FAIRFAX INDIA
HOLDINGS CORPORATION

1

INTERIM REPORT

For the three months ended
March 31, 2023

Consolidated Balance Sheets
as at March 31, 2023 and December 31, 2022
(unaudited - US$ thousands)

	Notes	March 31, 2023	December 31, 2022
Assets			
Cash and cash equivalents	6	136,913	147,448
Short term investments	6	65,238	49,692
Bonds	5, 6	129,221	140,693
Common stocks	5, 6	2,978,196	3,020,223
Total cash and investments		3,309,568	3,358,056
Interest receivable		4,952	5,599
Income taxes refundable		192	1,012
Other assets		830	902
Total assets		3,315,542	3,365,569
Liabilities			
Accounts payable and accrued liabilities	8	4,526	1,143
Accrued interest expense	7, 11	2,361	8,611
Income taxes payable		513	331
Payable to related parties	11	36,079	50,851
Deferred income taxes		56,980	50,554
Borrowings	7, 11	497,436	497,306
Total liabilities		597,895	608,796
Equity	8		
Common shareholders' equity		2,598,273	2,642,036
Non-controlling interests		119,374	114,737
Total equity		2,717,647	2,756,773
		3,315,542	3,365,569

See accompanying notes.

Consolidated Statements of Earnings (Loss)
for the three months ended March 31, 2023 and 2022
(unaudited - US$ thousands except per share amounts)

	Notes	2023	2022
Income			
Interest	6	4,680	2,322
Dividends	6	8,194	10,281
Net realized gains (losses) on investments	6	4,081	(174)
Net change in unrealized gains (losses) on investments	6	(56,302)	69,852
Net foreign exchange gains (losses)	6	2,132	(9,202)
		(37,215)	73,079
Expenses			
Investment and advisory fees	11	8,816	10,080
Performance fee recovery	11	(14,547)	(3,094)
General and administration expenses	12	5,329	1,862
Interest expense	7	6,380	6,380
		5,978	15,228
Earnings (loss) before income taxes		(43,193)	57,851
Provision for income taxes	9	8,425	2,068
Net earnings (loss)		(51,618)	55,783
Attributable to:			
Shareholders of Fairfax India		(55,487)	55,962
Non-controlling interests		3,869	(179)
		(51,618)	55,783
Net earnings (loss) per share		$ (0.40)	$ 0.40
Net earnings (loss) per diluted share		$ (0.40)	$ 0.38
Shares outstanding (weighted average)		138,199,413	139,675,565

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)
for the three months ended March 31, 2023 and 2022
(unaudited - US$ thousands)

	First quarter	
	2023	**2022**
Net earnings (loss)	(51,618)	55,783
Other comprehensive income (loss), net of income taxes		
Item that may be subsequently reclassified to net earnings (loss)		
Unrealized foreign currency translation gains (losses), net of income taxes of nil (2022 - nil)	18,322	(55,151)
Other comprehensive income (loss), net of income taxes	18,322	(55,151)
Comprehensive income (loss)	(33,296)	632
Attributable to:		
Shareholders of Fairfax India	(37,933)	3,234
Non-controlling interests	4,637	(2,602)
	(33,296)	632

See accompanying notes.

Consolidated Statements of Changes in Equity
for the three months ended March 31, 2023 and 2022
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive income (loss)	Common shareholders' equity	Non-controlling interests	Total equity
Balance as of January 1, 2023	1,143,368	300,000	(379)	1,810,723	(611,676)	2,642,036	114,737	2,756,773
Net earnings (loss) for the period	—	—	—	(55,487)	—	(55,487)	3,869	(51,618)
Other comprehensive income:								
Unrealized foreign currency translation gains	—	—	—	—	17,554	17,554	768	18,322
Purchases for cancellation (note 8)	(4,787)	—	—	(1,060)	—	(5,847)	—	(5,847)
Amortization	—	—	17	—	—	17	—	17
Balance as of March 31, 2023	1,138,581	300,000	(362)	1,754,176	(594,122)	2,598,273	119,374	2,717,647
Balance as of January 1, 2022	1,174,558	300,000	(319)	1,623,676	(323,123)	2,774,792	127,642	2,902,434
Net earnings (loss) for the period	—	—	—	55,962	—	55,962	(179)	55,783
Other comprehensive loss:								
Unrealized foreign currency translation losses	—	—	—	—	(52,728)	(52,728)	(2,423)	(55,151)
Purchases for cancellation (note 8)	(19,964)	—	—	(4,046)	—	(24,010)	—	(24,010)
Amortization	—	—	12	—	—	12	—	12
Balance as of March 31, 2022	1,154,594	300,000	(307)	1,675,592	(375,851)	2,754,028	125,040	2,879,068

See accompanying notes.

Consolidated Statements of Cash Flows
for the three months ended March 31, 2023 and 2022
(unaudited - US$ thousands)

	Notes	First quarter 2023	First quarter 2022
Operating activities			
Net earnings (loss)		(51,618)	55,783
Items not affecting cash and cash equivalents:			
Net bond premium (discount) amortization		(596)	874
Performance fee recovery	11	(14,547)	(3,094)
Deferred income taxes	9	6,084	1,132
Amortization of share-based payment awards		17	12
Net realized (gains) losses on investments	6	(4,081)	174
Net change in unrealized (gains) losses on investments	6	56,302	(69,852)
Net foreign exchange (gains) losses	6	(2,132)	9,202
Sales (purchases) of short term investments		(14,968)	6,047
Purchases of investments		—	(32,504)
Sales of investments		22,385	57,533
Changes in operating assets and liabilities:			
Interest receivable		684	(1,766)
Income taxes refundable		826	—
Accrued interest expense		(6,250)	(6,128)
Income taxes payable		180	169
Payable to related parties		(552)	28
Other		(253)	(62)
Cash provided by (used in) operating activities		(8,519)	17,548
Financing activities			
Subordinate voting shares:			
Purchases for cancellation	8	(2,260)	(24,010)
Cash used in financing activities		(2,260)	(24,010)
Decrease in cash and cash equivalents		(10,779)	(6,462)
Cash and cash equivalents – beginning of period		147,448	30,376
Foreign currency translation		244	27
Cash and cash equivalents – end of period		136,913	23,941

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 consolidated 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 consolidated 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 11 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, 2023 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, 2022, 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 May 11, 2023.

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, 2022, 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 2023

On January 1, 2023 the company adopted the following amendments, which did not have a significant impact on the company's consolidated financial statements: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*, *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* and *Definition of Accounting Estimates (Amendments to IAS 8)*.

New accounting pronouncements issued but not yet effective

The IASB issued the following amendments which the company does not expect to adopt in advance of their effective date of January 1, 2024: *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* and *Non-current Liabilities with Covenants (Amendments to IAS 1)*. The company is currently evaluating the expected impact of these amendments 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 determining the valuation of Private Indian Investments, the provision for income taxes and the consolidation of Anchorage in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2022.

While the company's valuation techniques for Private Indian Investments remained principally unchanged during the first quarter of 2023, consideration has been given to the current economic environment in the determination of unobservable inputs used in discounted cash flows, including the amount and timing of future cash flows prepared by investees' management, discount rates, growth rates and other inputs. Such considerations include the effects of economic uncertainty caused by heightened inflationary pressures and actions taken by central banks across the world to control inflation levels. 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, 2023.

5. Indian Investments

Throughout the company's interim consolidated financial statements for the three months ended March 31, 2023, 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 2023 is as follows:

	First quarter							
	2023							
	Balance as of January 1	Purchases / Conversion	Sales / Conversion	Amortization	Net realized gains (losses) on investments	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	493,341	—	—	—	—	(823)	3,286	495,804
IIFL Securities	65,837	—	—	—	—	(14,356)	427	51,908
360 ONE (formerly IIFL Wealth)	46,730	—	(8,509)	—	3,481	(4,179)	362	37,885
CSB Bank	223,268	—	—	—	—	6,087	1,492	230,847
Fairchem Organics	111,083	—	—	—	—	(35,628)	712	76,167
5paisa	28,421	—	—	—	—	(2,197)	188	26,412
Other	15,577	—	(13,447)	—	6,403	(6,854)	121	1,800
Total Public Indian Investments	984,257	—	(21,956)	—	9,884	(57,950)	6,588	920,823
Private Indian Investments:								
Common stocks:								
BIAL	1,233,747	—	—	—	—	54,134	8,261	1,296,142
Sanmar	337,846	—	—	—	—	(50,726)	2,212	289,332
Seven Islands	96,910	—	—	—	—	73	646	97,629
NCML (2)	56,871	6,399	—	—	—	(11,813)	369	51,826
Maxop	51,886	—	—	—	—	151	345	52,382
Saurashtra	50,707	—	—	—	—	6	338	51,051
Jaynix	32,796	—	—	—	—	3,034	221	36,051
NSE	159,627	—	—	—	—	6,966	1,069	167,662
IH Fund	15,576	—	(429)	—	—	50	101	15,298
Other Indian Fixed Income (2)	19,585	—	(6,399)	94	(5,803)	(399)	131	7,209
Total Private Indian Investments	2,055,551	6,399	(6,828)	94	(5,803)	1,476	13,693	2,064,582
Total Indian Investments	3,039,808	6,399	(28,784)	94	4,081	(56,474)	20,281	2,985,405

(1) All Private Indian Investments and certain common shares of CSB Bank (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, with exception of net change in unrealized losses of $399 related to the reversal of prior period unrealized gains on the NCML CCD included in Other Indian Fixed Income. Net change in unrealized gains related to common shares of CSB Bank classified as Level 3 was $4,775.

(2) On March 31, 2023, the company exercised its option to convert the NCML CCD (included within Other Indian Fixed Income) into NCML common shares. The NCML common shares were recognized at a fair value of $6,399 (525.8 million Indian rupees), which resulted in a realized loss on the NCML CCD of $5,803 (476.9 million Indian rupees). As a result of the transaction, Fairfax India's equity interest in NCML increased from 89.5% to 90.4%.

A summary of changes in the fair value of the company's Public and Private Indian Investments for the first quarter of 2022 is as follows:

	First quarter							
	2022							
	Balance as of January 1	**Purchases**	**Sales**	**Amortization**	**Net realized gains on investments**	**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	318,136	—	—	—	—	5,398	(6,080)	317,454
360 ONE (formerly IIFL Wealth) [2]	230,111	—	—	—	—	40,223	(4,645)	265,689
IIFL Securities	103,217	—	—	—	—	(2,081)	(1,945)	99,191
CSB Bank	227,649	—	—	—	—	(21,978)	(4,175)	201,496
Fairchem Organics	155,020	—	(25)	—	20	(16,352)	(2,833)	135,830
5paisa	41,232	—	—	—	—	(6,086)	(742)	34,404
Privi Speciality	79	—	(83)	—	79	(74)	(1)	—
Other	69,612	—	—	—	—	1,580	(1,333)	69,859
Derivatives:								
IIFL Wealth forward sale derivative [2]	—	—	—	—	—	(464)	3	(461)
Total Public Indian Investments	1,145,056	—	(108)	—	99	166	(21,751)	1,123,462
Private Indian Investments:								
Common stocks:								
BIAL	1,372,170	—	—	—	—	(1,741)	(26,052)	1,344,377
Sanmar	421,153	—	—	—	—	49,040	(8,334)	461,859
Seven Islands	105,926	—	—	—	—	301	(2,013)	104,214
NCML	69,578	—	—	—	—	1,654	(1,333)	69,899
Saurashtra	47,157	—	—	—	—	1,402	(906)	47,653
Jaynix	—	32,504	—	—	—	—	(170)	32,334
Maxop	29,844	—	—	—	—	—	(567)	29,277
NSE	111,216	—	—	—	—	18,029	(2,235)	127,010
IH Fund	23,613	—	(1,554)	—	—	574	(436)	22,197
Other Indian Fixed Income	22,083	—	—	93	—	—	(420)	21,756
Total Private Indian Investments	2,202,740	32,504	(1,554)	93	—	69,259	(42,466)	2,260,576
Total Indian Investments	3,347,796	32,504	(1,662)	93	99	69,425	(64,217)	3,384,038

(1) All Private Indian Investments and certain common shares of CSB Bank (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. Net change in unrealized losses related to common shares of CSB Bank classified as Level 3 was $16,689.

(2) On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of IIFL Wealth at a specified contract price, based on an initial share price adjusted for dividends received from IIFL Wealth up to the closing date. The agreement resulted in the recognition of an equity forward sale derivative obligation ("IIFL Wealth forward sale derivative") and an unrealized loss implied by the contract price of sale shares relative to the closing bid price at March 31, 2022. The transaction closed on November 22, 2022 for aggregate proceeds of $171,846 (approximately 14.0 billion Indian rupees).

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 common shares of CSB Bank subject to selling restrictions.

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

		March 31, 2023		December 31, 2022	
Public Indian Investments:	**Industry**	**Shares held**	**Ownership**	**Shares held**	**Ownership**
Common stocks:					
IIFL Finance Limited ("IIFL Finance")	Financial services	84,641,445	22.2 %	84,641,445	22.3 %
IIFL Securities Limited ("IIFL Securities")	Financial services	84,641,445	27.7 %	84,641,445	27.8 %
360 ONE WAM Limited ("360 ONE") (formerly IIFL Wealth Management Limited) (1)	Financial services	7,249,000	2.0 %	2,182,749	2.5 %
CSB Bank Limited ("CSB Bank") (2)	Financial services	86,262,976	49.7 %	86,262,976	49.7 %
Fairchem Organics Limited ("Fairchem Organics")	Commercial and industrial	6,878,656	52.8 %	6,878,656	52.8 %
5paisa Capital Limited ("5paisa")	Financial services	7,670,130	25.0 %	7,670,130	25.0 %
Other (3)	Various (3)	—	< 1.0 %	Various (3)	< 1.0 %

(1) *IIFL Wealth Management Limited was renamed 360 ONE WAM Limited on January 5, 2023. The increase in shares held during the first quarter of 2023 principally reflected a 2 for 1 share split by 360 ONE and subsequent share dividend of 1 share for each adjusted share held, partially offset by sales of 360 ONE common shares by the company during the period.*

(2) *The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period due to restrictions imposed by the Reserve Bank of India ("RBI") and the Securities and Exchange Board of India ("SEBI"). At March 31, 2023 and December 31, 2022 the company held 69,394,331 common shares of CSB Bank that continue to be restricted until August 7, 2024.*

(3) *At March 31, 2023, Other Public Indian Investments was comprised of an investment of less than 1.0% in the financial services sector (December 31, 2022 - investments of less than 1.0% in the financial services and utilities sectors).*

The changes in fair value of the company's Public Indian Investments for the first quarters of 2023 and 2022 are presented in the tables disclosed earlier in note 5.

Subsequent to March 31, 2023

Subsequent to March 31, 2023 the company completed additional sales of 360 ONE common stock for gross proceeds of $37,043 (approximately 3.0 billion Indian rupees). Upon completion of the additional sales, the company's equity interest in 360 ONE decreased to less than 0.1%.

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.

The changes in fair value of the company's Private Indian Investments for the first quarters of 2023 and 2022 are presented in the tables disclosed earlier in note 5.

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.

At March 31, 2023 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 12.4% to 16.3% and a long term growth rate of 3.5% (December 31, 2022 - 12.4% to 16.1%, and 3.5%, respectively). At March 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for two of BIAL's business units prepared in the second quarter of 2022 and for one business unit, the fourth quarter of 2022 (December 31, 2022 - second quarter of 2022 for two business units and fourth quarter of 2022 for one business unit) by BIAL's management.

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are future domestic and international passenger traffic, airport tariff assumptions for future control periods, completion of capital expansion projects and development of leasehold land. In the event that forecasted passenger traffic or expected airport tariff levels are not met in future periods, or significant delays in construction and development activities occur, this may result in a negative impact on the fair value of the company's investment in BIAL.

Current Model Assumptions

Free cash flow forecasts were revised by BIAL's management in 2022 to primarily reflect (i) slower recovery in domestic and international passenger traffic in fiscal year 2023, with recovery to pre-pandemic levels achieved by BIAL's fiscal year 2024; (ii) lower user development fees ("UDF") in the fourth control period commencing in BIAL's fiscal year 2027; (iii) delays in BIAL's capital projects and real estate development plans; (iv) reduced capital expenditures over the near term as Phase 1 of BIAL's Terminal 2 expansion is complete; and (v) changes to real estate development plans to include leased land and joint development projects resulting in lower EBITDA, combined with higher capital expenditures and borrowings over the medium term.

Future growth is supported by increased passenger capacity due to the completion of Phase 1 of the Terminal 2 expansion, which commenced domestic operations on January 15, 2023.

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. BIAL's aeronautical revenues are primarily driven by UDFs charged to airlines and passengers, which are set by the Airports Economic Regulatory Authority of India ("AERA") 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. As the tariff setting mechanism adjusts for periods of underperformance, it is expected that underachievement in aeronautical revenues will be substantially recovered through, among other factors, higher UDFs in future control periods.

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. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which BIAL operates.

At March 31, 2023 the company held a 54.0% equity interest in BIAL (December 31, 2022 - 54.0%) and its internal valuation model indicated that the fair value of the company's investment in BIAL was $1,296,142 (December 31, 2022 - $1,233,747).

At March 31, 2023 and December 31, 2022 the company held 43.6% out of its 54.0% equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 49.0% (December 31, 2022 - 49.0%). Refer to note 8 (Total Equity, under the heading Non-controlling interests) for further discussion on Anchorage.

Subsequent to March 31, 2023

On May 9, 2023 the company announced that it entered into an agreement to acquire an additional 3.0% equity interest in BIAL through FIH Mauritius, from Siemens Project Ventures GmbH ("Siemens") for cash consideration of $75 million. The transaction is expected to close in the second quarter of 2023, subject to certain closing conditions. The company has also agreed to acquire an additional 7.0% equity interest in BIAL from Siemens for additional cash consideration of $175 million subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed subsequent to October 31, 2023.

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.

Chemplast Sanmar Limited ("Chemplast"), a publicly traded subsidiary of the Sanmar group, is engaged in specialty PVC manufacturing, suspension PVC manufacturing and the production of specialty chemicals for pharmaceutical, agro-chemical and fine chemical sectors, in India. Chemplast is listed on both the BSE and NSE of India.

At March 31, 2023 the company estimated the fair value of its investment in Sanmar common shares using: (i) a discounted cash flow analysis for Sanmar Egypt, based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 13.0% and a long term growth rate of 3.0% (December 31, 2022 - 13.2% and 3.0%, respectively); and (ii) the unadjusted bid price of Chemplast's common shares. At March 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar Egypt prepared in the fourth quarter of 2022 (December 31, 2022 - fourth quarter of 2022) by Sanmar's management.

Free Cash Flow Forecast Inputs

The primary driver of 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

Free cash flow forecasts for Sanmar Egypt were revised by Sanmar's management in the fourth quarter of 2022 primarily to reflect lower volumes of PVC, caustic soda, and calcium chloride in fiscal year 2023 and lower PVC revenues over the medium to long term. Lower volumes in fiscal year 2023 were primarily due to required plant shut downs to support maintenance activities. Lower PVC revenues related to the sharp decline in PVC prices as a result of a temporary surplus of PVC in China, due to continuous lockdowns in the Eastern and Southern regions of China, which are major consumers of PVC.

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. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Sanmar operates.

At March 31, 2023 the company held a 42.9% equity interest in Sanmar (December 31, 2022 - 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was $289,332 (December 31, 2022 - $337,846).

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 and gas cargo along the Indian coast as well as in international waters. Its vessels are registered in India and operate as Indian owned and flagged vessels.

At March 31, 2023 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 14.5% and a long term growth rate of 3.0% (December 31, 2022 - 12.2% and 3.0%, respectively). At March 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the first quarter of 2023 (December 31, 2022 - third quarter of 2022) by Seven Islands' management.

Free Cash Flow Forecast Inputs

The primary driver of 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 first quarter of 2023 to reflect higher EBITDA margins over the forecast period supported by higher charter rates, delayed vessel acquisitions, the sale of an additional vessel in fiscal year 2024 as a result of favourable vessel prices, and higher expansionary capital expenditures due to the continued shortage of vessels. 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. 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, 2023 the company held a 48.5% equity interest in Seven Islands (December 31, 2022 - 48.5%), and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was $97,629 (December 31, 2022 - $96,910).

Investment in National Commodities Management Services Limited

National Commodities 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, and commodity and weather intelligence. NCML's wholly-owned subsidiary, NCML Finance Private Ltd, is a non-banking financial company ("NBFC") with a focus on rural and agri-business finance.

NCML Common Shares

At March 31, 2023 the company estimated the fair value of its investment in NCML common shares using: (i) a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 12.7% to 13.7% and long term growth rates ranging from 2.4% to 6.0% for two business units (December 31, 2022 - 12.1% to 12.2%, 2.4% to 6.0%, respectively); and (ii) an adjusted net book value approach for its NBFC business unit. At March 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the first quarter of 2023 (December 31, 2022 - third quarter of 2022) by NCML's management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flow forecasts were revised by NCML's management in the first quarter of 2023 to reflect lower forecasted EBITDA based on current market conditions and forecasted asset disposals for the warehousing business, with proceeds used to reduce debt. Revised forecasts also reflected the surrender of three silo projects and substantial completion of remaining silo projects in fiscal year 2024. 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. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which NCML operates.

At March 31, 2023 the company held a 90.4% equity interest in NCML (December 31, 2022 - 89.5%), and its internal valuation model indicated that the fair value of the company's equity investment in NCML was $51,826 (December 31, 2022 - $56,871).

NCML Compulsorily Convertible Debentures

In 2019 the company invested $13,970 (approximately 1.0 billion Indian rupees) in 12.5% unsecured compulsorily convertible debentures ("NCML CCD"), due September 30, 2029 and convertible into NCML common shares, at the company's option, at any time prior to the maturity date. The conversion price was 68.00 Indian rupees per common share. On March 31, 2023, the company converted the NCML CCD into NCML common shares with a fair value of $6,399 (525.8 million Indian rupees). As a result, the company recorded a realized loss on the NCML CCD of $5,803 (476.9 million Indian rupees) and the company's equity interest in NCML increased from 89.5% to 90.4%.

At December 31, 2022 the fair value of the company's investment in the NCML CCD was $12,517 and was presented within Other Indian Fixed Income in the tables disclosed earlier in note 5.

At March 31, 2023 the company had accrued $3,561 (December 31, 2022 - $3,944) in interest receivable related to the NCML CCD, which will be settled by NCML through the issuance of NCML common shares at a conversion price of 35.66 Indian rupees per common share. The issuance of additional NCML common shares to settle accrued interest was completed on May 10, 2023 upon receipt of shareholder approval.

Investment in Maxop Engineering Company Private Limited

Maxop Engineering Company Private Limited ("Maxop"), a private company located in New Delhi, India, is a precision aluminum die casting and machining solution provider for customers in the automotive and industrial sectors.

On September 5, 2022 the company invested cash consideration of $21,928 (approximately 1.8 billion Indian rupees) for an additional 16.0% equity interest in Maxop, completing the second and final transaction under the terms of the investment agreement entered into in September 2021. In aggregate, the company has acquired a 67.0% equity interest in Maxop for $51,448 (approximately 4.0 billion Indian rupees), which was determined based on Maxop's achievement of certain financial-based performance targets.

At March 31, 2023 the company estimated the fair value of its investment in Maxop using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 14.6% and a long term growth rate of 4.0% (December 31, 2022 - 14.9% and 4.0%, respectively). At March 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Maxop prepared in the fourth quarter of 2022 (December 31, 2022 - fourth quarter of 2022) by Maxop's management.

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are manufacturing capacity and utilization, with revenue growth driven by growing domestic and international demand, supported by Maxop's planned capacity expansion.

Current Model Assumptions

Free cash flows prepared by Maxop's management in the fourth quarter of 2022 primarily reflected (i) average annual growth in product volumes of 12% over the forecasting period; and (ii) a shift away from export to domestic sales in the near term, in response to external market conditions including semiconductor chip shortages and other supply chain disruptions, which have negatively impacted export sales. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Maxop operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Maxop operates.

At March 31, 2023 the company held a 67.0% equity interest in Maxop (December 31, 2022 - 67.0%), and its internal valuation model indicated that the fair value of the company's investment in Maxop was $52,382 (December 31, 2022 - $51,886).

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.

At March 31, 2023 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 15.5% to 17.4% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2022 - 17.8% to 19.5%, and 4.0% to 5.0%, respectively). At March 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the first quarter of 2023 (December 31, 2022 - third quarter of 2022) by Saurashtra's management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flows were revised by Saurashtra's management in the first quarter of 2023 primarily to reflect slightly higher EBITDA margins over the forecast period and reduced forecasted capital expenditures. 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. 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, 2023 the company held a 51.0% equity interest in Saurashtra (December 31, 2022 - 51.0%), and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was $51,051 (December 31, 2022 - $50,707).

Investment in Jaynix Engineering Private Limited

Jaynix Engineering Private Limited ("Jaynix"), a private company based in Gujarat, India, is a manufacturer of non-ferrous electrical connectors and electrical assemblies, and is a critical Tier 1 supplier to major electrical original equipment manufacturers in North America and Europe.

On February 11, 2022 the company invested cash consideration of $32,504 (approximately 2.5 billion Indian rupees) for a 70.0% equity interest in Jaynix.

At March 31, 2023 the company estimated the fair value of its investment in Jaynix using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 19.8% and a long term growth rate of 1.5% (December 31, 2022 - 21.6% and 1.5% respectively). At March 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Jaynix prepared in the fourth quarter of 2022 (December 31, 2022 - fourth quarter of 2022) by Jaynix's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is increased product volumes driven by excess demand and growing long term relationships with customers, supported by planned capacity expansion.

Current Model Assumptions

Free cash flows prepared by Jaynix's management in the fourth quarter of 2022 primarily reflected revenue growth supported by planned capacity expansions. Free cash flows reflect excess demand and steady EBITDA margins over the forecast period. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Jaynix operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Jaynix operates.

At March 31, 2023 the company held a 70.0% equity interest in Jaynix (December 31, 2022 - 70.0%), and its internal valuation model indicated that the fair value of the company's investment in Jaynix was $36,051 (December 31, 2022 - $32,796).

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.

At March 31, 2023 the company estimated the fair value of its investment in NSE of $167,662 (December 31, 2022 - $159,627) based on recent third party transactions completed in the first quarter of 2023 (December 31, 2022 - fourth quarter of 2022).

Investment in India Housing Fund

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's 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.

During the first quarter of 2023 the company received distributions of $429 (2022 - $1,554) from IH Fund.

At March 31, 2023 the company estimated the fair value of its investment in IH Fund of $15,298 (December 31, 2022 - $15,576) 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.

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, 2023					December 31, 2022				
	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	136,913	—	—	136,913	11,252	147,448	—	—	147,448	12,198
Short term investments:										
U.S. treasury bills	65,238	—	—	65,238	5,361	49,692	—	—	49,692	4,111
	65,238	—	—	65,238	5,361	49,692	—	—	49,692	4,111
Bonds:										
Government of India [(1)]	—	122,012	—	122,012	10,027	—	121,108	—	121,108	10,019
Other Indian Fixed Income	—	—	7,209	7,209	592	—	—	19,585	19,585	1,621
	—	122,012	7,209	129,221	10,619	—	121,108	19,585	140,693	11,640
Common stocks:										
IIFL Finance	495,804	—	—	495,804	40,746	493,341	—	—	493,341	40,814
IIFL Securities	51,908	—	—	51,908	4,266	65,837	—	—	65,837	5,447
360 ONE (formerly IIFL Wealth)	37,885	—	—	37,885	3,113	46,730	—	—	46,730	3,866
CSB Bank [(2)]	50,206	—	180,641	230,847	18,972	48,569	—	174,699	223,268	18,471
Fairchem Organics	76,167	—	—	76,167	6,260	111,083	—	—	111,083	9,190
5paisa	26,412	—	—	26,412	2,171	28,421	—	—	28,421	2,351
Other	1,800	—	—	1,800	148	15,577	—	—	15,577	1,288
BIAL	—	—	1,296,142	1,296,142	106,520	—	—	1,233,747	1,233,747	102,068
Sanmar [(3)]	—	—	289,332	289,332	23,778	—	—	337,846	337,846	27,950
Seven Islands	—	—	97,629	97,629	8,023	—	—	96,910	96,910	8,017
NCML	—	—	51,826	51,826	4,259	—	—	56,871	56,871	4,705
Maxop	—	—	52,382	52,382	4,305	—	—	51,886	51,886	4,293
Saurashtra	—	—	51,051	51,051	4,195	—	—	50,707	50,707	4,195
Jaynix	—	—	36,051	36,051	2,963	—	—	32,796	32,796	2,713
NSE	—	—	167,662	167,662	13,779	—	—	159,627	159,627	13,206
IH Fund	—	—	15,298	15,298	1,257	—	—	15,576	15,576	1,289
	740,182	—	2,238,014	2,978,196	244,755	809,558	—	2,210,665	3,020,223	249,863
Total cash and investments	942,333	122,012	2,245,223	3,309,568	271,987	1,006,698	121,108	2,230,250	3,358,056	277,812
	28.5 %	3.7 %	67.8 %	100.0 %	100.0 %	30.0 %	3.6 %	66.4 %	100.0 %	100.0 %

(1) Priced based on information provided by independent pricing service providers at March 31, 2023 and December 31, 2022. Short term investments relate to U.S. treasury bills maturing between three and twelve months from the date of purchase.

(2) The company is restricted from selling certain of its common shares of CSB Bank for a specified period up to August 7, 2024 due to restrictions imposed by the RBI and SEBI, 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, 2023 and December 31, 2022.

(3) The fair value of Chemplast, a publicly traded subsidiary of Sanmar, comprised 55% of the company's investment in Sanmar at March 31, 2023 (December 31, 2022 - 61%).

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 2023 and 2022 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 2023 and 2022 is as follows:

	First quarter												
	2023							2022					
Indian rupees *(in millions)*	**Balance as of January 1**	**Purchases / Conversion**	**Sales / Conversion**	**Amortization**	**Net realized losses on investments**	**Net change in unrealized gains (losses) on investments**	**Balance as of March 31**	**Balance as of January 1**	**Purchases**	**Sales**	**Amortization**	**Net change in unrealized gains (losses) on investments**	**Balance as of March 31**
Common stocks:													
BIAL	102,068	—	—	—	—	4,452	106,520	102,001	—	—	—	(131)	101,870
Sanmar	27,950	—	—	—	—	(4,172)	23,778	31,307	—	—	—	3,690	34,997
CSB Bank	14,453	—	—	—	—	393	14,846	12,962	—	—	—	(1,256)	11,706
Seven Islands	8,017	—	—	—	—	6	8,023	7,874	—	—	—	23	7,897
NCML	4,705	526	—	—	—	(972)	4,259	5,172	—	—	—	125	5,297
Maxop	4,293	—	—	—	—	12	4,305	2,218	—	—	—	—	2,218
Saurashtra	4,195	—	—	—	—	—	4,195	3,506	—	—	—	105	3,611
Jaynix	2,713	—	—	—		250	2,963	—	2,450	—	—	—	2,450
NSE	13,206	—	—	—	—	573	13,779	8,267	—	—	—	1,357	9,624
IH Fund	1,289	—	(35)	—	—	3	1,257	1,755	—	(117)	—	44	1,682
5paisa	—	—	—	—	—	—	—	328	—	—	—	(51)	277
Other Indian Fixed Income	1,621	—	(526)	7	(477)	(33)	592	1,642	—	—	7	—	1,649
Total	184,510	526	(561)	7	(477)	512	184,517	177,032	2,450	(117)	7	3,906	183,278

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, with exception of net change in unrealized losses of 33 million Indian rupees related to the reversal of prior period unrealized gains on the NCML CCD included in Other Indian Fixed Income.

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, 2023. 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. This sensitivity analysis excludes the company's investments in NSE, IH Fund and Other Indian Fixed Income, 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	1,296,142	Discounted cash flow	After-tax discount rate	12.4% to 16.3%	(304,727) / 391,047	(264,351) / 339,233
			Long term growth rate	3.5%	22,360 / (21,143)	19,397 / (18,342)
Sanmar (3)	289,332	Discounted cash flow	After-tax discount rate	13.0%	(46,104) / 56,095	(39,995) / 48,663
			Long term growth rate	3.0%	8,951 / (8,517)	7,765 / (7,389)
CSB Bank (4)	180,641	Bid price, net of discount	Discount for lack of marketability	12.5%	(2,198) / 2,200	(1,907) / 1,909
Seven Islands	97,629	Discounted cash flow	After-tax discount rate	14.5%	(13,207) / 15,829	(11,457) / 13,732
			Long term growth rate	3.0%	2,328 / (2,230)	2,020 / (1,935)
NCML (5)	51,826	Discounted cash flow	After-tax discount rate	12.7% to 13.7%	(11,323) / 14,317	(9,823) / 12,420
			Long term growth rate	2.4% to 6.0%	1,966 / (1,845)	1,706 / (1,601)
Maxop	52,382	Discounted cash flow	After-tax discount rate	14.6%	(6,282) / 7,591	(5,450) / 6,585
			Long term growth rate	4.0%	1,258 / (1,199)	1,091 / (1,040)
Saurashtra	51,051	Discounted cash flow	After-tax discount rate	15.5% to 17.4%	(3,381) / 4,020	(2,933) / 3,487
			Long term growth rate	4.0% to 5.0%	590 / (566)	512 / (491)
Jaynix	36,051	Discounted cash flow	After-tax discount rate	19.8%	(2,261) / 2,540	(1,961) / 2,203
			Long term growth rate	1.5%	368 / (358)	319 / (311)

(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 (changes of 250 basis points to underlying historical share price volatility), 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) *Significant unobservable inputs relate only to the Sanmar Egypt business unit as the Chemplast business unit is publicly traded on the BSE and NSE of India and is valued based on its unadjusted bid price. The hypothetical $ change effect from a 10% increase or decrease in Chemplast's traded share price would be an increase or decrease in fair value of Sanmar of $15,809, and an increase or decrease in net earnings of $13,714.*

(4) *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.*

(5) *The company determined that there were no significant unobservable inputs suited for a sensitivity analysis for NCML's NBFC business unit where an adjusted net book value approach was applied.*

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. The decrease in bonds due after 5 years through 10 years reflects the early conversion of the NCML CCD into NCML common shares. At March 31, 2023 and December 31, 2022 there were no bonds containing call or put features.

	March 31, 2023		December 31, 2022	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in 1 year or less	6,698	6,683	6,681	6,622
Due after 1 year through 5 years	124,740	122,538	123,869	121,554
Due after 5 years through 10 years	—	—	12,121	12,517
	131,438	129,221	142,671	140,693

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	
	2023	**2022**
Interest:		
Cash and cash equivalents	1,630	2
Short term investments	579	24
Bonds	2,471	2,296
	4,680	2,322
Dividends: Common stocks	8,194	10,281

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

	First quarter					
	2023			**2022**		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	**Net realized gains (losses)**	**Net change in unrealized gains (losses)**	**Net gains (losses)**
Net gains (losses) on investments:						
Short term investments	—	—	—	(4)	5	1
Bonds	(5,803) (1)	(227)	(6,030)	(269)	422	153
Common stocks	9,884 (1)	(56,075) (1)	(46,191)	99 (1)	69,889 (1)	69,988
Derivatives	—	—	—	—	(464) (1)	(464)
	4,081	(56,302)	(52,221)	(174)	69,852	69,678
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	(638)	—	(638)	422	—	422
Short term investments	611	(1,026)	(415)	—	—	—
Borrowings	—	3,306	3,306	—	(9,501)	(9,501)
Other	(121)	—	(121)	(123)	—	(123)
	(148)	2,280	2,132	299	(9,501)	(9,202)

(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 2023 and 2022.

7. Borrowings

	March 31, 2023			December 31, 2022		
	Principal	**Carrying value (1)**	**Fair value (2)**	**Principal**	**Carrying value (1)**	**Fair value (2)**
Unsecured Senior Notes:						
5.0% Unsecured Senior Notes due February 26, 2028	500,000	497,436	440,100	500,000	497,306	453,650

(1) Principal net of unamortized issue costs.

(2) Fair value of the Unsecured Senior Notes at March 31, 2023 and December 31, 2022 was based principally on information provided by independent pricing service providers (Level 2 in the fair value hierarchy).

Unsecured Senior Notes

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028 ("Unsecured Senior Notes") at par, for net proceeds of $496,350 after commissions and expenses. Fairfax, through its subsidiaries, holds $58,400 of the $500,000 principal amount under the same terms as the other participants. Refer to note 11 for further details of amounts due to related parties.

At March 31, 2023 the Unsecured Senior Notes were recognized net of unamortized issuance costs of $2,564 (December 31, 2022 - $2,694) and recorded in borrowings within the consolidated balance sheets. The issuance costs are amortized over the remaining life of the Unsecured Senior Notes and recorded in interest expense in the consolidated statements of earnings (loss).

Revolving Credit Facility

On December 17, 2021 the company entered into a $175,000 unsecured revolving credit facility ("Revolving Credit Facility") with a syndicate led by a Canadian bank. The Revolving Credit Facility has a three-year term with an option to extend for an additional year. At March 31, 2023 and December 31, 2022 the Revolving Credit Facility was undrawn and remained available.

Interest Expense

In the first quarter of 2023 interest expense of $6,380 (2022 - $6,380) was comprised of interest expense related to stated interest of $6,250 (2022 - $6,250) and the amortization of issuance costs of $130 (2022 - $130). During the first quarter of 2023 the company paid interest of $12,500 (2022 - $12,500) on its borrowings.

At March 31, 2023 the company recognized accrued interest expense of $2,361 (December 31, 2022 - $8,611) within the consolidated balance sheets.

8. Total Equity

Common shareholders' equity

Common Stock

The number of shares outstanding was as follows:

	First quarter	
	2023	**2022**
Subordinate voting shares – January 1	108,270,900	111,235,352
Purchases for cancellation	(454,948)	(1,897,532)
Subordinate voting shares – March 31	107,815,952	109,337,820
Multiple voting shares – beginning and end of period	30,000,000	30,000,000
Common shares effectively outstanding – March 31	137,815,952	139,337,820

Purchase of Shares

The company has the ability to purchase for cancellation subordinate voting shares at prevailing market prices under the terms of its normal course issuer bid and in accordance with the rules and policies of the TSX. During the first quarter of 2023, under the terms of its normal course issuer bid, the company purchased for cancellation 454,948 subordinate voting shares (2022 - 1,897,532) for a net cost of $5,847 (2022 - $24,010), of which $1,060 was charged to retained earnings (2022 - $4,046).

At March 31, 2023 the company recognized a payable of $3,587 (December 31, 2022 - nil) presented within accounts payable and accrued liabilities in the consolidated balance sheet, related to purchases of 276,000 shares for cancellation at the end of March 2023, which was subsequently settled in April 2023.

In connection with the normal course issuer bid, the company also entered into an automatic share purchase plan with its designated broker to allow for the purchase of subordinate voting shares during 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 the parameters established by the company prior to commencement of the applicable trading black-out period.

Subsequent to March 31, 2023

Subsequent to March 31, 2023, in accordance with an automatic share purchase plan under the terms of the normal course issuer bid, 826,321 subordinate voting shares were purchased for cancellation on behalf of the company for a net cost of $10,745.

Non-controlling interests

In 2019 the company formed Anchorage as a wholly-owned subsidiary of FIH Mauritius, intended to provide investment related services to support the company in investing in companies, businesses and opportunities in the airport and infrastructure sectors in India. On September 16, 2021 the company transferred 43.6% out of its 54.0% equity interest in BIAL such that it is held through Anchorage and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to OMERS for gross proceeds of $129,221 (9.5 billion Indian rupees). Upon closing of the transaction, the company's effective ownership interest in BIAL decreased to approximately 49.0% on a fully-diluted basis, while its actual ownership remained unchanged.

Net earnings attributable to non-controlling interests of $3,869 during the first quarter of 2023 (2022 - net loss attributable to non-controlling interests of $179) principally related to net unrealized gains on Anchorage's investment in BIAL.

The company shall use commercially reasonable efforts to list Anchorage by way of an IPO in India, subject to regulatory approvals and market conditions on or before September 2025. If the valuation of Anchorage upon closing of the IPO is below approximately $1.1 billion (at period end exchange rates) (91.6 billion Indian rupees), then OMERS' ownership in Anchorage will increase to a maximum of 15.0% and the company's ownership in Anchorage will decrease to a minimum of 85.0% (effective ownership interest in BIAL will decrease to a minimum of 47.5%). If Anchorage does not list by way of an IPO in India by September 2025, then OMERS' ownership in Anchorage will remain at 11.5%.

9. Income Taxes

The company's provision for income taxes for the three months ended March 31 were comprised as follows:

	First quarter	
	2023	**2022**
Current income tax:		
Current year expense	2,341	936
	2,341	936
Deferred income tax:		
Origination and reversal of temporary differences	6,084	1,132
Provision for income taxes	8,425	2,068

Reconciliation of the provision for (recovery of) income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate for the three months ended March 31 are presented in the following table:

	First quarter	
	2023	**2022**
Canadian statutory income tax rate	26.5 %	26.5 %
Provision for (recovery of) income taxes at the Canadian statutory income tax rate	(11,446)	15,331
Tax rate differential on (income earned) losses incurred outside of Canada	19,155	(15,272)
Increase in unrecorded tax benefit of losses and temporary differences	981	1,784
Foreign exchange effect	(266)	225
Other including permanent differences	1	—
Provision for income taxes	8,425	2,068

The tax rate differential on losses incurred outside of Canada of $19,155 in the first quarter of 2023 (2022 - tax differential on income earned outside of Canada of $15,272) principally reflected the impact of net investment losses and income taxed in Mauritius and India at lower rates. The provision for income taxes increased in the first quarter of 2023 principally due to deferred tax arising from unrealized gains on the company's investment in BIAL, which is held by Anchorage and FIH Mauritius. Investment gains earned in Anchorage are subject to a higher tax rate compared to FIH Mauritius.

The increase in unrecorded tax benefit of losses and temporary differences of $981 in the first quarter of 2023 principally reflected increases in unrecorded deferred tax assets related to foreign accrual property losses of $6,834 with respect to the company’s wholly-owned subsidiaries, the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $3,687, and net operating losses in Canada of $2,066, partially offset by temporary timing differences on performance and professional fees of $10,910, the impact of foreign exchange of $484, and temporary timing differences on debt and equity issuance costs of $212 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS.

The increase in unrecorded tax benefit of losses and temporary differences of $1,784 in the first quarter of 2022 principally reflected increases in unrecorded deferred tax assets related to the impact of foreign exchange of $2,972 and net operating losses in Canada of $2,915, partially offset by temporary timing differences on performance and professional fees of $1,502, the utilization of foreign accrual property losses of $1,137 with respect to the company’s wholly-owned subsidiaries, temporary timing differences on debt and equity issuance costs of $954, and the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $510 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS.

At March 31, 2023 deferred tax assets of $86,783 in Canada and $8,011 in India (December 31, 2022 - $88,899 in Canada and $4,293 in India) were not recorded as it was considered not probable that those losses could be utilized by the company.

Foreign exchange effect of $266 in the first quarter of 2023 (2022 - $225) 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.

10. 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, 2023 compared to those identified and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2022. Consideration has been given to the current economic environment, including the heightened inflationary pressures and actions taken by central banks across the world to control inflation levels. Further developments related to ongoing global economic disruptions and global recessionary concerns, including the risk of rising inflation, 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 equity when measured in Indian rupees, the company's functional currency. The company's net earnings and 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, 2023 compared to December 31, 2022.

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 equity and net earnings. A sustained increase in market interest rates may result in higher cost of capital for portfolio companies, which all else equal would negatively impact the company's private company equity valuations. 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, 2023 compared to December 31, 2022.

The company's exposure to interest rate risk decreased slightly in the first quarter of 2023, primarily reflecting an overall decrease in remaining maturities across the fixed income portfolio. 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 given the continued uncertainty caused by increased inflationary pressures and interest rates. This analysis was performed on each individual security, with the hypothetical effect on net earnings.

	March 31, 2023			December 31, 2022		
	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	124,239	(3,662)	(3.9)%	135,232	(4,014)	(3.9)%
100 basis point increase	126,698	(1,855)	(2.0)%	137,924	(2,035)	(2.0)%
No change	129,221	—	—	140,693	—	—
100 basis point decrease	131,815	1,907	2.0 %	143,545	2,096	2.0 %
200 basis point decrease	134,478	3,864	4.1 %	146,480	4,253	4.1 %

(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, 2023 compared to December 31, 2022 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, increased inflationary pressures and interest rates have increased market uncertainty and may adversely impact the fair value and future cash flows of the company's equity instruments.

The company's exposure to market price risk decreased to $2,978,196 at March 31, 2023 from $3,020,223 at December 31, 2022. Refer to note 6 for the potential impact on net earnings 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 from a 20% increase or decrease in the fair value of its Public Indian Investments at March 31, 2023 to be a hypothetical increase or decrease in net earnings of $158,711 (December 31, 2022 - increase or decrease in net earnings of $169,117). 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.

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, short term investments 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, 2023 compared to December 31, 2022.

Cash and Cash Equivalents and Short Term Investments

At March 31, 2023 the company's cash and cash equivalents of $136,913 (December 31, 2022 - $147,448) 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.

At March 31, 2023 the company's short term investments in U.S. treasury bills of $65,238 were rated Aaa by Moody's and AA+ by S&P (December 31, 2022 - U.S. treasury bills of $49,692 rated Aaa by Moody's and AA+ by S&P).

Investments in Debt Instruments

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

At March 31, 2023 the company's debt instruments were all considered to be subject to credit risk with a fair value of $129,221 (December 31, 2022 - $140,693), representing 3.9% (December 31, 2022 - 4.2%) of the total cash and investments portfolio.

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

	March 31, 2023		December 31, 2022	
	Fair value	**Rating**	**Fair value**	**Rating**
Government of India bonds [(1)]	122,012	Baa3/BBB-	121,108	Baa3/BBB-
Other Indian Fixed Income	7,209	Not rated	19,585	Not rated
Total bonds	129,221		140,693	

(1) Rated Baa3 by Moody's and BBB- by S&P at March 31, 2023 and December 31, 2022.

The company's exposure to credit risk from its investments in fixed income securities decreased at March 31, 2023 compared to December 31, 2022, principally reflecting the conversion of the NCML CCD into NCML common shares as described in note 5. Except as described above, there were no other significant changes to the composition of the company's fixed income portfolio classified according to each security's respective issuer credit rating at March 31, 2023 compared to December 31, 2022.

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, accrued interest due in semi-annual installments, 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, 2023 compared to December 31, 2022.

The undeployed cash and investments at March 31, 2023 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of investment and advisory fees, interest expense, purchases of subordinate voting shares for cancellation under its automatic share purchase plan, and general and administration expenses. In addition, under the Investment Advisory Agreement (defined in note 11), 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.

At March 31, 2023 the company's payment obligations, which are due beyond one year, primarily relate to the recurring nature of expenses described above and a principal repayment on the Unsecured Senior Notes due in February 2028, which bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments.

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, 2023, in addition to cash and cash equivalents of $136,913, the company held common shares of Public Indian Investments, which carry no selling restrictions, with a fair value of $740,182, Government of India bonds with a fair value of $122,012 and short term investments of $65,238. 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. To further augment its liquidity, the company can draw upon its Revolving Credit Facility. Accordingly, the company has adequate working capital to support its ongoing operations.

Subsequent to March 31, 2023

On May 9, 2023 the company announced that it entered into an agreement to acquire an additional 3.0% equity interest in BIAL through FIH Mauritius, from Siemens Project Ventures GmbH ("Siemens") for cash consideration of $75 million. The transaction is expected to close in the second quarter of 2023, subject to certain closing conditions. The company has also agreed to acquire an additional 7.0% equity interest in BIAL from Siemens for additional cash consideration of $175 million subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed subsequent to October 31, 2023.

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, 2023 and December 31, 2022 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at March 31, 2023 represented 94.0% (December 31, 2022 - 94.2%) of the total cash and investments portfolio.

The company's holdings of Public and Private Indian Investments (see note 5) at March 31, 2023 and December 31, 2022 are summarized by the issuer's primary industry sector in the table below:

	March 31, 2023	**December 31, 2022**
Infrastructure	1,296,142	1,233,747
Financial services	1,034,825	1,042,153
Commercial and industrial	505,758	602,999
Ports and shipping	148,680	147,617
Utilities	—	13,292
	2,985,405	3,039,808

During the first quarter of 2023 the company's concentration risk in the infrastructure sector increased principally due to unrealized gains on the company's investment in BIAL. The company's concentration risk in the financial services sector decreased primarily due to unrealized losses on the company's investments in IIFL Securities and sales of 360 ONE common stock, partially offset by unrealized gains on the company's investments in NSE and CSB Bank. The company's concentration risk in the commercial and industrial sector decreased primarily due to unrealized losses on the company's investments in Sanmar, Fairchem Organics, and NCML, in addition to a realized loss on the conversion of the NCML CCD, partially offset by foreign currency translation gains and unrealized gains on the company's investment in Jaynix. The company's concentration risk in the ports and shipping sector increased primarily due to foreign currency translation gains on the company's investments in Seven Islands and Saurashtra. The company's concentration risk in the utilities sector decreased due to the sales of common stocks of utility companies within Other Public Indian Investments.

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2023 from December 31, 2022 based on the change in its asset base. 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, 2023 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, common shareholders' equity and non-controlling interests) decreased to $3,215,083 at March 31, 2023 from $3,254,079 at December 31, 2022, principally reflecting a decrease in common shareholders' equity, partially offset by an increase in non-controlling interests as described below.

Common shareholders' equity decreased to $2,598,273 at March 31, 2023 from $2,642,036 at December 31, 2022 primarily reflecting a net loss attributable to shareholders of $55,487 and purchases of subordinate voting shares for cancellation of $5,847, partially offset by unrealized foreign currency translation gains attributable to shareholders of $17,554 during the first quarter of 2023.

Non-controlling interests increased to $119,374 at March 31, 2023 from $114,737 at December 31, 2022 primarily reflecting net earnings attributable to non-controlling interests of $3,869 principally arising from net unrealized gains on the company's investment in BIAL held through Anchorage, in addition to unrealized foreign currency translation gains attributable to non-controlling interests of $768 during the first quarter of 2023.

11. 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, 2023	December 31, 2022
Performance fee	27,249	41,531
Investment and advisory fee	8,830	9,211
Other	—	109
	36,079	50,851

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".

Third Calculation Period

The period from January 1, 2021 to December 31, 2023 (the "third calculation period") is 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. The performance fee, if applicable, will be paid within 30 days after the company issues its annual audited consolidated financial statements for the year ended December 31, 2023. 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 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").

At March 31, 2023 the company determined that there was a performance fee accrual of $27,249 related to the third calculation period (December 31, 2022 - $41,531). A performance fee recovery of $14,547 was recorded in the consolidated statements of earnings (loss) in the first quarter of 2023, representing the partial reversal of the performance fee accrual at December 31, 2022 (2022 - a performance fee recovery of $3,094).

At March 31, 2023 there were an estimated 2,129,738 contingently issuable subordinate voting shares to Fairfax relating to the performance fee accrual for the third calculation period (March 31, 2022 - 6,834,348).

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 2023 were $8,816 (2022 - $10,080).

Unsecured Senior Notes

Fairfax, through its subsidiaries, holds $58,400 of the Unsecured Senior Notes under the same terms as the other participants. Amounts due to related parties related to the Unsecured Senior Notes were comprised as follows:

	March 31, 2023	December 31, 2022
Principal portion, presented within borrowings on the consolidated balance sheet	58,400	58,400
Interest portion, presented within accrued interest expense on the consolidated balance sheet	276	1,006
	58,676	59,406

Interest expense recorded in the consolidated statements of earnings (loss) for the first quarter of 2023 included $730 related to amounts due to related parties (2022 - $730). Refer to note 7 for further details on the Unsecured Senior Notes.

Fairfax's Voting Rights and Equity Interest

At March 31, 2023 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2022 - 30,000,000) and owned and/or exercised control or direction over 28,504,470 subordinate voting shares (December 31, 2022 - 28,504,470) of Fairfax India. At March 31, 2023 Fairfax's aggregate ownership, control and/or direction of the subordinate voting shares and multiple voting shares represented a 95.1% voting interest and a 42.5% equity interest (December 31, 2022 - 95.0% and 42.3%) in Fairfax India.

12. General and Administration Expenses

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

	First quarter	
	2023	2022
Audit, legal, tax, and professional fees (1)	3,605	808
Salaries and employee benefit expenses	316	495
Administrative expenses	475	484
Other	933	75
	5,329	1,862

(1) Audit, legal, tax, and professional fees increased primarily due to increased consulting fees.

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 May 11, 2023)
(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, 2023 and the company's 2022 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) Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in this interim report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies. Please refer to the Glossary of Non-GAAP and Other Financial Measures located at the end of this MD&A for details of the company's measures.

Business Developments

Overview

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. 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, 2023 was $18.85 compared to $19.11 at December 31, 2022 representing a decrease in the first quarter of 2023 of 1.4%, primarily reflecting a net loss attributable to shareholders of Fairfax India of $55,487 (primarily related to net change in unrealized losses on investments and investment and advisory fees, partially offset by a performance fee recovery), partially offset by unrealized foreign currency translation gains attributable to shareholders of Fairfax India of $17,554. In addition, the company purchased for cancellation 454,948 subordinate voting shares during the first quarter of 2023 for a net cost of $5,847 ($12.85 per subordinate voting share) through its normal course issuer bid, which partially offset the decrease in book value per share.

The following narrative sets out the company's key business developments in the first quarter of 2023.

Capital Transactions

During the first quarter of 2023, under the terms of its normal course issuer bid, the company purchased for cancellation 454,948 subordinate voting shares (2022 - 1,897,532) for a net cost of $5,847 (2022 - $24,010), of which $1,060 was charged to retained earnings (2022 - $4,046).

Indian Investments

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, 2023. Full descriptions of the Indian Investments committed to, acquired and sold in the first quarter of 2023 are provided in the Indian Investments section of this MD&A.

Operating Environment

Global Economic Environment

According to the World Economic Outlook (April 2023) published by the International Monetary Fund ("IMF"), global growth is expected to fall from 3.4% in 2022 to 2.8% in 2023, before rising modestly to 3.0% in 2024. Commodity and energy prices, which rose sharply following Russia's invasion of Ukraine ("conflict in Ukraine"), have moderated and supply chain disruptions continued to show improvement. However, geopolitical tensions remain high and side effects from the rapid increase in interest rates are becoming apparent, as banking sector vulnerabilities have come into focus.

Indian Economy

According to estimates from the Indian government, the country's GDP grew 7.0% in its fiscal year 2022-23, compared to 9.1% in fiscal year 2021-22. In its April 2023 report, the IMF estimated India's GDP will expand by 5.9% for fiscal year 2023-24, which reflected a downward revision from its January 2023 estimate of 6.1% although it remains one of the fastest growing economies in the world. The IMF estimates also indicate emerging and developing economies are demonstrating signs of resilience as the slowdown predicted for 2023 is concentrated in advanced economies.

The Indian government's encouragement of capital expenditure, domestic manufacturing, credit growth and moderation in commodity prices are expected to strengthen manufacturing and investment activity. However, weakening external demand, spillovers from the banking crisis in some advanced economies, and volatile capital markets may hamper growth prospects.

Following the cumulative 225 basis points increase to benchmark interest rates during 2022, the Reserve Bank of India ("RBI") announced a further interest rate hike of 25 basis points in February 2023. In April 2023 however, the RBI decided to halt rate hikes citing that it would be closely monitoring the impact of recent global financial turbulence in the economy. The RBI also announced it would remain focused on the withdrawal of its accommodative policy to ensure that inflation progressively aligns within the target, while supporting growth.

Indian Market Indices and Foreign Exchange Rate

Global equities have performed well in the first three months of 2023 despite weaker economic forecasts and banking industry tension. The BSE Sensex declined by 2.4% in U.S. dollars in the first quarter of 2023, largely reflecting investors' response to global uncertainties fueled by turmoil in the banking sector and persistent inflation. After outperforming global peer indices for much of 2022, Indian equities experienced a weaker start to the year as India's inflation rate continued to rise at the beginning of 2023, before easing to a 15-month low at the end of March 2023. The Indian rupee relative to the U.S. dollar recovered slightly from a record low in 2022 (reflecting appreciation of 0.7% in the first quarter of 2023), supported by a strong rally from foreign investors and domestic equities, in addition to recession fears in the U.S.

Consistent with Indian equity markets, the fair values of the company's Public Indian Investments continued to experience heightened volatility during the first quarter of 2023. The company also recorded unrealized foreign currency translation gains consistent with the recovery in the Indian rupee as the company's net assets and net earnings are primarily denominated in Indian rupees.

The company's Indian Investments may face varying degrees of impact in response to changes in the global economic environment. Further discussion specific to each Indian Investment is included 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 consolidated subsidiaries based in Mauritius, FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private"). In 2019 the company formed Anchorage, a consolidated subsidiary of FIH Mauritius based in India.

Investment Restrictions

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2023 from December 31, 2022 based on the change in its asset base.

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, 2023 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 recognition, measurement and presentation principles consistent 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 Oblig*ations.* National Commodities 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 summarized financial information contained in this MD&A was prepared exclusively for Fairfax India. Such financial information is the responsibility of the respective management teams and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS as issued by the IASB, and provided to the company in Indian rupees.

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

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

Summary of Indian Investments

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

		March 31, 2023				December 31, 2022			
	Dates Acquired	**Ownership %**	**Cost**	**Fair value**	**Net change**	**Ownership %**	**Cost**	**Fair value**	**Net change**
Public Indian Investments:									
Common stocks:									
IIFL Finance	December 2015 and February 2017	22.2 %	—	495,804	495,804	22.3 %	—	493,341	493,341
IIFL Securities	May 2019	27.7 %	91,310	51,908	(39,402)	27.8 %	91,310	65,837	(25,473)
360 ONE (formerly IIFL Wealth)	May 2019	2.0 %	28,693	37,885	9,192	2.5 %	34,559	46,730	12,171
CSB Bank	October 2018, March and June 2019	49.7 %	169,447	230,847	61,400	49.7 %	169,447	223,268	53,821
Fairchem Organics	August 2020, March and April 2021	52.8 %	42,014	76,167	34,153	52.8 %	42,014	111,083	69,069
5paisa	October 2017, August 2019 and May 2021	25.0 %	29,676	26,412	(3,264)	25.0 %	29,676	28,421	(1,255)
Other	March to June 2020, May 2022	< 1.0 %	3,386	1,800	(1,586)	< 1.0 %	11,004	15,577	4,573
			364,526	920,823	556,297		378,010	984,257	606,247
Private Indian Investments:									
Common stocks:									
BIAL [(1)]	March and July 2017, May 2018	54.0 %	652,982	1,296,142	643,160	54.0 %	652,982	1,233,747	580,765
Sanmar	April 2016 and December 2019	42.9 %	199,039	289,332	90,293	42.9 %	199,039	337,846	138,807
Seven Islands	March, September and October 2019	48.5 %	83,846	97,629	13,783	48.5 %	83,846	96,910	13,064
NCML	August 2015, August 2017 and October 2019	90.4 %	180,717	51,826	(128,891)	89.5 %	174,318	56,871	(117,447)
Maxop	November 2021 and September 2022	67.0 %	51,448	52,382	934	67.0 %	51,448	51,886	438
Saurashtra	February 2017	51.0 %	30,018	51,051	21,033	51.0 %	30,018	50,707	20,689
Jaynix	February 2022	70.0 %	32,504	36,051	3,547	70.0 %	32,504	32,796	292
NSE	July 2016	1.0 %	26,783	167,662	140,879	1.0 %	26,783	159,627	132,844
IH Fund	January and November 2019, December 2020	—	15,225	15,298	73	—	15,654	15,576	(78)
Other Indian Fixed Income	October 2019 and November 2021	—	7,395	7,209	(186)	—	21,365	19,585	(1,780)
			1,279,957	2,064,582	784,625		1,287,957	2,055,551	767,594
Total Indian Investments			1,644,483	2,985,405	1,340,922		1,665,967	3,039,808	1,373,841

(1) The company holds 43.6% out of its 54.0% equity interest in BIAL through Anchorage. In September 2021 the company sold an 11.5% equity interest (on a fully-diluted basis) in Anchorage to OMERS, resulting in the recognition of non-controlling interest in the consolidated balance sheets. As a result of the transaction, the company's effective equity interest in BIAL was 49.0% on a fully-diluted basis at March 31, 2023 and December 31, 2022.

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 2023 is as follows:

	First quarter							
	2023							
	Balance as of January 1	Purchases / Conversion	Sales / Conversion	Amortization	Net realized gains (losses) on investments	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	493,341	—	—	—	—	(823)	3,286	495,804
IIFL Securities	65,837	—	—	—	—	(14,356)	427	51,908
360 ONE (formerly IIFL Wealth)	46,730	—	(8,509)	—	3,481	(4,179)	362	37,885
CSB Bank	223,268	—	—	—	—	6,087	1,492	230,847
Fairchem Organics	111,083	—	—	—	—	(35,628)	712	76,167
5paisa	28,421	—	—	—	—	(2,197)	188	26,412
Other	15,577	—	(13,447)	—	6,403	(6,854)	121	1,800
Total Public Indian Investments	984,257	—	(21,956)	—	9,884	(57,950)	6,588	920,823
Private Indian Investments:								
Common stocks:								
BIAL	1,233,747	—	—	—	—	54,134	8,261	1,296,142
Sanmar	337,846	—	—	—	—	(50,726)	2,212	289,332
Seven Islands	96,910	—	—	—	—	73	646	97,629
NCML [(1)]	56,871	6,399	—	—	—	(11,813)	369	51,826
Maxop	51,886	—	—	—	—	151	345	52,382
Saurashtra	50,707	—	—	—	—	6	338	51,051
Jaynix	32,796	—	—	—	—	3,034	221	36,051
NSE	159,627	—	—	—	—	6,966	1,069	167,662
IH Fund	15,576	—	(429)	—	—	50	101	15,298
Other Indian Fixed Income [(1)]	19,585	—	(6,399)	94	(5,803)	(399)	131	7,209
Total Private Indian Investments	2,055,551	6,399	(6,828)	94	(5,803)	1,476	13,693	2,064,582
Total Indian Investments	3,039,808	6,399	(28,784)	94	4,081	(56,474)	20,281	2,985,405

(1) On March 31, 2023, the company exercised its option to convert the NCML CCD (included within Other Indian Fixed Income) into NCML common shares. The NCML common shares were recognized at a fair value of $6,399 (525.8 million Indian rupees), which resulted in a realized loss on the NCML CCD of $5,803 (476.9 million Indian rupees). As a result of the transaction, Fairfax India's equity interest in NCML increased from 89.5% to 90.4%.

A summary of changes in the fair value of the company's Public and Private Indian Investments for the first quarter of 2022 is as follows:

	First quarter							
	2022							
	Balance as of January 1	Purchases	Sales	Amortization	Net realized gains on investments	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	318,136	—	—	—	—	5,398	(6,080)	317,454
360 ONE (formerly IIFL Wealth) [(1)]	230,111	—	—	—	—	40,223	(4,645)	265,689
IIFL Securities	103,217	—	—	—	—	(2,081)	(1,945)	99,191
CSB Bank	227,649	—	—	—	—	(21,978)	(4,175)	201,496
Fairchem Organics	155,020	—	(25)	—	20	(16,352)	(2,833)	135,830
5paisa	41,232	—	—	—	—	(6,086)	(742)	34,404
Privi Speciality	79	—	(83)	—	79	(74)	(1)	—
Other	69,612	—	—	—	—	1,580	(1,333)	69,859
Derivatives:								
IIFL Wealth forward sale derivative [(1)]	—	—	—	—	—	(464)	3	(461)
Total Public Indian Investments	1,145,056	—	(108)	—	99	166	(21,751)	1,123,462
Private Indian Investments:								
Common stocks:								
BIAL	1,372,170	—	—	—	—	(1,741)	(26,052)	1,344,377
Sanmar	421,153	—	—	—	—	49,040	(8,334)	461,859
Seven Islands	105,926	—	—	—	—	301	(2,013)	104,214
NCML	69,578	—	—	—	—	1,654	(1,333)	69,899
Saurashtra	47,157	—	—	—	—	1,402	(906)	47,653
Jaynix	—	32,504	—	—	—	—	(170)	32,334
Maxop	29,844	—	—	—	—	—	(567)	29,277
NSE	111,216	—	—	—	—	18,029	(2,235)	127,010
IH Fund	23,613	—	(1,554)	—	—	574	(436)	22,197
Other Indian Fixed Income	22,083	—	—	93	—	—	(420)	21,756
Total Private Indian Investments	2,202,740	32,504	(1,554)	93	—	69,259	(42,466)	2,260,576
Total Indian Investments	3,347,796	32,504	(1,662)	93	99	69,425	(64,217)	3,384,038

(1) On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of IIFL Wealth at a specified contract price, based on an initial share price adjusted for dividends received from IIFL Wealth up to the closing date. The agreement resulted in the recognition of an equity forward sale derivative obligation ("IIFL Wealth forward sale derivative") and an unrealized loss implied by the contract price of sale shares relative to the closing bid price at March 31, 2022. The transaction closed on November 22, 2022 for aggregate proceeds of $171,846 (approximately 14.0 billion Indian rupees).

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 common shares of CSB Bank subject to selling restrictions.

The changes in fair value of the company's Public Indian Investments for the first quarters of 2023 and 2022 are presented in the tables at the outset of the Indian Investments section of this MD&A.

Investment in IIFL Finance Limited

Business Overview

IIFL Finance Limited ("IIFL Finance") is a publicly traded retail-focused diversified financing company located in Mumbai, India that offers home loans, gold loans, loans against property, digital loans and microfinance loans, in addition to its non-core segments of loans for construction and real estate finance, and capital market finance.

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 extensive network of physical branches and various digital channels, which enable it to deliver credit to underserved segments and under penetrated geographical areas in India. At March 31, 2023 IIFL Finance had 4,267 branches across India, making it one of the largest retail focused NBFCs.

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, business loans and microfinance loans. 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.

In August 2022 IIFL Home Finance Limited ("IIFL Home Finance"), a subsidiary of IIFL Finance, completed a primary issuance of shares representing a 20% equity interest, to a subsidiary of the Abu Dhabi Investment Authority for gross proceeds of approximately $275 million (22.0 billion Indian rupees). As a result of the transaction, IIFL Finance's equity interest in IIFL Home Finance was diluted to approximately 80%. IIFL Home Finance proposes to use the additional capital to continue its granular expansion strategy into new markets to address the significant and growing demand for housing loans.

At March 31, 2023 IIFL Finance had assets under management ("AUM") of approximately $7.9 billion (approximately 646 billion Indian rupees) (December 31, 2022 - approximately $7.0 billion (approximately 579 billion Indian rupees)) comprised of home loans (34%), gold loans (32%), microfinance (15%), loans against property (10%), digital loans (4%), construction and real estate finance (4%), and capital market finance (1%). The well-diversified asset portfolio is predominantly retail in nature with small loan ticket sizes, mitigating the risk of asset concentration and exposure to cyclical movements.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the fair value of the company's investment in IIFL Finance was $495,804 (December 31, 2022 - $493,341) comprised of 84,641,445 common shares representing a 22.2% equity interest (December 31, 2022 - 22.3%). IIFL Finance's share price decreased by 0.2% from 482.20 Indian rupees per share at December 31, 2022 to 481.40 Indian rupees per share at March 31, 2023.

In the first quarter of 2023 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Finance of $4,116 (2022 - $3,936).

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, 2022 and March 31, 2022.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2022[(1)]	March 31, 2022[(1)]
Financial assets	5,729,492	5,838,211
Non-financial assets	182,135	220,538
Financial liabilities	4,685,717	5,176,270
Non-financial liabilities	27,895	28,672
Total equity	1,198,015	853,807

(1) The net assets of IIFL Finance were translated at December 31, 2022 at $1 U.S. dollar = 82.73 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets in U.S. dollars decreased principally reflecting the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2022, partially offset by increased loan advances and investments funded by net proceeds raised from financing activities. Non-financial assets decreased primarily due to a decrease in deferred tax assets, partially offset by additions to property, plant and equipment. Financial liabilities decreased primarily reflecting decreased derivative financial liabilities, partially offset by net proceeds from borrowings. Non-financial liabilities decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar as discussed above. The increase in total equity principally reflected proceeds from the issuance of shares of IIFL Home Finance to non-controlling interests, and net earnings during the period.

Summarized below are IIFL Finance's statements of earnings for the nine months ended December 31, 2022 and 2021.

Statements of Earnings
(unaudited - US$ thousands)

	Nine months ended December 31, 2022[(1)]	Nine months ended December 31, 2021[(1)(2)]
Revenue	774,377	685,283
Earnings before income taxes	190,545	150,340
Net earnings	144,305	116,798

(1) Amounts for the nine months ended December 31, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 79.69 Indian rupees and $1 U.S. dollar = 74.26 Indian rupees prevailing during those periods.

(2) Certain prior period comparative figures have been reclassified to be consistent with current period's presentation.

IIFL Finance's revenue increased primarily reflecting an increase in interest income consistent with the higher balance of assets under management, and higher portfolio yields across all segments. Earnings before income taxes and net earnings increased primarily due to the increased interest income as noted above, partially offset by increased employee benefit and other administrative expenses attributed to the continued expansion of IIFL Finance's digital and physical footprint.

Investment in IIFL Securities Limited

Business Overview

IIFL Securities Limited ("IIFL Securities") is a publicly traded independent full-service retail and institutional brokerage, along with being a 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.

Key Business Drivers, Events and Risks

IIFL Securities is a key player in both retail and institutional segments of the capital market, with over 2,500 points of presence across over 500 cities in India, along with a strong digital presence backed by proprietary technology. IIFL Securities' strategy for growth is built on improving and fortifying its research content, and investing in technology for trading platforms as well as a strong talent pool, with an objective of providing customers with credible research and a superior transaction experience. IIFL Securities has also entered into partnerships with various banks and investment platforms to deliver innovative investment products and increase access, providing a one-stop shop for financial products to its customers.

IIFL Securities' institutional broking franchise business services over 850 domestic and foreign clients, and provides comprehensive research coverage in over 260 stocks in more than 20 sectors, which accounts for over 75% of India's market capitalization. The investment banking business was ranked first in terms of number of IPOs launched in 2022 and continues to have a strong presence in equity capital markets.

On December 6, 2022 IIFL Securities and 5paisa jointly announced respective board approvals for the transfer of IIFL Securities' online retail trading business to 5paisa. As consideration for the transaction, for every 50 equity shares of IIFL Securities, shareholders will receive 1 equity share of 5paisa on the record date. The transaction is subject to statutory, regulatory and customary approvals. The proposed transaction is expected to improve efficiencies and sharpen focus areas for the respective companies.

At March 31, 2023 IIFL Securities had AUM of approximately $15.2 billion (1,246 billion Indian rupees) (December 31, 2022 - approximately $15.0 billion (approximately 1,241 billion Indian rupees)).

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the fair value of the company's investment in IIFL Securities was $51,908 (December 31, 2022 - $65,837) comprised of 84,641,445 common shares representing a 27.7% equity interest (December 31, 2022 - 27.8%)

IIFL Securities' share price decreased by 21.7% from 64.35 Indian rupees per share at December 31, 2022 to 50.40 Indian rupees per share at March 31, 2023.

In the first quarter of 2023 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Securities of $3,087 (2022 - $3,374).

Investment in 360 ONE WAM Limited (formerly IIFL Wealth Management Limited)

Business Overview

360 ONE WAM Limited ("360 ONE") (formerly IIFL Wealth Management Limited) is a publicly traded wealth management firm with principal lines of business in wealth and asset management, located in Mumbai, India. The wealth management business serves the specialized needs of high net worth and ultra-high net worth individuals, affluent families, family offices and institutional clients through a comprehensive range of tailored wealth management solutions. The asset management business provides a diversified suite of alternative investment funds, portfolio management services and mutual funds that span public and private equities, fixed income securities and real estate. On January 5, 2023 IIFL Wealth Management Limited was renamed to 360 ONE WAM Limited.

Key Business Drivers, Events and Risks

360 ONE is committed to providing a client-centric and a rigorous risk-conscious approach to investment management services, enabling the ability to weather multiple market cycles and foster enduring relationships with clients. Its investment strategy aims 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. 360 ONE has a presence in 28 locations across 6 countries and continues to be one of India's leading fund managers of alternative investment funds.

At March 31, 2023 the wealth management business had AUM of approximately $26.3 billion (2,160 billion Indian rupees) (December 31, 2022 - approximately $26.1 billion (2,161 billion Indian rupees)) and the asset management business had AUM of approximately $7.1 billion (583 billion Indian rupees) (December 31, 2022 - approximately $7.1 billion (591 billion Indian rupees)). At March 31, 2023, annual recurring revenue assets made up over 60% of total AUM. This is in line with 360 ONE's initiative to shift from its original upfront income model to an annuity basis model, resulting in more stable annual recurring revenue.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the fair value of the company's investment in 360 ONE was $37,885 (December 31, 2022 - $46,730), comprised of 7,249,000 common shares representing a 2.0% equity interest (December 31, 2022 - 2,182,749 common shares representing a 2.5% equity interest). The increase in shares held principally reflected a 2 for 1 share split by 360 ONE and subsequent share dividend of 1 share for each adjusted share held, partially offset by sales of 360 ONE common shares by the company during the period.

At December 31, 2022, 360 ONE's share price was 1,771.15 Indian rupees per share. Adjusted for the effects of the share split and share dividend discussed above, 360 ONE's share price decreased by 3.0% during the first quarter of 2023 to 429.50 Indian rupees per share at March 31, 2023.

In the first quarter of 2023 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in 360 ONE of $379 (2022 - nil).

Subsequent to March 31, 2023

Subsequent to March 31, 2023 the company completed additional sales of 360 ONE common stock for gross proceeds of $37,043 (approximately 3.0 billion Indian rupees). Upon completion of the additional sales, the company's equity interest in 360 ONE decreased to less than 0.1%.

Investment in CSB Bank Limited

Business Overview

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 703 branches and 528 automated teller machines across India.

Key Business Drivers, Events and Risks

According to the RBI, India's banking sector remains robust and resilient with strong capital buffers. However, policymakers remain mindful of the macroeconomic conditions as the sector faces headwinds from global inflation and geopolitical concerns. Moving forward, the Indian banking industry will remain focused on the use of 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 increased employee productivity and will invest in technology across its banking platforms, to provide more efficient and cost effective services for its customers.

Banks in India are highly regulated by the RBI including specific regulations on shareholder voting rights, shareholdings and board representation. The voting rights of any one shareholder of banks in India are limited to 26.0% of available voting rights subject to change as notified by the RBI from time to time. In addition, the RBI stipulates ownership limits for shareholders of banks in India in the long run. Fairfax India is required to follow a dilution schedule for its ownership in CSB Bank whereby: (i) the company was required to purchase a minimum of 40.0% of the voting equity shares in CSB Bank within 5 years which was completed; (ii) the company's shareholding in CSB Bank must be brought down to 30.0% of the voting equity shares within 10 years; and (iii) the company's shareholding in CSB Bank must be brought down to 15.0% of the voting equity shares within 15 years. In addition, the RBI mandated that CSB Bank list its shares on the BSE and NSE of India through an IPO. On December 4, 2019 CSB Bank closed its IPO at a price of 195.00 Indian rupees per share.

Business, net loan book and the deposits segments have been the drivers of growth for CSB Bank in fiscal year 2023. Contributing to this growth is the geographical expansion plans, where it has opened another 100 branches for the third consecutive year, reflecting an approximate 70% increase in the last 3 years. CSB Bank is embarking on a journey of Sustain - Build - Scale 2030 ("SBS 2030"), where it aims to "Sustain its strong foundation and critical strengths, Build the future highway though investments in technology, digital infrastructure, partnerships, leadership, products, processes and Scale your Bank to the next level of growth and excellence with necessary guardrails in place". Fiscal year 2024 will be an important year for the Build phase where CSB plans for significant investments in infrastructure and technology to play a key role, in addition to the continued geographic expansion plans.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the fair value of the company's investment in CSB Bank was $230,847 (December 31, 2022 - $223,268) comprised of 86,262,976 common shares representing a 49.7% equity interest (December 31, 2022 - 49.7%). The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period due to restrictions imposed by the RBI and the Securities and Exchange Board of India ("SEBI"). At March 31, 2023 and December 31, 2022 the company held 69,394,331 common shares of CSB Bank that continue to be restricted until August 7, 2024.

CSB Bank's share price increased by 2.7% from 238.20 Indian rupees per share at December 31, 2022 to 244.60 Indian rupees per share at March 31, 2023.

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, 2022 and March 31, 2022.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2022(1)	March 31, 2022(1)
Financial assets	3,122,144	3,238,078
Non-financial assets	116,500	146,402
Financial liabilities	2,786,749	2,939,866
Non-financial liabilities	72,911	83,523
Shareholders' equity	378,984	361,091

(1) The net assets of CSB Bank were translated at December 31, 2022 at $1 U.S. dollar = 82.73 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2022 and sale of investment securities, partially offset by increased loans and advances to customers. Non-financial assets decreased primarily due to decreased deposits related to priority sector lending. Financial liabilities decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2022 and repayment of borrowings, partially offset by increased deposits from customers. Non-financial liabilities decreased primarily due to decreased acceptances and endorsements, partially offset by increased deferred tax liabilities.

Summarized below are CSB Bank's statements of earnings for the nine months ended December 31, 2022 and 2021.

Statements of Earnings
(unaudited - US$ thousands)

	Nine months ended December 31, 2022(1)	Nine months ended December 31, 2021(1)
Revenue	153,866	147,356
Earnings before income taxes	71,675	68,203
Net earnings	53,664	51,069

(1) Amounts for the nine months ended December 31, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 79.69 Indian rupees and $1 U.S. dollar = 74.26 Indian rupees prevailing during those periods.

Revenue increased primarily as a result of an increase in net interest income attributable to increased investments and advances. Earnings before income taxes and net earnings increased primarily reflecting increased revenue as noted above, and lower loss provisions, partially offset by increased employee expenses consistent with a higher headcount and number of branches compared to the prior period.

Investment in Fairchem Organics Limited

Business Overview

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. 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.

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 have increased, the demand for sustainable and biodegradable oleochemicals used in lubricants, paper printing, paints and coatings, and animals feed industries have experienced 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 are used 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 certain products, with little or no direct competition, and is considered to produce a superior quality product in comparison to its competitors.

After volatile prices seen in the vegetable oil market in 2022 (a key raw material input for Fairchem Organics) as a result of the conflict in Ukraine, prices have since moderated due to improved supply conditions, higher global output and reduced freight rates. Additionally, Fairchem Organics has expanded its raw materials processing capacity and continues to maintain its competitive advantage compared to global peers.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the fair value of the company's investment in Fairchem Organics was $76,167 (December 31, 2022 - $111,083) comprised of 6,878,656 common shares representing a 52.8% equity interest (December 31, 2022 - 52.8%).

Fairchem Organics' share price decreased by 31.9% from 1,336.00 Indian rupees per share at December 31, 2022 to 910.00 Indian rupees per share at March 31, 2023.

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.

Key Business Drivers, Events and Risks

5paisa's key business driver relates to its ability to provide digital investment and lending solutions, a relatively newer segment with the potential to achieve critical mass in the near future with the spread of the Internet, mobile penetration, telecommunication and data services throughout India. 5paisa's services are targeted towards retail investors and high volume traders who actively invest and trade in securities markets, and seek "do-it-yourself" services at a low cost. 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.

5paisa, through its wholly-owned subsidiary, 5paisa P2P Limited, also offers a digital peer-to-peer lending platform registered with the RBI, which connects verified creditworthy lenders and individual borrowers in India.

On December 6, 2022 IIFL Securities and 5paisa jointly announced respective board approvals for the transfer of IIFL Securities' online retail trading business to 5paisa. Refer to IIFL Securities' *Key Business Drivers, Events and Risks* for further details.

At March 31, 2023 the 5paisa mobile application has reached over 15.1 million downloads and its total customer base approximated 3.5 million. During the first quarter of 2023, over 85% of customer acquisitions were attributed to customers onboarded to the digital platform without intervention or assistance. 5paisa has been able to maintain its market share and focused on improving the quality of customer acquisitions to strengthen revenue and optimize costs.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the fair value of the company's investment in 5paisa was $26,412 (December 31, 2022 - $28,421) comprised of 7,670,130 common shares representing a 25.0% equity interest (December 31, 2022 - 25.0%).

5paisa's share price decreased by 7.7% from 306.55 Indian rupees per share at December 31, 2022 to 283.00 Indian rupees per share at March 31, 2023.

Investment in Other Public Indian Investments

During the first quarter of 2023 the company sold investments in Other Public Indian Investments for proceeds of $13,447 and as a result the company recorded realized gains of $6,403. At March 31, 2023 the fair value of the company's investment in Other Public Indian Investments was $1,800 (December 31, 2022 - $15,577) and represents less than 1.0% equity interest in a public Indian company.

In the first quarter of 2023 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in Other Public Indian Investments of nil (2022 - $2,282).

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 principally unchanged during the first quarter of 2023, consideration has been given to the current economic environment in the determination of unobservable inputs used in discounted cash flows, including the amount and timing of future cash flows prepared by investees' management, discount rates, growth rates and other inputs. 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.

The changes in fair value of the company's Private Indian Investments for the first quarters of 2023 and 2022 are presented in the tables at the outset of the Indian Investments section of this MD&A. For further details on valuation methodologies and current model assumptions, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2023.

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.

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 South Asia' during 2022 by Skytrax, a UK-based consultancy who conducts a global airport customer satisfaction survey.

The airport handled domestic passenger traffic of 8.2 million and international passenger traffic of 1.0 million in the first three months of 2023, representing year over year growth of 86% and 166% respectively. In March 2023, domestic passenger traffic levels exceeded pre-pandemic levels while international passenger traffic levels recovered to 87% of pre-pandemic levels. BIAL also handled the highest market share of perishable cargo in India for the third consecutive year in fiscal year 2023.

Plans to expand the capacity of the airport remain underway and include the construction of an additional terminal building ("Terminal 2") in two phases by fiscal year 2029, a third terminal building ("Terminal 3") by fiscal year 2034, and real estate development of 176 acres of land. Phase 1 of Terminal 2 was inaugurated by Prime Minister Narendra Modi on November 11, 2022 and commenced domestic operations on January 15, 2023. International operations are expected to commence before the end of 2023.

Valuation and Interim Consolidated Financial Statement Impact

On September 16, 2021 the company transferred 43.6% out of its 54.0% equity interest in BIAL such that it is held through Anchorage and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to OMERS for gross proceeds of $129,221 (9.5 billion Indian rupees). The transaction implied an equity valuation for 100% of BIAL of approximately $2.6 billion at exchange rates on that date (approximately 189.7 billion Indian rupees). Upon closing of the transaction, the company's effective ownership interest in BIAL decreased to approximately 49.0% on a fully-diluted basis, while its actual ownership remained unchanged.

At March 31, 2023 the company held a 54.0% equity interest in BIAL (December 31, 2022 - 54.0%), and its internal valuation model indicated that the fair value of the company's investment in BIAL was $1,296,142 (December 31, 2022 - $1,233,747).

Subsequent to March 31, 2023

On May 9, 2023 the company announced that it entered into an agreement to acquire an additional 3.0% equity interest in BIAL through FIH Mauritius, from Siemens Project Ventures GmbH ("Siemens") for cash consideration of $75 million. The transaction is expected to close in the second quarter of 2023, subject to certain closing conditions. The company has also agreed to acquire an additional 7.0% equity interest in BIAL from Siemens for additional cash consideration of $175 million subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed subsequent to October 31, 2023.

BIAL's Summarized Financial Information

BIAL's fiscal year ends on March 31. Summarized below are BIAL's balance sheets at December 31, 2022 and March 31, 2022.

Balance Sheets

(unaudited - US$ thousands)

	December 31, 2022[(1)]	**March 31, 2022[(1)]**
Current assets	232,914	155,843
Non-current assets	1,445,353	1,450,544
Current liabilities	142,234	195,421
Non-current liabilities	1,267,823	1,124,341
Shareholders' equity	268,210	286,625

(1) The net assets of BIAL were translated at December 31, 2022 at $1 U.S. dollar = 82.73 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily reflecting an increase in cash and cash equivalents arising from improved earnings (discussed below) and increased borrowings. Non-current assets in U.S. dollars decreased principally due to the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2022, partially offset by the ongoing capital expenditures for BIAL's expansion projects. Current liabilities decreased primarily reflecting the repayment of short term borrowings. 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, 2022 and 2021.

Statements of Earnings (Loss)

(unaudited - US$ thousands)

	Nine months ended December 31, 2022[(1)]	**Nine months ended December 31, 2021[(1)]**
Revenue	167,268	79,401
Earnings (loss) before income taxes	29,175	(41,478)
Net earnings (loss)	5,835	(44,293)

(1) Amounts for the nine months ended December 31, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 79.69 Indian rupees and $1 U.S. dollar = 74.26 Indian rupees prevailing during those periods.

The increase in revenue primarily reflected the increase in passenger traffic, spend per passenger and cargo volumes, as the prior period was significantly impacted by the COVID-19 pandemic. Earnings before income taxes and net earnings for the nine months ended December 31, 2022 compared to loss before income taxes and net loss for the nine months ended December 31, 2021 primarily reflected the increase in revenue as noted above, partially offset by increased operating, marketing, and administrative expenses in connection with the recovery in business volumes and launch of Terminal 2, and increase in interest and depreciation expense consistent with increased borrowings and capitalization of expansion projects. In addition, deferred taxes increased as a result of the increased earnings.

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 797,000 metric tons per annum, comprised of approximately 397,000 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, comprising of Chemplast Cuddalore Vinyls Limited ("CCVL"), the second largest suspension PVC manufacturer in India, and a leading custom manufacturer of starting materials and intermediates for pharmaceutical, agro-chemical and fine chemicals sectors ("Speciality Chemicals"); and (ii) 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.

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 United States 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. In the specialty PVC segment, there has been significant capacity shutdown across the globe, resulting in supply tightness.

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 drive the growth of its Speciality Chemicals business, increase PVC manufacturing capacity in India (specifically the specialty PVC) to align with the growing demand for PVC, and to improve the overall capacity utilization at all of its PVC production facilities.

Over the last few years, the Egyptian government introduced a number of incentives in an effort to boost domestic manufacturing and bring added value to Egyptian products, including introducing import duties for PVC, reducing import duties on ethanol and ethylene dichloride (a key raw material used in the production of PVC), announcing a five-year anti-dumping duty on imports of PVC from the United States, and continuation of the next phase of its export subsidy program. Sanmar Egypt is expected to benefit from this through its exports in the PVC and caustic soda segments from increased sales and margins.

China's zero-COVID policy resulted in a sharp contraction of demand for PVC resin, which led to a spike in exports from China and a steep fall in market prices. The surplus of PVC in China is expected to be temporary but has impacted the net realizable value of Sanmar's intermediate and finished products during its fiscal year 2023. With China's economy reopening, the demand for PVC is expected to recover.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the company held a 42.9% equity interest in Sanmar (December 31, 2022 - 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was $289,332 (December 31, 2022 - $337,846).

The fair value of Chemplast, a publicly traded subsidiary of Sanmar, comprised 55% of the company's investment in Sanmar at March 31, 2023 (December 31, 2022 - 61%). The share price of Chemplast decreased by 24.1% from 458.50 Indian rupees per share at December 31, 2022 to 348.00 Indian rupees per share at March 31, 2023.

Sanmar's Summarized Financial Information

Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at December 31, 2022 and March 31, 2022.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2022(1)	March 31, 2022(1)
Current assets	380,297	477,691
Non-current assets	1,671,353	1,794,827
Current liabilities	607,724	738,225
Non-current liabilities	939,816	1,050,505
Total equity	504,110	483,788

(1) *The net assets of Sanmar were translated at December 31, 2022 at $1 U.S. dollar = 82.73 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Current assets decreased primarily due to decreased cash and cash equivalents from reduced trade payables, and decreased inventories due to a write-down of inventory to net realizable value from a fall in market prices of finished goods, partially offset by an increase in other assets due to export incentives receivable. Non-current assets in U.S. dollars decreased primarily due the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2022 and decreased tax assets relating to an advanced tax payment in the prior period, partially offset by increased property, plant and equipment from capital expenditure projects at Chemplast. Current liabilities decreased primarily due to a decreased provision for taxes consistent with lower net earnings, and decreased trade payables, partially offset by increased current borrowings. Non-current liabilities decreased primarily due to repayments made on long term borrowings.

Summarized below are Sanmar's statements of earnings for the nine months ended December 31, 2022 and 2021.

Statements of Earnings
(unaudited - US$ thousands)

	Nine months ended December 31, 2022(1)	Nine months ended December 31, 2021(1)
Revenue	957,608	1,001,923
Earnings before income taxes	49,616	141,672
Net earnings	43,053	102,375

(1) *Amounts for the nine months ended December 31, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 79.69 Indian rupees and $1 U.S. dollar = 74.26 Indian rupees prevailing during those periods.*

Revenue decreased in U.S. dollars primarily due to the weakening of the Indian rupee relative to the U.S. dollar compared to the prior period, partially offset by increased sales volumes across finished products in comparison to the prior period where volumes were subdued due to COVID-19 restrictions, in addition to increased export incentives in the current period. Earnings before income taxes and net earnings for the nine months ended December 31, 2022 decreased compared to December 31, 2021 primarily reflecting a write-down of inventory to net realizable value discussed above, and increased foreign exchange losses, partially offset by increased revenues as noted above and lower interest costs due to reduced borrowings.

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 and gas cargo along the Indian coast as well as in international waters. At March 31, 2023 Seven Islands owned 24 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.3 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels.

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 quickly deploy those vessels through charter contracts with India's largest oil and gas 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, oil products and liquefied petroleum gas transport segments wherein India has one of the fastest growing energy consumption rates, mitigating business deployment risk for oil and gas 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.

As a result of the ban on the import of oil by many western nations and the European Union, as well as price caps imposed on crude oil being shipped using western tankers and insurers, Russia has been exporting oil at a discount to countries including China and India above volumes reached before the conflict in Ukraine. While Seven Islands primarily operates along the Indian coast, the Arabian Gulf and Southeast Asia, it indirectly benefits from the increased demand for medium-sized vessels and longer-haul routes, particularly in Asia, which has resulted in an uptick in tanker charter rates.

Crude tankers are expected to benefit from sustained crude oil demand in the near term primarily driven by sanctions imposed by western nations and the European Union. While Seven Islands' vessels are primarily on time charter, insulating it from the temporary volatility in demand for crude tankers, it has opportunistically taken on voyage charters for some of its vessels at favourable rates.

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

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the company held a 48.5% equity interest in Seven Islands (December 31, 2022 - 48.5%), and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was $97,629 (December 31, 2022 - $96,910).

Investment in National Commodities Management Services Limited

Business Overview

National Commodities Management Services Limited ("NCML"), a private company located in Gurugram, India, is a leading integrated agriculture value chain solutions company, and offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and commodity and weather intelligence. NCML's principal lines of business include its commodity management solutions business (including adjacent services), silo projects commissioned by the Food Corporation of India ("FCI"), and a non-banking finance company, which focuses on rural and agri-business financing.

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 business with adjacent services, and the successful construction of the silos under the concession agreement with FCI.

After achieving an estimated 1.6% growth in year over year food grain production during the 2021-22 agricultural crop year (July 2021 to June 2022), the Government of India has set a target to raise food grain production by approximately 3.9% for the 2022-23 crop year, representing a market of approximately 328 million metric tons of food grains. NCML's commodity management solutions business currently services approximately 1.9 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 in both the food and non-food grain sector.

Between 2020 and 2022 NCML and FCI agreed to terminate six out of the sixteen original silo projects due to inability to procure suitable land and other construction-related challenges. NCML and FCI have mutually agreed to surrender and terminate three additional silo projects as a result of project delays and inability to procure suitable land. At March 31, 2023, two silo projects are fully operational and five other silo projects are in advanced stages of construction and are expected to be completed in 2023.

NCML's commodity management solutions and NBFC businesses continued to operate at reduced capacities during the first quarter of 2023. The reduced capacities primarily reflected an overall decrease in volume of commodity deposits, combined with a conscious effort to reduce financing exposure as a result of the tightened credit environment. In addition, the recent geopolitical events have raised commodity prices and increased Indian exports, resulting in a temporary increase in commodity withdrawals and reduced storage demand in the near term.

To manage working capital and liquidity requirements, NCML has focused on risk mitigation controls and protocols and primarily serving existing clients. 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, 2023 the company held a 90.4% equity interest in NCML (December 31, 2022 - 89.5%), and its internal valuation model indicated that the fair value of the company's equity investment in NCML was $51,826 (December 31, 2022 - $56,871).

NCML Compulsorily Convertible Debentures

In 2019 the company invested $13,970 (approximately 1.0 billion Indian rupees) in 12.5% unsecured compulsorily convertible debentures ("NCML CCD"), due September 30, 2029 and convertible into NCML common shares, at the company's option, at any time prior to the maturity date. The conversion price was 68.00 Indian rupees per common share. On March 31, 2023, the company converted the NCML CCD into NCML common shares with a fair value of $6,399 (525.8 million Indian rupees). As a result, the company recorded a realized loss on the NCML CCD of $5,803 (476.9 million Indian rupees) and the company's equity interest in NCML increased from 89.5% to 90.4%.

At December 31, 2022 the fair value of the company's investment in the NCML CCD was $12,517 and was presented within Other Indian Fixed Income in the tables disclosed earlier in note 5.

At March 31, 2023 the company had accrued $3,561 (December 31, 2022 - $3,944) in interest receivable related to the NCML CCD, which will be settled by NCML through the issuance of NCML common shares at a conversion price of 35.66 Indian rupees per common share. The issuance of additional NCML common shares to settle accrued interest was completed on May 10, 2023 upon receipt of shareholder approval.

NCML's Summarized Financial Information

NCML's fiscal year ends on March 31. Summarized below are NCML's balance sheets at March 31, 2023 and 2022.

Balance Sheets
(unaudited - US$ thousands)

	March 31, 2023[(1)]	**March 31, 2022**[(1)]
Current assets	26,074	46,284
Non-current assets	131,458	142,282
Current liabilities	24,424	33,685
Non-current liabilities	77,260	82,144
Shareholders' equity	55,848	72,737

(1) The net assets of NCML were translated at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets decreased primarily reflecting the use of cash towards the continued construction of silo projects. Non-current assets in U.S. dollars decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the year ended March 31, 2023, in addition to loss provisions recorded relating to terminated silo projects and a reversal of deferred tax assets, partially offset by the continued capitalization of other silo projects. Current liabilities decreased primarily reflecting net repayments of working capital facilities, partially offset by increased capital expenditure payables and accrued interest. Non-current liabilities in U.S. dollars decreased principally as a result of the weakening of the Indian rupee relative to the U.S. dollar as discussed above and conversion of the NCML CCD by FIH Mauritius into newly issued equity shares of NCML, partially offset by net proceeds received on silo project loans upon meeting new construction milestones and corporate term loans.

Summarized below are NCML's statements of earnings (loss) for the years ended March 31, 2023 and 2022.

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

	Year ended March 31, 2023[(1)]	Year ended March 31, 2022[(1)]
Revenue	31,305	35,666
Loss before income taxes	(16,624)	(14,148)
Net loss	(23,971)	(14,121)

(1) Amounts for the years ended March 31, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 80.31 Indian rupees and $1 U.S. dollar = 74.50 Indian rupees prevailing during those periods.

Revenue decreased primarily reflecting reduced business volumes across the commodity management solutions business, partially offset by incremental revenue from operational silos. Loss before income taxes increased primarily due to loss provisions recorded relating to the surrender of six silo projects during the fiscal year. Net loss increased principally reflecting the impact from the write off of deferred tax assets in the fiscal year arising from a change in probability of recovery. Loss before income taxes and net loss in the year ended March 31, 2022 included accounting loss provisions relating to insurance claim receivables and trade and loan receivables, which will be recorded as gains in future periods if and when received.

Investment in Maxop Engineering Company Private Limited

Business Overview

Maxop Engineering Company Private Limited ("Maxop"), a private company located in New Delhi, India, is a precision aluminum die casting and machining solution provider for customers in the automotive and industrial sectors. Maxop operates from seven manufacturing facilities located in India with total installed casting capacity of approximately 20,000 metric tons, and caters to customers in Asia, North America and Europe.

Key Business Drivers, Events and Risks

Maxop's key business drivers relate to the growing demand and increasing scope of industrial application for aluminum die casting, a process which manufactures lightweight parts and provides high flexibility for complex shapes. In particular, the automotive industry is a major consumer of aluminum die-cast products as it provides an effective alternative to reduce vehicle weight in order to meet increasingly strict fuel economy standards. Global demand for vehicle production is also expected to experience significant growth, in large part due to the rising popularity of electric vehicles.

Accordingly, the automotive parts die casting segment makes up the majority of Maxop's revenue profile across domestic and export sales. As a result of external market conditions including elevated inflation and recessionary concerns particularly across U.S. and Europe, the ongoing global semi-conductor chip shortage (a key component used by the automotive sector), and other supply chain disruptions exacerbated by the conflict in Ukraine, Maxop continues to experience a shift in its business volumes towards the domestic Indian market, where demand and growth have been relatively robust in comparison to the export market.

Maxop is also a supplier of fully machined precision components, and diversifies its revenue mix by catering to general engineering product segments in the non-automotive sector with applications such as air conditioning and food processing machine parts.

Maxop mitigates its exposure to volatility in input prices through its aluminum processing plant which transforms scrap metal to aluminum ingots for its aluminum die casting and machinery supply segment. Maxop continues to actively monitor its material sourcing and consumption amid global supply chain issues as discussed above, as well as its liquidity requirements through prudent working capital management.

Valuation and Interim Consolidated Financial Statement Impact

On September 5, 2022 the company invested cash consideration of $21,928 (approximately 1.8 billion Indian rupees) for an additional 16.0% equity interest in Maxop, completing the second and final transaction under the terms of the investment agreement entered into in September 2021. In aggregate, the company has acquired a 67.0% equity interest in Maxop for $51,448 (approximately 4.0 billion Indian rupees), which was determined based on Maxop's achievement of certain financial-based performance targets.

At March 31, 2023 the company held a 67.0% equity interest in Maxop (December 31, 2022 - 67.0%), and its internal valuation model indicated that the fair value of the company's investment in Maxop was $52,382 (December 31, 2022 - $51,886).

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.

Key Business Drivers, Events and Risks

Saurashtra measures the operating performance of its CFS business based on the utilization of its standard twenty-foot (shipping container) equivalent units ("TEUs") relative to total installed capacity, and total import and export container traffic in the market. In the first quarter of 2023, Saurashtra handled 32,487 TEUs (2022 - 31,759 TEUs) compared to quarterly installed capacity of 49,300 TEUs, implying a capacity utilization of approximately 66% (2022 - 64%). Saurashtra is the second largest CFS at the Mundra port in terms of total throughput achieved with a 14% market share for the quarter ended March 31, 2023, representing the second highest market share in imports at approximately 13%, and highest market share in exports at approximately 15%.

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 order to meet demand arising from continued growth in overall container traffic, Saurashtra completed the expansion of its CFS logistics park in April 2023, which will increase its annual installed capacity by approximately 34,000 TEUs. The container shipping business continued to witness declining ocean freight rates, primarily as a result of softening global demand and ease of supply chain disruptions. However, Fairfreight Lines maintains an optimal container inventory size to sustain its profitability. Saurashtra continues to actively pursue additional volume and increase capacity through offering comprehensive packages to shipping lines and evaluating expansion projects in its existing businesses and the wider logistics industry.

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.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the company held a 51.0% equity interest in Saurashtra (December 31, 2022 - 51.0%) and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was $51,051 (December 31, 2022 - $50,707).

Investment in Jaynix Engineering Private Limited

Business Overview

Jaynix Engineering Private Limited ("Jaynix"), a private company based in Gujarat, India, is a manufacturer of non-ferrous electrical connectors and electrical assemblies, and is a critical Tier 1 supplier to major electrical original equipment manufacturers in North America and Europe.

Key Business Drivers, Events and Risks

Jaynix's key business drivers relate to its ability to grow its customer base and product offerings in North America and Europe while maintaining the high quality of its products. Jaynix leverages its low-cost manufacturing operations in three manufacturing plants in India to cater to markets in North America and Europe, and has in-house capabilities to design products and scale its manufacturing production capacities. Recently, Jaynix has procured an additional building and equipment in India to support its efforts for capacity expansion. Jaynix continues to evaluate additional plans to increase assembly capacity in India and explore the possibility of expanding its manufacturing presence in North America.

Jaynix is able to maintain its competitive advantage as the requirement for specific certifications present a barrier to entry for other competitors wishing to enter the North American and European markets, wherein Jaynix's management has operational expertise in obtaining and maintaining these certifications. While the electrical connector and assemblies markets in these regions are dominated by only a few suppliers, the COVID-19 pandemic resulted in significant increased demand for electrical connectors and assemblies used throughout various industries, resulting in significant supply constraints. Jaynix has been in an optimal position to capitalize on this opportunity with its low production cycle time. Additionally, Jaynix has been able to maintain stable product margins despite volatile commodity prices in the current economic environment, as raw material costs (including aluminum, which is the primary raw material used by Jaynix) are passed through to the customer.

Valuation and Interim Consolidated Financial Statement Impact

On February 11, 2022 the company invested cash consideration of $32,504 (approximately 2.5 billion Indian rupees) for a 70.0% equity interest in Jaynix.

At March 31, 2023 the company held a 70.0% equity interest in Jaynix (December 31, 2022 - 70.0%), and its internal valuation model indicated that the fair value of the company's investment in Jaynix was $36,051 (December 31, 2022 - $32,796).

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.

Key Business Drivers, Events and Risks

India has two main stock exchanges where the majority of its trading takes place, the BSE and NSE of India. Although most significant firms in India are listed on both the BSE and NSE of India, NSE enjoys dominant market share positions including a 93% market share in the equity trading segment, a 100% market share in the equity derivatives trading segment and a 69% and 96% market share in the foreign exchange futures and options markets, respectively. In 2022, NSE of India was the world's largest exchange in derivatives trading volumes for the fourth straight year.

In 2016 NSE filed a draft prospectus with SEBI in connection with a proposed domestic IPO, subsequent to which NSE would also pursue an overseas listing. However as a result of the ongoing matter discussed below, NSE's proposed IPO has been delayed.

As previously disclosed, NSE filed an appeal with the Securities Appellate Tribunal ("SAT") following SEBI's 2019 order for NSE to pay penalties and interest in connection with certain broker members having access to co-location facilities, which potentially resulted in unfair trading advantages. In 2019 SEBI directed NSE to pay approximately $160 million (11 billion Indian rupees) in penalties and interest. In January 2023, the SAT ruling concluded that the NSE did not violate Stock Exchange and Clearing Corporation regulations, therefore setting aside SEBI's order, and instead directed the NSE to deposit approximately $12 million (1 billion Indian rupees) to SEBI's Investor Protection Fund for its lack of due diligence in the matter. The SAT ruling may be challenged by SEBI. In March 2023, the Supreme Court directed SEBI to refund NSE approximately $37 million (3 billion Indian rupees) related to the penalty imposed in 2019. However, the refund is contingent on NSE's agreement to return the amount with interest in the event that SEBI has a successful appeal.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the company estimated the fair value of its investment in NSE was $167,662 (December 31, 2022 - $159,627).

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, 2023 IH Fund had invested approximately $152 million at period end exchange rates (approximately 12.5 billion Indian rupees) in 8 real estate sector investments.

Key Business Drivers, Events and Risks

The Indian real estate sector is a key growth driver of the country's economy and is the second-highest employment generator in India. The Indian real estate sector is expected to contribute approximately 13% to the country's GDP by 2025 and reach $1 trillion by 2030.

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.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2023 the company estimated the fair value of its investment in IH Fund was $15,298 (December 31, 2022 - $15,576).

During the first quarter of 2023 the company received distributions of $429 (2022 - $1,554) from IH Fund, and in the first quarter of 2023 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IH Fund of $612 (2022 - $689).

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	
	2023	**2022**
Income		
Interest	4,680	2,322
Dividends	8,194	10,281
Net realized gains (losses) on investments	4,081	(174)
Net change in unrealized gains (losses) on investments	(56,302)	69,852
Net foreign exchange gains (losses)	2,132	(9,202)
	(37,215)	73,079
Expenses		
Investment and advisory fees	8,816	10,080
Performance fee recovery	(14,547)	(3,094)
General and administration expenses	5,329	1,862
Interest expense	6,380	6,380
	5,978	15,228
Earnings (loss) before income taxes	(43,193)	57,851
Provision for income taxes	8,425	2,068
Net earnings (loss)	(51,618)	55,783
Attributable to:		
Shareholders of Fairfax India	(55,487)	55,962
Non-controlling interests	3,869	(179)
	(51,618)	55,783
Net earnings (loss) per share	$ (0.40)	$ 0.40
Net earnings (loss) per diluted share	$ (0.40)	$ 0.38

Total loss from income of $37,215 in the first quarter of 2023 compared to total income of $73,079 in the first quarter of 2022 principally due to net unrealized losses on investments and decreased dividend income, partially offset by net foreign exchange gains and net realized gains on investments in the first quarter of 2023 compared to net foreign exchange losses and realized losses on investments in the first quarter of 2022, and increased interest income.

Interest income of $4,680 in the first quarter of 2023 increased from $2,322 in the first quarter of 2022 principally as a result of increased interest from U.S. treasury bills and Government of India bonds. Dividend income of $8,194 in the first quarter of 2023 primarily related to dividends received from the company's investments in IIFL Finance, IIFL Securities, IH Fund and 360 ONE. Dividend income of $10,281 in the first quarter of 2022 primarily related to dividends received from the company's investments in IIFL Finance, IIFL Securities, Other Public Indian Investments and IH Fund.

Net gains (losses) on investments and net foreign exchange gains (losses) for the first quarters of 2023 and 2022 were comprised as follows:

	First quarter					
	2023			2022		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments	—	—	—	(4)	5	1
Bonds	(5,803) (1)	(227)	(6,030)	(269)	422	153
Common stocks	9,884 (1)	(56,075) (1)	(46,191)	99 (1)	69,889 (1)	69,988
Derivatives	—	—	—	—	(464) (1)	(464)
	4,081	(56,302)	(52,221)	(174)	69,852	69,678
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	(638)	—	(638)	422	—	422
Short term investments	611	(1,026)	(415)	—	—	—
Borrowings	—	3,306	3,306	—	(9,501)	(9,501)
Other	(121)	—	(121)	(123)	—	(123)
	(148)	2,280	2,132	299	(9,501)	(9,202)

(1) Refer to the 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 2023 and 2022.

Net realized gains of $4,081 in the first quarter of 2023 principally related to realized gains from sales of 360 ONE (formerly IIFL Wealth) ($3,481) and Other Public Indian Investments ($6,403), partially offset by realized losses related to the conversion of the NCML CCD ($5,803). Net realized losses of $174 in the first quarter of 2022 principally related to realized losses arising from the sale of Government of India bonds.

The net change in unrealized losses on investments of $56,302 in the first quarter of 2023 was principally comprised of unrealized losses on the company's investments in Sanmar ($50,726), Fairchem Organics ($35,628), IIFL Securities ($14,356) and NCML common shares ($11,813), in addition to the reversal of prior period unrealized gains upon sales of Other Public Indian Investments ($6,353) and 360 ONE ($3,008), partially offset by unrealized gains on the company's investments in BIAL ($54,134), NSE ($6,966) and Jaynix ($3,034). The net change in unrealized gains on investments of $69,852 in the first quarter of 2022 was principally comprised of unrealized gains on the company's investments in Sanmar ($49,040), 360 ONE (formerly IIFL Wealth) ($40,223) and NSE ($18,029), partially offset by unrealized losses on the company's investments in CSB Bank ($21,978) and Fairchem Organics ($16,352).

Total expenses of $5,978 in the first quarter of 2023 decreased from $15,228 in the first quarter of 2022 primarily as a result of a higher performance fee recovery, partially offset by increased general and administration expenses attributable to higher consulting 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 2023 were $8,816 (2022 - $10,080).

The provision for income taxes of $8,425 in the first quarter of 2023 differed from the recovery of income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes primarily as a result of the tax rate differential on losses incurred outside of Canada and an increase in unrecorded tax benefit of losses and temporary differences.

The provision for income taxes of $2,068 in the first quarter of 2022 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, partially offset by an increase in unrecorded tax benefit of losses and temporary differences.

The company reported a net loss attributable to shareholders of $55,487 (a net loss of $0.40 per basic and diluted share) in the first quarter of 2023 compared to net earnings attributable to shareholders of $55,962 (net earnings of $0.40 per basic share and $0.38 per diluted share) in the first quarter of 2022. The decrease in net earnings attributable to shareholders primarily reflected a net change in unrealized losses on investments, increased deferred taxes, and increased general and administration expenses, partially offset by increased performance fee recovery, net foreign exchange gains and net realized gains on investments in the first quarter of 2023.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at March 31, 2023 were primarily impacted by the net change in net unrealized losses on investments resulting in a performance fee recovery, in addition to purchases and sales of investments, purchases of subordinate voting shares for cancellation and unrealized foreign currency translation gains.

Total Assets

Total assets at March 31, 2023 of $3,315,542 (December 31, 2022 - $3,365,569) were principally comprised as follows:

Total cash and investments decreased to $3,309,568 at March 31, 2023 from $3,358,056 at December 31, 2022. The company's total cash and investments composition was as follows:

Cash and cash equivalents decreased to $136,913 at March 31, 2023 from $147,448 at December 31, 2022 principally due to payment of investment and advisory fees, interest on the Unsecured Senior Notes, general and administration expenses, and settlement of purchases of subordinate voting shares for cancellation, partially offset by sales of common stocks, and dividend and interest income.

Short term investments increased to $65,238 at March 31, 2023 from $49,692 at December 31, 2022 principally due to net purchases of short term U.S. treasury bills using proceeds from sales of Other Public Indian Investments and 360 ONE.

Bonds and Common stocks - The company is actively seeking investment opportunities in India and will continue to redirect capital from its cash and cash equivalents, short term investments, and Government of India bonds 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 investments holdings of $3,309,568 at March 31, 2023 (December 31, 2022 - $3,358,056) see note 6 (Cash and Investments) to the interim consolidated financial statements for the three months ended March 31, 2023.

Interest receivable decreased to $4,952 at March 31, 2023 from $5,599 at December 31, 2022 primarily reflecting the expected settlement of interest on the NCML CCD through issuance of NCML common shares in the second quarter of 2023 and receipt of interest from Government of India bonds, partially offset by interest income on Government of India bonds earned but not yet received during the first quarter of 2023.

Other assets decreased to $830 at March 31, 2023 from $902 at December 31, 2022, primarily due to the amortization of upfront costs related to the Revolving Credit Facility.

Total Liabilities and Equity

Total liabilities at March 31, 2023 of $597,895 (December 31, 2022 - $608,796) were principally comprised as follows:

Accounts payable and accrued liabilities of $4,526 at March 31, 2023 increased from $1,143 at December 31, 2022 principally due to a payable of $3,587 related to purchases of shares for cancellation at the end of March 2023, which was settled in April 2023.

Accrued interest expense of $2,361 at March 31, 2023 (December 31, 2022 - $8,611) was principally comprised of accrued interest expense for the Unsecured Senior Notes, which are due in semi-annual installments.

Payable to related parties decreased to $36,079 at March 31, 2023 from $50,851 at December 31, 2022 primarily as a result of a decreased performance fee in the first quarter of 2023 in connection with the performance fee accrual of $27,249 (relating to the third calculation period ending on December 31, 2023) to Fairfax.

Deferred income taxes increased to $56,980 at March 31, 2023 from $50,554 at December 31, 2022 primarily as a result of deferred taxes recognized resulting from unrealized gains on the company's investments in BIAL, CSB Bank and Jaynix, partially offset by a reversal of prior period deferred taxes recognized on the company's investments in Fairchem Organics, IIFL Securities, Other Public Indian Investments and 5paisa.

Borrowings increased to $497,436 at March 31, 2023 from $497,306 at December 31, 2022 as a result of the amortization of issuance costs related to the Unsecured Senior Notes.

Total equity at March 31, 2023 of $2,717,647 (December 31, 2022 - $2,756,773) was comprised of common shareholders' equity of $2,598,273 (December 31, 2022 - $2,642,036) and non-controlling interests of $119,374 (December 31, 2022 - $114,737). Refer to note 8 (Total Equity) and note 10 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three months ended March 31, 2023 for further details.

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, 2023 compared to those identified at December 31, 2022 and disclosed in the company's 2022 Annual Report, other than as outlined in note 10 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2023.

Capital Resources and Management

For a detailed analysis, refer to note 10 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three months ended March 31, 2023.

Book Value per Share

Common shareholders' equity at March 31, 2023 was $2,598,273 (December 31, 2022 - $2,642,036). The book value per share at March 31, 2023 was $18.85 compared to $19.11 at December 31, 2022 representing a decrease in the first three months of 2023 of 1.4%, principally reflecting a net loss attributable to shareholders of Fairfax India of $55,487 (primarily related to net change in unrealized losses on investments and investment and advisory fees, partially offset by a performance fee recovery), partially offset by unrealized foreign currency translation gains attributable to shareholders of Fairfax India of $17,554. In addition, the company purchased for cancellation 454,948 subordinate voting shares during the first quarter of 2023 for a net cost of $5,847 ($12.85 per subordinate voting share) through its normal course issuer bid, which partially offset the decrease in book value per share.

	March 31, 2023	**December 31, 2022**
Common shareholders' equity	2,598,273	2,642,036
Number of common shares effectively outstanding	137,815,952	138,270,900
Book value per share	$18.85	$19.11

Liquidity

The undeployed cash and investments at March 31, 2023 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of investment and advisory fees, interest expense, purchases of subordinate voting shares for cancellation under its automatic share purchase plan, and general and administration expenses. In addition, under the Investment Advisory Agreement (defined in note 11 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2023), 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.

At March 31, 2023 the company's payment obligations, which are due beyond one year, primarily relate to the recurring nature of expenses described above and a principal repayment on the Unsecured Senior Notes due in February 2028, which bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments.

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, 2023, including selling restrictions and financial risks related to the investments, are disclosed in note 6 (Cash and Investments) and note 10 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2023. At March 31, 2023, in addition to cash and cash equivalents of $136,913, the company held common shares of Public Indian Investments, which carry no selling restrictions, with a fair value of $740,182, Government of India bonds with a fair value of $122,012, and short term investments of $65,238. 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. To further augment its liquidity, the company can draw upon its Revolving Credit Facility. Accordingly, the company has adequate working capital to support its ongoing operations.

Highlights in the first quarter of 2023 (with comparisons to the first quarter of 2022) of major components of the statements of cash flows are presented in the following table:

	First quarter	
	2023	**2022**
Operating activities		
Cash used in operating activities excluding the impact of net sales (purchases) of investments	(15,936)	(13,528)
Sales (purchases) of short term investments	(14,968)	6,047
Purchases of investments	—	(32,504)
Sales of investments	22,385	57,533
Cash provided by (used in) operating activities	(8,519)	17,548
Financing activities		
Purchases of subordinate voting shares for cancellation	(2,260)	(24,010)
Cash used in financing activities	(2,260)	(24,010)
Decrease in cash and cash equivalents during the period	(10,779)	(6,462)

"Cash used in operating activities excluding the impact of 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 purchases and sales of investments. Cash used in operating activities excluding the impact of net sales (purchases) of investments of $15,936 in the first quarter of 2023 increased from $13,528 in the first quarter of 2022 primarily reflecting increased general and administration expenses and decreased cash received from dividend income, partially offset by increased cash received from interest income.

Net purchases of short term investments of $14,968 in the first quarter of 2023 related to net purchases of U.S. treasury bills compared to sales of Government of India treasury bills of $6,047 in the first quarter of 2022 to fund the investment in Jaynix reflected in the purchases of investments of $32,504 in the first quarter of 2022. Sales of investments of $22,385 in the first quarter of 2023 primarily related to sales of Other Public Indian Investments and 360 ONE (formerly IIFL Wealth). Sales of $57,533 in the first quarter of 2022 primarily related to sales of Government of India bonds to fund the investment in Jaynix and the company's share purchases for cancellation under its normal course issuer bid.

Purchases of subordinate voting shares for cancellation of $2,260 in the first quarter of 2023 (2022 - $24,010) related to the company's purchases of 454,948 subordinate voting shares under the terms of the normal course issuer bid (2022 - 1,897,532).

Contractual Obligations

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds of $496,350 after commissions and expenses. The Unsecured Senior Notes bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments.

At March 31, 2023 and December 31, 2022 the Revolving Credit Facility was undrawn and remained available.

Under the terms of the Investment Advisory Agreement (defined in note 11 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2023), 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 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 2023 were $8,816 (2022 - $10,080).

At March 31, 2023 the company determined that there was a performance fee accrual of $27,249 relating to the third calculation period (December 31, 2022 - $41,531). Refer to note 11 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2023 for discussion on the performance fee.

Subsequent to March 31, 2023

On May 9, 2023 the company announced that it entered into an agreement to acquire an additional 3.0% equity interest in BIAL through FIH Mauritius, from Siemens Project Ventures GmbH ("Siemens") for cash consideration of $75 million. The transaction is expected to close in the second quarter of 2023, subject to certain closing conditions. The company has also agreed to acquire an additional 7.0% equity interest in BIAL from Siemens for additional cash consideration of $175 million subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed subsequent to October 31, 2023.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Income (loss)	(37,215)	119,560	148,771	(103,884)	73,079	(145,885)	186,020	313,303
Expenses	5,978	30,996	24,865	(29,538)	15,228	(15,481)	37,460	61,637
Provision for (recovery of) income taxes	8,425	(3,996)	11,206	(4,791)	2,068	(12,679)	16,655	26,772
Net earnings (loss)	(51,618)	92,560	112,700	(69,555)	55,783	(117,725)	131,905	224,894
Net earnings (loss) attributable to shareholders	(55,487)	92,574	112,613	(69,710)	55,962	(117,716)	131,910	224,894
Net earnings (loss) per share	$ (0.40)	$ 0.67	$ 0.81	$ (0.50)	$ 0.40	$ (0.83)	$ 0.91	$ 1.51
Net earnings (loss) per diluted share	$ (0.40)	$ 0.65	$ 0.79	$ (0.50)	$ 0.38	$ (0.83)	$ 0.85	$ 1.43

Indian rupees and in millions, except per share amounts [(1)]	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Income (loss)	(3,061)	9,528	11,479	(7,848)	5,500	(10,499)	13,857	23,118
Expenses	492	2,447	1,908	(2,237)	1,146	(1,085)	2,792	4,552
Provision for (recovery of) income taxes	693	(304)	864	(363)	156	(920)	1,235	1,967
Net earnings (loss)	(4,245)	7,385	8,707	(5,248)	4,198	(8,494)	9,830	16,599
Net earnings (loss) attributable to shareholders	(4,564)	7,386	8,700	(5,260)	4,212	(8,494)	9,830	16,599
Net earnings (loss) per share	(33.02)	53.34	62.67	(37.76)	30.16	(60.07)	67.58	111.11
Net earnings (loss) per diluted share	(33.02)	52.07	61.11	(37.76)	28.75	(60.07)	63.71	105.75

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

Income continues to be primarily comprised of net change in unrealized and realized gains (losses) on investments, interest and dividend income and net foreign exchange gains (losses). Income was significantly impacted in the first quarter of 2023 by the net change in unrealized losses on the company's Indian Investments (principally unrealized losses on the company's investments in Sanmar, Fairchem Organics, IIFL Securities, and NCML common shares, partially offset by unrealized gains on the company's investments in BIAL, NSE and CSB Bank). Individual quarterly results have been (and may in the future be) affected by the change in fair value of the company's Indian Investments which would result in a change to the 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: COVID-19 pandemic and the conflict in Ukraine; 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; MLI; 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 10, 2023 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.

Glossary of Non-GAAP and Other Financial Measures

Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in this interim report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies.

Supplementary Financial Measures

Book value per share – The company considers book value per share a key performance measure in evaluating its objective of long term capital appreciation, while preserving capital. This measure is also closely monitored as it is used to calculate the performance fee, if any, to Fairfax. This measure is calculated by the company as common shareholders' equity divided by the number of common shares outstanding. Those amounts are presented in the consolidated balance sheet and note 8 (Total Equity under the heading Common Stock) respectively within the interim consolidated financial statements for the three months ended March 31, 2023.

Non-GAAP Financial Measures

Cash used in operating activities excluding the impact of net sales (purchases) of investments – The company uses this measure to monitor 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 purchases and sales of investments. This measure is a component of cash provided by (used in) operating activities as presented in the consolidated statement of cash flows within the consolidated financial statements for the interim consolidated financial statements for the three months ended March 31, 2023.

Cash and marketable securities – The company uses this measure to monitor short term liquidity risk. This measure is calculated by the company as the sum of cash, cash equivalents, short term investments, Government of India bonds and Other Public Indian Investments. Those amounts are presented in note 6 (Cash and Investments) within the interim consolidated financial statements for the three months ended March 31, 2023.

FAIRFAX INDIA
HOLDINGS CORPORATION