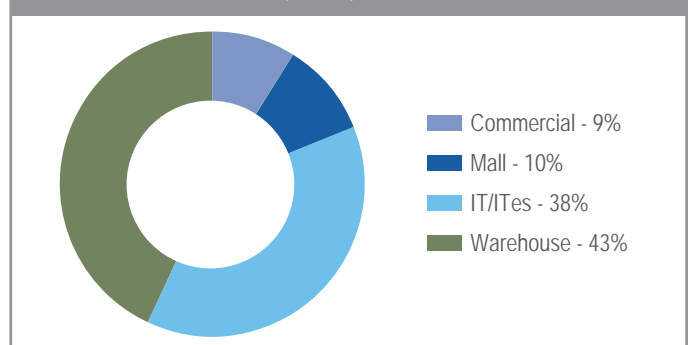
Property Name	Location	Asset Class	IRR Realized
Raheja Titanium	Mumbai	Commercial	20.49%

# 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	IT Park
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 opening of Foreign Direct Investment (FDI) in retail sector and advent of e-commerce trade should avoid improving 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	550,000 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 opening of Foreign Direct Investment (FDI) in retail sector and advent of e-commerce trade should avoid improving 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.

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