

Milestone Domestic Scheme - II



Newsletter for Quarter ended September 2015

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Dear Investors,

We are pleased to share with you our fund update on Milestone Domestic Scheme-II (The Fund) for the quarter July - September 2015.

Reserve Bank of India (RBI) has cut the repo rate by 50 bps recently taking the total rate cut to 125 bps since January 2015. This is expected to improve the investment cycle and with Government's pro-business focus, and control in inflation, it is expected to lead to an economic revival.

Residential real estate demand has remained sluggish over last 18 – 24 months and continues to remain subdued as reflected in the launch of new residential units falling by 41.3% from 59,136 units in Q1-2015 to 34,700 units in Q2-2015 (*Source: Propequity*). The silver lining is that absorption of commercial office space has increased 11% for 9M 2015 over 9M 2014 and typically residential demand improves with a lag to recovery in commercial office demand. This coupled with stable prices and lowering interest rates are likely to trigger an uptick in the end user demand in coming quarters.

The Fund is working towards exit from the balance portfolio investments. We expect to finalize the exit from Acorn Dharuhera and Acorn Bhiwandi in the coming quarter.

I thank you all for your continued support.

A handwritten signature in black ink, appearing to read "Nitin Goel".

Nitin Goel

Managing Partner – Real Estate Investments

Portfolio Updates

- In Acorn Dharuhera, the due diligence and documentation by one of the potential buyer is at an advanced stage.

Proposed Action

- The Fund expects to complete the sale transaction of Acorn, Dharuhera in Q4 2015.

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FUND SUMMARY AS ON SEPTEMBER 30, 2015

Funds Received	Rs. 398.0 Crores
Final Closing Date	30th November, 2008
Term	4 years + 1 year + 1 year
No. of Investments	13
Invested Amount	Rs. 317.0 Crores
Capital Divested	Rs. 217.3 Crores
Income Generated (Pre-tax)	Rs. 125.4 Crores
Total Divested Amount from Portfolio Companies	Rs. 342.7 Crores
Additional Distribution made	Rs. 53.9 Crores
Total Divested Amount	Rs. 396.6 Crores (99%)

PORTFOLIO EXIT DETAILS AS ON SEPTEMBER 30, 2015

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No.	Project	Location	Capital Invested (A)	Capital Divested (B)	Income Generated (Pre Tax, Pre expenses) (C)	Total Exit (B+C)	% Capital Divested
1	ACORN Warehouse & Logistics Parks	Dharuhera, NCR	52.3	-	-	0.0	-
2	ACORN Warehouse & Logistics Parks	Bhiwandi, Mumbai	40.8	10.0	-	10.0	24.51%
3	Marvel I	Velachery, Chennai	9.0	5.9	-	5.9	65.56%
4	Kattima	Thoraipakkam, Chennai	2.0	-	-	0.0	
5	Ramaniyam (4 Projects)	Chennai	34.5	25.8	7.3	33.1	74.78%
6	Swarajya, (Neptune)	Ambivali, Kalyan, Mumbai	21.8	19.5	7.3	26.8	89.45%
FULLY EXITED INVESTMENTS							
7	Assa House II	Kingsway, Nagpur	8.5	8.0	0.0	8.0	100.00%
8	Horizon	Shivaji Park, Mumbai	50.0	50.0	22.9	72.9	100.00%
	Sundernagar	Kalina Mumbai					
9	Prakriti (Godrej)	Sodepur, Kolkata	46.1	46.1	52.4	98.5	100.00%
10	Insignia (Dheeraj)	Kalina, Mumbai	20.0	20.0	13.0	33.0	100.00%
11	Belfort	Pondicherry	20.0	20.0	16.6	36.6	100.00%
12	Pushkar II, (Salaam Towers)	Sholinganallur, Chennai	12.0	12.0	5.9	17.9	100.00%
Total			317.0	217.3	125.4	342.7	

ACORN Warehouses and Logistics Parks, NCR



Location	Dharuhera, NCR
Partner	Milestone Group
Invested Amount	Rs. 52.3 Crores
Date of Initial Investment	June 2008
Land Area	66.00 Acres

