

Kubera Cross-Border Fund Quarterly Newsletter January – March 2017

Investment Objective

Kubera Cross-Border Fund Limited (the 'Fund') is a private equity fund focused on investing in businesses that primarily operate in the US-India corridor. As per shareholder resolutions passed in early 2013, the Fund is in realisation mode, with no new investments other than follow-ons.

Fund Performance as at 31 March 2017

NAV	US\$ 0.39 (un-audited)
Change from prior qtr	2%
Change from prior year	2%
Total net assets	US\$ 42.6m
Shares outstanding	109.7m
Share price	US\$ 0.27
Market capitalization	US\$ 29.6m

Fund Facts

Bloomberg code	KUB
C LN	
Reuters code	KUB
Cq.L	
ISIN	KYG522771032
Listing	AIM/LSE
Inception	27 Dec 2006
Domicile	Cayman Islands
Structure	Closed-end
Reporting/valuations	US GAAP

Advisors

Nominated Adviser	Grant Thornton UK LLP
Administrator	FIM Capital Limited

Custodian	Kotak
Auditor	KPMG

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Portfolio

The Fund made nine investments in 2007 and 2008, and was rendered fully invested by the end of 2008 per shareholder resolutions following the global financial crisis of 2008-09. Eight investments were in companies that are domiciled in India. Portfolio details for the remaining investments are provided below. The Fund's financial information excludes the former Manager's co-investment of 9% which has been made pro rata alongside every investment by the Fund.

All proceeds generated from the realisation of investments are distributed by the Fund, subject to retaining a reserve to meet operating costs and liabilities and to enable the Fund to make follow-on investments in existing portfolio companies in order to take advantage of opportunities that enhance and/or protect the value of existing holdings. The level of cash held is reviewed regularly by the Fund's board of directors (the 'Board').

Current Portfolio

Investment Company	Fund's share in US\$ millions	Fund's share in US\$ per share
Planetcast Media Services Limited	21.8	0.2
Synergies Castings Limited	14	0.13
NeoPath Limited	4.4	0.04
	40.2	0.37
Cash	2.3	0.02
Total Fund	42.5	0.39

Notes:

The above figures exclude the former Manager's co-invest, which is ~9% of each investment.

INVESTMENT REPORT

Quarterly portfolio summary

At the close of business on 31 March 2017, the Fund's unaudited net asset value per share ("NAV") was US\$ 0.39. The Fund does not hedge the currency risk relating to its investments denominated in Indian Rupees.

During the quarter the INR appreciated by 4.6% against the US\$, ending at 64.84 INR to the US\$ on 31 March 2017, compared to 67.95 at the end of the previous quarter. Since the inception of the Fund, the INR has depreciated relative to the US\$ by 50%.

Efforts to achieve portfolio realizations continue. On 20 March 2017, the Fund announced that a leading global private equity firm has agreed to purchase Kubera Cross-Border Fund (Mauritius) Limited ("Kubera Mauritius")'s entire equity interest in PlanetCast for a consideration net of transaction costs estimated at INR 1,475 million, equivalent to approximately US\$ 22.75 million (at exchange rates of 31 March 2017).

In the case of Synergies Castings, a dialogue with a prospective buyer is under progress. The terms of the transaction, if closed, involve a phased purchase of our equity and debt over a period of 18 months from signing, assuming a variety of conditions are met.

As mentioned in earlier reports, following the expiration of the Investment Management Agreement on 22 December 2016, the Fund is self-managed by its board of directors.



Company Overview

Planetcast Media Services Limited (“PMSL” or “Planetcast”) provides solutions for the media broadcasting (teleporting, content management, playouts and mobile connectivity via DSNG vans) and satellite communications industries. PMSL also implements TV channel build outs.

Investment Summary

- **Investment amount**¹: \$13.4 million
- **Investment Date**: November 2008
- **KUBC Holding**: 27.6%
- **Type of security**: Preference and equity shares in India entity
- **Current Value**: \$21.79 million
- **NAV/Share**: \$0.20

Valuation Methodology

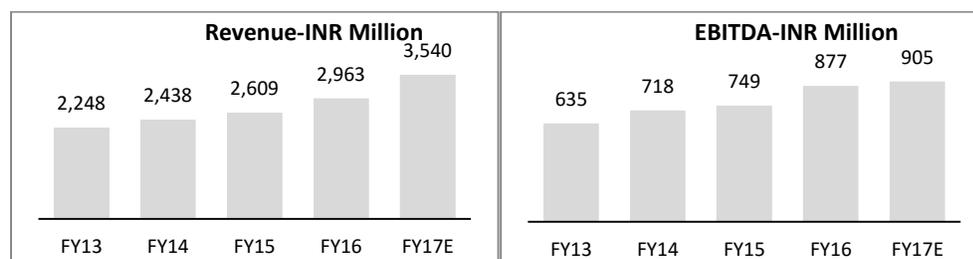
Discounted net consideration of INR 1,475 million (US\$ 22.75 million at 31 March 2017 exchange rate).

