



October-December, 2013



MILESTONE DOMESTIC SCHEME - III

Dear Investors,

Wish you a Happy and Prosperous New Year.

Please find enclosed the investment update for Milestone Domestic Scheme – III (the “Fund”) for the quarter ended December 31, 2013.

Real growth in Indian economy has picked-up marginally, driven largely by agricultural activity and supported by an improvement in net exports. However, the weakness in industrial activity persists and subdued domestic consumption demand suggests continuing headwinds to growth. In its latest mid-quarter policy, RBI has indicated that the current inflation is too high and increase in inflation has been attributed mainly to food prices. While RBI is on wait and watch mode and has maintained status quo on key policy rates, it has indicated that its future action would depend on the food inflation and global macro environment.

After extensive interactions, SEBI has green-lighted REIT’s in India by releasing a second draft of the REIT regulations for public feedback. It is expected to be positive outcome for the developers who will be able to bring Grade A commercial properties to investors interested in rental income. A few critical issues on taxation and property valuation need to be addressed before REITs become a reality.

Investments in the real estate sector grew by 25% over the last year during the same period to Rs. 4710 crores . This amount is further expected to increase as PE investments further increase. Mumbai and NCR real estate market continue to witness slow sales on account of high prices and affordability issues. There is considerable inventory overhang in both these markets though reputed developers with good execution track records are able to achieve higher sales. Bangalore and Chennai real estate markets continue to be stable due to affordable sale price targeted at mid segment projects. Both markets are expected to witness new project launches and hence the inventories in these two cities may remain steady.

During this quarter, Fund has invested Rs. 65 Crores in a residential project of ATS Group in Greater Noida, NCR. ATS group is one of the most reputed residential developers in the NCR region and has completed over 10.0 million sq ft of landmark projects. The investment is for a period of 33 months and is expected to generate a gross IRR of 23% (pre tax, pre expenses).

We continue to focus on managing the portfolio and evaluate deals for investing proceeds of the final capital call issued recently.

We thank you for your continued support.

Regards,



Nitin Goel

Partner – Real Estate Investments

Milestone Domestic Scheme III

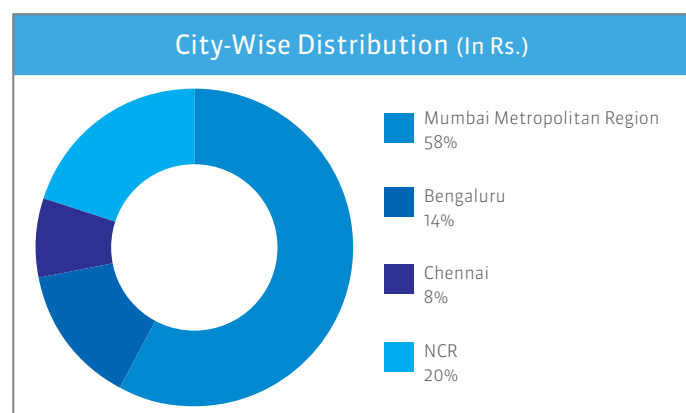
FUND SUMMARY AS ON DECEMBER 31, 2013

Total Corpus Raised	Rs. 410.44 Crores
Final Closing Date	31st January 2012
Term	3.5 years + 1 year + 1 year
No. of Investments	8
Amount Drawn till Date	Rs. 336.08 Crores
Capital Divested	Rs. 15.00 Crores (4%)
Income Generated (Pre-tax)	Rs. 41.82 Crores
Total Exit Amount	Rs. 56.82 Crores (14%)

INVESTMENT SUMMARY AS ON DECEMBER 31, 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
8	ATS Group	Greater Noida, NCR	Nov-13	65.00
			Total	321.00

* 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 DECEMBER 31, 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	-	0.66	0.66	-
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	-
8	ATS Group	Greater Noida, NCR	65.0	15.0%	65.0	-	-	-	-
Total			321.0		306.0	15.0	41.8	56.8	

* 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 (approximately)
Expected Rate of Return	20% IRR
Instrument	Debentures
Investment Period	Q3-Q4 2014

*Previously known as Ackruti Group

**Includes co-investment

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. The project was awarded to Hubtown as a Public-private partnership (PPP).

Fund had in August 2013 entered into restructuring with developer and filed consent terms with Honourable High Court. 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

Status

1. Received coupon payment till March 2013.
2. Swap formalities and mortgage on 'Ackruti Star' area completed.

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

Recent Developments

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

Exit proceeds (principal of Rs 15.0 crores and income of Rs. 6.3 crores) 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)
Expected Rate of Return	23.50% p. a. (Simple Interest)
Instrument	Debentures
Investment 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.

