



Private Equity



MILESTONE
PRIVATE EQUITY

A Yield Driven Real Estate Fund

January - March 2015

IL&FS-Milestone Fund - II

Dear Investors

We are pleased to present the Fund Update for the period ending March 31st 2015 for the IL&FS Milestone Fund II (Fund). The Trustees of the Fund have approved an extension of fund life by one year from 31st March 2015 to 31st March 2016.

The government of India in its annual budget for 2015-2016 highlighted that the country's economy was placed better compared to the rest of the world. This was facilitated by reduced vulnerabilities in terms of economic slowdown, inflation, and currency fluctuations. Moreover, GDP growth in 2014-15 is estimated at 7.4% and growth for 2015-2016 is pegged near 8.1-8.5%. Infrastructure and real estate industry also received a major thrust with the government announcing various plans including implementation of REITs in India. Growth prospects were further enhanced by the Reserve Bank India easing key policy rates by 50 basis points in the first quarter, the first such rate cut in almost two years. (Source – CBRE India)

The commercial assets real estate market was subdued in the first quarter of 2015 as compared to the fourth quarter of 2014. Occupiers were faced with reduced vacancy levels in micro markets thereby committing to under-construction projects particularly in Gurgaon and Bangalore. Among the Tier-I cities, Mumbai led the transaction scene at 26% followed by NCR (20%), Bangalore (18%) and Pune (18%). (Source – CBRE India)

Strong demand for office space was felt in Gurgaon, which had a 68% of market share in National Capital Region (NCR). The Central and South Business Districts of Delhi experienced a slow start with locations such as Saket, Jasola & Aerocity finding majority of transactions closures for small sized spaces (2500-3500sq.ft). On the supply side, close to a million square feet of development completions were reported near NH-8, Sector 8, and Golf Course Extension. Vacancy rates marginally increased q-o-q while rental values remained stable during the quarter. (Source – CBRE India)

Office space absorption in Mumbai recorded a 44% increase q-o-q, with commercial leasing activity picking up in the business district of Lower Parel, Bandra Kurla Complex (BKC), Andheri, Powai and Vikhroli. Demand was largely driven by corporates from sectors such as e-commerce, IT/ITES and pharmaceuticals with IT space accounting for more than 50% of the total space transacted during the quarter. While the vacancy levels declined marginally to 20-21%, the rental values have remained stable across all locations. (Source – CBRE India)

Bangalore saw significant pre-commitment from e-retailers and IT majors, with them showing higher interest in locations like Sarjapur-Outer Ring Road. However, Whitefield and Electronic City observed a slowdown in transaction activity. On the whole, Bangalore observed a rental appreciation of 5-6% in the non-IT/ITes segment while SEZ witnessed a 3-4% appreciation. (Source – CBRE India)

IL&FS Milestone Fund II is fully committed and invested across 6 investments in the commercial and the IT Park space across India.

The Fund team is focusing on both leasing as well as exiting from the investments.

We thank you for your continued support.

Regards

Alok Aggarwal
Managing Partner & CEO – Real Estate

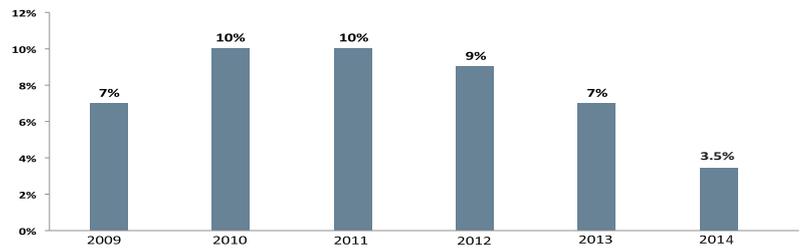
Fund Summary

Fund Status as on March 31, 2015

Fund Received	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. 488.30 Crores
Income Generated (Pre-tax)	Rs. 207.46 Crores
Total Exit Amount	Rs. 207.46 Crores (36.40%)

* Includes the corpus of co-investment vehicles.

Yield Distributed*

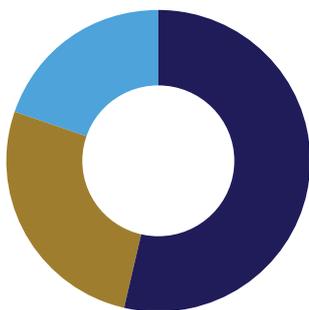


* Pre-Tax Annualised Yield distributed
Current year yield on quarterly payout basis

Investment Summary as on March 31, 2015

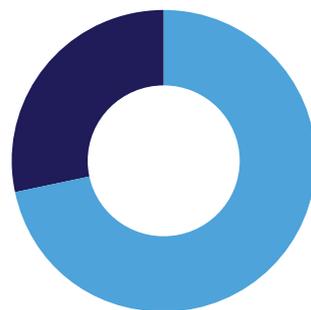
Project	Location	Initial Investment Date	Investment Commitment (Rs. In Cr)	Asset Class	Key Tenants
Universal Business Park	Andheri (E), Mumbai	Apr-10	23.80	Commercial	Vacant
E-City Park - II	Electronic City (Phase I),	Apr-10	60.30	IT/ITeS	CGI
247Park	Vikhroli (W), Mumbai	Jul-10	142.00	Commercial	Future Group, HCC, Siemens, DHL, TAM Media
Patel Corporate Park	Jogeshwari (W), Mumbai	Mar-11	97.00	Commercial	Pfizer
E-City Park - II	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	96.00	IT/ITeS	GSG Telecom, Walter Moore, Acellere
Total			488.30		

City-Wise Distribution (In Rs.)



