FAIRFAX INDIA
HOLDINGS CORPORATION

1

INTERIM REPORT

For the three months ended
March 31, 2020

Consolidated Balance Sheets
as at March 31, 2020 and December 31, 2019
(unaudited - US$ thousands)

	Notes	March 31, 2020	December 31, 2019
Assets			
Cash and cash equivalents	6, 14	**71,484**	48,713
Restricted cash	6, 7	**10,131**	16,915
Bonds	5, 6	**73,551**	138,425
Common stocks	5, 6	**2,628,307**	3,032,907
Total cash and investments		**2,783,473**	3,236,960
Interest receivable		**2,545**	3,453
Income taxes refundable		**2,704**	2,866
Other assets		**2,035**	1,658
Total assets		**2,790,757**	3,244,937
Liabilities			
Accounts payable and accrued liabilities		**924**	1,174
Payable for common stock purchases	5	**2,065**	—
Payable to related parties	12	**7,788**	50,519
Deferred income taxes		**48,813**	64,477
Income taxes payable		**3,644**	3,688
Borrowings	7	**548,614**	547,228
Total liabilities		**611,848**	667,086
Equity			
Common shareholders' equity	8	**2,178,909**	2,577,851
		2,790,757	3,244,937

See accompanying notes.

Consolidated Statements of Earnings (Loss)
for the three months ended March 31, 2020 and 2019
(unaudited - US$ thousands except per share amounts)

	Notes	First quarter 2020	2019
Income			
Interest	6	**2,774**	3,039
Dividends	6	**6,783**	6,006
Net realized gains (losses) on investments	6	**227**	(1,302)
Net change in unrealized losses on investments	6	**(274,263)**	(39,484)
Net foreign exchange gains (losses)	6	**(30,885)**	3,254
		(295,364)	(28,487)
Expenses			
Investment and advisory fees	12	**8,195**	8,289
Performance fee recovery	12	**(47,134)**	—
General and administration expenses	13	**1,123**	1,409
Interest expense	7	**8,448**	10,069
		(29,368)	19,767
Loss before income taxes		**(265,996)**	(48,254)
Provision for (recovery of) income taxes	10	**(12,187)**	4,331
Net loss		**(253,809)**	(52,585)
Net loss per share (basic and diluted)	9	**$ (1.67)**	$ (0.34)
Shares outstanding (weighted average)	9	**152,363,450**	152,726,355

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)
for the three months ended March 31, 2020 and 2019
(unaudited - US$ thousands)

	First quarter	
	2020	2019
Net loss	**(253,809)**	(52,585)
Other comprehensive income (loss), net of income taxes		
Item that may be subsequently reclassified to net earnings (loss)		
Unrealized foreign currency translation gains (losses), net of income taxes of nil (2019 - nil)	**(134,512)**	15,523
Other comprehensive income (loss), net of income taxes	**(134,512)**	15,523
Comprehensive loss	**(388,321)**	(37,062)

See accompanying notes.

Consolidated Statements of Changes in Equity
for the three months ended March 31, 2020 and 2019
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive loss	Common shareholders' equity
Balance as of January 1, 2020	**1,295,005**	**300,000**	**(82)**	**1,200,603**	**(217,675)**	**2,577,851**
Net loss for the period	—	—	—	**(253,809)**	—	**(253,809)**
Other comprehensive loss:						
Unrealized foreign currency translation losses	—	—	—	—	**(134,512)**	**(134,512)**
Purchases for cancellation (note 8)	**(11,102)**	—	—	**461**	—	**(10,641)**
Amortization	—	—	**20**	—	—	**20**
Balance as of March 31, 2020	**1,283,903**	**300,000**	**(62)**	**947,255**	**(352,187)**	**2,178,909**

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive loss	Common shareholders' equity
Balance as of January 1, 2019	1,297,426	300,000	(93)	684,842	(164,230)	2,117,945
Net loss for the period	—	—	—	(52,585)	—	(52,585)
Other comprehensive income:						
Unrealized foreign currency translation gains	—	—	—	—	15,523	15,523
Purchases for cancellation (note 8)	(2,421)	—	—	(577)	—	(2,998)
Amortization	—	—	16	—	—	16
Balance as of March 31, 2019	1,295,005	300,000	(77)	631,680	(148,707)	2,077,901

See accompanying notes.

Consolidated Statements of Cash Flows
for the three months ended March 31, 2020 and 2019
(unaudited - US$ thousands)

	Notes	First quarter 2020	First quarter 2019
Operating activities			
Net loss		**(253,809)**	(52,585)
Items not affecting cash and cash equivalents:			
Net bond premium amortization		**392**	31
Performance fee recovery	12	**(47,134)**	—
Deferred income taxes	10	**(12,551)**	3,843
Amortization of share-based payment awards		**20**	16
Net realized (gains) losses on investments	6	**(227)**	1,302
Net change in unrealized losses on investments	6	**274,263**	39,484
Net foreign exchange (gains) losses	6	**30,885**	(3,254)
Decrease in restricted cash in support of borrowings		**6,784**	8,635
Purchases of investments	14	**(66,827)**	(118,586)
Sales of investments	14	**94,959**	160,051
Changes in operating assets and liabilities:			
Interest receivable		**744**	5,536
Payable to related parties		**5,501**	(315)
Income taxes payable		**172**	219
Other		**4,403**	(6,816)
Cash provided by operating activities		**37,575**	37,561
Financing activities			
Subordinate voting shares:			
Purchases for cancellation	8	**(10,641)**	(2,998)
Cash used in financing activities		**(10,641)**	(2,998)
Increase in cash and cash equivalents		**26,934**	34,563
Cash and cash equivalents - beginning of period		**48,713**	21,240
Foreign currency translation		**(4,163)**	2,228
Cash and cash equivalents - end of period		**71,484**	58,031

See accompanying notes.

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1. Business Operations

Fairfax India Holdings Corporation ("the company" or "Fairfax India") is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries based in Mauritius, FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private"). In 2019 the company formed Anchorage Infrastructure Investments Holdings Limited ("Anchorage"), a wholly-owned subsidiary of FIH Mauritius based in India.

Fairfax Financial Holdings Limited ("Fairfax") is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Refer to note 12 for details on Fairfax's voting rights and equity interest in the company.

The company is federally incorporated and is domiciled in Ontario, Canada. The principal office of the company, Fairfax and the Portfolio Advisor is located at 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

2. Basis of Presentation

The company's interim consolidated financial statements for the three months ended March 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the company's annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on April 30, 2020.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these interim consolidated financial statements are as set out in the company's annual consolidated financial statements for the year ended December 31, 2019, prepared in accordance with IFRS as issued by the IASB. Those policies and methods of computation have been consistently applied to all periods presented except as described below.

New accounting pronouncements adopted in 2020

Conceptual Framework for Financial Reporting ("Conceptual Framework")
The revised Conceptual Framework includes revised definitions of an asset and a liability as well as new guidance on measurement, derecognition, presentation and disclosure. It does not constitute an accounting pronouncement and did not result in any immediate change to IFRS, and will be used by the IASB and IFRS Interpretations Committee in setting future standards. Adoption of the revised Conceptual Framework on January 1, 2020 did not have an impact on the company's consolidated financial statements. The revised Conceptual Framework will apply when the company has to develop an accounting policy for an issue not addressed by IFRS.

Definition of Material (Amendments to IAS 1 and IAS 8)
The amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarify the definition of "material". Prospective adoption of these amendments on January 1, 2020 did not have a significant impact on the company's consolidated financial statements.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's interim consolidated financial statements, management has made a number of critical estimates and judgments in the preparation of notes 5, 6 and 10 in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2019.

Valuation of Private Indian Investments

During the first quarter of 2020 the company faced added uncertainty in determining the discounted cash flows for assessing the fair values of its Private Indian Investments due to the economic and social impacts of the COVID-19 pandemic, including determining assumptions about discount rates, working capital requirements and other inputs. While the company's valuation techniques for Private Indian Investments remained unchanged during first quarter of 2020 the development of market unobservable inputs included added uncertainty related to the global economic disruption caused by the ongoing and developing COVID-19 pandemic. Estimates of the amount and timing of future cash flows, discount rates, growth rates and other inputs incorporated into fair value measurements of Private Indian Investments are inherently more difficult to determine due to the unpredictable duration and impacts of the COVID-19 pandemic, including further actions that may be taken by governments to contain it and the timing of the re-opening of the economy in various parts of the world. The company has assumed that the economic impacts of COVID-19 will remain for the duration of government mandated restrictions by jurisdiction as currently known, with gradual lifting of those restrictions. In particular, these restrictions include the lockdown imposed by the Indian government on March 25, 2020 which was later extended to May 3, 2020 (and may extend further as the COVID-19 pandemic continues to evolve) ("India's lockdown"). The uncertainty in those assumptions has been incorporated into the company's valuations of Private Indian Investments primarily through higher discount rates. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates.

5. Indian Investments

Throughout the company's interim consolidated financial statements for the three months ended March 31, 2020, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed within this note.

Summary of Changes in the Fair Value of the Company's Indian Investments

A summary of changes in the fair value of the company's Public and Private Indian Investments for the first quarters of 2020 and 2019 were as follows:

	First quarter										
	2020						2019				
	Balance as of January 1	**Purchases**	**Sales**	**Net change in unrealized gains (losses) on investments [1]**	**Net unrealized foreign currency translation losses**	**Balance as of March 31**	Balance as of January 1	Purchases	Net change in unrealized gains (losses) on investments [1]	Net unrealized foreign currency translation gains	Balance as of March 31
Public Indian Investments:											
Common stocks:											
IIFL Finance / IIFL Holdings [2]	**166,014**	**—**	**—**	**(77,093)**	**(6,127)**	**82,794**	613,458	—	(95,972)	3,131	520,617
IIFL Wealth [2]	**191,476**	**—**	**—**	**(22,410)**	**(9,871)**	**159,195**	—	—	—	—	—
IIFL Securities [2]	**48,796**	**—**	**—**	**(11,798)**	**(2,258)**	**34,740**	—	—	—	—	—
CSB Bank [3]	**229,262**	**—**	**—**	**(105,404)**	**(8,506)**	**115,352**	93,081	40,547	—	474	134,102
Fairchem	**127,413**	**—**	**—**	**(16,428)**	**(6,504)**	**104,481**	96,574	—	27,597	1,226	125,397
5paisa	**18,176**	**—**	**—**	**(7,625)**	**(705)**	**9,846**	11,913	—	(416)	86	11,583
Other	**95,892**	**30,677**	**—**	**(37,304)**	**(4,113)**	**85,152**	98,180	—	10,055	939	109,174
Total Public Indian Investments	**877,029**	**30,677**	**—**	**(278,062)**	**(38,084)**	**591,560**	913,206	40,547	(58,736)	5,856	900,873
Private Indian Investments:											
Bonds:											
NCML CCD	**14,286**	**—**	**—**	**234**	**(817)**	**13,703**	—	—	—	—	—
Sanmar bonds	**—**	**—**	**—**	**—**	**—**	**—**	392,776	—	11,906	3,266	407,948
Common stocks:											
BIAL	**1,429,854**	**—**	**—**	**114**	**(80,769)**	**1,349,199**	704,077	—	5,818	5,588	715,483
Sanmar	**412,930**	**—**	**—**	**(8,714)**	**(22,957)**	**381,259**	217,170	—	339	1,699	219,208
NCML	**120,734**	**—**	**—**	**(1,581)**	**(6,753)**	**112,400**	165,380	—	(62)	1,288	166,606
Seven Islands	**88,800**	**—**	**—**	**386**	**(5,032)**	**84,154**	—	71,767	—	—	71,767
Saurashtra	**31,204**	**—**	**—**	**(1,216)**	**(1,711)**	**28,277**	24,843	—	1,113	212	26,168
NSE	**57,210**	**—**	**—**	**13,484**	**(3,800)**	**66,894**	60,285	—	—	470	60,755
IH Fund	**15,146**	**—**	**(60)**	**344**	**(866)**	**14,564**	—	6,272	(109)	35	6,198
Total Private Indian Investments	**2,170,164**	**—**	**(60)**	**3,051**	**(122,705)**	**2,050,450**	1,564,531	78,039	19,005	12,558	1,674,133
Total Indian Investments	**3,047,193**	**30,677**	**(60)**	**(275,011)**	**(160,789)**	**2,642,010**	2,477,737	118,586	(39,731)	18,414	2,575,006

(1) All Private Indian Investments and CSB Bank common shares (subject to certain selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to unrealized gains (losses) on investments held at the end of the reporting periods.

(2) On May 31, 2019 IIFL Holdings spun off IIFL Wealth and IIFL Securities in the IIFL Holdings Reorganization and IIFL Holdings was renamed IIFL Finance.

(3) On December 4, 2019 CSB Bank closed its IPO and commenced trading on both the BSE and NSE of India. Purchases during the first quarter of 2019 comprised of an additional 30.0% of the warrants that had been paid for as they had features of in-substance equity. At March 31, 2019 this table excluded the payable for partly paid shares of CSB Bank of $30,060 which represented 75.0% remaining consideration to be paid on the partly paid shares.

Public Indian Investments

The fair values of Fairfax India's Public Indian Investments with shares listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India ("NSE of India"), are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of CSB Bank common shares which are subject to certain selling restrictions.

Investment in IIFL Holdings Limited / IIFL Finance Limited

IIFL Holdings Limited

IIFL Holdings Limited ("IIFL Holdings") was a publicly traded diversified financial services holding company located in Mumbai, India with principal lines of business in wealth management, capital markets and other activities (comprised of a retail investment brokerage, institutional equities, investment banking and financial products distribution) and a non-banking financial company ("NBFC").

In December 2015 and February 2017 the company acquired 84,641,445 common shares of IIFL Holdings (representing a 26.9% equity interest) for aggregate cash consideration of $276,734 (approximately 18.5 billion Indian rupees). In October 2017 IIFL Holdings spun off its wholly-owned subsidiary 5paisa Capital Limited (‘‘5paisa’’) which resulted in a reduction to the company's cost of its investment in IIFL Holdings by $19,758. Upon closing of this transaction the company had invested $256,976 for a 26.9% equity interest in IIFL Holdings.

On May 31, 2019 IIFL Holdings spun off its wholly-owned subsidiary IIFL Securities Limited ("IIFL Securities", comprised of investment brokerage, distribution and investment banking businesses) and its 53.3% equity interest in its subsidiary IIFL Wealth Management Limited ("IIFL Wealth", comprised of the wealth management and asset management businesses) in a non-cash transaction (the "IIFL Holdings Reorganization"). Shareholders of IIFL Holdings received seven common shares of IIFL Securities and one common share of IIFL Wealth for every seven IIFL Holdings common shares held. The distribution of new common shares to IIFL Holdings shareholders was characterized as a return of capital which exceeded Fairfax India's cost basis in IIFL Holdings and resulted in the company recording the initial cost of its investments in IIFL Securities and IIFL Wealth at their estimated fair values at that date of $91,310 (approximately 6.4 billion Indian rupees) and $191,443 (approximately 13.3 billion Indian rupees) respectively. Upon completion of the spin off transactions, IIFL Holdings Limited was renamed IIFL Finance Limited ("IIFL Finance") and continued to trade on the BSE and NSE of India. The shares of IIFL Wealth and IIFL Securities were listed on the BSE and NSE of India in September 2019. Additional details on the IIFL Holdings Reorganization, specific to IIFL Wealth and IIFL Securities, are disclosed later in note 5.

IIFL Finance Limited

IIFL Finance is a publicly traded diversified financing company located in Mumbai, India that offers home loans, gold loans, business loans (including loans against property and small-to-medium enterprise loans, microfinance, construction and real estate finance) and capital market finance.

In March 2020 IIFL Finance was granted an NBFC license by the Reserve Bank of India ("RBI") and on March 30, 2020 completed the merger with its subsidiary, India Infoline Finance Limited ("India Infoline") through the issuance of 58,654,556 common shares of IIFL Finance to India Infoline's minority shareholders. Minority shareholders of India Infoline received 135 common shares of IIFL Finance for every 100 common shares of India Infoline held. As a result of the merger Fairfax India's equity interest in IIFL Finance decreased from 26.5% at December 31, 2019 to 22.4% at March 31, 2020.

At March 31, 2020 the fair value of the company's investment in IIFL Finance was $82,794 (December 31, 2019 - $166,014) comprised of 84,641,445 common shares representing a 22.4% equity interest (December 31, 2019 - 26.5%). The changes in fair value of the company's investment in IIFL Finance for the first quarter of 2020 and IIFL Holdings for the first quarter of 2019 are presented in the table disclosed earlier in note 5.

Investment in IIFL Wealth Management Limited

IIFL Wealth is a publicly traded wealth management firm with principal lines of business in wealth management and asset management, located in Mumbai, India. The wealth management business serves the highly specialized needs of high net worth and ultra-high net worth individuals, affluent families, family offices and institutional clients through a comprehensive range of tailored wealth management solutions. The asset management business provides a diversified suite of alternative investment funds, portfolio management services and mutual funds that span public and private equities, fixed income securities and real estate.

On May 31, 2019 IIFL Holdings spun off its 53.3% equity interest in its subsidiary IIFL Wealth in a non-cash transaction that resulted in Fairfax India receiving one new common share of IIFL Wealth for every seven common shares of IIFL Holdings held. Upon completion of the IIFL Holdings Reorganization Fairfax India received 12,091,635 common shares of IIFL Wealth representing a 14.2% equity interest with an estimated fair value at May 31, 2019 of $191,443 (approximately 13.3 billion Indian rupees), which was determined based on a third party valuation.

The shares of IIFL Wealth were listed on the BSE and NSE of India on September 19, 2019.

At March 31, 2020 the fair value of the company's investment in IIFL Wealth was $159,195 (December 31, 2019 - $191,476) comprised of 12,091,635 common shares representing a 13.9% equity interest (December 31, 2019 - 13.9%) with the changes in fair value for the first quarter of 2020 presented in the table disclosed earlier in note 5.

Investment in IIFL Securities Limited

IIFL Securities is a publicly traded leading investment advisory firm providing diversified financial services and products such as financial planning, equity, commodities and currency broking (both cash and derivatives), depository participant services, investment banking, portfolio management as well as distribution of mutual funds, bonds and other products. IIFL Securities is located in Mumbai, India.

On May 31, 2019 IIFL Holdings spun off its wholly-owned subsidiary IIFL Securities in a non-cash transaction that resulted in Fairfax India receiving one new common share of IIFL Securities for every one common share of IIFL Holdings held. Upon closing of the IIFL Holdings Reorganization Fairfax India received 84,641,445 common shares of IIFL Securities representing a 26.5% equity interest with an estimated fair value at that date of $91,310 (approximately 6.4 billion Indian rupees). At May 31, 2019 the fair value of IIFL Securities was estimated based on the company's internal valuation model.

The shares of IIFL Securities were listed on the BSE and NSE of India on September 20, 2019.

At March 31, 2020 the fair value of the company's investment in IIFL Securities was $34,740 (December 31, 2019 - $48,796) comprised of 84,641,445 common shares representing a 26.5% equity interest (December 31, 2019 - 26.5%) with the changes in fair value for the first quarter of 2020 presented in the table disclosed earlier in note 5.

Investment in CSB Bank Limited

CSB Bank Limited ("CSB Bank") is a publicly traded company located in Thrissur, India, established in 1920 and is a full-service bank offering retail banking, non-resident Indian banking services, small-to-medium enterprise and wholesale banking services through 417 branches and 299 automated teller machines across India.

During 2018 and 2019 Fairfax India invested aggregate cash consideration of $169,511 (approximately 12.1 billion Indian rupees) for a 51.0% equity interest in CSB Bank through the following transactions:

(i) October 19, 2018: the company completed its initial investment in CSB Bank and on closing recorded $88,524 (approximately 6.5 billion Indian rupees) in common stocks within the consolidated balance sheet relating to 100.0% of the common shares and 40.0% of the warrants, and on that date recorded $28,367 (approximately 2.1 billion Indian rupees) in payable for partly paid securities relating to 75.0% of the consideration payable on the common shares ("Tranche 1").

(ii) March 20, 2019: the company invested in an additional 30.0% of the warrants of CSB Bank and recorded $40,547 (approximately 2.8 billion Indian rupees) in common stocks ("Tranche 2") within the consolidated balance sheet.

(iii) June 29, 2019: CSB Bank issued a capital call for the remaining consideration payable for 30.0% of the warrants ($40,440) ("Final Tranche") and 75.0% of the common shares ($30,167). The company recorded $40,440 (approximately 2.8 billion Indian rupees) in common stocks within the consolidated balance sheet, representing the Final Tranche of CSB Bank warrants, which were considered in-substance equity.

(iv) July 8, 2019: the company funded the June 29, 2019 capital call.

(v) August 7, 2019: the company exercised its CSB Bank warrants to acquire CSB Bank common shares. No CSB Bank warrants remain outstanding.

On December 4, 2019 CSB Bank closed its IPO, issuing 1,230,769 shares and commenced trading on both the BSE and NSE of India. In 2019 CSB Bank also issued 5,000,000 shares to CSB Bank’s employee stock option trust which together with the IPO decreased Fairfax India’s ownership slightly from 51.0% to 49.7%.

The company is restricted from selling its common shares of CSB Bank for a specified period ranging from less than one year to five years due to restrictions imposed by the RBI and the Securities and Exchange Board of India (‘‘SEBI’’). At March 31, 2020 the company estimated the fair value of its investment in CSB Bank based on the bid price less a discount for lack of marketability of 14.7% (December 31, 2019 - 12.0%). At March 31, 2020 the fair value of the company’s investment in CSB Bank was $115,352 (December 31, 2019 - $229,262) comprised of 86,262,976 common shares representing a 49.7% equity interest (December 31, 2019 - 49.7%) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table disclosed earlier in note 5.