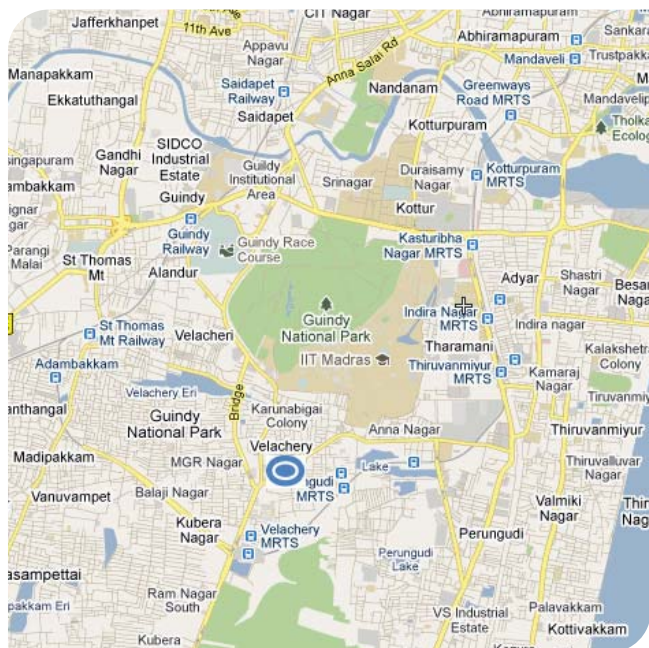
Securities

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

Status

1. IOD for sale building received.
2. Rehabilitation building work is in full swing. All floor slabs completed on all 8 buildings.
3. CC for sale buildings expected in Q2, 2014.
4. 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 (approximately)
Expected Rate of Return	22.00% IRR
Instrument	Debentures
Investment 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.

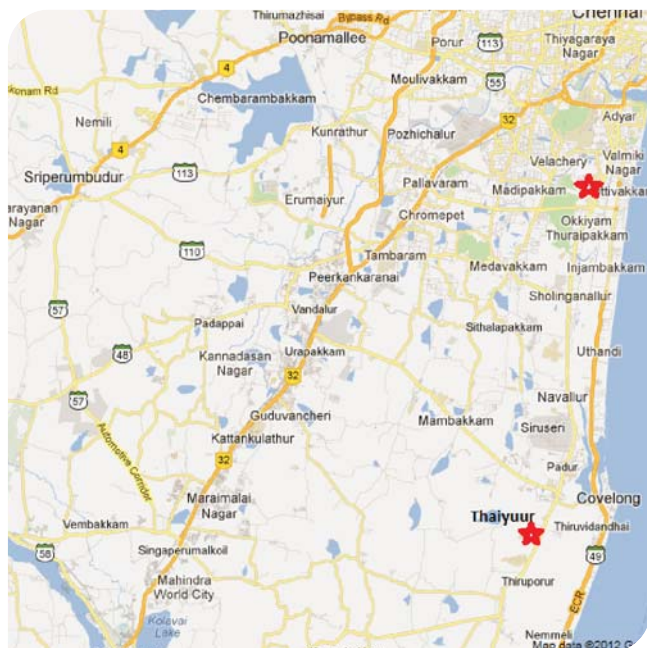
Securities

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. Development approvals are pending due to approval of road width and taking over of road by Chennai Corporation/PWD. Once this approvals 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.

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 (approximately)
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

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 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. DTCP approval in process for Thaiyur project.
3. We have received some initial JDA proposals also from reputed developers to partner for development.

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 (approximately)
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)

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

Status

1. Foundation of Tower B and C complete. Foundation of Tower A commenced.
2. Basement of Tower B and super-structure of Tower C in progress.
3. Emphasis of developer is on improving sales velocity and is also exploring tie-up with leading newspaper for advertising.
4. 13% of project sold. Current base price is about Rs. 5500 per sq. ft.

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	250,000 sq ft (approximately)
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

Status

Foundation and Plinth work for Signature I has been completed. Further CC after plinth awaited.
70 out of 138 flats sold in Signature - I.
Splendor I (earlier known as Signature III) is expected to be launched shortly.

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 (approximately)
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

Construction expected to commence shortly

Pre sales in the project have commenced and 220 units booking made.

Received extremely good response for the project launch.

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