



TFSA Investors: Don't Miss This Chance to Bet On Canada's Warren Buffett

Description

Prem Watsa, often called the "[Canadian Warren Buffett](#)," has promised to double down on his investments in the world's fifth-largest economy: India. A confluence of lucky factors that emerged earlier this week indicate his bet could pay off well by the end of this year.

Meanwhile, the stock price of Watsa's Toronto-based investment vehicle, **Fairfax India Holdings** ([TSX:FIH.U](#)), has struggled for much of this year. Since Fairfax India is a holding company, its stock serves as a proxy for the wider Indian economy, which has been suffering from a squeeze on liquidity and lacklustre growth over the past few months.

India's economic growth is now at a historic low, and its stock market has been punished accordingly. As a result, Fairfax India's stock is now trading below estimated book value per share, but I believe the discount to book value is even deeper when you consider some underlying fundamental factors.

Here's a closer look at why Canadian investors should consider this niche investment opportunity and add it to their Tax-Free Savings Account (TFSA) before the company's next earnings release in October.

India's major tax break

In a surprising move earlier this week, India's government slashed corporate tax rates by nearly four percentage points. The effective tax rate for Indian corporations and individuals is now down from 35% to around 25%.

Investors can expect this tax cut to have a similar economic impact as Trump's relaxed tax policy has had on the **S&P 500**, which is up by nearly a third over the past two years. India's benchmark stock index is up 8.5% since the announcement.

Watsa has already invested US\$5 billion in India since 2014 and [expects to double that amount over the next decade](#). A lower tax burden should boost the value of his public and private holdings, which should ultimately be reflected in Fairfax India's stock price.

New listings unlock value for Watsa

A number of the stocks held by Fairfax India, such as **5Paisa Capital** and **Fairchem Specialty**, are already up by between 6% and 12% over the past five days since the tax cut was announced.

Meanwhile, a key holding in the portfolio, **IIFL Finance**, has split itself into three separate entities, which were all listed this past week. These newly stocks in Fairfax's portfolio are all up by between 2.5% and 12% over the past five days.

The ongoing euphoria in India's stock market could encourage Watsa to list some of his eight private holdings on the public market to unlock even more value in the coming months.

Valuation

Fairfax India's stock price is already 7% lower than its reported book value per share. However, this book value was reported at the end of June 2019.

Considering that many of the company's underlying investments have appreciated since then, I would expect the book value to come in much higher when the company reports again at the end of October.

Foolish takeaway

In other words, it's an excellent time to bet on Canada's Warren Buffett through Fairfax India if you agree with his optimistic outlook on India's economic future.

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