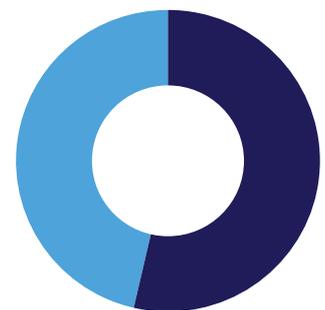
■ Mumbai Metropolitan Region - 53.80%
■ Bengaluru - 26.50%
■ Pune - 19.70%

Sector Wise Distribution (In sq ft)



■ Commercial - 71.91%
■ IT/ITes - 28.09%

Sector Wise Distribution (In Rs.)



■ Commercial - 53.80%
■ IT/ITes - 46.20%

IL&FS-Milestone Fund - II – Project Snapshots



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

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

*Fund owns 84.08% stake in the SPV.

Transaction Overview and Investment Rationale

Universal Corporate Park is 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. This particular micro-market in Mumbai has been witnessing significant slow-down in leasing activity.

The property is currently vacant. However, the Fund team is focusing on selling it to an end-user and has intensified its efforts in this direction.



Project : E-City Park - II
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 - II
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, Golive Media, Mayfair, Sigma, British Engines

Transaction Overview and Investment Rationale

E-City Park-II 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-II for 5th to 8th floor. With this acquisition, the entire building is owned by the Fund. The Fund team leased 11,392 sq ft to Sungard Availability Services Pvt Ltd. in January 2015. With this, the property is currently ~95% leased. A few other leasing leads are being evaluated for leasing out the vacant area of around 19,000 sq ft. Simultaneously, the Fund team is in early stages of discussions with a couple of potential buyers for exiting from the property.

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, TAM Media, DHL

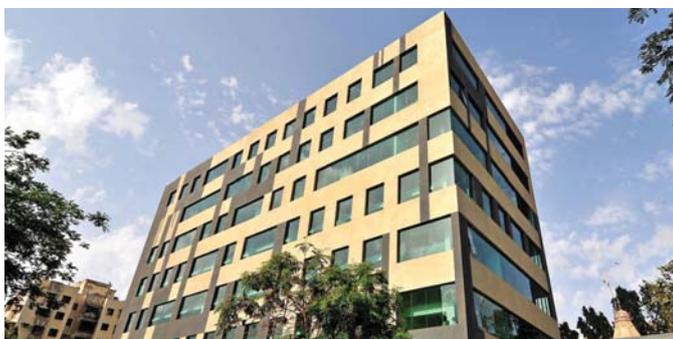
*Fund owns 36.88% stake in the SPV.

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 development is a Gold rated green building. It 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, Tam Media etc.

The property is currently 91% leased (c. 10,35,000 sq ft). The Fund team is also in discussions with an existing tenant for additional leasing of about 18,000 sq ft out of total vacant space of c. 106,000 sq ft

The Fund team is in discussions with a potential institutional buyer for exiting from the property and expects to achieve a closure soon.



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.

The tenant may vacate the premises post expiry of the lock-in. The Fund team has been actively discussing the same with the tenant and it also has intensified efforts to find a replacement in case there is a vacancy. Simultaneously, the team is also evaluating to exit from the asset and has done several site visits with prospective buyers. However, it is yet to receive any attractive valuation from any of the prospective buyers.

IL&FS-Milestone Fund - II – Project Snapshots



Project : Down Town Center (DTC)

Location: Erandwane, Pune

Asset Class	IT/ITeS
Investment Commitment	Rs. 96.00 Crores
Date of Initial Investment	April-2013
Total Leasable Area	123,000 sq ft
Key Tenant(s)	GSG Telecom, Walter Moore, Acellere

Transaction Overview and Investment Rationale

DTC is part of a 360,000 sq ft mixed use development located in heart of Pune city. Of the total leasable area of c. 123,000 sq. ft., c. 53,000 sq. ft. (~43.5%) has been occupied by tenants. In the last quarter the Fund team leased 7,322 sq. ft. of additional area to GSG and 3,285 sq. ft. of cafeteria area to Supriya Caterers. The Fund team is actively pursuing with various intermediaries including local brokers to lease out the vacant space in the property.

During the quarter a couple of other site-visits have happened from new prospective tenants which are expected to materialize soon. The Fund team has been on a lookout for exiting from the investment while at the same time keeping its efforts up to lease out the property so as to maximize the returns from this investment.



602, Hallmark Business Plaza, Sant Dnyaneshwar Marg, Opp. Guru Nanak Hospital,
Bandra (East), Mumbai - 400051. India.
email: info@milestonecapital.in, website: www.ilfsmilestone.com