

# Milestone Domestic Scheme - II



Newsletter for Quarter ended December 2014

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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 October-December 2014

Reserve Bank of India has cut rate by 25 bps since the consumer inflation has reduced to a historic low of 4.4% and wholesale inflation is down to zero. GDP growth is expected to increase to 6% in FY 2015 from 5% previously. Further rate cuts are expected in FY15, which will help soften mortgage rates and interest costs for developers. Increase in confidence, boosted by reforms announced by the Government is likely to provide impetus to housing demand as well.

Easing of FDI restrictions for the construction industry, 100 new smart cities planned and change in land acquisition norms will attract capital for the development of real estate. Though residential absorption (area sold) in key cities of India fell 21%YoY in 2QFY15 (Prop Equity data), the pace of demand decline has slowed over the past four consecutive quarters. Going forward, we believe the demand will stabilize in major cities owing to creation of new job opportunities and corporate expansion plans.

During the quarter, the fund has made a total distribution of Rs 118 Crores across 4 distributions. The Fund made a successful exit from Godrej Prakriti, Kolkata realizing Rs 65.5 Crores at an IRR of 19%.

I thank you all for your continued support.

A handwritten signature in black ink, appearing to read 'Alok Aggarwal', with a horizontal line underneath.

**Alok Aggarwal**

Managing Partner & CEO – Real Estate

## Portfolio updates

- Fund has fully exited from Godrej Prakriti (Kolkata), Belfort (Pondicherry) and Pushkar II (Salaam Towers)
- Fund made 4 distributions aggregating to Rs 118 Crores

## Proposed Action

- Fund will shortly sign the exit agreement for Velachery 1 and Katima projects with Ramaniyam.
- Fund expects to sign MOU for an exit from Acron, Bhiwandi during the present quarter.

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## FUND SUMMARY AS ON DECEMBER 31, 2014

Funds Received	Rs. 398.0 Crores
Final Closing Date	30th November, 2008
Term	4 years + 1 year + 1 year
No. of Investments	13
Committed Amount	Rs. 322.9 Crores
Capital Divested	Rs. 204.6 Crores
Income Generated (Pre-tax)	Rs. 124.5 Crores
Total Divested Amount from Portfolio Companies	Rs. 329.1 Crores
Additional Distribution made	Rs. 53.9 Crores
<b>Total Divested Amount</b>	<b>Rs. 383.0 Crores (96%)</b>

## PORTFOLIO EXIT DETAILS AS ON DECEMBER 31, 2014

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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	-	-	0.0	-
3	Marvel I	Velachery, Chennai	9.0	5.9	0.0	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	Pushkar II, (Salaam Towers)	Sholinganallur, Chennai	12.0	9.3	4.9	14.2	77.50%
7	Swarajya, (Neptune)	Ambivali, Kalyan, Mumbai	21.8	19.5	7.3	26.8	89.45%
<b>FULLY EXITED INVESTMENTS</b>							
8	Assa House II	Kingsway, Nagpur	8.5	8.0	0.0	8.0	100.00%
9	Horizon	Shivaji Park, Mumbai	50.0	50.0	22.9	72.9	100.00%
	Sundernagar	Kalina Mumbai					
10	Prakriti (Godrej)	Sodepur, Kolkata	46.1	46.1	52.4	98.5	100.00%
11	Insignia (Dheeraj)	Kalina, Mumbai	20.0	20.0	13.0	33.0	100.00%
12	Belfort	Pondicherry	20.0	20.0	16.6	36.6	100.00%
<b>Total</b>			<b>317.0</b>	<b>204.6</b>	<b>124.5</b>	<b>329.1</b>	

## ACORN Warehouses and Logistics Parks, NCR



Location	Dharuhera, NCR
Partner	Milestone Group
Invested Amount	Rs. 52.30 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 of 432,000 sq ft leasable area are ready of which

292,781 sq ft is leased out at an average rental of Rs 15 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 totaling to 106,000 sq ft of leasable area is complete and the fund is in discussions for leasing this area.

### Exit Strategy

Fund is in discussions with prospective buyers for sale of PEB and RCC Warehouses and the termsheet is expected to close in next 30-45 days. Fund is also exploring options to sell the balance developed land in order to fully exit this project.

## ACORN Warehouses and Logistics Parks, MUmbai



Location	Bhiwandi, Mumbai
Partner	Rudrapratap Developers
Asset Class	Integrated Logistic Park
Invested Amount	Rs. 40.80 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 development plan may offer higher value. Fund is now awaiting notification of Draft Development Plan (DDP) rezoning the land to residential.

### Recent Developments and Way forward

Revised MOU is being finalized with the developer for sale of investment back to them. Fund expects to completely exit by Q3 2015.

## Marvel, Chennai



### Exit Status

The fund has made a partial exit from this project and expects to fully exit the project by March 2015

Location	Velacherry, Chennai
Partner	Ramaniyam Group
Invested Amount	Rs. 9 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 Velachery, a well developed residential area of Chennai.

## Kattima, Chennai



### Exit Status

The fund has made a partial exit from this project and expects to completely exit by March 2015

Location	Thoraipakkam, Chennai
Partner	Ramaniyam Group
Invested Amount	Rs. 2 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.

## Various, Chennai



Agreement with M/s Land Marvel Homes for the development of these projects.

### Exit Status

Fund has fully exited from Thiruvanimiyur project at a gross IRR of 18% and partially exited from Thiruvanimiyur (L B Road) & Mandavelli project. Fund is in discussions for exiting the remaining projects by Q2 2015

Location	Thiruvanimiyur, Chennai
Partner	Ramaniyam Group
Invested Amount	Rs. 34.50 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 Thiruvanimiyur and in partnership with Ramaniyam Real Estates Pvt. Ltd. Ramaniyam Group had entered into a Joint Development

## Swarajya, Mumbai



Location	Ambivali, Mumbai
Partner	Neptune Group
Invested Amount	Rs. 21.75 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.

### Way Forward and Exit Strategy

The Fund has substantially divested from this project at gross IRR of 23%. The Fund expects to exit the balance capital investment of Rs 2.2 crores by Q2 2015.

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