

# Milestone Fund LLC

INDIA FOCUSED REAL ESTATE FUND

July- September, 2013



Dear Investors

Greetings!

Please find enclosed the Investors Update for Milestone Fund LLC (the "Fund") for the quarter ended September 30, 2013. The Fund, with a total corpus of US\$ 75.30 million has been fully (100%) drawn down and has invested in 5 projects.

Indian economy has slowed down considerably with key economic indicators like current account deficit and consumer inflation remaining above the comfort level of the Reserve Bank of India (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.

In a positive step for the sector, the capital markets regulator has recently proposed listing of Real Estate Investment Trusts (REIT), which will enable private equity funds to exit from property projects through a listing on Indian stock exchanges.

The largest markets like Mumbai and National Capital Region (NCR) have witnessed slow sales on account of high prices leading to affordability issues, as well as expectations of price reduction in the near term. There is considerable inventory overhang in both these markets.

Markets like 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.

Fund is in discussion stage with various parties to exit from Acorn (Dharuhera, NCR). 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



# Fund Summary

## Fund Summary as on September 30, 2013

Total Fund Size*	INR 3410.00* mn	US\$ 75.30 mn
Final Closing Date	30th March, 2009	
Term	6 years + 1 year + 1 year	
No. of Investments	5	
Investment Amount	INR 2904.50 mn	US\$ 66.00 mn
Capital Divested	INR 282.50 mn (8.3%)	US\$ 4.98 mn (6.6%)
Income Generated (Pre-tax)	INR 441.95 mn	US\$ 7.29 mn
Total Exit Amount	INR 724.45 mn (21.2%)	US\$ 12.26 mn (16.3%)

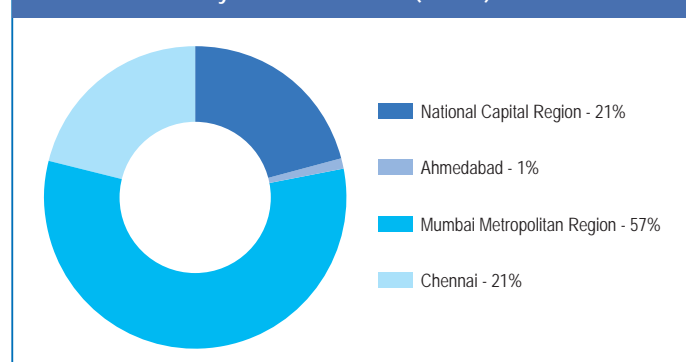
\* Exchange rate 1 US\$ = INR 45.32 at the time of fund received

## Investment Summary as on September 30, 2013

No.	Project	Partner	Location	Initial Investment Date	Fund's Investment (INR mn)	Fund's Investment (US\$ mn)*
1	ACORN Warehouses	Milestone Group	Dharuhera, National Capital Region	Aug-09	620.80	15.35
2	ACORN Warehouses	Rudrapratap Developers	Kheda, Ahmedabad, Gujarat	Mar-10	37.70	0.85
3	Swarajya	Neptune Group	Ambivali, Mumbai Metropolitan Region	Sep-10	1036.00	24.00
4	Shivaji Park	Richa Realtors	Dadar, Mumbai Metropolitan Region	Feb-11	500.00	11.30
5	Land Marvel	Land Marvel	Chennai	July-12	710.00	14.50
<b>Total</b>					<b>2904.50</b>	<b>66.00</b>

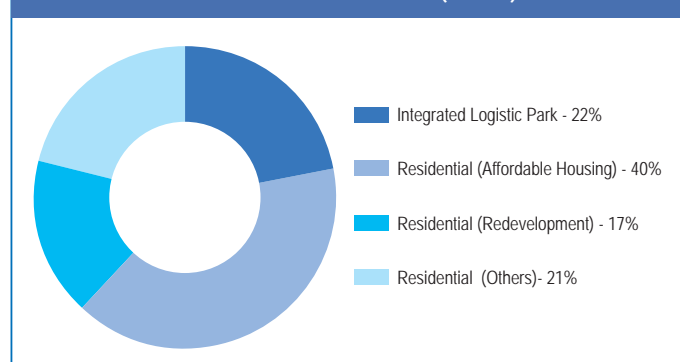
\*Actual US\$ rate at the time of investment dates.

### City-Wise Distribution (In US\$)



Shown above is the city-wise distribution (in US\$) of the various projects in the portfolio

### Sector Wise Distribution (In US\$)



Shown above is the sector-wise distribution (in US\$) of the various projects in the portfolio

## Fund Allocation

Portfolio Divestment Details upto September 30, 2013										
No.	Project	Location	Capital Invested		Capital Divested		Income Generated* (Pre-tax)		Total	
			INR Mn	USD Mn	INR Mn	USD Mn	INR Mn	USD Mn	INR Mn	USD Mn
1	ACORN Warehouses	Kheda, Ahmedabad, Gujarat	37.7	0.85	37.7	0.85	8.7	0.03	46.4	0.88
2	Neptune Swarajya	Ambivali, Mumbai Metropolitan Region	1,036.0	24.0	244.8	4.13	352.3	5.94	597.1	10.06
3	Shivaji Park	Dadar, Mumbai Metropolitan Region	500.0	11.3	-	-	80.95	1.32	80.95	1.32
4	ACORN Warehouses	Dharuhera, National Capital Region	620.8	15.35	-	-	-	-	-	-
5	Land Marvel	Chennai	710.0	14.5	-	-	-	-	-	-
			<b>2,904.5</b>	<b>66.0</b>	<b>282.5</b>	<b>4.98</b>	<b>441.95</b>	<b>7.29</b>	<b>724.45</b>	<b>12.26</b>

\* Income generated is pre tax, & will be adjusted for with-holding tax & expenses at fund / SPV level.  
Actual exchange rates have been considered.

# ACORN Warehouses and Logistics Parks, NCR



<b>Location</b>	<b>Dharuhera, NCR</b>
Partner	Milestone Group
Asset Class	Integrated Logistic Park
Investment Amount	US\$ 15.35 million
Date of Initial Investment	August 2009
Project Stage	Construction and Sales/Leasing
Land Area	22.08 Acres
Total Leasable Area	550,000 sq ft (approximately)
Approval Status	Few approvals pending
Construction Status	In Progress
Leasing Status	In Progress

## Transaction Overview and Investment Rationale

The Fund has invested in a warehousing facility in Dharuhera, in the National Capital Region.

The economic growth in the country and increased industrialisation has led to increased demand for warehousing facilities.

Dharuhera is evolving from an agrarian economy to an industrial one due to its close proximity to New Delhi and Indira Gandhi International Airport and hence demand for warehouses is expected in the region.

## Project Plan

The overall project plan is to jointly develop 1.65 mn sq ft of brand new, flexible, modern, state-of-the-art, industry neutral, general purpose warehousing units in Dharuhera. The units are proposed to be developed with full pre-engineered super structures (PEB) which will be part of an existing big warehousing complex.

## Current Status and Recent Developments

Till date 3 PEB Blocks (W5, W6 and W7) totaling to 360,000 sq ft of Built up Area have been constructed, amounting to 432,000 sq ft leasable area. Additionally, 3 RCC Blocks (B, C and D) totaling to 121,000 sq ft of Built up Area are under construction. Out of these, Blocks B and C have been completed up to the warm shell condition and are ready for occupation.

We have signed 2 new leases of approximately 55,000 sq ft in this quarter. There by, 100% of PEB space is leased.

Efforts are on for leasing of RCC with 5 to 6 potential tenants are Brattle Food (extension), Kuhne-Nagel, Capsugel, OCI Express, TCI. Rentals are now averaging Rs. 15 per sq ft

## Way Forward and Exit Strategy

The Fund is exploring the option of selling the entire project on an "As Is Where Is" basis. Several potential buyers have shown interest and the Fund is in discussion with them.

## ACORN Warehouses and Logistics Parks, Gujarat



<b>Location</b>	<b>Kheda, Ahmedabad, Gujarat</b>
Partner	Rudrapratap Developers
Asset Class	Integrated Logistic Park
Investment Amount	US\$ 0.85 million
Date of Initial Investment	March 2010
Project Stage	Construction and Sales/Leasing
Land Area	41.27 Acres
Total Leasable Area	1,100,000 sq ft (approximately)
Approval Status	Few approvals pending
Construction Status	In Progress
Leasing Status	In Progress

### Transaction Overview and Investment Rationale

The Fund has invested in a warehousing facility in Kheda, on the outskirts of Ahmedabad in Gujarat.

Ahmedabad serves as a regional industrial hub, and is an important location in terms of access to markets and manufacturing units due to it being located on the Golden Quadrilateral, a network of highways connecting some of India's major cities.

### Project Plan

Rudrapratap Developers (Ahmedabad) Pvt. Ltd., proposes to develop a land parcel of approx. 41.27 Acres in Kheda which lies on the outskirts of Ahmedabad for mixed-use development consisting of various warehousing units cum industrial shells and providing for allied services for logistic business on Joint Development Basis.

### Current Status and Recent Developments

The Fund has exited from this project.



