



July - September, 2013



MILESTONE DOMESTIC SCHEME - II

Dear Investors

Greetings!

Please find enclosed the Investors Update for Milestone Domestic Scheme – II (the “Fund”) for the quarter ended September 30, 2013.

Indian economy has slowed down considerably with key economic indicators like current account deficit and consumer inflation remaining above the comfort level of the RBI. As a result, RBI raised the repo rate by 25 basis points in the current quarter indicating tightening liquidity scenario for the near term. The real estate sector continues to be impacted from both the weakening growth and funding crunch.

In a significant move, RBI also curtailed developers from launching projects under the popular 80:20 schemes and advised banks that disbursement of loans should be closely linked to construction and banks should not disburse 95% to 100% upfront. Hence developers have started offering freebies to revive demand and improve sales in their projects.

Mumbai real estate market has witnessed slow sales on account of high prices leading to affordability issues, as well as expectations of price reduction in the near term.

Bangalore and Chennai continue to maintain high absorption rates on account of emergence of peripheral markets due to right product and affordable price points. Both markets are expected to witness new project launches and hence the inventories in these two cities may remain steady.

During this quarter, the Fund has signed and completed exit from Thiruvanmiyur (Chennai) project, and concluded partial exits from Prakriti (Kolkata), Insignia (Mumbai), Belfort (Pondicherry) and Neptune (Kalyan) projects. We have also received full exit proceeds from Thiruvanmiyur exit. We continue to monitor the projects during this difficult macroeconomic environment and focus on managing exits from the portfolio over the course of next 6-12 months.

During this quarter, the Fund had distributed income & exit proceeds to investors amounting to Rs.62.64 crores. The Fund has recently also distributed additional Rs. 37.84 crores, received from various portfolio companies.

We thank you for your continued support.

Regards,

Board of Directors

Milestone Domestic Scheme II

FUND SUMMARY AS ON SEPTEMBER 30, 2013

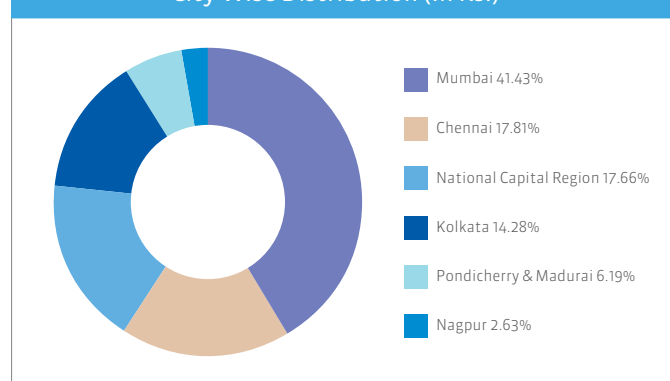
| | |
|----------------------------|---------------------------|
| Total Fund Size | Rs. 425 Crores |
| Final Closing Date | 30th November, 2008 |
| Term | 4 years + 1 year + 1 year |
| No. of Investments | 13 |
| Committed Amount | Rs. 322.85 Crores |
| Capital Divested | Rs. 139.07 Crores (33%) |
| Income Generated (Pre-tax) | Rs. 76.99 Crores |
| Total Exit Amount | Rs. 216.05 Crores (51%) |

