

## Kubera Cross-Border Fund Quarterly Newsletter July – September 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 30 September 2017**

NAV	US\$ 0.38 (un-audited)
Change from prior qtr	-3%
Change from prior year	-14%
Total net assets	US\$ 41.3m
Shares outstanding	109.7m
Share price	US\$ 0.28
Market capitalization	US\$ 30.7m

#### **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

#### **Contact Information**

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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**

<b>Investment Company</b>	<b>Fund's share in US\$ millions</b>	<b>Fund's share in US\$ per share</b>
Planetcast Media Services Limited	22.4	0.20
Synergies Castings Limited	12.4	0.11
NeoPath Limited	4.4	0.04
	<b>39.2</b>	<b>0.36</b>
Net working capital	2.1	0.02
<b>Total Fund</b>	<b>41.4</b>	<b>0.38</b>

#### **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 30 September 2017, the Fund's unaudited net asset value per share ("NAV") was US\$ 0.38.

The denomination of the Fund is in US dollars ("US\$"); the Fund does not hedge the currency risk relating to its investments denominated in Indian rupees ("INR"). During the period the INR depreciated by 1.3% against the US\$, ending at 65.55 on 30 September 2017 compared to 64.73 on 30 June 2017. Since the inception of the Fund, the INR has depreciated relative to the US\$ by 63%.

Further details on portfolio operating performance are provided in the pages that follow. Here we provide more specific updates on realization plans:

#### **PlanetCast**

On 20 March 2017, the Fund announced that a leading global private equity firm has agreed to purchase the entire equity interest of Kubera Cross-Border Fund (Mauritius) Limited ("Kubera Mauritius") in PlanetCast for a consideration net of transaction costs estimated at INR 1,475 million, equivalent to US\$ 22.57 million at 30 September 2017 (excluding the former Investment Manager's co-investment). We are awaiting Indian governmental approvals for the transaction. The sale and purchase is subject to a long stop date of 31 December 2017.

#### **NeoPath Limited**

NeoPath is in the process of claiming a refund of withholding tax based on its position that the capital gain realized on the sale of the underlying business is exempt from tax in India under the relevant provisions of the India-Mauritius tax treaty. There is no update from the prior quarter.

#### **Synergies Castings**

On 11 August 2017, the Fund announced that Kubera Mauritius reached an agreement with Jamy LLC, a private buyer, for the disposal of its entire equity and debt interests in Synergies Casting in four tranches over an 18-month period, for an aggregate consideration of US\$ 14.58 million (excluding the former Investment Manager's co-investment). The total sale consideration including the 8.89% co-investment by the former Investment Manager is US\$ 16.00 million. There are incentives in place for a faster completion such that if the transaction is completed within 12 months, the aggregate consideration will reduce by up to US\$ 1.82 million. The first tranche of US\$ 2.55 million was received on 10 August 2017.

Should the buyer default on any of the tranche payments, the Company, through its subsidiary, will continue to hold its remaining pro rata equity and debt interest and various shareholder rights, and the buyer will be subject to a US\$ 1.00 million penalty, of which US\$ 0.91 million is attributable to the Fund.

#### **Spark**

In July 2017, Kubera Mauritius reached an agreement to sell its stub ownership of 0.45% in Spark for a consideration of INR 2 million (excluding former Investment Manager's co-investment), equivalent to approximately US\$ 36,147 at 30 September 2017. Completion of the transaction is expected by 31 December 2017.



## 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**<sup>1</sup>: US\$ 13.40 million
- **Investment Date**: November 2008
- **KUBC Holding**: 27.6%
- **Type of security**: Preference and equity shares in India entity
- **Current Value**: US\$ 22.40 million which is the realisation value discounted to reflect the time value of money, lack of liquidity and credit risks.
- **Realisation**: Realisation proceeds net of transaction costs of INR 1,475 million (excluding the former Investment Manager’s co-investment), equivalent to US\$ 22.57 million at 30 September 2017, are expected to be received by the long stop date of 31 December 2017.
- **NAV/Share**: US\$ 0.20

## Financial Updates

- PMSL reported revenue of INR 1,346 million (YoY growth of 70%) and EBITDA of INR 356 million (YoY growth of 38%) during the first quarter of FY2018. The growth in revenue is due to project division performance which reported revenue of INR 4,78 million in current quarter as compared to INR 8 million same period in last year.
- The high margin business segment, teleport services continues to demonstrate strong growth of 13% on a YoY basis, with a greater number of channels opting for playout services at higher rates.
- EBITDA margin reported during the quarter was 26.4%.
- The company has a net cash surplus position of INR 426 million.

<sup>1</sup> 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 amount<sup>2</sup>:** US\$ 26.80 million
- **Investment Date:** December 2007
- **KUBC Holding:** 49.47%
- **NAV/Share:** US\$ 0.11
- **Type of security:** Equity and preference shares in India entity
- **Selected Investor Rights Liquidity Preference Yes Board Seats Two**
- **Current Value:** US\$ 12.42 million which is the realisation value discounted to reflect the time value of money, lack of liquidity, credit risks and incentive for early payment.
- **Realisation:** Aggregate consideration of US\$ 14.58 million (excluding former Investment Manager’s co-investment). There are incentives in place for a faster completion such that if the transaction is completed within 12 months, the aggregate consideration will reduce by up to US\$ 1.82 million. The first tranche of US\$ 2.55 million was received on 10 August 2017.

## Financial Updates

- During the first quarter of FY2018, SCL recorded revenue of INR 1,080 million (YoY growth of 55%) and EBITDA of INR 120 million (YoY growth of 18%).
- The company’s EBITDA margins contracted to 11.1% in June quarter as compared to 14.5% in same quarter last year due to lower realization from domestic market.
- The company’s Profit After Tax was INR 22 million (YoY growth of 55%) in June quarter as compared to INR 14 million in same quarter last year.
- The company’s net debt position is INR 1,864 million as on quarter end.

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

## NeoPath Limited

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### Company Overview

NeoPath Limited is a holding company which is expected, in due course, to receive a withholding tax refund following the sale of a credit card transactions processing business in India in 2010. The Company's 46.95% interest in NeoPath is ultimately held through a wholly owned subsidiary, New Wave Holdings Limited.

### Investment Summary

- **NAV/Share:** US\$ 0.04
- **Current Value:** US\$ 4.44 million which is the realisation value discounted to reflect the time value of money, lack of liquidity and credit risks.
- **Realisation:** The pending estimated tax receipt of US\$ 5.17 million

### Financial Updates

- Kubera Mauritius exited from the business in 2010, and distributed US\$ 0.33 per share to investors from realized cash flows.
- The acquirer of the business deducted withholding tax of US\$ 15.96 million of which US\$ 5.17 million is attributable to the Fund, 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 gain realized on the sale is exempt from tax in India under the relevant provisions of the IndiaMauritius tax treaty. Consequently, based on the opinion of tax counsel, the entire amount of US\$ 15.96 million is considered to be fully recoverable by Neopath. The present value of the estimated tax refund has been included in the fair value estimate of the Fund's investment in NeoPath as at 30 September 2017. The timing of the finalization and receipt of the tax refund remains uncertain.

## 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 share buy-back by the company. Kubera Mauritius continued to hold a 0.45% stake in Spark Capital as at 30 September 2017 and in July 2017, Kubera Mauritius reached an agreement to sell its stub ownership of 0.45% in Spark for a consideration of INR 2 million (excluding former Investment Manager's co-investment), equivalent to approximately US\$ 36,147 at 30 September 2017. Completion of the transaction is expected by 31 December 2017.
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