To Our Shareholders,

Fairfax India's book value per share (BVPS), our key performance measure, grew again this year at a healthy rate. After declining 2.7% in 2022 to $19.11*, it bounced back, growing by 14.3% in 2023 to $21.85. The US$ S&P BSE Sensex 30 index was up 18.0% (that included an 8% surge just in December), while the value of the publicly listed companies in our portfolio was up 38.5%**. Common shareholders' equity increased by 12.0% after declining by 4.8% the previous year.

Here is a snapshot of Fairfax India's performance since it began:

$ millions except per share amounts:	**2023**	**2022**	**2021**	**2020**	**2019**		**2015**	**CAGR[(1)]**
Book value per share	$ 21.85	$ 19.11	$ 19.65	$ 16.37	16.89		9.5	9.2%
Income	598.9	237.5	693.5	(13.0)	712.7		65.3	
Net earnings (loss)	371.8	191.4	494.5	(41.5)	516.3		40.9	
Return on equity	13.3%	7.1%	18.9%	(1.7)%	22.0%	...	4.0%	11.8%[(2)]
$ billions:								
Total assets	3.8	3.4	3.6	3.1	3.2		1.0	15.9%
Investments	3.6	3.2	3.5	3.0	3.2		1.0	15.9%
Common shareholders' equity	3.0	2.6	2.8	2.4	2.6		1.0	12.8%
Shares outstanding (millions)	135.4	138.3	141.2	149.5	152.6		106.7	

(1) *Since Fairfax India's inception on January 30, 2015, when it raised $1.03 billion at $10 per share. From an initial value of $9.62 (after IPO expenses), book value per share has compounded at 9.6% annually.*

(2) *Simple average of the return on equity for each of the nine years.*

* *Amounts in this letter are in U.S. dollars unless otherwise specified. Numbers in the tables in this letter are in U.S. dollars and $ millions except as otherwise indicated. Certain of the performance measures in this letter do not have a prescribed meaning under IFRS Accounting Standards and may not be comparable to similar measures presented by other companies. See the Glossary of Non-GAAP and Other Financial Measures in the MD&A and the Appendix to the Letter to Shareholders for details.*

** *Including the impact of purchases and sales during the year.*

As demonstrated in the table below***, Fairfax India has produced solid investment returns. Including $1.7 billion in unrealized gains on its existing portfolio, it has achieved a 13% annualized return since inception – 22.0% on listed investments and 9.7% on private investments. Since its inception, Fairfax India has also generated realized cash gains, including dividends and interest of $723.8 million, and has never lost money on a monetized investment! We have achieved an annualized return of 28.1% on partially monetized investments and 16.6% on fully monetized investments, aggregating to an annualized return of 18.2% for all monetized investments. If the subsequent event of Fairfax India's disposal of its entire position in NSE is included, the realized cash gain since inception is over $900 million, increasing the annualized return for all monetized investments to approximately 20%.

Most of Fairfax India's investments are in outstanding companies with a history of strong financial performance, led by founders and management who are not only excellent but also adhere to the highest ethical standards.

Existing Indian Investments	Initial investment date	Ownership %	Cash consideration	Fair value	Net change	Cumulative interest & dividends	Compounded annualized return (USD)(1)
Public Indian Investments							
Common stocks:							
IIFL Finance	Dec 2015	15.1%	76.2	412.2	335.9	15.9	25.8%
IIFL Securities	Dec 2015	27.5%	51.1	147.4	96.4	13.9	16.9%
5paisa	Dec 2015	24.6%	16.6	52.1	35.5	–	22.5%
Fairchem Organics	Feb 2016	52.8%	29.7	103.0	73.3	2.1	23.3%
CSB Bank	Oct 2018	49.7%	169.5	409.3	239.8	–	20.0%
Other	May 2022	<1.0%	3.4	2.8	(0.6)	<0.1	(11.6)%
			346.5	1,126.8	780.3	32.0	22.0%
Private Indian Investments							
Common stocks:							
NCML	Aug 2015	91.0%	188.3	50.3	(138.0)	0.8	(15.7)%
Sanmar	Apr 2016	42.9%	199.0	302.9	103.8	–	10.9%
NSE	Jul 2016	1.0%	26.8	188.6	161.8	15.0	33.4%
Saurashtra	Feb 2017	51.0%	30.0	50.6	20.5	10.4	11.0%
BIAL	Mar 2017	64.0%	903.0	1,600.0	697.0	2.2	11.7%
IH Fund	Jan 2019	–	13.2	13.1	(0.1)	4.7	5.9%
Seven Islands	Mar 2019	48.5%	83.8	142.8	59.0	6.1	13.0%
Maxop	Nov 2021	67.0%	51.4	56.7	5.2	–	5.6%
Jaynix	Feb 2022	70.0%	32.5	49.3	16.8	–	24.7%
Other Indian Fixed Income	Nov 2021	–	31.4	31.5	0.1	0.5	2.8%
			1,559.5	2,485.7	926.2	39.8	9.7%
Total existing			**1,906.0**	**3,612.5**	**1,706.5**	**71.8**	**13.0%**

Monetized Indian Investments	Initial investment date	Last sale date	Cash consideration	Cash proceeds	Cash proceeds less cash consideration	Cumulative interest & dividends	Compounded annualized return (USD)(1)
Partially monetized:							
IIFL Finance	Dec 2015	Dec 2023	35.7	177.3	141.6	7.5	24.9%
Fairchem Organics	Feb 2016	Feb 2022	7.8	45.6	37.8	0.1	49.7%
			43.5	222.9	179.4	7.6	28.1%
Fully monetized:							
360 ONE WAM	Dec 2015	May 2023	107.0	243.5	136.4	40.5	16.7%
Other	Mar 2018	Jan 2023	178.8	282.6	103.8	9.3	28.0%
Privi Speciality	Aug 2016	Apr 2021	55.0	164.9	109.9	2.0	27.1%
Sanmar bonds	Apr 2016	Dec 2019	299.0	433.9	134.9	–	11.0%
			639.8	1,124.8	485.0	51.8	16.6%
Total monetized			**683.3**	**1,347.7**	**664.4**	**59.4**	**18.2%**

(1) Compounded annualized return refers to the internal rate of return and is used interchangeably with "annualized return" throughout this letter.

**** Please refer to the company's MD&A included in its 2023 Annual Report, under the heading Track Record for a complete summary of the company's performance to date including footnotes. Figures may not add due to rounding.*

Since we began, Fairfax India has completed investments in twelve companies and exited two (13 currently, as one has split into four listed entities), all sourced and reviewed by Fairbridge, Fairfax India's parent Fairfax Financial's wholly-owned sub-advisor in India. Fairbridge does outstanding work under the excellent leadership of CEO Sumit Maheshwari, supported by its Director Anish Thurthi, Vice Presidents Sheetal Sancheti and Hariharan Sundaresan and analysts Jinesh Rambhia, Ramin Irani and Chinar Mathur. Fairfax India's Mauritius subsidiary, FIH Mauritius Investments, ably led by its CEO Amy Tan, supported by its Vice President Vishal Mungur and its independent Board of Directors, is an integral part of the investment process. Also, since we began, Deepak Parekh, both as a trusted advisor and a former member of the Board of Directors, has provided us with invaluable advice on almost all of our transactions.

With the exception of Sri Lanka, India, Vietnam and Singapore, all Asian emerging markets were down in 2023. You will see from the table below (based on the leading US$ equity index in each country named) that India's 18.0% equity index gain was outperformed only by the relatively minor Sri Lankan market that recovered sharply from a crisis-driven low the previous year:

Sri Lanka	42.4%
India	18.0%
Vietnam	9.3%
Singapore	1.2%
Malaysia	(6.7)%
China	(13.9)%
Hong Kong	(13.9)%
Thailand	(14.0)%

And here is a comparison of Fairfax India's change in BVPS in 2023 with the change in major Indian US$ equity indices:

Fairfax India BVPS	14.3%
Fairfax India's Public Indian Investments	38.5%
S&P BSE Sensex 30	18.0%
S&P BSE 500	24.1%
S&P BSE midcap	44.6%
Nifty 50	19.3%

As noted in the table above, while our BVPS was up sharply in 2023, it underperformed all the major Indian indices. However, the value of Fairfax India's listed portfolio companies (which are based on publicly traded market values, similar to the equity indices above) was up 38.5% in 2023.

Despite the sharp increase in Indian equity markets, the table below indicates that on average, valuations are not as stretched as one might expect, with the exception of market cap to GDP ratio which is up sharply. However, we will continue to watch valuations carefully because within the benign averages lie some sectors like consumer goods, IT, capital goods and pharma which are very expensive.

	December 31, 2022	December 31, 2023	10-year average
Price to earnings ratio	23.1	22.6	23.4
Price to book value ratio	3.4	3.0	3.0
Dividend yield	1.1%	1.3%	1.3%
Market cap to GDP ratio	98%	120%	85%

The valuations of our listed portfolio companies, with a price to earnings ratio of 13.2 and price to book value ratio of 2.3, are much better than the 10-year average.