INVESTMENT SUMMARY AS ON SEPTEMBER 30, 2013

Rs in Crore

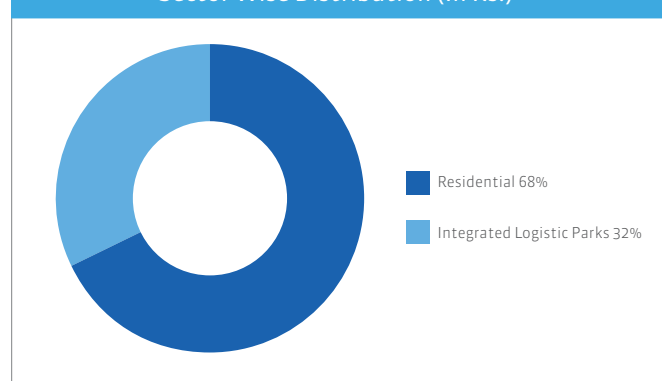
| No. | Project | Location | Partner | Initial Investment Date | Fund's Commitment |
|-----|------------------|----------------------|-----------------------|-------------------------|-------------------|
| 1 | Horizon | Shivaji Park, Mumbai | Richa Realtors | Jun 10 | 25.00 |
| 2 | Sunder Nagar | Kalina, Mumbai | Richa Realtors | Oct 10 | 25.00 |
| 3 | ACORN Warehouses | NCR | Milestone | Jun 08 | 57.00 |
| 4 | ACORN Warehouses | Bhiwandi | Rudrapratap Developer | Jun 09 | 42.00 |
| 5 | Prakriti | Kolkata | Godrej | Aug 09 | 46.10 |
| 6 | Insignia | Mumbai | Dheeraj Realty | Feb 10 | 20.00 |
| 7 | Belfort | Pondicherry | Pelican | Jul 10 | 20.00 |
| 8 | Various | Chennai | Ramaniyam | Various | 57.50 |
| 9 | Swarajya | Mumbai | Neptune Group | May 11 | 21.75 |
| 10 | Assa House II | Nagpur | Milestone | Oct 11 | 8.50 |

City-Wise Distribution (In Rs.)



Shown above is the city-wise distribution (in Rs.) of the various projects in the portfolio

Sector Wise Distribution (In Rs.)



Shown above is the sector-wise distribution (in Rs.) of the various projects in the portfolio

Milestone Domestic Scheme II

| PORTFOLIO EXIT DETAILS AS ON SEPTEMBER 30, 2013 | | | | | | | RS. CRORE | |
|---|-----------------------------------|--------------------------|--------------------|------------------|------------------|---|--------------|--------------------|
| No. | Project | Location | Capital Commitment | Capital Invested | Capital Divested | Income Generated (Pre Tax, Pre expenses) | Total Exit | % Capital Divested |
| | | | | (A) | (B) | (C) | (B+C) | (B/A) |
| 1 | Horizon, Shivaji Park | Mumbai | 50.0 | 50.0 | 50.0 | 22.9 | 72.9 | 100.0% |
| 2 | Sundernagar, Kalina | Mumbai | | | | | | |
| 3 | ACORN Warehouse & Logistics Parks | Dharuhera, NCR | 57.0 | 53.00 | - | - | - | - |
| 4 | ACORN Warehouse & Logistics Parks | Bhiwandi, Mumbai | 42.0 | 40.8 | - | - | - | - |
| 5 | Prakriti (Godrej) | Sodepur, Kolkata | 46.1 | 46.1 | 18.0 | 15.0 | 33.1 | 39.1% |
| 6 | Insignia (Dheeraj) | Kalina, Mumbai | 20.0 | 20.0 | 13.3 | 11.9 | 25.2 | 66.7% |
| 7 | Belfort | Pondicherry | 20.0 | 20.0 | 7.9 | 13.2 | 21.1 | 39.4% |
| 8 | Marvel I | Velachery, Chennai | 9.0 | 9.0 | 5.9 | 0.04 | 5.9 | 65.0% |
| 9 | Kattima | Thoraipakkam, | 2.0 | 2.0 | - | - | - | - |
| 10 | Ramaniyam (4 Projects) | Chennai | 34.5 | 34.5 | 24.5 | 7.3 | 31.8 | 71.0% |
| 11 | Pushkar II (Salaam Towers) | Shollinganallur, Chennai | 12.0 | 12.0 | - | - | - | - |
| 12 | Swarajya (Neptune) | Ambivali, Kalyan, Mumbai | 21.8 | 21.8 | 19.5 | 6.6 | 26.1 | 89.8% |
| 13 | Assa House II | Kingsway, Nagpur | 8.5 | 8.5 | - | - | - | - |
| Total | | | 322.9 | 317.6 | 139.1 | 77.0 | 216.1 | |