Investment in Fairchem Speciality Limited

Fairchem Speciality Limited ("Fairchem") is a publicly traded, specialty chemical manufacturer located in Ahmedabad, India. Fairchem manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products. Privi Organics Limited ("Privi"), a wholly-owned subsidiary of Fairchem, is a supplier of aroma chemicals to the fragrance industry and is located in Mumbai, India.

In March 2017, upon closing of the merger of Fairchem and Privi, the company had acquired a 48.8% equity interest in Fairchem for aggregate cash consideration of $74,384 (approximately 5.0 billion Indian rupees).

On May 22, 2019 Fairchem's board of directors approved a draft plan to reorganize Fairchem into two listed entities ("Fairchem Reorganization"). As part of the Fairchem Reorganization, the existing oleochemicals and neutraceuticals businesses will spin out into a newly formed wholly-owned subsidiary Fairchem Organics Limited ("Fairchem Organics"), which was incorporated on March 27, 2019 in anticipation of the Fairchem Reorganization. Privi will be amalgamated with the remaining Fairchem business and subsequently be renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Existing shareholders of Fairchem will receive one new common share of Fairchem Organics for every three common shares held in Fairchem. Upon completion of this transaction, the shares of Privi Speciality will continue to trade on the BSE and NSE of India, and the shares of Fairchem Organics will be listed on the BSE and NSE of India. The Fairchem Reorganization is anticipated to be completed in the third quarter of 2020 and shares of Fairchem Organics listed in the fourth quarter of 2020, subject to applicable regulatory approvals and customary closing conditions. Subsequent to the anticipated listing of Fairchem Organics, it is expected that the company will decrease its equity interest in Privi Speciality to 38.9% from its current 48.8% and increase its equity interest in Fairchem Organics to 66.7% from its current 48.8% through a series of transactions with Privi's founders.

At March 31, 2020 the fair value of the company's investment in Fairchem was $104,481 (December 31, 2019 - $127,413) comprised of 19,046,078 common shares representing a 48.8% equity interest (December 31, 2019 - 48.8%) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table disclosed earlier in note 5.

Investment in 5paisa Capital Limited

5paisa Capital Limited ("5paisa") is a publicly traded online financial services provider with a "do-it-yourself" investment brokerage model that allows customers to execute investment transactions for low brokerage fees. 5paisa is primarily engaged in providing a technology platform through online and mobile applications for trading securities on the BSE and the NSE of India. 5paisa is located in Mumbai, India.

In October 2017 IIFL Holdings spun off its wholly-owned subsidiary 5Paisa Digital Undertaking, through the formation of a new public company, 5paisa Capital Limited, listed on the BSE and NSE of India. This non-cash transaction resulted in Fairfax India receiving one new common share of 5paisa for every 25 common shares of IIFL Holdings held for a total of 3,385,657 common shares of 5paisa with a fair value of $19,758.

On May 29, 2019 5paisa announced a rights offer to existing shareholders whereby shareholders were given the right to participate on a pro rata basis in a common share issuance at a price of 80.00 Indian rupees per share ("5paisa Rights Offer"). In connection with the 5paisa Rights Offer, Fairfax India committed to participate and acquire 3,385,657 common shares of 5paisa and as a result the company recorded a forward derivative asset ("5paisa forward derivative"). On August 20, 2019 Fairfax India participated in the 5paisa Rights Offer and acquired 3,385,657 5paisa common shares for cash consideration of $3,777. As a result the company derecognized the 5paisa forward derivative with a carrying value of $2,706, recorded a realized gain of $2,767 and recorded its investment in 5paisa common shares at a fair value at that date of $6,483.

At March 31, 2020 the fair value of the company's investment in 5paisa was $9,846 (December 31, 2019 - $18,176) comprised of 6,771,314 common shares representing a 26.6% equity interest (December 31, 2019 - 26.6%) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table disclosed earlier in note 5.

Investment in Other Public Indian Investments

During 2018 the company acquired common shares of public companies in India's financial services sector, listed on both the BSE and NSE of India, for aggregate cash consideration of $94,090. In the third and fourth quarter of 2019 the company partially sold an investment in Other Public Indian Investments for total net proceeds of $36,907, resulting in a realized gain of $7,115.

During March 2020 the company acquired common shares of public companies in India's utilities sector, listed on both the BSE and NSE of India, for aggregate consideration of $30,677, of which $2,065 was settled subsequent to March 31, 2020 and is presented as payable for common stock purchases on the consolidated balance sheet.

At March 31, 2020 the fair value of the company's investments in Other Public Indian Investments was $85,152 (December 31, 2019 - $95,892) and represents less than 1.0% equity interest in each of the public Indian companies. The changes in fair value of the company's investment in Other Public Indian Investments for the first quarters of 2020 and 2019 are presented in the table disclosed earlier in note 5.

Private Indian Investments

The fair values of Fairfax India's Private Indian Investments cannot be derived from an active market and accordingly, are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of these investments.

Investment in Bangalore International Airport Limited

Bangalore International Airport Limited ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2038 (with the right to extend the agreement for an additional 30 years), has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership. KIAB is the first greenfield airport in India built through a public-private partnership.

During 2017 and 2018 Fairfax India had invested aggregate cash consideration of $652,982 (approximately 42.7 billion Indian rupees) (inclusive of $74,202 of costs incurred, approximately 4.8 billion Indian rupees) for a 54.0% equity interest in BIAL through the following transactions: (i) in March 2017 the company acquired a 38.0% equity interest in BIAL for cash consideration of $385,498 (approximately 25.2 billion Indian rupees); (ii) in July 2017 the company acquired an additional 10.0% equity interest in BIAL for cash consideration of $200,093 (12.9 billion Indian rupees) which the company determined included $74,202 of consideration in excess of the fair value of those additional shares acquired; and (iii) in May 2018 the company acquired an additional 6.0% equity interest in BIAL for cash consideration of $67,391 (approximately 4.6 billion Indian rupees).

On December 16, 2019 the company entered into an agreement to sell an interest in Anchorage of approximately 11.5% on a fully-diluted basis for gross proceeds of approximately 9.5 billion Indian rupees (approximately $126 million at period end exchange rates). Anchorage was formed in 2019 and is a wholly-owned subsidiary of FIH Mauritius, intended to be its flagship company for investing in companies, businesses and opportunities in the airport and infrastructure sectors of India as well as its platform for bidding on airport privatization projects in India. As part of the transaction, the company will restructure approximately 43.6% equity interest in BIAL of its 54.0% equity interest such that it will be held through Anchorage, implying an equity valuation of BIAL of approximately 189.7 billion Indian rupees (approximately $2.5 billion at period end exchange rates) for 100%. Upon closing of the transaction, the company's effective ownership interest in BIAL will decrease to approximately 49.0% on a fully-diluted basis. The transaction is subject to customary closing conditions, including various third party consents, and is expected to close in the first half of 2020.

In the first quarter of 2020 the COVID-19 pandemic has significantly impacted BIAL's airport business, which faced reduced passenger traffic starting in February 2020. Effective March 25, 2020 all scheduled domestic and international commercial airlines ceased operations as a result of India's lockdown and operations will remain suspended until May 3, 2020. The suspension may be extended further as the COVID-19 pandemic continues to evolve. Cargo flights and flights catering to medical emergencies and other essential requirements remain operational. Construction activities for BIAL's capital projects and real estate development have also been suspended. The airport is expected to be operational immediately upon lifting of the present lockdown though may be subject to certain restrictions.

At March 31, 2020 the company estimated the fair value of its investment in BIAL using a discounted cash flow analysis for its three business units based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 12.6% to 15.7% and a long term growth rate of 3.5% (December 31, 2019 - 12.9% to 13.4%, and 3.5%, respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for BIAL's three business units prepared in the first quarter of 2020 (December 31, 2019 - fourth quarter of 2019) by BIAL's management. As a result of the business disruptions caused by the COVID-19 pandemic free cash flow projections were revised by BIAL's management in the first quarter of 2020 to primarily reflect (i) a temporary reduction, including a halt during the lockdown period, in passenger traffic as a result of travel restrictions imposed by the Indian government; (ii) a gradual recovery in passenger traffic over two years to levels expected before the pandemic; (iii) updates to estimated airport tariffs for the third control period commencing in BIAL's fiscal year 2022 to reflect a recovery of lost return during the lockdown and subsequent period; and (iv) delays in BIAL's capital projects and real estate development plans. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which BIAL operates. These risk premiums were reflective of the increased uncertainty of the revised free cash flow projections as a result of the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $1,349,199 (December 31, 2019 - $1,429,854) which approximates the equity valuation of BIAL implied by the Anchorage transaction discussed above. The changes in fair value of the company's investment in BIAL for the first quarters of 2020 and 2019 are presented in the table disclosed earlier in note 5.

Investment in Sanmar Chemicals Group

Sanmar Chemicals Group ("Sanmar"), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India, operating in India and Egypt. Sanmar also manufactures caustic soda, calcium chloride, chloromethanes, refrigerant gases, industrial salt and specialty chemical intermediates.

In April 2016 Fairfax India invested $250,000 in Sanmar comprised of $1,000 in common shares (representing a 30.0% equity interest) and $249,000 in Sanmar bonds, and in September 2016 invested an additional $50,000 in Sanmar bonds. Both tranches of Sanmar bonds had a maturity date of April 22, 2023 (7 years from the date of issuance of the first tranche), subject to earlier redemption at the option of Sanmar under certain circumstances. In lieu of cash, the coupon payment on the bond was payable in kind in the form of additional Sanmar bonds over the life of the bond. A redemption premium was also be payable in kind to the company resulting in an effective annual interest rate of 13.0%.

On December 21, 2019 the company completed its previously announced transaction with Sanmar, resulting in the settlement of Sanmar bonds with a principal amount of $300,000 for net cash proceeds of $425,472 (30.3 billion Indian rupees) ($433,873 net of withholding tax of $8,401), which was equal to the bonds' principal amount plus an effective annual interest rate of 13.0%. The company recorded a net gain on investment of $48,782 (realized gains of $156,540, of which $107,758 was recorded as unrealized gains in prior periods). The company reinvested cash of $198,039 (approximately 14.1 billion Indian rupees) into 171,710 newly issued common shares of Sanmar, increasing the company's equity interest from 30.0% to 42.9%.

Upon closing of the transaction the company settled a forward derivative obligation at a fair value of $19,617 (approximately 1.4 billion Indian rupees), which was a result of the agreed upon transaction price for Sanmar common shares exceeding the transaction date fair value. The company recorded its additional investment in Sanmar common shares at a fair value of $178,422 (approximately 12.7 billion Indian rupees).

In the first quarter of 2020 the COVID-19 pandemic resulted in a temporary closure of Sanmar's plants in India due to India's lockdown. The plant at Sanmar Egypt was temporarily closed on March 18, 2020 and re-opened with operations restricted to 12 hours per day on April 3, 2020. The suspension PVC plant in India also started operating from April 15, 2020.

At March 31, 2020 the company estimated the fair value of its investment in Sanmar common shares using a discounted cash flow analysis for its four business units based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 12.6% to 21.3% and long term growth rates ranging from 3.0% to 4.0% (December 31, 2019 - 12.9% to 19.0%, and 3.0% to 4.0%, respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for Sanmar's four business units (with additional financial information and analysis completed for Chemplast's underlying business units involved in new capital projects) prepared in the fourth quarter of 2019 (December 31, 2019 - fourth quarter 2019) by Sanmar's management. Free cash flow projections were not revised in the first quarter of 2020 as the business disruptions caused by the COVID-19 pandemic were deemed to be temporary in nature. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Sanmar operates. These risk premiums were reflective of the increased uncertainty of the free cash flow projections due the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar common shares was $381,259 (December 31, 2019 - $412,930) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table disclosed earlier in note 5.

The changes in fair value of the company's investment in Sanmar bonds for the first quarter of 2019 are presented in the table disclosed earlier in note 5.

Investment in National Collateral Management Services Limited

National Collateral Management Services Limited ("NCML"), a private company located in Gurugram, India, offers end-to-end solutions in grain procurement, testing and certification, storage, collateral management and market and weather intelligence. NCML's wholly-owned subsidiary, NCML Finance Private Ltd, focuses on rural and agri-business finance.

In the first quarter of 2020 NCML's conventional warehousing and NBFC businesses operated at reduced capacities as agri-business and financial services are considered essential services under India's lockdown guidelines.

NCML Common Shares

In August 2015 and August 2017 Fairfax India acquired an 89.5% equity interest in NCML for cash consideration of $174,318 (approximately 11.3 billion Indian rupees).

At March 31, 2020 the company estimated the fair value of its investment in NCML common shares using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 14.7% to 24.2% and long term growth rates ranging from 2.4% to 6.0% (December 31, 2019 - 12.7% to 23.5%, and 2.4% to 6.0%, respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for NCML's business units prepared in the second quarter of 2019 (December 31, 2019 - second quarter of 2019) by NCML's management. Free cash flow projections were not revised in the first quarter of 2020 as NCML's businesses remained partially operational through the COVID-19 pandemic and the business disruptions to its affected businesses were deemed to be temporary in nature. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. These risk premiums were reflective of the increased uncertainty of the free cash flow projections due the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's equity investment in NCML was $112,400 (December 31, 2019 - $120,734) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table disclosed earlier in note 5.

NCML Compulsorily Convertible Debentures

On September 17, 2019 the company invested an additional $13,970 (approximately 1.0 billion Indian rupees) in NCML to pre-fund an allotment of compulsorily convertible debentures (‘‘NCML CCD’’). On October 1, 2019 the company was issued 12.5% unsecured NCML CCD, due September 30, 2029. The company has the option to convert the NCML CCD into common shares of NCML at any time prior to the maturity date, at which time the conversion is compulsory, at a conversion price of 68.00 Indian rupees per common share.

At March 31, 2020 the fair value of the company’s investment in NCML CCD was $13,703 (December 31, 2019 - $14,286) with the changes in fair value for the first quarter of 2020 presented in the table disclosed earlier in note 5.

Investment in Seven Islands Shipping Limited

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private tanker shipping company in India and transports liquid cargo along the Indian coast as well as in international waters. Seven Islands owns 19 vessels with a total deadweight capacity of approximately 1.2 million metric tons, and its vessels are registered in India and operate as Indian owned and flagged vessels.

In 2019 Fairfax India had invested aggregate cash consideration of $83,846 (approximately 5.8 billion Indian rupees) for a 48.5% equity interest in Seven Islands through the following transactions: (i) on March 29, 2019 the company acquired a 41.4% equity interest in Seven Islands for cash consideration of $71,767 (approximately 4,972.0 million Indian rupees) through a direct subscription and secondary acquisition; (ii) on September 11, 2019 the company acquired an additional 7.1% equity interest in Seven Islands in a secondary acquisition for cash consideration of $12,056 (approximately 863.9 million Indian rupees); and (iii) on October 24, 2019 the company acquired an additional 0.01% equity interest in Seven Islands for cash consideration of $23 (approximately 1.7 million Indian rupees).

In the first quarter of 2020 Seven Islands continued to operate at close to full utilization as transportation of goods is considered an essential service under India's lockdown guidelines.

At March 31, 2020 the company estimated the fair value of its investment in Seven Islands using a discounted cash flow analysis based on multi-year free cash flow projections with an assumed after-tax discount rate of 12.6% and a long term growth rate of 3.0% (December 31, 2019 - 11.5% and 3.0%, respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for Seven Islands prepared in the fourth quarter of 2019 (December 31, 2019 - fourth quarter of 2019) by Seven Islands’ management. Free cash flow projections were not revised in the first quarter of 2020 as Seven Islands continued to operate through the COVID-19 pandemic. Discount rates were based on the company’s assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Seven Islands operates. These risk premiums were reflective of the increased uncertainty of the free cash flow projections due the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company’s internal valuation model indicated that the fair value of the company’s investment in Seven Islands was $84,154 (December 31, 2019 - $88,800) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table disclosed earlier in note 5.

Investment in Saurashtra Freight Private Limited

Saurashtra Freight Private Limited ("Saurashtra"), a private company located in Mumbai, India, operates one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping, offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra to importers and exporters to transport cargo.

In February 2017 Fairfax India acquired a 51.0% equity interest in Saurashtra for cash consideration of $30,018 (approximately 2.0 billion Indian rupees).

In the first quarter of 2020 Saurashtra's businesses continued to operate as transportation of goods is considered an essential service under India's lockdown guidelines. Overall throughput has declined during the lockdown due to restrictions on the movement of goods.

At March 31, 2020 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 13.8% to 14.2% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2019 - 13.4% to 14.4%, and 4.0% to 5.0%, respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the second quarter of 2019 (December 31, 2019 - second quarter of 2019) by Saurashtra's management. Free cash flow projections were not revised in the first quarter of 2020 as Saurashtra's businesses continued to operate through the COVID-19 pandemic. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Saurashtra operates. These risk premiums were reflective of the increased uncertainty of the free cash flow projections due the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $28,277 (December 31, 2019 - $31,204) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table disclosed earlier in note 5.

Investment in National Stock Exchange of India Limited

National Stock Exchange of India Limited ("NSE"), a private company located in Mumbai, India, operates India’s largest stock exchange. In addition to providing a platform for exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets.

In the third quarter of 2016 Fairfax India acquired a 1.0% equity interest in NSE for cash consideration of $26,783 (approximately 1.8 billion Indian rupees).

At March 31, 2020 the company's estimated fair value of its investment in NSE of $66,894 (December 31, 2019 - $57,210) was based on recent third party transactions completed in the first quarter of 2020 (December 31, 2019 - fourth quarter of 2019). The changes in fair value of the company's investment in NSE for the first quarters of 2020 and 2019 are presented in the table disclosed earlier in note 5.

Investment in India Housing Fund

On December 24, 2018 the company entered into an agreement whereby it committed to invest 1.7 billion Indian rupees (approximately $25,000 at the date of the agreement) in the India Housing Fund ("IH Fund"). IH Fund is a closed-ended fund of IIFL Private Equity Fund (the "Trust") registered as a Category II Alternative Investment Fund ("AIF") under the SEBI AIF Regulations. IH Fund is a fund incorporated to focus on investing in India's real estate sector by investing in equity, debt and equity-linked instruments of real estate and construction companies involved in projects or ventures with expected growth potential.

In 2019 Fairfax India had invested aggregate cash consideration of $14,893 (approximately 1.0 billion Indian rupees) in IH Fund through the following transactions: (i) on January 7, 2019 the company invested 25.0% or 437.0 million Indian rupees ($6,272) of the committed investment amount in IH Fund and (ii) on November 7, 2019 the company invested an additional 35.0% or 611.8 million Indian rupees ($8,621) of the committed investment amount in IH Fund. The remaining 40.0% or 699.3 million Indian rupees ($9,243 at period end exchange rates) is to be drawn down by November 30, 2020.

At March 31, 2020 the company estimated the fair value of its investment in IH Fund of $14,564 (December 31, 2019 - $15,146) based on the net asset value provided by the third party fund manager. The fair values of the underlying assets are determined using quoted prices for short term investments, and industry accepted valuation models for debt and equity instruments. The changes in fair value of the company's investment in IH Fund for the first quarters of 2020 and 2019 are presented in the table disclosed earlier in note 5.

6. Cash and Investments

Fair Value Disclosures

The company's use of quoted market prices (Level 1), valuation models using observable market information as inputs (Level 2) and valuation models without observable market information as inputs (Level 3) in the valuation of securities by type of issuer was as follows:

	March 31, 2020					December 31, 2019				
	Quoted prices (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value of assets**	**Total fair value of assets in Indian rupees (in millions)**	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Total fair value of assets in Indian rupees (in millions)
Cash and cash equivalents	**71,484**	**—**	**—**	**71,484**	**5,408**	48,713	—	—	48,713	3,477
Restricted cash [(1)]	**10,131**	**—**	**—**	**10,131**	**766**	16,915	—	—	16,915	1,207
	81,615	**—**	**—**	**81,615**	**6,174**	65,628	—	—	65,628	4,684
Bonds:										
Government of India [(2)]	**—**	**36,277**	**—**	**36,277**	**2,744**	—	88,775	—	88,775	6,337
Indian corporate [(2)]	**—**	**23,571**	**—**	**23,571**	**1,783**	—	35,364	—	35,364	2,524
NCML CCD	**—**	**—**	**13,703**	**13,703**	**1,037**	—	—	14,286	14,286	1,020
	—	**59,848**	**13,703**	**73,551**	**5,564**	—	124,139	14,286	138,425	9,881
Common stocks:										
IIFL Finance	**82,794**	**—**	**—**	**82,794**	**6,263**	166,014	—	—	166,014	11,850
IIFL Wealth	**159,195**	**—**	**—**	**159,195**	**12,043**	191,476	—	—	191,476	13,667
IIFL Securities	**34,740**	**—**	**—**	**34,740**	**2,628**	48,796	—	—	48,796	3,483
Fairchem	**104,481**	**—**	**—**	**104,481**	**7,904**	127,413	—	—	127,413	9,095
5paisa	**9,846**	**—**	**—**	**9,846**	**745**	18,176	—	—	18,176	1,297
Other	**85,152**	**—**	**—**	**85,152**	**6,442**	95,892	—	—	95,892	6,845
BIAL	**—**	**—**	**1,349,199**	**1,349,199**	**102,069**	—	—	1,429,854	1,429,854	102,060
Sanmar	**—**	**—**	**381,259**	**381,259**	**28,843**	—	—	412,930	412,930	29,474
CSB Bank [(3)]	**—**	**—**	**115,352**	**115,352**	**8,727**	—	—	229,262	229,262	16,364
NCML	**—**	**—**	**112,400**	**112,400**	**8,503**	—	—	120,734	120,734	8,618
Seven Islands	**—**	**—**	**84,154**	**84,154**	**6,366**	—	—	88,800	88,800	6,338
Saurashtra	**—**	**—**	**28,277**	**28,277**	**2,139**	—	—	31,204	31,204	2,227
NSE	**—**	**—**	**66,894**	**66,894**	**5,061**	—	—	57,210	57,210	4,084
IH Fund	**—**	**—**	**14,564**	**14,564**	**1,102**	—	—	15,146	15,146	1,081
	476,208	**—**	**2,152,099**	**2,628,307**	**198,835**	647,767	—	2,385,140	3,032,907	216,483
Total cash and investments	**557,823**	**59,848**	**2,165,802**	**2,783,473**	**210,573**	713,395	124,139	2,399,426	3,236,960	231,048
	20.0%	**2.2%**	**77.8%**	**100.0%**	**100.0%**	22.0%	3.8%	74.2%	100.0%	100.0%

(1) Comprised of funds set aside as restricted cash to fund the borrowings interest payments.