Over the nine years since Fairfax India's inception, Fairfax India has significantly outperformed the Indian markets, as demonstrated in the following table showing the average annual percentage change over nine years:

Fairfax India BVPS(1)	+9.2%
Fairfax India's Public Indian Investments(2)	+22.4%
US$ S&P BSE Sensex 30	+7.1%

(1) *Fairfax India's nine-year annualized growth in BVPS is calculated based on its January 30, 2015 IPO price of $10 per share.*

(2) *Represents the annualized growth related to existing and monetized Public Indian Investments since Fairfax India's inception.*

Please note that Fairfax India's book value is based on publicly traded market values only for about 37% of its investments which are publicly traded (the rest are based on what we consider to be more conservative internal valuations), whereas the Sensex is of course based entirely on publicly traded market values.

Fairfax India's net earnings in 2023 were $371.8 million versus $191.4 million in 2022, largely as the result of net unrealized gains on investments of $361.7 million compared to $153.7 million in 2022 and net realized gains on investments of $193.2 million compared to $95.9 million in 2022. Earnings also reflect dividend and interest income of $45.7 million and net foreign exchange losses of $1.7 million. Fully diluted earnings per share was $2.72 in 2023 versus $1.34 in 2022. The significant contributors to net unrealized and realized gains recorded in 2023 were:

CSB Bank	$188.8
BIAL	125.0
IIFL Finance	98.3
IIFL Securities	82.6
Seven Islands	46.8
NSE	30.1
5paisa	24.1
Jaynix	16.8
Sanmar	(33.2)
NCML	(16.1)

While the BVPS of Fairfax India is $21.85, we believe that the underlying intrinsic value is much higher. As Fairfax India's shares continue to trade at a discount to book value, we have taken the opportunity to buy back since inception 22.0 million shares for $285.0 million or an average price of $12.93 per share, including the 2.9 million shares we bought in 2023 for $37.2 million or an average price of $12.97 per share. In total, we have bought back approximately 14% of total shares since inception.

In June 2019, Fairfax India created a 100% owned subsidiary in India named Anchorage Infrastructure Investments Holdings (Anchorage). It is intended that this company will be Fairfax India's flagship investment vehicle for airports and other infrastructure investments in India and that all the shares it owns in Bangalore International Airport (BIAL) will eventually be transferred to Anchorage.

In September 2021, Fairfax India, as previously agreed, transferred 43.6% out of the 54% that it owned at the time in BIAL to Anchorage and OMERS (the pension plan for municipal employees in the Province of Ontario, Canada) invested $129.2 million to acquire from Fairfax India an 11.5% interest on a fully diluted basis in Anchorage. This resulted in OMERS indirectly owning approximately 5% of BIAL. At that time, this transaction valued 100% of BIAL at $2.6 billion.

Fairfax India intends to complete an IPO of Anchorage, although we did not move forward on this in 2023 as we are in the process of obtaining regulatory approvals.

Were Anchorage currently listed, the proportion of the publicly listed investments in Fairfax India would increase from 37% to 82% of the overall portfolio.

Financial Position

At December 31, 2023, the financial position of Fairfax India was as follows:

Undeployed cash and investments[1]	$ 209.2
Unsecured senior notes maturing in February 2028	500.0
Common shareholders' equity	2,958.7
Total debt to equity	16.9%

(1) Includes passive investments in publicly traded Indian companies

Fairfax India also has access to a $175.0 million revolving credit facility, which we haven't yet needed but can use for investing or operations. In the fourth quarter of 2023 we extended the maturity on the revolving credit facility to October 2026.

In December 2023, DBRS Limited upgraded Fairfax India's credit rating to BBB from BBB (low), reaffirming the company's strong financial position.

Performance Fee

You will recall that under the investment advisory agreement with Fairfax Financial, Fairfax Financial is entitled to a performance fee, calculated at the end of each three-year period, of 20% of any increase in Fairfax India's BVPS (including distributions) above a non-compounded 5% increase each year from the BVPS at inception in 2015. For the first two three-year periods, Fairfax India was required to settle the performance fee with its subordinate voting shares, but at the end of the third three-year period, Fairfax Financial could elect to receive any performance fee payable in cash or subordinate voting shares.

The end of 2023 marks the end of the third three-year period. Fairfax Financial elected to receive the performance fee of $110.2 million in cash to minimize dilutive impact to Fairfax India shareholders, as the number of shares issued to settle the performance fee would have been based on Fairfax India's share price which is currently trading at a discount to its book value.

Indian Investments[1]

Bangalore International Airport (BIAL)

BIAL achieved a prestigious recognition at the 2023 Prix Versailles organized by UNESCO. BIAL's Terminal 2 (T2) was acknowledged as one of the 'World's most beautiful airports' and received the esteemed 2023 'World special prize for an interior' for airports.

T2, whose construction continued and was completed notwithstanding the challenges of the pandemic since 2020, is a first-of-its-kind 'Terminal in a Garden' and an extension of Bengaluru city's green aesthetics. The terminal and the area leading up to it are designed to give passengers an experience of walking in a garden. This begins from entry into the BIAL campus at the Main Access Road to entering T2 and then boarding aircraft at the piers.

The 255,661 square metre (sqm) facility pays homage to the city of Bengaluru and was designed around four pillars: the 'terminal in a garden', sustainability, technology, and art & culture.

The two-level domestic and international retail and lounge areas are structured to provide scenic views of the greenery within and outside the building.

The garden features include 10,235 sqm of green walls around the terminal, hanging gardens that cascade down from the terminal roof on bronze veils and bells suspended from the ceiling, plus green lagoons and an extensive forest belt area between the terminal and the 19 boarding gates.

A total of 620 endemic plants, 3,600+ plant species, 150 palm species, 7,700 transplanted trees, 100 varieties of lilies, 96 lotus species, 180 rare, endangered and threatened species and ten ecological habitats make up the lush green landscape.

On sustainability, solar panels and daylight harvesting results in 24.9% overall energy savings. Rainwater harvesting and six major rainwater-fed ponds with 413 million litres of water cater to the airport's requirements. The planned

(1) Indian Accounting Standards (Ind AS) are based on and substantially converged with IFRS Accounting Standards. As such, all of the Indian Investments' figures are unaudited and based on Ind AS or IFRS Accounting Standards, with the exception of CSB Bank, where figures are based on Indian Generally Accepted Accounting Principles (Indian GAAP). Percentage variances over financial figures are based on underlying changes in the investment's Indian rupee functional currency.

integrated solid waste management plant will convert biodegradable waste to fuel and manure, leading the airport towards zero waste to landfill.

On the innovation and technology front, to ensure that the passenger experience is simplified, seamless and effortless, "Digi Yatra" has been implemented. Digi Yatra features 'your face is your boarding pass' technology, meaning travellers can pass through security checks easily. BIAL has been at the forefront of developing this smart security implementation to facilitate more accurate screening and higher passenger throughput.

The focus of the Art Program at T2 is to exhibit the cultural diversity and unique art forms of Karnataka in particular, followed by other South Indian art forms. Art installations are exhibited at strategic locations throughout the airport and serve as beacons in the travelers' journey, allowing them to pause, reflect and enjoy.

T2 is designed to provide the highest level of passenger experience while also making it an unforgettable destination for passengers with its memorable visual impressions, sustainable practices and technology.

BIAL is Fairfax India's largest investment and a very important one as it accounts for 44% of the fair value of its investments.

Between March 2017 and May 2018, Fairfax India invested, in 3 tranches, $653.0 million to acquire 54% of BIAL, implying an equity value of approximately $1.2 billion for the whole company. In 2023, Fairfax India acquired in two tranches an additional 10% of BIAL from Siemens for $250.0 million, resulting in a total investment of $903.0 million for 64% of BIAL. It is the third largest airport in India and is one of the fastest growing airports in the world. Bangalore, considered India's Silicon Valley, is the third largest and fastest growing city in India.

After being severely impacted by the pandemic in 2020, 2021 and the first half of 2022, passenger numbers at BIAL surpassed pre-pandemic levels in 2023, with 32.7 million domestic passengers and 4.5 million international passengers, for a total of 37.2 million passengers. This is 10.5% higher than the pre-pandemic passenger high of 33.7 million passengers achieved in 2019.

- **Aero revenue and tariff order for third control period**

Aero revenue is the revenue earned for providing services such as landing, parking and other services charged as user development fees (UDF) to airlines and passengers. The aero tariffs for these services are set for five-year periods (called "control periods") and are fixed by the Airport Economic Regulatory Authority (AERA) to provide a reasonable return on equity deployed in the Regulatory Asset Base (RAB). AERA treats 30% of non-aero revenue (described below) as aero revenue as a subsidy for the purpose of tariff calculations. The tariff order for the second control period (from April 2016 to March 2021) was finalized by AERA in August 2018, well after the control period had begun. Any under or over recovery of tariffs in any control period will be adjusted in the subsequent control period. This is achieved primarily by adjusting downwards or upwards the fee that the airport is allowed to charge for its aero services to passengers and airlines. The tariffs that the airport can charge have a very significant impact on the cash flow generated which, in turn, has a major impact on the financing for the planned expansion of the airport.

