

## Kubera Cross-Border Fund Quarterly Newsletter October – December 2016

### 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 December 2016

NAV	US\$ 0.48 (un-audited)
NAV plus shareholder	US\$ 0.81 distributions
Change from prior qtr*	-1%
Change from prior year*	-3%
Change from 2 yrs ago*	-4%
Total net assets	US\$52.9m
Shares outstanding	109.7m
Share price	US\$ 0.19
US\$ 0.47	
Market capitalization	US\$ 20.8m
Former Manager co-invest	9% pro rata of each investment (US\$ 12.2m to date)

#### Fund Facts

Bloomberg code	KUBC LN
Reuters code	KUBCq.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 (formerly IOMA Fund and Investment Management Limited)

Custodian	Kotak
Auditor	KPMG

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\* - % change from prior periods computed for NAV plus shareholder distributions to date.

#### Portfolio

The Fund made nine investments in 2007 and 2008, and was rendered fully invested by the end of 2008. Eight of these investments were in companies that are domiciled in India. Two investments were realised in 2010. Portfolio details are provided below. The financial information excludes the former Manager's co-investment of 9% pro rata alongside every investment made by the Fund. The former Manager's co-invest valued at US\$ 12.2m.

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

(\$ in millions)	Fund's Share <sup>1</sup>	Per Share <sup>1</sup>
Company	Total Value	Total Value
Planetcast Media Services Ltd	26.8	0.24
Synergies Castings <sup>2</sup>	19.1	0.17
NeoPath (Previously Venture Infotek)	4.7	0.04
Ocimum Biosolutions	-	-
	<b>50.5</b>	<b>0.46</b>
Cash		0.02
<b>Total Fund</b>		<b>0.48</b>

#### Notes:

<sup>1</sup> Excludes co-investment by affiliates of the former Investment Manager which amounts to 9% of every investment made by the Fund

<sup>2</sup> Includes loans of US\$ 2.8 million extended to the Company in February 2010 and March 2011

## INVESTMENT REPORT

### India Market Review<sup>1</sup>

The benchmark 30-stock S&P BSE Sensex index closed at 26,626 on 31 December 2016, a loss of 4.4% during the quarter, led by FII outflows of US\$ 4.5 billion. By comparison, the mid-cap index (NIFTY Midcap) during the same period lost 7.5% to close at 3,662. Markets were spooked by the currency note ban announcement. After the short term negative impact and uncertainties in the business community from demonetization, leading indicators suggest that growth may rebound from 2QCY2017 led by domestic consumption.

During the quarter the Indian rupee depreciated by 1.9% against the US dollar, ending at 67.95 rupees to the dollar on 31 December 2016, compared to 66.66 at the end of the previous quarter.

### Quarterly portfolio summary

At close of business on 31 December 2016, the Fund's unaudited net asset value per share ("NAV") was US\$ 0.48. The aggregate value of shareholder distributions to date and the NAV amount to US\$ 0.81 per share. The denomination of the Fund is in US Dollars; the Fund does not hedge the currency risk relating to its investments denominated in Indian rupees.

Since the inception of the Fund, the rupee has depreciated relative to the US dollar by over 46%. The Fund's performance in rupee terms, as of the 31 December 2016 NAV, amounts to a multiple of 1.10x of cost; in dollar terms as mentioned above it is 0.80x (inclusive of total distributions of \$ 0.33/share).

Efforts to achieve portfolio realizations continue. In the case of PlanetCast, a dialogue with a leading private equity firm has progressed significantly and a preliminary non-binding term-sheet is under negotiation. The valuation being discussed is likely to be at a discount to the carrying value, if potential holdbacks for future representations, warranties and indemnities are to be minimized.

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

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<sup>1</sup> Sources: Reserve Bank of India, BSE India, Securities and Exchange Board of India, Thomson Reuters & others.



## Company Overview

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

## Investment Summary

- **Investment amount<sup>2</sup>:** \$13.4 million
- **Investment Date:** November 2008
- **KUBC Holding:** 27.6%
- **Type of security:** Preference and equity shares in India entity
- **Current Value:** \$26.80 million
- **NAV/Share:** \$0.24

## Valuation Methodology

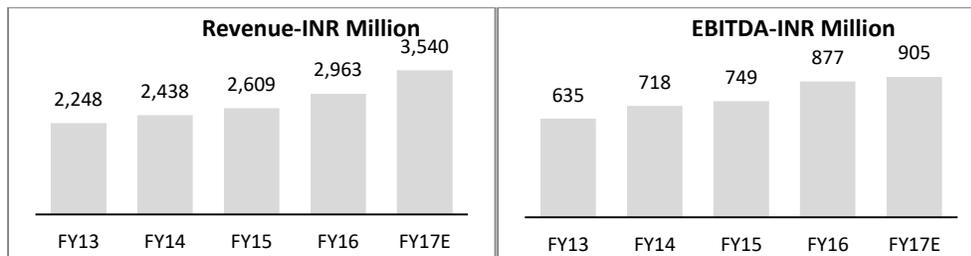
Weighted average of last and forward year trading multiples including: EV/Revenues, EV/EBITDA, EV/EBIT, transaction multiples & discounted cash flows.

## Business Updates

- We are discussing a variety of potential exit options with management and the promoters, as mentioned above.
- Business performance was strong in the September quarter in comparison to the budgeted estimates.

