



January - March, 2014



MILESTONE DOMESTIC SCHEME - III

Dear Investors,

Please find enclosed the investment update for Milestone Domestic Scheme – III (the “Fund”) for the quarter ended 31 March 2014.

Reserve Bank of India held the interest rates unchanged and continued to focus on containing inflation. We are likely to see reduction in the interest rates if the consumer inflation stays low – the key risk being monsoon. As a result, real estate may get a boost in demand. On the flip side, any real estate policy change including regulation for REITs is now expected to happen only after the general elections.

Capital values continue to remain high across major markets resulting in 10% drop in absorption Q-o-Q while new launches grew at about 4% during the same period. In order to improve sales, developers have started to offer discounts like free car parking, absorbing stamp duty and registration charges etc, which lead to overall discount of about 10% – 15% off on the capital values. MMR -Mumbai is the only major city with a preference for 1 BHK units while NCR, Bangalore and other markets indicate preference for larger size units. On a pan India basis, residential apartments targeted at middle class and upper middle class segments is the largest segment with strong demand potential at appropriate price points.

We continue to strengthen our team and Mr Apurva Gupta with 15 years experience in sales, marketing and leasing has joined us.

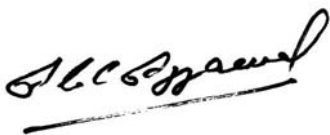
During this quarter, the Fund has received interest income of Rs 18 crores from sale of few units of commercial office Ackruti Star, which is mortgaged to the Fund and Rs 4.5 crores from Prisha and Rs 2.25 crore from Richa Realtors towards interest income.

We have made fifth distribution from the Fund on 28th March 2014 and distributed Rs 26.95 crore to you.

We have also raised Rs 70 crores through the final capital call and are evaluating opportunities with reputed developers to deploy the same.

We thank you for your continued support.

Regards,



Alok Aggarwal
Managing Partner & CEO – Real Estate



Nitin Goel
Partner – Real Estate Investments

Milestone Domestic Scheme III

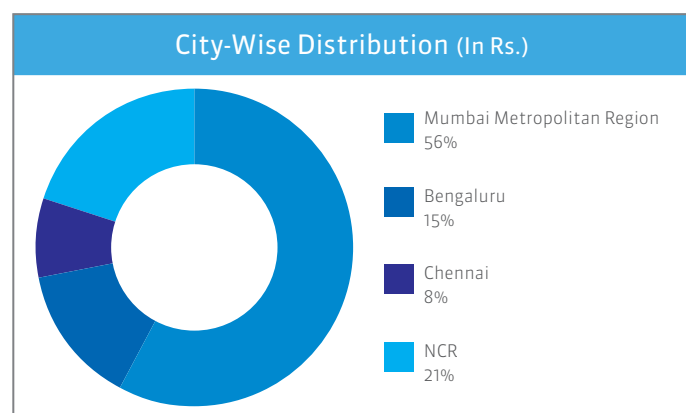
FUND SUMMARY AS ON MARCH 31, 2014

Total Corpus Raised	Rs. 410.4 Crores
Final Closing Date	31st January 2012
Term	3.5 years + 1 year + 1 year
No. of Investments	8
Amount Drawn till Date	Rs. 388.0 Crores
Capital Divested	Rs. 15.0 Crores (4%)
Income Generated (Pre-tax)	Rs. 73.5 Crores
Total Exit Amount	Rs. 88.5 Crores (22%)

INVESTMENT SUMMARY AS ON MARCH 31, 2014

				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	20.00
8	ATS Group	Greater Noida, NCR	Nov-13	65.00
			Total	306.00

* Includes co-investment of Rs. 26.5 Crores.



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

Milestone Domestic Scheme III

PORTFOLIO EXIT DETAILS AS ON MARCH 31, 2014									RS. CRORE
No.	Project	Location	Capital Commitment	Annual Coupon	Capital Invested	Capital Divested (Pre Tax, Pre expenses)	Income Generated	Total Exit	% Capital Divested
					(A)	(B)	(C)	(B+C)	(B/A)
1	Hubtown (Ackruti City Ltd.)	Andheri, Mumbai	100.0*	12.0%	100.0	-	49.5	49.5	-
2	Jain Heights & Structures Pvt. Ltd.	C.V. Raman Nagar, Bengaluru	15.0	25.0%	15.0	15.0	6.3	21.3	100.0%
3	Richa Realtors	Mulund, Mumbai	50.0	12.0%	50.0	-	8.3	8.3	-
4	Land Marvel	Velachery, Chennai	11.0	NA	11.0	-	3.8	3.8	-
5	Land Marvel 2	Kotivakkam & Thaiyur, Chennai	15.0	12.0%	15.0	-	1.1	1.1	-
6	Hanging Garden	Hebbal, Bengaluru	30.0	15.0%	30.0	-	4.5	4.5	-
7	Signature	Dahisar, Mumbai	20.0	12.0%	20.0	-	0.0	0.0	-
8	ATS Group	Greater Noida, NCR	65.0	15.0%	65.0	-	-	-	-
Total			306.0		306.0	15.0	73.5	88.5	