ACORN Warehouses and Logistics Parks, NCR



| Location | Dharuhera, NCR |
|----------------------------|--------------------------------|
| Partner | Milestone Group |
| Asset Class | Integrated Logistic Park |
| Committed Amount | Rs. 57.00 Crores |
| Disbursed Amount | Rs. 53.00 Crores |
| Date of Initial Investment | June 2008 |
| Project Stage | Construction and Sales/Leasing |
| Land Area | 22.08 Acres |
| Total Saleable Area | 5,50,000 sq ft (approximately) |
| Approval Status | Few approvals pending |
| Construction Status | In Progress |
| Sales Status | In Progress |

Transaction Overview and Investment Rationale

The Fund has invested in a warehousing facility in Dharuhera, in the National Capital Region.

The economic growth in the country and increased industrialisation has led to increased demand for warehousing facilities.

Dharuhera is evolving from an agrarian economy to an industrial one due to its close proximity to New Delhi and Indira Gandhi International Airport and hence demand for warehouses is expected in the region.

Project Plan

The overall project plan is to jointly develop 1.65 mn sq ft of brand new, flexible, modern, state-of-the-art, industry neutral, general purpose warehousing units in Dharuhera. The units are proposed to be developed with full pre-engineered super structures (PEB) which will be part of an existing big warehousing complex.

Current Status and Recent Developments

Till date 3 PEB Blocks (W5, W6 and W7) totaling to 360,000 sq ft of Built up Area have been constructed, amounting to 432,000 sq ft leasable area. Additionally, 3 RCC Blocks (B, C and D) totaling to 121,000 sq ft of Built up Area are under construction. Out of these, Blocks B and C have been completed up to the warm shell condition and are ready for occupation.

We have signed 2 new leases of approximately 55,000 sq ft in this quarter. There by, 100% of PEB space is leased.

Efforts are on for leasing of RCC with 5 to 6 potential tenants like Brattle Food (extension), Kuhne-Nagel, Capsugel, OCI Express, TCI. Rentals are now averaging Rs. 15 per sq ft

Way Forward and Exit Strategy

The Fund is exploring the option of selling the entire project on an "As Is Where Is" basis. Several potential buyers have shown interest and the Fund is in discussion with them.

ACORN Warehouses and Logistics Parks, Mumbai



*Actual Photograph

| Location | Bhiwandi, Mumbai |
|----------------------------|--------------------------------------|
| Partner | Rudrapratap Developers |
| Asset Class | Integrated Logistic Park |
| Committed Amount | Rs. 42.00 Crores |
| Disbursed Amount | Rs. 40.76 Crores |
| Date of Initial Investment | August 2009 |
| Project Stage | Approvals |
| Land Area | 60 Acres |
| Approval Status | Pending |
| Construction Status | Site Planning and Design in progress |
| Sales Status | Not commenced |

Transaction Overview and Investment Rationale

Milestone has invested in a warehousing facility in Bhiwandi, on the outskirts of Mumbai.

The economic boom in the country and increase in consumption in particular has led to companies focusing on improving back end infrastructure of material handling and hence has resulted into a higher demand for warehousing facilities. Bhiwandi has been a front runner among all potential destinations due to its close proximity to Mumbai, India's commercial and financial hub.

Current Status and Recent Developments

Application for approval has been submitted but cannot be pursued until DDP of MMRDA is implemented. Site planning and design is stopped.

Price of land has appreciated substantially and there is a high demand for land in this area.

Way Forward and Exit Strategy

The Fund is negotiating exit with the developer. The Fund has entered into a MoU with developer for exit, but the closing is expected to take a few more months given the current difficult market conditions.