Transaction Overview and Investment Rationale

The Fund has invested in a warehousing facility in Dharuhera, in the National Capital Region. The overall project plan is to jointly develop 1.65 mn sq ft of warehousing units in Dharuhera. Three PEB blocks amount to 432,000 sq ft leasable area of which 340,822 sq ft is leased out at an average rental of Rs 15.6 per sq

ft. Efforts are on to lease the vacant area through brokers in next few months at a market rate of approx Rs. 13 per sq. ft. RCC Blocks amount to 106,000 sq ft of which 25,642 sq ft is leased.

Exit Status

The Fund has signed MOU for the sale of the entire Project on an 'as is' basis. The due diligence process is at an advanced stage and we expect to consummate the transaction by Q4 2015.

ACORN Warehouses and Logistics Parks, Mumbai



Location	Bhiwandi, Mumbai
Partner	Rudrapratap Developers
Asset Class	Integrated Logistic Park
Invested Amount	Rs. 40.8 Crores
Date of Initial Investment	August 2009
Land Area	60 Acres

Transaction Overview and Investment Rationale

Milestone jointly owns the land with the developer and had invested to develop warehousing facility in Bhiwandi, on the outskirts of Mumbai. Due to appreciation in land values, fund believes a residential project may offer higher value. Final Development Plan has been notified.

Exit Status

The Fund is working closely with the developer for entering into a Joint Development Agreement (JDA) which will facilitate the Fund's exit from the project.

Marvel, Chennai



Location	Velacherry, Chennai
Partner	Ramaniyam Group
Invested Amount	Rs. 9.0 Crores
Date of Initial Investment	August 2010
Total Saleable Area	178,000 sq ft (approximately)

Transaction Overview

The project is a residential project in partnership with Ramaniyam Real Estates Pvt. Ltd. and is located in Velacherry, a well developed residential area of Chennai.

Exit Status

The Fund has signed the exit agreement and expects to completely exit the project by Q4 2015 on completion of refinancing through banks.

Kattima, Chennai



Exit Status

The Fund has signed the exit agreement and expects to completely exit the project by Q4 2015.

Various, Chennai



Exit Status

The Fund has substantially achieved exit for about 75% of the capital invested. For the balance investment, the Fund is discussing with the developer to completely exit by Q4 2015.

Swaraja, Mumbai



Exit Status

The Fund has substantially divested from this project at gross IRR of 23%. As per the exit terms agreed with the developer, the Fund expects to exit the balance capital investment of Rs 2.2 crores by Q1 2016.

Location	Thoraipakkam, Chennai
Partner	Ramaniyam Group
Invested Amount	Rs. 2.0 Crores
Date of Initial Investment	February 2011
Total Saleable Area	192,000 sq ft (approximately)

Transaction Overview

The project is a premium residential project in partnership with Ramaniyam Real Estates Pvt. Ltd. and is located in Thoraipakkam, around Rajiv Gandhi Salai (OMR), an area that has evolved into a premier IT corridor.

Location	Thiruvanniyur, Chennai
Partner	Ramaniyam Group
Invested Amount	Rs. 34.5 Crores
Date of Initial Investment	May 2011
Total Saleable Area	550,000 sq ft (approximately)

Transaction Overview

The investment is across four residential projects located across Chennai in Velachery, Mandavelli and Thiruvanniyur and in partnership with Ramaniyam Real Estates Pvt. Ltd. Ramaniyam Group had entered into a Joint Development Agreement with M/s Land Marvel Homes for the development of these projects.

Location	Ambivali, Mumbai
Partner	Neptune Group
Invested Amount	Rs. 21.8 Crores
Date of Initial Investment	May 2011
Total Saleable Area	5,700,000 sq ft

Transaction Overview and Investment Rationale

The Fund has invested in an affordable housing project located in Ambivali near Kalyan in the Mumbai Metropolitan Region. The project is being developed by Neptune Group, and is spread across 115 acres spread across 6 Phases and 3 Sectors.

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