FAIRFAX INDIA
HOLDINGS CORPORATION

1

INTERIM REPORT

For the three months ended March 31, 2021

Consolidated Balance Sheets
as at March 31, 2021 and December 31, 2020
(unaudited - US$ thousands)

	Notes	March 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	6, 14	29,093	22,057
Restricted cash	5, 6, 7	264	16,315
Bonds	5, 6	35,689	35,873
Common stocks	5, 6	3,337,709	2,991,775
Derivative asset	5, 6	5,409	—
Total cash and investments		3,408,164	3,066,020
Interest and dividends receivable		3,262	1,911
Income taxes refundable		3,005	2,803
Other assets		306	2,264
Total assets		3,414,737	3,072,998
Liabilities			
Accounts payable and accrued liabilities		1,574	931
Accrued interest expense	7, 12	2,412	—
Automatic share purchase plan liability	8	10,000	—
Payable to related parties	12	65,802	14,428
Derivative obligation	5, 6	26,681	—
Deferred income taxes		70,847	63,477
Borrowings	7, 12	546,267	547,228
Total liabilities		723,583	626,064
Equity			
Common shareholders' equity	8	2,691,154	2,446,934
		3,414,737	3,072,998

See accompanying notes.

Consolidated Statements of Earnings (Loss)
for the three months ended March 31, 2021 and 2020
(unaudited - US$ thousands except per share amounts)

	Notes	2021	2020
Income			
Interest	6	636	2,774
Dividends	6	12,133	6,783
Net realized gains on investments	6	—	227
Net change in unrealized gains (losses) on investments	6	327,647	(274,263)
Net foreign exchange losses	6	(315)	(30,885)
		340,101	(295,364)
Expenses			
Investment and advisory fees	12	9,783	8,195
Performance fee (recovery)	12	56,123	(47,134)
General and administration expenses	13	1,473	1,123
Interest expense	7	9,014	8,448
		76,393	(29,368)
Earnings (loss) before income taxes		263,708	(265,996)
Provision for (recovery of) income taxes	10	8,282	(12,187)
Net earnings (loss)		255,426	(253,809)
Net earnings (loss) per share	9	$ 1.71	$ (1.67)
Net earnings (loss) per diluted share	9	$ 1.66	$ (1.67)
Shares outstanding (weighted average)	9	149,373,155	152,363,450

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)
for the three months ended March 31, 2021 and 2020
(unaudited - US$ thousands)

	2021	2020
Net earnings (loss)	255,426	(253,809)
Other comprehensive loss, net of income taxes		
Item that may be subsequently reclassified to net earnings (loss)		
Unrealized foreign currency translation losses, net of income taxes of nil (2020 - nil)	(2,329)	(134,512)
Other comprehensive loss, net of income taxes	(2,329)	(134,512)
Comprehensive income (loss)	253,097	(388,321)

See accompanying notes.

Consolidated Statements of Changes in Equity
for the three months ended March 31, 2021 and 2020
(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, 2021	1,261,734	300,000	(12)	1,163,493	(278,281)	2,446,934
Net earnings for the period	—	—	—	255,426	—	255,426
Other comprehensive loss:						
Unrealized foreign currency translation losses	—	—	—	—	(2,329)	(2,329)
Issuance of shares (note 8)	5,217	—	—	—	—	5,217
Purchases for cancellation (note 8)	(3,950)	—	—	(156)	—	(4,106)
Automatic share purchase plan commitment (note 8)	(8,495)	—	—	(1,505)	—	(10,000)
Amortization	—	—	12	—	—	12
Balance as of March 31, 2021	1,254,506	300,000	—	1,417,258	(280,610)	2,691,154
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

See accompanying notes.

Consolidated Statements of Cash Flows
for the three months ended March 31, 2021 and 2020
(unaudited - US$ thousands)

	Notes	2021	2020
Operating activities			
Net earnings (loss)		255,426	(253,809)
Items not affecting cash and cash equivalents:			
Net bond premium amortization		81	392
Performance fee (recovery)	12	56,123	(47,134)
Deferred income taxes	10	7,433	(12,551)
Amortization of share-based payment awards		12	20
Net realized gains on investments	6	—	(227)
Net change in unrealized (gains) losses on investments	6	(327,647)	274,263
Net foreign exchange losses	6	315	30,885
Decrease in restricted cash in support of borrowings		16,051	6,784
Purchases of investments	14	(2)	(66,827)
Sales of investments	14	183	94,959
Changes in operating assets and liabilities:			
Interest and dividends receivable		(1,356)	744
Accrued interest expense		2,419	—
Payable to related parties		633	5,501
Income taxes payable		(204)	172
Other		5,269	4,403
Cash provided by operating activities		14,736	37,575
Financing activities			
Borrowings:			
Proceeds	7	500,000	—
Issuance costs	7	(3,650)	—
Repayments	7	(500,000)	—
Subordinate voting shares:			
Purchases for cancellation	8	(4,106)	(10,641)
Cash used in financing activities		(7,756)	(10,641)
Increase in cash and cash equivalents		6,980	26,934
Cash and cash equivalents - beginning of period		22,057	48,713
Foreign currency translation		56	(4,163)
Cash and cash equivalents - end of period	14	29,093	71,484

See accompanying notes.

Index to Notes to Interim Consolidated Financial Statements

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, 2021 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, 2020, 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 29, 2021.

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, 2020, 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 2021

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
On August 27, 2020 the IASB issued amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* to address financial statement impacts and practical expedients when an existing interest rate benchmark such as LIBOR is replaced with an alternative reference rate. Retrospective adoption of these amendments on January 1, 2021 did not have a significant impact on the company's consolidated financial statements.

New accounting pronouncements issued but not yet effective

The IASB issued the following amendments in 2021 and 2020 which the company does not expect to adopt in advance of their respective effective dates: *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)* and *Annual Improvements to IFRS Standards 2018–2020*, effective January 1, 2022; and *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*, *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* and *Definition of Accounting Estimates (Amendments to IAS 8),* effective January 1, 2023. The company is currently evaluating the expected impact of these pronouncements on its 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, 2020. The broad effects of the COVID-19 pandemic on the company are described in note 11 and the effects on the company's development of critical estimates during the first quarter of 2021 are described below.

Valuation of Private Indian Investments

While the company's valuation techniques for Private Indian Investments remained primarily unchanged during the first quarter of 2021 the development of 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. In particular, these restrictions include the lockdown imposed by the Indian government on March 25, 2020 which was later extended to May 31, 2020 and remains in place for certain containment zones until April 30, 2021 (and will likely extend further as the COVID-19 pandemic continues to evolve) while lockdown restrictions were being lifted in phases for districts that are deemed safe ("India's lockdown"). In addition, the rapid resurgence of COVID-19 cases in India reflecting a second wave of the pandemic has resulted in state government mandated partial lockdowns beginning in April 2021. The company has included assumptions related to the COVID-19 pandemic into the estimates of the amount and timing of future cash flows based on the information known and knowable at the reporting date, and the uncertainty in those assumptions has been incorporated into the company's valuations of Private Indian Investments primarily through higher risk premiums. 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. Refer to notes 5 and 6 for details on the valuation of company's Private Indian Investments at March 31, 2021.

5. Indian Investments

Throughout the company's interim consolidated financial statements for the three months ended March 31, 2021, 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 quarter of 2021 is as follows:

	First quarter					
	2021					
	Balance as of January 1	Purchases	Sales	Net change in unrealized gains (losses) on investments [1]	Net unrealized foreign currency translation gains (losses)	Balance as of March 31
Public Indian Investments:						
Common stocks:						
IIFL Finance	131,478	—	—	196,647	(679)	327,446
IIFL Wealth	166,702	—	—	36,436	(215)	202,923
IIFL Securities	55,603	—	—	(1,626)	(30)	53,947
CSB Bank	214,341	—	—	15,393	(183)	229,551
Privi Speciality (formerly Fairchem)	138,413	—	—	85,900	(349)	223,964
Fairchem Organics	54,566	2	—	10,209	(66)	64,711
5paisa	27,788	—	—	(4,631)	(4)	23,153
Other	147,604	—	—	12,623	(132)	160,095
Derivatives:						
Fairchem Organics forward purchase derivative	—	—	—	5,425	(16)	5,409
Privi Speciality written call option	—	—	—	(26,762)	81	(26,681)
Total Public Indian Investments	936,495	2	—	329,614	(1,593)	1,264,518
Private Indian Investments:						
Bonds - NCML CCD	14,884	—	—	—	(9)	14,875
Common stocks:						
BIAL	1,396,117	—	—	36	(883)	1,395,270
Sanmar	338,621	—	—	(132)	(214)	338,275
Seven Islands	103,543	—	—	3,987	(77)	107,453
NCML	86,216	—	—	(6,408)	(35)	79,773
Saurashtra	32,812	—	—	240	(21)	33,031
NSE	72,617	—	—	—	(46)	72,571
IH Fund	25,354	—	(183)	391	(16)	25,546
Total Private Indian Investments	2,070,164	—	(183)	(1,886)	(1,301)	2,066,794
Total Indian Investments	3,006,659	2	(183)	327,728	(2,894)	3,331,312

(1) All Private Indian Investments and certain CSB Bank common shares (subject to 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 period.

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

	First quarter					
	2020					
	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
Public Indian Investments:						
Common stocks:						
IIFL Finance	166,014	—	—	(77,093)	(6,127)	82,794
IIFL Wealth	191,476	—	—	(22,410)	(9,871)	159,195
IIFL Securities	48,796	—	—	(11,798)	(2,258)	34,740
CSB Bank	229,262	—	—	(105,404)	(8,506)	115,352
Fairchem [2]	127,413	—	—	(16,428)	(6,504)	104,481
5paisa	18,176	—	—	(7,625)	(705)	9,846
Other	95,892	30,677	—	(37,304)	(4,113)	85,152
Total Public Indian Investments	877,029	30,677	—	(278,062)	(38,084)	591,560
Private Indian Investments:						
Bonds - NCML CCD	14,286	—	—	234	(817)	13,703
Common stocks:						
BIAL	1,429,854	—	—	114	(80,769)	1,349,199
Sanmar	412,930	—	—	(8,714)	(22,957)	381,259
Seven Islands	88,800	—	—	386	(5,032)	84,154
NCML	120,734	—	—	(1,581)	(6,753)	112,400
Saurashtra	31,204	—	—	(1,216)	(1,711)	28,277
NSE	57,210	—	—	13,484	(3,800)	66,894
IH Fund	15,146	—	(60)	344	(866)	14,564
Total Private Indian Investments	2,170,164	—	(60)	3,051	(122,705)	2,050,450
Total Indian Investments	3,047,193	30,677	(60)	(275,011)	(160,789)	2,642,010

(1) All Private Indian Investments and CSB Bank common shares (subject to 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 period.

(2) On August 12, 2020 as part of the Fairchem Reorganization, Fairchem spun off Fairchem Organics, a private company whose shares were subsequently listed on the BSE and NSE of India on December 24, 2020. Concurrent with the spin off transaction, Privi Organics merged with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India.

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 certain CSB Bank common shares subject to 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 retail investment brokerage, institutional equities, investment banking and financial product 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.

In May 2019 IIFL Holdings spun off its wholly-owned subsidiary IIFL Securities Limited ("IIFL Securities") and its 53.3% equity interest in its subsidiary IIFL Wealth Management Limited ("IIFL Wealth") in a non-cash transaction (the "IIFL Holdings Reorganization"). The transaction resulted in a return of capital which exceeded Fairfax India's cost basis in IIFL Holdings based on the estimated fair values of IIFL Securities and IIFL Wealth at the date of the transaction 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.

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 was decreased to 22.4% at March 30, 2020.

At March 31, 2021 the fair value of the company's investment in IIFL Finance was $327,446 (December 31, 2020 - $131,478) comprised of 84,641,445 common shares representing a 22.3% equity interest (December 31, 2020 - 22.4%) with the changes in fair value for the first quarters of 2021 and 2020 are presented in the tables 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.

In May 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 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, 2021 the fair value of the company's investment in IIFL Wealth was $202,923 (December 31, 2020 - $166,702) comprised of 12,091,635 common shares representing a 13.8% equity interest (December 31, 2020 - 13.8%) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables 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.

In May 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 of $91,310 (approximately 6.4 billion Indian rupees), which was determined 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, 2021 the fair value of the company's investment in IIFL Securities was $53,947 (December 31, 2020 - $55,603) comprised of 84,641,445 common shares representing a 27.9% equity interest (December 31, 2020 - 26.5%) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables disclosed earlier in note 5. The increase in equity interest during the period was the result of the purchase and cancellation of common shares by IIFL Securities, for which the company did not tender any shares.

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 512 branches and 319 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. 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%.

On March 30, 2021 CSB Bank issued an additional 30,000 shares to CSB Bank's employee stock option trust and Fairfax India's ownership remained at 49.7%.

The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period to August 7, 2024 due to restrictions imposed by the RBI and the Securities and Exchange Board of India ("SEBI").

As a result of CSB Bank's IPO the company was restricted from selling 17,372,952 of its shares of CSB Bank for one year from the IPO closing. On December 2, 2020 the selling restriction on 16,880,645 common shares of CSB Bank held by the company was released and the difference of 492,307 common shares remain restricted. The remaining 69,382,331 common shares of CSB Bank held by the company continue to be restricted until August 7, 2024.

At March 31, 2021 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 20.5% on the remaining common shares subject to selling restrictions (December 31, 2020 - 20.9%). At March 31, 2021 the fair value of the company's investment in CSB Bank was $229,551 (December 31, 2020 - $214,341) comprised of 86,262,976 common shares representing a 49.7% equity interest (December 31, 2020 - 49.7%) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables disclosed earlier in note 5.

Investment in Fairchem Speciality Limited / Privi Speciality Chemicals Limited

Fairchem Speciality Limited

Fairchem Speciality Limited ("Fairchem") was 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 located in Mumbai, India, was a supplier of aroma chemicals to the fragrance industry.

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

On August 12, 2020 Fairchem spun off its wholly-owned subsidiary Fairchem Organics Limited ("Fairchem Organics", comprised of the oleochemicals and neutraceuticals businesses) in a non-cash transaction ("Fairchem Reorganization"). Shareholders of Fairchem received one common share of Fairchem Organics for every three Fairchem common shares held. The distribution of new common shares to Fairchem shareholders was characterized as a return of capital and resulted in the company recording the initial cost of its investment in Fairchem Organics at its estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees). Concurrent with the spin off transaction, Privi amalgamated with the remaining Fairchem business and renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India. Common shares of Fairchem Organics listed on the BSE and NSE of India on December 24, 2020. Additional details on the Fairchem Reorganization, specific to Fairchem Organics, are disclosed later in note 5.

Privi Speciality Chemicals Limited

Privi Speciality is a publicly traded specialty chemical manufacturer located in Mumbai, India. Privi Speciality is a supplier of aroma chemicals to the fragrance industry.

Privi Speciality Common Shares

At March 31, 2021 the fair value of the company's investment in Privi Speciality common shares was $223,964 (December 31, 2020 - $138,413) comprised of 19,046,078 common shares representing a 48.8% equity interest (December 31, 2020 - 48.8%) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables disclosed earlier in note 5.

Privi Speciality Written Call Option Derivative

On May 22, 2019 Fairfax India entered into a call option agreement with certain affiliates of Mahesh Babani ("Mahesh") and D B Rao (together, the "Privi Group") whereby the company agreed to sell 3,841,908 of its equity shares of Privi Speciality (representing a 9.84% equity interest) for an amount equal to the amount to be paid by the company to acquire 2,330,758 equity shares of Fairchem Organics from Privi Group with a long-stop date of June 30, 2021. The company recognized the Privi Speciality written call option derivative during the first quarter of 2021 as a result of the significant conditions precedent to the agreement being met upon the completion of Fairchem Organics' open offer. At March 31, 2021 the company's estimated fair value of the Privi Speciality written call option derivative obligation of $26,681 (December 31, 2020 - nil) was based on an option pricing model and is presented in derivative obligation within the consolidated balance sheet. The changes in the fair value of the company's investment in the Privi Speciality written call option derivative for the first quarter of 2021 are presented in the table disclosed earlier in note 5.

Subsequent to March 31, 2021

On April 22, 2021 the company amended the call option agreement with the Privi Group and entered into an agreement with Mahesh to sell its 48.8% equity interest in Privi Speciality for 12.2 billion Indian rupees ($164.8 million at current exchange rates). The company completed the sale on April 29, 2021. The company intends to invest up to 550.0 million Indian rupees (approximately $7 million at current exchange rates) in non-convertible debentures with an effective yield of 10.0% compounded annually to be issued by entities affiliated with Mahesh, subject to customary closing conditions and approvals and is expected to close in the second quarter of 2021.

Investment in Fairchem Organics Limited

Fairchem Organics is a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem Organics manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products.

On August 12, 2020 Fairchem spun off its wholly-owned subsidiary Fairchem Organics in a non-cash transaction that resulted in Fairfax India receiving one common share of Fairchem Organics for every three Fairchem common shares held. Upon completion of the Fairchem Reorganization, Fairfax India received 6,348,692 common shares of Fairchem Organics representing 48.8% equity interest with an estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees) which was estimated based on the company's internal market approach valuation model which referenced the earnings multiple of a peer group of comparable companies. The distribution of new common shares of Fairchem Organics to Fairchem shareholders was characterized as a return of capital which resulted in Fairfax India recording the initial cost of its investment in Fairchem Organics at its fair value at that date.

On December 24, 2020 common shares of Fairchem Organics were listed on the BSE and NSE of India. At the time of listing and in accordance with Indian regulations, as a result of the anticipated changes in ownership of Fairchem Organics, the company announced an open offer for the acquisition of up to 3,377,953 common shares, representing the entire public float or 25.9% of the issued and outstanding shares, at a price of 575.53 Indian rupee per common share ("Fairchem Open Offer"). In support of the Fairchem Open Offer, the company was required to place on deposit, cash of approximately 19.5 million Indian rupees ($267) and a bank guarantee for approximately 486.1 million Indian rupees ($6,648 at period end exchange rates) which expired in April 2021. The cash deposit was recorded in restricted cash within the consolidated balance sheet at December 31, 2020.

The tender period related to the Fairchem Open Offer commenced on February 9, 2021 and closed on February 23, 2021 with a total of 290 common shares of Fairchem Organics tendered. On March 2, 2021 the company completed the settlement of the common shares tendered for $2. The remaining cash deposit of $264 remained in restricted cash at March 31, 2021 and was returned on April 8, 2021.