Prakriti, Kolkata



| Location | Sodepur, Kolkata |
|----------------------------|---------------------------------|
| Partner | Godrej Properties |
| Asset Class | Residential |
| Committed Amount | Rs. 46.10 Crores |
| Disbursed Amount | Rs. 46.10 Crores |
| Date of Initial Investment | August 2009 |
| Project Stage | Construction and Sales |
| Land Area | 24.22 Acres |
| Total Saleable Area | 2,900,000 sq ft (approximately) |
| Approval Status | In Place |
| Construction Status | In Progress |
| Sales Status | In progress |
| Disinvested Amount | Rs. 18.01 Crores |
| Income Generated | Rs. 15.05 Crores |

Transaction Overview and Investment Rationale

The project is in partnership with Godrej Properties - a well established national brand that is known for its good locations, great value and excellent construction.

The project is located on Barrackpore Trunk Road (an arterial road in Kolkata) in Sodepur close to Rajarhat, the upcoming IT/ITeS hub in Kolkata.

Project Plan

The project plan is to develop an integrated residential community spread over 24.22 acres which offers all the comforts and conveniences of modern and urban living.

Current Status and Recent Developments

Phase I - Completely sold.

Phase II - 419 units sold.

Phase III - 276 units sold.

Phase IV - 320 units sold.

Phase V - 6 units sold.

Exit

We have downsold our stake in the project and will exit the balance by mid 2014.

Insignia, Mumbai



| Location | Kalina, Mumbai |
|----------------------------|-------------------------------|
| Partner | Dheeraj Realty |
| Asset Class | Residential |
| Committed Amount | Rs. 20 Crores |
| Disbursed Amount | Rs. 20 Crores |
| Date of Initial Investment | February 2010 |
| Project Stage | Construction and Sales |
| Land Area | 2.25 Acres |
| Total Saleable Area | 580,000 sq ft (approximately) |
| Approval Status | In Place |
| Construction Status | In progress |
| Sales Status | 80% sold |
| Disinvested Amount | Rs. 13.34 Crores |
| Income Generated | Rs. 11.89 Crores |

Transaction Overview and Investment Rationale

The project is in partnership with Dheeraj Realty - an experienced and renowned name in the industry.

The project is located in Kalina, Mumbai - just outside Bandra Kurla Complex, the secondary business district of Mumbai that is fast becoming the national head quarters for major international and national businesses.

Project Plan

The project plan is to develop premium residential space close to Mumbai's commercial hub hence offering homes close to offices along with state of the art amenities like an open-sky swimming pool, jogging track, children's play area among other things.

Current Status and Recent Developments

Construction work has commenced on all six wings. Basement partly completed.

Revised approval for development under process.

Way Forward and Exit Strategy

Fund has signed exit agreement and received Rs. 18.30 crores against the same. Balance money expected in next 3-6 months with agreed returns.

Belfort, Pondicherry and Madurai



*Prospective Image

| Location | Pondicherry and Madurai |
|----------------------------|---------------------------------|
| Partner | Pelican Group |
| Asset Class | Residential |
| Committed Amount | Rs. 20 Crores |
| Disbursed Amount | Rs. 20 Crores |
| Date of Initial Investment | July 2010 |
| Project Stage | Construction and Sales |
| Land Area | 87 Acres |
| Total Saleable Area | 1,900,000 sq ft (approximately) |
| Approval Status | In Place |
| Construction Status | In Progress |
| Sales Status | In Progress |
| Disinvested Amount | Rs. 7.89 Crores |
| Income Generated | Rs. 13.20 Crores |

Transaction Overview and Investment Rationale

The project is in partnership with Pelican, a Chennai based real estate services company that provides property development, realty advisory & project liaison services. The Company is currently developing & marketing projects in Pondicherry, Madurai, Chennai & Kodaikanal.

The Fund has invested in the plotted development, affordable housing segment and high end villas in Pondicherry and Madurai.

Project Plan

Belfort – Plotted Development (Affordable Housing) in Pondicherry totaling to 707 plots (approximately).

Sowebernika – Plotted Development (High End Villas) in Pondicherry of around 15 plots with an average area of 4,000 sq ft.

