

**20 September, 2011**

## **UPDATE**

Ishaan Real Estate Plc ("Ishaan" or the "Company") announces the following update for investors:

- Progress made on the letting and development of the Company's Portfolio since the last results announcement on 29 June 2011
- Resolution of a dispute between K. Raheja Corp and Andhra Pradesh Industrial Infrastructure Corporation Ltd. ('APIIC')
- Reduction to the Investment Advisory fees payable to Neerav Investment Advisory Services (Dubai) Limited ('Neerav')

### **Portfolio Update**

Further to the letting reported in the results announcement on 29 June 2011, additional space of c.766,000 sq. ft. has been let or terms agreed across the following projects in the portfolio:

- c.76,000 sq. ft. at Mindspace, Airoli, Navi Mumbai
- c.690,000 sq. ft. at Mindspace, Madhapur, Hyderabad SEZ

As a result, the aggregate area let or terms agreed has increased to c.7.7 million sq. ft., representing c.74% of the lettable area constructed or under construction and c.44% of the aggregate lettable area of the portfolio.

Revised levels of letting activity in the Company's portfolio:

Area in sq. ft.

Project	Area let (a)	Terms agreed (b)	Aggregate area (c)=(a+b)	Area constructed or under construction (d)	% of area constructed or under construction (c)/(d)
Mindspace, Airoli, Navi Mumbai	811,000	2,085,000	2,896,000	3,857,000	75%
Mindspace, Pocharam	26,000	-	26,000	336,000	8%
Mindspace, Madhapur (SEZ)	665,000	1,107,000	1,772,000	2,817,000	63%
Mindspace, Madhapur (non-SEZ)	1,657,000	2,000	1,659,000	1,700,000	98%
Inorbit, Hyderabad	687,000	-	687,000	780,000	88%
Inorbit, Pune	473,000	17,000	490,000	546,000	90%
Commerzone, Bangalore		148,000	148,000	369,000	40%
<b>Total</b>	<b>4,319,000</b>	<b>3,359,000</b>	<b>7,678,000</b>	<b>10,405,000</b>	<b>74%</b>

In addition, options have been signed for a net area of 92,000 sq. ft. With this c.1,571,000 sq. ft. is now under option / Right of First Refusal ("ROFR").

Project	Area under option / ROFR (sq. ft.)
Mindspace, Airoli, Navi Mumbai	857,000
Mindspace, Madhapur (SEZ)	714,000
<b>Total</b>	<b>1,571,000</b>

**Resolution of dispute between K. Raheja Corp and APIIC and increase of APIIC's stake in Intime Properties Private Limited and Sundew Properties Private Limited (investee companies of Ishaan Real Estate plc) to 11%**

Until November 2005, APIIC held an 11% stake in K Raheja IT Park Pvt Ltd (the 'JV Company'), an entity set-up to develop IT Parks in Hyderabad. The Mindspace, Madhapur (non-SEZ) and Mindspace, Madhapur (SEZ) projects, in which Ishaan currently holds a 40% interest through its investment in Intime Properties Private Limited ('Intime') and Sundew Properties Private Limited ('Sundew'), are located on land allotted to the JV Company prior to November 2005. Both of these projects were transferred from the JV Company to Intime and Sundew from demergers approved by the Andhra Pradesh High Court in March 2007.

APIIC's 11% stake in the JV Company was based on the initial capital contributions made by APIIC and K. Raheja Corp into the JV Company in 2003. Subsequently in 2005, prior to Ishaan's investment in these projects, the JV Company increased its capital through a rights issue to all shareholders. APIIC decided not to contribute towards this increase in capital and APIIC's ownership of the company was therefore diluted.

Recently, APIIC has claimed increase of its equity in the JV Company to 11% and has challenged the execution of the original transfer of title documents of the land to the JV Company. APIIC has also requested that the JV Company not to enter into further project land transactions without the prior permission of APIIC.

While the JV Company, on advice, maintains that all the actions of the JV Company with regard to the 2005 rights issue and execution of transfer of title documents were valid, with a view to maintaining a harmonious relationship with APIIC and the Government of Andhra Pradesh and in the interests of the projects involved, the JV Company, on a without prejudice basis now plans to offer to increase APIIC's stake in the JV Company to 11% for nominal consideration.

As described above, the projects of Intime and Sundew were demerged from the JV Company subsequent to the 2005 rights issue pursuant to the order of the Andhra Pradesh High Court in March 2007. As part of the demerger process, the shareholders (including APIIC) of the JV Company were allotted shares in Intime and Sundew in proportion to their ownership of the JV Company at the time of demerger. Resolution of this dispute will therefore also require Intime and Sundew to offer to APIIC an increase in APIIC's stake in these companies to 11%. The increase in APIIC's stake in these companies is proposed to be effected through a transfer of shares owned in Intime and Sundew by K Raheja Corp Group and an issue of new shares to APIIC by Intime and Sundew. The issue of new shares will result in the dilution of Ishaan's equity interest in Intime and Sundew from 40% to 38.98%. K Raheja Corp Group will continue to hold a majority stake in the companies even after dilution by the transfer of shares and issue of new shares.

The impact of this dilution on Ishaan's Net Asset Value per share at 31 March 11 is estimated to approximately 0.5p or 0.5% of Adjusted NAV per share of 95.4p as at 31 March 2011.

In addition, a private action has been brought by an advocate in the ACB Court at Hyderabad in India alleging corruption by Mr. Neel Raheja and an employee of K Raheja Corp in connection with the dilution of APIIC's shareholding in the JV Company at the time of the JV Company's equity issue in 2005. The proceedings have been stayed indefinitely. Mr. Raheja, on advice, maintains that the allegations are without foundation and there was no corruption on his part or on the part of the K Raheja Corp employee in connection with the 2005 equity issue by the JV Company.

#### **Reduction to the Investment Advisory fee payable to the Investment Advisor**

I Holding Company (Mauritius) Ltd and Neerav have been in discussion over time for a fee reduction by Neerav. Neerav has agreed to reduce the base advisory fees payable to Neerav from 2% per annum to 1.75% per annum effective 1 October 2011. Base advisory fees paid to Neerav totaled £3.04 million in the financial year ended 31 March 2011.

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