



## 3 Ways to Bet on India

### Description

There was no doubt who was going to win. Yet India's election, won by Narendra Modi, was widely seen as historic, mainly because of his margin of victory. With 282 seats, Mr. Modi's Bharatiya Janata Party (BJP) won an absolute majority in parliament, the first time since 1984 that any party has done so.

More importantly, Mr. Modi is widely seen as someone who can get India back on the right track. And now that he has an absolute majority, he will not have to face as many hurdles as he would have in a minority government. Hopes are high, and both India's stock market and currency have surged just based on this optimism.

There is reason to be optimistic. But how can Canadian investors bet on the Indian economy fulfilling its promises? What companies have exposure to the world's largest democracy?

#### 1. Fairfax Financial

Insurer **Fairfax Financial Holdings** ([TSX:FFH](#)) has been investing in India for about 15 years now, with stakes in an insurer and a travel agency. CEO Prem Watsa, himself born in Hyderabad, India, is very optimistic about Mr. Modi's prospects, saying that he will have "a transformational impact on India."

And for that reason, Mr. Watsa will be launching a publicly listed India fund. Although he has not yet decided which stock exchange he will list the fund on, he is targeting \$1 billion in assets under management, including \$300 million of Fairfax's own money.

#### 2. Teck Resources

Over the past 10 years, miners have benefited as China's growth has fueled a rise in commodity prices. But there is serious doubt about how long that can last. Ideally India would be picking up the slack, but in recent years growth has slowed considerably, coming in below 5% (annualized) for the last seven quarters.

But if Mr. Modi can rejuvenate India's economy, that will be great news for commodity prices, and few

Canadian companies will benefit as much as **Teck Resources** (TSX: TCK.B)(NYSE: TCK). The company makes 85% of its gross profit from steelmaking coal and copper, both of which would be needed to repair India's substandard infrastructure. If India does what it needs to do, that could translate to higher prices for Teck's products.

### 3. Potash Corporation of Saskatchewan

India has plenty of regulations that need changing, chief among them its agriculture policies.

At one point, India subsidized all three nutrients needed to fertilize soil: nitrogen, phosphates, and potash. But the country couldn't afford to subsidize all three, so it has been slashing the subsidy for potash. As a result, farmers have been emphasizing other fertilizers, such as nitrogen-based urea, instead of potash.

This, combined with a weak rupee, has resulted in India's potash imports shrinking to about 3.5 million tonnes from a peak of about 6 million tonnes. And that has been bad news for the world's largest potash producer, **Potash Corporation of Saskatchewan** (TSX: POT)(NYSE: POT).

But the current policy is unsustainable; without enough potash, soil degrades over time, drastically reducing crop yields. If Mr. Modi is able to implement sounder agriculture policies, that could spell an increase in demand and prices for potash.

#### CATEGORY

1. Investing

#### TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. TSX:FFH (Fairfax Financial Holdings Limited)
3. TSX:TECK.B (Teck Resources Limited)

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#### Date

2025/07/26

#### Date Created

2014/05/19

#### Author

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