Subhiksha Bhoomi – Plotted Development in Madurai of around 383 land parcels with an average area of 1400 to 2400 sq ft with modern amenities and recreation facilities.

Current Status and Recent Developments

Belfort - Layout approval received from Pondicherry Planning Authority (PPA). Construction of mock house completed. 492 plots have been booked. Work has commenced on 80% of the plots and some bungalows are already handed over.

Way Forward and Exit Strategy

Fund has made partial exit at the originally agreed terms. Expected to fully exit by year end.

Marvel, Chennai



| Location | Velacherry, Chennai |
|----------------------------|-------------------------------|
| Partner | Ramaniyam Group |
| Asset Class | Residential |
| Committed Amount | Rs. 9 Crores |
| Disbursed Amount | Rs. 9 Crores |
| Date of Initial Investment | August 2010 |
| Project Stage | Construction and Sales |
| Land Area | 2.20 Acres |
| Total Saleable Area | 178,000 sq ft (approximately) |
| Approval Status | In place |
| Construction Status | In Progress |
| Sales Status | Over 97% sold |
| Disinvested Amount | Rs. 5.85 Crores |
| Income Generated | Rs. 0.04 Crores |

Transaction Overview and Investment Rationale

The project is in partnership with Ramaniyam Real Estates Pvt. Ltd. - a well established and experienced developer in Chennai.

The proposed project is a residential project that is located in Velacherry in the midst of a typical residential area of Chennai and about a 5 minute walk from the Perungudi railway station on the OH metro which has been operational for over 3 years.

Project Plan

Ramaniyam Group has entered into a Joint Development Agreement with M/s Land Marvel Homes for the development of the above mentioned residential development. Land Marvel Homes, a Chennai based real estate Developer owns 2.20 acre of land in Velacherry. Ramaniyam Group will construct 178,000 sq ft of residential space on this parcel of land.

Current Status and Recent Developments

Approvals are in place for existing plan.

Handover of flats to begin in next 2-3 months.

Way Forward and Exit Strategy

Construction and sales for this project are progressing well. The fund has made a partial exit from this project and a full exit is expected on completion

Kattima, Chennai



| Location | Thoraipakkam, Chennai |
|----------------------------|-------------------------------|
| Partner | Ramaniyam Group |
| Asset Class | Residential |
| Committed Amount | Rs. 2 Crores |
| Disbursed Amount | Rs. 2 Crores |
| Date of Initial Investment | February 2011 |
| Project Stage | Construction and Sales |
| Land Area | 2.32 Acres |
| Total Saleable Area | 192,000 sq ft (approximately) |
| Approval Status | In place |
| Construction Status | In Progress |
| Sales Status | In Progress |

Transaction Overview and Investment Rationale

The project is in partnership with Ramaniyam Real Estates Pvt. Ltd. - a well established and experienced developer in Chennai.

The proposed project is a premium residential project that is located in Thoraipakkam, a suburb of Chennai that is located around Rajiv Gandhi Salai (OMR), an area that has evolved into a premier IT corridor.

Project Plan

The Katti-Ma Group, a reputed company in the Indian granite trade has tied up with the Ramaniyam Group to develop a premium residential project at Thoraipakkam, off Old Mahabalipuram Road. The plan is to develop around 100 spacious apartments of around 1500 sq ft to 2600 sq ft to service the target group of middle and higher income group working in the IT corridor of Chennai.