Business Updates

- Business performance continues to be strong, with the demand for playout and teleport services rising from existing customers.
- A leading global private equity firm has agreed to purchase Kubera Mauritius' interest in PlanetCast for a consideration net of transaction costs estimated at INR 1,475 million, equivalent to approximately US\$ 22.75 million (at 31 March 2017 exchange rates). The sale consideration is fixed in Indian Rupees and the actual realization proceeds in US dollars will depend on date of the closure of the transaction.
- Completion of the transaction is subject to obtaining regulatory approvals from various Government authorities in India, which is not expected to occur for several months.

Financial Updates

- PMSL reported revenue of INR 2,610 million (YoY growth of 20%) and EBITDA of INR 796 million (YoY growth of 25%) during the three quarters of FY2017.
- The high margin business segment, teleport services continues to demonstrate strong growth of 32% on a YoY basis, with a greater number of channels opting for playout services at higher rates.
- EBITDA margins expanded by 107 bps to 30.5%.
- During the quarter:
 - **YoY Sales**: were up by 22%
 - **YoY EBITDA**: was up by 50%
- The company has a net cash surplus position of INR 184 million.



¹ Excludes former Manager's co-invest, which is ~9% of each investment; data as of 31 March 2017



Company Overview

Synergies Castings Limited (“SCL” or “Synergies Castings”) manufactures alloy and chrome plated wheels for OEMs. The company has one of the few integrated chrome plating facilities in the world, and the only one in India with the capability to manufacture large diameter wheels.

Investment Summary

- **Investment amount²:** \$26.8 million
- **Investment Date:** December 2007
- **KUBC Holding:** 58.3%
- **Type of security:** Equity and preference shares in India entity
- **Current Value:** \$13.99 million
- **NAV/Share:** \$0.13

Valuation Methodology

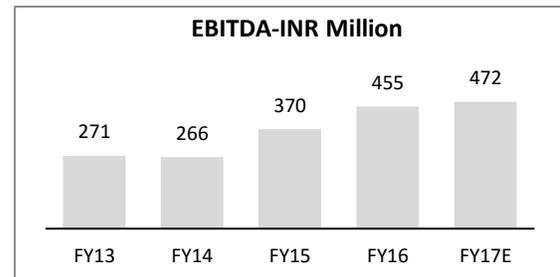
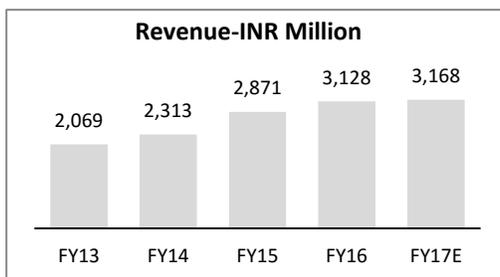
Discounted estimate of net consideration (currently under negotiation) of US\$ 14.6 million.

Business Updates

- Business performance continues to remain strong with plants operating at capacity utilization level of 127% and continued improvement is expected in the coming quarters with the addition of capacity.
- The company continues to face working capital constraints.
- We are in negotiations, as mentioned above, for a potential phased sale of our position.

Financial Updates

- During the first nine months of FY2017, SCL recorded revenue of INR 2,510 million (YoY growth of 11%) and EBITDA of INR 360 million (YoY growth of 10%).
- The company’s EBITDA margins contracted marginally by 12 bps to 14.3% as the share of its export business declined.
- During the quarter:
 - **YoY Sales:** Sales during the quarter was INR 987 million, compared to INR 857 million in Q3FY16–up by 15%
 - **YoY EBITDA:** EBITDA during the quarter was INR 141 million, up by 8% from Q3FY16.
- The company’s net debt position increased by QoQ by 17% to INR 1,984 million



² Excludes former Manager’s co-invest, which is 9% of each investment; data as of 31 March 2017

NeoPath Limited

Company Overview

NeoPath Limited is a transaction processing company, operating in three major business segments: merchant acquisition, credit card issuance and loyalty cards.

Investment Summary

- **Current Value:** \$4.43 million
- **NAV/Share:** \$0.04

Valuation Methodology

Pending tax receipts are being discounted to present value.

Financial Updates

- Kubera Mauritius exited from the business in 2010, and distributed \$0.33 per share to investors from realized cash flows.
- The acquirer of NeoPath deducted withholding tax towards Indian income tax of US\$ 15.96 million which was deposited with the tax authority in India. NeoPath is in the process of claiming a refund of the withholding tax based on its position that the capital gains realized on the sale is exempt from tax in India under the relevant provisions of the India-Mauritius tax treaty. Consequently, based on the opinion of tax counsel, the entire amount of US\$ 15.96 million has been considered as fully recoverable and the present value of the expected tax refund has been included in the fair value estimate of the Fund's investment in NeoPath Limited as at 31 March 2017.
- The value of the Fund's investment increased by 6.3% during the quarter.

Cumulative Investment Summary for holdings < 5%

- Ocimum Biosolutions: Given the various legacy issues associated with the original acquisition that Kubera Mauritius funded, we are contemplating legal remedies.
 - Spark Capital: Kubera Mauritius largely exited from the business in 2016 through a company buy-back. Kubera Mauritius continues to hold a 0.5% stake in Spark Capital and expects to exit this stub position in 2017.
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