



A Yield Driven Real Estate Fund

October - December 2014

IL&FS-Milestone Fund - I

Dear Investors

Greetings for the New Year 2015

We are pleased to present the Fund Update for the period ending December 31st 2014 for the IL&FS Milestone Fund I (Fund).

Year 2014 ended on a high note with Indian economy gaining momentum in the last quarter of the year. Gross Domestic Product (GDP) for April to September period was reported at around 5.5% signaling a positive outlook for the coming months of 2015. The Consumer Price Index (CPI) for inflation has come down to a four year low of 4.4% in the month of November. The Reserve Bank of India (RBI) has also cut down the repo rate by 25 basis points in a move to support the economy.

The commercial real estate market in India continued to report signs of improvement in the previous quarter with enhanced traction from corporate occupiers. Office space demand was led by Bangalore at a share of around 50%, notably in and around the micro-markets - Outer Ring Road (ORR) and Whitefield. This was followed by the National Capital Region (NCR) (18%) and Pune (15%). The demand was largely driven by back office demand from IT/ITeS and Telecommunication sectors. The Rental values remained stable across the NCR and Hyderabad, while appreciating in select micro-markets of Mumbai, Bangalore, Chennai and Pune. (Source – CBRE India)

Transaction activity witnessed an upward momentum in the NCR in 2014, particularly during the second half of the year, when occupier interest peaked. The peripheral region of Gurgaon continued to dominate office transaction activity across Delhi NCR. Office space occupiers will most likely continue to remain bullish on the region in 2015 as well. (Source – CBRE India)

Mumbai witnessed a slight decline in transaction activity in the last quarter of the year. While the major business locations of Nariman Point, Lower Parel, BKC and Andheri had sluggish transaction activity, the peripheral regions of Thane and Navi Mumbai saw strong demand from corporates belonging to banking/financial services, engineering/manufacturing and IT/ITeS sectors. Leasing activity is anticipated to gradually accelerate during the first half of 2015. (Source – CBRE India)

In Bangalore, the peripheral areas of Whitefield, Electronic City and Outer Ring Road (ORR) witnessed strong demand from corporate tenants, leading to an increase in absorption levels during the quarter. Leasing activity is expected to remain strong in these locations largely supported by demand from the IT/ITeS, BFSI and engineering sectors. (Source – CBRE India)

IL&FS Milestone Fund-I is fully committed and invested across 6 investments (of which 4 exited - 3 fully exited & 1 partially exited) in the commercial, retail, warehousing and the IT Park space across India. The Fund has distributed Rs 12.66 Crores from the outstanding balances of Bhiwandi property exit in the month of January.

The Fund is in advance stages of documentation for exiting from the Millennium Tower -1 property in Kolkata. The team is also in discussions with potential buyers for exiting from Acorn warehouse property at Dharuhera (NCR) in this portfolio.

We thank you for your continued support.

Regards

Alok Aggarwal
Managing Partner & CEO – Real Estate

Fund Summary

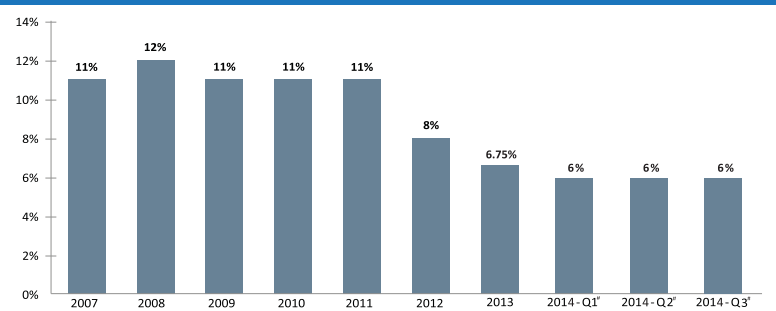
Fund Status as on December 31, 2014

Fund Received	Rs. 516 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 Redeemed**	Rs. 340.18 Crores (65.93%)
Income Generated (Pre-tax)	Rs. 276.34 Crores
Total Exit Amount	Rs. 616.52 Crores (119.48%)

