



## A Yield Driven Real Estate Fund

October - December 2015

## IL&amp;FS-Milestone Fund - II

Dear Investors

We are pleased to present the Fund Update for the period ending December 31st 2015 for the IL&FS Milestone Fund II (Fund).

Year 2015 brought positive changes and improved sentiments for the Indian economic scenario. The Gross Domestic Product (GDP) for three month period ending September 2015 reached 7.4% compared to the earlier estimate of 7%. The Reserve Bank of India (RBI) has kept the FY2016 GDP forecasts unchanged at 7.4%. The primary contributors to this growth were increased industrial and manufacturing activity, services and transport sectors. Increased focus on infrastructure investments by government has further supported this growth.

In a move to boost the economic activity in the country, RBI has cut the base rates by 125 basis points in 2015. However, the full impact of this monetary easing is yet to be transferred by the banking system. Regarding the real estate sector, the central government has taken measures to improve the transparency and regulations by passing the amended Real Estate Regulatory Authority (RERA) bill. The Foreign Direct Investment (FDI) norms have also been relaxed to improve the investment inflows to the sector.

The commercial space take-up in October - December 2015 period was more than 12 million sq ft (an increase of 26% quarter-on-quarter). This growth in absorption was led by Bangalore, accounting for almost 44% of the total leasing activity in the top seven cities. On an annual basis, the office space take-up reached more than 38 million sq ft (an increase of 18%). Except Kolkata, all major cities witnessed a growth in occupiers' interest in the last year. The transaction activity was driven primarily by IT/ITES firms constituting about 58% of the entire transaction activity reported in Q42015. Demand from e-commerce companies for office space was concentrated in Bangalore and Gurgaon, whereas the banking and financial services preferred Mumbai, Chennai and Bangalore. (Source – CBRE India)

IL&FS Milestone Fund II is fully committed and invested across 6 investments (1 exited) in the commercial and the IT Park space across India.

In the last quarter, the Fund team initiated exit process for Universal Business Park (UBP), Andheri. Of the total 9 units in the property, the team has completed sale for 7 units and expects to finish the sale for remaining 2 units in February 2016. The exit proceeds will be distributed to investors post completion of the sale. Simultaneously, the team is in advance stages of due-diligence and discussions for sale of Electronic City Tower II, Bangalore.

The fund team is also pursuing leads for exiting from the remaining investments.

We thank you for your continued support.

Regards

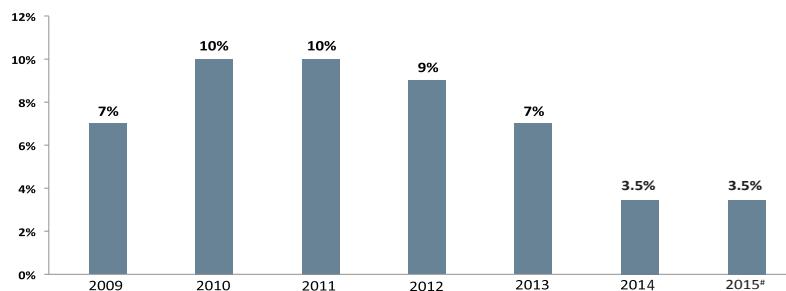
Sandeep Chadha  
Senior Principal – Real Estate Investments

# Fund Summary

## Fund Status as on December 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
Capital Redeemed	Rs. 210.81 Crores
Income Generated (Pre-tax)	Rs. 337.63 Crores
Total Exit Amount	Rs. 548.45 Crores (96.22%)
Outstanding Capital	Rs. 359.19 Crores
Outstanding Capital Commitment	Rs. 346.30 Crores

## Yield Distributed\*

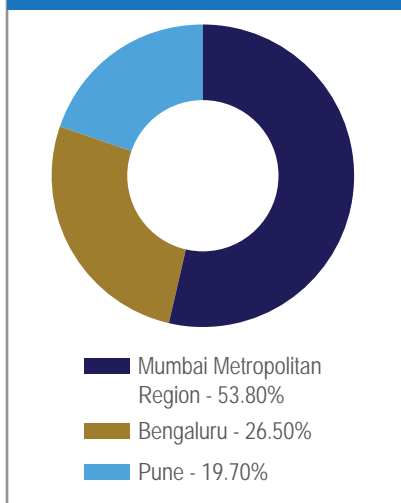


\* Pre-Tax Annualised Yield distributed  
# Current year yield on quarterly payout basis

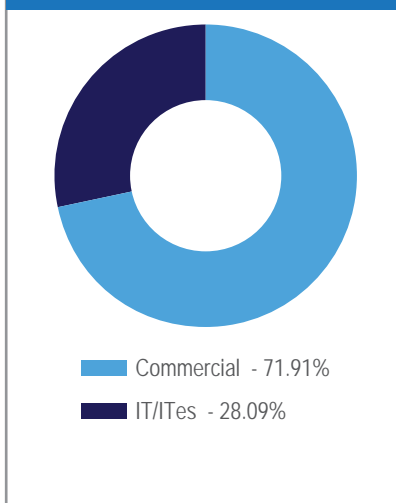
## Investment Summary as on December 31, 2015

Project	Location	Investment Date	Investment Commitment (Rs. In Cr)	Asset Class	Key Tenants
<b>Exited</b>					
247Park	Vikhroli (W), Mumbai	Jul-10	142.00	Commercial	Future Group, HCC, Siemens, DHL, TAM Media
<b>Active Investments</b>					
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
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, Defiance, Airpush, Mayfair, British Engines, Sigma
Down Town Center	Erandwane, Pune	April-13	96.00	IT/ITeS	GSG Telecom, Walter Moore, Acellere, R Systems, Allygrow
<b>Total (Active Investments)</b>			<b>488.30</b>		

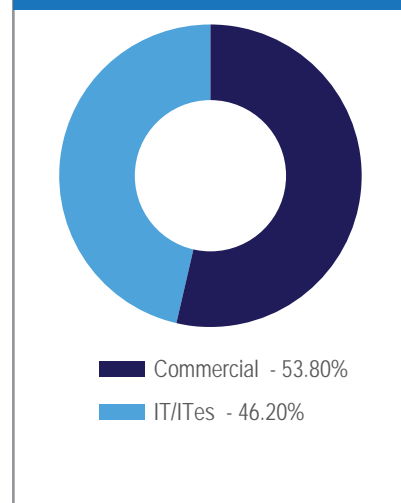
## City-Wise Distribution (In Rs.)



