



April-June, 2013



MILESTONE DOMESTIC SCHEME - III

Dear Investors

Greetings!

Please find enclosed the Investors Update for Milestone Domestic Scheme – III (“the Fund”) for the quarter ending June 30 2013.

The real estate sector continues to face funding crunch especially from institutional players on account of risk aversion and weak sector outlook. RBI announced further 25 basis point cut in the bank rate in the current quarter. However, RBI’s tone remains hawkish given the current account deficit and weakening exchange rate, indicating tight liquidity scenario to continue for some time. RBI has also allowed External Commercial Borrowings for affordable housing through a centralized mechanism.

In the Real Estate sector, India has moved one more step closer to regulate and bring transparency to the sector; the Cabinet has recently proposed the draft Real Estate Regulation and Development Bill, aimed to protect consumer interests, promote accountability and reinforce confidence and trust amongst investors.

The developers are launching aggressive marketing campaigns (20:80 schemes), offering pre-launch discounts, complimentary features etc. to lure customers. The constant changes in development regulations, environmental laws led to some uncertainty in the sector, which has resulted in home buyers opting for well known developers.

Mumbai real estate market witnessed slow down in new launches, slow sales and high property prices leading to rising inventories. Recent launches with aggressive marketing campaigns and pre-launch discounts are expected to improve sales velocity.

Bangalore and Chennai have experienced highest absorption rates with relatively low inventories. The prices are expected to continue to move upwards.

NCR is showing some signs of stress with slow down in absorption and stagnating prices. However, with massive infrastructure getting created, new periphery locations are emerging. Noida and Greater Noida markets have witnessed price stagnation due to large constant supply.

Pune is a stable market with moderate price increase. New launches are mainly driven around IT/ITES corridors.

During this quarter, the Fund has concluded full exit from Jain Heights (Bangalore). Further, the Fund expects to call for capital drawdown by mid-July and the deals for investment have been shortlisted.

The Fund has also initiated the annual valuation exercise through Knight Frank (India) Pvt. Ltd. (International Property Consultant) for its investment portfolio. The same is under finalization and the final report will be shared separately with the Investors on completion.

We thank you for your continued support.

Regards,

Board of Directors

Milestone Domestic Scheme III

FUND SUMMARY AS ON JUNE 30, 2013

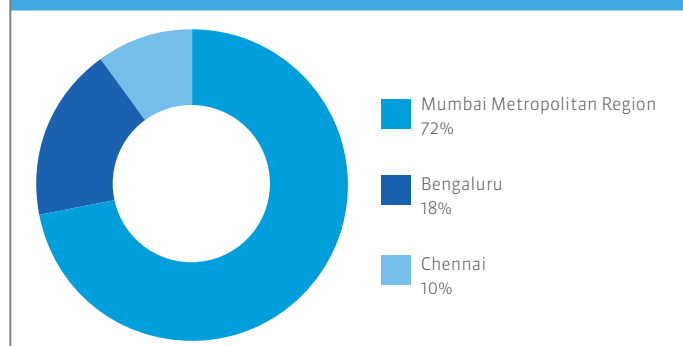
| | |
|----------------------------|-----------------------------|
| Total Corpus Raised | Rs. 410.44 Crores |
| Final Closing Date | 31st January 2012 |
| Term | 3.5 years + 1 year + 1 year |
| No. of Investments | 7 |
| Amount Drawn till Date | Rs. 256.00 Crores |
| Capital Divested | Rs. 15.00 Crores (4%) |
| Income Generated (Pre-tax) | Rs. 25.81 Crores |
| Total Exit Amount | Rs. 40.81 Crores (10%) |

INVESTMENT SUMMARY AS ON JUNE 30, 2013

| | | | | Rs. Crores |
|--------------|---------------------------------------|-------------------------------|-------------------------|-------------------|
| No. | Partner | Location | Initial Investment Date | Fund's Commitment |
| 1 | Ackruti City Ltd. | Andheri, Mumbai | Mar-11 | 100.00* |
| 2 | Jain Heights and Structures Pvt. Ltd. | C. V. Raman Nagar, Bengaluru | May-11 | 15.00 |
| 3 | Richa Realtors | Mulund, Mumbai | Oct-11 | 50.00 |
| 4 | Land Marvel | Velacherry, Chennai | Nov-11 | 11.00 |
| 5 | Land Marvel 2 | Kotivakkam & Thaiyur, Chennai | July-12 | 15.00 |
| 6 | Prisha Properties (I) Pvt. Ltd. | Hebbal, Bengaluru | Feb-13 | 30.00 |
| 7 | Chaubey Realities | Dahisar, Mumbai | Mar-13 | 35.00 |
| Total | | | | 256.00 |

* Includes co-investment of Rs. 26.5 Crores.

City-Wise Distribution (In Rs.)



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

Milestone Domestic Scheme III

| PORTFOLIO COUPON STATUS AS ON JUNE 30, 2013 | | | | | | | RS. CRORE |
|---|---------------------------------|-----------------------|------------------|---------------|------------------|-----------------|-------------------|
| No. | Project | Investment Commitment | Expected Returns | Annual Coupon | Capital Divested | Coupon Received | Coupon Status |
| 1 | Ackruti City Ltd. (Hubtown) | 100.00* | 24.00% | 12.00% | 0.00 | 12.76 | Received in part |
| 2 | Jain Heights | 15.00 | 25.00% | 25.00% | 15.00 | 6.30 | Received |
| 3 | Richa Realtors | 50.00 | 23.50% | 12.00% | 0.00 | 6.00 | Received |
| 4 | Land Marvel | 11.00 | 22.00% | NA | 0.00 | 0.75 | Received in part |
| 5 | Land Marvel 2 | 15.00 | 24.00% | 12.00% | 0.00 | 0.00 | Due in July 2013 |
| 6 | Prisha Properties (I) Pvt. Ltd. | 30.00 | 24.00% | 15.00% | 0.00 | 0.00 | Due in Feb 2014 |
| 7 | Chaubey Realities | 35.00 | 23.00% | 12.00% | 0.00 | 0.00 | Due in March 2014 |
| | Total | 256.00 | | | 15.00 | 25.81 | |

* Includes co-investment of Rs. 26.5 Crores.

Hubtown*, Mumbai



| Location | Andheri, Mumbai |
|-------------------------|-------------------------------|
| Partner | Hubtown* |
| Asset Class | Residential |
| Committed Amount | Rs. 100 Crores** |
| Disbursed Amount | Rs. 100 Crores** |
| Project Stage | Construction |
| Land Area | 3.53 Acres |
| Total Saleable Area | 600,000 sq ft (approximately) |
| Target Completion Date | December 2013 |
| Expected Rate of Return | 24% p. a. |
| Annual Coupon | 12% p. a. payable annually |
| Instrument | Debentures |
| Period | 24 months |

*Previously known as Ackruti Group

**Includes co-investment

Transaction Structure

Investment has been made by the Fund into the company by way of debentures.

Investment was made for a maximum period of 24 months which has matured in March 2013.

Project Plan

Fund has invested in Hubtown's project in Andheri, Mumbai.

The project was awarded to Hubtown as a Public-private partnership (PPP) through a tender bidding process by the Government of Maharashtra.

Hubtown has been given the rights to design and construct a residential building for Government employees i.e. Govt. Quarters. Additionally, Hubtown will also design and construct an office building for the Government.

In consideration for the above, Hubtown will receive 600,000 sq ft of free sale area for development at Andheri (W).

Securities

1. Charge on project development rights
2. Escrow account for monitoring the project's cash flows and receivables
3. Corporate and Personal Guarantee from the Promoters

Recent Developments

1. Fund has initiated legal proceedings to recover the principal and interest amount due.
2. Discussion with promoter in progress to restructure on payment of full coupon till date.

Jain Heights, Bengaluru



| | |
|-------------------------|---------------------------------------|
| Location | C. V. Raman Nagar, Bengaluru |
| Partner | Jain Heights and Structures Pvt. Ltd. |
| Asset Class | Residential |
| Committed Amount | Rs. 15 Crores |
| Disbursed Amount | Rs. 15 Crores |
| Project Stage | Construction |
| Land Area | 7.37 Acres |
| Total Saleable Area | 650,000 sq ft (approximately) |
| Target Completion Date | July 2014 |
| Expected Rate of Return | 25% |
| Annual Coupon | 25% p.a. payable half yearly |
| Instrument | Debentures |
| Period | 27 months |
| Divested Amount | Rs. 15.00 Crores |
| Income Generated | Rs. 6.30 Crores |

Recent Developments

The Fund has completely exited from the project at 25% IRR.

Exit proceeds have been distributed in April 2013.

Richa Realtors, Mumbai



| Location | Mulund, Mumbai |
|-------------------------|---------------------------------|
| Partner | Richa Realtors |
| Asset Class | Residential |
| Committed Amount | Rs. 50 Crores |
| Disbursed Amount | Rs. 50 Crores |
| Project Stage | Construction (Tenants Bldg.) |
| Land Area | 25 Acres |
| Total Saleable Area | 1,150,000 sq ft (approximately) |
| Target Completion Date | March 2014 |
| Expected Rate of Return | 23.50% p. a. |
| Annual Coupon | 12% p.a. payable annually |
| Instrument | Debentures |
| Period | 24 months |

Transaction Structure

Investment has been made by the Fund by way of debentures

Investment has been made for a maximum period of 24 months

Project Plan

The Fund has made an investment in a redevelopment project of a large housing colony on the Eastern Express Highway in Mulund (E), Mumbai.

The redevelopment of this colony has been awarded to Richa Realtors by MHADA. Richa Realtors is required to build new houses for the existing tenants and in consideration for this Richa Realtors would be entitled to 1,150,000 sq ft (approximately) of free sale area.

Richa Realtors has signed a Joint Development Agreement with TATA Housing to jointly develop the project.

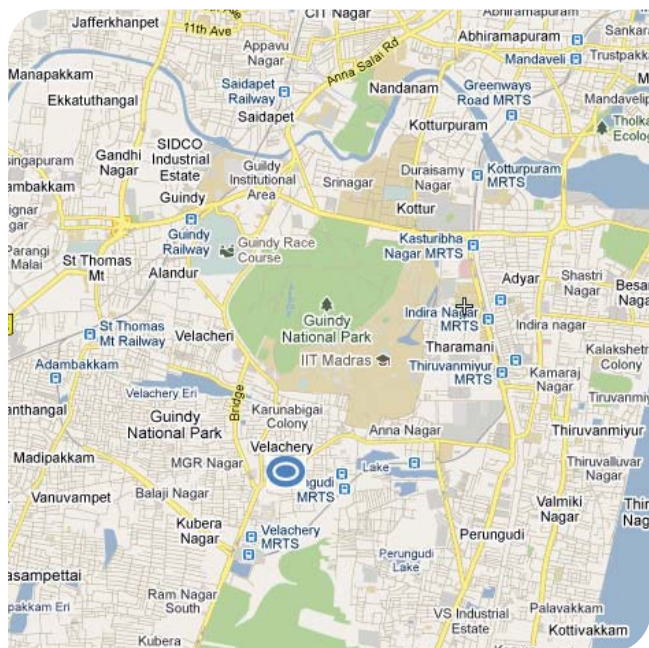
Securities

1. Charge on an additional project (as collateral)
2. Pledge of Promoter's shares
3. Escrow account for monitoring project cash flows and receivables
4. Personal Guarantee from the Promoters
5. Assignment on receivables from the project

Recent Developments

1. Environmental clearance received for the project
2. Rehalb building work is in full swing, 14th floor slab in progress on all 8 buildings IOD and CC for sale buildings expected in 1 to 2 months. Soft launch of sale portion done by the name of 'Aveza'

Land Marvel - Velachery, Chennai



| Location | Velachery, Chennai |
|-------------------------|-------------------------------|
| Partner | Ramaniyam Group |
| Asset Class | Residential |
| Committed Amount | Rs. 11 Crores |
| Disbursed Amount | Rs. 11 Crores |
| Project Stage | Approvals |
| Land Area | 1.25 Acres |
| Total Saleable Area | 180,000 sq ft (approximately) |
| Target Completion Date | March 2014 |
| Expected Rate of Return | 22.00% |
| Instrument | Debentures |
| Period | 18 months |

Transaction Structure

Investment has been made by the Fund into the SPV by way of debentures.

Investment has been made for a maximum period of 18 months

Project Plan

The Fund has made an investment in a residential project in Velachery, Chennai.

Amarneedhi Realtors Private Limited (ARPL), a joint venture company of Ramaniyam Group and Milestone Group has entered a Joint Development Agreement with Land Marvel Homes to jointly develop the 1.25 acres of land in Chennai.

The total saleable area for this project is 180,000 sq ft (approximately) that will be shared between the land owner and developer.

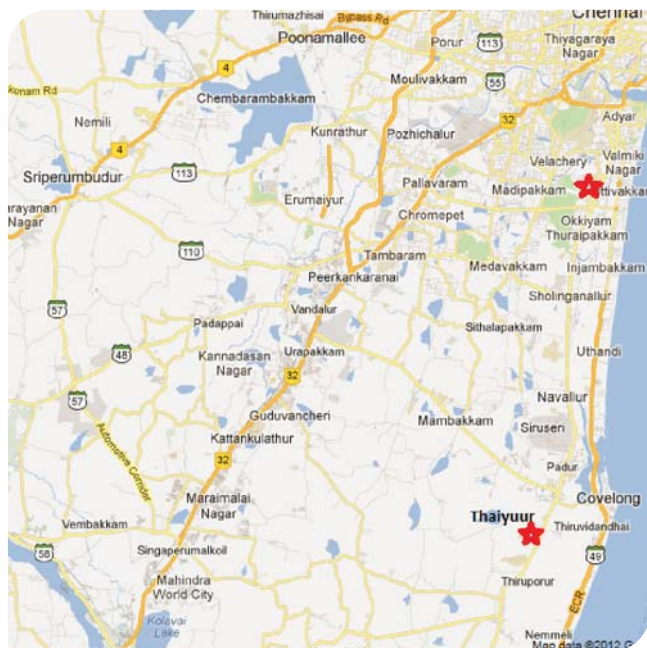
Securities

1. Charge on project land (52.9%) and structure thereupon
2. Assignment of project receivables
3. Escrow account for monitoring project cash flows and receivables
4. Personal Guarantee from the Promoters

Recent Developments

1. Road width approval awaited for development
2. Construction to commence post approval
3. Due to delay in approval, developer has requested to extend the repayment tenure.

