



2 Triggers Will Unlock Value for Canada's Warren Buffett This Year

Description

Prem Watsa's bet on India's growth story has had a phenomenal run since its inception on January 30, 2015. **Fairfax India Holdings** ([TSX:FIH.U](#)), Watsa's vehicle for betting on equities listed on Mumbai's stock exchange, has compounded investments at an annual rate of 29.1%. Book value per share has compounded at 9.8% over the same period.

According to the company's latest filing, the book value per share is now US\$13.86. Meanwhile, the stock trades slightly higher at US\$14. Book value has actually declined over the past year because India's stock market plunged 9.4% over that period. Falling stock prices and a depreciating rupee have a direct impact on Fairfax India's bottom line.

The reduction in book value was swiftly reflected in the stock price. Investors who'd bought the stock at the start of 2018 have experienced a total decline of 7.3% till date. However, this might be the perfect time for new investors to jump in.

Two key catalysts may unlock value in the holding company's underlying assets.

Indian elections

India's upcoming elections are set to be the largest democratic exercise in the world. Nearly 900 million eligible voters will head to the polls starting April 11. The votes will be counted and the results announced on May 23.

Investors and the business community are hoping for a [re-election of the incumbent party](#). The Narendra Modi administration is widely regarded as pro-business and pro-reform. Over the five years Modi has been in office, India's ease-of-doing-business rank has jumped from 134 to 77. Now, the administration promises to crack the top 50.

Meanwhile, India's benchmark stock index is up a whopping 74% over the same period.

Watsa himself has been vocal about his support of Modi's government. "I think Mr. Modi has done a

fantastic job,” he told India’s *Economic Times* last year. “I hope the people of India give him a majority government in 2019 and one more term later, so in these 15 years India can transform.”

Catholic Syrian Bank (CSB) listing

A victory for the incumbent party and a consequent bull market could be favourable for initial public offerings. One of Fairfax’s key holdings, CSB, has already filed paperwork for a potential listing this year.

Fairfax got approval from India’s central bank to take a majority stake in the bank. It has deployed US\$168 million for a 51% stake. The bank now represents 7.1% of Fairfax India’s total investment portfolio.

According to the company’s latest filing, the investment was at 1.1 times the bank’s book value at the end of March 2017. Assuming book value has compounded at 18% annually since then and the average Indian bank trades at three times book value, Fairfax’s stake could be worth US\$637 million after the listing.

For context, Fairfax India’s market capitalization is US\$2.13 billion at its current market price. In other words, CSB has the potential to be worth 30% of FIH’s market value by the end of the year.

Bottom line

The upcoming elections in India and a successful public listing of a key asset may unlock immense value for Fairfax India shareholders this year.

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