(2) Priced based on information provided by independent pricing service providers at March 31, 2020 and December 31, 2019.

(3) The company is restricted from selling its common shares of CSB Bank for a specified period ranging from less than one year to five years and has applied a discount for lack of marketability (a significant unobservable valuation input) to the quoted price.

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the first quarters of 2020 and 2019 there were no transfers of financial instruments between fair value hierarchy levels.

A summary of changes in the fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy, denominated in the company's functional currency of the Indian rupee for the first quarters of 2020 and 2019 was as follows:

	First quarter							
	2020				2019			
Indian rupees (in millions)	**Balance as of January 1**	**Sales**	**Net change in unrealized gains (losses) on investments**	**Balance as of March 31**	Balance as of January 1	Purchases	Net change in unrealized gains (losses) on investments	Balance as of March 31
Bonds:								
NCML CCD	**1,020**	**—**	**17**	**1,037**	—	—	—	—
Sanmar bonds	**—**	**—**	**—**	**—**	27,422	—	839	28,261
Common stocks:								
BIAL	**102,060**	**—**	**9**	**102,069**	49,155	—	410	49,565
Sanmar	**29,474**	**—**	**(631)**	**28,843**	15,162	—	24	15,186
CSB Bank	**16,364**	**—**	**(7,637)**	**8,727**	6,498	2,792	—	9,290
NCML	**8,618**	**—**	**(115)**	**8,503**	11,546	—	(4)	11,542
Seven Islands	**6,338**	**—**	**28**	**6,366**	—	4,972	—	4,972
Saurashtra	**2,227**	**—**	**(88)**	**2,139**	1,734	—	78	1,812
NSE	**4,084**	**—**	**977**	**5,061**	4,209	—	—	4,209
IH Fund	**1,081**	**(4)**	**25**	**1,102**	—	437	(8)	429
Total	**171,266**	**(4)**	**(7,415)**	**163,847**	115,726	8,201	1,339	125,266

The changes in fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy in the company's presentation currency of U.S. dollars are disclosed in note 5. For all Indian Investments classified as Level 3 in the fair value hierarchy, net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting periods.

The table that follows illustrates the potential impact on net earnings (loss) of various combinations of changes in unobservable inputs in the company's internal valuation models for its Indian Investments classified as Level 3 in the fair value hierarchy at March 31, 2020. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on an analysis of the return on various equity indices, management's knowledge of the Indian equity markets and the potential impact of changes in interest rates. To reflect increased market volatility due to the economic and social impacts of the COVID-19 pandemic in the first quarter of 2020, management widened its reasonably possible range of after-tax discount rates to changes within 100 basis points at March 31, 2020 from changes within 50 basis points at December 31, 2019. The change reflects the additional uncertainty in determining the discounted cash flows for assessing the fair values of Private Indian Investments. This sensitivity analysis excludes the company's investments in NCML CCD, NSE, and IH Fund as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis.

Investments	**Fair value of investment**	**Valuation technique**	**Significant unobservable inputs**	**Significant unobservable inputs used in the internal valuation models**	**Hypothetical $ change effect on fair value measurement** [1]	**Hypothetical $ change effect on net earnings** [1][2]
Common stocks:						
BIAL	1,349,199	Discounted cash flow	After-tax discount rate	12.6% to 15.7%	(332,155) / 435,052	(288,144) / 377,408
			Long term growth rate	3.5%	18,812 / (17,811)	16,319 / (15,451)
Sanmar	381,259	Discounted cash flow	After-tax discount rate	12.6% to 21.3%	(80,500) / 95,542	(69,834) / 82,883
			Long term growth rate	3.0% to 4.0%	11,949 / (11,443)	10,366 / (9,927)
CSB Bank [3]	115,352	Bid price, net of discount	Discount for lack of marketability	14.7%	(1,825) / 1,833	(1,583) / 1,590
NCML	112,400	Discounted cash flow	After-tax discount rate	14.7% to 24.2%	(21,156) / 25,626	(18,353) / 22,231
			Long term growth rate	2.4% to 6.0%	3,305 / (3,150)	2,867 / (2,733)
Seven Islands	84,154	Discounted cash flow	After-tax discount rate	12.6%	(17,903) / 22,350	(15,531) / 19,389
			Long term growth rate	3.0%	3,915 / (3,716)	3,396 / (3,224)
Saurashtra	28,277	Discounted cash flow	After-tax discount rate	13.8% to 14.2%	(1,574) / 1,923	(1,365) / 1,668
			Long term growth rate	4.0% to 5.0%	349 / (332)	303 / (288)

(1) The impact on the internal valuation models from changes in significant unobservable inputs deemed to be subject to the most judgment and estimates disclosed in the table above shows the hypothetical increase (decrease) in net earnings. Changes in the after-tax discount rates (100 basis points), long term growth rates (25 basis points) and discount for lack of marketability (13.3% and 16.0%), each in isolation, would hypothetically change the fair value of the company's investments as noted in the table above. Generally, an increase (decrease) in long term growth rates, or a decrease (increase) in after-tax discount rates and discount for lack of marketability would result in a higher (lower) fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy.

(2) For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

(3) A discount for lack of marketability is applied to the quoted price of common shares that the company is restricted from selling for a specified period, and is determined using an industry accepted option pricing model that incorporates market unobservable long-dated historical share price volatility. A higher (lower) historical share price volatility generally results in a higher (lower) option value and a lower (higher) fair value of the common shares.

Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. At March 31, 2020 and December 31, 2019 there were no bonds containing call or put features. The decrease in bonds due after 1 year through 5 years primarily reflects the net sale of Government of India and Indian corporate bonds, the proceeds of which were partially reinvested in Other Public Indian Investments.

	March 31, 2020		December 31, 2019	
	Amortized cost	**Fair value**	Amortized cost	Fair value
Due in 1 year or less	**—**	**—**	7,054	6,983
Due after 1 year through 5 years	**59,391**	**59,848**	117,360	117,156
Due after 5 years through 10 years	**13,255**	**13,703**	14,048	14,286
	72,646	**73,551**	138,462	138,425

Investment Income

An analysis of investment income for the three months ended March 31 is summarized in the table that follows:

Interest and dividends

	First quarter	
	2020	2019
Interest:		
Cash and cash equivalents	**61**	191
Bonds[1]	**2,713**	2,848
	2,774	3,039
Dividends: Common stocks	**6,783**	6,006

(1) Excludes Sanmar bonds as the estimated interest income is included in its fair value measurement.

Net gains (losses) on investments and net foreign exchange gains (losses)

	First quarter					
	2020			2019		
	Net realized gains	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments	**—**	**—**	**—**	19	—	19
Bonds	**227**	**982**	**1,209**	(1,321)	12,153 [1]	10,832
Common stocks	**—**	**(275,245)** [2]	**(275,245)**	—	(51,637) [2]	(51,637)
	227	**(274,263)**	**(274,036)**	(1,302)	(39,484)	(40,786)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**1,361**	**—**	**1,361**	(682)	—	(682)
Borrowings	**—**	**(32,247)** [3]	**(32,247)**	—	4,193 [3]	4,193
Other	**1**	**—**	**1**	(257)	—	(257)
	1,362	**(32,247)**	**(30,885)**	(939)	4,193	3,254

(1) In the first quarter of 2019 primarily comprised of unrealized gains on Sanmar bonds of $11,906.
(2) Refer to note 5 for a summary of changes in the fair value of the company's Public and Private Indian Investments during the first quarters of 2020 and 2019.
(3) In the first quarters of 2020 and 2019 unrealized foreign exchange gains (losses) on borrowings related to the $550.0 million term loan.

7. Borrowings

	March 31, 2020			December 31, 2019		
	Principal	**Carrying value (1)**	**Fair value (2)**	Principal	Carrying value (1)	Fair value (2)
1 Year Secured Term Loan, floating rate due June 26, 2020	**550,000**	**548,614**	**550,000**	550,000	547,228	550,000

(1) Principal net of unamortized issue costs.
(2) Principal approximated fair value at March 31, 2020 and December 31, 2019.

Secured Term Loan

On June 28, 2018 the company completed a $550,000 principal amount, 1 year secured term loan, with an option to extend for an additional year ("$550.0 million term loan"), with a syndicate led by a Canadian bank. The $550.0 million term loan is secured by way of a general lien on the company's assets and bears interest at a rate of LIBOR plus 350 basis points. On June 28, 2019 the company amended and restated the existing $550.0 million term loan by extending the maturity to June 26, 2020 while maintaining the option to extend for an additional year.

At March 31, 2020 the amended $550.0 million term loan was recognized net of unamortized issuance costs of $1,386 (issuance costs of $5,545 less amortization of $4,159) (December 31, 2019 - $2,772 (issuance costs of $5,545 less amortization of $2,773)) and recorded in borrowings within the consolidated balance sheets. The issuance costs are amortized over the remaining life of the $550.0 million term loan and recorded in interest expense in the consolidated statements of earnings (loss).

Under the terms of the $550.0 million term loan, the company is required to maintain a debt service reserve account to fund the term loan interest payments. The cash held in the debt service reserve account is classified as restricted cash within the consolidated balance sheets. The $550.0 million term loan includes a financial covenant requiring the company to maintain common shareholders' equity of not less than $1.5 billion. At March 31, 2020 the company was in compliance with the $550.0 million term loan financial covenant.

Revolving Credit Facility

Concurrent with amending and restating the $550.0 million term loan, the company entered into a $50.0 million, 1 year secured revolving credit facility with a Canadian bank bearing interest at a rate of LIBOR plus 350 basis points, with an option to extend for an additional year ("Revolving Credit Facility"). As at March 31, 2020 and December 31, 2019 the Revolving Credit Facility is undrawn and remains available.

Interest Expense

In the first quarter of 2020 interest expense of $8,448 (2019 - $10,069) was comprised of coupon payments of $7,062 (2019 - $8,683) and the amortization of issuance costs of $1,386 (2019 - $1,386).

8. Common Shareholders' Equity

Common Stock

The number of shares outstanding was as follows:

	First quarter	
	2020	2019
Subordinate voting shares - January 1	**122,631,481**	122,861,534
Purchases for cancellation	**(1,054,726)**	(230,053)
Subordinate voting shares - March 31	**121,576,755**	122,631,481
Multiple voting shares - beginning and end of period	**30,000,000**	30,000,000
Common shares effectively outstanding - March 31	**151,576,755**	152,631,481

Purchase of Shares

During the first quarter of 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 1,054,726 subordinate voting shares (2019 - 230,053) for a net cost of $10,641 (2019 - $2,998), of which $461 was recorded as a benefit in retained earnings (2019 - $577 was charged to retained earnings).

9. Net Earnings per Share

Net loss per common share is calculated in the following table based on the weighted average common shares outstanding:

	First quarter	
	2020	2019
Net loss – basic and diluted	**(253,809)**	(52,585)
Weighted average common shares outstanding – basic and diluted	**152,363,450**	152,726,355
Net loss per common share – basic and diluted	**$ (1.67)**	$ (0.34)

10. Income Taxes

The company's provision for income taxes for the three months ended March 31 are summarized in the following table:

	First quarter	
	2020	2019
Current income tax:		
Current year expense	**364**	488
Deferred income tax:		
Origination and reversal of temporary differences	**(12,551)**	3,843
Provision for (recovery of) income taxes	**(12,187)**	4,331

A significant portion of the company's earnings (loss) before income taxes may be earned or incurred outside of Canada. The statutory income tax rates for jurisdictions outside of Canada generally differ from the Canadian statutory income tax rate (and may be significantly higher or lower).

At March 31, 2020 the company evaluated the potential impact of the application of capital gains tax in India on any future dispositions of investments in equity shares held by FIH Mauritius and FIH Private and recorded a recovery of deferred income taxes of $12,551 in the first quarter of 2020 (2019 - deferred income tax expense of $1,035) attributable to unrealized losses recorded in the first quarter of 2020 on the company's investments in common shares acquired subsequent to April 1, 2017, primarily CSB Bank of $6,461 (2019 - nil), Other Public Indian Investments of $3,575 (2019 - unrealized gains and deferred income taxes of $1,035), and IIFL Wealth of $2,447 (2019 - nil). The company will continue to evaluate the potential impact of the Indian capital gains tax as it relates to any future dispositions of investments in equity shares of its Indian Investments.

On April 2, 2019 FIH Mauritius received a ruling from the Mauritius Revenue Authority which concluded that the redemption premium feature in Sanmar bonds represented taxable income and therefore was subject to tax in Mauritius. In addition, the company concluded the redemption premium feature will be taxable as interest income in India. As a result the company recorded deferred income tax of $2,808 in the first quarter of 2019 related to Sanmar bonds.

The company's loss before income taxes by jurisdiction and the associated provision for (recovery of) income taxes for the three months ended March 31 are summarized in the following table:

	First quarter					
	2020			2019		
	Canada	**Mauritius**	**Total**	Canada	Mauritius	Total
Loss before income taxes	**(39,538)**	**(226,458)**	**(265,996)**	(4,846)	(43,408)	(48,254)
Provision for (recovery of) income taxes	**—**	**(12,187)** (1)	**(12,187)**	—	4,331	4,331
Net loss	**(39,538)**	**(214,271)**	**(253,809)**	(4,846)	(47,739)	(52,585)

(1) Includes $12,551 recovery of deferred income taxes in India (primarily related to unrealized losses recorded in the first quarter of 2020 on CSB Bank, Other Public Indian Investments and IIFL Wealth), partially offset by $189 of Indian withholding taxes.

The increase in loss before income taxes in Canada in the first quarter of 2020 compared to the first quarter of 2019 primarily related to an increase in foreign exchange losses on borrowings, partially offset by decreased interest expense. The increase in loss before income taxes in Mauritius in the first quarter of 2020 compared to the first quarter of 2019 primarily reflected an increase in net unrealized losses on investments (principally related to increased net unrealized losses on the company's Public Indian Investments and decreased net unrealized gains on the company's Private Indian Investments), partially offset by a performance fee recovery.

A reconciliation of the recovery of income taxes calculated at the Canadian statutory income tax rate to the provision for (recovery of) income taxes at the effective tax rate in the interim consolidated financial statements for the three months ended March 31 are summarized in the following table:

	First quarter	
	2020	2019
Canadian statutory income tax rate	**26.5%**	26.5%
Recovery of income taxes at the Canadian statutory income tax rate	**(70,489)**	(12,787)
Tax rate differential on losses incurred outside of Canada	**48,175**	16,042
Change in unrecorded tax benefit of losses and temporary differences	**1,690**	2,422
Foreign exchange effect	**8,432**	(1,350)
Other including permanent differences	**5**	4
Provision for (recovery of) income taxes	**(12,187)**	4,331

The tax rate differential on losses incurred outside of Canada of $48,175 in the first quarter of 2020 (2019 - $16,042) principally reflected the impact of net investment losses taxed in India and Mauritius at lower rates.

The change in unrecorded tax benefit of losses and temporary differences of $1,690 in the first quarter of 2020 principally reflected changes in unrecorded deferred tax assets incurred related to potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $7,412, net operating loss carryforwards in Canada of $1,754, temporary timing differences of issuance costs on borrowings of $286, partially offset by foreign accrual property losses utilized of $7,762 with respect to the company's wholly-owned subsidiaries that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. The change in unrecorded tax benefit of losses and temporary differences of $2,422 in the first quarter of 2019 principally reflected changes in unrecorded deferred tax assets incurred related to net operating loss carryforward in Canada of $2,630, partially offset by net foreign accrual property losses utilized of $208 with respect to the company's wholly-owned subsidiaries that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. At March 31, 2020 deferred tax assets $64,024 in Canada and $12,481 in India (December 31, 2019 - $69,747 in Canada and $5,069 in India) were not recorded as it was considered not probable that those losses could be utilized by the company.

Foreign exchange effect of $8,432 in the first quarter of 2020 (2019 - $1,350) principally reflected the impact of fluctuations in the value of the Canadian dollar relative to the U.S. dollar and the Indian rupee as the company computes its corporate tax liability in Canadian dollars pursuant to the requirements of Canadian tax authorities, whereas the functional currency of the company and its Mauritius subsidiaries is the Indian rupee.

11. Financial Risk Management

Overview

There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at March 31, 2020 compared to those identified and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2019, except as described below.

COVID-19

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The company's Indian Investments rely, to a certain extent, on free movement of goods, services, and capital from around the world, which has been significantly restricted as a result of COVID-19.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the company's Indian Investments in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in various parts of the world. Such further developments could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Market Risk

Market risk, comprised of foreign currency risk, interest rate risk and other price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to market risk principally in its investing activities and to the extent that those activities expose the company to foreign currency risk. The valuation of the company's investment portfolio is largely dependent on the underlying performance of the companies within the portfolio, but may also be affected, along with other financial statement items, by fluctuations in interest rates, foreign currency exchange rates and market prices.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument or another asset or liability will fluctuate due to changes in foreign exchange rates and produce an adverse effect on net earnings and common shareholders' equity when measured in Indian rupees, the company's functional currency. The company's net earnings and common shareholders' equity may also be significantly affected by foreign currency translation movements as the majority of its net assets and net earnings are denominated in a currency other than the company's U.S. dollar presentation currency. The company has not hedged its foreign currency risk. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at March 31, 2020 compared to December 31, 2019.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Typically, as interest rates rise, the fair values of fixed income investments decline and, conversely, as interest rates decline, the fair values of fixed income investments rise. In each case, the longer the maturity of the financial instrument, the greater the consequence of a change in interest rates. The company's interest rate risk management strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements. General economic conditions, political conditions and many other factors can also adversely affect the bond markets and, consequently, the value of fixed income securities held. Interest rate movements in India may affect the company's common shareholders' equity and net earnings. The Portfolio Advisor and Fairfax actively monitor interest rates in India and the potential impact changes in interest rates may have on the company's investment portfolio. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at March 31, 2020 compared to December 31, 2019.

The company's exposure to interest rate risk decreased in the first quarter of 2020 primarily reflecting the net sale of Government of India and Indian corporate bonds, the proceeds of which were partially reinvested in Other Public Indian Investments. The table that follows displays the potential impact of changes in interest rates on the company's fixed income portfolio based on parallel 200 basis point shifts up and down, in 100 basis point increments. This analysis was performed on each individual security, with the hypothetical effect on net earnings (loss).

	March 31, 2020			December 31, 2019		
	Fair value of fixed income portfolio	**Hypothetical $ change effect on net earnings (1)**	**Hypothetical % change in fair value**	Fair value of fixed income portfolio	Hypothetical $ change effect on net earnings (1)	Hypothetical % change in fair value
Change in interest rates						
200 basis point increase	**72,129**	**(1,045)**	**(1.9)%**	135,224	(2,353)	(2.3)%
100 basis point increase	**72,848**	**(517)**	**(1.0)%**	136,837	(1,168)	(1.1)%
No change	**73,551**	**—**	**—**	138,425	—	—
100 basis point decrease	**74,327**	**570**	**1.1 %**	140,160	1,275	1.3 %
200 basis point decrease	**75,089**	**1,130**	**2.1 %**	141,872	2,533	2.5 %

(1) For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

Certain shortcomings are inherent in the method of analysis presented above. Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the level and composition of fixed income securities at the indicated date, and should not be relied on as indicative of future results. Actual values may differ from the projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities; such variations include non-parallel shifts in the term structure of interest rates and a change in individual issuer credit spreads.

Market Price Fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market. The company's exposure to equity price risk through its equity investments at March 31, 2020 compared to December 31, 2019 are described below.

The company holds significant equity investments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over a period of time or on disposition. As discussed earlier, COVID-19 has increased uncertainty and may adversely impact the fair value or future cash flows of the company's equity investments.

The company's exposure to market price risk decreased to $2,628,307 at March 31, 2020 from $3,032,907 at December 31, 2019 primarily as a result of unrealized losses on the Public Indian Investments (CSB Bank, IIFL Finance, IIFL Wealth, Fairchem, IIFL Securities, 5paisa and Other Public Indian Investments) and unrealized losses on the Private Indian Investments (principally Sanmar, NCML and Saurashtra), partially offset by unrealized gains on the Private Indian Investments (principally NSE) and the company's investments in common stocks of utility companies within Other Public Indian Investments. Refer to note 6 for the potential impact on net earnings (loss) of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company, and arises predominantly from cash and cash equivalents and investments in debt instruments. There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the framework used to monitor, evaluate and manage credit risk at March 31, 2020 compared to December 31, 2019.

Cash and Cash Equivalents

At March 31, 2020 the company's cash and cash equivalents of $71,484 (December 31, 2019 - $48,713) were primarily held by its wholly-owned subsidiaries in major financial institutions. The company monitors risks associated with cash and cash equivalents by regularly reviewing the financial strength and creditworthiness of these financial institutions. From these reviews, the company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

Investments in Debt Instruments

The company's risk management strategy for debt instruments is to invest primarily in high credit quality issuers. Management considers high quality debt instruments to be those with a S&P or Moody's issuer credit rating of BBB/Baa or higher. While the company reviews third party credit ratings, it also carries out its own analysis and does not delegate the credit decision to rating agencies. The company endeavours to limit credit exposure by monitoring fixed income portfolio limits on individual corporate issuers and limits based on credit quality.

