



## Canada's Fastest-Growing Stock Trades Below Book Value

### Description

**Fairfax India** ([TSX:FIH.U](#)) is an investment holding company whose corporate objective is to achieve [long-term capital appreciation](#), while preserving capital by investing in public and private capital market securities in India.

The company was founded in 2014 by Prem Watsa, an Indian-Canadian billionaire who founded **Fairfax Financial**, an insurance and investment company, with Fairfax Financial remaining as a controlling shareholder.

Fairfax India has made nine investments — all with great long-term prospects in the fastest-growing country in the world: India. The company's most prized asset is the Bangalore International Airport (BIAL). Bangalore is a huge city in India with a population of over 10 million people.

BIAL is the third-largest airport in India and the second-fastest-growing airport in the world. In 2018, the airport served 32 million passengers, up 29% from 2017.

BIAL is adding a second runway and second terminal, which will be completed over the next three years — with capital expenses of roughly \$2 billion funded by Fairfax India and other partners — and when these are completed, BIAL will serve 70 million passengers every year. Management of the company expects BIAL to need a third runway and terminal.

The investment thesis is based on expected returns from the company's assets and the fair valuation of some of the company's private assets. Although India has some serious problems around corruption and intense bureaucracy, the Indian economy has one big advantage: a growing middle class and a big population.

Assuming the acceptable functioning of governments, a large and welcoming country with a [young middle-class population](#) should do well over the years from a macroeconomic basis. Prime Minister Modi has been praised by world leaders to be an excellent economist.

Fairfax India has a mix of public and private investments. The biggest investment is a 54% equity holding in Bangalore airport, which has been structured through a public-private partnership and is not

publicly traded.

BIAL growing fast along with Bangalore. The airport has seen a compounded five-year growth rate of 21% in passengers and is properly valued on the balance sheet at a more attractive valuation than other publicly traded airports like London Heathrow Airport.

The company uses after-tax expected rates of return of 12% and a long-term bond rate of 4% as well as discounting real estate at 19% due to operating leases. All in all, the company's accounting looks very reasonable.

Portfolio investments include large holdings in companies in the financial, chemical, and transportation sectors. The company also has an interest in IIFL Holdings, an integrated financial services firm.

Overall, Fairfax India provides exposure to high-growth India at an inexpensive valuation of price-to-book value. The company appears to be an excellent investment at these levels due to growth potential of the Bangalore International Airport.

The intrinsic value of Fairfax India appears significantly higher than the current stock price. The company recognizes this and has been engaging in big buybacks over the past year. Fairfax Financial, run by Prem Watsa, also recognizes the value and has been buying shares on the open market.

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1. dividend
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