Because of the significant underachievement of passenger traffic in the last year of the second control period and the intended completion of capital projects during the third control period (from April 2021 to March 2026), UDFs were expected to increase significantly in the third control period. With the higher UDFs and the ultimate return of passenger volumes to pre-pandemic growth levels, aero revenue was expected to return to normal levels at some point during the fiscal year ending March 2024. Based on current traffic volumes, this looks likely to happen.

Aero revenue in 2023 increased by 77% over the previous year to $158.6 million.

- **Growth plans**

In 2018, BIAL entered a phase of significant investment of about $1.9 billion to expand its designed capacity of 20 million passengers to about 50 million in 2021, by re-configuration and system improvements to the existing terminal (now completed), building a second runway, and building phase 1 of T2 and associated supporting infrastructure. The second runway was commissioned as planned in 2019 and phase 1 of T2 was completed in 2022. A financing plan for this expansion, based on a debt-to-equity ratio of 80:20, was approved by a syndicate of Indian banks at attractive interest rates.

Then plans were added for the building of phase 2 of T2 and related infrastructure for an incremental investment of about $1.1 billion, to take the capacity to about 70 million passengers by 2029. In 2019, BIAL added a plan for a third terminal and related infrastructure for an incremental investment of approximately $0.6 billion, taking the capacity of the airport beyond 90 million passengers by 2033. The total investment of about $1.7 billion required to complete the above expansions is expected to be funded through internally generated funds and debt.

- **Non-aero revenue**

Non-aero revenue is all revenue other than aero revenue, such as revenue from food and beverage sales and duty-free shops. Non-aero revenue grew at a CAGR of 17% from 2009 to 2020 (thereby excluding impact of pandemic years). It has currently returned to pre-pandemic levels and has resumed its growth trajectory in 2023 due to the return to normal passenger growth rates, the availability of additional space and the increasing propensity of passengers at the airport to make purchases.

To accelerate non-aero revenue growth, BIAL has undertaken many innovative projects that engage passengers and enhance their experience at the airport. During the pandemic, BIAL was a leader among airports in being flexible and working collaboratively with concessionaires (who also were extremely stressed from the shutdown of their businesses), helping them to survive and resume business as passenger traffic came back. Remarkably, through a combination of the rollout of new concepts, digital initiatives and loyalty programs, in 2023 BIAL achieved per passenger non-aero sales levels that are higher than pre-pandemic levels. The process to improve lounge experience and increase lounge capacity in the existing terminal and the new terminal are well underway. BIAL is also seeing an overwhelming interest from global bidders for non-aero space in T2. These achievements lay the foundation for BIAL's plans to grow non-aero revenue by five times over the next decade.

As a result of these initiatives, non-aero revenue in 2023 increased by 38% over the previous year to its highest ever of $124.7 million.

- **Cargo business**

The cargo operation of BIAL, which was a beacon of strength through the entire pandemic because it was not affected by the pandemic-related shutdowns, continues to perform very well. In 2023 BIAL recorded its all-time high cargo volume of 422,644 metric tons, including India's highest (27% of total) export shipments of perishable goods. Many initiatives have been implemented in the cargo business, including increasing capacity to 980,000 metric tons, building India's largest express cargo facility, building a dedicated truck management facility, implementing a system for paperless cargo processing and putting in place new concession agreements with operators at significantly better terms for BIAL.

- **Real estate monetization**

Plans for real estate monetization, which is another major source of future revenue for BIAL, have been delayed by about 24 months as a result of the pandemic. BIAL has approximately 460 acres of land adjoining the airport that can be developed. Most of this land is undeveloped and Bangalore's historical population areas are getting congested, so the city is expanding in the airport's direction. BIAL anticipates significant upside, over time, from monetization of this real estate. We provide below an update on the significant progress made in the actions to monetize the land available for development.

A 100%-owned special purpose vehicle subsidiary of BIAL was incorporated to carry on the real estate activities of BIAL. This entity, Bengaluru Airport City Limited (BACL), is now capitalized and staffed and is expected to be self-funding as it moves forward.

Anchored on the principles of a smart city, BACL is creating a campus that caters to the varied needs of corporate life and has further refined its plans to monetize the available real estate. It has expanded the list of asset classes by adding high tech manufacturing, venues for corporate retreats & sports facilities, executive skilling organizations, data centres, luxury retail, a hospital complex and high grade warehouses to the already contemplated business parks; a retail, dining and entertainment (RDE) village; hospitality; and convention and exhibition centres. The following projects have been completed or are under development or construction:

- Singapore Airlines Transportation Services central kitchen with product development and production capabilities for 170,000 ready-to-eat meals per day.
- A first of its kind 3D technology printing facility has been operational since August 2022.
- Addition of 216 rooms to the existing 154 room Taj Bangalore luxury resort.
- A concert arena with technical collaboration with Live Nation U.S.A.

We are very excited that T2 has become a showpiece for what can be developed and built in India and, combined with the potential early arrival of Metro rail connectivity to the airport, we are extremely optimistic about the opportunity for the development of BIAL's real estate.

BIAL is close to finalizing options whereby it will make the investments required to fast track some of the hotel, business park and RDE developments rather than wait for outside investment.

- **Summary**

Despite the extraordinary pandemic-related difficulties of the last few years, under the exceptional leadership of Managing Director and CEO Hari Marar and his executive team, BIAL had very commendable financial performance in 2023.

Passenger traffic grew 35% over the previous year to 37.2 million and total passenger traffic exceeded pre-pandemic levels. BIAL's revenue increased by 60% over the previous year to $305.3 million. EBITDA increased by 71% over the previous year to $194.6 million. Profit after tax turned around to $44.1 million from a loss of $6.0 the previous year.

Despite the unprecedented events that impacted operations and financial performance in 2020, 2021 and 2022, BIAL generated an average ROE of 14% for the second control period and an ROE of 17% for the combined first and second control periods. ROE in 2023 was 14%.

The valuation of Fairfax India's 64% interest in BIAL increased to $1.6 billion in 2023 from $1.2 billion in 2022, implying an equity value of approximately $2.5 billion for the whole company. Excluding cash flows from the 460 acres in Airport City, BIAL is carried on our books at 9.5 times normalized free cash flow, which we consider to be conservative. Bangalore is one of the fastest growing cities in the world and air passenger traffic in India is expected to have robust growth with increasing business and leisure travel, and the improvement in air connectivity to tier II cities. The valuation is supported by future cash flow estimates driven by the growth in capacity, non-aero revenue and real estate monetization plans described above, but does not reflect apparent market interest.

2023 featured the following significant achievements by BIAL:

- After the construction of the spectacular terminal 2 was completed in 2022, its full operations, including the transfer of all international flights, was completed in 2023, increasing BIAL's capacity to about 50 million passengers a year, boding well for its performance.
- Established six new international routes.
- Achieved AA+ (Stable) rating with CRISIL (first time for any airport in India). CRISIL is S&P's subsidiary in India.
- Continuing to be at the forefront in designing and implementing its sustainability goals and touching the lives of its community. Some recent successes in achieving BIAL's sustainability goals are the following:
  - It achieved ACI's highest level 4+ carbon accreditation.
  - Renewable energy sources were utilized for 100% of the airport's energy needs.
  - BIAL actively promotes the use of recyclable material and will achieve zero landfills by June 2024.
  - Water positivity score increased from 1.37 to 2.36.

IIFL Finance (IIFL FIN)

Based on total revenue, IIFL FIN, which is non-deposit taking, is one of the larger non-bank finance companies (NBFC) in India.

Under the able leadership of CEO Nirmal Jain, who is also the founder and a significant shareholder of all the IIFL Holdings group companies, IIFL FIN invested aggressively to prepare for the lending growth it intends to drive in the future. It added over 700 new branches to its existing 3,965 and over 6,500 new employees to its existing 32,700 and continues to move forward aggressively to consolidate its position as one of the major NBFCs in India, serving over 8 million customers. IIFL FIN is also investing heavily in brand building and in technology to support its growth in physical infrastructure. It has implemented industry-leading fintech innovations, like "WhatsApp" loans, which are seeing high customer acceptance.

In 2023 IIFL FIN progressed further in its strategy to grow its business by growing its assets under management (AUM) by co-lending with or assigning assets to other lenders and thereby utilizing less of its own capital. These assets now account for 39% of its AUM and 26% of its income.

Also in 2023 IIFL FIN, continuing with its stated objective of focusing on retail loans to relatively under-banked customer segments, achieved the following highlights:

- It achieved dominance in its major lines of business:
  - It has become the largest lender in the affordable housing segment of the housing loans market with AUM of $3.1 billion, and
  - The number two lender in gold loans and microfinance with AUM of $3.0 and $1.5 billion, respectively.