At March 31, 2020 the company's debt instruments were all considered to be subject to credit risk with a fair value of $73,551 (December 31, 2019 - $138,425), representing 2.6% (December 31, 2019 - 4.3%) of the total cash and investments portfolio.

The composition of the company's fixed income portfolio is presented in the table below:

	March 31, 2020		December 31, 2019	
	Fair value	**Rating**	Fair value	Rating
Government of India bonds (1)	**36,277**	**Baa2/BBB-**	88,775	Baa2/BBB-
Indian corporate bonds (2)	**—**	**-**	14,046	Baa3
Indian corporate bonds	**23,571**	**Not rated**	21,318	Not rated
NCML CCD	**13,703**	**Not rated**	14,286	Not rated
Total bonds	**73,551**		138,425	

(1) Rated Baa2 by Moody's and BBB- by S&P.
(2) Rated Baa3 by Moody's.

The company's exposure to credit risk from its investment in fixed income securities decreased at March 31, 2020 compared to December 31, 2019 primarily reflecting the net sale of Government of India and Indian corporate bonds, the proceeds of which were partially reinvested in Other Public Indian Investments. Except as described above, there were no other significant changes to the composition of the company's fixed income portfolio classified according to each security's respective issuer credit rating at March 31, 2020 compared to December 31, 2019.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient liquid assets to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable must be remitted to the respective tax jurisdictions as they are due. There were no significant changes to the company's exposure to liquidity risk (except as set out in the discussion below) or the framework used to monitor, evaluate and manage liquidity risk at March 31, 2020 compared to December 31, 2019.

The undeployed cash and investments at March 31, 2020 provide adequate liquidity to meet the company's remaining known significant commitments in 2020, which are principally comprised of the remaining investment commitments for IH Fund, interest expense, investment and advisory fees, general and administration expenses and corporate income taxes. The company has a principal repayment on the $550.0 million term loan coming due in June 2020 that can be extended for an additional year. The company has the ability to sell a portion of its Indian Investments to supplement the liquidity requirements. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. Accordingly, the company has adequate working capital to support its operations.

Concentration Risk

The company's cash and investments are primarily concentrated in India and in Indian businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, India. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment in India. Adverse changes to the economic condition, interest rates or regulatory environment in India may have a material adverse effect on the company's business, cash flows, financial condition and net earnings. At March 31, 2020 and December 31, 2019 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at March 31, 2020 represented 99.1% (December 31, 2019 - 99.2%) of the total cash and investments portfolio.

The company's holdings of Public and Private Indian Investments (see note 5) at March 31, 2020 and December 31, 2019 are summarized by the issuer's primary industry sector in the table below:

	March 31, 2020	December 31, 2019
Infrastructure	**1,349,199**	1,429,854
Commercial and industrial	**611,843**	675,363
Financial services	**537,423**	821,972
Ports and shipping	**112,431**	120,004
Utilities	**31,114**	—
	2,642,010	3,047,193

During the first quarter of 2020 the company's concentration risk in the infrastructure sector decreased due to unrealized foreign currency translation losses on the company's investment in BIAL. The company's concentration risk in the commercial and industrial sector decreased primarily due to unrealized losses (including foreign currency translation losses) on the company's investments in Sanmar, Fairchem, and NCML common shares. The company's concentration risk in the financial services sector decreased primarily due to unrealized losses (including foreign currency translation losses) on the company's investments in CSB Bank, IIFL Finance, IIFL Wealth, IIFL Securities, 5paisa and financial service companies within Other Public Indian Investments, partially offset unrealized gains on the company's investment in NSE. The company's concentration risk in the ports and shipping sector decreased primarily due to unrealized foreign currency translation losses on the company's investments in Seven Islands and Saurashtra. The company's concentration risk in the utilities sector increased primarily due to investments in common stocks of utility companies within Other Public Indian Investments.

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2020 from December 31, 2019 principally as a result of net unrealized losses on investments, unrealized foreign currency translation losses, purchases of subordinate voting shares for cancellation, investment and advisory fees and interest expense, partially offset by dividend and interest income. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At March 31, 2020 the company determined that it was in compliance with the Investment Concentration Restriction.

Capital Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital (comprised of borrowings and common shareholders' equity) decreased to $2,727,523 at March 31, 2020 from $3,125,079 at December 31, 2019, principally reflecting a decrease in common shareholders' equity, as described below.

Common shareholders' equity decreased to $2,178,909 at March 31, 2020 from $2,577,851 at December 31, 2019 primarily reflecting a net loss of $253,809, unrealized foreign currency translation losses of $134,512, and purchases of subordinate voting shares for cancellation of $10,641 in the first quarter of 2020.

12. Related Party Transactions

Payable to Related Parties

The company's payable to related parties was comprised as follows:

	March 31, 2020	December 31, 2019
Performance fee	**—**	47,850
Investment and advisory fee	**7,745**	2,640
Other	**43**	29
	7,788	50,519

Investment Advisory Agreement

The company and its subsidiaries have entered into an agreement with Fairfax and the Portfolio Advisor to provide administration and investment advisory services to the company and its subsidiaries (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company and its subsidiaries pay an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's common shareholders' equity.

Performance Fee

Second Calculation Period

The period from January 1, 2018 to December 31, 2020 (the "second calculation period") will be the next consecutive three-year period after December 31, 2017 for which a performance fee, if applicable, will be accrued. The calculation of the performance fee was reassessed and adjusted during 2019 and will be calculated on a cumulative basis as 20% of any increase in the book value per share (before factoring in the impact of the performance fee for the second calculation period) above a 5% per annum increase less the performance fee of $114,437 previously settled in the first calculation period. Under the Investment Advisory Agreement, the performance fee, if applicable, will be paid within 30 days after the company issues its annual audited consolidated financial statements for the year ended December 31, 2020, in subordinate voting shares of the company unless the market prices per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued will be calculated based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the second calculation period. The company and Fairfax have agreed to review the performance fee calculation prior to December 31, 2020 to ensure the calculation reflects the original intentions of the parties.

At March 31, 2020 the company determined that there was no performance fee accrual related to the second calculation period (December 31, 2019 - $47,850).

A performance fee recovery of $47,134 was recorded in the consolidated statements of earnings (loss) in the first quarter of 2020 representing the reversal of a $47,850 performance fee accrual translated at the average exchange rate for the period (first quarter of 2019 - nil). At the end of the first quarters of 2020 and 2019 there were no contingently issuable subordinate voting shares related to the second calculation period performance fee payable to Fairfax.

Investment and Advisory Fees

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. The investment and advisory fees recorded in the consolidated statements of earnings (loss) for the first quarter of 2020 were $8,195 (2019 - $8,289).

Fairfax's Voting Rights and Equity Interest

At March 31, 2020 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2019 - 30,000,000) and 11,915,978 subordinate voting shares (December 31, 2019 - 21,558,422) of Fairfax India. At March 31, 2020 Fairfax's holdings of multiple and subordinate voting shares represented 93.2% of the voting rights and 27.7% of the equity interest in Fairfax India (December 31, 2019 - 93.8% and 33.8%).

13. General and Administration Expenses

General and administration expenses for the three months ended March 31 were comprised as follows:

	First quarter	
	2020	2019
Audit, legal and tax professional fees	**498**	844
Salaries and employee benefit expenses	**330**	352
Administrative expenses	**126**	157
Other	**169**	56
	1,123	1,409

14. Supplementary Cash Flow Information

Cash and cash equivalents were included in the consolidated balance sheets and statements of cash flows as follows:

	March 31, 2020	December 31, 2019
Cash and term deposits with banks	**71,484**	46,642
U.S. treasury bills	**—**	2,071
	71,484	48,713

Details of certain cash flows included in the consolidated statements of cash flows for the three months ended March 31 were as follows:

	First quarter	
	2020	2019
Purchases of investments		
Bonds	**(38,214)**	—
Common stocks	**(28,613)**	(118,586)
	(66,827)	(118,586)
Sales of investments		
Bonds	**94,899**	160,051
Common stocks	**60**	—
	94,959	160,051
Net interest and dividends received		
Net interest income received	**3,920**	8,619
Dividends received	**6,783**	6,006
Interest paid on borrowings	**(7,064)**	(8,683)
	3,639	5,942
Income taxes paid	**193**	269

Index to Management's Discussion and Analysis of Financial Condition and Results of Operations

Notes to Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the notes to the interim consolidated financial statements for the three months ended March 31, 2020 and the company's 2019 Annual Report.

(2) Unless otherwise noted, consolidated financial information of the company within this MD&A is derived from the consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*, and is presented in U.S. dollars with the Indian rupee as the functional currency of the company and its consolidated subsidiaries.

(3) The MD&A contains references to book value per share. On any date, book value per share is calculated as common shareholders' equity at the end of the reporting period, determined in accordance with IFRS, divided by the total number of common shares of the company effectively outstanding on that date. Those amounts are presented in the consolidated balance sheet and note 8 (Common Shareholders' Equity under the heading Common Stock) respectively within the interim consolidated financial statements for the three months ended March 31, 2020. Book value per share is a key performance measure of the company and is closely monitored as it is used to calculate the performance fee, if any, to Fairfax Financial Holdings Limited ("Fairfax").

(4) Throughout this MD&A, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed in note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2020.

Business Developments

Overview

Fairfax is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Fairfax India's subordinate voting shares trade on the Toronto Stock Exchange ("TSX") under the symbol FIH.U. The multiple voting shares of the company are not publicly traded.

The book value per share at March 31, 2020 was $14.37 compared to $16.89 at December 31, 2019 representing a decrease in the first quarter of 2020 of 14.9%, primarily reflecting a net loss of $253,809 (primarily related to net change in unrealized losses on investments and net foreign exchange losses, partially offset by a performance fee recovery) and unrealized foreign currency translation losses of $134,512.

The following narrative sets out the company’s key business developments in the first quarter of 2020.

Indian Investments

Full descriptions of the Indian Investments committed to and acquired in the first quarter of 2020 are provided in the Indian Investments section of this MD&A.

Operating Environment

COVID-19 Pandemic

The first quarter of 2020 was marked by the rapid surge of the global COVID-19 pandemic. Governments worldwide have responded with border closures, lockdowns, and restrictions on non-essential services in an effort to contain and mitigate the spread of COVID-19. According to the World Economic Outlook (April 2020) published by the International Monetary Fund ("IMF") global GDP is projected to contract by 3.0% in 2020 from growth of 2.9% in 2019, an even sharper fall than during the 2008/2009 financial crisis. Against this backdrop, oil prices have fallen as a result of the compound effect of price wars among large oil-producing countries and a severe global reduction in demand due to government-imposed lockdowns and travel restrictions. Financial conditions have tightened sharply in 2020 and investors have sold $41.7 billion of emerging market stocks and bonds since the beginning of the crisis.

India's Response to the COVID-19 Pandemic

In an effort to contain the spread of COVID-19 the Indian government responded swiftly with various measures such as: (i) screening international passengers at airports from as early as February 2020; (ii) imposing domestic and international travel restrictions which included border closures; and (iii) implementing a strict 21-day nationwide lockdown which commenced on March 25, 2020 and was extended on April 14, 2020 until May 3, 2020 (and may extend further as the COVID-19 pandemic develops) ("India's lockdown"). On April 20, 2020 certain Indian states and union territories began easing lockdown restrictions to allow some essential activity to resume in areas with low case levels.

Economic Impact in India:

The Indian economy declined sharply as the effects of government-mandated lockdowns and travel restrictions (discussed above) negatively impacted near-term expectations of India's economic growth. In its April 2020 report the IMF projected that the Indian economy will grow at a modest 1.9% for the 2019-20 financial year (down from its previous estimate of 5.8%) and 7.4% for the 2020-21 financial year (up from its previous estimate of 6.5%).

The shutdown of non-essential businesses and restrictions placed on essential businesses will have negative impacts to the Indian economy. Travel restrictions have reduced demand for domestic and international travel, impacting various industries such as airlines, hospitality and retail. There has also been a decline in liquidity, impacting many business sectors.

The Indian government reacted quickly to the economic downturn by announcing a $22.6 billion economic stimulus plan to ease the economic and social hardships for businesses and individuals impacted by the COVID-19 pandemic. On March 27, 2020 the Reserve Bank of India ("RBI") announced a number of measures to ease liquidity such as cutting interest rates by 75 basis points, providing financial institutions access to more liquidity, implementing several long term asset purchase programs and allowing financial institutions to grant three-month loan moratoriums for debt servicing payments due between March 1, 2020 and May 31, 2020.

As one of the world's largest net importers of oil, India will benefit from the sharp decline in oil prices. West Texas Intermediate plunged to $20.48 at March 31, 2020 from $61.06 at December 31, 2019, lower than $26.21 at the peak of the 2016 oil crisis, as a result of the combined impact of price wars among large oil-producing countries and a severe global reduction in demand due to COVID-19 lockdowns.

Indian Market Indices and Foreign Exchange Rate

The Indian equity markets experienced significant declines with the S&P BSE Sensex 30 falling 32.6% in the first quarter of 2020. The sell-off of Indian equities was consistent with the market decline observed in other major emerging markets globally and a result of the economic impact of the COVID-19 pandemic. The Indian rupee also declined by 5.6% in the first quarter of 2020 consistent with declines observed in other emerging market currencies. The declines in equity markets and emerging market currencies is primarily attributable to higher risk aversion in global financial markets, leading to a "flight to quality".

The overall impact during the first quarter of 2020 can be seen through the decline in the fair values of the company’s Public Indian Investments, and unrealized foreign currency translation losses as the company’s net assets and its net earnings are primarily denominated in Indian rupee.

The company's Indian Investments faced varying degrees of business disruption as a result of the response to the COVID-19 pandemic. During the first quarter of 2020 the company faced added uncertainty in determining the discounted cash flows for assessing the fair values of its Private Indian Investments due to the economic and social impacts of the COVID-19 pandemic, including determining assumptions about discount rates, working capital requirements and other inputs. While the company's valuation techniques for Private Indian Investments remained unchanged during first quarter of 2020 the development of market unobservable inputs included added uncertainty related to the global economic disruption caused by the ongoing and developing COVID-19 pandemic. Further discussion on the degree and severity of business disruption specific to each Indian Investment are discussed further in the Indian Investments section under the respective heading of each Indian Investment of this MD&A.

Business Objectives

Investment Objective

Fairfax India is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries based in Mauritius, FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private"). In 2019 the company formed Anchorage Infrastructure Investments Holdings Limited ("Anchorage"), a wholly-owned subsidiary of FIH Mauritius based in India.

Investment Restrictions

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2020 from December 31, 2019 principally as a result of net unrealized losses on investments, unrealized foreign currency translation losses, purchases of subordinate voting shares for cancellation, investment and advisory fees and interest expense, partially offset by dividend and interest income.

The company intends to continue to make multiple different investments as part of its prudent investment strategy. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At March 31, 2020 the company determined that it was in compliance with the Investment Concentration Restriction.

Indian Investments

Cautionary Statement Regarding Financial Information of Significant Indian Investments

Fairfax India has agreed to voluntarily provide within the MD&A, summarized financial information prepared in accordance with IFRS for all of its Indian Investments for which it had previously filed a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations.* National Collateral Management Services Limited, IIFL Finance Limited (formerly IIFL Holdings Limited), Sanmar Chemicals Group, Bangalore International Airport Limited and CSB Bank (collectively, "Significant Indian Investments"), for which the company had previously filed business acquisition reports, prepare their financial statements in accordance with Indian Accounting Standards ("Ind AS"), with the exception of the financial statements of CSB Bank prepared in accordance with Indian Generally Accepted Accounting Principles ("Indian GAAP") as a result of the RBI's decision to defer implementation of Ind AS for scheduled commercial banks until further notice. Ind AS are based on and substantially converged with IFRS as issued by the IASB. Fairfax India is limited with respect to the amount of independent verification it is able to perform on the Significant Indian Investments' financial statements. The unaudited summarized financial information contained in this MD&A was prepared exclusively for Fairfax India. Such unaudited financial information is the responsibility of the respective managements and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS as issued by the IASB, and provided to the company in Indian rupees.

The company's Significant Indian Investments' fiscal years each end on March 31. Summarized financial information of the company's Significant Indian Investments has generally been provided for the periods subsequent to the company's investment and to the extent that the most recent interim financial information is available to the company's management. Significant Indian Investments' summarized financial information should be read in conjunction with Fairfax India's historical consolidated financial statements including the notes thereto and the related MD&A as well as Fairfax India's other public filings.

Fairfax India has no knowledge that would indicate that the Significant Indian Investments' summarized financial information contained herein requires material modifications. However, readers are cautioned that the Significant Indian Investments' summarized financial information contained in this MD&A may not be appropriate for their purposes.

Summary of Indian Investments

The table below provides a summary of the company's Indian Investments:

		March 31, 2020				December 31, 2019			
	Dates Acquired	**Ownership %**	**Cost**	**Fair value**	**Net change**	Ownership %	Cost	Fair value	Net change
Public Indian Investments:									
Common stocks:									
IIFL Finance [(1)]	December 2015 and February 2017	**22.4%**	**—**	**82,794**	**82,794**	26.5%	—	166,014	166,014
IIFL Wealth	May 2019	**13.9%**	**191,443**	**159,195**	**(32,248)**	13.9%	191,443	191,476	33
IIFL Securities	May 2019	**26.5%**	**91,310**	**34,740**	**(56,570)**	26.5%	91,310	48,796	(42,514)
CSB Bank	October 2018, March and June 2019	**49.7%**	**169,447**	**115,352**	**(54,095)**	49.7%	169,447	229,262	59,815
Fairchem	February and August 2016	**48.8%**	**74,384**	**104,481**	**30,097**	48.8%	74,384	127,413	53,029
5paisa	October 2017 and August 2019	**26.6%**	**23,535**	**9,846**	**(13,689)**	26.6%	23,535	18,176	(5,359)
Other	March and August 2018, March 2020	**< 1.0%**	**94,351**	**85,152**	**(9,199)**	< 1.0%	63,674	95,892	32,218
			644,470	**591,560**	**(52,910)**		613,793	877,029	263,236
Private Indian Investments:									
NCML CCD	October 2019	**—**	**13,970**	**13,703**	**(267)**	—	13,970	14,286	316
Common stocks:									
BIAL [(2)]	March and July 2017, May 2018	**54.0%**	**652,982**	**1,349,199**	**696,217**	54.0%	652,982	1,429,854	776,872
Sanmar	April 2016 and December 2019	**42.9%**	**199,039**	**381,259**	**182,220**	42.9%	199,039	412,930	213,891
NCML	August 2015 and August 2017	**89.5%**	**174,318**	**112,400**	**(61,918)**	89.5%	174,318	120,734	(53,584)
Seven Islands	March, September and October 2019	**48.5%**	**83,846**	**84,154**	**308**	48.5%	83,846	88,800	4,954
Saurashtra	February 2017	**51.0%**	**30,018**	**28,277**	**(1,741)**	51.0%	30,018	31,204	1,186
NSE	July 2016	**1.0%**	**26,783**	**66,894**	**40,111**	1.0%	26,783	57,210	30,427
IH Fund	January and November 2019	**—**	**14,809**	**14,564**	**(245)**	—	14,869	15,146	277
			1,195,765	**2,050,450**	**854,685**		1,195,825	2,170,164	974,339
Total Indian Investments			**1,840,235**	**2,642,010**	**801,775**		1,809,618	3,047,193	1,237,575

(1) On March 30, 2020 IIFL Finance completed the merger with its subsidiary, India Infoline Finance Limited ("India Infoline") through the issuance of 58,654,556 common shares of IIFL Finance to India Infoline's minority shareholders. As a result of the merger Fairfax India's equity interest in IIFL Finance decreased from 26.5% at December 31, 2019 to 22.4% at March 31, 2020 (see note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2020).

(2) Cost and net change includes $74,202 (approximately 4.8 billion Indian rupees) of cash consideration paid attributable to the costs incurred to acquire the additional 10.0% equity interest in BIAL in July 2017.

Summary of Changes in the Fair Value of the Company's Indian Investments

A summary of changes in the fair value of the company's Public and Private Indian Investments for the first quarters of 2020 and 2019 were as follows:

	First quarter										
	2020						2019				
	Balance as of January 1	**Purchases**	**Sales**	**Net change in unrealized gains (losses) on investments**	**Net unrealized foreign currency translation losses**	**Balance as of March 31**	Balance as of January 1	Purchases	Net change in unrealized gains (losses) on investments	Net unrealized foreign currency translation gains	Balance as of March 31
Public Indian Investments:											
Common stocks:											
IIFL Finance / IIFL Holdings (1)	**166,014**	**—**	**—**	**(77,093)**	**(6,127)**	**82,794**	613,458	—	(95,972)	3,131	520,617
IIFL Wealth (1)	**191,476**	**—**	**—**	**(22,410)**	**(9,871)**	**159,195**	—	—	—	—	—
IIFL Securities (1)	**48,796**	**—**	**—**	**(11,798)**	**(2,258)**	**34,740**	—	—	—	—	—
CSB Bank (2)	**229,262**	**—**	**—**	**(105,404)**	**(8,506)**	**115,352**	93,081	40,547	—	474	134,102
Fairchem	**127,413**	**—**	**—**	**(16,428)**	**(6,504)**	**104,481**	96,574	—	27,597	1,226	125,397
5paisa	**18,176**	**—**	**—**	**(7,625)**	**(705)**	**9,846**	11,913	—	(416)	86	11,583
Other	**95,892**	**30,677**	**—**	**(37,304)**	**(4,113)**	**85,152**	98,180	—	10,055	939	109,174
Total Public Indian Investments	**877,029**	**30,677**	**—**	**(278,062)**	**(38,084)**	**591,560**	913,206	40,547	(58,736)	5,856	900,873
Private Indian Investments:											
Bonds:											
NCML CCD	**14,286**	**—**	**—**	**234**	**(817)**	**13,703**	—	—	—	—	—
Sanmar bonds	**—**	**—**	**—**	**—**	**—**	**—**	392,776	—	11,906	3,266	407,948
Common stocks:											
BIAL	**1,429,854**	**—**	**—**	**114**	**(80,769)**	**1,349,199**	704,077	—	5,818	5,588	715,483
Sanmar	**412,930**	**—**	**—**	**(8,714)**	**(22,957)**	**381,259**	217,170	—	339	1,699	219,208
NCML	**120,734**	**—**	**—**	**(1,581)**	**(6,753)**	**112,400**	165,380	—	(62)	1,288	166,606
Seven Islands	**88,800**	**—**	**—**	**386**	**(5,032)**	**84,154**	—	71,767	—	—	71,767
Saurashtra	**31,204**	**—**	**—**	**(1,216)**	**(1,711)**	**28,277**	24,843	—	1,113	212	26,168
NSE	**57,210**	**—**	**—**	**13,484**	**(3,800)**	**66,894**	60,285	—	—	470	60,755
IH Fund	**15,146**	**—**	**(60)**	**344**	**(866)**	**14,564**	—	6,272	(109)	35	6,198
Total Private Indian Investments	**2,170,164**	**—**	**(60)**	**3,051**	**(122,705)**	**2,050,450**	1,564,531	78,039	19,005	12,558	1,674,133
Total Indian Investments	**3,047,193**	**30,677**	**(60)**	**(275,011)**	**(160,789)**	**2,642,010**	2,477,737	118,586	(39,731)	18,414	2,575,006

(1) On May 31, 2019 IIFL Holdings spun off IIFL Wealth and IIFL Securities in the IIFL Holdings Reorganization and IIFL Holdings was renamed IIFL Finance.

(2) On December 4, 2019 CSB Bank closed its IPO and commenced trading on both the BSE and NSE of India. Purchases during the first quarter of 2019 comprised of an additional 30.0% of the warrants that had been paid for as they had features of in-substance equity. At March 31, 2019 this table excluded the payable for partly paid shares of CSB Bank of $30,060 which represented 75.0% remaining consideration to be paid on the partly paid shares.

Public Indian Investments

The fair values of Fairfax India's Public Indian Investments with shares listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India ("NSE of India"), are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of CSB Bank common shares which are subject to certain selling restrictions.

Investment in IIFL Holdings Limited / IIFL Finance Limited

IIFL Holdings Limited

Business Overview

IIFL Holdings Limited ("IIFL Holdings") was a publicly traded diversified financial services holding company located in Mumbai, India with principal lines of business in wealth management, capital markets and other activities (comprised of a retail investment brokerage, institutional equities, investment banking and financial products distribution) and a non-banking financial company ("NBFC"). Over the past two decades, IIFL Holdings has created a brand that is known for its informed research and cutting-edge technology, extensive domestic and global footprint and high service standards.

Transaction Description

In December 2015 and February 2017 the company acquired 84,641,445 common shares of IIFL Holdings (representing a 26.9% equity interest) for aggregate cash consideration of $276,734 (approximately 18.5 billion Indian rupees). In October 2017 IIFL Holdings spun off its wholly-owned subsidiary 5paisa Capital Limited (''5paisa'') which resulted in a reduction to the company's cost of its investment in IIFL Holdings by $19,758. Upon closing of this transaction the company had invested $256,976 for a 26.9% equity interest in IIFL Holdings.

On May 31, 2019 IIFL Holdings spun off its wholly-owned subsidiary IIFL Securities Limited ("IIFL Securities", comprised of investment brokerage, distribution and investment banking businesses) and its 53.3% equity interest in its subsidiary IIFL Wealth Management Limited ("IIFL Wealth", comprised of the wealth management and asset management businesses) in a non-cash transaction (the "IIFL Holdings Reorganization"). Shareholders of IIFL Holdings received seven common shares of IIFL Securities and one common share of IIFL Wealth for every seven IIFL Holdings common shares held. The distribution of new common shares to IIFL Holdings shareholders was characterized as a return of capital which exceeded Fairfax India's cost basis in IIFL Holdings and resulted in the company recording the initial cost of its investments in IIFL Securities and IIFL Wealth at their estimated fair values at that date of $91,310 (approximately 6.4 billion Indian rupees) and $191,443 (approximately 13.3 billion Indian rupees) respectively. Upon completion of the spin off transactions, IIFL Holdings Limited was renamed IIFL Finance Limited ("IIFL Finance") and continued to trade on the BSE and NSE of India. The shares of IIFL Wealth and IIFL Securities were listed on the BSE and NSE of India in September 2019.

IIFL Finance Limited

Business Overview

IIFL Finance is a publicly traded diversified financing company located in Mumbai, India that offers home loans, gold loans, business loans (including loans against property and small-to-medium enterprise loans, microfinance, construction and real estate finance) and capital market finance.

Transaction Description

In March 2020 IIFL Finance was granted an NBFC license by the RBI and on March 30, 2020 completed the merger with its subsidiary, India Infoline Finance Limited ("India Infoline") through the issuance of 58,654,556 common shares of IIFL Finance to India Infoline's minority shareholders. Minority shareholders of India Infoline received 135 common shares of IIFL Finance for every 100 common shares of India Infoline held. As a result of the merger Fairfax India's equity interest in IIFL Finance decreased from 26.5% at December 31, 2019 to 22.4% at March 31, 2020.

At March 31, 2020 the company held 84,641,445 common shares of IIFL Finance representing a 22.4% equity interest (December 31, 2019 - 26.5%).

Key Business Drivers, Events and Risks

IIFL Finance's key business drivers include its access to well-diversified sources of funds, a diversified asset portfolio with a strategic focus on households, and its vast physical network to provide a one-stop shop for financial products to its customers. At December 31, 2019 IIFL Finance had the largest presence amongst retail focused NBFCs with 2,366 branches across 25 states in India.

IIFL Finance is a pioneer in the adoption of end-to-end digitization across processes with demonstrated ability to leverage technology to streamline processes, reduce turnaround times and use data-driven analytical models to help manage delinquencies.

IIFL Finance continues to achieve growth in volume and profit, driven primarily by core growth segments of affordable home loans, small business loans, gold loans and microfinance. At December 31, 2019 IIFL Finance managed assets worth approximately $5 billion (360 billion Indian rupees) comprised of home loans (34%), business loans (23%), gold loans (21%), developer and construction finance (13%), microfinance (8%) and capital market finance (1%).

In February 2020 IIFL Finance completed an allotment of $400 million 5.875% senior secured notes due in 2023. The gross proceeds from the notes will be used to support growth.

COVID-19 Impact

During the first quarter of 2020 IIFL Finance continued to operate as financial services are considered essential services under India's lockdown guidelines. On March 27, 2020 the RBI permitted all banks and NBFCs to defer, by three months, the collection of principal and interest payments on all term loans outstanding on March 1, 2020. The moratorium on loan payments will put liquidity pressures on banks and NBFCs, including IIFL Finance. IIFL Finance is sufficiently capitalized to withstand these liquidity pressures. In accordance with the asset classification and provisioning standards further announced by the RBI on April 17, 2020, moratoriums granted by IIFL Finance will not negatively impact its asset classifications used for determining loan impairments.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the fair value of the company's investment in IIFL Finance was $82,794 (December 31, 2019 - $166,014). The changes in fair value of the company's investment in IIFL Finance for the first quarter of 2020 and IIFL Holdings for the first quarter of 2019 are presented in the table at the outset of the Indian Investments section of this MD&A. IIFL Finance's share price decreased by 47.1% from 140.00 Indian rupees per share at December 31, 2019 to 74.00 Indian rupees per share at March 31, 2020.

In the first quarter of 2020 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Finance of $2,628 (2019 - IIFL Holdings of $6,006).

Summarized Financial Information of IIFL Finance (formerly IIFL Holdings)

IIFL Finance's fiscal year ends on March 31. Summarized below are IIFL Finance's balance sheets at December 31, 2019 and March 31, 2019.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2019 (1)	March 31, 2019 (1)(2)
Financial assets	**4,234,037**	4,673,444
Non-financial assets	**145,370**	125,558
Financial liabilities	**3,685,659**	4,141,621
Non-financial liabilities	**19,003**	26,920
Shareholders' equity	**674,745**	630,461

(1) The net assets of IIFL Finance were translated at December 31, 2019 at $1 U.S dollar = 71.38 Indian rupees and at March 31, 2019 at $1 U.S. dollar = 69.28 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.
(2) The summarized financial information has been presented for IIFL Finance, the remaining company after the IIFL Holdings Reorganization.

Financial assets decreased primarily as a result of a decrease in receivables, developer and construction finance, business loans and capital market loans, partially offset by growth in small retail home and gold loans and microfinance. IIFL Finance's asset quality remains stable with gross and net non-performing assets at 2.3% and 1.0% of IIFL Finance's loans at December 31, 2019. Non-financial assets increased primarily as a result of implementation of *IFRS 16 Leases* ("IFRS 16"). IFRS 16 removes the distinction between finance and operating leases and recognizes substantially all leases on the balance sheet. Financial liabilities decreased due to repayments of debt securities, partially offset by an increase in other borrowings. Non-financial liabilities modestly decreased primarily due to a decrease in current tax liabilities.

Summarized below are IIFL Finance's statements of earnings for the nine months ended December 31, 2019 and 2018.

Statements of Earnings
(unaudited - US$ thousands)

	Nine months ended December 31, 2019 (1)	Nine months ended December 31, 2018 (1)(2)
Revenue	**497,032**	522,902
Earnings before income taxes	**100,845**	103,990
Net earnings	**62,681**	69,781

(1) Amounts for the nine months ended December 31, 2019 and 2018 were translated into US$ using the average exchange rates of $1 U.S. dollar = 70.38 Indian rupees and $1 U.S. dollar = 69.68 Indian rupees prevailing during those periods.
(2) The summarized financial information has been presented for IIFL Finance, the remaining company after the IIFL Holdings Reorganization.

IIFL Finance's revenues decreased primarily due to a decrease in interest and other income. Earnings before income taxes and net earnings decreased as a result of the decrease in revenues as noted above and net losses on the derecognition of financial instruments, partially offset by a recovery of previously written-off financial instruments and decreased finance costs.

Investment in IIFL Wealth Management Limited

Business Overview

IIFL Wealth is a publicly traded wealth management firm with principal lines of business in wealth management and asset management, located in Mumbai, India. The wealth management business serves the highly specialized needs of high net worth and ultra-high net worth individuals, affluent families, family offices and institutional clients through a comprehensive range of tailored wealth management solutions. The asset management business provides a diversified suite of alternative investment funds, portfolio management services and mutual funds that span public and private equities, fixed income securities and real estate.

Transaction Description

On May 31, 2019 IIFL Holdings spun off its 53.3% equity interest in its subsidiary IIFL Wealth in a non-cash transaction that resulted in Fairfax India receiving one new common share of IIFL Wealth for every seven common shares of IIFL Holdings held. Upon completion of the IIFL Holdings Reorganization Fairfax India received 12,091,635 common shares of IIFL Wealth representing a 14.2% equity interest with an estimated fair value at May 31, 2019 of $191,443 (approximately 13.3 billion Indian rupees), which was determined based on a third party valuation.

The shares of IIFL Wealth were listed on the BSE and NSE of India on September 19, 2019.

At March 31, 2020 the company held 12,091,635 common shares of IIFL Wealth representing a 13.9% equity interest (December 31, 2019 - 13.9%).

Key Business Drivers, Events and Risks

IIFL Wealth provides its clients with investment management services with the aim to preserve capital while generating steady inflation-adjusted returns from a diversified portfolio with low volatility, along with additional services such as trust and estate planning, credit solutions and corporate advisory. IIFL Wealth has a presence in 29 locations across 6 countries and continues to be India's largest fund manager of alternative investment funds.

India's wealthy are expected to increase their net assets through organic growth of existing assets or from the sale of businesses (unlocking potential value through secondary sales). In fiscal 2017 it was estimated that there were 160,600 ultra high and high net worth households, which is projected to increase to approximately 330,400 households by fiscal 2022.

IIFL Wealth recently launched a pure fee-for-advice model called 'IIFL One' that institutionalizes a range of investment options for clients under a competitive and transparent fee structure. The model redefines client engagement in India's wealth management industry in terms of its approach to transparent conduct, open disclosures and fiduciary advice. IIFL Wealth will endeavour, over the course of the next few years, to grow this model where fees are charged on the entire portfolio, to be the primary model over the current broker/dealer distribution model where commissions are earned on a transaction by transaction basis. They aim to evolve into a predictable, revenue-led, asset under management-driven organization, different from an industry dominated by product promotion and distribution.

In its 2020 fiscal year, IIFL Wealth changed its income model to recognize the majority of its distribution income on an annuity basis, moving away from the upfront income model that was previously followed. While this change will lead to a more stable annual recurring revenue model in the coming years, it will impact IIFL Wealth's financial results in the short term.

At December 31, 2019 the wealth management business had assets under advice, distribution and management ("AUM") of approximately $20 billion (1,412 billion Indian rupees) and the asset management business had AUM of approximately $4 billion (269 billion Indian rupees).

On April 24, 2020 IIFL Wealth completed the acquisition of L&T Capital Markets Limited, a wealth management company providing services to individual and institutional investors, for 2.3 billion Indian rupees (approximately $30.1 million).

COVID-19 Impact

During the first quarter of 2020 IIFL Wealth has continued to operate at close to full capacity as financial services are considered essential services under India's lockdown guidelines. A robust technology platform and an extensive business continuity plan have ensured that all of IIFL Wealth's employees have seamless connectivity and zero disruption as they continue to work from the safety of their homes.

The impact of COVID-19 on IIFL Wealth's business is still unknown and will be determined by the severity of economic slowdown and any changes in client sentiment or investment behavior. From a liquidity perspective IIFL Wealth along with its NBFC subsidiary, IIFL Wealth Finance Limited, continue to be well capitalized and insulated from any shocks in the domestic debt markets.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the fair value of the company's investment in IIFL Wealth was $159,195 (December 31, 2019 - $191,476) with the changes in fair value for the first quarter of 2020 presented in the table at the outset of the Indian Investments section of this MD&A. IIFL Wealth's share price decreased by 11.9% from 1,130.30 Indian rupees per share at December 31, 2019 to 996.00 Indian rupees per share at March 31, 2020.

In the first quarter of 2020 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Wealth of $1,669 (2019 - nil).

Investment in IIFL Securities Limited

Business Overview

IIFL Securities is a publicly traded leading investment advisory firm providing diversified financial services and products such as financial planning, equity, commodities and currency broking (both cash and derivatives), depository participant services, investment banking, portfolio management as well as distribution of mutual funds, bonds and other products. IIFL Securities is located in Mumbai, India.

Transaction Description

On May 31, 2019 IIFL Holdings spun off its wholly-owned subsidiary IIFL Securities in a non-cash transaction that resulted in Fairfax India receiving one new common share of IIFL Securities for every one common share of IIFL Holdings held. Upon closing of the IIFL Holdings Reorganization Fairfax India received 84,641,445 common shares of IIFL Securities representing a 26.5% equity interest with an estimated fair value at that date of $91,310 (approximately 6.4 billion Indian rupees). At May 31, 2019 the fair value of IIFL Securities was estimated based on the company's internal valuation model.

The shares of IIFL Securities were listed on the BSE and NSE of India on September 20, 2019.

At March 31, 2020 the company held 84,641,445 common shares of IIFL Securities representing a 26.5% equity interest (December 31, 2019 - 26.5%).

Key Business Drivers, Events and Risks

IIFL Securities' key business drivers relate to its ability to identify emerging trends in the capital markets sector in India and provide a comprehensive range of financial products and services that cater to a diverse customer base. IIFL Securities is a key player in both retail and institutional segments.

IIFL Securities has a presence in approximately 2,500 locations, covering branches and business partners in over 500 cities in India along with a strong digital presence backed by cutting-edge technology. IIFL Securities' mobile applications, IIFL Markets and IIFL Mutual Funds, are widely used and highly rated. At December 31, 2019 mobile trading constitutes approximately 54% of the total number of retail trading clients and contributes to 43% of brokerage revenue. IIFL Securities recently launched a mobile office solution called Advisor Anytime Anywhere which empowers aspiring entrepreneurs in the capital markets and enhances their ability to reach investors in smaller towns and cities. The investment banking business closed 21 transactions, including 6 IPOs, in 2019 across the capital markets and advisory business segments, despite volatile market conditions, and has a number of transactions in the pipeline.

COVID-19 Impact

During the first quarter of 2020 IIFL Securities continued to operate as financial services are considered essential services under India's lockdown guidelines.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the fair value of the company's investment in IIFL Securities was $34,740 (December 31, 2019 - $48,796) with the changes in fair value for the first quarter of 2020 presented in the table at the outset of the Indian Investments section of this MD&A. IIFL Securities' share price decreased by 24.5% from 41.15 Indian rupees per share at December 31, 2019 to 31.05 Indian rupees per share at March 31, 2020.

In the first quarter of 2020 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Securities of $2,336 (2019 - nil).

Investment in CSB Bank Limited

Business Overview

CSB Bank is a publicly traded company located in Thrissur, India, established in 1920 and is a full-service bank offering retail banking, non-resident Indian banking services, small-to-medium enterprise and wholesale banking services through 417 branches and 299 automated teller machines across India.

Transaction Description

During 2018 and 2019 Fairfax India invested aggregate cash consideration of $169,511 (approximately 12.1 billion Indian rupees) for a 51.0% equity interest in CSB Bank through the following transactions:

(i) October 19, 2018: the company completed its initial investment in CSB Bank and on closing recorded $88,524 (approximately 6.5 billion Indian rupees) in common stocks within the consolidated balance sheet relating to 100.0% of the common shares and 40.0% of the warrants, and on that date recorded $28,367 (approximately 2.1 billion Indian rupees) in payable for partly paid securities relating to 75.0% of the consideration payable on the common shares ("Tranche 1").

(ii) March 20, 2019: the company invested in an additional 30.0% of the warrants of CSB Bank and recorded $40,547 (approximately 2.8 billion Indian rupees) in common stocks ("Tranche 2") within the consolidated balance sheet.

(iii) June 29, 2019: CSB Bank issued a capital call for the remaining consideration payable for 30.0% of the warrants ($40,440) ("Final Tranche") and 75.0% of the common shares ($30,167). The company recorded $40,440 (approximately 2.8 billion Indian rupees) in common stocks within the consolidated balance sheet, representing the Final Tranche of CSB Bank warrants, which were considered in-substance equity.

(iv) July 8, 2019: the company funded the June 29, 2019 capital call.

(v) August 7, 2019: the company exercised its CSB Bank warrants to acquire CSB Bank common shares. No CSB Bank warrants remain outstanding.

On December 4, 2019 CSB Bank closed its IPO, issuing 1,230,769 shares and commenced trading on both the BSE and NSE of India. In 2019 CSB Bank also issued 5,000,000 shares to CSB Bank's employee stock option trust which together with the IPO decreased Fairfax India's ownership slightly from 51.0% to 49.7%.

The company is restricted from selling its common shares of CSB Bank for a specified period ranging from less than one year to five years due to restrictions imposed by the RBI and the Securities and Exchange Board of India (''SEBI''). At March 31, 2020 the company held 86,262,976 common shares representing a 49.7% equity interest (December 31, 2019 - 49.7%).

Key Business Drivers, Events and Risks

According to the RBI, India's banking sector is sufficiently capitalized and well-regulated. The increase in India's working population and growth in disposable income is anticipated to increase the demand for banking related services, particularly in rural banking locations. In addition, the Indian banking industry has evolved through technology innovations in digital payments systems, mobile and online banking. In its December 2019 Financial Stability Report, the RBI reported that India's financial system remained stable following the recapitalization of public sector banks. Private sector banks registered year over year double-digit credit growth of 16.5% in September 2019.

CSB Bank's key business drivers relate to its ability to provide financial services in India, particularly in the area of retail, SMEs, gold and corporate lending, and mobilize low cost deposits in the form of current accounts, savings accounts and non-resident Indian deposits. CSB Bank has recently taken various strategic initiatives, including attracting talent to its sales and marketing team, as well as creating specialized banking verticals in gold, two-wheeler vehicles, small-to-medium enterprise and wholesale banking. Non-performing assets ("NPA") are being addressed by CSB Bank through the creation of asset recovery branches to accelerate delinquent loan recovery, with the goal of effectively minimizing losses by improving credit monitoring and risk management practices. In addition, CSB Bank continues to strive for increases in employee productivity and will invest in technology across its banking platforms, providing more efficient and cost effective services for its customers.

Banks in India are highly regulated by the RBI including specific regulations on shareholder voting rights, shareholdings and board representation. The voting rights of any one shareholder of banks in India are limited to 26.0% of available voting rights subject to change as notified by the RBI from time to time. In addition, the RBI stipulates ownership limits for shareholders of banks in India in the long run. Fairfax India is required to follow a dilution schedule for its ownership in CSB Bank whereby: (i) the company was required to purchase a minimum of 40.0% of the voting equity shares in CSB Bank within 5 years which was completed; (ii) the company's shareholding in CSB Bank must be brought down to 30.0% of the voting equity shares within 10 years; and (iii) the company's shareholding in CSB Bank must be brought down to 15.0% of the voting equity shares within 15 years. In addition, the RBI mandated that CSB Bank list its shares on the BSE and NSE of India through an IPO.

On December 4, 2019 CSB Bank closed its IPO at a price of 195.00 Indian rupees per share.

COVID-19 Impact

During the first quarter of 2020 CSB Bank continued to operate as financial services are considered essential services under India's lockdown guidelines, with the exception of certain retail locations located in COVID-19 "hotspot" districts, which were required to close. In light of the COVID-19 pandemic, CSB Bank has currently shifted its focus to gold loans and away from retail, SMEs, and corporate lending. Growth in retail, SMEs, and corporate lending is expected to return to normal levels in the third calendar quarter of 2020. CSB Bank has a stable deposit franchise which remains largely unaffected by the COVID-19 pandemic and deposit inflows remain positive despite interest rate reduction by the RBI. As discussed in the Business Developments section under the heading Operating Environment of this MD&A, as a result of measures being implemented by RBI, the cost of funds for CSB Bank has decreased resulting in healthy lending spreads and a sustainable net interest income growth expected in the second calendar quarter of 2020.

On March 27, 2020 the RBI permitted all banks and NBFCs to defer, by three months, the collection of principal and interest payments on all term loans outstanding on March 1, 2020. The moratorium on loan payments will put liquidity pressures on banks and NBFCs, including CSB Bank. CSB Bank has sufficient capital, including a significant amount of treasury bills and certificates of deposit, which will allow it to withstand these pressures. In accordance with the asset classification and provisioning standards further announced by the RBI on April 17, 2020, moratoriums granted by CSB Bank will not negatively impact its asset classifications used for determining loan impairments.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the company estimated the fair value of its investment in CSB Bank based on the bid price less a discount for lack of marketability of 14.7% (December 31, 2019 - 12.0%). At March 31, 2020 the fair value of the company's investment in CSB Bank was $115,352 (December 31, 2019 - $229,262) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table at the outset of the Indian Investments section of this MD&A. CSB Bank's share price decreased by 45.0% from 215.55 Indian rupees per share at December 31, 2019 to 118.55 Indian rupees per share at March 31, 2020.

CSB Bank's Summarized Financial Information

CSB Bank's fiscal year ends on March 31. Summarized below are CSB Bank's balance sheets at December 31, 2019 and March 31, 2019.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2019[(1)]	March 31, 2019[(1)]
Financial assets	**2,318,975**	2,261,730
Non-financial assets	**180,050**	172,668
Financial liabilities	**2,178,987**	2,193,729
Non-financial liabilities	**42,184**	41,019
Shareholders' equity	**277,854**	199,650

(1) The net assets of CSB Bank were translated at December 31, 2019 at $1 U.S dollar = 71.38 Indian rupees and at March 31, 2019 at $1 U.S. dollar = 69.28 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets increased primarily as a result of an increase in net advances from the equity capital received from Fairfax India. Non-financial assets and liabilities increased primarily as a result of the adoption of IFRS 16. Financial liabilities in U.S. dollars decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2019, partially offset by increased savings and term deposits from customers.

Summarized below are CSB Bank's statements of earnings (loss) for the nine months ended December 31, 2019 and 2018.

Statements of Earnings (Loss)
(unaudited - US$ thousands)

	Nine months ended December 31, 2019[(1)]	Nine months ended December 31, 2018[(1)]
Revenue	**84,060**	67,502
Earnings (loss) before income taxes	**18,642**	(2,083)
Net earnings (loss)	**12,178**	(1,392)

(1) Amounts for the nine months ended December 31, 2019 and 2018 were translated into US$ using the average exchange rates of $1 U.S. dollar = 70.38 Indian rupees and $1 U.S. dollar = 69.68 Indian rupees prevailing during those periods.

Revenue increased primarily as a result of an increase in net interest income due to additional deployed capital from the equity capital received from Fairfax India. Earnings before income taxes and net earnings for the nine months ended December 31, 2019 compared to losses for the nine months ended December 31, 2018 primarily reflected an increase in the loan-deposit ratio (70.1% at December 31, 2019 compared to 65.7% at December 31, 2018) and an increase in recovery of previously written-off amounts.

Investment in Fairchem Speciality Limited

Business Overview

In March 2017 Fairchem Speciality Limited ("Fairchem") and Privi Organics Limited ("Privi") were merged with the surviving entity continuing as Fairchem and with no changes to management of the underlying companies.

Fairchem

Fairchem was incorporated in 1985 and publicly listed its shares on the BSE in 1995 and NSE of India in 2015. Fairchem is a specialty chemical manufacturer located in Ahmedabad, India. Fairchem manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products. It has developed an in-house technology that uses machinery designed and manufactured by leading European companies to physically separate and convert waste generated during the production of soya, sunflower, corn and cotton oils into valuable neutraceutical and fatty acids.

Privi

Privi, a wholly-owned subsidiary of Fairchem, was founded in 1992 and located in Mumbai, India. Privi is a supplier of aroma chemicals to the fragrance industry. Privi's world-class products are the result of its very strong research and development team that has proven expertise in developing new products, customizing aromas per customer specifications, scaling up products from basic research to commercial scale, and designing process improvements to drive quality and cost optimization. Privi has four manufacturing facilities located in Mahad, Maharashtra and a manufacturing facility located in Jhagadia, Gujarat.

Transaction Description

In March 2017, upon closing of the merger of Fairchem and Privi, the company had acquired a 48.8% equity interest in Fairchem for aggregate cash consideration of $74,384 (approximately 5.0 billion Indian rupees).

At March 31, 2020 the company held 19,046,078 common shares, representing a 48.8% equity interest in Fairchem (December 31, 2019 - 48.8%).

Key Business Drivers, Events and Risks

Fairchem's key business drivers relate to the success of its oleochemicals business and vertical integration into value added products, such as fatty acids and natural vitamin E. As environmental concerns increase, the demand for sustainable and biodegradable oleochemicals used in lubricants, paper printing, paints and coatings, and animal feed industries has been experiencing strong growth in recent years.

India is one of the largest consumers of soft oils which provides Fairchem with a competitive advantage by having easy access to the raw materials that it uses in its manufacturing processes. The close proximity to raw materials available in Asia (India, Malaysia and Indonesia) has resulted in a shift of oleochemical production away from the U.S. and Europe. Lower cost of raw materials and efficient manufacturing processes have provided Fairchem with certain competitive advantages in comparison to its international peers. Fairchem has a strong market presence for some of its products, with little or no direct competition, and is considered to produce a superior quality product in comparison to its competitors in China. Fairchem faces some exposure to limited availability of raw materials (primarily soya acid oils) used in its manufacturing processes which may impact its ability to meet the higher demand for linoleic and soya fatty acids.

Privi's key business drivers relate to its ability to: (i) develop, manufacture and supply additional (newer) aroma chemicals to existing customers; (ii) create value added products from the by-products of manufacturing aroma chemicals; (iii) strengthen margins by increasing vertical integration capacities; and (iv) offer a variety of aroma chemical products to sustain being recognized as a preferred supplier to the global fragrance market.

At March 31, 2020 Privi has received to date partial settlement on its insurance claim of 1,218.0 million Indian rupees (approximately $16 million at period end exchange rates) in relation to its April 2018 manufacturing facilities fire. Privi continues to work with its insurance company as they undertake an assessment of the damages and finalize the insurance claim of which the balance is expected to be received by June 2020. Privi has now fully reinstated its manufacturing facilities affected by the fire.

On May 22, 2019 Fairchem's board of directors approved a draft plan to reorganize Fairchem into two listed entities ("Fairchem Reorganization"). As part of the Fairchem Reorganization, the existing oleochemicals and neutraceuticals businesses will spin out into a newly formed wholly-owned subsidiary Fairchem Organics Limited ("Fairchem Organics"), which was incorporated on March 27, 2019 in anticipation of the Fairchem Reorganization. Privi will be amalgamated with the remaining Fairchem business and subsequently be renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Existing shareholders of Fairchem will receive one new common share of Fairchem Organics for every three common shares held in Fairchem. Upon completion of this transaction, the shares of Privi Speciality will continue to trade on the BSE and NSE of India, and the shares of Fairchem Organics will be listed on the BSE and NSE of India. The Fairchem Reorganization is anticipated to be completed in the third quarter of 2020 and shares of Fairchem Organics listed in the fourth quarter of 2020, subject to applicable regulatory approvals and customary closing conditions. Subsequent to the anticipated listing of Fairchem Organics, it is expected that the company will decrease its equity interest in Privi Speciality to 38.9% from its current 48.8% and increase its equity interest in Fairchem Organics to 66.7% from its current 48.8% through a series of transactions with Privi's founders.

COVID-19 Impact

In the first quarter of 2020 Privi and Fairchem were required to temporarily stop operating during the lockdown. On April 16, 2020 Fairchem was granted approval to resume operations. Fairchem's management is actively monitoring its liquidity situation and has no significant, immediate short term liquidity needs. The loan moratoriums granted by the RBI as discussed in the Business Developments section under the heading Operating Environment of this MD&A will ease short-term liquidity pressures if required.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the fair value of the company's investment in Fairchem was $104,481 (December 31, 2019 - $127,413) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table at the outset of the Indian Investments section of this MD&A. Fairchem's share price decreased by 13.1% from 477.50 Indian rupees per share at December 31, 2019 to 415.00 Indian rupees per share at March 31, 2020.

Investment in 5paisa Capital Limited

Business Overview

5paisa Capital Limited ("5paisa") is a publicly traded online financial services provider with a "do-it-yourself" investment brokerage model that allows customers to execute investment transactions for low brokerage fees. 5paisa is primarily engaged in providing a technology platform through online and mobile applications for trading securities on the BSE and the NSE of India. 5paisa is located in Mumbai, India.

Transaction Description

In October 2017 IIFL Holdings spun off its wholly-owned subsidiary 5Paisa Digital Undertaking, through the formation of a new public company, 5paisa Capital Limited, listed on the BSE and NSE of India. This non-cash transaction resulted in Fairfax India receiving one new common share of 5paisa for every 25 common shares of IIFL Holdings held for a total of 3,385,657 common shares of 5paisa with a fair value of $19,758.

On May 29, 2019 5paisa announced a rights offer to existing shareholders whereby shareholders were given the right to participate on a pro rata basis in a common share issuance at a price of 80.00 Indian rupees per share ("5paisa Rights Offer"). In connection with the 5paisa Rights Offer, Fairfax India committed to participate and acquire 3,385,657 common shares of 5paisa and as a result the company recorded a forward derivative asset ("5paisa forward derivative"). On August 20, 2019 Fairfax India participated in the 5paisa Rights Offer and acquired 3,385,657 5paisa common shares for cash consideration of $3,777. As a result the company derecognized the 5paisa forward derivative with a carrying value of $2,706, recorded a realized gain of $2,767 and recorded its investment in 5paisa common shares at a fair value at that date of $6,483.

At March 31, 2020 the company held 6,771,314 common shares of 5paisa representing a 26.6% equity interest (December 31, 2019 - 26.6%).

Key Business Drivers, Events and Risks

5paisa's key business driver relates to its ability to provide a digital method of trading in securities, which is emerging as a new segment with the potential to achieve critical mass and grow in the near future with the spread of the Internet, mobile penetration, telecommunication and data services throughout India. 5paisa's ability to acquire, service and grow the new emerging do-it-yourself customer segment provides its customers with lower costs for various financial products, enabling investors to invest seamlessly, on their own and from anywhere.

In December 2019 5paisa received its Peer-To-Peer lending license which will allow 5paisa's wholly-owned subsidiary, 5paisa P2P Limited, to provide a common platform to investors who intend to lend and individual borrowers who intend to borrow in India. Commercial operations launched during the first quarter of 2020.

During the first quarter of 2020 5paisa incorporated a wholly-owned subsidiary 5paisa Trading Limited to facilitate e-commerce activity.

COVID-19 Impact

During the first quarter of 2020 5paisa continued to operate as financial services are considered essential services under India's lockdown guidelines.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the fair value of the company's investment in 5paisa was $9,846 (December 31, 2019 - $18,176) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table at the outset of the Indian Investments section of this MD&A. 5paisa's share price decreased by 42.6% from 191.60 Indian rupees per share at December 31, 2019 to 110.00 Indian rupees per share at March 31, 2020.

Investment in Other Public Indian Investments

During 2018 the company acquired common shares of public companies in India's financial services sector, listed on both the BSE and NSE of India, for aggregate cash consideration of $94,090. In the third and fourth quarter of 2019 the company partially sold an investment in Other Public Indian Investments for total net proceeds of $36,907, resulting in a realized gain of $7,115.

During March 2020 the company acquired common shares of public companies in India's utilities sector, listed on both the BSE and NSE of India, for aggregate consideration of $30,677, of which $2,065 was settled subsequent to March 31, 2020 and is presented as payable for common stock purchases in liabilities within the consolidated balance sheet.

At March 31, 2020 the fair value of the company's investments in Other Public Indian Investments was $85,152 (December 31, 2019 - $95,892) and represents less than 1.0% equity interest in each of the public Indian companies. The changes in fair value of the company's investment in Other Public Indian Investments for the first quarters of 2020 and 2019 are presented in the table at the outset of the Indian Investments section of this MD&A.

Private Indian Investments

Cautionary Statement Regarding the Valuation of Private Indian Investments

In the absence of an active market for the company's Private Indian Investments, fair values for these investments are determined by management using industry acceptable valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, contractual rights relating to the investment, public market comparables (if available) and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which the company's Private Indian Investments could be disposed of may differ from the fair values assigned and those differences may be material.

During the first quarter of 2020 the company faced added uncertainty in determining the discounted cash flows for assessing the fair values of its Private Indian Investments due to the economic and social impacts of the COVID-19 pandemic, including determining assumptions about discount rates, working capital requirements and other inputs. While the company's valuation techniques for Private Indian Investments remained unchanged during first quarter of 2020 the development of market unobservable inputs included added uncertainty related to the global economic disruption caused by the ongoing and developing COVID-19 pandemic. The uncertainty in those assumptions has been incorporated into the company's valuations of Private Indian Investments primarily through higher discount rates. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates.

Investment in Bangalore International Airport Limited

Business Overview

Bangalore International Airport Limited ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2038 (with the right to extend the agreement for an additional 30 years), has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership (the "concession agreement"). KIAB is the first greenfield airport in India built to the highest level of international standards through a public-private partnership. BIAL's principal lines of business are aeronautical and non-aeronautical revenue from the airport, real estate monetization and other non-airport related revenue which includes a five-star hotel operated under the Taj brand.

Transaction Description

During 2017 and 2018 Fairfax India had invested aggregate cash consideration of $652,982 (approximately 42.7 billion Indian rupees) (inclusive of $74,202 of costs incurred, approximately 4.8 billion Indian rupees) for a 54.0% equity interest in BIAL through the following transactions: (i) in March 2017 the company acquired a 38.0% equity interest in BIAL for cash consideration of $385,498 (approximately 25.2 billion Indian rupees); (ii) in July 2017 the company acquired an additional 10.0% equity interest in BIAL for cash consideration of $200,093 (12.9 billion Indian rupees) which the company determined included $74,202 of consideration in excess of the fair value of those additional shares acquired; and (iii) in May 2018 the company acquired an additional 6.0% equity interest in BIAL for cash consideration of $67,391 (approximately 4.6 billion Indian rupees).

On December 16, 2019 the company entered into an agreement to sell an interest in Anchorage of approximately 11.5% on a fully-diluted basis for gross proceeds of approximately 9.5 billion Indian rupees (approximately $126 million at period end exchange rates). Anchorage was formed in 2019 and is a wholly-owned subsidiary of FIH Mauritius, intended to be its flagship company for investing in companies, businesses and opportunities in the airport and infrastructure sectors of India as well as its platform for bidding on airport privatization projects in India. As part of the transaction, the company will restructure approximately 43.6% equity interest in BIAL of its 54.0% equity interest such that it will be held through Anchorage, implying an equity valuation of BIAL of approximately 189.7 billion Indian rupees (approximately $2.5 billion at period end exchange rates) for 100%. Upon closing of the transaction, the company's effective ownership interest in BIAL will decrease to approximately 49.0% on a fully-diluted basis. The transaction is subject to customary closing conditions, including various third party consents, and is expected to close in the first half of 2020.

It is intended that Anchorage will be listed by way of IPO in India by December 2021 using commercially reasonable efforts, subject to regulatory approvals and market conditions. The third party investor will receive incremental shares of Anchorage to compensate for the amount by which the valuation of Anchorage upon closing of the IPO is below approximately 91.6 billion Indian rupees (approximately $1.2 billion at period end exchange rates). For any IPO valuation lower than approximately 70.3 billion Indian rupees (approximately $0.9 billion at period end exchange rates), the third party investor will receive no additional incremental shares of Anchorage.

Key Business Drivers, Events and Risks

KIAB is the busiest airport in South India, the third largest in the country, and was awarded the 'Best Regional Airport in India and Central Asia' during 2018 by Skytrax, a UK-based consultancy who conducts a global airport customer satisfaction survey. The airport handled approximately 33.7 million passengers in 2019 representing growth in overall traffic of 4.1% compared to 2018. Plans to expand the capacity of the airport are underway and include the construction of an additional terminal building ("Terminal 2"), a third terminal building and real estate development of 176 acres of land by 2025.

On December 6, 2019 BIAL commenced operating the second runway, making the airport the first in India to operate independent parallel runways, enabling aircraft to land or take-off simultaneously on both runways.

COVID-19 Impact

In the first quarter of 2020 the COVID-19 pandemic has significantly impacted BIAL's airport business, which faced reduced passenger traffic starting in February 2020. Effective March 25, 2020 all scheduled domestic and international commercial airlines ceased operations as a result of India's lockdown and operations will remain suspended until May 3, 2020. The suspension may be extended further as the COVID-19 pandemic continues to evolve. Cargo flights and flights catering to medical emergencies and other essential requirements remain operational. Construction activities for BIAL's capital projects and real estate development have also been suspended. The airport is expected to be operational immediately upon lifting of the present lockdown though may be subject to certain restrictions.

The lockdown and resulting suspension of construction activities is expected to delay the completion of the first phase of the Terminal 2 expansion by approximately six months until September 2021. The total cost of the Terminal 2 expansion is expected to increase primarily due to incremental interest and pre-operational expenses.

BIAL has sufficient liquidity in place to continue its operations.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the company estimated the fair value of its investment in BIAL using a discounted cash flow analysis for its three business units based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 12.6% to 15.7% and a long term growth rate of 3.5% (December 31, 2019 - 12.9% to 13.4%, and 3.5%, respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for BIAL's three business units prepared in the first quarter of 2020 (December 31, 2019 - fourth quarter of 2019) by BIAL's management. As a result of the business disruptions caused by the COVID-19 pandemic free cash flow projections were revised by BIAL's management in the first quarter of 2020 to primarily reflect (i) a temporary reduction, including a halt during the lockdown period, in passenger traffic as a result of travel restrictions imposed by the Indian government; (ii) a gradual recovery in passenger traffic over two years to levels expected before the pandemic; (iii) updates to estimated airport tariffs for the third control period commencing in BIAL's fiscal year 2022 to reflect a recovery of lost return during the lockdown and subsequent period; and (iv) delays in BIAL's capital projects and real estate development plans. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which BIAL operates. These risk premiums were reflective of the increased uncertainty of the revised free cash flow projections as a result of the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $1,349,199 (December 31, 2019 - $1,429,854) which approximates the equity valuation of BIAL implied by the Anchorage transaction discussed above. The changes in fair value of the company's investment in BIAL for the first quarters of 2020 and 2019 are presented in the table at the outset of the Indian Investments section of this MD&A.

BIAL's Summarized Financial Information

BIAL's fiscal year ends on March 31. Summarized below are BIAL's balance sheets at December 31, 2019 and March 31, 2019.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2019(1)	March 31, 2019(1)
Current assets	**138,194**	115,655
Non-current assets	**1,040,024**	834,588
Current liabilities	**116,016**	93,497
Non-current liabilities	**611,882**	433,982
Shareholders' equity	**450,320**	422,764

(1) The net assets of BIAL were translated at December 31, 2019 at $1 U.S dollar = 71.38 Indian rupees and at March 31, 2019 at $1 U.S. dollar = 69.28 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily due to increased bank deposits from debt proceeds that are expected to be deployed to expand the capacity of the airport as described in the Key Business Drivers, Events and Risks section. Non-current assets increased principally as a result of ongoing capital expenditure for BIAL's expansion projects. Current liabilities increased primarily as a result of increased accounts payable to vendors for capital assets. Non-current liabilities increased primarily due additional long term borrowings to fund capital expenditures.

Summarized below are BIAL's statements of earnings for the nine months ended December 31, 2019 and 2018.

Statements of Earnings
(unaudited - US$ thousands)

	Nine months ended December 31, 2019(1)	Nine months ended December 31, 2018(1)
Revenue	**163,955**	170,783
Earnings before income taxes	**56,167**	55,167
Net earnings	**41,348**	56,000

(1) Amounts for the nine months ended December 31, 2019 and 2018 were translated into US$ using the average exchange rates of $1 U.S. dollar = 70.38 Indian rupees and $1 U.S. dollar = 69.68 Indian rupees prevailing during those periods.

The decrease in revenue is primarily a result of a decrease in aeronautical revenue based on the final tariff order for the second control period issued by AERA effective September 16, 2018, partially offset by increased aeronautical and non-aeronautical revenue as a result of growth in domestic and international passenger traffic. Earnings before income taxes and net earnings for the nine months ended December 31, 2018 were impacted by the revision of the useful lives of property, plant, and equipment, which was effective on April 1, 2018 resulting in a one-time depreciation expense of approximately $22.2 million (1.5 billion Indian rupees) and related deferred tax recovery, while earnings before income taxes and net earnings for the nine months ended December 31, 2019 were impacted by the decrease in the revenue as noted above, an increase in employee costs, and deferred tax expense recognized as a result of the capitalization of the second runway.

During first quarter of 2020, as a result of the COVID-19 pandemic, BIAL's aeronautical and non-aeronautical revenues have been significantly impacted as a result of a drop in domestic traffic (43%) and international traffic (72%) over the period. There has been no passenger traffic in April 2020, which is expected to continue until the lockdown and related travel restrictions are lifted.

Investment in Sanmar Chemicals Group

Business Overview

Sanmar Chemicals Group ("Sanmar"), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India with an operational presence in India and Egypt. Sanmar has an aggregate installed capacity of over 766,000 metric tons per annum, comprised of approximately 366,000 metric tons per annum in India and 400,000 metric tons per annum in Egypt (Sanmar completed expansion of its PVC capacity in Egypt in September 2018, resulting in increased capacity from 200,000 metric tons per annum to 400,000 metric tons per annum). As part of its expansion project in Egypt, Sanmar commissioned a calcium chloride facility with capacity of approximately 130,000 metric tons per annum.

Sanmar's principal lines of business consist of: (i) Chemplast, the largest specialty PVC manufacturer in India; (ii) Chemplast Cuddalore Vinyls Limited ("CCVL"), the second largest suspension PVC manufacturer in India; (iii) Sanmar Egypt, the largest Indian investor in Egypt's chemical business and the largest caustic soda, calcium chloride and PVC manufacturer in Egypt; (iv) Specialty Chemicals, a business primarily engaged in the manufacturing and marketing of organic chemicals; and (v) Kem One Chemplast, a joint venture that will manufacture chlorinated polyvinyl chloride ("CPVC") in India.

Transaction Description

In April 2016 Fairfax India invested $250,000 in Sanmar comprised of $1,000 in common shares (representing a 30.0% equity interest) and $249,000 in Sanmar bonds, and in September 2016 invested an additional $50,000 in Sanmar bonds. Both tranches of Sanmar bonds had a maturity date of April 22, 2023 (7 years from the date of issuance of the first tranche), subject to earlier redemption at the option of Sanmar under certain circumstances. In lieu of cash, the coupon payment on the bond was payable in kind in the form of additional Sanmar bonds over the life of the bond. A redemption premium was also be payable in kind to the company resulting in an effective annual interest rate of 13.0%.

On December 21, 2019 the company completed its previously announced transaction with Sanmar, resulting in the settlement of Sanmar bonds with a principal amount of $300,000 for net cash proceeds of $425,472 (30.3 billion Indian rupees) ($433,873 net of withholding tax of $8,401), which was equal to the bonds' principal amount plus an effective annual interest rate of 13.0%. The company recorded a net gain on investment of $48,782 (realized gains of $156,540, of which $107,758 was recorded as unrealized gains in prior periods). The company reinvested cash of $198,039 (approximately 14.1 billion Indian rupees) into 171,710 newly issued common shares of Sanmar, increasing the company's equity interest from 30.0% to 42.9%.

Upon closing of the transaction the company settled a forward derivative obligation at a fair value of $19,617 (approximately 1.4 billion Indian rupees), which was a result of the agreed upon transaction price for Sanmar common shares exceeding the transaction date fair value. The company recorded its additional investment in Sanmar common shares at a fair value of $178,422 (approximately 12.7 billion Indian rupees).

Key Business Drivers, Events and Risks

India continues to be a PVC deficit market with more than 50% of the demand being met through imports. Egypt and Turkey, which are manufacturing hubs for exports to Europe, currently have a demand gap for PVC of approximately 750,000 metric tons per annum which is currently met by imports from the U.S. and Asia. Global PVC demand is projected to grow at a compound annual growth rate between 3.5% to 4.0% outpacing the growth of supply over the next 10 years and India is expected to become a bigger market than North America by 2025. In addition due to environmental regulations, China is expected to decrease production capacity of PVC thereby increasing demand and improving prices globally.

Sanmar's key business drivers relate to the execution of its plan to increase PVC manufacturing capacity in Egypt and India to align with the growing demand for PVC in North Africa, Middle East and India, and to improve the overall capacity utilization at all of its PVC production facilities. The implementation risk associated with its expansion projects at Sanmar Egypt significantly decreased with the successful implementation and commissioning of the expansion projects in September 2018. Profitability is expected to improve significantly with the commissioning of the new capacity at Sanmar Egypt. Sanmar has realized increased demand for its products and has plans to add several new expansion capital projects in Chemplast which will result in additional capacity for various products of approximately 420,000 metric tons per annum, with commissioning dates projected prior to 2024.

Sanmar's profitability during the years ended March 31, 2019 and 2020 was negatively impacted by lower PVC margins as a result of recent unexpected spikes in the price of Ethylene Dichloride (''EDC''), a key raw material used in the production of PVC, caused by an alumina refinery plant shut down in Brazil that significantly decreased the supply of EDC in the international market. EDC prices have reverted back to normal levels in the second half of Sanmar's fiscal year 2020. In addition, Sanmar Egypt experienced increased power and energy expenses as a result of new tariffs introduced by the Egyptian government effective July 2018. Sanmar's management has commenced a review of certain aspects of its operations in an effort to reduce energy consumption.

As part of the Union Budget of India (2019-20) presented on July 5, 2019, import duties for PVC will increase from 7.5% to 10.0%, deterring foreign competition in India, and for EDC will decrease from 2.0% to nil, resulting in lower costs of raw materials. Indian anti-dumping duties on suspension PVC were also renewed for another 30 months on imports from the U.S. and China, the two largest PVC surplus countries. These changes will positively impact Sanmar's profitability going forward.

COVID-19 Impact

In the first quarter of 2020 the COVID-19 pandemic resulted in a temporary closure of Sanmar's plants in India due to India's lockdown. The plant at Sanmar Egypt was temporarily closed on March 18, 2020 and re-opened with operations restricted to 12 hours per day on April 3, 2020. The suspension PVC plant in India also started operating from April 15, 2020.

Sanmar's management has indicated that it is too early to fully assess the financial and operational impacts of the COVID-19 pandemic on its business given the complexity of its operations. Sanmar management is actively monitoring its liquidity requirements, which have been under some pressure and the loan moratoriums granted by the RBI as discussed in the Business Developments section under the heading Operating Environment of this MD&A will ease short-term liquidity pressures if required.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the company estimated the fair value of its investment in Sanmar common shares using a discounted cash flow analysis for its four business units based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 12.6% to 21.3% and long term growth rates ranging from 3.0% to 4.0% (December 31, 2019 - 12.9% to 19.0%, and 3.0% to 4.0%, respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for Sanmar's four business units (with additional financial information and analysis completed for Chemplast's underlying business units involved in new capital projects) prepared in the fourth quarter of 2019 (December 31, 2019 - fourth quarter 2019) by Sanmar's management. Free cash flow projections were not revised in the first quarter of 2020 as the business disruptions caused by the COVID-19 pandemic were deemed to be temporary in nature. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Sanmar operates. These risk premiums were reflective of the increased uncertainty of the free cash flow projections due the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar common shares was $381,259 (December 31, 2019 - $412,930) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table at the outset of the Indian Investments section of this MD&A.

On December 21, 2019 the Sanmar bonds were fully redeemed as disclosed earlier in the Transaction Description section. The changes in fair value of the company's investment in Sanmar bonds for the first quarter of 2019 are presented in the table at the outset of the Indian Investments section of this MD&A.

Sanmar's Summarized Financial Information

Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at December 31, 2019 and March 31, 2019.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2019[(1)]	March 31, 2019[(1)]
Current assets	**209,210**	201,707
Non-current assets	**1,837,691**	1,884,763
Current liabilities	**580,290**	542,389
Non-current liabilities	**1,497,951**	1,545,159
Shareholders' deficit	**(31,340)**	(1,078)

(1) The net assets of Sanmar were translated at December 31, 2019 at $1 U.S dollar = 71.38 Indian rupees and at March 31, 2019 at $1 U.S. dollar = 69.28 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily as a result of increased bank deposits. Non-current assets in U.S. dollars decreased primarily attributable to the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2019 and depreciation of property, plant and equipment. Current liabilities increased as a result of increased interest accrued on borrowings. Non-current liabilities decreased due to the full redemption of Sanmar bonds for $310 million which was partially funded by new debt of approximately $295 million (approximately 21 billion Indian rupees). Shareholders’ deficit increased primarily attributable to the net loss during the nine months ended December 31, 2019, partially offset by newly issued common shares to Fairfax India net of redemption premium of $124 million and an investment in a subsidiary of Sanmar from a minority shareholder resulting in an increase in non-controlling interest.

Summarized below are Sanmar's statements of earnings (loss) for the nine months ended December 31, 2019 and 2018.

Statements of Earnings (Loss)
(unaudited - US$ thousands)

	Nine months ended December 31, 2019[(1)]	Nine months ended December 31, 2018[(1)]
Revenue	**529,405**	508,775
Loss before income taxes	**(166,925)**	(69,748)
Net loss	**(171,855)**	(96,399)

(1) Amounts for the nine months ended December 31, 2019 and 2018 were translated into US$ using the average exchange rates of $1 U.S. dollar = 70.38 Indian rupees and $1 U.S. dollar = 69.68 Indian rupees prevailing during those periods.

Revenue increased primarily reflecting increased sales volumes at Chemplast as a result of improved demand for PVC favourably impacting prices and the commencement of operations under the Phase 2 expansion at Sanmar Egypt. Loss before income taxes and net loss increased primarily reflecting increases in key raw material prices (EDC) and tariffs on power at Sanmar Egypt as described in the Key Business Drivers, Events and Risks section, increased depreciation on property, plant and equipment, partially offset by increased revenue as noted above.

Investment in National Collateral Management Services Limited

Business Overview

National Collateral Management Services Limited ("NCML"), a private company located in Gurugram, India, is a leading agricultural commodities storage company operating for over 15 years in the agriculture value chain and offers end-to-end solutions in grain procurement, testing and certification, storage, collateral management and market and weather intelligence. NCML was promoted by a consortium of banks, cooperatives and the National Commodity and Derivatives Exchange Limited ("NCDEX") in 2004 as a warehousing and collateral management company to support commodity trading on NCDEX and has since evolved into a significant player in India. NCML's principal lines of business are warehousing and collateral management, supply chain management, non-banking finance company, and the silo projects.

Transaction Description

In August 2015 and August 2017 Fairfax India acquired an 89.5% equity interest in NCML for cash consideration of $174,318 (approximately 11.3 billion Indian rupees).

On September 17, 2019 the company invested an additional $13,970 (approximately 1.0 billion Indian rupees) in NCML to pre-fund an allotment of compulsorily convertible debentures (''NCML CCD''). On October 1, 2019 the company was issued 12.5% unsecured NCML CCD, due September 30, 2029. The company has the option to convert the NCML CCD into common shares of NCML at any time prior to the maturity date, at which time the conversion is compulsory, at a conversion price of 68.00 Indian rupees per common share.

Key Business Drivers, Events and Risks

NCML's key business drivers relate to its ability to achieve long term modernization of its grain storage facilities, the development of its NBFC, the expansion of its supply chain management line of business, and the successful construction of the silos under the concession agreement with the Food Corporation of India ("FCI").

The silo projects are comprised of 14 silos that will be constructed under a design, build, finance, own and operate model and 2 silos that will be constructed under a design, build, finance, operate and transfer model, with all 16 silos being constructed for the exclusive use by the FCI. The silo projects are expected to be substantially completed by the second half of 2021.

COVID-19 Impact

In the first quarter of 2020 NCML's conventional warehousing and NBFC businesses operated at reduced capacities as agri-business and financial services are considered essential services under India's lockdown guidelines.

NCML's management has been managing its liquidity requirements through its current credit lines and loan moratoriums granted by the RBI as discussed in the Business Developments section under the heading Operating Environment of this MD&A will ease short-term liquidity pressures if required.

Valuation and Interim Consolidated Financial Statement Impact

NCML Common Shares

At March 31, 2020 the company estimated the fair value of its investment in NCML common shares using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 14.7% to 24.2% and long term growth rates ranging from 2.4% to 6.0% (December 31, 2019 - 12.7% to 23.5%, and 2.4% to 6.0%, respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for NCML's business units prepared in the second quarter of 2019 (December 31, 2019 - second quarter of 2019) by NCML's management. Free cash flow projections were not revised in the first quarter of 2020 as NCML's businesses remained partially operational through the COVID-19 pandemic and the business disruptions to its affected businesses were deemed to be temporary in nature. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. These risk premiums were reflective of the increased uncertainty of the free cash flow projections due the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's equity investment in NCML was $112,400 (December 31, 2019 - $120,734) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table at the outset of the Indian Investments section of this MD&A.

NCML Compulsorily Convertible Debentures

At March 31, 2020 the fair value of the company's investment in NCML CCD was $13,703 (December 31, 2019 - $14,286) with the changes in fair value for the first quarter of 2020 presented in the table at the outset of the Indian Investments section of this MD&A.

NCML's Summarized Financial Information

NCML's fiscal year ends on March 31. Summarized below are NCML's balance sheets at March 31, 2020 and March 31, 2019.

Balance Sheets
(unaudited - US$ thousands)

	March 31, 2020 [(1)]	March 31, 2019[(1)]
Current assets	**96,543**	145,965
Non-current assets	**119,161**	110,789
Current liabilities	**52,549**	124,477
Non-current liabilities	**67,150**	22,636
Shareholders' equity	**96,005**	109,641

(1) The net assets of NCML were translated at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees and March 31, 2019 at $1 U.S. dollar = 69.28 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets decreased primarily reflecting lower inventory in the supply chain management line of business and a decrease in advances at NCML's NBFC due to a tighter credit environment in India. Non-current assets increased principally due to land acquisitions for the silo projects. Current liabilities decreased primarily due to decreases in short term loans and borrowings at NCML's NBFC and other payables. Non-current liabilities increased as a result of increased long term borrowings to fund the silo projects and the NCML CCD issued to Fairfax India.

Summarized below are NCML's statements of earnings (loss) for the years ended March 31, 2020 and 2019.

Statements of Earnings (Loss)
(unaudited - US$ thousands)

	Year ended March 31, 2020[(1)]	Year ended March 31, 2019[(1)]
Revenue	**123,958**	204,436
Earnings (loss) before income taxes	**(6,075)**	4,091
Net earnings (loss)	**(4,006)**	3,007

(1) Amounts for the years ended March 31, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 70.88 Indian rupees and $1 U.S. dollar = 69.87 Indian rupees prevailing during those periods.

Revenue decreased primarily reflecting declines in the collateral management and supply chain management lines of businesses, which encountered challenges in obtaining credit as a result of tightening liquidity in the market and the impact of the COVID-19 pandemic which impacted revenues across all business units from mid-February to the end of March 2020. Earnings before income taxes and net earnings decreased principally as a result of increased borrowing costs, mark-to-market losses in castor seeds in the supply chain management line of business, and the decrease in revenue as noted above.

Investment in Seven Islands Shipping Limited

Business Overview

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private tanker shipping company in India and transports liquid cargo along the Indian coast as well as in international waters. Seven Islands owns 19 vessels with a total deadweight capacity of approximately 1.2 million metric tons, and its vessels are registered in India and operate as Indian owned and flagged vessels.

Transaction Description

In 2019 Fairfax India had invested aggregate cash consideration of $83,846 (approximately 5.8 billion Indian rupees) for a 48.5% equity interest in Seven Islands through the following transactions: (i) on March 29, 2019 the company acquired a 41.4% equity interest in Seven Islands for cash consideration of $71,767 (approximately 4,972.0 million Indian rupees) through a direct subscription and secondary acquisition; (ii) on September 11, 2019 the company acquired an additional 7.1% equity interest in Seven Islands in a secondary acquisition for cash consideration of $12,056 (approximately 863.9 million Indian rupees); and (iii) on October 24, 2019 the company acquired an additional 0.01% equity interest in Seven Islands for cash consideration of $23 (approximately 1.7 million Indian rupees).

Key Business Drivers, Events and Risks

Seven Islands' key business drivers relate to its ability to acquire vessels from reputable vessel owners within the international market and to quickly deploy those vessels through charter contracts with India's largest oil companies. Seven Islands' business model is susceptible to overall shipping cycles and could be impacted by industry downturns in terms of lower rates and increased competition. However, Seven Islands operates primarily in the crude oil and oil products segment wherein India has one of the fastest growing oil consumption rates. The demand for oil tanker vessels to import and transport crude oil and oil products has been steadily increasing, mitigating business deployment risk for oil tankers in India in comparison with other countries. In addition, India has witnessed a decline in the fleet of other shipping companies, due to lower operational efficiencies, forming a gap that Seven Islands is currently positioned to fill.

India has experienced rising demand for crude oil as a result of increased energy consumption that is required to sustain its growth. According to the International Energy Agency, India's oil demand is expected to grow faster than that of China by the mid-2020s.

Seven Islands' revenues are denominated in U.S. dollars, whereas a majority of expenses incurred are denominated in the Indian rupee. Seven Islands is also exposed to the fluctuations in the Indian rupee to the extent they acquire new vessels as the asset purchases are negotiated and settled in U.S. dollars.

The proceeds received from Fairfax India in the direct subscription transaction will continue to be used by Seven Islands to expand its ocean-going fleet by acquiring additional vessels and for general corporate purposes.

COVID-19 Impact

In the first quarter of 2020 Seven Islands continued to operate at close to full utilization as transportation of goods is considered an essential service under India's lockdown guidelines. However, in the event that the nationwide lockdown continues beyond May 2020, the resultant temporary fall in oil demand may impact Indian oil companies. This could lead to a trickle-down effect for Seven Islands causing a delay in receivables collection. Seven Islands has reasonable safeguards against loss of business in the short term, since majority of its revenue contracts are on period charter that last beyond September 2020.

Seven Islands' management has been managing its liquidity requirements with sufficient cash on hand. The loan moratoriums granted by the RBI, as discussed in the Business Developments section under the heading Operating Environment of this MD&A, will ease Seven Islands' liquidity situation if required.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the company estimated the fair value of its investment in Seven Islands using a discounted cash flow analysis based on multi-year free cash flow projections with an assumed after-tax discount rate of 12.6% and a long term growth rate of 3.0% (December 31, 2019 - 11.5% and 3.0%, respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for Seven Islands prepared in the fourth quarter of 2019 (December 31, 2019 - fourth quarter of 2019) by Seven Islands' management. Free cash flow projections were not revised in the first quarter of 2020 as Seven Islands continued to operate through the COVID-19 pandemic. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Seven Islands operates. These risk premiums were reflective of the increased uncertainty of the free cash flow projections due the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Seven Islands was $84,154 (December 31, 2019 - $88,800) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table at the outset of the Indian Investments section of this MD&A.

Investment in Saurashtra Freight Private Limited

Business Overview

Saurashtra Freight Private Limited ("Saurashtra"), a private company located in Mumbai, India, operates one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping, offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra to importers and exporters to transport cargo.

Transaction Description

In February 2017 Fairfax India acquired a 51.0% equity interest in Saurashtra for cash consideration of $30,018 (approximately 2.0 billion Indian rupees).

Key Business Drivers, Events and Risks

Saurashtra has the annual capacity to handle 180,000 standard twenty-foot (shipping container) equivalent units ("TEUs") and in the first quarter of 2020 handled 24,023 TEUs implying an annualized capacity utilization of approximately 53% (first quarter of 2019 - 21,752 TEUs implying an annualized capacity utilization of approximately 48%). Saurashtra had the highest market share for imports at approximately 13% (December 31, 2019 - approximately 15%), and was second in exports at approximately 14% (December 31, 2019 - approximately 14%) at Mundra port in India. Saurashtra remains as the largest container freight station at Mundra port in terms of total throughput achieved with a 13% market share for their fourth quarter ended March 31, 2020.

The CFS industry is highly fragmented with 14 CFS at Mundra port. Many of these CFS are inefficient and operating below capacity, providing Saurashtra with the opportunity to benefit from industry consolidation.

In its fourth quarter of 2020, Saurashtra experienced a 1% growth in quarter-over-quarter export volumes and a 18% growth in quarter-over-quarter import volumes. Saurashtra is continuing to actively pursue additional volumes through offering comprehensive packages to shipping lines, including providing value added storage services.

Saurashtra has been granted the status of Authorized Economic Operator ("AEO") under the World Customs Organization. As an AEO, Saurashtra is approved by customs as compliant with supply chain security standards and is eligible for certain benefits such as being a preferred CFS for customs and that bank guarantees are no longer required for customs.

COVID-19 Impact

In the first quarter of 2020 Saurashtra's businesses continued to operate as transportation of goods is considered an essential service under India's lockdown guidelines. Overall throughput has declined during the lockdown due to restrictions on the movement of goods.

Saurashtra has sufficient cash on hand to manage its liquidity needs and has a debt-free balance sheet.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 13.8% to 14.2% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2019 - 13.4% to 14.4%, and 4.0% to 5.0%, respectively). At March 31, 2020 free cash flow projections were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the second quarter of 2019 (December 31, 2019 - second quarter of 2019) by Saurashtra's management. Free cash flow projections were not revised in the first quarter of 2020 as Saurashtra's businesses continued to operate through the COVID-19 pandemic. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Saurashtra operates. These risk premiums were reflective of the increased uncertainty of the free cash flow projections due the economic and social impacts of the COVID-19 pandemic.

At March 31, 2020 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $28,277 (December 31, 2019 -$31,204) with the changes in fair value for the first quarters of 2020 and 2019 presented in the table at the outset of the Indian Investments section of this MD&A.

Investment in National Stock Exchange of India Limited

Business Overview

National Stock Exchange of India Limited ("NSE"), a private company located in Mumbai, India, operates India's largest stock exchange. In addition to providing a platform for exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets.

Transaction Description

In the third quarter of 2016 Fairfax India acquired a 1.0% equity interest in NSE for cash consideration of $26,783 (approximately 1.8 billion Indian rupees).

Key Business Drivers, Events and Risks

India has two main stock exchanges where the majority of its trading takes place, the BSE and NSE of India. Although most significant firms in India are listed on both the BSE and NSE of India, NSE enjoys dominant market share positions including a 93% market share in the equity trading segment, a 100% market share in the equity derivatives trading segment and a 62% and 52% market share in the foreign exchange futures and options markets, respectively. NSE of India emerged as the world's largest exchange in derivatives trading volumes in 2019.

