

## 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 II (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 across India are still going through a phase of consolidation. While the rentals remain the same, absorption levels are still lower than expected in key Tier-I markets except Bangalore. With the interest rates expected to bottom out in the next 9 - 12 months, fund's investments may yield better value forward. Going forward, vacancy levels are expected to moderate on the back of constrained incremental supply.

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. Vacancy rates reduced minimally and rentals and capital values continue to be stable.

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 continue to remain stagnant.

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

The Fund is actively pursuing the exit process for a number of its investments. In 247Park, due diligence by a prospective buyer is currently at an advanced stage.

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.**

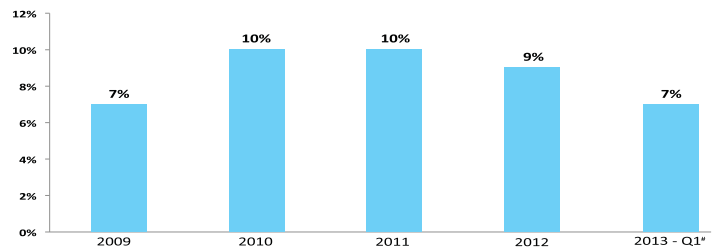
# Fund Summary

## Fund Status as on June 30, 2013

Total Corpus	Rs. 570 Crores*
Final Closing Date	II & IIA - 31st March 2010 IIB - 30th November 2010
Term	4 years + 1 year + 1 year
No. of Investments	6
Committed Amount	Rs. 508.30 Crores
Income Generated (Pre-tax)	Rs. 159.00 Crores
Income Distributed	Rs. 159.00 Crores (28%)

\* 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

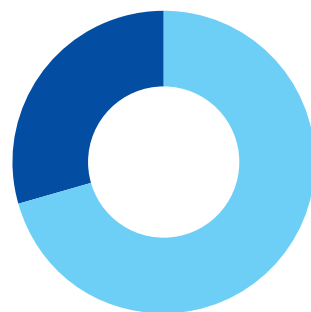
Project	Location	Initial Investment Date	Investment Commitment (Rs. InCr)	Asset Class	Key Tenants
Universal Business Park	Andheri (E), Mumbai	Apr-10	23.80	Commercial	ECI Telecom
E-City Park - 1	Electronic City (Phase I),	Apr-10	60.30	IT/ITeS	CGI
247Park	Vikhroli (W), Mumbai	Jul-10	142.00	Commercial	Future Group, HCC, Siemens, TCSE
Patel Corporate Park	Jogeshwari (W), Mumbai	Mar-11	97.00	Commercial	Pfizer
E-City Park - 2	Electronic City (Phase I), Bengaluru	Mar-12	69.20	IT/ITeS	Terex, RedPrairie, Defiance, Golive Media, Mayfair, British Engines, Sigma
Down Town Center	Erandwane, Pune	April-13	116.00	IT/ITeS	Cummins Group
<b>Total</b>			<b>508.30</b>		

## City-Wise Distribution (In Rs.)



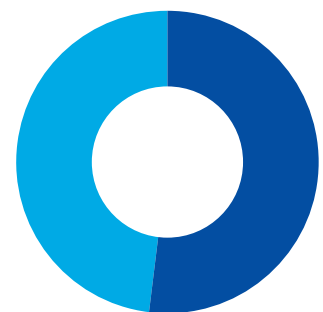
■ Mumbai Metropolitan Region - 51.70%  
■ Bengaluru - 25.50%  
■ Pune - 22.80%

## Sector Wise Distribution (In sq ft)



■ Commercial - 70.70%  
■ IT/ITes - 29.30%

## Sector Wise Distribution (In Rs.)



■ Commercial - 52%  
■ IT/ITes - 48%

## IL&FS-Milestone Fund - II – Project Snapshots



Project : Universal Business Park  
Location: Andheri (E), Mumbai

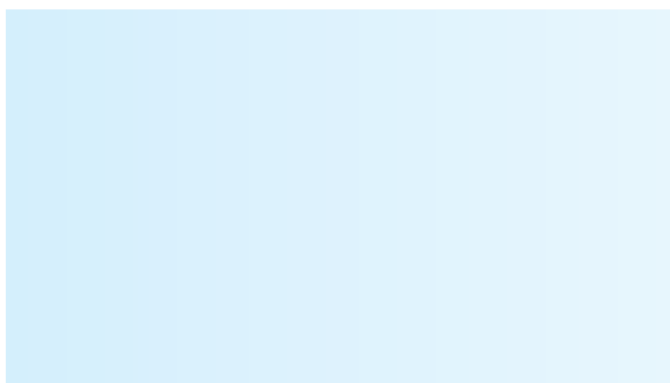
Asset Class	Commerical
Investment Commitment	Rs. 23.80 Crores
Date of Initial Investment	April-2010
Total Leasable Area	19,953 sq ft (5th floor)
Key Tenant(s)	ECI Telecom

\* Fund owns 84.08% stake in the SPV

### Transaction Overview and Investment Rationale

Universal Corporate Park is a Grade-A commercial space located in Mumbai in Andheri (E), a predominantly commercial area with diamond exporting units, IT/ITeS companies (in SEEPZ), TV/film studios and many small/medium enterprises. The international airport is also located in this area. The fund has invested in the 5th floor of the property and this space is fully occupied by ECI Telecom, a leading supplier of networking infrastructure for carrier and service providers worldwide. The property is strategically located and well highlighted on the road.