* Includes the corpus of co-investment vehicles

** Includes the distribution made in January 2015 for outstanding balances of Bhiwandi property exit

Yield Distributed*



* Pre-Tax Annualised Yield distributed

Current year yield on quarterly payout basis

Investment Summary as on December 31, 2014

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

Exit Details

Property Name	Location	Asset Class	Investment Multiple*
Raheja Titanium	Mumbai	Commercial	1.3x
The Cerebrum B2**	Pune	IT/ITes	1.5x
Acorn Warehouses#	Bhiwandi	Integrated Logistic Park	1.3x
Grand Central Mall##	Rajkot	Retail	1.4x

* Pre-tax post expenses including rental income

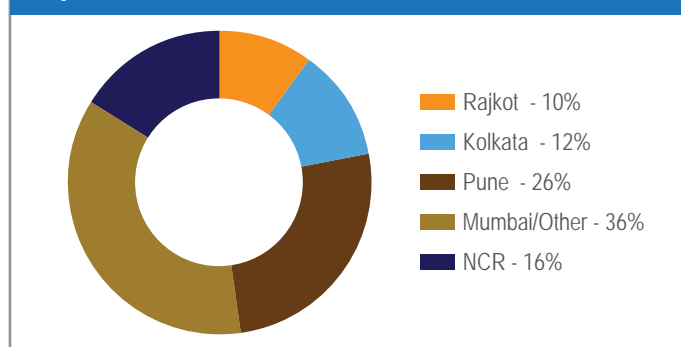
** IL&FS Milestone Fund I has made full exit from the investment and as per the agreed terms, partial debentures amount of Rs. 8.14crores have been withheld and will be paid on successful completion of conditions as per the sale agreement. On receipt of the balance proceeds of Rs 8.14 Crores (Rs. 7.5 Crores likely by Q1 2015), the same shall be distributed to the investors.

IL&FS Milestone Fund I has entered into a Share Purchase Agreement for exiting this investment and as per the agreed terms, balance amount of Rs 37.3 Crores are linked to achieving certain time-linked milestones. Of this, Rs 12.66 Crores have been received and distributed in the month of January. On receipt of the balance proceeds of Rs 24.6 Crores, the same shall be distributed to the investors.

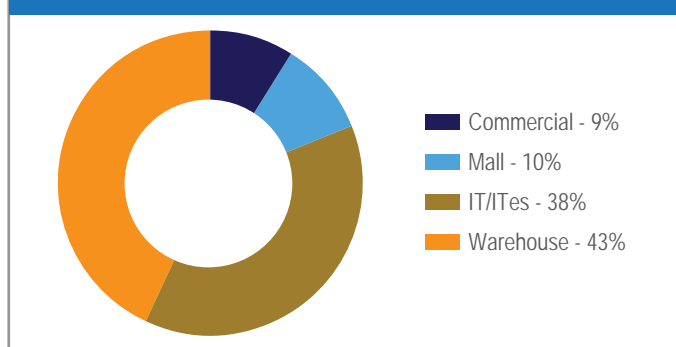
IL&FS Milestone Fund I has entered into a Share Purchase Agreement ("SPA") for exiting this investment and as per the agreed terms, amount received from the Buyer is Rs 48.51 Crores (after working capital adjustments at portfolio company). Of the realized amount of Rs 48.51 Crores, Rs 42 Crores have been distributed to the investors during the quarter and balance amount of Rs 6.51 Crores has been retained by the Fund towards contingency (incl. tax contingency).

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.

The Fund is in advance stages of documentation for exiting from the property.



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, 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. Of the total leasable area of 432,000 sq ft, around 293,000 sq ft is currently leased out at an average rental of Rs 15 per sq ft. We are pursuing various leasing requirements through brokers and expect to finalise tenants for about 90,000 sq.ft of vacant area in next few month at a rent of Rs. 13 per Sq. Ft.

The Fund has been actively marketing this asset to a number of prospective buyers. Discussions with potential buyers have also been initiated. The team is working towards a complete exit from the property by March 2015.



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