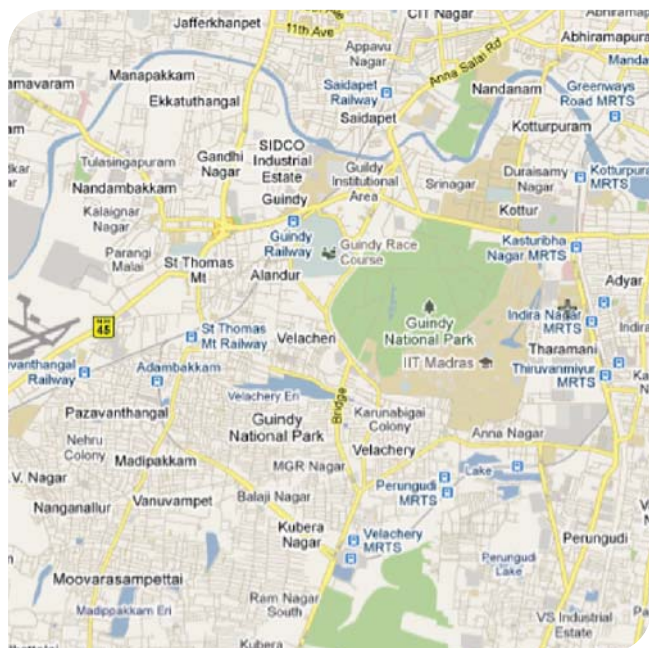
Current Status and Recent Developments

Completion Certificate being applied for.

Project is in advance stage of construction. Finishing work is in progress.

Over 90% of the flats in this project have been sold.

Various, Chennai



| Location | Thoraipakkam, Chennai |
|----------------------------|--|
| Location | 1. Thiruvanmiyur (L.B. Road), Chennai 2. Mandaveli, Chennai 3. Thiruvanmiyur, Chennai 4. Velacherry, Chennai" |
| Partner | Ramaniyam Group |
| Asset Class | Residential |
| Committed Amount | Rs. 34.50 Crores |
| Disbursed Amount | Rs. 34.50 Crores |
| Date of Initial Investment | May 2011 |
| Project Stage | Design Development |
| Total Saleable Area | 550,000 sq ft (approximately) |
| Approval Status | In Progress |
| Construction Status | Preparatory work is in progress |
| Sales Status | Not launched |
| Disinvested Amount | Rs. 24.05 Crores |

Transaction Overview and Investment Rationale

The investment is in partnership with Ramaniyam Real Estates Pvt. Ltd. - a well established and experienced developer in Chennai.

The above investment is across four residential projects located across Chennai in Velacherry, Mandaveli and Thiruvanmiyur.

Project Plan

Ramaniyam Group has entered into a Joint Development Agreement majority with M/s Land Marvel Homes for the development of the above mentioned residential developments. Land Marvel Homes, a Chennai based real estate Developer owns the parcels of land in Velacherry, Mandaveli and Thiruvanmiyur on which Ramaniyam plans on developing residential projects.

Current Status and Recent Developments

Velacherry - Planning and design work is in progress.

Exit

Fund has partially exited from Thiruvanmiyur (L B Road) & Mandaveli project and received Rs. 6 cr. towards the same.

Fund has in September 2014, exited from Thiruvanmiyur project and received Rs. 25.75 cr. towards the same, resulting in 18% IRR.

Pushkar II, Chennai



| Location | Sholinganallur, Chennai |
|----------------------------|----------------------------------|
| Partner | Ramaniyam Group |
| Asset Class | Residential (Affordable Housing) |
| Committed Amount | Rs. 12 Crores |
| Disbursed Amount | Rs. 12 Crores |
| Date of Initial Investment | Jan 2012 |
| Project Stage | Construction started |
| Land Area | 1.98 Acres |
| Total Saleable Area | 3,38,000 sq ft (approximately) |
| Approval Status | Applied for |
| Construction Status | Commenced |
| Sales Status | Launched |

Transaction Overview and Investment Rationale

The project is in partnership with Ramaniyam Real Estates Pvt. Ltd. - a well established and experienced developer in Chennai.

The proposed project is a residential project that is located on OMR-ECR road at Sholinganallur, a suburb of Chennai that has evolved into a premier IT corridor.

Project Plan

M/s Ramaniyam Group, a Chennai based real estate Developer, proposes to develop a residential project consisting a multistorey building with studio, 2 and 3 BHK apartments on the East Coast Road (ECR) and Rajiv Gandhi Salai (OMR) link road at Sholinganallur.

