

Kubera Cross-Border Fund Quarterly Newsletter January – March 2018

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 2018		Portfolio																						
NAV	USD 0.37 (un-audited)	<p>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.</p>																						
Change from prior qtr	(0.31) %	<p>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').</p>																						
Change from prior year	(2.94) %	Current Portfolio as at 31 March 2018																						
Total net assets	USD 40.85m	<table border="1"> <thead> <tr> <th>Investment Company</th> <th>Fund's share in USD millions</th> <th>Fund's share in USD per share</th> </tr> </thead> <tbody> <tr> <td>Planetcast Media Services Limited</td> <td>22.32</td> <td>0.20</td> </tr> <tr> <td>Synergies Castings Limited</td> <td>8.69</td> <td>0.08</td> </tr> <tr> <td>NeoPath Limited</td> <td>4.17</td> <td>0.04</td> </tr> <tr> <td></td> <td>34.43</td> <td>0.32</td> </tr> <tr> <td>Net Cash</td> <td>5.67</td> <td>0.05</td> </tr> <tr> <td>Total Fund</td> <td>40.85</td> <td>0.37</td> </tr> </tbody> </table>		Investment Company	Fund's share in USD millions	Fund's share in USD per share	Planetcast Media Services Limited	22.32	0.20	Synergies Castings Limited	8.69	0.08	NeoPath Limited	4.17	0.04		34.43	0.32	Net Cash	5.67	0.05	Total Fund	40.85	0.37
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Planetcast Media Services Limited	22.32	0.20																						
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Net Cash	5.67	0.05																						
Total Fund	40.85	0.37																						
Shares outstanding	109.73m	<p>Notes: The above figures exclude the former Manager's co-invest, which is ~9% of each investment.</p>																						
Share price	USD 0.31																							
Market capitalization	USD 34.02m																							
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																							
Custodian	Kotak																							
Auditor	KPMG																							
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Investment Report



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 amount¹:** USD 13.38 million
- **Investment Date:** November 2008
- **KUBC Holding:** 27.66%
- **NAV/Share:** USD 0.20
- **Type of security:** Preference and equity shares in India entity
- **Realisation:**
- Kubera Cross-Border Fund (Mauritius) Limited (‘Kubera Mauritius’) entered into a share purchase agreement with a leading global private equity firm on 20 March 2017 to sell its investment in PMSL for a consideration net of transaction costs of INR 1,618 million (INR 1,475 million, excluding the former Manager’s co-investment). This is equivalent to USD 24.49 million as at 31 March 2018. The realisation proceeds net of transaction costs are expected to be received by 30 June 2018, subject to Kubera Mauritius receiving the required regulatory and ministerial approvals.

The value of the investment is USD 24.49 million (USD 22.32 million, excluding the former Manager’s co-investment) which is the realisation value discounted to reflect the time value of money, lack of liquidity and credit risks.

Financial Updates

- PMSL reported revenue of INR 938 million and EBITDA of INR 236 million for the quarter ending 31 December 2017. The decline in EBITDA is due to higher general administration costs and lower revenue during the quarter.
- The high margin business segment, teleport services, continues to demonstrate revenue growth of 7% per annum for April–December 2017 period, with a greater number of channels opting for playout services at higher rates.
- EBITDA margin for the quarter ending 31 December 2017 was 25.17%.
- The company had a net cash surplus position of INR 814 million at 31 December 2017.

¹ Excludes former Manager’s co-invest, which is ~9% of each investment; data as of 31 December 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:** USD 24.00 million
- **Investment Date:** December 2007
- **KUBC Holding:** 49.19%
- **NAV/Share:** USD 0.10
- **Type of security:** Equity and preference shares in India entity
- **Realisation:**

On 11 August 2017, Kubera Mauritius entered into a share purchase and loan assignment agreement with Jamy LLC, a private buyer, for the disposal of its entire equity and debt interests in Synergies Casting Limited for an aggregate consideration of USD 16 million (USD 14.58 million excluding former Manager’s co-investment).

The consideration is paid to Kubera Mauritius in four tranches over an 18-month period. The first tranche of USD 2.8 million was received on 10 August 2017 which includes USD 1.80 million towards the first tranche sale and USD 1 million as advance sale consideration. All the events and formalities with respect to the sale and transfer of the first tranche of shares were completed prior to 31 December 2017. As at the date of this report, USD 2.95 million of the second tranche of USD 3.60 million has been received.

The agreement states that the consideration will be reduced by up to USD 2 million to equal USD 14 million (USD 12.76 million excluding former Manager’s co-investment) where the payment of purchase consideration is completed in 12 months. Kubera Mauritius has considered the reduced purchase consideration for the fair valuation of the investment.

The value of the investment excluding cash received at 31 March 2018 is USD 9.53 million (USD 8.70 million, excluding the former Manager’s co-investment) which is the remaining realisation value discounted to reflect the time value of money, lack of liquidity and credit risks.

Financial Updates

- For the quarter ending 31 December 2017, SCL recorded revenue of INR 1,460 million and EBITDA of INR 181 million. The profit after tax was INR 40 million as compared to INR 31 million in last quarter.
- During the same period, the company’s EBITDA margins contracted to 12.4% as compared to 14.27% in prior period due to lower realisation from domestic market.
- The company’s net debt position was INR 1,891 million as at 31 December 2017.

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

NeoPath Limited

Company Overview

NeoPath Limited (“Neopath”) 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. Kubera Mauritius’ 46.95% interest in NeoPath is ultimately held through a wholly owned subsidiary, New Wave Holdings Limited.

Investment Summary

- **NAV/Share:** USD 0.04
- **Current Value:** USD 4.17 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 USD 5.40 million.

Financial Updates

- Kubera Mauritius exited from the business in 2010 and distributed USD 0.33 per share to investors from realized cash flows.
- The acquirer of the business deducted withholding tax of USD 15.96 million of which USD 5.40 million is attributable to Kubera Mauritius, 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 India-Mauritius double taxation treaty. Consequently, based on the opinion of tax counsel, the entire amount of USD 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 Kubera Mauritius’ investment in NeoPath as at 31 March 2018. The timing of the finalization and receipt of the tax refund remains uncertain though Kubera Mauritius’ legal advisers expect that the formal hearing of the matter should take place in 2018, with a final decision on the case by late 2019.

Cumulative Investment Summary for holdings < 5%

- **Ocimum Biosolutions:** There is no change in status from the prior periods.