

17th July, 2019

Dear Investor,

Sub: Indiareit Fund Scheme V - Status Update and 1st annual extension

Indiareit Fund Scheme V (“Fund”) was launched in 2013 with a primary tenure of 6 (six) years, extendable by up to 2 (two) additional one-year periods, by the Trustee, on the advice of the Investment Advisor. The primary tenure of the Fund ends on 31st July 2019 (“**Primary Tenure**”). The Fund had made 10 (ten) investments and has till date fully exited from 4 (four) of them with partial exit from 1 (one). The total distribution made by the Fund is c.55% of the Fund corpus, which includes c.35% towards “return of capital” and c.20% towards “return on capital”.

Exits from the residual portfolio investments will require an additional time period that shall extend beyond the end of the Primary Tenure. Hence, the Fund would be pursuing the first annual extension beginning from 1st August 2019 till 31st July 2020.

Please find below specific updates on the residual assets in the Fund.

1. The Center Court, Ashiana-Landcraft - Gurgaon ; Investment INR 100 crores

An investment of INR 100 crores was made by the Fund in 2013 in Ashiana Landcraft Realty Private Limited (“ALRPL” – a JV of Ashiana Homes and Landcraft Group) in Sector 88A Gurgaon for a group housing project. The project received approvals and construction of Phase 1 commenced in May 2014. One of the key drivers for the growth of the micro market was the completion of Dwarka Expressway by 2016 as it provided an alternate access to Gurgaon from Delhi. However, it got delayed due to land acquisition issues faced by the government. Further, the Gurgaon market also witnessed compression of the land prices due to downturn in the market. This has had a ripple effect with newer land parcels being bought at lower prices leading to new launches at lower prices.

Fund has already made distributions aggregating to INR 106.7 crores against an investment of INR 100 crores on account of the payment of coupon on listed NCDs, partial redemption of capital and sale of debentures. We are engaged with the promoters to arrive at a solution for a complete exit.

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2. Skylark Rida, Skylark Group-Bangalore ; Investment INR 36 Crores

An investment of INR 36 crores was made in June 2014 in Skylark Mansion, Bangalore for a luxury apartment project of the Skylark Group. Immediately thereafter, in Sep'14, Karnataka government issued draft of the revised TDR regulations; the revised TDR rules were finally notified in Mar'17. However, despite the notification in Mar'17, no project approvals (with TDR) have been received across Bangalore till date. There is continued lack of clarity on timelines of plan sanction with TDR. Considering the delay in approvals and strong demand for commercial space in CBD area, we had recommended Skylark to develop a commercial project (with the existing FSI) to ensure faster cash flow realization. However, since Skylark is facing significant group-level liquidity issues, it was not able to raise construction finance for the commercial project.

Considering the delays in project approvals, continued uncertainty in TDR regulations, group level cash flow stress and residual tenure of the Fund, we are now exploring to sell the project land. We have initiated discussions with other developers for sale of project land and the same is expected to be completed this year.

3. Bellandur Project, The Address Makers – Bangalore; Investment INR 40 Crores

An investment of INR 40 crores was made in May 2015 for an apartment project on a land parcel of 4.16 acres, situated at the banks of Bellandur lake, Bangalore. A National Green Tribunal (“NGT”) order was passed in May 2016 which imposed a new buffer zone of 75 metres for lakes and wetlands which would be a no-construction zone, as opposed to 30 metres of buffer earlier, due to which this project was stuck. The Supreme Court has recently set aside the NGT order preventing construction within the 75-metre buffer zone around lakes and going forward, the previous development rules apply. Due to the NGT issues, there were delays in the planning and approval process and the investment lost over three years.

Having lost more than three years due to the adverse NGT order, there has been an erosion in value on account of delay in construction and sales. Considering the delays and residual tenure of the Fund, we are now exploring to sell the project land. Since there has been a slowdown in the real estate market for the past three years, we may not get the price appreciation as expected earlier for the apartments as well as for the land, which could have compensated the loss in return due to the delay. We have initiated discussions with

other developers for sale of project land and the same is expected to be completed this year.