Land Marvel - Kotivakkam & Thaiyur, Chennai



| Location | Kotivakkam & Thaiyur, Chennai |
|-------------------------|---------------------------------|
| Partner | Ramaniyam Group |
| Asset Class | Residential |
| Committed Amount | Rs. 15 Crores |
| Disbursed Amount | Rs. 15 Crores |
| Project Stage | Approvals |
| Land Area | 10.74 Acres |
| Total Saleable Area | 14,30,000 sq ft (approximately) |
| Target Completion Date | July 2015 |
| Expected Rate of Return | 24.00% |
| Instrument | Debentures |
| Period | 36 months |

Transaction Structure

Investment has been made by the Fund into the SPV by way of debentures.

Investment has been made for a period of 36 months

Project Plan

The Fund has made an investment in two residential projects located in Thaiyur and Kotivakkam.

At Thaiyur, the project will be developed as high rise residential building with 11 to 13 floors with 2 and 3 BHK units which will cater mainly to the mid-income group. At Kotivakkam, the project will be a high rise premium residential development consisting 2,3, and 4 BHK units with modern amenities.

Securities

1. Mortgage/Hypothecation of all SPV assets including land of the projects
2. Charge on receivables from an additional project
3. Pledge of promoters shares of the SPV
4. Escrow account for monitoring project cash flows and receivables
5. Personal Guarantee from the Promoters

Recent Developments

1. Design and Planning work is in progress
2. Compound wall & site levelling work is in progress
3. DTC approval in process.

Hanging Garden - Hebbal, Bengaluru



| | |
|-------------------------|-------------------------------|
| Location | Hebbal, Bengaluru |
| Partner | Prisha Properties |
| Asset Class | Residential |
| Committed Amount | Rs. 30 Crores |
| Disbursed Amount | Rs. 30 Crores |
| Project Stage | Project Soft Launch |
| Land Area | 2 Acres |
| Total Saleable Area | 295,000 sq ft (approximately) |
| Target Completion Date | September 2015 |
| Expected Rate of Return | 24.00% (15% Annual Coupon) |
| Instrument | OFCD |
| Period | 24-30 months |

Transaction Structure

Investment has been made by the Fund into the company, by way of Optionally Convertible Debentures.
Investment has been made for a period of 24-36 months (2 stage staggered redemptions)

Project Plan

The Project is located at a very active location at Hebbal in Bengaluru.
The Project involves total saleable residential area of 295, 000 sq ft. The Project has received permission and soft launched.
Work already commenced at site.

Securities

1. Mortgage/Hypothecation of the Project land and additional collateral land of the promoter
2. Charge on receivables from the project
3. Pledge of promoters shares of the company (25%)
4. Escrow account for monitoring project cash flows and receivables
5. Personal Guarantee from the Promoters

Recent Developments

1. Construction work on Tower 'C' commenced. Basement work & foundation work is in progress.
2. 10% of project sold.

Signature - Dahisar, Mumbai



| | |
|-------------------------|-------------------------------|
| Location | Dahisar, Mumbai |
| Partner | Chaubey Realities Pvt. Ltd. |
| Asset Class | Residential |
| Committed Amount | Rs. 35 Crores |
| Disbursed Amount | Rs. 20 Crores |
| Project Stage | Approvals |
| Total Saleable Area | 390,000 sq ft (approximately) |
| Target Completion Date | September 2015 |
| Expected Rate of Return | 23.00% (12% Annual Coupon) |
| Instrument | OFCD |
| Period | 36 months |

Transaction Structure

Investment has been made by the Fund into the company, by way of Optionally Convertible Debentures.

Investment has been made for a period of 36 months

Investment has been made in March 2013

Project Plan

The Fund has made an investment in a residential project (Signature I, II, III) in Phase 1 located in Dahisar (East).

The project will cater mainly to the mid income group consisting of 1,1.5, 2 BHK units with modern amenities.

Signature I & II has already been pre launched with around 150 units out of 350 units already sold.

Securities

1. Mortgage of Project land
2. Charge on receivables from the project
3. Escrow account for monitoring project cash flows and receivables
4. Personal Guarantee from the Promoters

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