Fairchem Organics Common Shares

At March 31, 2021 the fair value of the company's investment in Fairchem Organics common shares was $64,711 (December 31, 2020 - $54,566) comprised of 6,348,982 common shares representing a 48.8% equity interest (December 31, 2020 - 6,348,692 common shares representing a 48.8% equity interest) with the changes in fair value for the first quarter of 2021 presented in the table disclosed earlier in note 5.

Fairchem Organics Forward Purchase Derivative

On May 22, 2019 Fairfax India entered into a share purchase agreement with the Privi Group whereby the company agreed to purchase 2,330,758 equity shares of Fairchem Organics (representing a 17.9% equity interest) at 575.53 Indian rupees per share (approximately $18 million at period end exchange rates) with a long-stop date of June 30, 2021. The company recognized the Fairchem Organics forward purchase derivative during the first quarter of 2021 as a result of the significant conditions precedent to the agreement being met upon the completion of the Fairchem Open Offer. At March 31, 2021 the company's estimated fair value of the Fairchem Organics forward purchase derivative of $5,409 (December 31, 2020 - nil) was based on the bid price of Fairchem Organics shares compared to the purchase price of 575.53 Indian rupees per share, which was multiplied by the number of common shares the company has agreed to purchase, and is presented in derivative asset within the consolidated balance sheet. The changes in the fair value of the company's investment in the Fairchem Organics forward purchase derivative for the first quarter of 2021 are presented in the table disclosed earlier in note 5.

Subsequent to March 31, 2021

On April 29, 2021 the company completed the purchase of an additional 17.9% equity interest for approximately 1.3 billion Indian rupees (approximately $18 million at current exchange rates).

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 the 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.

In August 2019 the company participated in a rights offer to existing shareholders of 5paisa and acquired an additional 3,385,657 common shares of 5paisa for cash consideration of $3,777, maintaining an equity interest of 26.6%.

At March 31, 2021 the fair value of the company's investment in 5paisa was $23,153 (December 31, 2020 - $27,788) comprised of 6,771,314 common shares representing a 26.5% equity interest (December 31, 2020 - 26.6%) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables disclosed earlier in note 5.

Subsequent to March 31, 2021

On April 13, 2021 5paisa announced that its board of directors approved a rights offer for the issuance of equity shares to existing shareholders at a price of 500.00 Indian rupees per share ("5paisa Preferential Share Rights Offer"). The company committed to participate and acquire 898,816 equity shares of 5paisa on a preferential basis for 449.4 million Indian rupees ($6,147 at period end exchange rates). In connection with the offering, all shares held by existing shareholders prior to participating in the 5paisa Preferential Share Rights Offer have been locked-in from April 15, 2021 for a period of up to six months from the date trading approval is received. In addition, any shares acquired in the 5paisa Preferential Share Rights Offer will be locked in for one year. The transaction is subject to shareholder and regulatory approvals and is expected to close during the second quarter of 2021.

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 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.

In 2020 the company acquired common shares of public companies in India's utilities and financial services sectors, listed on both the BSE and NSE of India, for aggregate consideration of $84,672, of which $30,677 was acquired in the first quarter of 2020 in common shares of public companies in India's utilities sector. In 2020 the company partially sold investments in Other Public Indian Investments for total net proceeds of $41,913, resulting in a realized gain of $3,782.

At March 31, 2021 the fair value of the company's investment in Other Public Indian Investments was $160,095 (December 31, 2020 - $147,604) 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 2021 and 2020 are presented in the tables 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 2068, 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 with Ontario Municipal Employees Retirement System ("OMERS") 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 $130 million at the March 31, 2021 period end exchange rate). 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 shall restructure approximately 43.6% equity interest in BIAL of its 54.0% equity interest such that it shall be held through Anchorage, implying an equity valuation of BIAL of approximately 189.7 billion Indian rupees (approximately $2.6 billion at the March 31, 2021 period end exchange rate) 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, while its actual ownership will remain unchanged. The transaction is subject to customary closing conditions, including various third party consents. The company expected to close the transaction in 2020, however due to the impacts of COVID-19 and resulting delays in obtaining required consents, the company and OMERS agreed to extend the long-stop date to June 30, 2021 and estimate the transaction will close in the second quarter of 2021.

Upon closing of the transaction with OMERS, the company intends to use commercially reasonable efforts to list Anchorage by way of IPO in India, subject to regulatory approvals and market conditions. If the valuation of Anchorage upon closing of the IPO is below 91.6 billion Indian rupees (approximately $1.3 billion at period end exchange rates), then OMERS' ownership in Anchorage will increase to a maximum of 15.0%.

The COVID-19 pandemic has significantly impacted BIAL's airport business which faced reduced passenger traffic starting in February 2020. Effective March 23, 2020 and March 25, 2020 all scheduled international and domestic commercial airlines ceased operations as a result of India's lockdown. Domestic flights resumed on May 25, 2020, while international flights will remain suspended until at least April 30, 2021 with the exception of certain countries with which India has established air bubble arrangements. 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 were slowed down and have since resumed as lockdown restrictions were gradually lifted. The airport is expected to commence regular operations upon lifting of the present restrictions with a gradual recovery in domestic passenger traffic by BIAL's fiscal year 2022 and international passenger traffic in BIAL's fiscal year 2023 to levels witnessed before the pandemic.

At March 31, 2021 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 forecasts with assumed after-tax discount rates ranging from 12.8% to 15.0% and a long term growth rate of 3.5% (December 31, 2020 - 12.8% to 15.0%, and 3.5%, respectively). At March 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for BIAL's three business units prepared in the fourth quarter of 2020 (December 31, 2020 - fourth quarter of 2020) by BIAL's management.

Free Cash Flow Forecast Inputs

The primary drivers of the free cash flow estimates are future domestic and international passenger traffic, airport tariff assumptions for future control periods and plans to monetize and develop leasehold land. In the event that forecasted passenger traffic or expected airport tariff levels are not met in future periods, this may result in a negative impact on the fair value of the company's investment in BIAL.

Current Model Assumptions

As a result of the continued business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised by BIAL's management in 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.

The COVID-19 pandemic did not have a significant impact on BIAL's fair value at March 31, 2021 as BIAL is an infrastructure investment that is currently in a period of capital expansion and as a result a significant amount of its fair value is driven by expected growth in passenger traffic in the later years of the forecasting period once various capital projects are complete. As a result of the COVID-19 pandemic, BIAL's forecast reflected a delay in expected discretionary capital expenditures, an increase in the expected total cost for Terminal 2 and a revised timeline for its real estate development plans. Additionally, BIAL's aeronautical revenues are primarily driven by user development fees ("UDF") charged to airlines and passengers, which are set by the Airports Economic Regulatory Authority of India in five-year control periods and are fixed in a manner to generate a 16.0% per annum return on invested equity for the airport operator. BIAL has been operating in its second control period until March 31, 2021. As the tariff setting mechanism adjusts for periods of underperformance, it is expected that underachievement in aeronautical revenues due to the COVID-19 pandemic in the second control period will be substantially recovered through, among other factors, higher UDFs in the third control period.

A gradual recovery in passenger traffic over a two year time horizon to levels expected before the pandemic is supported by significant efforts by BIAL's management and the Indian government to support a return to normal patterns of travel and the recovery of airport operations, including the implementation of contactless passenger experiences, the easing of capacity limits for airlines, the reconnection of several domestic city pairs and the resumption of certain international flights.

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 forecasts as a result of the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which BIAL operates and were not adjusted downward for the short term impacts of COVID-19.

At March 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $1,395,270 (December 31, 2020 - $1,396,117) 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 2021 and 2020 are presented in the tables 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.

During 2016 and 2019 Fairfax India invested aggregate cash consideration of $199,039 (approximately 14.2 billion Indian rupees) for a 42.9% equity interest in Sanmar.

The COVID-19 pandemic resulted in a temporary closure of Sanmar's plants in India due to India's lockdown in 2020. The plant at Sanmar Egypt was temporarily closed on March 18, 2020 and re-opened its operations on April 3, 2020. The operations at the suspension PVC plant in India was constrained until May 15, 2020. The remaining plants in India, including the specialty PVC plant, gradually re-opened operations in May 2020. Specialty Chemicals has not been significantly impacted by the COVID-19 pandemic.

At March 31, 2021 the company estimated the fair value of its investment in Sanmar common shares using a discounted cash flow analysis for its three business units based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 14.6% to 21.5% and long term growth rates ranging from 3.0% to 4.0% (December 31, 2020 - 15.0% to 20.5% and 3.0% to 4.0%, respectively). At March 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar's three 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 2020 (December 31, 2020 - fourth quarter of 2020) by Sanmar's management.

Free Cash Flow Forecast Inputs

The primary driver of the free cash flow estimates is the future commodity price of petrochemical products. In the event that the commodity price of petrochemical products does not develop favourably in future periods, this may result in a negative impact on the fair value of the company's investment in Sanmar.

Current Model Assumptions

As a result of the business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised by Sanmar's management in 2020 to primarily reflect (i) downward pressure on forecasted sales and profit margins at Sanmar Egypt over Sanmar's fiscal years 2021 to 2023; (ii) indefinite postponement of the planned Kem One Chemplast joint venture and various capital expansion projects as Sanmar shifts its focus to deleveraging; and (iii) new planned capital projects in specialty PVC resin and at Specialty Chemicals.

The overall impact on the valuation of the indefinite postponement of capital expansion projects was negative as the near-term cash savings from the delay of discretionary capital spending was more than offset by lower forecasted revenues and EBITDA in the later years of the discreet forecast period given a decrease in future production capacities. The company reflected Sanmar's increased pressure on liquidity by increasing its after-tax discount rates, primarily reflecting a higher cost of debt. The valuation also reflected an increase in Sanmar's net debt, which lowered the fair value of the company's equity interest.

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 forecasts due the economic and social impacts of the COVID-19 pandemic as well as the resulting liquidity pressures. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Sanmar operates and were not adjusted downward for the short term impacts of COVID-19.

At March 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar common shares was $338,275 (December 31, 2020 - $338,621) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables 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 sector tanker shipping company in India and transports liquid cargo along the Indian coast as well as in international waters. At March 31, 2021 Seven Islands owned 20 vessels with a total deadweight capacity of approximately 1.1 million metric tons. 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).

At March 31, 2021 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 forecasts with an assumed after-tax discount rate of 13.7% and a long term growth rate of 3.0% (December 31, 2020 - 13.5% and 3.0%, respectively). At March 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the fourth quarter of 2020 (December 31, 2020 - fourth quarter of 2020) by Seven Islands' management.

Free Cash Flow Forecast Inputs

The primary driver of the free cash flow estimates is the vessel profile composition, including planned vessel acquisitions and charter rates.

Current Model Assumptions

Free cash flows were revised by Seven Islands' management in the fourth quarter of 2020 primarily to reflect market conditions of the shipping industry in the near term, including the planned addition of larger vessels with higher contribution margins. 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 forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Seven Islands operates.

At March 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Seven Islands was $107,453 (December 31, 2020 - $103,543) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables 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, storage and preservation, testing and certification, collateral management, market and weather intelligence, and logistics services. NCML's wholly-owned subsidiary, NCML Finance Private Ltd, focuses on rural and agri-business finance.

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, 2021 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 forecasts with assumed after-tax discount rates ranging from 10.7% to 11.3% and long term growth rates ranging from 2.4% to 6.0% for two business units, and an adjusted net book value approach for its NBFC business unit (December 31, 2020 - 11.3% to 11.7%, 2.4% to 6.0%, respectively and an adjusted net book value approach for its NBFC business unit). At March 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the fourth quarter of 2020 (December 31, 2020 - fourth quarter of 2020) by NCML's management.

Free Cash Flow Forecast Inputs

The primary drivers of the free cash flow estimates are warehouse capacity and future EBITDA growth of NCML's commodity management solutions business.

Current Model Assumptions

Free cash flow forecasts were revised by NCML's management in the fourth quarter of 2020 to primarily reflect changes to its business strategy resulting in a planned reduction of owned and leased warehouse capacity and a shift toward a less capital-intensive franchisee model with lower margins. 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 forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which NCML operates and were not adjusted downward for the short term impacts of COVID-19.

During the third quarter of 2020, NCML's NBFC business unit experienced decreased funding from public sector banks which limited its ability to advance loans, in addition to a decline in the demand for lending as a result of the continued business disruptions in agri-businesses caused by the COVID-19 pandemic and India's lockdown. As a result, NCML's management commenced a process of scaling down its loan book. Accordingly, the company determined growth rates would not be relevant and it was more appropriate to value NCML's NBFC business unit using an asset-based approach rather than performing a discounted cash flow analysis as it had done previously.

At March 31, 2021 the company's internal valuation model indicated that the fair value of the company's equity investment in NCML was $79,773 (December 31, 2020 - $86,216) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables 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, 2021 the fair value of the company's investment in NCML CCD was $14,875 (December 31, 2020 - $14,884) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables 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).

At March 31, 2021 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 14.8% to 18.0% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2020 - 14.3% to 17.7%, and 4.0% to 5.0%, respectively). At March 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the fourth quarter of 2020 (December 31, 2020 - fourth quarter of 2020) by Saurashtra's management.

Free Cash Flow Forecast Inputs

The primary drivers of the free cash flow estimates are the import and export handling capacity and utilization.

Current Model Assumptions

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 forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Saurashtra operates.

At March 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $33,031 (December 31, 2020 - $32,812) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables 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, 2021 the company's estimated fair value of its investment in NSE of $72,571 (December 31, 2020 - $72,617) was based on recent third party transactions completed in the fourth quarter of 2020 (December 31, 2020 - fourth quarter of 2020). The changes in fair value of the company's investment in NSE for the first quarters of 2021 and 2020 are presented in the tables 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 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.

Fairfax India had invested aggregate cash consideration of $24,399 (approximately 1.7 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; (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; and, (iii) on December 24, 2020 the company invested the remaining 40.0% or 699.2 million Indian rupees ($9,506) of the committed investment amount in IH Fund.

At March 31, 2021 the company estimated the fair value of its investment in IH Fund of $25,546 (December 31, 2020 - $25,354) 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 2021 and 2020 are presented in the tables 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, 2021					December 31, 2020				
	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	29,093	—	—	29,093	2,127	22,057	—	—	22,057	1,612
Restricted cash [(1)]	264	—	—	264	19	16,315	—	—	16,315	1,192
	29,357	—	—	29,357	2,146	38,372	—	—	38,372	2,804
Bonds:										
Government of India [(2)]	—	20,814	—	20,814	1,522	—	20,989	—	20,989	1,533
NCML CCD	—	—	14,875	14,875	1,088	—	—	14,884	14,884	1,088
	—	20,814	14,875	35,689	2,610	—	20,989	14,884	35,873	2,621
Common stocks:										
IIFL Finance	327,446	—	—	327,446	23,941	131,478	—	—	131,478	9,607
IIFL Wealth	202,923	—	—	202,923	14,836	166,702	—	—	166,702	12,180
IIFL Securities	53,947	—	—	53,947	3,944	55,603	—	—	55,603	4,063
Privi Speciality	223,964	—	—	223,964	16,375	138,413	—	—	138,413	10,113
Fairchem Organics	64,711	—	—	64,711	4,731	54,566	—	—	54,566	3,987
5paisa	23,153	—	—	23,153	1,693	27,788	—	—	27,788	2,030
Other	160,095	—	—	160,095	11,705	147,604	—	—	147,604	10,785
BIAL	—	—	1,395,270	1,395,270	102,013	—	—	1,396,117	1,396,117	102,011
Sanmar	—	—	338,275	338,275	24,733	—	—	338,621	338,621	24,742
CSB Bank [(3)]	53,795	—	175,756	229,551	16,783	50,410	—	163,931	214,341	15,661
Seven Islands	—	—	107,453	107,453	7,856	—	—	103,543	103,543	7,566
NCML	—	—	79,773	79,773	5,833	—	—	86,216	86,216	6,300
Saurashtra	—	—	33,031	33,031	2,415	—	—	32,812	32,812	2,398
NSE	—	—	72,571	72,571	5,306	—	—	72,617	72,617	5,306
IH Fund	—	—	25,546	25,546	1,868	—	—	25,354	25,354	1,853
	1,110,034	—	2,227,675	3,337,709	244,032	772,564	—	2,219,211	2,991,775	218,602
Derivative asset - Fairchem Organics equity forward	—	5,409	—	5,409	395	—	—	—	—	—
Total cash and investments	1,139,391	26,223	2,242,550	3,408,164	249,183	810,936	20,989	2,234,095	3,066,020	224,027
	33.4 %	0.8 %	65.8 %	100.0 %	100.0 %	26.4 %	0.7 %	72.9 %	100.0 %	100.0 %
Derivative obligation - Privi Speciality written call option	—	(26,681)	—	(26,681)	(1,951)	—	—	—	—	—
Total cash and investments, net of derivative obligation	1,139,391	(458)	2,242,550	3,381,483	247,232	810,936	20,989	2,234,095	3,066,020	224,027
	33.7 %	— %	66.3 %	100.0 %	100.0 %	26.4 %	0.7 %	72.9 %	100.0 %	100.0 %

(1) At December 31, 2020 primarily 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, 2021 and December 31, 2020.

(3) The company is restricted from selling its common shares of CSB Bank for a specified period ranging from December 1, 2020 to August 7, 2024 and has applied a discount for lack of marketability (a significant unobservable valuation input) to the quoted price for the remaining restricted common shares of CSB Bank held by the company at March 31, 2021.

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 2021 and 2020 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 2021 and 2020 was as follows:

	First quarter							
	2021				2020			
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**	**Sales**	**Net change in unrealized gains (losses) on investments**	**Balance as of March 31**
Bonds:								
NCML CCD	1,088	—	—	1,088	1,020	—	17	1,037
Common stocks:								
BIAL	102,011	—	2	102,013	102,060	—	9	102,069
Sanmar	24,742	—	(9)	24,733	29,474	—	(631)	28,843
CSB Bank	11,978	—	872	12,850	16,364	—	(7,637)	8,727
Seven Islands	7,566	—	290	7,856	6,338	—	28	6,366
NCML	6,300	—	(467)	5,833	8,618	—	(115)	8,503
Saurashtra	2,398	—	17	2,415	2,227	—	(88)	2,139
NSE	5,306	—	—	5,306	4,084	—	977	5,061
IH Fund	1,853	(13)	28	1,868	1,081	(4)	25	1,102
Total	163,242	(13)	733	163,962	171,266	(4)	(7,415)	163,847

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, 2021. 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, management widened its reasonably possible range of after-tax discount rates to changes within 100 basis points from changes within 50 basis points previously applied by management prior to the COVID-19 pandemic. 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 Level 3 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	1,395,270	Discounted cash flow	After-tax discount rate	12.8% to 15.0%	(347,630) / 453,672	(301,569) / 393,561
			Long term growth rate	3.5%	23,084 / (21,880)	20,025 / (18,981)
Sanmar	338,275	Discounted cash flow	After-tax discount rate	14.6% to 21.5%	(74,656) / 87,853	(64,764) / 76,213
			Long term growth rate	3.0% to 4.0%	10,605 / (10,173)	9,200 / (8,825)
CSB Bank (3)	175,756	Bid price, net of discount	Discount for lack of marketability	20.5%	(3,385) / 3,404	(2,936) / 2,953
Seven Islands	107,453	Discounted cash flow	After-tax discount rate	13.7%	(17,626) / 21,450	(15,290) / 18,608
			Long term growth rate	3.0%	3,600 / (3,435)	3,123 / (2,980)
NCML (4)	79,773	Discounted cash flow and adjusted net book value	After-tax discount rate	10.7% to 11.3%	(22,499) / 32,559	(19,518) / 28,245
			Long term growth rate	2.4% to 6.0%	4,200 / (3,797)	3,644 / (3,294)
Saurashtra	33,031	Discounted cash flow	After-tax discount rate	14.8% to 18.0%	(1,607) / 1,918	(1,394) / 1,664
			Long term growth rate	4.0% to 5.0%	380 / (364)	330 / (315)

(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 (19.0% and 22.0%), 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. After-tax discount rates are subject to a mitigating factor: increases (decreases) in after-tax discount rates tend to be accompanied by increases (decreases) in free cash flows, and the resulting changes in the fair value of an investment may offset each other.

(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 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.

(4) Adjusted net book value approach was applied only for NCML's NBFC business unit. The company determined that there were no significant unobservable inputs suited for a sensitivity analysis for this business unit.

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, 2021 and December 31, 2020 there were no bonds containing call or put features.

	March 31, 2021		December 31, 2020	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Due in 1 year or less	3,545	3,546	—	—
Due after 1 year through 5 years	17,297	17,268	20,936	20,989
Due after 5 years through 10 years	13,715	14,875	13,724	14,884
	34,557	35,689	34,660	35,873

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	
	2021	**2020**
Interest:		
Cash and cash equivalents	5	61
Bonds	631	2,713
	636	2,774
Dividends: Common stocks	12,133	6,783

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

	First quarter					
	2021			2020		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Bonds	—	(81)	(81)	227	982	1,209
Common stocks	—	349,065 (1)	349,065	—	(275,245) (1)	(275,245)
Derivatives	—	(21,337) (1)	(21,337)	—	—	—
	—	327,647	327,647	227	(274,263)	(274,036)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	599	—	599	1,361	—	1,361
Borrowings	(33,080) (2)	32,224 (2)	(856)	—	(32,247) (2)	(32,247)
Other	(58)	—	(58)	1	—	1
	(32,539)	32,224	(315)	1,362	(32,247)	(30,885)

(1) 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 2021 and 2020.

(2) In the first quarter of 2021 net realized foreign exchange loss of $33,080 related to the extinguishment of $500,000 of the $550.0 million term loan. The net change in unrealized gain of $32,224 was primarily comprised of the reversal of unrealized foreign exchange losses in prior years of $29,761 on the extinguished portion of the $550.0 million term loan, and unrealized foreign exchange gains of $2,463 primarily related to the new $500.0 million unsecured senior notes issued in February 2021. In the first quarter of 2020 unrealized foreign exchange loss on borrowings related to the $550.0 million term loan.

7. Borrowings

	March 31, 2021			December 31, 2020		
	Principal	Carrying value (1)	Fair value (2)	Principal	Carrying value (1)	Fair value (2)
Secured Term Loan:						
1 Year Secured Term Loan, floating rate due June 28, 2021	50,000	49,874	50,000	550,000	547,228	550,000
Unsecured Senior Notes:						
5.0% Unsecured Senior Notes due February 26, 2028	500,000	496,393	497,500	—	—	—
Total borrowings	550,000	546,267	547,500	550,000	547,228	550,000

(1) Principal net of unamortized issue costs.

(2) Principal for the Secured Term Loan approximated fair value at March 31, 2021 and December 31, 2020. Fair value of the Unsecured Senior Notes was based principally on quoted market prices.

Unsecured Senior Notes

On February 26, 2021 the company completed an offering of $500.0 million principal amount of 5.0% unsecured senior notes due February 26, 2028 ("$500.0 million unsecured senior notes") at par for net proceeds after commissions and expenses of $496,350. Commissions and expenses of $3,650 were included in the carrying value of the notes. Fairfax, through its subsidiaries and associates, purchased $58,400 of the $500.0 million principal amount under the same terms as the other participants. Refer to note 12 for further details of amounts due to related parties.

At March 31, 2021 the $500.0 million unsecured senior notes were recognized net of unamortized issuance costs of $3,607 (issuance costs of $3,650 less amortization of $43) and recorded in borrowings within the consolidated balance sheets. The issuance costs are amortized over the remaining life of the $500.0 million unsecured senior notes and recorded in interest expense in the consolidated statements of earnings (loss).

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 was secured by way of a general lien on the company's assets and had an interest rate of LIBOR plus 350 basis points. On June 28, 2019 the company amended and restated the existing $550.0 million term loan and extended the maturity to June 26, 2020 while maintaining the interest rate and option to extend for an additional year. On June 26, 2020 the company amended the $550.0 million term loan to extend the maturity to June 28, 2021 at an interest rate of LIBOR plus 400 basis points while maintaining the option to extend for an additional year.

On March 1, 2021 the company used the net proceeds of the $500.0 million unsecured senior notes and cash to repay $500,000 of the $550.0 million term loan, which permanently reduced the term loan principal to $50,000 (the remaining term loan hereinafter referred to as the "$50.0 million term loan"). With the consent of the lenders, the cash amount previously held in the debt service reserve account to fund term loan interest payments was released to the company. At December 31, 2020 the cash held in the debt service reserve account was classified as restricted cash within the consolidated balance sheets. The maturity, interest rate and extension option of the $50.0 million term loan were unchanged.

At March 31, 2021 the $50.0 million term loan was recognized net of unamortized issuance costs of $126 (issuance costs of $5,545 less amortization of $3,739 and the release of unamortized issuance costs of $1,680 arising from the extinguishment of $500,000 of the $550.0 million term loan) (December 31, 2020 - $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 $50.0 million term loan and recorded in interest expense in the consolidated statements of earnings (loss).

The $50.0 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, 2021 the company was in compliance with the $50.0 million term loan financial covenant.

Interest Expense

In the first quarter of 2021 interest expense of $9,014 (2020 - $8,448) was comprised of interest expense related to coupon payments of $6,325 (2020 - $7,062), the amortization of issuance costs of $1,009 (2020 - $1,386) and the release of unamortized issuance costs of $1,680 (2020 - nil). At March 31, 2021 the company recognized accrued interest expense of $2,412 (December 31, 2020 - nil) within the consolidated balance sheets.

8. Common Shareholders' Equity

Common Stock

The number of shares outstanding was as follows:

	First quarter	
	2021	**2020**
Subordinate voting shares - January 1	119,470,571	122,631,481
Issuances of shares	546,263	—
Purchases for cancellation	(375,337)	(1,054,726)
Subordinate voting shares - March 31	119,641,497	121,576,755
Multiple voting shares - beginning and end of period	30,000,000	30,000,000
Common shares effectively outstanding - March 31	149,641,497	151,576,755

Capital transactions

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three year period ending on December 31, 2020). Under the terms of the Investment Advisory Agreement (defined in note 12), settlement of the performance fee was through the issuance of subordinate voting shares, calculated based on the performance fee payable at December 31, 2020 of $5,217 divided by 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 calculation period ("VWAP") of $9.55. Refer to note 12 for additional details on the settlement of the December 31, 2020 performance fee payable.

Purchase of Shares

During the first quarter of 2021, under the terms of the normal course issuer bid, the company purchased for cancellation 375,337 subordinate voting shares (2020 - 1,054,726) for a net cost of $4,106 (2020 - $10,641), of which $156 was charged to retained earnings (2020 - $461 was recorded as a benefit in retained earnings).

Automatic Share Purchase Plan

On September 28, 2020 the company entered into an automatic share purchase plan with a designated broker to allow for the purchase of subordinated voting shares under its normal course issuer bid at times when the company normally would not be active in the market. Such purchases are determined by the broker in its sole discretion based on parameters established by the company prior to commencement of the applicable trading black-out period. At March 31, 2021 the automatic share purchase plan gave rise to an obligation to repurchase shares of $10,000 (December 31, 2020 - nil) which was recorded as an automatic share purchase plan liability within the consolidated balance sheets.

Subsequent to March 31, 2021

Subsequent to March 31, 2021, under the terms of the automatic share purchase plan, 302,341 subordinated voting shares were purchased for cancellation on behalf of the company for a net cost of $3,818 and the automatic share purchase plan liability of $10,000 recognized at March 31, 2021 was reversed.

9. Net Earnings (Loss) per Share

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

	First quarter	
	2021	2020
Net earnings (loss) – basic and diluted	255,426	(253,809)
Weighted average common shares outstanding – basic	149,373,155	152,363,450
Contingently issuable subordinate voting shares	4,532,010	—
Weighted average common shares outstanding – diluted	153,905,165	152,363,450
Net earnings (loss) per common share – basic	$ 1.71	$ (1.67)
Net earnings (loss) per common share – diluted	$ 1.66	$ (1.67)

At March 31, 2021 there were an estimated 4,532,010 contingently issuable subordinate voting shares to Fairfax relating to the performance fee payable for the third calculation period (March 31, 2020 - nil related to the second calculation period). The performance fee for the third calculation period is assessed quarterly and relates to the three-year period from January 1, 2021 to December 31, 2023 (for the second calculation period - three-year period from January 1, 2018 to December 31, 2020). Under the terms of the Investment Advisory Agreement (defined in note 12), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares. The number of subordinate voting shares issued will be calculated based on the VWAP. Refer to note 12 for further details on performance fee.

10. Income Taxes

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

	First quarter	
	2021	2020
Current income tax:		
Current year expense	938	364
Adjustment to prior years' income taxes	(89)	—
	849	364
Deferred income tax:		
Origination and reversal of temporary differences	7,433	(12,551)
Provision for (recovery of) income taxes	8,282	(12,187)

A significant portion of the company's earnings (loss) before income taxes is 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).

On March 27, 2020 India enacted the Finance Act 2020 which amended the regulations pertaining to dividend income. Dividend income which was received by the company from an Indian company on or before March 31, 2020 was exempt from tax in India, while dividend income received by the company from an Indian company subsequent to March 31, 2020 will be taxable. The Indian company is liable to withhold the appropriate tax.

At March 31, 2021 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. In the first quarter of 2021 the company recorded deferred income taxes of $7,433 attributable to unrealized gains on the company's investments in equity shares acquired subsequent to April 1, 2017, primarily IIFL Wealth, CSB Bank, Seven Islands and Other Public Indian Investments, partially offset by a reversal of prior period deferred taxes recognized on the company's investment in 5paisa. In the first quarter of 2020 deferred income tax recovery of $12,551 was attributable to unrealized losses on the company's investments in equity shares acquired subsequent to April 1, 2017, primarily CSB Bank, Other Public Indian Investments and IIFL Wealth. 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.

The company's earnings (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 tables:

	First quarter					
	2021			2020		
	Canada	Mauritius	Total	Canada	Mauritius	Total
Earnings (loss) before income taxes	(10,703)	274,411	263,708	(39,538)	(226,458)	(265,996)
Provision for (recovery of) income taxes	—	8,282 (1)	8,282	—	(12,187) (2)	(12,187)
Net earnings (loss)	(10,703)	266,129	255,426	(39,538)	(214,271)	(253,809)

(1) Includes $7,433 deferred income taxes in India (primarily related to unrealized gains recorded in the first quarter of 2021 on IIFL Wealth, CSB Bank, Seven Islands and Other Public Indian Investments, partially offset by a reversal of prior period deferred taxes recognized on the company's investment in 5paisa) and $849 of Indian withholding taxes.

(2) Includes $12,551 deferred income tax recovery 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 decrease in loss before income taxes in Canada in the first quarter of 2021 compared to the first quarter of 2020 is primarily related to decreased foreign exchange losses on borrowings. Earnings before income taxes in Mauritius in the first quarter of 2021 compared to loss before income taxes in Mauritius the first quarter of 2020 primarily reflected increased net unrealized gains on the company's Public Indian Investments and dividend income, partially offset by a performance fee accrual in the first quarter of 2021 compared to a performance fee recovery the first quarter of 2020, increased net unrealized losses on the company's Private Indian Investments, increased investment and advisory fees and decreased interest income.

A reconciliation of the provision for (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	
	2021	2020
Canadian statutory income tax rate	26.5 %	26.5 %
Provision for (recovery of) income taxes at the Canadian statutory income tax rate	69,883	(70,489)
Tax rate differential on income earned and losses incurred outside of Canada	(78,265)	48,175
Recovery relating to prior years	(89)	—
Change in unrecorded tax benefit of losses and temporary differences	17,234	1,690
Foreign exchange effect	(483)	8,432
Other including permanent differences	2	5
Provision for (recovery of) income taxes	8,282	(12,187)

The tax rate differential on income earned outside of Canada of $78,265 in the first quarter of 2021 (2020 - tax rate differential on losses incurred outside of Canada of $48,175) principally reflected the impact of net investment income and losses taxed in India and Mauritius at lower rates.

The change in unrecorded tax benefit of losses and temporary differences of $17,234 in the first quarter of 2021 principally reflected changes in unrecorded deferred tax assets related to the temporary timing differences on performance fee and professional fees of $14,589, temporary timing differences on debt and equity issuance costs of $2,802, foreign accrual property losses of $2,787 with respect to the company’s wholly-owned subsidiaries, and the impact of foreign exchange of $1,195, partially offset by the utilization of net operating loss in Canada of $3,383 and the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $756 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 $1,690 in the first quarter of 2020 principally reflected changes in unrecorded deferred tax assets incurred related to the 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 difference 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. At March 31, 2021 deferred tax assets of $89,061 in Canada and $7,650 in India (December 31, 2020 - $71,268 in Canada and $8,410 in India) were not recorded as it was considered not probable that those losses could be utilized by the company.

Foreign exchange effect of $483 in the first quarter of 2021 (2020 - $8,432) 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 to the types of the company's risk exposures or the processes used by the company for managing those risk exposures at March 31, 2021 compared to those identified and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2020, 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. In particular, the rapid resurgence of COVID-19 cases in India reflecting a second wave of the pandemic has resulted in state government mandated partial lockdowns beginning in April 2021, which may contribute to greater uncertainty and delay the recovery of economic activity. 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, 2021 compared to December 31, 2020.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Typically, as interest rates rise, the fair value of fixed income investments decline and, conversely, as interest rates decline, the fair value 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, 2021 compared to December 31, 2020.

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 which the company believes to be reasonably possible in the current economic environment during COVID-19. This analysis was performed on each individual security, with the hypothetical effect on net earnings (loss).

	March 31, 2021			December 31, 2020		
	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	35,289	(294)	(1.1)%	35,373	(367)	(1.4)%
100 basis point increase	35,487	(148)	(0.6)%	35,621	(185)	(0.7)%
No change	35,689	—	—	35,873	—	—
100 basis point decrease	35,894	151	0.6 %	36,130	189	0.7 %
200 basis point decrease	36,101	304	1.2 %	36,392	381	1.4 %

(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, 2021 compared to December 31, 2020 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 and future cash flows of the company's equity investments.

The company's exposure to market price risk increased to $3,316,437 at March 31, 2021 from $2,991,775 at December 31, 2020 primarily as a result of unrealized gains on the Public Indian Investments (principally IIFL Finance, Privi Speciality, IIFL Wealth, CSB Bank, Fairchem Organics and Other Public Indian Investments), partially offset by unrealized losses on the Private Indian Investments (principally NCML), unrealized losses on Public Indian Investments (principally 5paisa) and the company's recognition of a derivative obligation for the Privi Speciality written call option. 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.

The company estimates the potential impact on net earnings (loss) from a 20% increase or decrease in the fair value of its Public Indian Investments (including derivatives) at March 31, 2021 to be a hypothetical increase or decrease in net earnings (loss) of $215,185 (December 31, 2020 - hypothetical increase or decrease in net earnings (loss) of $158,570). For the purpose of this sensitivity analysis, 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.

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, 2021 compared to December 31, 2020.

Cash and Cash Equivalents

At March 31, 2021 the company's cash and cash equivalents of $29,093 (December 31, 2020 - $22,057) were primarily held 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 an 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, 2021 the company's debt instruments were all considered to be subject to credit risk with a fair value of $35,689 (December 31, 2020 - $35,873), representing 1.1% (December 31, 2020 - 1.2%) of the total cash and investments portfolio (net of derivative obligation).

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

	March 31, 2021		December 31, 2020	
	Fair value	**Rating**	**Fair value**	**Rating**
Government of India bonds [1]	20,814	Baa3/BBB-	20,989	Baa3/BBB-
NCML CCD	14,875	Not rated	14,884	Not rated
Total bonds	35,689		35,873	

(1) Rated Baa3 by Moody's and BBB- by S&P at March 31, 2021 and December 31, 2020.

There were no significant changes to the company's exposure to credit risk from its investment in fixed income securities or 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, 2021 compared to December 31, 2020.

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, if any, 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, 2021 compared to December 31, 2020.

The undeployed cash and investments at March 31, 2021 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of an additional investment in Fairchem Organics, a commitment under the automatic share purchase plan, interest expense, investment and advisory fees, and general and administration expenses. At March 31, 2021 the company also had a principal repayment on the $50.0 million term loan coming due in June 2021 that can be extended for an additional year.

At March 31, 2021 the company's payment obligations which are due beyond one year primarily relate to the recurring nature of expenses described above and a principal redemption on the $500.0 million unsecured senior notes due in February 2028, which bears interest at a fixed rate of 5.0% per annum, payable in semi-annual installments. In addition, under the Investment Advisory Agreement (defined in note 12), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. At March 31, 2021 the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $1,110,034 and Government of India bonds with a fair value of $20,814. 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.

Subsequent to March 31, 2021

In connection with the 5paisa Preferential Share Rights Offer announced on April 13, 2021, the company committed to participate and acquire 898,816 equity shares of 5paisa on a preferential basis for 449.4 million Indian rupees ($6,147 at period end exchange rates). In connection with the offering, all shares held by existing shareholders prior to participating in the 5paisa Preferential Share Rights Offer have been locked-in from April 15, 2021 for a period of up to six months from the date trading approval is received. In addition, any shares acquired in the 5paisa Preferential Share Rights Offer will be locked in for one year. The transaction is subject to shareholder and regulatory approvals and is expected to close during the second quarter of 2021.

The company intends to invest up to 550.0 million Indian rupees (approximately $7 million at current exchange rates) in non-convertible debentures with an effective yield of 10.0% compounded annually to be issued by entities affiliated with Mahesh, subject to customary closing conditions and approvals and is expected to close in the second quarter of 2021.

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, 2021 and December 31, 2020 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at March 31, 2021 represented 99.2% (December 31, 2020 - 98.8%) of the total cash and investments portfolio (net of derivative obligation).

The company's holdings of Public and Private Indian Investments (see note 5) at March 31, 2021 and December 31, 2020 are summarized by the issuer's primary industry sector in the table below:

	March 31, 2021	December 31, 2020
Infrastructure	1,395,270	1,396,117
Financial services	1,037,195	788,384
Commercial and industrial	700,326	632,700
Ports and shipping	140,484	136,355
Utilities	58,037	53,103
	3,331,312	3,006,659

During the first quarter of 2021 the company's concentration risk in the infrastructure sector decreased slightly primarily due to unrealized foreign currency translation losses on the company's investment in BIAL. The company's concentration risk in the financial services sector increased primarily due to unrealized gains on the company's investments in IIFL Finance, IIFL Wealth, CSB Bank and financial service companies within Other Public Indian Investments, partially offset by unrealized losses on the company's investments in 5paisa and IIFL Securities. The company's concentration risk in the commercial and industrial sector increased primarily due to unrealized gains on the company's investments in Privi Speciality and Fairchem Organics, partially offset by the company's derivative obligation relating to the Privi Speciality written call option and unrealized losses on the company's investment in NCML common shares. The company's concentration risk in the ports and shipping sector increased primarily due to unrealized gains on the company's investments in Seven Islands. The company's concentration risk in the utilities sector increased primarily due to unrealized gains on the company's 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 increased at March 31, 2021 from December 31, 2020 principally as a result of net unrealized gains on investments, and dividend and interest income, partially offset by unrealized foreign currency translation losses, purchases of subordinate voting shares for cancellation, and investment and advisory fees. 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, 2021 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) increased to $3,237,421 at March 31, 2021 from $2,994,162 at December 31, 2020, principally reflecting an increase in common shareholders' equity, as described below.

Common shareholders' equity increased to $2,691,154 at March 31, 2021 from $2,446,934 at December 31, 2020 primarily reflecting net earnings of $255,426 and the issuance of subordinate voting shares to Fairfax to settle the December 31, 2020 performance fee payable of $5,217, partially offset by a commitment under the company's automatic share purchase plan recorded against common shareholders' equity of $10,000, purchases of subordinate voting shares for cancellation of $4,106, and unrealized foreign currency translation losses of $2,329 in the first quarter of 2021.

On February 26, 2021 the company completed an offering of $500.0 principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds after commissions and expenses of $496,350. On March 1, 2021 the company used the net proceeds of the $500.0 million unsecured senior notes and cash to repay $500,000 of the $550.0 million term loan. The remaining $50.0 million term loan maintains the maturity date of June 28, 2021, an option to extend for an additional year, and bears interest at a rate of LIBOR plus 400 basis points.

12. Related Party Transactions

Payable to Related Parties

The company's payable to related parties (excluding amounts related to unsecured senior notes discussed below) was comprised as follows:

	March 31, 2021	December 31, 2020
Performance fee	55,953	5,217
Investment and advisory fee	9,849	9,187
Other	—	24
	65,802	14,428

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

The performance fee is accrued quarterly and is calculated, on a cumulative basis, as 20% of any increase (including distributions) in book value per share (before factoring in the impact of the performance fee for the current calculation period) above a 5% per annum increase less any performance fees settled in prior calculation periods. On any date, book value per share is calculated as common shareholders' equity at the end of the reporting period, divided by the total number of common shares of the company effectively outstanding on that date. The amount of book value per share at any time which must be achieved before any performance fee would be payable is also referred to as the "hurdle per share".

Second Calculation Period

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three year period ending on December 31, 2020). Under the terms of the Investment Advisory Agreement, settlement of the performance fee was through the issuance of subordinate voting shares of the company as the market price per share was less than two times the then book value per share. The number of subordinate voting shares issued was calculated as the performance fee payable at December 31, 2020 of $5,217 divided by the VWAP of $9.55. The issuance of these subordinate voting shares, along with the purchases of subordinate voting shares for cancellation up to March 5, 2021, increased Fairfax's equity interest in Fairfax India from 28.0% at December 31, 2020 to 28.4% at March 5, 2021.

Third Calculation Period

The period from January 1, 2021 to December 31, 2023 (the "third calculation period") will be the next consecutive three-year period after December 31, 2020 for which a performance fee, if applicable, will be accrued. Under the Investment Advisory Agreement, if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares. If Fairfax elects to have the performance fee paid in subordinate voting shares, such election must be made no later than December 15, 2023. The number of subordinate voting shares to be issued will be calculated based on the VWAP.

At March 31, 2021 the company determined that there was a $55,953 performance fee accrual related to the third calculation period (December 31, 2020 - $5,217 performance fee payable related to the second calculation period). Performance fee of $56,123 was recorded in the consolidated statements of earnings (loss) in the first quarter of 2021 (first quarter of 2020 - performance fee recovery of $47,134 representing the reversal of the performance fee accrual at December 31, 2019).

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 2021 was $9,783 (2020 - $8,195).

Unsecured Senior Notes

Fairfax, through its subsidiaries and associates, purchased $58,400 of the $500.0 million unsecured senior notes under the same terms as the other participants. Amounts due to related parties related to the $500.0 million unsecured senior notes were comprised as follows:

	March 31, 2021	December 31, 2020
Principal portion, presented within borrowings on the consolidated balance sheet	58,400	—
Interest portion, presented within accrued interest expense on the consolidated balance sheet	276	—
	58,676	—

Interest expense recorded in the consolidated statements of earnings (loss) for the first quarter of 2021 includes $276 related to interest payable to related parties (2020 - nil). Refer to note 7 for further details on the $500.0 million unsecured senior notes.

Fairfax's Voting Rights and Equity Interest

At March 31, 2021 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2020 - 30,000,000) and 12,462,241 subordinate voting shares (December 31, 2020 - 11,915,978) of Fairfax India. At March 31, 2021 Fairfax's holdings of multiple and subordinate voting shares represented 93.4% of the voting rights and 28.4% of the equity interest in Fairfax India (December 31, 2020 - 93.4% and 28.0%).

13. General and Administration Expenses

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

	First quarter	
	2021	2020
Audit, legal and tax professional fees	738	498
Salaries and employee benefit expenses	457	330
Administrative expenses	210	126
Other	68	169
	1,473	1,123

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, 2021	December 31, 2020
Cash and term deposits with banks	19,093	22,057
U.S. treasury bills	10,000	—
	29,093	22,057

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	
	2021	2020
Purchases of investments		
Bonds	—	(38,214)
Common stocks	(2)	(28,613)
	(2)	(66,827)
Sales of investments		
Bonds	—	94,899
Common stocks	183	60
	183	94,959
Net interest and dividends received (paid)		
Net interest income received	145	3,920
Dividends received	11,374	6,783
Interest paid on borrowings	(1,886)	(7,064)
	9,633	3,639
Income taxes paid	1,053	193

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

Management's Discussion and Analysis of Financial Condition and Results of Operations
(as of April 29, 2021)
(Figures and amounts are in US$ and $ thousands except share and per share amounts and as otherwise indicated. Figures may not add due to rounding.)

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, 2021 and the company's 2020 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, 2021. 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) The MD&A contains references to "Cash provided by (used in) operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments", which provides a measure of the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of changes to restricted cash and purchases and sales of investments. This measure is not a standard measurement under IFRS and therefore may not be comparable to similar measures presented by other issuers.

(5) 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, 2021.

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, 2021 was $17.98 compared to $16.37 at December 31, 2020 representing an increase in the first quarter of 2021 of 9.8%, primarily reflecting net earnings of $255,426 (primarily related to net change in unrealized gains on investments and dividend income, partially offset by performance fees, investment and advisory fees, interest expense and provision for income taxes) partially offset by a commitment under the company's automatic share purchase plan recorded against common shareholders' equity of $10,000 and unrealized foreign currency translation losses of $2,329 in the first quarter of 2021.

The following narrative sets out the company's key business developments in the first quarter of 2021.

Capital Transactions

On June 26, 2020 the company amended its $550,000 principal amount, 1 year secured term loan ("550.0 million term loan") to extend the maturity from June 26, 2020 to June 28, 2021 at an interest rate of LIBOR plus 400 basis points (previously LIBOR plus 350 basis points), while maintaining an option to extend for an additional year. The $550.0 million term loan is secured by way of a general lien on the company's assets.

On February 26, 2021 the company completed an offering of $500.0 million principal amount of 5.0% unsecured senior notes due February 26, 2028 ("$500.0 million unsecured senior notes") at par for net proceeds after commissions and expenses of $496,350. On March 1, 2021 the company used the net proceeds of the $500.0 million unsecured senior notes and cash to repay $500,000 of the $550.0 million term loan, which permanently reduced the term loan principal to $50,000 (the remaining term loan hereinafter referred to as the "$50.0 million term loan"). With the consent of the lenders, the cash amount previously held in the debt service reserve account to fund term loan interest payments was released to the company.

For further details refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2021.

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three year period ending on December 31, 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, 2021), settlement of the performance fee was through the issuance of subordinated voting shares, calculated based on the performance fee payable at December 31, 2020 of $5,217 divided by the volume-weighted average trading price of the company's subordinated voting shares for the 10 trading days prior to and including the last day of the calculation period ("VWAP") of $9.55.

During the first quarter of 2021, under the terms of the normal course issuer bid, the company purchased for cancellation 375,337 subordinate voting shares (2020 - 1,054,726) for a net cost of $4,106 (2020 - $10,641), of which $156 was charged to retained earnings (2020 - $461 was recorded as a benefit in retained earnings).

Subsequent to March 31, 2021

Subsequent to March 31, 2021, under the terms of the automatic share purchase plan, 302,341 subordinated voting shares were purchased for cancellation on behalf of the company for a net cost of $3,818 and the automatic share purchase plan liability of $10,000 recognized at March 31, 2021 was reversed.

Indian Investments

Full descriptions of the Indian Investments committed to and acquired in the first quarter of 2021 are provided in the Indian Investments section of this MD&A.

Operating Environment

COVID-19 Pandemic

The first quarter of 2021 continues to be impacted by the global COVID-19 pandemic. Governments worldwide responded to the pandemic 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 2021) published by the International Monetary Fund ("IMF") global GDP was estimated to have contracted by 3.3% in 2020 (less severe than earlier estimates). Global growth is projected at 6.0% in 2021 and 4.4% in 2022, which has been revised upward from the previous forecast reflecting expectations of a vaccine-powered strengthening of activity and additional policy support. Financial conditions have tightened sharply during the pandemic and emerging markets faced unprecedented withdrawals of foreign capital at the start of the crisis, which increased sovereign borrowing costs and placed a strain on the ability of many emerging market countries to fight the public health emergency.

India's Response to the COVID-19 Pandemic

On March 25, 2020 the Indian government ordered a nationwide lockdown in an effort to contain the spread of COVID-19, which was lifted in phases beginning May 31, 2020 for districts that were deemed safe and remains in place for containment zones until April 30, 2021 by federal mandate (and will likely extend further as the COVID-19 pandemic continues to evolve) ("India's lockdown"). Following a period of improving infection rates and declining daily cases from the second half of 2020 and into the first quarter of 2021, a rapid resurgence in active cases emerged in late March 2021, which resulted in the country entering a second wave of the pandemic. In April 2021 India was ranked second globally in the number of COVID-19 cases after the United States, having surpassed 18 million cases compared to approximately 12 million at the end of March 2021. The unprecedented surge of the second wave in India has led state governments to reinstate partial lockdowns beginning April 2021, which may impart greater uncertainty and delay the recovery of economic activity. The situation continues to evolve as the World Health Organization and several countries have pledged to assist with urgent medical aid to help mitigate the effects of the second wave in India.

India’s vaccination drive has continued to progress since its launch on January 16, 2021. In an effort to control the record infection rates during the second wave, the Indian government has expanded the vaccination drive to include all adults over the age of 18 beginning May 1, 2021. On April 19, 2021 the Indian government approved approximately 46 billion Indian rupees in emergency funding to boost domestic vaccine production capacity to achieve this goal. As part of the 2021 Union Budget of India the Indian government budgeted 350 billion Indian rupees towards the implementation of the COVID-19 vaccination program and committed to provide further funds if needed.

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, with GDP contracting 23.9% in the first quarter of its fiscal year 2021 (April to June 2020) compared to the first quarter of its fiscal year 2020. A faster than expected recovery in the second half of 2020 resulted in a significantly softer contraction estimated for the fiscal year. In its April 2021 report the IMF estimated that the Indian economy contracted by 8.0% for the 2020-21 fiscal year and forecasted a strong rebound of 12.5% for the 2021-22 fiscal year. These forecasts may, however, be impacted by the recent resurgence of COVID-19 cases and the re-introduction of lockdown restrictions in April 2021, discussed above.

The intermittent local lockdowns and restrictions to businesses and movement of labour will continue to negatively impact the Indian economy. Travel restrictions have reduced demand for domestic and international travel, impacting various industries such as airlines, hospitality and retail.

In response to the economic downturn, the Indian government has introduced to date, approximately 30.0 trillion Indian rupees of economic monetary stimulus, making up approximately 15% of India's GDP, which aims to ease the economic and social hardships for businesses and individuals impacted by the COVID-19 pandemic and set a path to recovery. The economic stimulus packages included liquidity support through loans and guarantees for stressed sectors, equity injections into financial institutions and the electricity sector, production-linked incentives to boost manufacturing capabilities and enhance exports, and housing and infrastructure incentives to encourage urbanization. The 2021 Union Budget of India released on February 1, 2021 similarly focused on supporting the momentum of India's economic recovery. The budget placed major emphasis on infrastructure spending, including healthcare and agriculture, stabilization of the financial sector, education and innovation. Tax incentives will be granted to infrastructure, real estate and start-up investments which are expected to encourage more private investments in these sectors and stimulate India's economic growth.

During 2020 the Reserve Bank of India ("RBI") announced a number of measures to ease liquidity such as cutting interest rates by a cumulative 115 basis points throughout the year, providing financial institutions access to more liquidity, and allowing financial institutions to grant loan moratoriums for debt servicing payments due March 1, 2020 up to the extended date of August 31, 2020, and allowed lenders to execute a one-time restructuring of loans with borrowers experiencing financial stress on account of COVID-19. Despite a surplus in system liquidity, constrained lending has resulted in liquidity pressures across many business sectors. In April 2021 the RBI maintained that its accommodative stance on monetary policy is expected to continue as long as necessary to sustain growth on a durable basis and the impact of COVID-19 on the economy is mitigated. On September 3, 2020 the Supreme Court of India issued an interim order for lenders to continue classifying loans which were granted moratorium until August 31, 2020 as standard assets for loan provisioning purposes. This order was lifted effective March 23, 2021 which is expected to result in an increase in reported non-performing assets in the Indian lending system.

Indian Market Indices and Foreign Exchange Rate

In the first quarter of 2020 Indian equity markets experienced significant declines with the S&P BSE Sensex 30 falling 32.6%. The sell-off of Indian equities during this period 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 S&P BSE Sensex 30 has since recovered beyond pre-pandemic levels and reached new milestone highs in the first quarter of 2021, resulting in a growth of 13.1% during 2020, and continued growth of 3.6% in the first quarter of 2021. The Indian rupee similarly declined by 5.6% during the first quarter of 2020, and has strengthened by 3.5% year over year, with the net decline consistent with declines observed in other emerging market currencies. The declines in equity markets and emerging market currencies are primarily attributable to higher risk aversion in global financial markets, leading to a "flight to quality", with the subsequent recovery reflective of increased appetite for risk amid positive news on development of the COVID-19 vaccine and better than expected GDP growth estimates. The second wave of the pandemic may contribute to increased volatility within the Indian equity markets and the Indian rupee in the subsequent period.

Consistent with Indian equity markets, the fair values of the company's Public Indian Investments declined sharply in the first quarter of 2020 followed by partial recovery throughout the course of the pandemic. The company also recorded unrealized foreign currency translation losses consistent with the decline in the Indian rupee as the company's net assets and net earnings are primarily denominated in Indian rupees.

The company's Indian Investments faced varying degrees of business disruption as a result of the response to the COVID-19 pandemic. While the company's valuation techniques for Private Indian Investments remained primarily unchanged during the first quarter of 2021 the development of 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 increased at March 31, 2021 from December 31, 2020 principally as a result of net unrealized gains on investments, and dividend and interest income, partially offset by unrealized foreign currency translation losses, purchases of subordinate voting shares for cancellation, and investment and advisory fees.

The company intends 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, 2021 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, Sanmar Chemicals Group, Bangalore International Airport Limited and CSB Bank (collectively, "Significant Indian Investments"), for which the company had previously filed business acquisition reports, prepared 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:

	Dates Acquired	March 31, 2021 Ownership %	Cost	Fair value	Net change	December 31, 2020 Ownership %	Cost	Fair value	Net change
Public Indian Investments:									
Common stocks:									
IIFL Finance	December 2015 and February 2017	22.3%	—	327,446	327,446	22.4%	—	131,478	131,478
IIFL Wealth	May 2019	13.8%	191,443	202,923	11,480	13.8%	191,443	166,702	(24,741)
IIFL Securities	May 2019	27.9%	91,310	53,947	(37,363)	26.5%	91,310	55,603	(35,707)
CSB Bank	October 2018, March and June 2019	49.7%	169,447	229,551	60,104	49.7%	169,447	214,341	44,894
Privi Speciality	February and August 2016	48.8%	39,489	223,964	184,475	48.8%	39,489	138,413	98,924
Fairchem Organics	August 2020 and March 2021	48.8%	34,897	64,711	29,814	48.8%	34,895	54,566	19,671
5paisa	October 2017 and August 2019	26.5%	23,535	23,153	(382)	26.6%	23,535	27,788	4,253
Other	March and August 2018, March to June 2020, August 2020	< 1.0%	107,734	160,095	52,361	< 1.0%	107,734	147,604	39,870
Derivatives:									
Fairchem Organics forward purchase derivative	March 2021	—	—	5,409	5,409	—	—	—	—
Privi Speciality written call option	March 2021	—	—	(26,681)	(26,681)	—	—	—	—
			657,855	1,264,518	606,663		657,853	936,495	278,642
Private Indian Investments:									
NCML CCD	October 2019	—	13,970	14,875	905	—	13,970	14,884	914
Common stocks:									
BIAL [(1)]	March and July 2017, May 2018	54.0%	652,982	1,395,270	742,288	54.0%	652,982	1,396,117	743,135
Sanmar	April 2016 and December 2019	42.9%	199,039	338,275	139,236	42.9%	199,039	338,621	139,582
Seven Islands	March, September and October 2019	48.5%	83,846	107,453	23,607	48.5%	83,846	103,543	19,697
NCML	August 2015 and August 2017	89.5%	174,318	79,773	(94,545)	89.5%	174,318	86,216	(88,102)
Saurashtra	February 2017	51.0%	30,018	33,031	3,013	51.0%	30,018	32,812	2,794
NSE	July 2016	1.0%	26,783	72,571	45,788	1.0%	26,783	72,617	45,834
IH Fund	January and November 2019, December 2020	—	23,915	25,546	1,631	—	24,098	25,354	1,256
			1,204,871	2,066,794	861,923		1,205,054	2,070,164	865,110
Total Indian Investments			1,862,726	3,331,312	1,468,586		1,862,907	3,006,659	1,143,752

(1) 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 quarter of 2021 is as follows:

	First quarter					
	2021					
	Balance as of January 1	Purchases	Sales	Net change in unrealized gains (losses) on investments	Net unrealized foreign currency translation gains (losses)	Balance as of March 31
Public Indian Investments:						
Common stocks:						
IIFL Finance	131,478	—	—	196,647	(679)	327,446
IIFL Wealth	166,702	—	—	36,436	(215)	202,923
IIFL Securities	55,603	—	—	(1,626)	(30)	53,947
CSB Bank	214,341	—	—	15,393	(183)	229,551
Privi Speciality (formerly Fairchem)	138,413	—	—	85,900	(349)	223,964
Fairchem Organics	54,566	2	—	10,209	(66)	64,711
5paisa	27,788	—	—	(4,631)	(4)	23,153
Other	147,604	—	—	12,623	(132)	160,095
Derivatives:						
Fairchem Organics forward purchase derivative	—	—	—	5,425	(16)	5,409
Privi Speciality written call option	—	—	—	(26,762)	81	(26,681)
Total Public Indian Investments	936,495	2	—	329,614	(1,593)	1,264,518
Private Indian Investments:						
Bonds - NCML CCD	14,884	—	—	—	(9)	14,875
Common stocks:						
BIAL	1,396,117	—	—	36	(883)	1,395,270
Sanmar	338,621	—	—	(132)	(214)	338,275
Seven Islands	103,543	—	—	3,987	(77)	107,453
NCML	86,216	—	—	(6,408)	(35)	79,773
Saurashtra	32,812	—	—	240	(21)	33,031
NSE	72,617	—	—	—	(46)	72,571
IH Fund	25,354	—	(183)	391	(16)	25,546
Total Private Indian Investments	2,070,164	—	(183)	(1,886)	(1,301)	2,066,794
Total Indian Investments	3,006,659	2	(183)	327,728	(2,894)	3,331,312

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

	First quarter					
	2020					
	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**
Public Indian Investments:						
Common stocks:						
IIFL Finance	166,014	—	—	(77,093)	(6,127)	82,794
IIFL Wealth	191,476	—	—	(22,410)	(9,871)	159,195
IIFL Securities	48,796	—	—	(11,798)	(2,258)	34,740
CSB Bank	229,262	—	—	(105,404)	(8,506)	115,352
Fairchem (1)	127,413	—	—	(16,428)	(6,504)	104,481
5paisa	18,176	—	—	(7,625)	(705)	9,846
Other	95,892	30,677	—	(37,304)	(4,113)	85,152
Total Public Indian Investments	877,029	30,677	—	(278,062)	(38,084)	591,560
Private Indian Investments:						
Bonds - NCML CCD	14,286	—	—	234	(817)	13,703
Common stocks:						
BIAL	1,429,854	—	—	114	(80,769)	1,349,199
Sanmar	412,930	—	—	(8,714)	(22,957)	381,259
Seven Islands	88,800	—	—	386	(5,032)	84,154
NCML	120,734	—	—	(1,581)	(6,753)	112,400
Saurashtra	31,204	—	—	(1,216)	(1,711)	28,277
NSE	57,210	—	—	13,484	(3,800)	66,894
IH Fund	15,146	—	(60)	344	(866)	14,564
Total Private Indian Investments	2,170,164	—	(60)	3,051	(122,705)	2,050,450
Total Indian Investments	3,047,193	30,677	(60)	(275,011)	(160,789)	2,642,010

(1) On August 12, 2020 as part of the Fairchem Reorganization, Fairchem spun off Fairchem Organics, a private company whose shares were subsequently listed on the BSE and NSE of India on December 24, 2020. Concurrent with the spin off transaction, Privi Organics merged with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India.

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 certain CSB Bank common shares subject to 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 retail investment brokerage, institutional equities, investment banking and financial product distribution) and a non-banking financial company ("NBFC").

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.

In May 2019 IIFL Holdings spun off its wholly-owned subsidiary IIFL Securities Limited ("IIFL Securities") and its 53.3% equity interest in its subsidiary IIFL Wealth Management Limited ("IIFL Wealth") in a non-cash transaction (the "IIFL Holdings Reorganization"). The transaction resulted in a return of capital which exceeded Fairfax India's cost basis in IIFL Holdings based on the estimated fair values of IIFL Securities and IIFL Wealth at the date of the transaction 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.

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 was decreased to 22.4% at March 30, 2020.

At March 31, 2021 the company held 84,641,445 common shares of IIFL Finance representing a 22.3% equity interest (December 31, 2020 - 22.4%).

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, 2020 IIFL Finance had the largest presence amongst retail focused NBFCs with 2,439 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, gold loans, small business loans, and microfinance. As part of its capital optimization strategy, IIFL Finance focuses on originating assets that meet bank credit underwriting standards and are Priority Sector Lending compliant, enabling growth of its assigned and securitized loan book while managing liquidity and credit risk. In addition, IIFL Finance has entered into various bank partnerships for the co-lending, sourcing and servicing of loans. These partnerships provide the banks with access to IIFL Finance's vast branch network and segment experience to originate and service loans, while allowing IIFL Finance to scale its customer base and leverage capital more efficiently.

At December 31, 2020 IIFL Finance managed assets worth approximately 423 billion Indian rupees (approximately $6 billion) comprised of home loans (32%), gold loans (29%), business loans (18%), construction and real estate finance (10%), microfinance (9%) and capital market finance (2%).

In January 2021 IIFL Finance announced plans for the transfer of its construction and real estate loan assets to an Alternate Investment Fund ("AIF"). Subject to the completion of due diligence, the AIF is expected to comprise 33.3% sponsor contribution from IIFL Finance, 33.3% contribution from a renowned global alternate investment manager who has signed a binding agreement with IIFL Asset Management Limited (a subsidiary of IIFL Wealth), and remaining contribution from other investors. The AIF has a target size of 36 billion Indian rupees (approximately $0.5 billion) for the secondary purchase of non-convertible debentures of real estate projects and providing additional liquidity for the projects' completion.

COVID-19 Impact

IIFL Finance continued to operate as financial services are considered essential services under India's lockdown guidelines. IIFL Finance has shifted its strategy to focus on optimizing capital through the origination of secured retail loans suitable for assignment and bank partnerships, while accelerating its technology integration to improve efficiencies, reduce costs and enhance customer engagement.

As discussed in the Business Developments section under the heading Operating Environment of this MD&A, the RBI introduced several measures to assist borrowers facing financial difficulty on account of COVID-19, including a moratorium period on the collection of principal and interest payments on term loans and a one-time debt restructuring option, while allowing lenders to continue classifying loans as standard assets for loan impairment provisioning purposes. IIFL Finance has been sufficiently capitalized to withstand the liquidity pressures arising from measures implemented by the RBI. Collection efficiency has also improved considerably to pre-pandemic levels as the economy re-opened. However, IIFL Finance's asset quality metrics may be impacted as the benefit of the standard asset classification standstill is lifted.

IIFL Finance continued to source long term funding during the pandemic primarily through term loans and refinancing from banks, private and public issuances of non-convertible debentures, as well as incremental funding through the assignment and securitization of loans.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2021 the fair value of the company's investment in IIFL Finance was $327,446 (December 31, 2020 - $131,478). The changes in fair value of the company's investment in IIFL Finance for the first quarters of 2021 and 2020 are presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Finance's share price increased by 149.2% from 113.50 Indian rupees per share at December 31, 2020 to 282.85 Indian rupees per share at March 31, 2021.

In the first quarter of 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Finance of $3,484 (2020 - $2,628).

IIFL Finance's Summarized Financial Information

IIFL Finance's fiscal year ends on March 31. Summarized below are IIFL Finance's balance sheets at December 31, 2020 and March 31, 2020.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2020(1)	March 31, 2020(1)
Financial assets	4,891,579	4,378,051
Non-financial assets	194,015	161,342
Financial liabilities	4,324,825	3,886,568
Non-financial liabilities	44,594	22,880
Shareholders' equity	716,175	629,945

(1) *The net assets of IIFL Finance were translated at December 31, 2020 at $1 U.S dollar = 73.07 Indian rupees and at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Financial assets increased primarily reflecting incremental proceeds from financing, as well as increased growth in IIFL Finance's loan book, particularly in gold loans, home loans and the microfinance segment, partially offset by a decrease in construction and real estate loans and increased loan loss provisioning. Non-financial assets increased primarily due to increased deferred tax assets and other sundry advances. Financial liabilities increased primarily attributable to additional financing from term loans, partially offset by the redemption of debt securities. Non-financial liabilities increased primarily due to increases in current tax liabilities and advances from customers.

Summarized below are IIFL Finance's statements of earnings for the nine months ended December 31, 2020 and 2019.

Statements of Earnings

(unaudited - US$ thousands)

	Nine months ended December 31, 2020[(1)]	**Nine months ended December 31, 2019**[(1)(2)]
Revenue	581,358	509,233
Earnings before income taxes	91,638	100,969
Net earnings	68,706	63,166

(1) *Amounts for the nine months ended December 31, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 74.66 Indian rupees and $1 U.S. dollar = 70.38 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 and effects of the merger with India Infoline.*

IIFL Finance's revenue increased primarily reflecting an increase in interest and other income arising from higher assets under management, particularly across higher yielding segments such as gold loans and microfinance which increased 61% and 33% respectively over the comparative period. Earnings before income taxes decreased primarily due to incremental loan loss provisioning during the nine month period ended December 31, 2020, principally arising from the impact of the COVID-19 pandemic. The above was partially offset by the increase in interest income as noted above and decreased operating expenses as a result of cost optimization efforts implemented by IIFL Finance's management. Net earnings increased primarily as a result of the reversal of previously recognized deferred tax assets of 1.0 billion Indian rupees (approximately $14 million) in the comparative period.

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

In May 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 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, 2021 the company held 12,091,635 common shares of IIFL Wealth representing a 13.8% equity interest (December 31, 2020 - 13.8%).

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 and credit solutions. IIFL Wealth has a presence in 29 locations across 6 countries and continues to be one of India's leading fund managers 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), with rising new wealth creators fueled by innovative startups, family businesses with strong professional management and the demographic advantage of a very large and young mass affluent segment. In 2019 it was estimated that there were over 260,000 ultra high and high net worth households, with significant growth expected of both the number of wealthy Indians and their affluence.

In 2020 IIFL Wealth launched IIFL One, a service offering that institutionalizes the complete 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 and open disclosures. IIFL Wealth will endeavour, over the course of the next few years, to grow this model to be the primary engagement model with clients over the historical broker/dealer distribution model where commissions were earned on a transaction by transaction basis. IIFL Wealth aims 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, leading to a more stable annual recurring revenue model.

At December 31, 2020 the wealth management business had assets under management ("AUM") of 1,682 billion Indian rupees (approximately $23 billion) and the asset management business had AUM of 323 billion Indian rupees (approximately $4 billion). The total AUM included annual recurring revenue assets of 905 billion Indian rupees (approximately $12 billion).

COVID-19 Impact

IIFL Wealth continued to operate as financial services are considered essential services under India's lockdown guidelines.

IIFL Wealth continues to monitor the impact of COVID-19 on the economic environment and changes in client sentiment or investment behaviour. During the period, the business completed stringent review of client risk profiles, focusing on long term portfolio construction. 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, 2021 the fair value of the company's investment in IIFL Wealth was $202,923 (December 31, 2020 - $166,702) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Wealth's share price increased by 21.8% from 1,007.35 Indian rupees per share at December 31, 2020 to 1,227.00 Indian rupees per share at March 31, 2021.

In the first quarter of 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Wealth of $4,976 (2020 - $1,669).

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

In May 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 of $91,310 (approximately 6.4 billion Indian rupees), which was determined 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, 2021 the company held 84,641,445 common shares of IIFL Securities representing a 27.9% equity interest (December 31, 2020 - 26.5%). The increase in equity interest during the period was the result of the purchase and cancellation of common shares by IIFL Securities, discussed further below.

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' trading interfaces have continued to gain traction and popularity, including mobile applications IIFL Markets and IIFL Mutual Funds which are widely used and highly rated, as well as the Advisor Anytime Anywhere ("AAA") mobile office platform for the growing sub-broker segment. At December 31, 2020 IIFL Securities had assets under management of 387 billion Indian rupees (approximately $5 billion).

IIFL Securities' institutional broking franchise business services over 700 domestic and foreign clients, and provides comprehensive research coverage over 225 stocks in more than 20 sectors, which account for over 80% of India's market capitalization. The investment banking business closed 19 transactions in 2020 across the capital markets and advisory business segments, despite volatile market conditions, and has a number of transactions in the pipeline.

On February 15, 2021 IIFL Securities completed a buy-back offer of equity shares from its shareholders which commenced in December 2020. The buy-back resulted in the purchase and cancellation of 17,000,394 common shares of IIFL Securities for 867 million Indian rupees (approximately $12 million). The company did not tender any shares and as a result, its equity interest in IIFL Securities increased from 26.5% at December 31, 2020 to 27.9% on completion of the buy-back offer.

On February 24, 2021 IIFL Securities was announced as the successful bidder for the transfer of electronic securities holding accounts ("demat accounts") held by another Indian stock broking and depository participant services company. As part of the transaction, IIFL Securities acquired 1.1 million demat accounts which will increase its customer base and total assets under management. The demat accounts had a custody value of approximately 3.0 trillion Indian rupees (approximately $41 billion) at January 31, 2021.

COVID-19 Impact

IIFL Securities continued to operate as financial services are considered essential services under India's lockdown guidelines. During the lockdown period, IIFL Securities' technology platforms continued to provide uninterrupted service and the account opening process was transitioned to be completely digitized.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2021 the fair value of the company's investment in IIFL Securities was $53,947 (December 31, 2020 - $55,603) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Securities' share price decreased by 2.9% from 48.00 Indian rupees per share at December 31, 2020 to 46.60 Indian rupees per share at March 31, 2021.

In the first quarter of 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Securities of $1,161 (2020 - $2,336).

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 512 branches and 319 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. 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%.

On March 30, 2021 CSB Bank issued an additional 30,000 shares to CSB Bank's employee stock option trust and Fairfax India's ownership remained at 49.7%.

The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period to August 7, 2024 due to restrictions imposed by the RBI and the Securities and Exchange Board of India ("SEBI").

As a result of CSB Bank's IPO the company was restricted from selling 17,372,952 of its shares of CSB Bank for one year from the IPO closing. On December 2, 2020 the selling restriction on 16,880,645 common shares of CSB Bank held by the company was released and the difference of 492,307 common shares remain restricted. The remaining 69,382,331 common shares of CSB Bank held by the company continue to be restricted until August 7, 2024.

At March 31, 2021 the company held 86,262,976 common shares representing a 49.7% equity interest (December 31, 2020 - 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.

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. CSB opened 101 branches during its fiscal year ended March 31, 2021.

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

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. CSB Bank has a stable deposit franchise which remains largely unaffected by the COVID-19 pandemic and deposit inflows remain positive despite interest rate reductions 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 the RBI, the cost of funds for CSB Bank has decreased resulting in healthy lending spreads and a sustainable net interest income growth.

On March 27, 2020 the RBI permitted all banks and NBFCs to defer the collection of principal and interest payments on all term loans outstanding on March 1, 2020 by three months to May 31, 2020, and on May 22, 2020 the RBI extended the deferral by another three months to August 31, 2020. CSB Bank had sufficient capital and adequate investments which allowed it to withstand liquidity pressures from the moratorium on loan payments.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2021 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 20.5% on the remaining common shares subject to selling restrictions (December 31, 2020 - 20.9%). At March 31, 2021 the fair value of the company's investment in CSB Bank was $229,551 (December 31, 2020 - $214,341) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. CSB Bank's share price increased by 6.8% from 218.20 Indian rupees per share at December 31, 2020 to 233.00 Indian rupees per share at March 31, 2021.

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, 2020 and March 31, 2020.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2020[(1)]	March 31, 2020[(1)]
Financial assets	2,795,310	2,339,259
Non-financial assets	150,562	162,116
Financial liabilities	2,589,003	2,205,370
Non-financial liabilities	56,473	44,961
Shareholders' equity	300,396	251,044

(1) The net assets of CSB Bank were translated at December 31, 2020 at $1 U.S dollar = 73.07 Indian rupees and at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets increased primarily as a result of increased loans and advances to customers, investment securities and cash balances with proceeds from increased borrowings and deposits from customers. Non-financial assets decreased primarily as a result of deferred tax expense in the current period resulting in decreased deferred tax assets. Financial liabilities increased primarily as a result of increased savings and term deposits from customers and increased borrowings. Non-financial liabilities increased primarily as a result of increased acceptances and endorsements, and other payables.

Summarized below are CSB Bank's statements of earnings for the nine months ended December 31, 2020 and 2019.

Statements of Earnings
(unaudited - US$ thousands)

	Nine months ended December 31, 2020[(1)]	Nine months ended December 31, 2019[(1)]
Revenue	131,868	84,060
Earnings before income taxes	60,758	18,642
Net earnings	45,500	12,178

(1) Amounts for the nine months ended December 31, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 74.66 Indian rupees and $1 U.S. dollar = 70.38 Indian rupees prevailing during those periods.

Revenue increased primarily as a result of an increase in net interest income due to higher yielding advances, increased investments and reduced cost of deposits. Earnings before income taxes and net earnings for the nine months ended December 31, 2020 increased primarily reflecting increased revenue as discussed above and reduced cost-income ratio excluding provision for expected credit losses (40.0% for the nine months ended December 31, 2020 compared to 60.9% for the nine months ended December 31, 2019).

Investment in Fairchem Speciality Limited / Privi Speciality Chemicals Limited

Fairchem Speciality Limited

Business Overview

Fairchem Speciality Limited ("Fairchem") was 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 located in Mumbai, India, was a supplier of aroma chemicals to the fragrance industry.

Transaction Description

In March 2017 Fairchem and Privi were merged with the surviving entity continuing as Fairchem and with no changes to management of the underlying companies. Upon closing of the merger of Fairchem and Privi, the company acquired a 48.8% equity interest in Fairchem for aggregate cash consideration of $74,384 (approximately 5.0 billion Indian rupees).

On August 12, 2020 Fairchem spun off its wholly-owned subsidiary Fairchem Organics Limited ("Fairchem Organics", comprised of the oleochemicals and neutraceuticals businesses) in a non-cash transaction ("Fairchem Reorganization"). Shareholders of Fairchem received one common share of Fairchem Organics for every three Fairchem common shares held. The distribution of new common shares to Fairchem shareholders was characterized as a return of capital and resulted in the company recording the initial cost of its investment in Fairchem Organics at its estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees).

Concurrent with the spin off transaction, Privi amalgamated with the remaining Fairchem business and renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India. Common shares of Fairchem Organics listed on the BSE and NSE of India on December 24, 2020.

Privi Speciality Chemicals Limited

Business Overview

Privi Speciality is a publicly traded specialty chemical manufacturer located in Mumbai, India. Privi Speciality is a supplier of aroma chemicals to the fragrance industry. Privi Speciality'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 Speciality has four manufacturing facilities located in Mahad, Maharashtra and a manufacturing facility located in Jhagadia, Gujarat.

Transaction Description

At March 31, 2021 the company held 19,046,078 common shares, representing a 48.8% equity interest in Privi Speciality (December 31, 2020 - 48.8%).

On May 22, 2019 Fairfax India entered into a call option agreement with certain affiliates of Mahesh Babani ("Mahesh") and D B Rao (together, the "Privi Group") whereby the company agreed to sell 3,841,908 of its equity shares of Privi Speciality (representing a 9.84% equity interest) for an amount equal to the amount to be paid by the company to acquire 2,330,758 equity shares of Fairchem Organics from Privi Group with a long-stop date of June 30, 2021. The company recognized the Privi Speciality written call option derivative during the first quarter of 2021 as a result of the significant conditions precedent to the agreement being met upon the completion of Fairchem Organics' open offer.

Subsequent to March 31, 2021

On April 22, 2021 the company amended the call option agreement with the Privi Group and entered into an agreement with Mahesh to sell its 48.8% equity interest in Privi Speciality for 12.2 billion Indian rupees ($164.8 million at current exchange rates). The company completed the sale on April 29, 2021. As a result, the company expects to record a realized gain since inception on its investment in Privi Speciality of approximately $134 million at current exchange rates. The company intends to invest up to 550.0 million Indian rupees (approximately $7 million at current exchange rates) in non-convertible debentures with an effective yield of 10.0% compounded annually to be issued by entities affiliated with Mahesh, subject to customary closing conditions and approvals and is expected to close in the second quarter of 2021.

Key Business Drivers, Events and Risks

Privi Speciality'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.

On March 24, 2021 Privi Speciality's insurance company finalized the insurance claim totaling 1,449 million Indian rupees (approximately $19.8 million at period end exchange rates) in relation to its April 2018 manufacturing facilities fire. Privi Speciality received the balance payment on April 7, 2021. Privi Speciality has fully reinstated its manufacturing facilities affected by the fire.

COVID-19 Impact

Privi Speciality was required to temporarily stop operations at the onset of India's lockdown. Privi Speciality gradually resumed operations and on April 7, 2020 restarted operations at its last plant. From June 2020 onwards sales and operations returned to levels prior to COVID-19. Privi Speciality's management is actively monitoring its liquidity situation and has no significant, immediate short term liquidity needs.

Valuation and Interim Consolidated Financial Statement Impact

Privi Speciality Common Shares

At March 31, 2021 the fair value of the company's investment in Privi Speciality common shares was $223,964 (December 31, 2020 - $138,413) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. Privi Speciality's share price increased by 61.9% from 531.00 Indian rupees per share at December 31, 2020 to 859.75 Indian rupees per share at March 31, 2021.

Privi Speciality Written Call Option Derivative

At March 31, 2021 the company's estimated fair value of the Privi Speciality written call option derivative obligation of $26,681 (December 31, 2020 - nil) was based on an option pricing model and is presented in derivative obligation within the consolidated balance sheet. The changes in the fair value of the company's investment in the Privi Speciality written call option derivative for the first quarter of 2021 are presented in the table at the outset of the Indian Investments section of this MD&A.

Investment in Fairchem Organics Limited

Business Overview

Fairchem Organics is a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem Organics 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 and corn oils into valuable neutraceutical and fatty acids.

Transaction Description

On August 12, 2020 Fairchem spun off its wholly-owned subsidiary Fairchem Organics in a non-cash transaction that resulted in Fairfax India receiving one common share of Fairchem Organics for every three Fairchem common shares held. Upon completion of the Fairchem Reorganization, Fairfax India received 6,348,692 common shares of Fairchem Organics representing 48.8% equity interest with an estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees) which was estimated based on the company's internal market approach valuation model which referenced the earnings multiple of a peer group of comparable companies. The distribution of new common shares of Fairchem Organics to Fairchem shareholders was characterized as a return of capital which resulted in Fairfax India recording the initial cost of its investment in Fairchem Organics at its fair value at that date.

On December 24, 2020 common shares of Fairchem Organics were listed on the BSE and NSE of India. At the time of listing and in accordance with Indian regulations, as a result of the anticipated changes in ownership of Fairchem Organics, the company announced an open offer for the acquisition of up to 3,377,953 common shares, representing the entire public float or 25.9% of the issued and outstanding shares, at a price of 575.53 Indian rupee per common share ("Fairchem Open Offer"). In support of the Fairchem Open Offer, the company was required to place on deposit, cash of approximately 19.5 million Indian rupees ($267) and a bank guarantee for approximately 486.1 million Indian rupees ($6,648 at period end exchange rates) which expired in April 2021. The cash deposit was recorded in restricted cash within the consolidated balance sheet at December 31, 2020.

The tender period related to the Fairchem Open Offer commenced on February 9, 2021 and closed on February 23, 2021 with a total of 290 common shares of Fairchem Organics tendered. On March 2, 2021 the company completed the settlement of the common shares tendered for $2. The remaining cash deposit of $264 remained in restricted cash at March 31, 2021 and was returned on April 8, 2021. At March 31, 2021 the company held 6,348,982 common shares representing a 48.8% equity interest in Fairchem Organics (December 31, 2020 - 6,348,692 common shares representing a 48.8% equity interest).

On May 22, 2019 Fairfax India entered into a share purchase agreement with the Privi Group whereby the company agreed to purchase 2,330,758 equity shares of Fairchem Organics (representing a 17.9% equity interest) at 575.53 Indian rupees per share (approximately $18 million at period end exchange rates) with a long-stop date of June 30, 2021. The company recognized the Fairchem Organics forward purchase derivative during the first quarter of 2021 as a result of the significant conditions precedent to the agreement being met upon the completion of the Fairchem Open Offer.

Subsequent to March 31, 2021

On April 29, 2021 the company completed the purchase of an additional 17.9% equity interest for approximately 1.3 billion Indian rupees (approximately $18 million at current exchange rates).

Key Business Drivers, Events and Risks

Fairchem Organics' 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 animals feed industries has been experiencing strong growth in recent years.

India is one of the largest consumers of soft oils which provides Fairchem Organics 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 Organics with certain competitive advantages in comparison to its international peers. Fairchem Organics 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.

COVID-19 Impact

Fairchem Organics was required to temporarily stop operations at the onset of India's lockdown, and resumed operations on May 21, 2020. From June 2020 onwards sales and operations returned to levels prior to COVID-19. Fairchem Organics' management is actively monitoring its liquidity situation and has no significant, immediate short term liquidity needs.

Valuation and Interim Consolidated Financial Statement Impact

Fairchem Organics Common Shares

At March 31, 2021 the fair value of the company's investment in Fairchem Organics was $64,711 (December 31, 2020 - $54,566) with the changes in fair value for the first quarter of 2021 presented in the table at the outset of the Indian Investments section of this MD&A. Fairchem Organics' share price increased by 18.7% from 628.00 Indian rupees per share at December 31, 2020 to 745.20 Indian rupees per share at March 31, 2021.

Fairchem Organics Forward Purchase Derivative

At March 31, 2021 the company's estimated fair value of the Fairchem Organics forward purchase derivative of $5,409 (December 31, 2020 - nil) was based on the bid price of Fairchem Organics shares compared to the purchase price of 575.53 Indian rupees per share, which was multiplied by the number of common shares the company has agreed to purchase, and is presented in derivative asset within the consolidated balance sheet. The changes in the fair value of the company's investment in the Fairchem Organics forward purchase derivative for the first quarter of 2021 are presented in the table at the outset of the Indian Investments section of this MD&A.

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 the 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.

In August 2019 the company participated in a rights offer to existing shareholders of 5paisa and acquired an additional 3,385,657 common shares of 5paisa for cash consideration of $3,777, maintaining an equity interest of 26.6%.

At March 31, 2021 the company held 6,771,314 common shares of 5paisa representing a 26.5% equity interest (December 31, 2020 - 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 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. 5paisa remains focused on innovation based on understanding customer behaviour, and constantly strives to achieve technological superiority through the developments of its robust trading platform, advanced mobile app, its Artificial-Intelligence powered Robo-Advisory platform, and the paperless account opening process.

In May 2020 5paisa, through its wholly-owned subsidiary, 5paisa P2P Limited ("5paisa P2P"), launched 5paisa Loans, a digital peer-to-peer lending platform which connects verified creditworthy lenders and individual borrowers in India. 5paisa P2P is a registered NBFC with the RBI which received its Peer-to-Peer Lending license in December 2019.

At March 31, 2021 the 5paisa mobile application has reached over 6.9 million downloads. The total customer base exceeded 1.3 million with a rapid pace of organic customer growth, which combined with 5paisa's recurring subscription revenue model has contributed to reduction of customer acquisition costs and improved profitability.

COVID-19 Impact

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, 2021 the fair value of the company's investment in 5paisa was $23,153 (December 31, 2020 - $27,788) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. 5paisa's share price decreased by 16.6% from 299.85 Indian rupees per share at December 31, 2020 to 250.00 Indian rupees per share at March 31, 2021.

Subsequent to March 31, 2021

On April 13, 2021 5paisa announced that its board of directors approved a rights offer for the issuance of equity shares to existing shareholders at a price of 500.00 Indian rupees per share ("5paisa Preferential Share Rights Offer"). The company committed to participate and acquire 898,816 equity shares of 5paisa on a preferential basis for 449.4 million Indian rupees ($6,147 at period end exchange rates). In connection with the offering, all shares held by existing shareholders prior to participating in the 5paisa Preferential Share Rights Offer have been locked-in from April 15, 2021 for a period of up to six months from the date trading approval is received. In addition, any shares acquired in the 5paisa Preferential Share Rights Offer will be locked in for one year. The transaction is subject to shareholder and regulatory approvals and is expected to close during the second quarter of 2021.

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 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.

In 2020 the company acquired common shares of public companies in India's utilities and financial services sectors, listed on both the BSE and NSE of India, for aggregate consideration of $84,672, of which $30,677 was acquired in the first quarter of 2020 in common shares of public companies in India's utilities sector. In 2020 the company partially sold investments in Other Public Indian Investments for total net proceeds of $41,913, resulting in realized gain of $3,782.

At March 31, 2021 the fair value of the company's investment in Other Public Indian Investments was $160,095 (December 31, 2020 - $147,604) 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 2021 and 2020 are presented in the tables at the outset of the Indian Investments section of this MD&A.

In the first quarter of 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in Other Public Indian Investments of $1,916 (2020 - nil).

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.

While the company's valuation techniques for Private Indian Investments remained primarily unchanged during the first quarter of 2021 the development of unobservable inputs included added uncertainty related to the global economic disruption caused by the ongoing and developing COVID-19 pandemic. The company has included assumptions related to the COVID-19 pandemic into the estimates of the amount and timing of future cash flows based on the information known and knowable at the reporting date, and the uncertainty in those assumptions has been incorporated into the company's valuations of Private Indian Investments primarily through higher risk premiums. 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 2068, 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 with Ontario Municipal Employees Retirement System ("OMERS") 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 $130 million at the March 31, 2021 period end exchange rate). 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 shall restructure approximately 43.6% equity interest in BIAL of its 54.0% equity interest such that it shall be held through Anchorage, implying an equity valuation of BIAL of approximately 189.7 billion Indian rupees (approximately $2.6 billion at the March 31, 2021 period end exchange rate) 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, while its actual ownership will remain unchanged. The transaction is subject to customary closing conditions, including various third party consents. The company expected to close the transaction in 2020, however due to the impacts of COVID-19 and resulting delays in obtaining required consents, the company and OMERS agreed to extend the long-stop date to June 30, 2021 and estimate the transaction will close in the second quarter of 2021.

Upon closing of the transaction with OMERS, the company intends to use commercially reasonable efforts to list Anchorage by way of IPO in India, subject to regulatory approvals and market conditions. If the valuation of Anchorage upon closing of the IPO is below 91.6 billion Indian rupees (approximately $1.3 billion at period end exchange rates), then OMERS' ownership in Anchorage will increase to a maximum of 15.0%.

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 2020 by Skytrax, a UK-based consultancy who conducts a global airport customer satisfaction survey.

On October 16, 2020 BIAL exercised its right to extend the concession agreement for an additional 30 years until the year 2068.

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 ("Terminal 3") and real estate development of 176 acres of land by 2026.

COVID-19 Impact

The COVID-19 pandemic has significantly impacted BIAL's airport business which faced reduced passenger traffic starting in February 2020. Effective March 23, 2020 and March 25, 2020 all scheduled international and domestic commercial airlines ceased operations as a result of India's lockdown. Domestic flights resumed on May 25, 2020, while international flights will remain suspended until at least April 30, 2021 with the exception of certain countries with which India has established air bubble arrangements. 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 were slowed down and have since resumed as lockdown restrictions were gradually lifted. The airport is expected to commence regular operations upon lifting of the present restrictions with a gradual recovery in domestic passenger traffic by BIAL's fiscal year 2022 and international passenger traffic in BIAL's fiscal year 2023 to levels witnessed before the pandemic.

The airport handled approximately 13.5 million passengers in 2020 representing a decline in overall traffic of 59.9% compared to 2019.

The lockdown and resulting slowdown of construction activities is expected to delay the completion of the first phase of the Terminal 2 expansion, and is now estimated to be operational by the second quarter of calendar 2022. The total cost of the Terminal 2 expansion is expected to increase primarily due to incremental interest and pre-operational expenses. Construction of Terminal 3 has been delayed until BIAL's fiscal year 2034.

BIAL has sufficient liquidity in place to continue its operations.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2021 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 forecasts with assumed after-tax discount rates ranging from 12.8% to 15.0% and a long term growth rate of 3.5% (December 31, 2020 - 12.8% to 15.0%, and 3.5%, respectively). At March 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for BIAL's three business units prepared in the fourth quarter of 2020 (December 31, 2020 - fourth quarter of 2020) by BIAL's management.

Free Cash Flow Forecast Inputs

The primary drivers of the free cash flow estimates are future domestic and international passenger traffic, airport tariff assumptions for future control periods and plans to monetize and develop leasehold land. In the event that forecasted passenger traffic or expected airport tariff levels are not met in future periods, this may result in a negative impact on the fair value of the company's investment in BIAL.

Current Model Assumptions

As a result of the continued business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised by BIAL's management in 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.

The COVID-19 pandemic did not have a significant impact on BIAL's fair value at March 31, 2021 as BIAL is an infrastructure investment that is currently in a period of capital expansion and as a result a significant amount of its fair value is driven by expected growth in passenger traffic in the later years of the forecasting period once various capital projects are complete. As a result of the COVID-19 pandemic, BIAL's forecast reflected a delay in expected discretionary capital expenditures, an increase in the expected total cost for Terminal 2 and a revised timeline for its real estate development plans. Additionally, BIAL's aeronautical revenues are primarily driven by user development fees ("UDF") charged to airlines and passengers, which are set by the Airports Economic Regulatory Authority of India in five-year control periods and are fixed in a manner to generate a 16.0% per annum return on invested equity for the airport operator. BIAL has been operating in its second control period until March 31, 2021. As the tariff setting mechanism adjusts for periods of underperformance, it is expected that underachievement in aeronautical revenues due to the COVID-19 pandemic in the second control period will be substantially recovered through, among other factors, higher UDFs in the third control period.

A gradual recovery in passenger traffic over a two year time horizon to levels expected before the pandemic is supported by significant efforts by BIAL's management and the Indian government to support a return to normal patterns of travel and the recovery of airport operations, including the implementation of contactless passenger experiences, the easing of capacity limits for airlines, the reconnection of several domestic city pairs and the resumption of certain international flights.

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 forecasts as a result of the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which BIAL operates and were not adjusted downward for the short term impacts of COVID-19.

At March 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $1,395,270 (December 31, 2020 - $1,396,117) 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 2021 and 2020 are presented in the tables 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, 2020 and March 31, 2020.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2020(1)	**March 31, 2020**(1)
Current assets	112,225	147,016
Non-current assets	1,284,005	1,055,698
Current liabilities	119,547	103,396
Non-current liabilities	904,589	674,659
Shareholders' equity	372,094	424,659

(1) *The net assets of BIAL were translated at December 31, 2020 at $1 U.S dollar = 73.07 Indian rupees and at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Current assets decreased primarily due to decreased bank deposits as a result of decreased revenues and collections and increased capital expenditures related to Terminal 2. Non-current assets increased principally as a result of ongoing capital expenditures for BIAL's expansion projects. Current liabilities increased primarily as a result of increased accounts payable to vendors. Non-current liabilities increased primarily as a result of additional borrowings for BIAL's expansion projects.

Summarized below are BIAL's statements of earnings (loss) for the nine months ended December 31, 2020 and 2019.

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

	Nine months ended December 31, 2020(1)	**Nine months ended December 31, 2019**(1)(2)
Revenue	44,546	160,701
Earnings (loss) before income taxes	(60,605)	56,167
Net earnings (loss)	(65,708)	41,348

(1) *Amounts for the nine months ended December 31, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 74.66 Indian rupees and $1 U.S. dollar = 70.38 Indian rupees prevailing during those periods.*
(2) *Certain prior period comparative figures have been reclassified to be consistent with current period's presentation.*

The decrease in revenue is primarily a result of the decrease in domestic and international passenger traffic as described in the Key Business Drivers, Events and Risks section under COVID-19 Impact. Loss before income taxes and net loss for the nine months ended December 31, 2020 compared to earnings before income taxes and net earnings for the nine months ended December 30, 2019 primarily as a result of the decrease in the revenue as noted above, and an increase in depreciation and interest expense recognized as a result of the capitalization of the second runway.

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. 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 Sanmar Limited ("Chemplast"), the largest specialty PVC manufacturer in India (based on installed production capacity as at December 31, 2020), and a leading custom manufacturer of starting materials and intermediates for pharmaceutical, agro-chemical and fine chemicals sectors ("Specialty Chemicals"); (ii) Chemplast Cuddalore Vinyls Limited ("CCVL"), the second largest suspension PVC manufacturer in India (based on installed production capacity as at December 31, 2020); and (iii) TCI Sanmar Chemicals S.A.E ("Sanmar Egypt"), the largest Indian investor in Egypt's chemical business and the largest caustic soda, calcium chloride and PVC manufacturer in Egypt.

Transaction Description

During 2016 and 2019 Fairfax India invested aggregate cash consideration of $199,039 (approximately 14.2 billion Indian rupees) for a 42.9% equity interest in Sanmar.

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 2.5% to 3.0% outpacing the growth of supply over the next 10 years and India is expected to become a bigger market than North America in the next few years. In addition due to environmental regulations, China has reduced production capacity of PVC thereby tightening supply and improving prices globally.

Sanmar continues to draw strength from the strong brand equity of the Sanmar Group, experienced management, dominant market position in the chemicals industry and demand outlook for PVC and caustic soda industry in India and across global markets. Sanmar's key business drivers relate to the execution of its plan to increase PVC manufacturing capacity in India to align with the growing demand for PVC, 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.

Sanmar's profitability during the fiscal years ended March 31, 2020 and 2019 was negatively impacted by lower PVC margins as a result of 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 reverted back to normal levels in the second half of Sanmar's fiscal year 2020.

In September 2020, the Egyptian government introduced import duties for PVC at 2.0% and reduced import duties on EDC from 2.0% to nil.

COVID-19 Impact

The COVID-19 pandemic resulted in a temporary closure of Sanmar's plants in India due to India's lockdown in 2020. The plant at Sanmar Egypt was temporarily closed on March 18, 2020 and re-opened its operations on April 3, 2020. The operations at the suspension PVC plant in India was constrained until May 15, 2020. The remaining plants in India, including the specialty PVC plant, gradually re-opened operations in May 2020. Specialty Chemicals has not been significantly impacted by the COVID-19 pandemic. In the second quarter of Sanmar's fiscal year 2021, global PVC supply tightened resulting in a swift recovery of suspension and specialty PVC prices, contributing to improved margins at CCVL and Chemplast.

As a result of unfavourable macroeconomic conditions created by COVID-19, Sanmar's management shifted its focus to deleveraging the company and will focus on capacity expansions planned at Chemplast and at Specialty Chemicals. Sanmar management is actively monitoring liquidity requirements at Sanmar Egypt, which have been under some pressure. Sanmar Egypt has applied for relief by way of debt restructuring in an effort to ease financial pressures caused primarily by the COVID-19 pandemic.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2021 the company estimated the fair value of its investment in Sanmar common shares using a discounted cash flow analysis for its three business units based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 14.6% to 21.5% and long term growth rates ranging from 3.0% to 4.0% (December 31, 2020 - 15.0% to 20.5% and 3.0% to 4.0%, respectively). At March 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar's three 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 2020 (December 31, 2020 - fourth quarter of 2020) by Sanmar's management.

Free Cash Flow Forecast Inputs

The primary driver of the free cash flow estimates is the future commodity price of petrochemical products. In the event that the commodity price of petrochemical products does not develop favourably in future periods, this may result in a negative impact on the fair value of the company's investment in Sanmar.

Current Model Assumptions

As a result of the business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised by Sanmar's management in 2020 to primarily reflect (i) downward pressure on forecasted sales and profit margins at Sanmar Egypt over Sanmar's fiscal years 2021 to 2023; (ii) indefinite postponement of the planned Kem One Chemplast joint venture and various capital expansion projects as Sanmar shifts its focus to deleveraging; and (iii) new planned capital projects in specialty PVC resin and at Specialty Chemicals.

The overall impact on the valuation of the indefinite postponement of capital expansion projects was negative as the near-term cash savings from the delay of discretionary capital spending was more than offset by lower forecasted revenues and EBITDA in the later years of the discreet forecast period given a decrease in future production capacities. The company reflected Sanmar's increased pressure on liquidity by increasing its after-tax discount rates, primarily reflecting a higher cost of debt. The valuation also reflected an increase in Sanmar's net debt, which lowered the fair value of the company's equity interest.

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 forecasts due the economic and social impacts of the COVID-19 pandemic as well as the resulting liquidity pressures. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Sanmar operates and were not adjusted downward for the short term impacts of COVID-19.

At March 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar common shares was $338,275 (December 31, 2020 - $338,621) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables 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, 2020 and March 31, 2020.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2020(1)	**March 31, 2020**(1)
Current assets	376,159	183,546
Non-current assets	1,772,553	1,800,199
Current liabilities	665,781	639,949
Non-current liabilities	1,500,353	1,428,863
Shareholders' deficit	(17,422)	(85,067)

(1) The net assets of Sanmar were translated at December 31, 2020 at $1 U.S dollar = 73.07 Indian rupees and at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily due to a receivable from a partial divestiture of a subsidiary to non-controlling interests of 10.7 billion Indian rupees (approximately $147 million) on December 15, 2020, as well as increased inventories and bank balances. Non-current assets decreased primarily as a result of depreciation of property, plant and equipment. Current and non-current liabilities increased primarily as a result of increased interest accrued on borrowings.

Summarized below are Sanmar's statements of earnings (loss) for the nine months ended December 31, 2020 and 2019.

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

	Nine months ended December 31, 2020(1)	Nine months ended December 31, 2019(1)
Revenue	521,405	529,405
Loss before income taxes	(60,217)	(166,925)
Net loss	(72,123)	(171,855)

(1) Amounts for the nine months ended December 31, 2020 and 2019 were translated into US$ using the average exchange rates of $1 U.S. dollar = 74.66 Indian rupees and $1 U.S. dollar = 70.38 Indian rupees prevailing during those periods.

Revenue decreased primarily due to lower production as a result of COVID-19 lockdowns, which led to a stoppage of production during the lockdown as well as supply disruptions. Loss before income taxes and net loss decreased primarily reflecting a full recovery of previously written-off inventory (2,983 million Indian rupees), partially offset by decreased revenue as noted above, increased depreciation on property, plant and equipment and interest expense.

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 sector tanker shipping company in India and transports liquid cargo along the Indian coast as well as in international waters. At March 31, 2021 Seven Islands owned 20 vessels with a total deadweight capacity of approximately 1.1 million metric tons. 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 maintains a positive long term outlook, 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 has been able to fill.

Following a contraction in global oil demand in 2020, recovery to pre-pandemic levels in India is forecasted to occur throughout 2021 and may be impacted by factors such as changes in consumer behaviour, technological efficiencies and change in energy production policies. With ongoing efforts to address the imbalance in the oil market by OPEC and participating non-OPEC countries, the tanker market is expected to benefit as oil trade trends are stabilized, and as the easing of lockdown measures and roll-out of the COVID-19 vaccine supports a return of economic activity.

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.

On February 15, 2021 Seven Islands filed a draft red herring prospectus with SEBI in connection with an IPO. The IPO will mainly consist of a primary issuance of shares by Seven Islands and a secondary sale of shares by existing Seven Islands shareholders and Fairfax India. Seven Islands may raise up to 4.0 billion Indian rupees (approximately $55 million) in the IPO by issuing fresh equity shares. Proceeds of the issuance will primarily be used for acquisition of vessels and general corporate purposes.

COVID-19 Impact

Seven Islands continued to operate as transportation of goods is considered an essential service under India's lockdown guidelines. Although Seven Islands' customers are primarily Indian oil companies which were impacted by the decline in oil demand, Seven Islands has reasonable safeguards against loss of business in the short term since the majority of its revenue contracts are on time charter which range between six months to over a year.

Seven Islands' management has been managing its liquidity requirements with sufficient cash on hand.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2021 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 forecasts with an assumed after-tax discount rate of 13.7% and a long term growth rate of 3.0% (December 31, 2020 - 13.5% and 3.0%, respectively). At March 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the fourth quarter of 2020 (December 31, 2020 - fourth quarter of 2020) by Seven Islands' management.

Free Cash Flow Forecast Inputs

The primary driver of the free cash flow estimates is the vessel profile composition, including planned vessel acquisitions and charter rates.

Current Model Assumptions

Free cash flows were revised by Seven Islands' management in the fourth quarter of 2020 primarily to reflect market conditions of the shipping industry in the near term, including the planned addition of larger vessels with higher contribution margins. 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 forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Seven Islands operates.

At March 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Seven Islands was $107,453 (December 31, 2020 - $103,543) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A.

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 integrated agriculture value chain solutions company operating for over 15 years and offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, market and weather intelligence, and logistics services. 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 commodity management solutions (including adjacent services) and collateral 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 expansion of its commodity management solutions line of businesses with adjacent services, and the successful construction of the silos under the concession agreement with the Food Corporation of India ("FCI").

After achieving an estimated 4% growth in year over year food grain production in the 2019-20 agricultural crop year (July 2019 to June 2020), the Government of India's most recent estimates expect food grain production to increase by approximately 2.0% for the 2020-21 crop year, representing a market of approximately 303 million metric tons of food grains. NCML's commodity management solutions business currently services approximately 1.6 million metric tons of food grain volume each year and continuously seeks opportunities to increase its utilization within the sizeable market by participating in government assignments and securing deposits from multinational corporations for both the food and non-food grain sector.

The silo projects are comprised of 11 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 13 silo projects being constructed for the exclusive use by the FCI. The silo projects are expected to be substantially completed throughout 2021 to 2023. Two silo projects reached significant construction milestones during the period and are expected to become operational in the second quarter of 2021.

COVID-19 Impact

NCML's commodity management solutions and NBFC businesses continued to operate at reduced capacities as agri-business and financial services are considered essential services under India's lockdown guidelines. The reduced capacities were primarily attributable to an overall decrease in volume of commodity deposits during the period and restrictions affecting inflows during the key April to June 2020 harvesting season, combined with a conscious effort to reduce loan exposure during the moratorium period permitted by the RBI.

As lockdown restrictions relating to movement of goods and labour were eased, NCML observed gradual recovery in demand across its business lines, however sales volume remained below pre-pandemic levels due to decreased funding as a result of the tightened credit environment. To manage working capital, NCML has focused on risk mitigation controls and protocols and primarily serving existing clients. Silo construction also experienced delays due to restrictions on the movement of goods and labour and incremental safety protocols enforced by NCML management.

NCML has been managing its liquidity requirements through utilization of its current credit lines and prudent working capital management. Additional capital may also be released through the sale of excess land parcels and the scaling down of businesses with less favourable risk-reward characteristics.

Valuation and Interim Consolidated Financial Statement Impact

NCML Common Shares

At March 31, 2021 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 forecasts with assumed after-tax discount rates ranging from 10.7% to 11.3% and long term growth rates ranging from 2.4% to 6.0% for two business units, and an adjusted net book value approach for its NBFC business unit (December 31, 2020 - 11.3% to 11.7%, 2.4% to 6.0%, respectively and an adjusted net book value approach for its NBFC business unit). At March 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the fourth quarter of 2020 (December 31, 2020 - fourth quarter of 2020) by NCML's management.

Free Cash Flow Forecast Inputs

The primary drivers of the free cash flow estimates are warehouse capacity and future EBITDA growth of NCML's commodity management solutions business.

Current Model Assumptions

Free cash flow forecasts were revised by NCML's management in the fourth quarter of 2020 to primarily reflect changes to its business strategy resulting in a planned reduction of owned and leased warehouse capacity and a shift toward a less capital-intensive franchisee model with lower margins. 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 forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which NCML operates and were not adjusted downward for the short term impacts of COVID-19.

During the third quarter of 2020, NCML's NBFC business unit experienced decreased funding from public sector banks which limited its ability to advance loans, in addition to a decline in the demand for lending as a result of the continued business disruptions in agri-businesses caused by the COVID-19 pandemic and India's lockdown. As a result, NCML's management commenced a process of scaling down its loan book. Accordingly, the company determined growth rates would not be relevant and it was more appropriate to value NCML's NBFC business unit using an asset-based approach rather than performing a discounted cash flow analysis as it had done previously.

At March 31, 2021 the company's internal valuation model indicated that the fair value of the company's equity investment in NCML was $79,773 (December 31, 2020 - $86,216) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A.

NCML Compulsorily Convertible Debentures

At March 31, 2021 the fair value of the company's investment in NCML CCD was $14,875 (December 31, 2020 - $14,884) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables 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, 2021 and March 31, 2020.

Balance Sheets
(unaudited - US$ thousands)

	March 31, 2021(1)	March 31, 2020(1)
Current assets	60,391	96,543
Non-current assets	137,664	119,161
Current liabilities	34,360	52,549
Non-current liabilities	73,490	67,150
Shareholders' equity	90,205	96,005

(1) The net assets of NCML were translated at March 31, 2021 at $1 U.S. dollar = 73.11 Indian rupees and at March 31, 2020 at $1 U.S. dollar = 75.65 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets decreased primarily reflecting decreased advances at NCML's NBFC due to a tighter credit environment in India, increased provision for receivables, reduction of inventory across the commodity management solutions business, and use of cash for repayments of loans and borrowings. Non-current assets increased principally due to continued construction of silo projects, partially offset by losses incurred related to withdrawal from three silo projects. Current liabilities decreased primarily due to repayments of short term loans and borrowings and reduced utilization of credit lines, partially offset by increased interest payable on the NCML CCD. Non-current liabilities increased primarily due to incremental draws on long term loans and borrowings arising from silo commissioning milestones.

Summarized below are NCML's statements of earnings (loss) for the years ended March 31, 2021 and 2020.

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

	Year ended March 31, 2021(1)	Year ended March 31, 2020(1)
Revenue	70,190	123,958
Loss before income taxes	(12,031)	(6,075)
Net loss	(8,905)	(4,006)

(1) Amounts for the years ended March 31, 2021 and 2020 were translated into US$ using the average exchange rates of $1 U.S. dollar = 74.23 Indian rupees and $1 U.S. dollar = 70.88 Indian rupees prevailing during those periods.

Revenue decreased primarily reflecting declines in the commodity management solutions and storage and preservation lines of businesses and NBFC lending services, all of which operated at reduced capacities during the period due to India's lockdown restrictions, and encountered challenges in obtaining credit as a result of tightening liquidity in the market. Loss before income taxes and net loss increased principally as a result of losses incurred in connection with withdrawal from three silo projects and the decreased revenue noted above, partially offset by decreased borrowing costs as a result of reduced utilization of credit lines with banks and lower interest rates, and cost optimization measures implemented by NCML's management.

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 2021 handled 30,560 TEUs implying an annualized capacity utilization of approximately 68% (first quarter of 2020 - 24,023 TEUs implying an annualized capacity utilization of approximately 53%). Saurashtra had the highest market share for imports at approximately 16% (December 31, 2020 - approximately 15%), and third highest market share for exports at approximately 12% (December 31, 2020 - second highest market share at approximately 13%) at Mundra port in India. Saurashtra remains as the largest container freight station at Mundra port in terms of total throughput achieved with a 14% market share for the quarter ended March 31, 2021.

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 the first quarter of 2021, Saurashtra experienced a 51% growth in year-over-year import volumes and a 8% decline in year-over-year export volumes, with the latter attributable to certain changes in customs processing which temporarily impacted utilization. Despite the decline in export volumes, Saurashtra achieved record-high overall quarterly shipping volumes during the period, and profitability was positively impacted by increased freight rates and improved margins. Saurashtra is continuing to actively pursue additional volume and increase capacity through offering comprehensive packages to shipping lines and evaluating expansion projects in their existing businesses and the wider logistics industry. Saurashtra is in process of constructing a new logistics park in Mundra to increase total capacity, which is expected to be operational in the second quarter of 2021.

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

Saurashtra's businesses continued to operate as transportation of goods was considered an essential service under India's lockdown guidelines. The impact of reduced volume of shipping activity during India's lockdown was offset by increased storage income during the lockdown period. Saurashtra also witnessed a sharp recovery of shipping volumes since the fourth quarter of 2020, as reflected by record-high shipping volumes in the recent period.

Saurashtra has sufficient cash on hand to manage its liquidity needs.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2021 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 14.8% to 18.0% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2020 - 14.3% to 17.7%, and 4.0% to 5.0%, respectively). At March 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the fourth quarter of 2020 (December 31, 2020 - fourth quarter of 2020) by Saurashtra's management.

In the first quarter of 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in Saurashtra of $420 (2020 - nil).

Free Cash Flow Forecast Inputs

The primary drivers of the free cash flow estimates are the import and export handling capacity and utilization.

Current Model Assumptions

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 forecasts due to the economic and social impacts of the COVID-19 pandemic. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Saurashtra operates.

At March 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $33,031 (December 31, 2020 - $32,812) with the changes in fair value for the first quarters of 2021 and 2020 presented in the tables 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 94% market share in the equity trading segment, a 100% market share in the equity derivatives trading segment and a 74% and 67% 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 and 2020.

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"). The hearings were deferred until June 2021. As a result, subject to completion of the SAT ruling and regulatory approval from SEBI, it is estimated that the IPO will be completed sometime in 2021 or 2022. 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

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, 2021 the company's estimated fair value of its investment in NSE of $72,571 (December 31, 2020 - $72,617) was based on recent third party transactions completed in the fourth quarter of 2020 (December 31, 2020 - fourth quarter of 2020). The changes in fair value of the company's investment in NSE for the first quarters of 2021 and 2020 are presented in the tables 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 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, 2021 IH Fund had invested approximately 12,766 million Indian rupees (approximately $175 million at period end exchange rates) in 12 real estate sector investments.

Transaction Description

Fairfax India had invested aggregate cash consideration of $24,399 (approximately 1.7 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; (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; and, (iii) on December 24, 2020 the company invested the remaining 40.0% or 699.2 million Indian rupees ($9,506) of the committed investment amount in IH Fund.

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 witnessed growth in both commercial and residential markets, contributing between 5% and 6% to India's GDP. It is estimated that the current housing shortage is approximately 60 million housing units, and by 2022 India will need to develop approximately 110 million housing units. Cumulative investment of approximately 140 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 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.

COVID-19 Impact

The Indian real estate industry has experienced a slowdown as a result of the unavailability of labour for construction, reduced sales inquiries, tightened liquidity, and delays in project approvals from regulatory authorities and government offices. While there may be certain real estate project delays within investee companies impacting cash flows, IH Fund has sufficient capital in place to withstand these pressures.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2021 the company estimated the fair value of its investment in IH Fund of $25,546 (December 31, 2020 - $25,354) 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 2021 and 2020 are presented in the tables at the outset of the Indian Investments section of this MD&A.

In the first quarter of 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IH Fund of $176 (2020 - $150).

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	
	2021	**2020**
Income		
Interest	636	2,774
Dividends	12,133	6,783
Net realized gains on investments	—	227
Net change in unrealized gains (losses) on investments	327,647	(274,263)
Net foreign exchange losses	(315)	(30,885)
	340,101	(295,364)
Expenses		
Investment and advisory fees	9,783	8,195
Performance fee (recovery)	56,123	(47,134)
General and administration expenses	1,473	1,123
Interest expense	9,014	8,448
	76,393	(29,368)
Earnings (loss) before income taxes	263,708	(265,996)
Provision for (recovery of) income taxes	8,282	(12,187)
Net earnings (loss)	255,426	(253,809)
Net earnings (loss) per share	$ 1.71	$ (1.67)
Net earnings (loss) per diluted share	$ 1.66	$ (1.67)

Total income of $340,101 in the first quarter of 2021 compared to total loss from income of $295,364 in the first quarter of 2020 principally due to net change in unrealized gains on investments (discussed below), decreased net foreign exchange losses, and increased dividend income, partially offset by decreased interest income. The net change in unrealized gains on investments of $327,647 in the first quarter of 2021 was principally comprised of unrealized gains on the company's investments in IIFL Finance ($196,647), Privi Speciality ($85,900), IIFL Wealth ($36,436), CSB Bank ($15,393), Other Public Indian Investments ($12,623) and Fairchem Organics ($10,209), partially offset by unrealized losses in the company's investments in NCML common shares ($6,408) and 5paisa ($4,631), and the recognition of a derivative obligation for the Privi Speciality written call option which resulted in unrealized losses of $26,762. The net change in unrealized losses on investments of $274,263 in the first quarter of 2020 was principally comprised of unrealized losses in the company's investment 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 on the company's investments in NSE ($13,484). Interest income of $636 in the first quarter of 2021 decreased from $2,774 in the first quarter of 2020 principally as a result of decreased interest from Government of India and Indian corporate bonds. Dividend income of $12,133 in the first quarter of 2021 primarily related to dividends received from the company's investment in IIFL Wealth, IIFL Finance, IIFL Securities, Saurashtra and Other Public Indian Investments. Dividend income of $6,783 in the first quarter of 2020 primarily related to dividends from the company's investments in IIFL Finance, IIFL Securities and IIFL Wealth.

Net gains (losses) on investments and net foreign exchange gains (losses) for the first quarters of 2021 and 2020 were comprised as follows:

	First quarter					
	2021			2020		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Bonds	—	(81)	(81)	227	982	1,209
Common stocks	—	349,065 (1)	349,065	—	(275,245) (1)	(275,245)
Derivatives	—	(21,337) (1)	(21,337)	—	—	—
	—	327,647	327,647	227	(274,263)	(274,036)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	599	—	599	1,361	—	1,361
Borrowings	(33,080) (2)	32,224 (2)	(856)	—	(32,247) (2)	(32,247)
Other	(58)	—	(58)	1	—	1
	(32,539)	32,224	(315)	1,362	(32,247)	(30,885)

(1) *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 2021 and 2020.*

(2) *In the first quarter of 2021 net realized foreign exchange loss of $33,080 related to the extinguishment of $500,000 of the $550.0 million term loan. The net change in unrealized gain of $32,224 was primarily comprised of the reversal of unrealized foreign exchange losses in prior years of $29,761 on the extinguished portion of the $550.0 million term loan, and unrealized foreign exchange gains of $2,463 primarily related to the new $500.0 million unsecured senior notes issued in February 2021. In the first quarter of 2020 unrealized foreign exchange loss on borrowings related to the $550.0 million term loan.*

Total expenses of $76,393 in the first quarter of 2021 compared to total expense recovery of $29,368 in the first quarter of 2020 primarily as a result of a performance fee accrual in the first quarter of 2021 compared to the reversal of previously accrued performance fees in the first quarter of 2020.

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 2021 were $9,783 (2020 - $8,195).

The provision for income taxes of $8,282 in the first quarter of 2021 differed from the provision for income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's earnings before income taxes primarily as a result of the tax rate differential on income earned outside of Canada and foreign exchange fluctuations, partially offset by change in unrecorded tax benefit of losses and temporary differences.

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 earned outside of Canada, foreign exchange fluctuations, and change in unrecorded tax benefit of losses and temporary differences.

The company reported net earnings of $255,426 (net earnings of $1.71 per basic share and $1.66 per diluted share) in the first quarter of 2021 compared to a net loss of $253,809 (a net loss of $1.67 per basic share and diluted share) in the first quarter of 2020. The quarter-over-quarter increase in net earnings primarily reflected net unrealized gains on investments in the first quarter of 2021 compared to net unrealized losses on investments in the first quarter of 2020, decreased net foreign exchange losses and increased dividend income, partially offset by a performance fee accrual and provision for income taxes in the first quarter of 2021 compared to a performance fee recovery and recovery of income taxes in the first quarter of 2020, and increased investment and advisory fees.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at March 31, 2021 were primarily impacted by the change in net unrealized gains on investments, resulting in the accrual of performance fee and provision for deferred income taxes, the recognition of a derivative asset related to Fairchem Organics, a derivative liability related to Privi Speciality, and a commitment related to the automatic share purchase plan.

Total Assets

Total assets at March 31, 2021 of $3,414,737 (December 31, 2020 - $3,072,998) were principally comprised as follows:

Total cash and investments (excluding derivative obligation) increased to $3,408,164 at March 31, 2021 from $3,066,020 at December 31, 2020. The company's total cash and investments (excluding derivative obligation) composition was as follows:

Cash and cash equivalents increased to $29,093 at March 31, 2021 from $22,057 at December 31, 2020 principally due to the release of the company's debt service reserve account which was previously held to fund term loan interest payments, partially offset by the purchases of subordinate voting shares for cancellation and the payment of issuance costs related to the $500.0 million unsecured senior notes.

Restricted cash of $264 at March 31, 2021 (December 31, 2020 - $16,315) related to cash placed on deposit in support of the Fairchem Open Offer which was completed on March 2, 2021. The cash placed on deposit remained in restricted cash at March 31, 2021 and was returned on April 8, 2021. The decrease in restricted cash compared to December 31, 2020 related to the release of the company's debt service reserve account as discussed above.

Bonds, Common stocks and Derivative asset - 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 (excluding derivative obligations) of $3,408,164 at March 31, 2021 (December 31, 2020 - $3,066,020) see note 6 (Cash and Investments) to the interim consolidated financial statements for the three months ended March 31, 2021.

Interest and dividends receivable increased to $3,262 at March 31, 2021 from $1,911 at December 31, 2020 and relates to increased interest receivable from the NCML CCD and dividends receivable (principally related to IIFL Securities).

Other assets decreased to $306 at March 31, 2021 from $2,264 at December 31, 2020, primarily due to the release of prepaid interest expense of $2,027 related to the borrowings during the three months ended March 31, 2021.

Total Liabilities

Total liabilities at March 31, 2021 of $723,583 (December 31, 2020 - $626,064) were principally comprised as follows:

Accrued interest expense of 2,412 at March 31, 2021 (December 31, 2020 - nil) was primarily comprised of accrued interest expense for the $500.0 million unsecured senior notes.

Automatic share purchase plan liability of $10,000 at March 31, 2021 (December 31, 2020 - nil) related to a liability recognized in connection with the company's automatic securities purchase plan under the NCIB, representing an obligation for the potential repurchases of common shares.

Payable to related parties increased to $65,802 at March 31, 2021 from $14,428 at December 31, 2020 primarily as a result of a performance fee accrual in the first quarter of 2021 as the company determined that there was a performance fee accrual of $55,953 (relating to the third calculation period ending on December 31, 2023) to Fairfax, partially offset by the settlement of the performance fee payable at December 31, 2020 of $5,217 (relating to the second calculation period ending on December 31, 2020).

Derivative obligation of $26,681 at March 31, 2021 (December 31, 2020 - nil) related to a derivative obligation recorded in connection with the Privi Speciality written call option. For more information, refer to the Indian Investments section of this MD&A.

Deferred income taxes increased to $70,847 at March 31, 2021 from $63,477 at December 31, 2020 primarily as a result of a provision for deferred income taxes attributable to unrealized gains on IIFL Wealth, CSB Bank, Seven Islands and Other Public Indian Investments.

Borrowings decreased to $546,267 at March 31, 2021 from $547,228 at December 31, 2020. At March 31, 2021 borrowings comprised of both the $500.0 million unsecured senior notes and the remaining $50.0 million term loan, net of unamortized issuance costs (December 31, 2020 - comprised of the $550.0 million term loan net of unamortized issuance costs). Refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2021 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 process used by the company for managing those risk exposures at March 31, 2021 compared to those identified at December 31, 2020 and disclosed in the company's 2020 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, 2021.

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, 2021.

Book Value per Share

Common shareholders' equity at March 31, 2021 was $2,691,154 (December 31, 2020 - $2,446,934). The book value per share at March 31, 2021 was $17.98 compared to $16.37 at December 31, 2020 representing an increase in the first three months of 2021 of 9.8%, principally reflecting net earnings of $255,426 (primarily related to net change in unrealized gains on investments and dividend income, partially offset by performance fees, investment and advisory fees, interest expense and provision for income taxes), partially offset by a commitment under the company's automatic share purchase plan recorded against common shareholders' equity of $10,000 and unrealized foreign translation losses of $2,329.

	March 31, 2021	**December 31, 2020**
Common shareholders' equity	2,691,154	2,446,934
Number of common shares effectively outstanding	149,641,497	149,470,571
Book value per share	$17.98	$16.37

During the first quarter of 2021, under the terms of the normal course issuer bid, the company purchased for cancellation 375,337 subordinate voting shares (2020 - 1,054,726) for a net cost of $4,106 (2020 - $10,641), of which $156 was charged to retained earnings (2020 - $461 was recorded as a benefit in retained earnings).

Liquidity

The undeployed cash and investments at March 31, 2021 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of an additional investment in Fairchem Organics, a commitment under the automatic share purchase plan, interest expense, investment and advisory fees, and general and administration expenses. At March 31, 2021 the company also had a principal repayment on the $50.0 million term loan coming due in June 2021 that can be extended for an additional year.

At March 31, 2021 the company's payment obligations which are due beyond one year primarily relate to the recurring nature of expenses described above and a principal redemption on the $500.0 million unsecured senior notes due in February 2028, which bears interest at a fixed rate of 5.0% per annum, payable in semi-annual installments. In addition, under the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2021), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. The fair values of cash and investments at March 31, 2021, including selling restrictions and financial risks related to the investments, are disclosed in note 6 (Cash and Investments) and note 11 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2021. At March 31, 2021 the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $1,110,034 and Government of India bonds with a fair value of $20,814. 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 2021 (with comparisons to the first quarter of 2020) of major components of the statements of cash flows are presented in the following table:

	First quarter	
	2021	2020
Operating activities		
Cash provided by (used in) operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments	(1,496)	2,659
Decrease in restricted cash in support of borrowings	16,051	6,784
Purchases of investments	(2)	(66,827)
Sales of investments	183	94,959
Cash provided by operating activities	14,736	37,575
Financing activities		
Borrowings:		
Proceeds	500,000	—
Issuance costs	(3,650)	—
Repayments	(500,000)	—
Purchases of subordinate voting shares for cancellation	(4,106)	(10,641)
Cash used in financing activities	(7,756)	(10,641)
Increase in cash and cash equivalents during the period	6,980	26,934

"Cash provided by (used in) operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments" provides a measure of cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of changes in restricted cash and net sales (purchases) of investments. Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments of $1,496 in the first quarter of 2021 compared to cash provided by operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments of $2,659 in the first quarter of 2020 primarily reflecting increased cash used in investment and advisory fees and decreased cash provided by interest income, partially offset by increased cash provided by dividend income and decreased cash used for interest on borrowings.

Decrease in restricted cash in support of borrowings of $16,051 and $6,784 in the first quarters of 2021 and 2020 related to the changes in the restricted cash account required to be maintained to fund interest payments on borrowings, of which the restriction was removed during the first quarter of 2021 and the balance of the debt service reserve account was released to the company. Refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2021 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. Sales of investments of $94,959 in the first quarter of 2020 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, 2021 for details of purchases and sales of investments.

Proceeds from borrowings of $500,000 and issuance costs of $3,650 in the first quarter of 2021 related to the net proceeds received from the issuance of the $500.0 million unsecured senior notes on February 26, 2021. Repayments of borrowings of $500,000 in the first quarter of 2021 related to the partial repayment of indebtedness that was outstanding under the $550.0 million term loan. Refer to note 7 (Borrowings) to the interim consolidated financial statements for the three months ended March 31, 2021 for additional details.

Purchases of subordinate voting shares for cancellation of $4,106 in the first quarter of 2021 (2020 - $10,641) related to the company's purchases of 375,337 subordinate voting shares (2020 - 1,054,726) 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, 2021 for additional details.

Contractual Obligations

On February 26, 2021 the company completed an offering of $500.0 million principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds after commissions and expenses of $496,350. The $500.0 million unsecured senior notes bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments.

On June 26, 2020 the company amended the existing $550.0 million term loan to extend the maturity to June 28, 2021 at an interest rate of LIBOR plus 400 basis points while maintaining the option to extend for an additional year. On March 1, 2021 the company used the net proceeds of the $500.0 million unsecured senior notes and cash to repay $500,000 of the $550.0 million term loan, which permanently reduced the term loan principal. The maturity, interest rate and extension option of the remaining $50.0 million term loan were unchanged.

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, 2021), 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 2021 were $9,783 (2020 - $8,195).

At March 31, 2021 the company determined that there was a performance fee accrual of $55,953 relating to the third calculation period (December 31, 2020 - payable of $5,217 relating to the second calculation period). Refer to note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2021 for discussion on the performance fee.

On May 22, 2019 Fairfax India entered into a call option agreement with certain affiliates of Mahesh Babani ("Mahesh") and D B Rao (together, the "Privi Group") whereby the company agreed to sell 3,841,908 of its equity shares of Privi Speciality (representing a 9.84% equity interest) for an amount equal to the amount to be paid by the company to acquire 2,330,758 equity shares of Fairchem Organics from Privi Group with a long-stop date of June 30, 2021.

On May 22, 2019 Fairfax India entered into a share purchase agreement with the Privi Group whereby the company agreed to purchase 2,330,758 equity shares of Fairchem Organics (representing a 17.9% equity interest) at 575.53 Indian rupees per share (approximately $18 million at period end exchange rates) with a long-stop date of June 30, 2021.

Subsequent to March 31, 2021

In connection with the 5paisa Preferential Share Rights Offer announced on April 13, 2021, the company committed to participate and acquire 898,816 equity shares of 5paisa on a preferential basis for 449.4 million Indian rupees ($6,147 at period end exchange rates). In connection with the offering, all shares held by existing shareholders prior to participating in the 5paisa Preferential Share Rights Offer have been locked-in from April 15, 2021 for a period of up to six months from the date trading approval is received. In addition, any shares acquired in the 5paisa Preferential Share Rights Offer will be locked in for one year. The transaction is subject to shareholder and regulatory approvals and is expected to close during the second quarter of 2021.

On April 22, 2021 the company amended the call option agreement with the Privi Group and entered into an agreement with Mahesh to sell its 48.8% equity interest in Privi Speciality for 12.2 billion Indian rupees ($164.8 million at current exchange rates). The company completed the sale on April 29, 2021. The company intends to invest up to 550.0 million Indian rupees (approximately $7 million at current exchange rates) in non-convertible debentures with an effective yield of 10.0% compounded annually to be issued by entities affiliated with Mahesh, subject to customary closing conditions and approvals and is expected to close in the second quarter of 2021.

On April 29, 2021 the company completed the purchase of an additional 17.9% equity interest for approximately 1.3 billion Indian rupees (approximately $18 million at current exchange rates).

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, 2021.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Income (loss)	340,101	110,221	99,448	72,723	(295,364)	633,868	112,788	(5,480)
Expenses	76,393	22,552	16,643	16,181	(29,368)	62,199	19,038	19,064
Provision for (recovery of) income taxes	8,282	5,372	5,153	4,158	(12,187)	36,445	4,567	30,940
Net earnings (loss)	255,426	82,297	77,652	52,384	(253,809)	535,224	89,183	(55,484)
Net earnings (loss) per share	$ 1.71	$ 0.55	$ 0.52	$ 0.35	$ (1.67)	$ 3.51	$ 0.58	$ (0.36)
Net earnings (loss) per diluted share	$ 1.66	$ 0.55	$ 0.52	$ 0.35	$ (1.67)	$ 3.42	$ 0.58	$ (0.36)

Indian rupees and in millions, except per share amounts (1)	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Income (loss)	24,791	8,183	7,364	4,894	(21,403)	44,646	7,905	(370)
Expenses	5,568	1,671	1,234	1,150	(2,128)	4,395	1,340	1,325
Provision for (recovery of) income taxes	604	398	382	288	(883)	2,577	324	2,164
Net earnings (loss)	18,619	6,114	5,748	3,456	(18,392)	37,674	6,241	(3,859)
Net earnings (loss) per share	124.65	40.79	38.21	22.84	(120.71)	246.84	40.89	(25.29)
Net earnings (loss) per diluted share	120.98	40.64	38.21	22.84	(120.71)	240.92	40.89	(25.29)

(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 2021 by the net unrealized gains on the company's Indian Investments (principally unrealized gains in the company's investments in IIFL Finance, Privi Speciality, IIFL Wealth, CSB Bank, Other Public Indian Investments and Fairchem Organics, partially offset by unrealized losses in the company's investments in NCML common shares, 5paisa and the recognition of a derivative obligation for the Privi Speciality written call option. 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: the COVID-19 pandemic; oil price risk; geographic concentration of investments; foreign currency fluctuation; volatility of the Indian securities markets; investments may be made in foreign private businesses where information is unreliable or unavailable; valuation methodologies involve subjective judgments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; lawsuits; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; weather risk; taxation risks; emerging markets; multilateral instrument; economic risk; and trading price of subordinate voting shares relative to book value per share risk. Additional risks and uncertainties are described in the company's annual information form dated March 5, 2021 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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