



## IMF Downgrades India's Growth: Where Is Fairfax India Holdings Corp. Headed?

### Description

The International Monetary Fund (IMF) boosted expectations for Canadian GDP growth in 2018. Canadian bank stocks such as **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) have surged on solid earnings and boosted investor sentiment on the back of enhanced domestic expectations. But what about IMF downgrades?

On October 10, the IMF slashed its growth estimates for India. It lowered its 2017 projection by 0.5% to 6.7% and by 0.3% to 7.4% for 2018. Private capital formation fell to troubling levels and project completion will come in at its lowest level since Prime Minister Narendra Modi came to power.

Modi has received a greater deal of criticism since the Indian economy began its recent slip. The Indian labour force has experienced significant expansion, and the government has thus far failed to fulfill this demand. The Modi government also instituted demonetization and a regressive goods and services tax; this sparked a drop in small- and medium-business activity in contracting working capital.

With cash transactions the main form of commerce in the country, many small businesses were forced to cut work forces in response to the monetary squeeze. The State Bank of India has also warned that the economic slide is not due to the GST and demonetization, but can be contributed to technical weakness in the broader economy that is not "short-term or transient."

The Modi government has been battling criticism from detractors, as it is tasked with curbing the downturn. Some influential critics have argued for the Indian central bank to drop its "Repo-rate," which would lower business and mortgage loan rates, to encourage investment.

The IMF and World Bank have both moved to ease concerns. The IMF reiterated that the Indian economy is on a "solid track" for long-term growth.

**Fairfax India Holdings Corp.** ([TSX:FIH.U](#)) is an investment holding company that seeks to achieve long-term growth by investing in public and private equities and debt instruments in India. The stock has increased 56.8% in 2017 as of close on October 18 and 63% year over year.

The company released its second-quarter results on August 3. Fairfax India Holdings posted net

earnings of \$268.6 million, or \$1.82 per share, compared to \$38.3 million, or \$0.36 per share, in Q2 2016. The company saw a net change in unrealized gains on investments of \$334.2 million. Fairfax India Holdings obtained a 10% equity interest in Bangalore International Airport for \$200 million, with an internal valuation model showing the company benefiting from a \$77 million discount on the deal.

Fairfax India Holdings is set to release its third-quarter results later this month. Up until now it has proven to be one of the more attractive growth stocks available for those wanting a stake in the rapidly growing Indian economy. The stock has climbed 84% since its January 2015 debut on the Toronto Stock Exchange.

### **Should you steer clear of Fairfax India Holdings Corp.?**

The Indian economy is facing broad challenges in the long term, but its growth trajectory is still very strong. As such, Fairfax India Holdings still offers investors one of the best growth options on the TSX. India is poised for attractive growth in 2018, and if the state moves to lower interest rates, this company could see further opportunities.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

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1. Investing

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