- It diversified its borrowing sources to reduce its cost of borrowing.
- Its rating was upgraded by CRISIL from a stable to positive outlook, reflecting its strengthening market position and the expected sustained improvement of its profitability.

IIFL FIN had excellent results in 2023. Its AUM, which have grown at a CAGR of 16% over the last 5 years, grew by 34% over the previous year to $9.3 billion in 2023. The growth was driven by home loans (+25%) and gold loans (+35%). In 2023, IIFL FIN's revenue increased by 25% to $750.0 million and profit after tax increased by 36% to $242.3 million, generating an ROE of 17%. The below average ROE resulted partly from higher than normal capital levels at IIFL Home Finance (HFC) from a 2022 capital infusion into it of $275 million by ADIA, the Middle Eastern sovereign fund that valued HFC at $1.4 billion.

Asset quality continues to be amongst the best in its peer group, with gross non-performing assets (NPA) and net NPAs at 1.7% and 0.9% respectively, compared to 2.1% and 1.1% respectively in the previous year. The provision coverage ratio was 151% versus 164% the previous year.

Loan to value is very conservative, at 72% for home loans, 71% for gold loans and 52% for business loans (loans against property). With a well-diversified asset portfolio of which over 95% is retail in nature, a capital adequacy ratio (CAR) of 19.6% for IIFL Finance and 45.8% for HFC, and net interest margins at 9.8%, even though the cost to income ratio increased from 42% to 43% (due to the growth in the number of branches and employees), IIFL FIN is well positioned to take advantage of the post-pandemic economic recovery expected from 2023.

During 2023 Fairfax India sold 27 million of the 85 million shares of IIFL FIN that it owned, generating a realized cash gain of $149.1 million (including dividends) and an annualized return of 24.9%.

On March 4, 2024 the RBI (the Indian Central Bank and Banking regulator) ordered IIFL FIN, to stop sanctioning and disbursing any new gold loans with immediate effect, as a result of non-compliance with certain banking regulations as identified by the RBI. The stoppage will be in effect until the RBI completes a special audit and the regulatory deficiencies identified are rectified to RBI's satisfaction. IIFL FIN has responded to the RBI and is in the process of rectifying the deficiencies. The order does not directly affect the other segments of IIFL FIN which account for approximately 70% of its business. Fairfax India has offered to provide IIFL FIN liquidity support of up to $200 million on yet to be determined, mutually agreed terms and conditions subject to regulatory and legal compliance.

IIFL Securities (IIFL SEC)

IIFL SEC, one of the major capital market players in Indian financial services, offers advisory and broking services (both retail and institutional), financial products distribution, institutional research and investment banking services.

It had one of its best years ever in 2023: its revenue increased by 46% to $233.9 million and profit before tax increased by 72% to $68.3 million, generating an ROE of 25%. These results were driven by the strong performance of the retail broking and investment banking divisions that benefited from the buoyant equity and IPO markets in India in 2023.

The growth in the financial markets has attracted a great deal of competition too. Several established full-service brokers have recently launched their own discount brokerages and the growth in fintech innovations has resulted in a plethora of new products, like algo trading, which are based on investment strategies using new technologies like artificial intelligence.

IIFL SEC has done a commendable job in protecting and growing its long established traditional "legacy" businesses comprised of retail broking and financial products distribution while also growing in the newer areas. It has achieved this by focusing on low-cost new customer acquisition strategies, investing heavily in technology and making entries into new areas like algo trading. IIFL SEC serves over 3 million customers and has a strong online presence.

IIFL SEC operates in three broad areas within the capital markets and financial services sector in India:

- Retail broking and financial products distribution (75% of revenue) – in retail broking it has established itself as a leading institution through a combination of leading-edge technology, diverse product offerings, management expertise and a wide network of branches across India. IIFL SEC's mobile trading app, IIFL Markets, continues to be one of the highest rated amongst its peers. In financial products distribution, it offers retail clients a wide range of products including mutual funds, insurance, IPOs and debt instruments.
- Institutional broking (12% of revenue) – it is a leading independent (not associated with any international bank) broker, with a highly acclaimed, pedigreed 38-member research team that covers over 260 Indian companies accounting for over 75% of India's market capitalization. It is a market leader in block sales placements, placing over $11 billion in blocks over the past five years. It has more than 890 domestic and foreign clients and has developed trusted long term relationships with them through sustained high-quality performance.
- Investment banking (9% of revenue) – it is a highly regarded category 1 merchant banker in India and despite volatile markets, it completed over 50 transactions in 2023, including 15 equity IPOs. It continues to have a substantial pipeline of transactions which are at various stages of execution.

IIFL SEC, at a valuation of only 10.0 times price to estimated March 2024 earnings and price to estimated March 2024 BVPS of 2.5 times, is still trading at a discount to its peers.

Based on its strong business franchise, growth potential and attractive ROE, we expect that IIFL SEC will be an excellent investment for Fairfax India.

5paisa Capital (5paisa)

5paisa, which literally means "5 cents", is one of India's fast-growing technology-led financial services companies and offers an array of financial products and services through a digital platform and mobile application. Its services are targeted at retail investors and high-volume traders who actively invest and trade in securities markets and seek DIY (do-it-yourself) services at a low cost. With its diverse services and products encompassing online discounted stock broking, depository services, gold investments, commodity trading, research and distribution of mutual funds and other financial products, 5paisa successfully fulfils its customers' diverse needs. 5paisa remains focused on innovation based on understanding customer behaviour, and constantly strives to achieve technological superiority, as it has done through the development of its robust trading platform, its advanced mobile app, an artificial intelligence-powered robo-advisory platform and its paperless account opening process.

Mr. Narayan Gangadhar was appointed MD and CEO of 5paisa in June 2023. He brings many years of experience in North America with tech giants like Microsoft, Google, Amazon and Uber and is most recently from Angel One, a leading online stock broker in India.

Narayan has implemented some key new strategic changes at 5paisa:

- To change from pursuing customers based on profitability (which was resulting in lost market share) to pursuing market share with a focus on controlling CTR (cost to revenue) ratio;
- To create the best in class digital app;
- To drive digital acquisition of customers;
- To create call centres with knowledgeable staff who can solve issues quickly;
- To focus on algo trading which is a strength of 5paisa; and
- To measure NPS (net promoter score) and improve scores.

5paisa has sustained a strong pace of client acquisition since inception, taking its total client base to 4 million in 2023. The 5paisa mobile app has been hugely popular, recording over 17 million downloads and sustaining a rating of 4.3 on Playstore.

In 2023 total revenue grew 11% to $45.2 million and net income grew 88% to $7.6 million – due to the intense competition from established and new discount brokers, its market share in retail cash broking fell from 2.8% to 2.3%, even while it added customers at an average rate of about 51,000 per month. To combat this intense competitive pressure, 5paisa is de-emphasizing profit in the short term and investing heavily in advertising to drive customer acquisition, state of the art technology and acquisition and retention of technical and business talent.

While it is still a small startup, 5paisa has the potential to be a major player in digital discount broking and financial products distribution.

IIFL Wealth Management (now 360 ONE WAM) (IIFL Wealth)

In 2023 we completed our exit from IIFL Wealth.

The total proceeds of the sale were $243.5 million, generating a realized cash gain of $176.9 million (including dividends) and an annualized return of 16.7%.

We thank Nirmal, Karan and Yatin, and wish them the very best in the future.

Since our inception, Fairfax India has invested cash consideration of $286.7 million across the IIFL group of companies, which includes IIFL Finance, IIFL Securities, IIFL Wealth (now 360 ONE WAM) and 5paisa (most of it through our original investment in IIFL Holdings). To date, we have completed total sales of $420.8 million, received dividends of $77.8 million, and at the end of 2023 continued to hold remaining IIFL group investments with a fair value of $611.7 million, aggregating to over $1 billion in value and representing an annualized return of 21.2%.

Sanmar Chemicals Group (Sanmar)

Sanmar had a very difficult year in 2023. For the year ended December 31, 2023 Sanmar's revenue declined by 26% over the previous year to $965.4 million, EBITDA declined by 55% to $96.3 million and it incurred a loss before tax of $27.9 million versus a profit of $91.0 million the previous year (EBITDA and profit and loss before tax described here and below exclude accounting debt restructuring gains and a non-cash inventory write-down).

The poor financial performance was, among other factors, driven by:

- Depressed global (ex India) demand for PVC (polyvinyl chloride), due to the economic slowdown in China and poor housing starts in the western world resulting in price drops of 30-60%;
- The anti-dumping duty that was in effect in India for the past 15 years lapsed in 2022. Export surpluses around the world found a home in India with China dumping the most at the lowest prices;
- Increasing energy prices; and
- Lower caustic soda prices.

In 2016, Fairfax India lent Sanmar the rupee equivalent of $300.0 million by way of non-convertible debentures (NCD) for a period of seven years. The NCDs provided for 3% payment-in-kind interest and a redemption premium such that the annual yield of the NCDs would be 13%. In addition, for $1.0 million Fairfax India received a 30% equity interest in Sanmar's entire chemicals business.

In 2019 Sanmar settled our $300.0 million of 13% bonds for $433.9 million, of which we invested $198.0 million in additional common shares of Sanmar based on an effective equity valuation of approximately $1.0 billion for the whole company, thereby increasing our equity ownership interest from 30% to 43%. This transaction returned approximately 76% of the capital Fairfax India originally invested while increasing our ownership of Sanmar.

Sanmar is a large private conglomerate with sales well over $1 billion and an asset base of around $2 billion. Founded in the early sixties, its business interests spanned chemicals, engineering technology and shipping, with operations in India, the Middle East, Singapore and the Americas. Fairfax India's investment is in the chemicals business, which constitutes more than 70% of the group's operations and is housed within three operating companies, two in India – Chemplast Sanmar (CSL) and Chemplast Cuddalore Vinyls (CCVL) – and one in Egypt – TCI Sanmar (TCI).

- CSL is the largest manufacturer of paste PVC in India. It also manufactures caustic soda, chloromethanes, hydrogen peroxide, EDC (ethylene dichloride) and VCM (vinyl chloride monomer) at Mettur and Karaikal. Sanmar Speciality Chemicals, which manufactures custom made chemicals for customers in the agro-chemical, pharmaceutical and fine chemical industries, is also a part of this division.
- CCVL is the second largest suspension PVC player in India.
- TCI in Egypt, after its expansion was completed in 2018, became a balanced integrated manufacturing facility and is the MENA region's largest manufacturer of suspension PVC, calcium chloride and caustic soda.

The group is renowned for its high integrity and the highest levels of corporate governance and environmental and social responsibility (ESG). Long before ESG investing became a factor for investors, it was ingrained in Sanmar's DNA.

In 2020, Sanmar committed to reduce overall debt of the company. To achieve this objective, it committed to actively pursue opportunities to raise additional equity capital to repay and restructure debt. It also decided to postpone investments in projects that exploit excellent growth and cost saving opportunities until after its balance sheet was deleveraged. Sanmar has made significant progress in deleveraging its balance sheet.

- **CSL**

In 2021, CCVL was made a 100% subsidiary of CSL, thereby consolidating all of Sanmar's Indian chemical businesses under CSL. Sanmar then listed CSL on the Indian stock exchanges through an IPO raising $519 million, comprised of a primary issuance of equity shares of $175 million and a secondary sale of equity shares by the holding company, in which Fairfax India has its 43% ownership, of $344 million. Following the IPO, which valued 100% of CSL at $1.15 billion, the holding company's ownership of CSL is 55.0%, so Fairfax India's indirect ownership is 23.6%. The net proceeds were used largely to repay debt of about $165 million in CSL and about $300 million in the holding company. As a result, debt at CSL and the holding company has been fully repaid.

The former CSL business which comprised the higher margin paste PVC and specialty chemicals businesses had a poor year in 2023. Revenue declined 35% over the previous year to $189.8 million, EBITDA decreased 98% to $1.0 million and it incurred a loss before tax of $10.7 million versus a profit of $47.5 million the previous year.

- **CCVL**

CCVL (now a 100% subsidiary of CSL), which manufactures the more commoditized, high volume and lower margin suspension PVC, had a difficult year in 2023. Revenue decreased 26% to $310.3 million over the previous year, EBITDA decreased by 49% to $15.7 million and it incurred a loss before tax of $3.0 million versus a profit of $12.2 million the previous year. The lack-luster results were driven by a more than 50% drop in suspension PVC prices, precipitated by oversupply from China, where production in the north was not affected by COVID-related shutdowns, while consumption dropped sharply in the south, causing producers to flood global markets with PVC. Poor demand in the U.S. due to poor housing construction activity further exacerbated the situation. Sanmar expects the situation to normalize in 2024 and enable it to take advantage of the resurgent housing market in India where PVC consumption is projected to grow at a CAGR of 8% over the next several years.

- **TCI**

Sanmar acquired TCI in 2007, with the intention of setting up a large greenfield PVC plant in Egypt to cater to the high growth markets of North Africa, the Middle East and parts of Europe. TCI until recently had a 200 ktpa capacity PVC plant. In 2018, with help from the financing provided by Fairfax India, TCI completed a major expansion plan and added a new 200 ktpa PVC plant, taking total PVC capacity to 400 ktpa, and added a 130 ktpa calcium chloride plant and a 75 ktpa caustic soda by-product line. In 2021 it was able to fully operationalize these assets and reached about 90% capacity utilization. With the 100% capacity utilization achieved in 2023 and the completion of certain expected process refinements, going forward, Sanmar will be able to take advantage of its significant investment in Egypt.

TCI also had poor operating results in 2023. Revenue declined 22% over the previous year to $476.6 million, EBITDA declined 39% to $79.0 million and it incurred a loss before tax of $15.0 million versus a profit of $44.6 million the previous year. The poor performance was due to the global drop in global PVC prices as described earlier. While impressive progress has been made on many fronts, including the restructuring of $785.4 million of TCI's debt in 2021, TCI continues to look for further improvements to its balance sheet.

The fair value of Fairfax India's investment in Sanmar decreased to $302.9 million in 2023 from $337.8 million in 2022. The fair value at December 31, 2023 was based on CSL's publicly traded market price (comprising 74% of the total fair value) and an internal valuation model for TCI, which implied a price to normalized free cash flow of 3.6 times.

CSB Bank (CSB)

Under the leadership of Pralay Mondal, who took over as CEO in 2022, CSB continues to make excellent progress on its transformative journey that began with the recapitalization of the bank that was enabled by our investment. 2023 was the best year ever for CSB.

Fairfax India's investment into CSB during 2019 increased the bank's CAR to 23% at the end of 2019. The improved CAR enabled CSB to make adequate provisions for loan losses, invest in more branch openings, invest in people and technology and grow its loan book with well underwritten loans.

CSB is one of the oldest private sector banks in India and has a strong base in Kerala along with a significant presence in the states of Tamil Nadu, Karnataka and Maharashtra. The bank currently operates 751 branches (up from 649 last year) and 570 ATMs (up from 512 last year) across India. With its branches primarily located in south India, it focuses on retail, gold and small and medium enterprise (SME) loans, which together comprise about 73% of total advances. CSB also owns 38 residential and commercial properties and land banks, some purchased several years ago and others acquired by enforcement of security.

CSB made excellent progress in its key performance measures in 2023, with loan advances growth of 23% and deposits growth of 21% (including lower cost, current and savings accounts (CASA) growth of 6%, where growth has been slower across the industry). Net interest income grew by 12% and the credit to deposit ratio improved from 81% to 83%. Net interest margin (NIM) decreased from 5.5% but remains at an industry leading 5.2%. Cost of deposits increased to 5.1% from 4.2%, and CASA declined to 27.6% from 31.4% of total deposits, as a result of stronger growth in term deposits due to the current high interest rate environment.

Credit quality also improved – gross NPAs decreased to 1.2% from 1.5%, net NPAs decreased to 0.3% from 0.4% and the provision coverage ratio remained flat at 91.9% in December 2023. CSB's revenue for 2023 increased by 27% to $236.4 million from $196.4 million in 2022, net income increased by 10% to $69.2 million and its CAR dropped from 25.8% to 23.0%.

These exceptional results derive from the continued relentless pursuit of the objective of transforming CSB by focusing on profitability, productivity, efficiency and asset quality. CSB is accomplishing this by implementing changes that include:

- Performance and productivity-oriented human resource policies.
- Reorganizing the operations of the bank into three verticals:
  - retail banking (comprised of branch banking, gold loans, two-wheeler loans, micro, small and medium enterprise (MSME) loans, microfinance under financial inclusion loans and agricultural loans);
  - SME banking; and
  - wholesale banking.

Loan assets with turnover of up to 100 million rupees are monitored and serviced separately by the retail banking vertical. Loan assets with turnover of up to 2.5 billion rupees are monitored and serviced by the SME vertical. Loan assets with turnover above 2.5 billion rupees, and all NBFC and infrastructure funding, are managed by the wholesale banking vertical.

The success that CSB has achieved is demonstrated in the table below. On virtually every metric, CSB is right at the top when compared to banks of comparable size (peer group) and all banks, except growth in net interest income due to the strong growth in deposits primarily from higher cost term deposits, resulting in higher interest expenses.

Position at year ended September 30, 2023 *(all numbers are %s)*[(1)]

	CSB	Peer Group	All Banks
Growth in Net Interest Income	13.1	20.5	25.1
Growth in Advances	27.4	15.9	20.9
Growth in Deposits	21.2	14.4	14.2
Credit Deposit Ratio	87.5	79.9	80.7
Return on Equity	16.6	12.9	13.2
Return on Total Assets	1.8	1.1	1.1
Net Interest Margin	5.4	4.1	3.8
Efficiency (Cost to Income) Ratio	60.3	56.4	56.8
Gross Non-Performing Advances	1.3	3.3	3.3

(1) Source: Capital IQ. For comparability based on available information, Net Interest Margin in the above table is calculated using average net advances and investment securities.

We are very excited about the long term prospects of CSB.

National Stock Exchange of India (NSE)

In July 2016, Fairfax India acquired a 1% stake in NSE for $26.8 million. NSE is the largest stock exchange in India with a market share of over 93% in cash equity trading and over 98% in equity derivatives trading.

We are expecting to complete the sale of our entire investment in NSE in early 2024 for proceeds of approximately $189 million (of which $132.3 million closed in January 2024), which will generate an annualized return on the investment of approximately 33%. We felt that the investment was fully valued and we had made an excellent return.

Fairchem Organics (Fairchem)

Fairchem, led by its founder Nahoosh Jariwala, is an oleochemicals company. Oleochemicals are, broadly, chemicals that are derived from plant or animal fat and can be used for making both edible and non-edible products. In recent years the production of oleochemicals has been moving from the U.S. and Europe to Asian countries because of the local availability of key raw materials.

Fairchem occupies a unique niche in this large global playing field. It has developed an in-house technology that uses machinery designed by leading European companies to convert waste generated during the production of soya, sunflower and corn oils into valuable chemicals. These chemicals include acids that go into non-edible products like soaps, detergents, personal care products and paints, and other products that are used in the manufacture of health foods and vitamin E. The company's customers include major multinational companies including Archer Daniels Midland, Cargill, Arkema and Asian Paints. Fairchem operates out of a single plant in Ahmedabad, the largest city in Gujarat, the home state of Prime Minister Modi: the plant has one of the largest processing capacities for natural soft oil based fatty acids in India.

For the year ended December 31, 2023, its revenue declined by 9% to $74.2 million, net earnings decreased by 3% to $5.0 million and shareholders' equity grew by 13% to $33.4 million, generating an ROE of 15%. The decline in profits was due to higher raw material costs and weak end-product demand and prices beginning in 2022: the high cost of raw materials was precipitated by the war in Ukraine – Ukraine is one of the world's largest producers of sunflower oil and its supply was disrupted resulting in higher prices for other alternative oils which are key raw materials for Fairchem, resulting in a corresponding increase in sales prices. There was also poor product demand in Europe due to recessionary conditions. Raw material costs and sales prices have since moderated and remained subdued in 2023.

Fairchem has made a concerted effort over the last five years to expand its production capacity in a very cost-effective manner, funded entirely by cash generated from the business and at the end of the year was virtually debt free. It has taken its raw material throughput capacity from 72,000 to 120,000 metric tons per annum. Fairchem has built a plant to manufacture a product that is new for them and commercial operations commenced in December 2023. This product has good market potential and could be a source of excellent growth for Fairchem.

After Fairchem's demerger from Privi Speciality Chemicals, Fairfax India owned a 67% stake in Fairchem for an investment since inception of $37.5 million. In November 2021, Fairfax India sold 14% of Fairchem for $45.6 million, recouping more than its entire investment while still owning 53% of Fairchem, valued at $103.0 million on December 31, 2023, down significantly from its earlier peak. However, we believe this is temporary because the stock fell sharply after a few quarters of disappointing results.

Seven Islands Shipping (SISL)

SISL had its best year ever in 2023!

Its revenue increased by 34% to $165.5 million, net income increased by 310% to $84.5 million and shareholders' equity grew by 50% to $213.3 million, generating an ROE of 39%. This was mainly due to higher charter rates and the opportunistic sale of vessels during the year. SISL also paid its first ever dividend in the fourth quarter of 2023 and Fairfax India received $6.1 million. Despite some volatility in the last few years, SISL has mostly demonstrated stable and consistent revenue and EBITDA CAGR of about 30% in the last 10 years. Since the time we acquired our interest in SISL, it has generated free cash flow of $209.4 million, an average annual free cash flow on investment of about 25%.

Founded in 2002 by Captain Thomas Wilfred Pinto, a passionate entrepreneur and operator, SISL owns and operates tanker shipping vessels that sail primarily along the Indian coast as well as in international waters. SISL is the second largest private tanker shipping company in India.

In March 2019 Fairfax India acquired a 41.4% equity interest in SISL for $71.8 million through a direct subscription of $28.9 million and a secondary acquisition from existing shareholders of $42.9 million. In September and October 2019, Fairfax India acquired an additional 7.1% from existing shareholders for $12.1 million, bringing its total ownership interest to 48.5%. At December 31, 2023, this investment was valued at $142.8 million.

At the time of Fairfax India's initial transaction, SISL owned 14 vessels with a total deadweight capacity of 0.9 million metric tons. Today SISL owns 25 vessels with a capacity of about 1.3 million metric tons. All SISL's vessels are registered in India and operate as Indian-owned and flagged vessels.

Historically, SISL bought vessels that were 20-21 years old and operated them till they reached about 29-30 years of age. For operations along the Indian coast, the freight rates are based purely on bids and there is no distinction between old and new vessels. SISL benefits from lower upfront capital investment and enjoys the same charter rates as those of the younger ships. The operating and maintenance costs for its fleet are not significantly different from those of the younger ships. In keeping with its stated objective of reducing the average age of its fleet from about 19 to 15 years over the next few years, SISL sold four older ships and acquired five younger ships during 2023. Over the next five years, SISL is aiming to grow its fleet from the current 25 to about 28 ships.

Until recently, SISL had only owned and operated tankers that transported liquid cargo. In 2021 it made a significant change in its strategy and entered the gas carrier container ship segment of the market. Based on current ship prices and charter rates, it is seeing potential for better returns from gas carrier containers. SISL purchased one Very Large Gas Carrier and one Medium Gas Carrier in 2021.

Under the current Indian regulatory framework, Indian-owned and flagged vessels are given preference over foreign vessels for transporting any cargo that originates from India. This is implemented by giving the Indian owned vessels a "right of first refusal" (also known as "cabotage") before a contract can be awarded to a foreign vessel owner. It is our understanding that, because of cabotage protection, foreign vessel owners typically refrain from bidding for contracts for movement of goods along the Indian coast. Hence, the charter rates in domestic shipping are generally higher than the rates quoted in international shipping markets. SISL bids competitively (because of its lower cost base) and does not rely on cabotage protection to win contracts. Strategically, SISL operates a majority of its vessels in the domestic cargo oil market and has benefited from the general rate arbitrage in domestic versus international deployment.

SISL has a small and efficient operations team consisting of about 125 core employees at the head office who manage the entire business. It has significantly strengthened its organization with the addition of several senior executives from the industry. It has also completely revamped its information technology system in order to enable it to implement robust operational, safety, security and financial procedures.

The fair value of Fairfax India's investment in Seven Islands increased to $142.8 million in 2023 from $96.9 million in 2022, implying a price to earnings of 3.5 times and a price to free cash flow of 3.9 times.

National Commodities Management Services (NCML)

The investment in NCML has not lived up to our expectations.

NCML has operated for over 19 years in the agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management. NCML has about 2.0 million metric tons of storage capacity in over 360 locations covering 735 warehouses in 16 states in India. It has a network of 15 regional/area offices, more than 700 touch points at agricultural produce markets and thousands of farmers and traders to facilitate procurement of commodities. Beyond its major business segments, NCML offers commodity and weather intelligence service and financing to agriculture sector participants.

In 2015, Fairfax India acquired approximately 88% of NCML for an aggregate investment of approximately $148.7 million. NCML is among India's top three privately owned post-harvest agriculture-logistics service providers. Our investment thesis hinged on NCML's ability to capture agricultural value chain opportunities that cater to a population of 1.4 billion people, in turn contributing to India's food security. To give a perspective, India has approximately 188 million metric tons of grain storage, of which 85 million is owned by organized privately owned companies. NCML is among the top three privately owned operators with over 2.0 million metric tons of storage capacity. The opportunity in NCML was to organize and modernize private grain storage and the supply chain of agricultural produce in India.

Following Fairfax India's acquisition and investment of approximately 2.0 billion Indian rupees, NCML invested in building 2.0 million square feet of warehouses, 11 testing labs and over 1,470 weather stations, and created a financing loan book of 385 million Indian rupees. During 2016 to 2018, NCML won 16 concessions from Food Corporation of India (FCI) to build, own and operate (and in some instances transfer) modern grain storage silo projects aggregating 800,000 metric tons across multiple agrarian states of India.

Shortly after our investment, the Government of India implemented GST and demonetized some currency. These steps significantly impacted the rural economy, more specifically the functioning of the post-harvest agriculture supply chain, by reducing storage requirements for agricultural produce and reducing NCDEX (a leading Indian agricultural commodity exchange) volumes (which declined from 9.0 trillion Indian rupees in 2014-15 to 5.9 trillion Indian rupees in 2017-18), both of which impacted NCML's storage business. There was also a significant deterioration in the quality of Indian banking system's exposure to the agriculture-value chain during this period. Lack of availability of financing for this sector led to a further decline in market participants and warehousing requirements. While the sector was recovering from these shocks, the COVID pandemic from 2020 to 2022 further crippled the rural/agriculture economy.

There were significant cost overruns in construction of the silo projects due to delays in land acquisition, delays in obtaining regulatory approvals, pandemic-related construction delays, and difficulty in obtaining long term project financing during the NBFC crisis in 2018 and a banking crisis in 2020. These projects were further impacted by three farm laws introduced by the Government of India in September 2020. The introduction of these farm laws faced a stiff protest from farmers for over a year and were subsequently withdrawn but the damage was done. Farmers' protest was particularly intense in states where many of NCML's silo locations were situated.

In 2022, Sanjay Gupta was appointed as the CEO to turn the business around. Since then:

- The senior management team of NCML has been stabilized.

- NCML has completed construction of four silo locations and expects three to be completed in early 2024. NCML surrendered the balance of nine projects that had become unviable due to cost overruns.
- Capital has been redirected to businesses with better return potential, such as warehousing, testing and inspection, weather intelligence and silos.
- NCML downsized businesses with poor risk/reward characteristics, specifically Collateral Management, Supply Chain Management, Market Yard (agricultural commodity e-auction marketplace) and Transportation segments.
- NCML focused on monetizing low yielding warehouse and land it held.
- NCML significantly reduced overheads to better align with the size of the business.
- NCML refinanced and repaid loans to right-size the capital structure.

To help NCML in its turnaround, during 2023 Fairfax India converted its $14.0 million investment in NCML's compulsorily convertible debentures into NCML common shares and invested an additional $24.0 million into 9.47% unsecured non-convertible debentures, due November 8, 2028.

2023 was another difficult year: although revenue increased by 8% to $33.3 million, net loss increased to $18.5 million (including a one-time provision of $15.7 million) from a loss of $12.3 million in 2022. NCML proactively made provisions for losses from contracts signed in previous years to strengthen its balance sheet.

The fair value of Fairfax India's investment in NCML decreased to $50.3 million in 2023 (including $9.8 million in 2023 purchases) from $56.9 million in 2022, implying a price to normalized free cash flow of 7.0 times.

A significant part of NCML's restructuring will be completed by 2024, under Sanjay's leadership. NCML's work on capital allocation and business strategies should help it return to operating profitability in 2024. Our long term outlook on the opportunity in India's agriculture sector is strong. We believe that India is at an inflection point where it needs to significantly modernize its grain storage and transportation ecosystem. When undertaken, NCML will be the largest beneficiary of this reform, given its deep domain knowledge and wide geographical presence as the largest privately owned company in this sector.

Maxop Engineering Company (Maxop)

Maxop is a precision aluminum diecasting and machining solution provider for aluminum die cast components used by the automotive and industrial sectors, with customers in India, Asia, North America and Europe. Based in New Delhi, it operates six plants in Manesar and two plants in Jaipur.

In Fairfax India's first significant acquisition since the start of the pandemic, it agreed to acquire a 67% equity interest in Maxop from Shailesh Arora, its founder and owner, for a potential maximum consideration of $66 million. It completed the first step of this transaction in November 2021 by acquiring a 51% stake for a payment of $29.5 million. The second step, the purchase of an additional 16%, was completed in September 2022 for a further payment of $21.9 million.

Shailesh, who is a passionate first-generation entrepreneur and hands-on operator, chose to enter into this transaction because he recognized Fairfax India as a long term partner with an excellent reputation who would let him run the business independently, allowing him to take advantage of the long runway for growth that lies ahead for this business, especially with customers in North America and Europe.

Shailesh has a strong customer orientation and has crafted Maxop as a single source supplier to most of its customers for the products it sells to them. He has focused on growing customer wallet share by adding one new part to a customer bouquet each year. He has built a strong organization catering to a wide array of customers around the world and is poised, with Fairfax India's support, to build Maxop into a world class leader in the precision engineered components manufacturing industry.

Maxop's revenue increased in 2023 by 19% over the previous year to $79.6 million. Maxop demonstrated resilient revenue growth in a global market impacted by reduced exports (due to uncertain economic conditions in North America and Europe, the Russia-Ukraine war, the war in the Middle East and the Red Sea shipping disruptions) through higher volumes to domestic customers, but the change in export-domestic mix negatively impacted margins for the year. To partly mitigate cost pressures, Maxop has set up a new alloy plant (backward integration) in Manesar, Haryana. As a result, EBITDA increased 9% to $15.7 million, and net income remained flat at $6.0 million.

The fair value of Fairfax India's investment in Maxop increased to $56.7 million in 2023 from $51.9 million in 2022, implying a price to earnings of 14.7 times and a price to free cash flow of 7.6 times.

Growth outlook for the coming years remains strong through volumes from a significant new customer and new part nominations from other existing customers. Maxop has expanded capacities to meet the increased demand and set up a separate manufacturing facility to supply the new customer.

Maxop's growth potential looks very promising.

Saurashtra Freight (Saurashtra)

Saurashtra's principal business is owning and operating container freight stations (CFS), which are an important link between transport operators and shipping lines, effectively working as an extension of a port. CFS provide a facility outside of congested ports for temporary storage of goods pending customs clearance and further distribution.

Launched in 2005, Saurashtra is located five kilometers from Mundra port. With 24/7 operations, Saurashtra has the capacity to handle about 223,000 TEU (twenty-foot equivalent unit shipping containers) per annum and handled about 142,700 TEU in 2023, implying capacity utilization of about 64%. It has achieved a market share of about 13% at Mundra port, the second highest among all CFS there.

Under the able leadership of Raghav Agarwalla, Saurashtra produced good financial results in 2023, despite challenges in one of the divisions. Volume of containers handled increased by 14% to about 142,700 TEU, revenue decreased by 1% to $39.8 million, EBITDA increased by 23% to $12.3 million and net income increased 3% to $5.4 million. In 2023 Saurashtra generated an ROE of 19% versus 13% the previous year, generated $7.5 million of free cash and at year-end had a cash balance of $10.5 million and debt of $6.8 million.

Fairfreight Lines, the NVOCC (non-vessel operating common carrier) business that Saurashtra launched in 2017, after excellent results in 2022, softened in 2023 due to a drop in global ocean freight rates. Despite the drop in rates, the division remained profitable because of its small inventory size and operating cost rationalization. Container inventory remained relatively flat at around 1,200 dry boxes and over 1,700 tanks.

In 2017 Fairfax India invested $30.0 million to acquire a 51% interest in Saurashtra.

The fair value of Fairfax India's investment in Saurashtra decreased slightly to $50.6 million in 2023 from $50.7 million in 2022, implying a price to earnings of 18.4 times and a price to free cash flow of 13.2 times.

Jaynix Engineering (Jaynix)

In February 2022 Fairfax India acquired 70% of Jaynix Engineering for $32.5 million. Jaynix is a manufacturer of non-ferrous (primarily aluminum) electrical neutral bars, lugs, connectors and assemblies and is a Tier 1 supplier to major electrical original equipment manufacturers such as Schneider, Eaton and Siemens in North America and Europe.

Jaynix was founded in 2008 by two brothers and engineering graduates, Nikhil and Ninad Diwakar, in Nashik, Maharashtra. Jaynix is now headquartered in Vadodara, Gujarat and operates with three manufacturing plants (one in Vadodara and two in Nashik).

Nikhil and Ninad are passionate hands-on operators, with Nikhil focused on commercial business development efforts and Ninad on engineering and production. They will continue to drive the business and stay invested with a significant minority stake.

Jaynix achieved several important goals in 2023:

- In a major development for Jaynix, it has received certification for a pilot UL lab and expects certification for a full 9,000 square foot UL lab at its plant in March 2024. This will enable it to de-bottleneck a significant impediment in its supply chain and also enable it to supply its after market products directly to retailers in North America.
- It doubled its production capacity for Lugs, its major product line.
- It was awarded the best supplier award by a major customer, Eaton.

In 2023 Jaynix's revenue increased 9% over the previous year to $36.3 million, while EBITDA and net profit remained flat around $11 million and $7 million, respectively, generating an ROE of 28%.

The fair value of Fairfax India's investment in Jaynix increased to $49.3 million in 2023 from $32.8 million in 2022, implying a price to earnings of 10.3 times and a price to free cash flow of 13.1 times.

Jaynix continues to see strong demand growth for its electrical neutral bars, lugs and connectors from its existing customers, and it has expanded its product suite to provide higher value assemblies (in which its components are used) to a new large customer it won in 2022.

Jaynix's growth prospects are excellent.

Developments in India

In a global environment beset by geopolitical tension and uncertainty, India represents a bright spot. It is the fastest growing major economy and will account for over one-sixth of future global economic growth. With a projected annual growth rate hovering at 7%, India is the highest for a large economy. India is set for a remarkable run and is on pace to become the world's third largest economy within the next decade. As a consumption-led economy with a business-friendly government, India is in an excellent position to make transformative progress in the coming years. With the emergence of de-risking as a priority, many companies see India as an important location for diversification. The government has made this an area of focus by providing incentives for global corporations to make India their destination both to access the vast Indian market as well as to use it as a base to export to other countries.

