To Our Shareholders,

It has been 10 years since Fairfax India began its investment journey in India – a land of immense opportunity! It is also the year we transitioned to Fairfax India's new leadership team. We are grateful for the opportunity to serve and carry forward the legacy built by Fairfax Financial.

The management team is privileged to be guided by our founder Prem Watsa and Chandran Ratnaswami who led Fairfax's remarkable investment journey in India for the past 30 years.

We continue to be driven by Fairfax Financial's guiding principles, its investment philosophy and build on Fairfax India's market positioning.

Since Fairfax India is a permanent capital vehicle, it is able to focus on the long term and this distinguishes it from most investors giving it an edge over them. Our reputation for a decentralized management-friendly approach enables us to attract partners that are like-minded who share our long term approach to value creation.

India remains an attractive investment destination as envisioned by our founder at the time of Fairfax India's inception and shared in his letter to shareholders in Fairfax Financial's 2014 annual report:

"In May 2014, India's political climate changed dramatically for the better with the election of Prime Minister Narendra Modi with a resounding majority. For the first time in 67 years, India has an unabashedly business friendly government… Mr. Modi has had great success in Gujarat, a state with 65 million people which he governed as Chief Minister for 13 years (elected three times). