

# Milestone Fund LLC

## INDIA FOCUSED REAL ESTATE FUND



Newsletter for the quarter July - September 2016

AN ISO 9001:2008 CERTIFIED COMPANY

Dear Investors,

Please find enclosed the investment update for Milestone Fund LLC (The Fund) for the quarter ended September 2016

The past quarter witnessed two key events which are expected to change the economic landscape. The first being the passage of the GST Bill which is expected to drive up economic activity over the medium term. The second being the demonetization of Rs 500 and Rs 1000 currency notes in November 2016 by the Government of India. As real estate sector is a key sector where unaccounted money is utilized, this move will kill dependency on cash linked transactions in the secondary markets and the market will witness true pricing across residential projects. In the Tier I cities, Grade A developers are least likely to get impacted as majority of these developers had stopped cash linked primary sales. This is also expected to increase dependency on institutional capital resulting in higher yields on debt transactions.

On the interest rate front, RBI reduced the interest rate by 25 bps, showcasing 'growth' as a key priority of RBI and on account of expectations of moderate inflation. Inflation rates may fall further on account of the demonetization and provide more room for RBI to reduce interest rates. This will improve the end user sentiment for home purchases.

The Fund is actively working towards exit from the balance investments of Land Marvel and Richa Shivaji Park.

A handwritten signature in blue ink that reads 'Nilesh Karkhanis'.

**Nilesh Karkhanis**  
Partner – Real Estate Investments

# Milestone Fund LLC

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## FUND SUMMARY AS ON SEPTEMBER 30, 2016

Funds Received*	INR 3410.0* mn	US\$ 75.3 mn
Final Closing Date	30th March, 2009	
Term	6 years + 1 year + 1 year	
No. of Investments	5	
Investment Amount	INR 2904.5 mn	US\$ 66.1 mn
Capital Divested	INR 1435.0 mn (42.1%)	US\$ 22.4 mn (29.7%)
Income Distributed (Pre-tax)	INR 1265.6 mn	US\$ 19.8 mn
<b>Total Exit Amount</b>	<b>INR 2701.2 mn (79.2%)</b>	<b>US\$ 42.0 mn (56%)</b>

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

## PORTFOLIO DIVESTMENT DETAILS UP TO SEPTEMBER 30, 2016

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	Shivaji Park	Dadar, Mumbai Metropolitan Region	500.0	11.3	-	-	81.0	1.3	81.0	1.3
2	Land Marvel	Chennai	710.0	14.5	-	-	52.8	0.9	52.8	0.9
<b>FULLY EXITED INVESTMENTS</b>										
3	ACORN Warehouses	Kheda, Ahmedabad, Gujarat	37.7	0.9	37.7	0.9	8.7	0.2	46.4	0.9
4	Neptune Swaraja	Ambivali, Mumbai Metropolitan Region	1,036.0	24.0	1,036.0	15.9	1,123.0	17.4	2,159.0	33.3
5	ACORN Warehouses	Dharuhera, National Capital Region	620.8	15.4	362.0	5.6	-	-	362.0	5.6
			<b>2,904.5</b>	<b>66.1</b>	<b>1,435.0</b>	<b>22.4</b>	<b>1,265.5</b>	<b>19.8</b>	<b>2,701.2</b>	<b>42.0</b>

\*Income generated is pre tax, & will be adjusted for with-holding tax & expenses at fund / SPV level.

## ACORN Warehouses and Logistics Parks, NCR



ft leasable area of which about 80% area is leased out at an average rental of Rs 15 per sq ft. The fresh demand for warehousing space continues to be slow

### Exit Status

The Fund has completely exited from this project in July 2016.

## Swarajya, Mumbai



In March 2013, Neptune made redemption of ~26% of outstanding debentures along with the redemption premium. Such redemption was made using the construction finance availed from Central Bank of India against a 26 acre land parcel.

### Exit Status

The Fund has completely exited from this project in July 2016.

Location	Dharuhera, NCR
Partner	Milestone Group
Investment Amount	US\$ 15.4 million
Date of Initial Investment	June 2008
Land Area	66 Acres

### Transaction Overview

The Fund has invested in a warehousing facility in Dharuhera, in the National Capital Region. The overall project plan is to jointly develop 1.65 mn sq ft of warehousing units in Dharuhera. Presently, three PEB blocks amount to 432,000 sq

Location	Ambivali, Mumbai
Partner	Neptune Group
Investment Amount	US\$ 24.0 million
Date of Initial Investment	September 2010
Land Area	115 Acres

### Transaction Overview

The Fund has, by way of listed Non-Convertible Debentures (NCD), invested in an affordable housing project located in Ambivali near Kalyan in the Mumbai Metropolitan Region. The project is being developed by Neptune Group, and is spread across 115 acres spread across 6 Phases and 3 Sectors.

## Shivaji Park Project, Mumbai

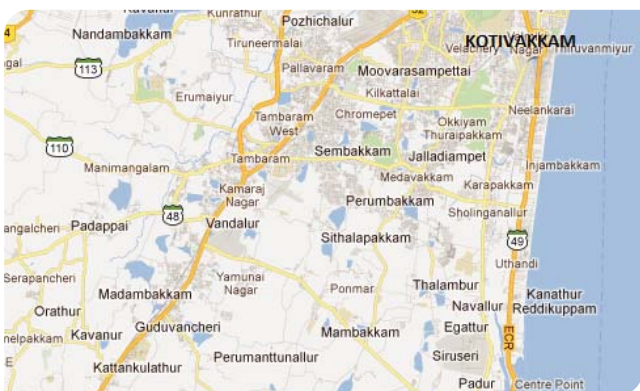


had suffered certain delays on account of change in statutory policies and these challenges have now been overcome. The existing eight buildings have been demolished and the plot is fully vacant and foundation work has commenced at the site.

### Way Forward and Exit Strategy

The Fund is in the final stages of exit and the same is expected to conclude before the end of the year 2016. The third party financial institutions is ready for disbursement which will facilitate our exit which should get consummated post certain compliances to be accomplished by the company.

## Land Marvel, Chennai



the project is planned as a high-rise premium residential development consisting 2/3/4 BHK units with modern amenities.

### Way Forward and Exit Strategy

The Fund is in discussions with the developer to execute an agreement to achieve full exit over the next nine months. In parallel, the Fund is actively exploring JDA/outright sale proposals for the Project lands.

Location	Shivaji Park, Mumbai
Partner	Richa Realtors
Investment Amount	US\$ 11.3 million
Date of Initial Investment	February 2011
Total Saleable Area	130,000 sq ft (approximately)

### Transaction Overview

The Fund has invested in a redevelopment project at Shivaji Park, Dadar in the heart of Mumbai. The redevelopment is being done by Richa Realtors. The project plan is to develop new houses for the tenants and in lieu of which developer will get free sale area of 130,000 square feet. However the project

Location	Land Marvel (Thaiyur and Kottivakkam), Chennai
Partner	Land Marvel
Investment Amount	US\$ 14.5 million
Date of Initial Investment	July 2012
Total Saleable Area	14,30,000 sq ft (approximately)

### Transaction Overview

The Fund has invested in two residential projects at Kottivakkam and Thaiyur through subscription of debentures of the SPV developing these projects. At Thaiyur, the project will cater mainly to the mid-income group. At Kottivakkam, the



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