Current Status and Recent Developments

All approvals in place.

Foundation & plinth work in progress.

Project launched @ Rs. 5250/- per sq. ft. and receiving good response and sold 40%.

Swarajya, Mumbai



| Location | Ambivali, Mumbai |
|----------------------------|--|
| Partner | Neptune Group |
| Asset Class | Residential (Affordable Housing) |
| Committed Amount | Rs. 21.75 Crores |
| Disbursed Amount | Rs. 21.75 Crores |
| Date of Initial Investment | May 2011 |
| Project Stage | Construction and Sales |
| Land Area | 115 Acres |
| Total Saleable Area | 5,700,000 sq ft (approximately) |
| Approval Status | Initial approvals in place |
| Construction Status | In Progress |
| Sales Status | Phase I – 95% sold Phase II – 94% sold Phase IV B – 57% sold |
| Disinvested Amount | Rs. 19.54 Crores |
| Income Generated | Rs. 6.57 Crores |

Transaction Overview and Investment Rationale

The Fund has invested in an affordable housing project located in a town called Ambivali near Kalyan in the Mumbai Metropolitan Region. The town is well connected and accessible by suburban railways as well as roadways from Mumbai. The presence of industrial areas in the vicinity provides a natural catchment for industrial workers. Additionally, there is a huge demand for affordable housing in Mumbai.

The project is being developed by Neptune Group, a Mumbai based developer, experienced in the development of residential projects, office complexes, shopping malls and IT Parks.

Project Plan

The proposed development aims at providing affordable housing to the Lower Income Group segment of the Mumbai Metropolitan Region. The project is spread across 115 acres and once completed will consist a total of 10,000 units spread across 6 Phases and 3 Sectors.

Current Status and Recent Developments

Sector 1 - 22 buildings are under construction, out of which 9 building are nearing completion. 94.6% of these units have been sold.

Sector 2 - Construction is ongoing in 27 out of 44 buildings. 94% of units in this sector have been sold. Sector 4B having 3 buildings, is launched at a premium rate of Rs. 3800/- psf and 184 bookings have been received. Further, NA of additional 6 acres is received. Additional 28.5 acres expected by year end.

Way Forward and Exit Strategy

The Fund has substantially divested from this project.

Assa House II, Nagpur



*Prospective Image

| Location | Kingsway, Nagpur |
|----------------------------|------------------------------|
| Partner | Milestone Group |
| Asset Class | Residential |
| Committed Amount | Rs. 8.50 Crores |
| Disbursed Amount | Rs. 8.50 Crores |
| Date of Initial Investment | October 2011 |
| Project Stage | Approvals |
| Land Area | 0.25 Acres |
| Total Saleable Area | 13,000 sq ft (approximately) |
| Approval Status | Few approvals pending |
| Construction Status | Not Commenced |
| Sales Status | Not Launched |

Transaction Overview and Investment Rationale

The Fund has invested in a plot of land in order to construct a residential project in Nagpur. The land is located on Jai Narayan Marg, Mohan Nagar, in the heart of Nagpur and offers tremendous opportunity due to its central location. The development of the project is being carried out by the Milestone Group. The plot of land is adjacent to a commercial development carried out by the Milestone Group.

Project Plan

The proposed project plan is to develop approximately 13,000 sq ft of based on 1.0x FSI, through earlier plan was to develop 30,000 sq.ft. based on FSI approval of 2.5x. The increase in FSI approval is awaited notification from Nagpur Municipal Corporation (NMC).

Current Status and Recent Developments

Site planning and design work is in progress.

Govt. resolution for increased FSI on our plots from 1.0x to 1.25x is awaited and hence issuance of building plan approvals are on hold.

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MILESTONE

PRIVATE EQUITY ADVISORY

602, Hallmark Business Plaza, Sant Dhyaneswar Marg, Opp. Guru Nanak Hospital,
Bandra (East), Mumbai - 400051. India.

email: milestone@camsonline.com, info@milestonecapital.in, website: www.milestonecapital.in