<b>Location</b>	<b>Ambivali, Mumbai</b>
Partner	Neptune Group
Asset Class	Residential (Affordable Housing)
Investment Amount	US\$ 24.00 million
Date of Initial Investment	September 2010
Project Stage	Construction and Sales
Land Area	115 Acres
Total Saleable Area	5,700,000 sq ft (approximately)
Approval Status	Few approvals pending
Construction Status	In Progress
Sales Status	Phase I – 95% sold Phase II – 94% sold Phase IV B – 57% sold

## Transaction Overview and Investment Rationale

The Fund has invested in an affordable housing project located in a town called Ambivali near Kalyan in the Mumbai Metropolitan Region. The town is well connected and accessible by suburban railways as well as roadways from Mumbai. The presence of industrial areas in the vicinity provides a natural catchment for industrial workers. Additionally, there is a huge demand for affordable housing in Mumbai.

The project is being developed by Neptune Group, a Mumbai based developer, experienced in the development of residential projects, office complexes, shopping malls and IT Parks.

## Project Plan

The proposed development aims at providing affordable housing to the Lower Income Group segment of the Mumbai Metropolitan Region. The project is spread across 115 acres and once completed will consist a total of 10,000 units spread across 6 Phases and 3 Sectors.

## Current Status and Recent Developments

Sector 1 - 22 buildings are under construction, out of which 9 building are nearing completion. 94.6% of these units have been sold.

Sector 2 - Construction is ongoing in 27 out of 44 buildings. 94% of units in this sector have been sold. Sector 4B having 3 buildings, is launched at a premium rate of Rs. 3800/- psf and 184 bookings have been received. Further, NA of additional 6 acres is received. Additional 28.5 acres expected by year end.

## Way Forward and Exit Strategy

Fund has exited partially from the project till date. In addition, developer is also exploring options to monetise the other land parcels which are part of the security with us. Project development is underway and once the approvals are received for balance land, developer will launch sale of apartments.



# Shivaji Park Project, Mumbai



Location	Shivaji Park, Mumbai
Partner	Richa Realtors
Asset Class	Residential (Re-development)
Investment Amount	US\$ 11.30 million
Date of Initial Investment	February 2011
Project Stage	Approvals
Land Area	0.50 Acres
Total Saleable Area	180,000 sq ft (approximately)
Approval Status	Few approvals pending
Construction Status	Not commenced
Sales Status	Not launched

## Transaction Overview and Investment Rationale

The Fund has invested in a redevelopment project on Gokhale Road, Shivaji Park, Dadar in the heart of Mumbai. The area is centrally located and connects South Mumbai to the suburbs. Dadar railway station, which is the connecting point for the Western and Central Railway line in Mumbai lies in close proximity to the property. Hence it is easily accessible from important business districts like Bandra Kurla Complex, Lower Parel and Dadar. Due to unavailability of land, demand is high and supply is mainly through redevelopment.

The redevelopment would be done by Richa Realtors, a Mumbai based developer with over 15 years of experience.

## Project Plan

The project plan is to develop new houses for the existing tenants at the developers cost. In lieu of the same, the developer is entitled for constructing and selling additional residential space on the project land. Richa has appointed M/s Callison LLC, a California based architecture and design firm, as the Consulting Architects for the project.

## Current Status and Recent Developments

1. Environment clearance from MOEF received; the High Rise Committee of the Municipal Corporation has given their approval for the project.
2. Commencement certificate is still awaited & project construction will start on receipt of approval.
3. All tenants have been relocated to alternate locations and demolition under progress for 4 buildings out of total 8 buildings.
4. Developer in discussion for arranging bank loan for construction finance.

# Land Marvel, Chennai



Location	Land Marvel (Thaiyur and Kotivakkam), Chennai
Asset Class	Residential
Investment Amount	US\$ 14.50 million
Date of Initial Investment	July 2012
Project Stage	Planning in progress
Land Area	10 Acres (approximately)
Total Saleable Area	14,32,000 sq ft (approximately)
Land Acquisition	Completed
Construction Status	Preparatory work has started
Sales Status	Not launched

## Transaction Overview and Investment Rationale

The Fund has invested in two residential projects in Chennai in Thaiyur and Kotivakkam. The projects are located off Rajiv Gandhi Salai, formerly known as Old Mahabalipuram Road (OMR).

Being an established IT corridor with a large catchment population, the Rajiv Gandhi Salai region has gained immense popularity and has nearly 43 per cent of the city's upcoming residential supply. This micro-market caters to the lower middle, middle and upper middle-income segments.

## Project Plan

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.

## Current Status

Design and Planning work is in progress; compound wall & site levelling work is in progress.

DTCP approval in process for Thaiyur project.



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