

## Kubera Cross-Border Fund Quarterly Newsletter January – March 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 in early 2013, the Fund is in realisation mode, with no new investments other than follow-ons.

### Fund Performance as at 31 March 2016

NAV	US\$ 0.50 (un-audited)
NAV plus shareholder Change from prior qtr*	US\$ 0.83 distributions 0%
Change from prior year*	-2%
Change from 2 yrs ago*	-7%
Total net assets	US\$55.3m
Shares outstanding	109.7m
Share price	US\$ 0.19
Market capitalization	US\$ 20.8m
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

### Contact Information

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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 Manager's co-investment of 9% pro rata alongside every investment made by the Fund. The Manager's co-invest amounts to 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') and the Manager.

### Current Portfolio

(\$ in millions)	Fund's Share <sup>1</sup>				Per Share <sup>1</sup>			
	Capital Invested	Cash Realized	Carrying Value	Total Value	(Adjusted for Buybacks)	Capital Distributions	Carrying Value	Total Value
<b>Company</b>								
<b>Portfolio: Realized</b>	70.7	48.2	-	48.2		0.33	-	0.33
<b>Portfolio: Unrealized</b>								
<b>Holdings &gt; 5%</b>								
Essel Shyam Communication	13.4	1.3	27.6	28.9	0.07	-	0.25	0.25
Synergies Castings <sup>2</sup>	26.8	0.6	19.8	20.4	0.15	-	0.18	0.18
Venture Infotek	-	-	4.7	4.7	0.11	-	0.04	0.04
<b>Holdings &lt;5%</b>	16.4	0.3	1.4	1.6	0.09	-	0.01	0.01
	56.6	2.2	53.4	55.6	0.42	-	0.49	0.49
<b>Total Portfolio</b>	127.3	50.3	53.4	103.7	0.71	0.33	0.49	0.82
Cash					0.02		0.02	0.02
<b>Total Fund</b>					0.98	0.33	0.50	0.83

### Notes:

- 1 Excludes co-investment by affiliates of the Investment Manager which amounts to 9% of every investment made by the Fund
- 2 Includes loans of US\$ 2.8 million extended to the Company in February 2010 and March 2011

## INVESTMENT MANAGER'S REPORT

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

The benchmark 30-stock S&P BSE Sensex index closed at 25,342 on 31 March 2016, a decline of 3.0% during the quarter. In comparison, the mid-cap index (NIFTY Midcap) during the same period declined by 6.3% to close at 3,200. Market sentiment in India remains anaemic.

During the quarter, the US dollar remained flat against the Indian rupee, ending at 66.33 rupees to the dollar on 31 March 2016, compared to 66.33 at the end of the previous quarter. The rupee had continued to depreciate till it found a support at 68.78 in February, but recovered to close flat in March 2016.

### Quarterly portfolio summary

At close of business on 31 March 2016, the Fund's unaudited net asset value per share ("NAV") was US\$ 0.50. The aggregate value of shareholder distributions to date and the NAV amount to US\$ 0.83 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 March 2016 NAV, amounts to a multiple of 1.10x of cost; in dollar terms as mentioned above it is 0.83x (inclusive of total distributions of \$ 0.33/share).

Effective from 1 January 2016, the Fund is not paying the Investment Manager a management fee.

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

## Investment holdings >5%



### Company Overview

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:** \$27.60 million
- **NAV/Share:** \$0.25

### Valuation Methodology

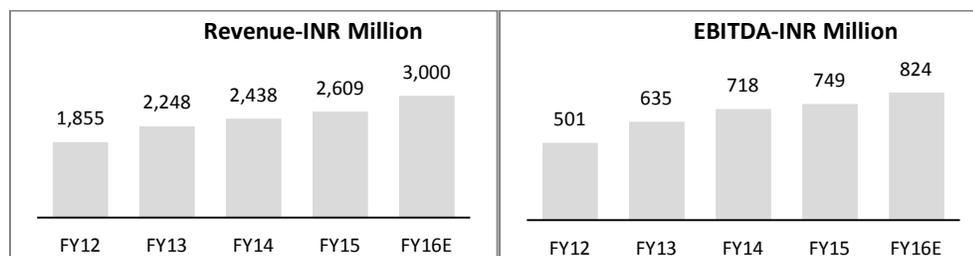
Weighted average of last and forward year trading multiples including: EV/Revenues, EV/EBITDA, EV/EBIT, transaction multiples & discounted cash flows.