India made history last year with its Moon mission, becoming the first country to land in the lunar south pole. India's inclusion into JP Morgan's emerging-market index is expected to have inflows approximating USD 40 billion, according to Goldman Sachs. India's rising geopolitical importance and global relevance was also evident in its hosting of the G-20 leaders' summit. 2023 was a landmark year, in which India became the fifth largest economy and the most populous nation.

Indian business leaders are upbeat about the future. Credit growth is strong, bad loans have declined significantly, and the banking sector is resilient. Companies have demonstrated robust financial performance, having deleveraged their balance sheets. In the agricultural sector, despite uneven monsoons, production of food grains has remained stable. Incentives for the manufacturing sector provide a significant potential to increase its share of the economy. The services sector continues to be buoyant, representing the largest share of GDP.

Over the last few years, the Indian economy has withstood various shocks: the pandemic, wars in Ukraine and the Middle East, and inflation emanating from spikes in oil, commodity, and food prices. During this period, the Indian economy has demonstrated exceptional resilience and growth. In 2023, its GDP per capita crossed USD 2,500 and, in many of its major urban centers, approached or crossed USD 10,000. India has become attractive for foreign direct investment (FDI) and a leader in adopting digital infrastructure. The Modi government has adopted technological platforms on a massive scale: Aadhaar (digital identity), Unified Payments Interface (digital payments) and Digilocker (vaccine certificates, tax documents). Internet connections across the country continue to increase, approaching nine hundred million.

The scale and scope of Indian social programs are unprecedented, such as those for financial inclusion. Over 500 million bank accounts have been opened in the last decade with government transfers going directly to the recipient and thereby reducing corruption. Similarly, access to tap water has been provided to 60% of rural households in India, with the goal of total coverage in the next year. These initiatives have made a material difference in the lives of Indians and lifted millions out of poverty.

A striking feature of India's growth is the rapid improvement in its physical infrastructure. Approximately 10,000 kilometers of highways were added in 2022, and the country has doubled the number of airports with civilian flights. Two carriers have placed large orders for new aircraft. Railway track construction has increased significantly and with surging passenger demand, a major expansion in the coming years is underway. Almost 3.3% of GDP is allocated towards infrastructure.

India has firmly moved into a top tier location for global investment. In her most recent Budget speech in February, the Finance Minister of India, Nirmala Sitharaman, stated that the FDI inflow in the last decade of USD 596 billion was twice that of the prior decade. In the last few years alone, the country has attracted investments from Apple, which plans to manufacture 25% of its iPhones from India, GE, Google, Boeing, Micron and AMD amongst others. India is well poised for future growth.

Over the past decade the Modi government has implemented numerous policy reforms, including a significant reduction in the corporate tax rate, the Goods and Services Tax, revisions to the Bankruptcy Code, massive allocations towards physical infrastructure, incentives to attract domestic and foreign manufacturing, and managing the country's energy transition, and it is on track to meet its fiscal deficit targets. India has become a vibrant start-up center, with over one hundred unicorns. The country's foreign exchange reserves in December 2023 exceeded USD 600 billion, providing a buffer to weather any further unexpected shocks. In Spring 2024, India will hold its national election with an eligible electorate of over nine hundred million. Prime Minister Modi will seek a third five-year mandate and is in a commanding position to obtain it.

As we end our first nine years of operations, we would like to acknowledge the strong leadership provided by Amy Sherk, Chief Financial Officer, Jennifer Pankratz, General Counsel and Corporate Secretary, Gopalakrishnan Soundarajan, Chief Operating Officer, John Varnell, Vice President of Corporate Affairs, and Jennifer Allen, Vice President. Fairfax India is supported by a very small head office in Toronto, and we are grateful for the contributions of Jennifer Li, Judy Chow, McKinley Inglis, Victor Ma, Brad Van Hoffen, Kasi Rao and Nadir Patel. We would also like to thank our independent directors – Chris Hodgson, Satish Rai, Sharmila Karve, Bill McFarland, the Honourable Jason Kenney and Lauren Templeton – for their wise advice, support and encouragement. We acknowledge with much gratitude the role that Deepak Parekh has played – he retired this year, but will continue to be an advisor to us.

We are looking forward to connecting with you at our in-person and virtual annual meeting at 9:30 a.m. (Eastern time) on April 10, 2024.

March 8, 2024

Chandran Ratnaswami
Chief Executive Officer

V. P. Watsa

V. Prem Watsa
Chairman

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 Annual 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 Accounting Standards 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 consolidated financial statements for the year ended December 31, 2023.

Cumulative interest and dividends – The company uses this measure to monitor cash flows generated from interest and dividend income for each Indian Investment. This measure is calculated by the company as the sum of dividend and interest income recorded and received over the period of the company's investment.

Compounded annualized return – The company uses this measure to assess the performance of its investments. This measure represents the U.S. dollar annualized internal rate of return and is calculated for each of the company's existing and monetized Indian Investments, taking into account (1) the timing of cash flows (including cash consideration of purchases, cash proceeds on sales, cumulative interest and dividends received, and return of capital distributions) over the period of the company's investment, and (2) the fair value at the end of the reporting period for existing Indian Investments.

Non-GAAP Financial Measures

Book value per share prior to the performance fee – This measure adjusts common shareholders' equity in the book value per share calculation to remove the performance fee accrued at the end of the current reporting period as presented in note 12 (Related Party Transactions) within the consolidated financial statements for the year ended December 31, 2023, and is a key performance measure.

Book value per share before cumulative performance fees – This measure adjusts the common shareholders' equity in the book value per share calculation to add the performance fee accrued or payable at the end of the reporting period and adjusts the common shares outstanding at the end of the reporting period to remove the subordinate voting shares issued to settle performance fees in prior periods. The company issued 7,663,685 and 546,263 subordinate voting shares in connection with the first and second calculation periods, respectively. The company uses this measure to monitor the company's performance had it not been impacted by any performance fees.

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 year ended December 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 consolidated financial statements for the year ended December 31, 2023.

Compound annual growth rate ("CAGR") – The company uses the CAGR to measure performance of certain of the above-noted metrics over a specified period of time. CAGR is calculated using the formula: (ending value / beginning value) ^ (1 / number of years) – 1.

Other Financial Measures related to Indian Investments

The Annual Report contains certain financial information related to Indian Investments (and related financial measures derived therefrom) which are prepared under 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), unless otherwise noted. Such financial information is prepared by and is the responsibility of the respective Indian Investments' management teams. Fairfax India is limited with respect to the amount of independent verification it is able to perform on the Indian Investments' financial information.

Certain financial measures related to Indian Investments included in the Annual Report do not have a prescribed meaning under IFRS Accounting Standards and may not be comparable to similar measures presented by the company or other companies.

Appendix to the Letter to Shareholders

Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in its letter to shareholders do not have a prescribed meaning under IFRS Accounting Standards and may not be comparable to similar measures presented by other companies. Those measures are described below.

Supplementary Financial Measures

Price to free cash flow – The company uses this measure to evaluate certain equity valuations of Indian Investments. It is calculated as the fair value of the Indian Investment, divided by the investee company's free cash flows for the preceding twelve months. Free cash flow is calculated as cash flow from operations of the investee company, less maintenance-related capital expenditures and interest paid. References to normalized free cash flow refer to forecasted free cash flow for the investee company's fiscal year 2026.

Proportion of the publicly listed investments in Fairfax India – The company uses this measure to determine the proportion of the company's Indian Investments with fair values based on published quotes in active markets, an important risk measure. This measure is calculated as the total fair value of the company's Public Indian Investments plus the fair value of the company's share of Chemplast Sanmar Limited (a publicly listed subsidiary of Sanmar, approximately $224.1 million), divided by the total fair value of the company's Indian Investments.

Realized cash gain – The company uses this measure to evaluate the return on its monetized Indian Investments. This measure is calculated based on U.S. dollar amounts translated at foreign currency exchange rates at the time of respective cash flows, and is calculated as the difference between (1) the sum of cash proceeds and cumulative interest and dividends received from monetized Indian Investments, and (2) cash consideration originally paid for monetized Indian Investments.

Return on equity – The company uses this measure to assess profitability for shareholders. This measure is calculated based on net earnings attributable to the company's shareholders divided by the average common shareholders' equity for the period. These amounts are presented on the consolidated balance sheet and consolidated statements of earnings, respectively, within the consolidated financial statements for the year ended December 31, 2023.

Total debt to equity – The company uses this measure to monitor and manage its capital. This measure is calculated as total principal of Borrowings outstanding divided by common shareholders' equity at a point in time. These amounts are presented in note 7 (Borrowings) and the consolidated balance sheet, respectively, within the consolidated statements for the year ended December 31, 2023.

Non-GAAP Financial Measures

Undeployed cash and investments – 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, restricted cash, short term investments, Government of India bonds and Other Public Indian Investments. These amounts are presented in note 6 (Cash and Investments) within the consolidated financial statements for the year ended December 31, 2023.