The lease tenure of the existing tenant (ECI) is expiring in July 2013. Team is actively working towards leasing the entire space.



Project : E-City Park - 1  
Location: Electronic City (Phase I), Bengaluru

Asset Class	IT/ITeS
Investment Commitment	Rs. 60.30 Crores
Date of Initial Investment	April-2010
Total Leasable Area	189,161 sq ft
Key Tenant(s)	CGI

Project : E-City Park - 2  
Location: Electronic City (Phase I), Bengaluru

Asset Class	IT/ITeS
Investment Commitment	Rs. 69.20 Crores
Date of Initial Investment	March-2012
Total Leasable Area	158,000 sq ft
Key Tenant(s)	Terex, RedPrairie, Defiance, British Engines, Mayfair Sigma, Air Push India Pvt. Ltd.

### Transaction Overview and Investment Rationale

E-City Park is located in Electronic City (Phase I), a major IT corridor which houses campuses of IT conglomerates such as Infosys and Wipro. The location provides international quality infrastructure comprising roads, security, power and water supply. The Fund had initially invested in 4 floors of the building amounting to 189,161 sq ft in April 2010. All 4 floors are leased out to CGI, one of the largest IT and business process services company in the world.

The Fund has made an additional investment in E-City Park for 5th to 8th floor. With this acquisition, the entire building is owned by the Fund. The property is leased to the extent of 90% and leasing leads are being evaluated for the balanced vacant area.

## IL&FS-Milestone Fund - II – Project Snapshots



Project : 247Park  
Location : Vikhroli (W), Mumbai

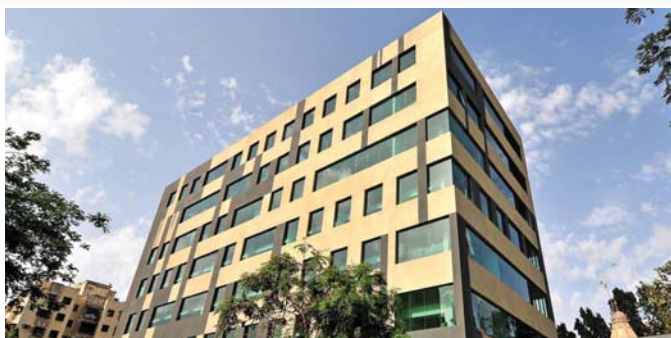
Asset Class	Commercial
Investment Commitment	Rs. 142 Crores
Date of Initial Investment	July-2010
Total Leasable Area	1,117,732 sq ft
Key Tenant(s)	Future Group, Siemens, HCC, TCSE, DHL, Lemiur, Atos

\*Fund owns 36.88% stake in the SPV.

### Transaction Overview and Investment Rationale

247Park was developed by HCC Real Estate, a subsidiary of Hindustan Construction Company, one of India's leading construction and infrastructure companies. The building is one of the best in terms of efficiency, design, facilities and amenities in the suburban micro-markets of Mumbai. The project is located on L.B.S. Marg, situated in Vikhroli (W) which was once a manufacturing hub, but has now turned into a base for IT/ITeS companies due to availability of large floor space. The property is leased out to prominent tenants like Future Group, Siemens, HCC, DHL etc.

The Fund has entered into an LOI with a prospective buyer to sell Fund's interest. Due diligence is currently at an advanced stage.



Project : Patel Corporate Park  
Location : Jogeshwari (W), Mumbai

Asset Class	Commercial
Investment Commitment	Rs. 97.00 Crores
Date of Initial Investment	March-2011
Total Leasable Area	66,000 sq ft
Key Tenant(s)	Pfizer

### Transaction Overview and Investment Rationale

Patel Corporate Park is a premium commercial space located on Patel Estate Road in Jogeshwari (W), Mumbai. Commercial office spaces have grown rapidly in this region led by the services sector. The entire building is leased out to Pfizer, one of the largest research based pharmaceutical companies in the world. This building is unique as it offers its tenants clear floor plates and clear frontage. Additionally, the RCC superstructure of the building is insulated with special materials making the building eco-friendly and energy efficient. In June 2013, the rentals have been escalated by 15% as per the agreement.



Project : Down Town Center (DTC)  
Location : Erandwane, Pune

Asset Class	IT/ITeS
Investment Commitment	Rs. 116.00 Crores
Date of Initial Investment	April-2013
Total Leasable Area	151,000 sq ft
Key Tenant(s)	Cummins Group

### Transaction Overview and Investment Rationale

DTC is part of a 360,000 sq ft mixed use development located in heart of Pune city. The office space of 151,000 sq. ft. is leased to a premium tenant being Cummins Group. The entire 6th, 7th & 8th floors alongwith covered car parking spaces of 141 nos. (free) & 60 nos. (chargeable) is part of the property owned.

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