## Financial Updates

- PMSL reported revenue of INR 1,732 million (YoY growth of 20%) and EBITDA of INR 495 million (YoY growth of 13%) during the first half of FY2017.
- The high margin business segment, teleport services continues to demonstrate strong growth of 37% on a YoY basis, with a greater number of channels opting for playout services at higher rates.
- EBITDA margins slipped by 165 bps to 28.6%.
- During the quarter:
  - **YoY Sales:** were up by 20%
  - **YoY EBITDA:** was down by 7%
- The company’s net debt position stands at INR 77 million.
- The value of our investment decreased by 2.2% during the quarter.



<sup>2</sup> Excludes former manager’s co-invest, which is ~9% of each investment; data as of December 31, 2016



## Company Overview

Synergies Castings Limited (“SCL”) 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 amount**<sup>3</sup>: \$26.8 million
- **Investment Date**: December 2007
- **KUBC Holding**: 58.3%
- **Type of security**: Equity and preference shares in India entity
- **Current Value**: \$19.08 million
- **NAV/Share**: \$0.17

## Valuation Methodology

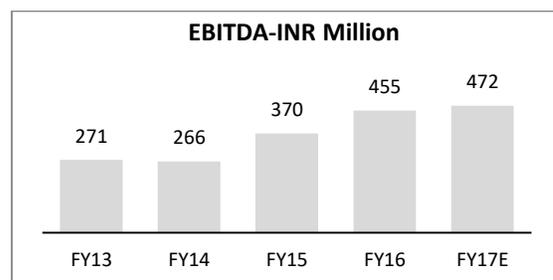
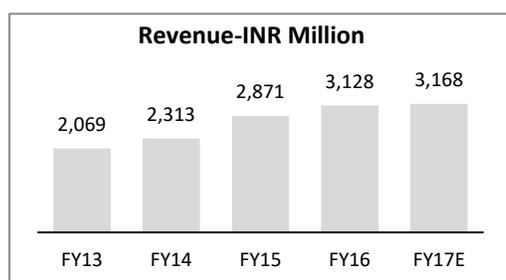
Weighted average of last and forward year trading multiples including EV/Revenues, EV/EBITDA and EV/EBIT, transaction multiples & discounted cash flows.

## Business Updates

- Both the international and domestic order books remain strong, as a result of an increase in volume demand from Indian OEMs.
- Uncertainties resulting from demonetization by Government of India has delayed capacity expansion plans at least two to three months.

## Financial Updates

- During the first half of FY2017, SCL recorded revenue of INR 1,523 million (YoY growth of 8%) and EBITDA of INR 219 million (YoY growth of 11%).
- The company’s EBITDA margins improved marginally by 38 bps to 14.4% in H1FY17 as plant was operating at capacity utilization level of 106%.
- During the quarter:
  - **YoY Sales**: Sales during the quarter was INR 824 million, compared to INR 745 million in Q2FY16 – up by 11%
  - **YoY EBITDA**: EBITDA during the quarter was INR 117 million, up by 18% from Q2FY16.
- The company’s net debt position increased by QoQ 2.3% at INR 1,686 million
- The value of our investment remained flat during the quarter.



<sup>3</sup> Excludes former manager’s co-invest, which is 9% of each investment; data as of December 31, 2016

## Company Overview

NeoPath Limited (previously Venture Infotek ("VI")<sup>4</sup>) is India's leading card transaction processing company, operating in three major business segments: Merchant Acquisition, Credit Card Issuance and Loyalty Cards.

## Investment Summary

- **Investment amount**<sup>5</sup>: \$19.7 million
- **Investment Date**: December 2007
- **KUBC Holding**: 42.8%
- **Type of security**: Equity shares in India entity
- **Current Value**: \$4.56 million
- **NAV/Share**: \$0.04

## Valuation Methodology

The pending tax receipts are being discounted to present value.

## Business Updates

- Pending tax cash receipts from government of India.
- We are now awaiting the appointment of a new judge at the tax Authority of Advance Rulings (AAR). This will ideally lead to a rehearing of our case and an adjudication. At this time, no prediction can be made as to timing.

## Financial Updates

- Kubera exited from the business in 2010, and distributed \$0.33 per share from realized cash flows.
- The value of our investment decreased by 2.6% during the quarter.

<sup>4</sup>The company is now known as "Neopath Limited"

<sup>5</sup> Excludes former manager's co-invest, which is ~9% of each investment; data as of December 31, 2016

## Cumulative Investment Summary for holdings < 5%

- **Investment amount**<sup>6</sup>: \$15.0 million
- **Current Value**: \$0.0 million
- **NAV/Share**: \$0.0



## Company Overview

Ocimum Biosolutions offers genomics outsourcing services and is a leading genomics outsourcing company based out of India.

## Updates

- We are contemplating legal remedies.



## Company Overview

Spark is a full service investment bank with a strong presence in Southern India.

## Updates

- Kubera partially exited from the business in 2016 through a company's buy-back and generated return multiple of 0.85x in US dollar terms, including prior dividends.
- Kubera continues to hold 0.5% stake in Spark Capital valued at \$0.03 million.

<sup>6</sup> Excludes former manager's co-invest, which is ~9% of each investment; data as of December 31, 2016