* Includes co-investment of Rs. 26.5 Crores

Hubtown, Mumbai



Location	Andheri, Mumbai
Partner	Hubtown Limited*
Asset Class	Commercial
Committed Amount	Rs. 100 Crores**
Disbursed Amount	Rs. 100 Crores**
Project Stage	Constructed
Land Area	N A
Total Saleable Area	122,523 sq ft
Expected Rate of Return	18% to 20% IRR
Instrument	Debentures
Investment Period	Exit expected in Q3 – Q4 2014

*Previously known as Ackruti City Ltd

**Includes co-investment of Rs. 26.5 Crores

Transaction Structure

Investment has been made by the Fund into the company by way of debentures. Hubtown is a real estate development company listed on BSE/NSE.

Project Plan

Fund had invested in Hubtown's project in Andheri (West), Mumbai in March 2011. The project was awarded to Hubtown as a Public-private partnership (PPP).

Subsequently, Fund in August 2013 has entered into restructuring with developer and filed consent terms with Honourable High Court of Bombay. As per the agreed restructuring we have swapped the existing mortgage with a ready commercial office property 'Ackruti Star' in Andheri (East) - Mumbai, having a total area of 122,523 sq. ft.

Securities

1. Mortgage of 122,523 sq. ft. of commercial property in Ackruti Star, Andheri (East), Mumbai.
2. Escrow account for monitoring the project's cash flows and receivables
3. Personal Guarantee from the Promoters

Recent Developments

1. Swap formalities and mortgage on 'Ackruti Star' area completed.
2. Company sold 28,313 sf (of the 122,523 sft mortgaged with us) and received approx. Rs 25.53 crores (including amount received by co – investors). Company is in discussions with brokers / leasing agents to either lease or sell the balance area to pay the outstanding amount.

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
Expected Rate of Return	25.00% IRR
Instrument	Debentures
Investment Period	Exited

Recent Developments

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

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
Expected Rate of Return	23.50% p. a. (Simple Interest)
Instrument	Debentures
Investment Period	Extended till Q2, 2014

Transaction Structure

Investment has been made by the Fund by way of debentures

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.

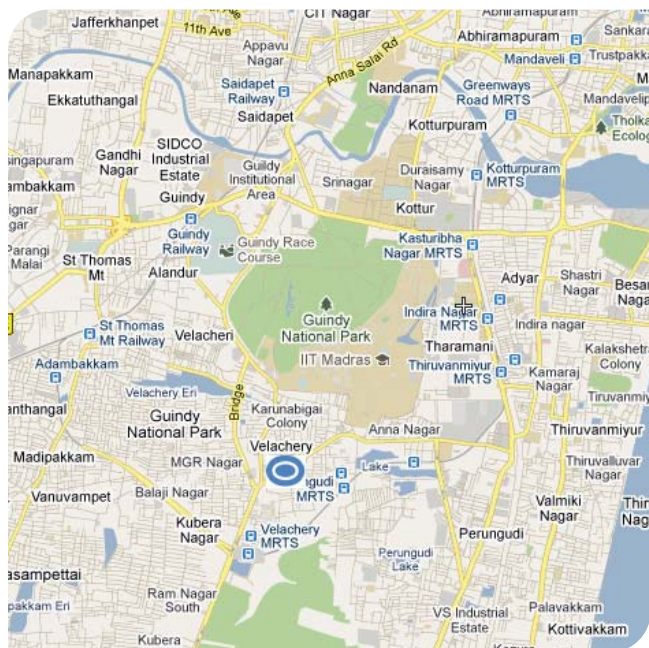
Securities

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 of receivables from the project

Recent Developments

1. IOD and CC for sale buildings received. Piling works for buildings B and C of the free sale component has been started by TATA Housing.
2. Rehabilitation building work is in full swing. 90% of total works has been completed for 8 out of 14 buildings.
3. Developer has received a termsheet from another financial institution to refinance our investment. Expect to completely exit by mid 2014 at expected return of 23.5% p.a. (simple interest)

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
Expected Rate of Return	22.00% IRR
Instrument	Debentures
Investment Period	Extended till Q3, 2014

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, however since the project has not been launched, developer has requested for extension of repayment.

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.

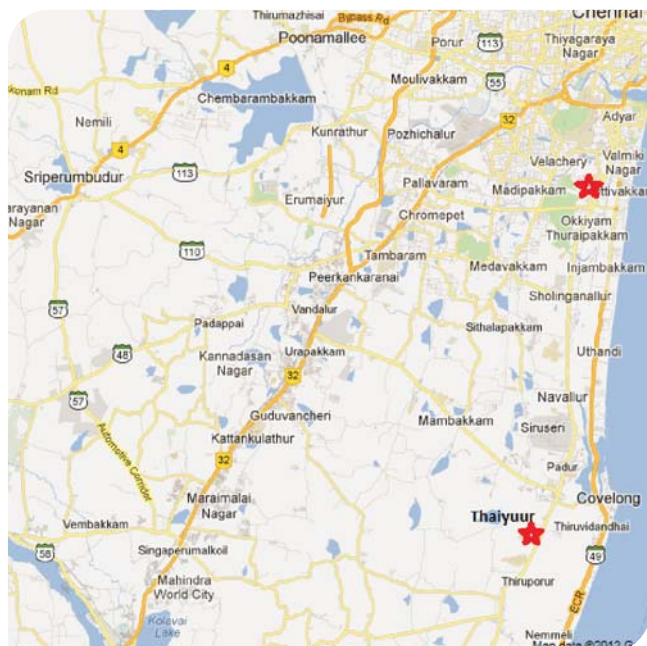
Securities

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. Development approvals are pending due to approval of road width and taking over of road by Chennai Corporation/PWD. Once this approvals is in place, developer will seek construction permission.
2. We are in discussions with developer to exit the project if approvals are not obtained in near future.
3. Developer has serviced the interest amount of 22% per annum previously and the next coupon will be due in May 2014.

Land Marvel - Kotivakkam & Thaiyur, Chennai



Location	Kotivakkam & Thaiyur, Chennai
Partner	Land Marvel
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
Expected Rate of Return	24.00% IRR
Instrument	Debentures
Investment 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 from the investment date of July 2012

Project Plan

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

At Thaiyur, the project is proposed to be developed as high rise residential building, which will cater mainly to the mid-income group.

At Kotivakkam, the project is planned as 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. DTCP approval in process for Thaiyur project.
2. We have received some initial JDA proposals also from reputed developers to partner for development.
3. Company has partially paid the interest amount due and has requested till May end to pay the total interest amount.

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	Launched
Land Area	2 Acres
Total Saleable Area	295,000 sq ft
Expected Rate of Return	24.00% IRR
Instrument	Debentures
Investment 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 24-30 months (2 stage staggered redemptions) from the investment date of February 2012.

Project Plan

The Project is located in Hebbal, Bengaluru.

The Project involves total saleable residential area of 295, 000 sq ft. The Project has received construction commencement approval.

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. Foundation of Tower B and C complete. Foundation of Tower A commenced.
2. 1st floor slab of Tower B is in progress and super-structure of Tower C of 2nd floor slab is in progress.
3. 13% of project sold. Current base price is about Rs. 5500 per sq. ft. Company is offering value adds like Air conditioning, home automation and modular kitchen in the Project to address customer's needs.
4. Currently sales in the micro market are slower than expected and company is focused on improving sales velocity.
5. Company has paid the coupon (at 15% per annum) of Rs 4.5 crores as per due dates in Feb /March 2014.

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
Land Area	1.8 Acres
Total Saleable Area	129,000 sq ft
Expected Rate of Return	23.00% IRR
Instrument	Debentures
Investment 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 in March 2013 for a period of 36 months.

Project Plan

The Fund has made an investment in a residential project (Signature I, II & Splendor I) located in Dahisar-East, a northern suburb of Mumbai.

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

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

Recent Developments

1. Foundation and Plinth work for Signature I has been completed. Further CC after plinth awaited.
2. 70 out of 138 flats sold in Signature - I.
3. Company has informed that it does not intend to drawdown the balance Rs 15 crores so Fund has accepted their request and canceled this limit. As part of the agreement, the existing investment will be solely secured by Signature 1 project.
4. Company has paid Rs. 2.4 crores as coupon.

ATS Dolce – Greater Noida, NCR



Location	Sector Zeta 1, Greater Noida
Partner	ATS Group
Asset Class	Residential
Commitment Amount	Rs. 65 Crores
Disbursed Amount	Rs. 65 Crores
Project Stage	Building plan approval received
Land Area	14 acres
Total Saleable Area	2,100,000 sq ft
Expected Rate of Return	23% IRR
Instrument	Debentures
Investment Period	33 months

Transaction Structure

Investment has been made by the Fund into Domus Greens Private Limited, a SPV of the ATS group, by way of Optionally Fully Convertible Debentures (OFCD). Investment is for a period of 33 months

Investment has been made in November 2013

Project Plan

Domus Greens will be developing a residential project 'ATS Dolce' in Sector Zeta – I, Greater Noida

The project will cater to mid income group consisting of 2 and 3 BHK units with all modern amenities

The project will consist of 14 towers of 21 floors each with 16 independent row houses

Securities

1. Mortgage of project land
2. Hypothecation of all project receivables
3. Personal guarantee of Promoter
4. Pledge of 100% shares of the SPV
5. Escrow of project cashflows

(At least 2.0x security cover will be maintained throughout the tenure of the investment)

Recent Development

1. Final Approval for 1.5x FSI has been obtained and in principle approval for additional 1.75 FSI has been received.
2. Construction expected to commence shortly
3. Pre sales in the project have commenced and 25% of the total area has been sold at prices in line with our assumptions in the Business plan.

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