



July-September, 2013



MILESTONE DOMESTIC SCHEME - III

Dear Investors

Greetings!

Please find enclosed the Investors Update for Milestone Domestic Scheme – III (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 restructuring agreement with Hubtown Limited in August 2013. Fund has received outstanding coupon payment till March 2013. We continue to monitor the projects during this challenging macroeconomic environment and focus on managing the portfolio.

We thank you for your continued support.

Regards,

Board of Directors

Milestone Domestic Scheme III

FUND SUMMARY AS ON SEPTEMBER 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. 336.08 Crores |
| Capital Divested | Rs. 15.00 Crores (4%) |
| Income Generated (Pre-tax) | Rs. 41.16 Crores |
| Total Exit Amount | Rs. 56.16 Crores (14%) |

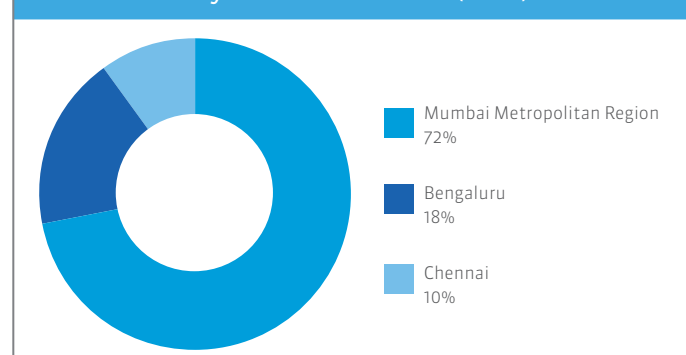
INVESTMENT SUMMARY AS ON SEPTEMBER 30, 2013

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 EXIT DETAILS AS ON SEPTEMBER 30, 2013 | | | | | | | | | 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 | - | 25.0 | 25.0 | - |
| 2 | Jain Heights & Structures Pvt. Ltd. | C.V. Raman Nagar, Bengaluru | 15.0 | 25.0% | 15.0 | 15.00 | 6.3 | 21.3 | 100.0% |
| 3 | Richa Realtors | Mulund, Mumbai | 50.0 | 12.0% | 50.0 | - | 6.0 | 6.0 | - |
| 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 | - | - | - | - |
| 6 | Hanging Garden | Hebbal, Bengaluru | 30.0 | 15.0% | 30.0 | - | - | - | - |
| 7 | Signature | Dahisar, Mumbai | 35.0 | 12.0% | 20.0 | - | 0.04 | 0.04 | - |
| Total | | | 256.0 | | 241.0 | 15.0 | 41.2 | 56.2 | |

* 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 | July 2014 |
| Expected Rate of Return | ~20% 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 entered into restructuring with developer and filed consent terms in Honourable High Court.
2. Proposed to swap the existing mortgage with a ready commercial office property 'Ackruti Star' in Andheri (E).
3. Received coupon payment till March 2013.

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. 6.31 Crores |

Recent Developments

The Fund has completely exited from the project at 25% gross IRR (pre tax, pre expenses).

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

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.

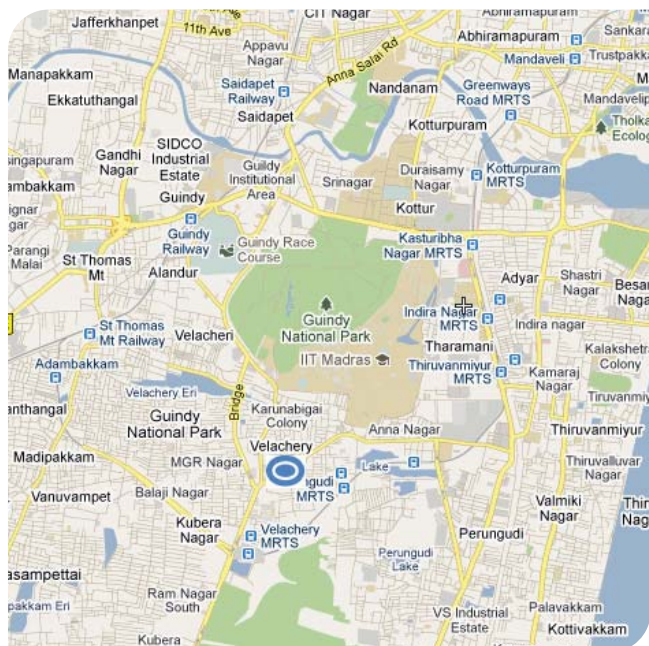
Securities

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. Rehabilitation building work is in full swing, almost all floor slabs completed on all 8 buildings. IOD and CC for sale buildings expected in next few months.

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.

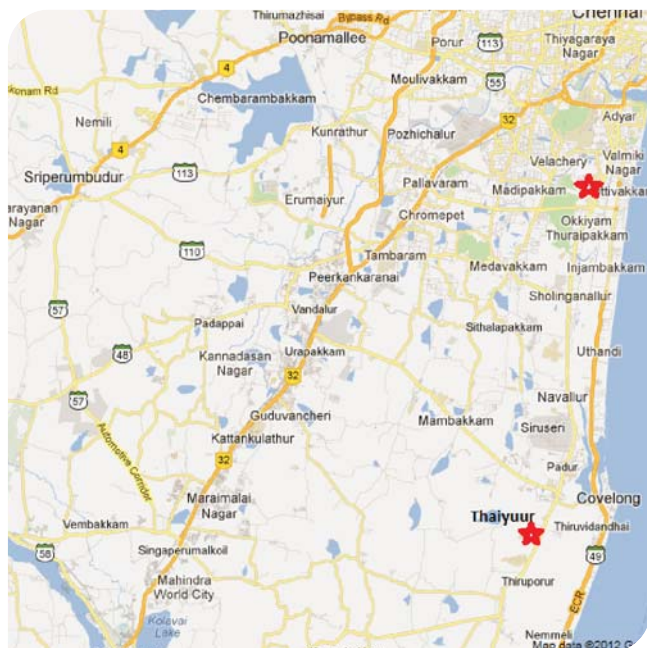
Securities

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 has been delayed, due to which development is on hold, since approvals are awaited.

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; compound wall & site levelling work is in progress.
2. DTCP approval in process for Thaiyur project.

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 24-30 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 construction 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 & basement work is in progress for all three towers. Super structure for Tower 'C' is in progress.
2. 11% 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 & Splendor I) 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.

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

Foundation and Plinth work for Signature I has been completed.

Splendor I (earlier known as Signature III) is expected to be launched shortly.

Disclaimer: The contents of this bulletin is for information purpose only and should not be construed as advice, representation or warranties from Milestone Group. You are advised to carry out an independent inquiry, investigation / analysis before relying on the information provided herein. Milestone Group will not be liable for any loss or damage whatsoever arising as a result of any person acting or refraining from acting in reliance on any information contained therein or anything stated or omitted to be stated herein or for any other reason whatsoever. Milestone Group accepts no liability for any errors, misprints, inaccuracy or omission in this publication.



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