On December 28, 2016 NSE filed a draft prospectus with SEBI in connection with its proposed IPO. In May 2017, SEBI issued show-cause notices to NSE prompting responses on inquiries over certain broker members having access to co-location facilities at NSE thereby potentially gaining unfair trading advantages. On April 30, 2019 SEBI directed NSE to pay approximately $160 million (approximately 11 billion Indian rupees) in penalties and interest after finding that it had failed to provide equal access to all trading members. In May 2019 NSE filed an appeal with the Securities Appellate Tribunal (''SAT'') with ruling expected by the third quarter of 2020. As a result, completion of the IPO is anticipated by 2021 upon completion of the SAT ruling and subject to regulatory approval from SEBI. NSE will also seek to file for an overseas listing subsequent to closing of the IPO. NSE has appointed Citibank, JM Financial, Kotak Mahindra and Morgan Stanley as lead investment banks to manage the IPO.

COVID-19 Impact

During the first quarter of 2020 NSE continued to operate as financial services are considered essential services under India's lockdown guidelines.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the company's estimated fair value of its investment in NSE of $66,894 (December 31, 2019 - $57,210) was based on recent third party transactions completed in the first quarter of 2020 (December 31, 2019 - fourth quarter of 2019). The changes in fair value of the company's investment in NSE for the first quarters of 2020 and 2019 are presented in the table at the outset of the Indian Investments section of this MD&A.

Investment in India Housing Fund

Business Overview

India Housing Fund ("IH Fund") is a closed-ended fund of IIFL Private Equity Fund (the "Trust") registered as a Category II Alternative Investment Fund ("AIF") under the SEBI AIF Regulations. IH Fund is a fund incorporated to focus on investing in India's real estate sector by investing in equity, debt and equity-linked instruments of real estate and construction companies involved in projects or ventures with expected growth potential.

At March 31, 2020 IH Fund had raised capital commitments of more than $300 million and had invested approximately $115 million in nine real estate sector investments. Subsequent to March 31, 2020 IH Fund had invested an additional approximately $36 million in a new real estate sector investment.

Transaction Description

In 2019 Fairfax India had invested aggregate cash consideration of $14,893 (approximately 1.0 billion Indian rupees) in IH Fund through the following transactions: (i) on January 7, 2019 the company invested 25.0% or 437.0 million Indian rupees ($6,272) of the committed investment amount in IH Fund and (ii) on November 7, 2019 the company invested an additional 35.0% or 611.8 million Indian rupees ($8,621) of the committed investment amount in IH Fund. The remaining 40.0% or 699.3 million Indian rupees ($9,243 at period end exchange rates) is to be drawn down by November 30, 2020.

Key Business Drivers, Events and Risks

The Indian real estate industry is a key growth driver of the country's economy. The industry has been growing steadily and encompassed growth in both commercial and residential markets, contributing approximately 5% to 6% to India's GDP. It is estimated that the current state of the housing shortage is approximately 60 million housing units, and by 2022 India will need to develop approximately 110 million housing units. Cumulative investment of over approximately 139 trillion Indian rupees is required until 2022 to meet this growth.

The Government of India developed a host of initiatives to boost the housing sector and the government continues to undertake various reforms to highlight its focus on affordable housing, such as: (i) interest rate subsidy on housing loans; (ii) 100% deduction in taxable income for qualified developers; (iii) ease of entry and exit for foreign direct investments; (iv) digitization of land records; and (v) establishment of the Real Estate (Regulation and Development Act), 2016 which seeks to protect home-buyers as well as help boost investments in the real estate industry.

The inherent demand and structural reforms initiated by the Government of India have laid the foundation for a healthier, growing industry. As real estate is a state subject in India's federal structure, regulations and approval regimes in place can be very dynamic and may impact the Indian real estate industry. In 2019 the National Democratic Alliance, led by Prime Minister Modi's Bharatiya Janata Party, swept to victory with a full majority. As a result, it is anticipated that investors can look forward to a stable government and policy continuity for the next five years.

COVID-19 Impact

Unavailability of labor for construction, reduced sales inquiries, and delays in project approvals from regulatory authorities and government offices has resulted in a slowdown of the Indian real estate industry amidst the COVID-19 pandemic. The moratorium on loan payments may put liquidity pressures on IH Fund. IH Fund has sufficient capital in place to withstand these pressures.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2020 the company estimated the fair value of its investment in IH Fund of $14,564 (December 31, 2019 - $15,146) based on the net asset value provided by the third party fund manager. The fair values of the underlying assets are determined using quoted prices for short term investments, and industry accepted valuation models for debt and equity instruments. The changes in fair value of the company's investment in IH Fund for the first quarters of 2020 and 2019 are presented in the table at the outset of the Indian Investments section of this MD&A.

In the first quarter of 2020 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IH Fund of $150 (2019 - nil).

Results of Operations

Fairfax India's consolidated statements of earnings (loss) for the three months ended March 31 are shown in the following table:

	First quarter	
	2020	2019
Income		
Interest	**2,774**	3,039
Dividends	**6,783**	6,006
Net realized gains (losses) on investments	**227**	(1,302)
Net change in unrealized losses on investments	**(274,263)**	(39,484)
Net foreign exchange gains (losses)	**(30,885)**	3,254
	(295,364)	(28,487)
Expenses		
Investment and advisory fees	**8,195**	8,289
Performance fee recovery	**(47,134)**	—
General and administration expenses	**1,123**	1,409
Interest expense	**8,448**	10,069
	(29,368)	19,767
Loss before income taxes	**(265,996)**	(48,254)
Provision for (recovery of) income taxes	**(12,187)**	4,331
Net loss	**(253,809)**	(52,585)
Net loss per share (basic and diluted)	**$ (1.67)**	$ (0.34)

Total loss from income of $295,364 in the first quarter of 2020 increased from $28,487 in the first quarter of 2019 principally due to increased net change in unrealized losses on investments (discussed below) and net foreign exchange losses. The net change in unrealized losses on investments of $274,263 in the first quarter of 2020 was principally comprised of unrealized losses on the company's investments in CSB Bank ($105,404), IIFL Finance ($77,093), Other Public Indian Investments ($37,304), IIFL Wealth ($22,410), Fairchem ($16,428), IIFL Securities ($11,798), Sanmar ($8,714) and 5paisa ($7,625), partially offset by unrealized gains in the company's investments in NSE ($13,484). The net change in unrealized losses on investments of $39,484 in the first quarter of 2019 was principally comprised of unrealized losses in the company's investment in IIFL Holdings ($95,972), partially offset by unrealized gains in the company's investments in Fairchem ($27,597), Sanmar bonds ($11,906), Other Public Indian Investments ($10,055) and BIAL ($5,818). Interest income of $2,774 in the first quarter of 2020 decreased from $3,039 in the first quarter of 2019 principally as a result of the net sale of Government of India and Indian corporate bonds, the proceeds of which were partially reinvested in Other Public Indian Investments. Dividend income of $6,783 in the first quarter of 2020 primarily related to dividends received from the company's investments in IIFL Finance, IIFL Securities, and IIFL Wealth. Dividend income of $6,006 in the first quarter of 2019 primarily related to dividends received from the company's investment in IIFL Holdings.

Net gains (losses) on investments and net foreign exchange gains (losses) for the first quarters of 2020 and 2019 were comprised as follows:

	First quarter					
	2020			2019		
	Net realized gains	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments	—	—	—	19	—	19
Bonds	**227**	**982**	**1,209**	(1,321)	12,153 (1)	10,832
Common stocks	—	**(275,245)** (2)	**(275,245)**	—	(51,637) (2)	(51,637)
	227	**(274,263)**	**(274,036)**	(1,302)	(39,484)	(40,786)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**1,361**	—	**1,361**	(682)	—	(682)
Borrowings	—	**(32,247)** (3)	**(32,247)**	—	4,193 (3)	4,193
Other	**1**	—	**1**	(257)	—	(257)
	1,362	**(32,247)**	**(30,885)**	(939)	4,193	3,254

(1) In the first quarter of 2019 primarily comprised of unrealized gains on Sanmar bonds of $11,906.

(2) Refer to Indian Investments section of this MD&A for a summary of changes in the fair value of the company's Public and Private Indian Investments during the first quarters of 2020 and 2019.

(3) In the first quarters of 2020 and 2019 unrealized foreign exchange gains (losses) on borrowings related to the $550.0 million term loan.

Total expense recovery of $29,368 in the first quarter of 2020 compared to total expenses of $19,767 in the first quarter of 2019 primarily as a result of a performance fee recovery and decreased interest expense related to the borrowings.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. The investment and advisory fees recorded in the consolidated statements of earnings (loss) for the first quarter of 2020 were $8,195 (2019 - $8,289).

The recovery of income taxes of $12,187 in the first quarter of 2020 differed from the recovery of income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes primarily as a result of the tax rate differential on losses incurred outside of Canada, foreign exchange fluctuations, and change in unrecorded tax benefit of losses and temporary differences.

The provision for income taxes of $4,331 in the first quarter of 2019 differed from the recovery of income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes primarily as a result of the tax rate differential on losses incurred outside of Canada and change in unrecorded tax benefit of losses and temporary differences, partially offset by foreign exchange fluctuations.

The company reported a net loss of $253,809 (a net loss of $1.67 per basic and diluted share) in the first quarter of 2020 compared to a net loss of $52,585 (a net loss of $0.34 per basic share and diluted share) in the first quarter of 2019. The quarter-over-quarter increase in net loss primarily reflected increased net change in unrealized losses on investments and net foreign exchange losses, partially offset by a performance fee recovery, recovery of income taxes, and decreased interest expense.

Consolidated Balance Sheet Summary

Changes to the assets and liabilities in the company's consolidated balance sheet at March 31, 2020 compared to December 31, 2019 were primarily due to the change in net unrealized losses on investments, resulting in recovery of the previously accrued performance fee and recovery of deferred income taxes, and the net sale of Government of India and Indian corporate bonds, the proceeds of which were partially reinvested in Other Public Indian Investments.

Total Assets

Total assets at March 31, 2020 of $2,790,757 (December 31, 2019 - $3,244,937) were principally comprised as follows:

Total cash and investments decreased to $2,783,473 at March 31, 2020 from $3,236,960 at December 31, 2019. The company's total cash and investments composition was as follows:

Cash and cash equivalents increased to $71,484 at March 31, 2020 from $48,713 at December 31, 2019 principally reflecting the net sale of Government of India and Indian corporate bonds, the proceeds of which were partially reinvested in Other Public Indian Investments, partially offset by purchases of subordinate voting shares for cancellation.

Restricted cash of $10,131 at March 31, 2020 (December 31, 2019 - $16,915) related to requirements under the borrowings for the company to set aside cash to fund interest payments.

Bonds and Common stocks - The company is actively seeking investment opportunities in India and will continue to redirect capital from its cash and cash equivalents, and bond portfolio into Indian Investments as and when those opportunities are identified. For more information about recent Indian Investments, see the Indian Investments section of this MD&A. For more information on the company's total cash and investment holdings of $2,783,473 at March 31, 2020 (December 31, 2019 - $3,236,960) see note 6 (Cash and Investments) to the interim consolidated financial statements for the three months ended March 31, 2020.

Interest receivable decreased to $2,545 at March 31, 2020 from $3,453 at December 31, 2019 as a result of the net sale of Government of India and Indian corporate bonds.

Other assets increased to $2,035 at March 31, 2020 from $1,658 at December 31, 2019 and is primarily comprised of prepaid interest expense of $1,281 related to the borrowings.

Total Liabilities

Total liabilities at March 31, 2020 of $611,848 (December 31, 2019 - $667,086) were principally comprised as follows:

Payable for common stock purchases of $2,065 at March 31, 2020 related to purchases of Other Public Indian Investments which settled subsequent to March 31, 2020.

Payable to related parties decreased to $7,788 at March 31, 2020 from $50,519 at December 31, 2019 primarily as a result of a performance fee recovery in the first quarter of 2020 as the company determined that there was no accrual of the performance fee payable (relating to the second calculation period ending on December 31, 2020) to Fairfax.

Deferred income taxes decreased to $48,813 at March 31, 2020 from $64,477 at December 31, 2019 primarily as a result of a recovery of deferred income taxes attributable to unrealized losses on CSB Bank, Other Public Indian Investments, and IIFL Wealth.

Borrowings modestly increased to $548,614 at March 31, 2020 from $547,228 at December 31, 2019 as a result of the amortization of issuance costs on the amended $550.0 million term loan in the first quarter of 2020. Refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2020 for further discussion on the borrowings.

Financial Risk Management

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at March 31, 2020 compared to those identified at December 31, 2019 and disclosed in the company's 2019 Annual Report, other than as outlined in note 11 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2020.

Capital Resources and Management

For a detailed analysis, refer to note 11 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three months ended March 31, 2020.

Book Value per Share

Common shareholders' equity at March 31, 2020 was $2,178,909 (December 31, 2019 - $2,577,851). The book value per share at March 31, 2020 was $14.37 compared to $16.89 at December 31, 2019 representing a decrease in the first three months of 2020 of 14.9%, primarily reflecting a net loss of $253,809 (primarily related to net change in unrealized losses on investments and net foreign exchange losses, partially offset by a performance fee recovery) and unrealized foreign currency translation losses of $134,512.

	March 31, 2020	December 31, 2019
Common shareholders' equity	**2,178,909**	2,577,851
Number of common shares effectively outstanding	**151,576,755**	152,631,481
Book value per share	**$14.37**	$16.89

During the first quarter of 2020, under the terms of the normal course issuer bid, the company purchased for cancellation 1,054,726 subordinate voting shares (2019 - 230,053) for a net cost of $10,641 (2019 - $2,998), of which $461 was recorded as a benefit in retained earnings (2019 - $577 was charged to retained earnings).

Liquidity

The undeployed cash and investments at March 31, 2020 provide adequate liquidity to meet the company's remaining known significant commitments in 2020, which are principally comprised of the remaining investment commitments for IH Fund, interest expense, investment and advisory fees, general and administration expenses and corporate income taxes. The company has a principal repayment on the $550.0 million term loan coming due in June 2020 that can be extended for an additional year. The company has the ability to sell a portion of its Indian Investments to supplement the liquidity requirements. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. Accordingly, the company has adequate working capital to support its operations.

Highlights in the first quarter of 2020 (with comparisons to the first quarter of 2019) of major components of the statements of cash flows are presented in the following table:

	First quarter	
	2020	2019
Operating activities		
Cash provided by (used in) operating activities before the undernoted	**2,659**	(12,539)
Decrease in restricted cash in support of borrowings	**6,784**	8,635
Purchases of investments	**(66,827)**	(118,586)
Sales of investments	**94,959**	160,051
Financing activities		
Purchases of subordinate voting shares for cancellation	**(10,641)**	(2,998)
Increase in cash and cash equivalents during the period	**26,934**	34,563

Cash provided by (used in) operating activities before the undernoted is comprised of net loss adjusted for items not affecting cash and cash equivalents and changes in operating assets and liabilities. Cash provided by operating activities before the undernoted of $2,659 in the first quarter of 2020 increased from cash used in operating activities before the undernoted of $12,539 in the first quarter of 2019, with the change principally reflecting decreased interest paid on the borrowings, increased dividend income, and in the first quarter of 2019 cash used in a refundable bid security to participate in the greenfield airport bid process.

Decrease in restricted cash in support of borrowings of $6,784 and $8,635 in the first quarters of 2020 and 2019 related to the changes in the restricted cash accounts required to be maintained to fund interest payments on borrowings. Refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2020 for additional details. Purchases of investments of $66,827 in the first quarter of 2020 primarily related to purchases of Government of India and Indian corporate bonds and the company's investments in Other Public Indian Investments. Purchases of investments of $118,586 in the first quarter of 2019 primarily related to the company's investments in Seven Islands, Tranche 2 of the investment in CSB Bank and IH Fund. Sales of investments of $94,959 and $160,051 in the first quarters of 2020 and 2019 related to the partial sales of Government of India and Indian corporate bonds to partially finance the investments in the Indian Investments noted above. Refer to note 14 (Supplementary Cash Flow Information) to the interim consolidated financial statements for the three months ended March 31, 2020 for details of purchases and sales of investments.

Purchases of subordinate voting shares for cancellation of $10,641 in the first quarter of 2020 (2019 - $2,998) related to the company's purchases of 1,054,726 subordinate voting shares (2019 - 230,053) under the terms of the normal course issuer bids. Refer to note 8 (Common Shareholders' Equity) to the interim consolidated financial statements for the three months ended March 31, 2020 for additional details.

Contractual Obligations

On June 28, 2019 the company amended and restated the existing $550.0 million term loan by extending the maturity to June 26, 2020 while maintaining the option to extend for an additional year. Concurrent with amending and restating the $550.0 million term loan, the company entered into a $50.0 million, 1 year secured revolving credit facility with a Canadian bank bearing interest at a rate of LIBOR plus 350 basis points, with an option to extend for an additional year. As at March 31, 2020 and December 31, 2019 the revolving credit facility is undrawn and remains available.

On December 24, 2018 the company entered into an agreement whereby it committed to invest 1.7 billion Indian rupees (approximately $25,000 at the date of the agreement) in IH Fund. In 2019 Fairfax India had invested aggregate cash consideration of $14,893 (approximately 1.0 billion Indian rupees) in IH Fund through the following transactions: (i) on January 7, 2019 the company invested 25.0% or 437.0 million Indian rupees ($6,272) of the committed investment amount in IH Fund and (ii) on November 7, 2019 the company invested an additional 35.0% or 611.8 million Indian rupees ($8,621) of the committed investment amount in IH Fund. The remaining 40.0% or 699.3 million Indian rupees ($9,243 at period end exchange rates) is to be drawn down by November 30, 2020.

Under the terms of the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2020), the company and its subsidiaries are contractually obligated to pay Fairfax an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share.

The investment and advisory fees recorded in the consolidated statements of earnings (loss) for the first quarter of 2020 were $8,195 (2019 - $8,289).

At March 31, 2020 the company determined that there was no performance fee accrual (December 31, 2019 – $47,850). Refer to note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2020 for discussion on the performance fee.

Related Party Transactions

The company's related party transactions are disclosed in note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2020.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	**March 31, 2020**	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Income (loss)	**(295,364)**	633,868	112,788	(5,480)	(28,487)	60,930	117,052	(55,589)
Expenses	**(29,368)**	62,199	19,038	19,064	19,767	18,972	19,368	13,647
Provision for (recovery of) income taxes	**(12,187)**	36,445	4,567	30,940	4,331	(1,116)	3,504	411
Net earnings (loss)	**(253,809)**	535,224	89,183	(55,484)	(52,585)	43,074	94,180	(69,647)
Net earnings (loss) per share	**$ (1.67)**	$ 3.51	$ 0.58	$ (0.36)	$ (0.34)	$ 0.28	$ 0.61	$ (0.45)
Net earnings (loss) per diluted share	**$ (1.67)**	$ 3.42	$ 0.58	$ (0.36)	$ (0.34)	$ 0.28	$ 0.61	$ (0.45)

Indian rupees and in millions, except per share amounts [(1)]	**March 31, 2020**	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Income (loss)	**(21,403)**	44,646	7,905	(370)	(2,007)	4,289	7,838	(3,593)
Expenses	**(2,128)**	4,395	1,340	1,325	1,393	1,354	1,340	916
Provision for (recovery of) income taxes	**(883)**	2,577	324	2,164	305	(71)	236	27
Net earnings (loss)	**(18,392)**	37,674	6,241	(3,859)	(3,705)	3,006	6,262	(4,536)
Net earnings (loss) per share	**(120.71)**	246.84	40.89	(25.29)	(24.27)	19.61	40.50	(29.25)
Net earnings (loss) per diluted share	**(120.71)**	240.92	40.89	(25.29)	(24.27)	19.61	40.50	(29.25)

(1) Presented in the company's functional currency.

Income continues to be primarily comprised of net change in unrealized gains (losses) on investments, net foreign exchange gains (losses), and interest and dividend income. Income was significantly impacted in the first quarter of 2020 by the net change in unrealized losses on the company's Indian Investments (principally unrealized losses in the company's investments in CSB Bank, IIFL Finance, Other Public Indian Investments, IIFL Wealth, Fairchem, IIFL Securities, Sanmar and 5paisa, partially offset by unrealized gains in the company's investments in NSE) and net foreign exchange losses, the timing of which are not predictable. Individual quarterly results have been (and may in the future be) affected by increased expenses impacted by the change in fair value of the company's Indian Investments which would result in a higher performance fee, if applicable, and investment and advisory fees.

Forward-Looking Statements

This interim report may contain forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements may relate to the company's or an Indian Investment's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, plans and objectives of the company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities of the company, an Indian Investment, or the Indian market are forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

Forward-looking statements are based on our opinions and estimates as of the date of this interim report, and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors: taxation of the company, its shareholders and subsidiaries; risk of substantial loss of capital; geographic concentration of investments; risks associated with the global pandemic caused by COVID-19, and the related global reduction in commerce and substantial downturns in stock markets worldwide; financial market fluctuations; control or significant influence position risk; minority investments; risks upon dispositions of investments; bridge financings; reliance on key personnel and risks associated with the Investment Advisory Agreement; effect of fees; operating and financial risks of investments; valuation methodologies involve subjective judgments; lawsuits; foreign currency fluctuation; unknown merits and risks of future investments; illiquidity of investments; competitive market for investment opportunities; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; trading price of subordinate voting shares relative to book value per share; emerging markets; volatility of the Indian securities markets; political, economic, social and other factors; natural disaster risks; sovereign debt risk; economic risk; weather risk, oil price risk and adverse consequences to the company's business, investments and personnel resulting from or related to the COVID-19 pandemic. Additional risks and uncertainties are described in the company's annual information form dated March 6, 2020 which is available on SEDAR at www.sedar.com and on the company's website at www.fairfaxindia.ca. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.

Although the company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The company does not undertake to update any forward-looking statements contained herein, except as required by applicable securities laws.

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