



Private Equity



MILESTONE
PRIVATE EQUITY

A Yield Driven Real Estate Fund

October - December 2014

IL&FS-Milestone Fund - II

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 II (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 II is fully committed and invested across 6 investments in the commercial and the IT Park space across India.

The team is actively pursuing the leads on leasing and exits for a number of its investments and expects the divestments to start in near future.

We thank you for your continued support.

Regards

Alok Aggarwal
Managing Partner & CEO – Real Estate

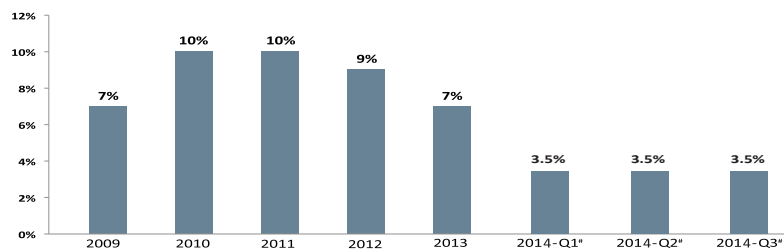
Fund Summary

Fund Status as on December 31, 2014

Fund Received	Rs. 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. 202.48 Crores
Total Exit Amount	Rs. 202.48 Crores (35.52%)

* Includes the corpus of co-investment vehicles.

Yield Distributed*

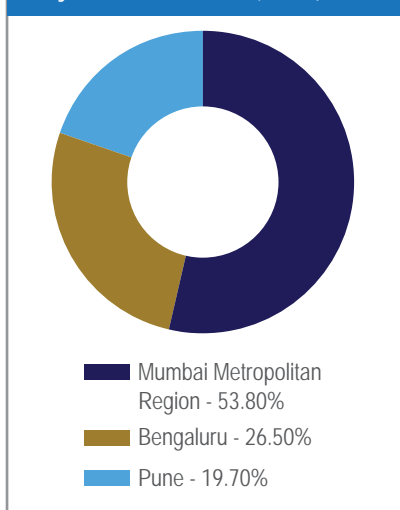


* Pre-Tax Annualised Yield distributed
Current year yield on quarterly payout basis

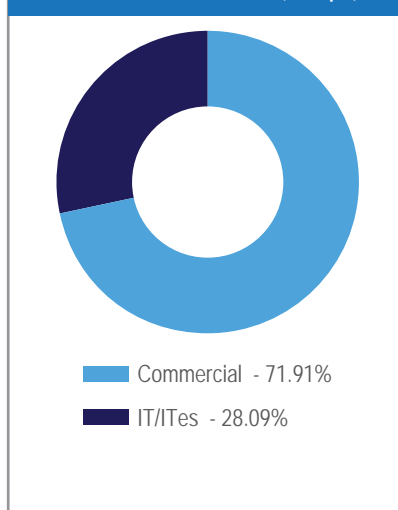
Investment Summary as on December 31, 2014

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, TCSE
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		

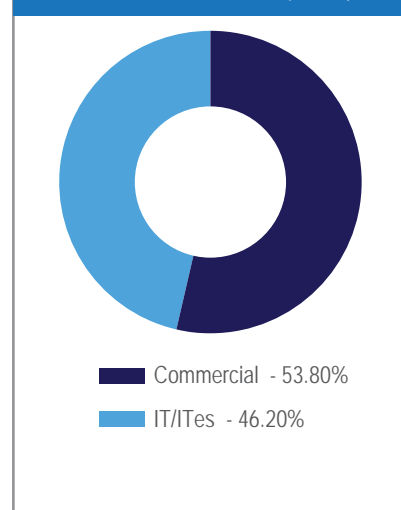
City-Wise Distribution (In Rs.)



Sector Wise Distribution (In sq ft)



Sector Wise Distribution (In Rs.)



IL&FS-Milestone Fund - II – Project Snapshots



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

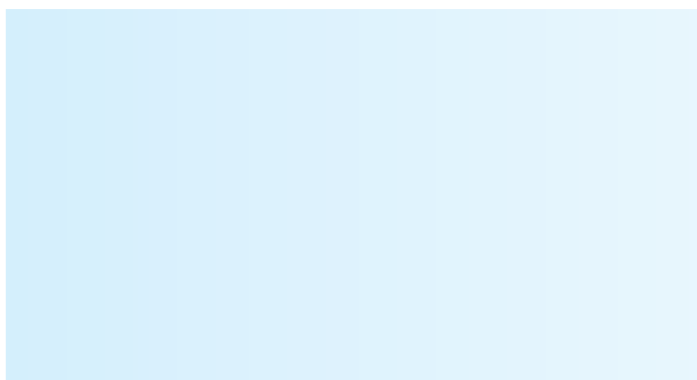
Asset Class	Commercial
Investment Commitment	Rs. 23.80 Crores*
Date of Initial Investment	April-2010
Total Leasable Area	19,953 sq ft (5th floor)
Key Tenant(s)	Vacant

*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. 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 are vacant. The team has intensified its efforts to lease the property or sell it to an end user.



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.

In March 2012, the Fund 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 property is leased to the extent of 91%. Leasing for additional space of around 11,000 sq ft is in discussions with a new prospect tenant. Also other leasing leads are being evaluated for the vacant area of around 32,000 sq ft. The Fund 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

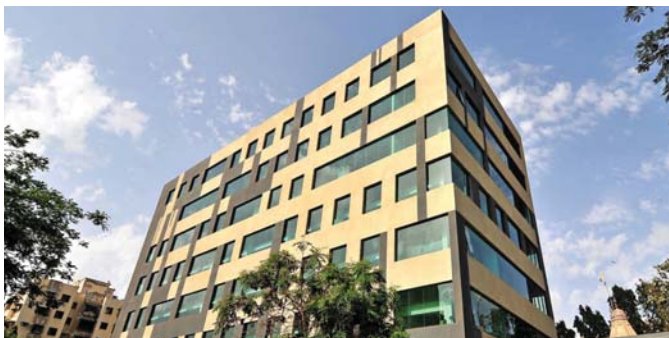
*Fund owns 36.88% stake in the SPV.

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 manufacturing company which had signed up to lease 52,000 sq ft area, has now decided against moving into this multi-tenanted building and is not going ahead with the transaction. The occupancy level continues to hover around 91%. The fund has initiated talks with several potential tenants for further leasing and is focussing on maximising rentals, thereby increasing the value for the investors.

The fund is also in discussions with various potential institutional buyers 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 has been actively discussing the same with the tenant and it also intensified efforts to find a replacement in case there is a vacancy. Simultaneously, the Fund is 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 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. The office space of 123,000 sq. ft. had been vacated by the original tenant of which, around 42,500 sq. ft. (~34%) has been occupied by the new tenants. The Fund team is actively pursuing with various intermediaries to lease out the vacant space.

During the quarter there have been multiple site visits by prospective tenants and some of which are expected to materialize in the coming quarter. The Fund team is focussing on increasing the occupancy while achieving desired level of lease rentals to maximise value in 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