

A Yield Driven Real Estate Fund

July-Sept 2013

IL&FS-Milestone Fund - II

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 II (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 II 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 which includes 247Park in Mumbai.

We thank you for your continued support.

IL&FS Milestone Realty Advisors Pvt. Ltd.

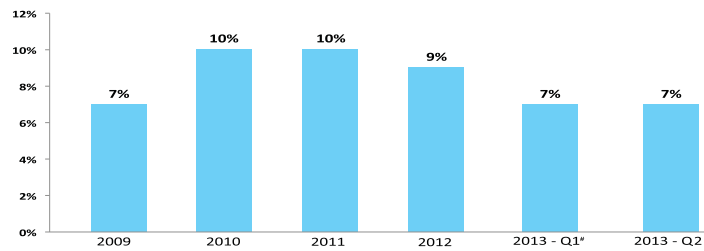
Fund Summary

Fund Status as on September 30, 2013

Total Corpus	Rs. 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. 169.00 Crores
Income Distributed	Rs. 169.00 Crores (30%)

* 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

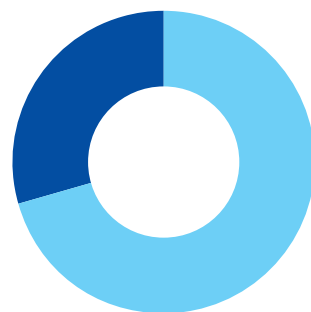
Project	Location	Initial Investment Date	Investment Commitment (Rs. In Cr)	Asset Class	Key Tenants
Universal Business Park	Andheri (E), Mumbai	Apr-10	23.80	Commercial	Vacant
E-City Park - 1	Electronic City (Phase I),	Apr-10	60.30	IT/ITeS	CGI
247Park	Vikhroli (W), Mumbai	Jul-10	142.00	Commercial	Future 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
Total			508.30		

City-Wise Distribution (In Rs.)



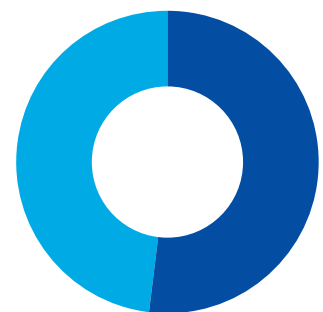
■ Mumbai Metropolitan Region - 51.70%
■ Bengaluru - 25.50%
■ Pune - 22.80%

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

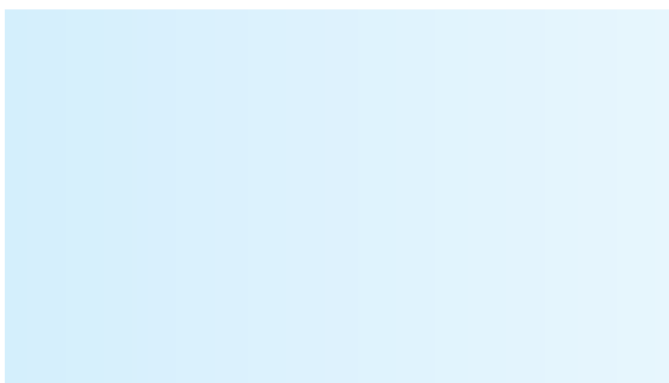
Asset Class	Commercial
Investment Commitment	Rs. 23.80 Crores
Date of Initial Investment	April-2010
Total Leasable Area	19,953 sq ft (5th floor)
Key Tenant(s)	Vacant

* Fund owns 84.08% stake in the SPV

Transaction Overview and Investment Rationale

Universal Corporate Park is 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. Like most of other office locations in Mumbai, this particular micro market is witnessing significant slow-down in leasing. With rising vacancy levels, there is serious downward pressure on the rentals.

Currently the premises is vacant and the 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

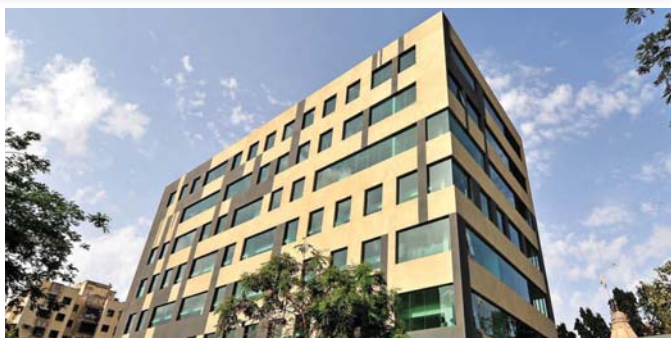
Asset Class	Commercial
Investment Commitment	Rs. 142 Crores
Date of Initial Investment	July-2010
Total Leasable Area	1,117,732 sq ft
Key Tenant(s)	Future Group, Siemens, HCC, TCSE, DHL, Lemiur, Atos

*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.



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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