## 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**

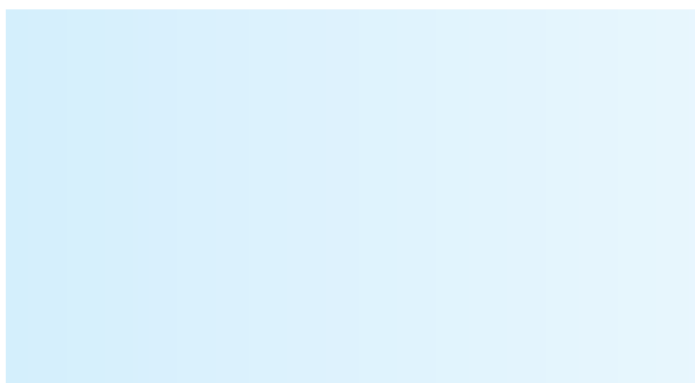
Asset Class	Commercial
Investment Commitment	Rs. 23.80 Crores*
Date of Initial Investment	April -2010
Total Leasable Area	19,953 sq ft (5th floor)
Key Tenant(s)	Vacant

\*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. This particular micro-market in Mumbai has witnessed significant slow-down in leasing activity.

The Fund team has signed definitive agreements for sale of 7 out of 9 units in the property. Sale of the remaining 2 units is currently under process and is expected to complete in February 2016. The Fund will be distributing exit proceeds soon after the completion of the transaction. On this investment, the fund shall be incurring Capital loss. However, the impact of it on the overall portfolio will be minimal since this investment constitutes a very small portion (~4%) of the overall portfolio.



**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, Defiance, Airpush, 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 also made an additional investment in E-City Park-II for 5th to 8th floor amounting to 156,496 sq ft area in March 2012. With this acquisition, the entire building is owned by the Fund.

The property currently stands 100% leased with multiple large MNC tenants. The Fund team is also in advance stages of due-diligence with a potential HNI buyer for exiting from the property. The team expects to conclude the exit from this property before the end of current quarter.

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



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

Asset Class	Commercial
Investment Commitment	Rs. 142.00 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

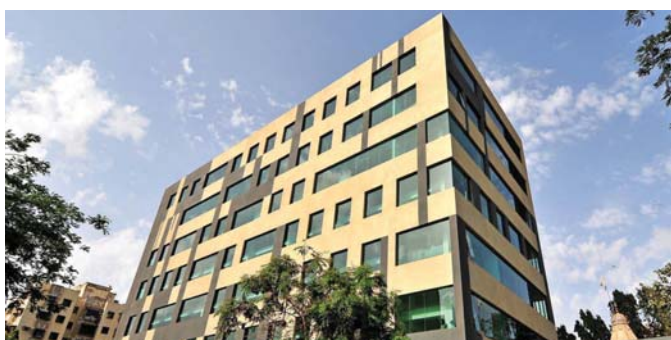
\*Fund owns 36.88% stake in the SPV.

### Transaction Overview and Investment Rationale

The Fund has successfully exited from its investment in 247Park Building at Vikhroli, Mumbai - A Gold rated green building developed by HCC Real Estate. The exit was concluded by selling the Fund's stake in Vikhroli Corporate Park Private Limited (VCPPL) to one of India's largest foreign institutional investors. This exit was one of the largest exits concluded by a private equity fund in Commercial Real Estate market in India. The proceeds from this exit have been distributed to the investors in the previous quarter.

The Fund had held back a portion of the exit proceed towards Indemnity to Buyer (Rs 5.06 Crores which would be distributed to the Investors post March 31, 2016 net of such claims and expenses, if any. Till 31st December 2015, the Fund has not received any such claims and therefore continues to hold this amount with it.

Additionally, as per the terms of the Sale Agreement, there is a performance linked payout which will be paid by the Buyer on achieving certain milestones in a defined time period. The due process for the same has already been initiated.



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.

Pfizer, which was occupying the entire area of the property, has moved out of the premises and the property will be available for leasing to new tenants from February 2016. The Fund team has been actively pursuing leads with potential tenants to fill the vacancy. However, due to subdued micro-market conditions, new leases are expected to happen at discounted rentals as compared to the current one. This correction will translate into some depreciation in the value of this investment as well. The team is actively looking for prospective buyers to sell the property but in absence of an existing tenant, the exit is likely to happen by or before October 2016.

## 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

Down Town Center (DTC) is a 360,000 sq ft mixed use development located in Erandwane at the heart of the up-market commercial hubs of Pune. The property has floor plate of c.41,000 sq ft in area and contains amenities and fixtures best suited for IT/ITeS operations. The Fund has invested in 5th, 6th and 7th floor of the property.

The property is currently 100% occupied. In the year 2015, the fund team was able to draw significant leasing traction in this property and increase the occupancy from 34% to 100%. The team is looking for potential buyers for this property and evaluating options of doing strata-sale to attract smaller investors as well. The exit from this property is expected to happen by Jun 2016.



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