4. Ashiana Dwellings, Sohna-Gurgaon ; Investment INR 66 crores

An investment of INR 66 crores was made by the Fund in February 2015 in Ashiana Dwellings, Mulberry, a residential group housing being developed on a 10.25 acre land parcel by the Ashiana Homes Group in Sector 2 Sohna, Gurgaon. Sohna market was a new addition to the Gurgaon master-plan and provided a lower cost alternative than the rest of Gurgaon market. The construction on site is in progress but the project has been affected by the slowdown in the NCR market due to high stock availability and overall market conditions. Further, the land prices also compressed with newer land parcels being bought at lower prices and the same getting cascaded to new launches at lower prices. As a result, the Sohna micro-market has been impacted as the prices in other micro markets have compressed to the levels which are 20% lower and are now directly competing with the price levels of Sohna region.

Although behind schedule, the construction on site is currently in progress; finishing works are in progress in 3 out of the 6 towers in Phase I. A construction loan has also been availed on the project. Fund is exploring exit options and is in negotiations for the same with the developer.

5. Projects by Darode Jog Homes - Pune ; Investment INR 120 crores

An investment of INR 120 crores was made by the Fund in 2015 across two projects in Pune with Darode Jog developers:

- Project 1 (Padmanabh): Residential project (spread across 3 phases) being developed over 7.6 acres consisting of 1, 1.5 and 2BHK units housed across 9 towers, including commercial space
- Project 2 at Chovisawadi: Residential project (spread across 4 phases) being developed over 47.4 acres consisting of 1, 1.5, 2, 2.5 and 3 BHK units housed across 25 towers.

Both the projects' progress has been affected due to delay in receipt of approvals and slow construction. Further, the developer has been facing liquidity issues and has not been able to carry out sales and development activities, thereby impacting cashflows. We have been engaging with various developers in Pune to take over these projects for development and repayment of our investment. Further, for the recovery of our dues, we had initiated IBC proceedings against Darode Jog Builders Pvt Ltd (Borrower) and Darode Jog Builders Pvt Ltd

(Corporate Guarantor) in March 2019 and April 2019 respectively which is at the pre admission stage before NCLT, Mumbai. However, the developer has now come forward for a negotiation and settlement and we are discussing various business plans for recovery of our dues like plotted development over part of Chovisawadi land parcel and sale of the balance land parcel. We have also invoked the personal guarantees of the promoters in April 2019 and the matter is sub judice before the Commercial Court, Mumbai. We expect more clarity on the way forward in the coming months, which shall be duly communicated.

6. Siesta & Sommet, Ariisto Group – Mumbai; Investment INR 200 crores

An investment of INR 200 crores was made by the Fund in “Siesta” (Mulund) and “Sommet” (Goregaon) with Ariisto Developers in 2014. Due to weak financial condition of the company, both the projects are on hold currently, awaiting fresh financial closure.

In order to organize an exit for the Fund, we were engaging with multiple third party developers for a Joint Development Agreement (“JDA”). However, an unsecured creditor initiated proceedings under Insolvency & Bankruptcy Code (“IBC”) against the company housing the Mulund project. Thereafter, as part of the process under the IBC, the Fund has also filed a claim as a “Financial Creditor” with the Interim Resolution Professional (“IRP”) and the Fund was made a part of the Committee of Creditors (“COC”). Further action on the matter will be decided by the COC in due course. COC has also received a Resolution Plan (“Plan”) which is under consideration and the COC may request the bidder to further improve the terms of the Plan. Recently, Ariisto tried to settle the IBC proceedings with the unsecured creditor, to come out of the IBC proceedings - we (along with the Resolution Professional) objected to the settlement and the matter is pending before the NCLAT.

For the Goregaon project, a Development Management Agreement has been signed with a third-party and efforts are underway to convert the same into Joint Development Agreement. Efforts are also underway in trying to get a Construction Finance facility to enable construction commencement and project progress.

Considering the fact that the entity owning the Mulund project is under IBC, the resolution shall be governed as per the process stipulated thereunder. We expect more clarity on the way forward in the coming months, which shall be duly communicated.

As can be seen from the aforementioned status on the residual assets, the extension period is essential for a final realization from the residual investments and hence as the Investment

Advisor to Indiareit Fund Scheme V, we have recommended the annual extension to the Trustees. Please do note that we will not be charging any management fee for managing the remaining investments during the extension period.

We sincerely value your association and assure you of our commitment at all times. You may write to us at investors@piramal.com for any further information/clarification.

For Piramal Fund Management Private Limited

Authorized Signatory

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