### Business Updates

- The Company's IPO plans are now on hold, as a result of reluctance by the promoter groups to comply with the onerous disclosure requirements imposed by the regulator. We are discussing a variety of potential exit options with management and the promoters.
- Business performance continues to be strong, underpinning the demand for Payout and Teleport services of the company.

### Financial Updates

- PMSL reported revenue of INR 721 million (YoY growth of 19%) and EBITDA of INR 200 million (YoY growth of 4%) during the third quarter of FY2016.
- The high margin, business segment of teleport services continues to demonstrate good growth of 26% on a YoY basis, with a greater number of channels opting for payout services at higher rates.
- Overall EBITDA margins declined by 393 bps, due to higher personnel expenses and rising general expenses.
- For the first nine months of FY2016, EBITDA margins stood at 29.4% against 29.9% recorded in FY2015.
- During the quarter:
  - **YoY Sales:** were up by 19%
  - **YoY EBITDA:** was up by 4%
  - **YoY Net Profit:** was up by 15% at INR 79 million
- The company's net debt position stands at INR -106 million
- The value of our investment remained flat during the quarter.



<sup>2</sup> Excludes manager's co-invest, which is ~9% of each investment; data as of March 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**: \$19.82 million
- **NAV/Share**: \$0.18

## Valuation Methodology

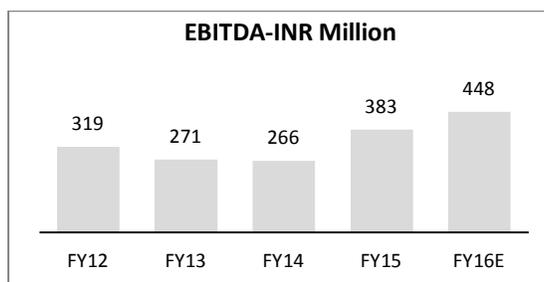
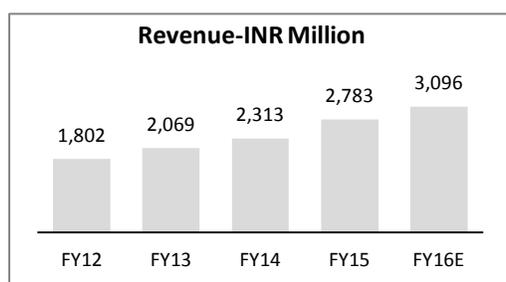
Weighted average of last and forward year trading multiples including EV/Revenues, EV/EBITDA and EV/EBIT, transaction multiples & discounted cash flows.

## Business Updates

- The international & domestic order book continues to remain strong, as a result of a large increase in volume demand from General Motors for chrome alloy wheels.
- The company is exploring raising additional equity capital to fund a further capacity expansion, with a view towards positioning the company to examine exit options in 2017.

## Financial Updates

- During the quarter:
  - **YoY Sales**: Sales during quarter was INR 857 million, in comparison to INR 652 million in Q3FY15
  - **YoY EBITDA**: EBITDA during quarter was INR 130 million, up by 160%
  - **YoY Net Profit**: net profit of INR 35 million as compared to loss of INR 19 million during the same quarter of last year
- Company's EBITDA margins improved by 753 bps to 15.2% in Q3FY16 on account of better capacity utilization.
- The company's net debt position increased by 4.8% QoQ at INR 1,609 million
- The value of our investment during the quarter increased by 0.4%.



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



## Company Overview

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**: \$4.65 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.
- A new hearing date in early May has been obtained from the tax Authority of Advance Rulings (AAR).
- Given the merits of the case, we continue to expect a successful outcome for the company and for the Fund. We note, however, that if the case is rejected at the AAR hearing – and recent hearings have not been in favor of the appellant -- the options to recover the tax receipts are very limited.
- The original promoters of the company have an equal economic incentive to the Fund and continue to lead the effort to recover proceeds.

## Financial Updates

- Kubera exited from the business in 2010, and distributed \$0.33 per share from realized cash flows.
- The value of our investment during the quarter increased by 1.5%.

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

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

## Investment holdings < 5%

### Cumulative Investment Summary for holdings < 5%

- **Investment amount**<sup>6</sup>: \$16.0 million
- **Current Value**: \$1.4 million
- **NAV/Share**: \$0.01



### 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

- We continue to make progress towards a potential buyback.
- During the third quarter of FY 2015-2016, the Company generated INR 112 million in revenues and EBITDA of INR 81 million.

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