

Dear Investors

IL&FS – Milestone family wishes you a happy and prosperous new year. We are pleased to present the Fund Update for the period ending December 31st 2013 for the IL&FS Milestone Fund Core Plus Retail Fund LLC (Fund).

During this quarter, the Indian stock market soared to a record high matching the levels last seen in early 2008. Amidst early volatility, Indian Rupee sharply gained against the U.S. dollar, finally stabilizing at early 60 levels. The sentiments improved further with the results of the elections favoring the main opposition Bharatiya Janata Party (BJP). The 2014 general elections are crucial for India from an economic viewpoint and going by the pre-poll surveys and sentiments, the results are expected to be favourable for the overall economic situation. At the Mid-Quarter Monetary Policy Review held in December, the RBI decided to keep key rates unchanged.

India has seen an increase in the investments of real estate sector, predominantly in the commercial realty space, in the first three quarters of the calendar year 2013. This increase can be mainly attributed to the investments made from private equity firms keeping in mind with the possibility of Indian Real Estate Investment Trust (REITs) taking off. Indian core commercial assets are yielding comparatively high rentals among emerging markets which has led to large global as well as domestic investment firms being attracted to invest in the large office space segment. A total of 38.4 million sq ft of office space is expected to become operational in the near future. In Q2 2013, 32 office projects encompassing 10.0 million sq ft of office space commenced operation, taking India's total operational stock to 359.0 million sq ft. Twelve IT projects, Eight Special Economic Zones (SEZs) and Twelve Non-IT projects become operational with a moderate occupancy rate.

Net absorption rate of commercial office space in India was 7.8 million sq ft in the second quarter of 2013 as compared to 5.2 million sq ft in the previous quarter. With Mumbai emerging as a leading contributor to the country's net absorption in Q2 2013, Bangalore also saw a stronger office demand, where as Pune and Kolkata witnessed a revival of demand.

Commercial office space vacancy rates across the country rose by 10 bps q-o-q to 18.2% in Q2 2013. Vacancy rates in Mumbai and NCR-Delhi remained above 22% in the quarter, while those in Bangalore and Hyderabad continue to witness low rates respectively, due to a lack of supply over the past few quarters. Vacancy rates are expected to remain modest across all markets in the near future due to the expected influx of supply

The Fund is actively pursuing the exit process. A prospective buyer has been carrying out due diligence which is at an advanced stage.

We thank you for your continued support.

Regards,

**IL&FS Milestone Core Plus Retail Fund LLC**

Source: Jones Lang LaSalle (JLL)



## FUND SUMMARY AS ON DECEMBER 31, 2013

Total Fund Size	US\$ 73.29 mn
Final Closing Date	19th December 2011
Term	5 years + 1 year + 1 year
No. of Investments	1
Amount Drawn till Date	US\$ 22.00mn
Amount Invested*	US\$ 16.83 mn
Income Distributed	US\$ 2.25 mn (3%)

\* Fund owns 19.5% in SPV stake

## 247Park, Mumbai



### Overview

HCC 247Park is located on Lal Bahadur Shastri Road (LBS Road) in Kanjurmarg, Vikhroli, Mumbai. It has a mix of commercial office space and retail spaces. The total leasable area in the building is 1.1 mn sq. ft. IL&FS Milestone Fund II has invested in the building in July 2010.

### Configuration

Total leasable area	1.1 mn sq. ft.
Development mix	Commercial development support retail and other amenities
Total no of buildings	3

### Site & Location

HCC 247Park is located in Vikhroli, Mumbai. It comes under the Secondary Business District (West) commercial micro market of Mumbai. Earlier home to large industrial establishments like Crompton Greaves, Kanjurmarg is fast developing into a business district. Some of the major corporate campuses in Kanjurmarg include One World and Lodha iThink. Kanjurmarg also has residential complexes, top among them being Mahindra Lifespaces Great Eastern Gardens, Gundecha Heights and Altura, Royal Park and Lodha Aurum and Lodha Aurum Grande. The upcoming 5 star Radisson Hotel at the corner of JVLR (Jogeshwari Vikhroli Link Road) and the LBS (Lal Bahadur Shastri) road, set to open in 2013, is one of the most prominent of city wide developments.

### Connecting arterial roads

HCC 247Park is located on LBS road. The JVLR is about 550 m away.

### Access to public and hired transport

The subject building is well connected by means of rail and road. The nearest suburban railway station is at Kanjurmarg, on the Central Railway. The Vikhroli station is also nearby. The Brihanmumbai Electric Supply & Transport Undertaking (BEST) buses, taxis and autorickshaws are available for road transport. The nearest BEST bus stop is at Gandhi Market, at a distance of 650 m.

### Location

Address	On LBS Road, Vikhroli, Mumbai
Business District	SBD
Proximity to CBD	30 km
Proximity to airport	15 km
Prox. to Suburban railway station	0.5 km
Prox. to Central railway station	10 km
Developers	Hindustan Construction Company (HCC)

Source: Knight Frank Research

## Project Details

247Park was developed by HCC Real Estate, a wholly owned subsidiary of Hindustan Construction Company (HCC). India's largest standalone Leadership in Energy and Environmental Design (LEED) certified Gold rated building. The property is very efficiently designed with very high end building management systems, allowing for very efficient common area maintenance & low maintenance costs. The building houses commercial office spaces, retail outlets, a food court, gymnasium and a business center. In addition to this there are 1,200 car parkings at the basement and podium levels and 108 two wheeler parkings across 2 podium levels.

## Tenant Profile

247Park is a multi-tenanted Information Technology/Information Technology Enabled Services property. The total leasable area in the building is 1.1 mn sq ft out of which 90% plus has been fully leased to Grade-A tenants like Future Group, Atos, HCC, Siemens, DHL, Tata Consultancy Engineering etc. Though the average rentals from the property are in the range of INR 65 psf (per square feet) per month to INR 70 psf per month, the rentals have witnessed an upward trend.

## Way Forward

The Fund is trying to leased out the vacant space of 92,000 sq. ft. and is negotiating with several prospective occupiers. The Fund has entered into an Letter of Intent (LOI) with a prospective buyer to sell Fund's interest.

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### Indian Investment Advisor Address

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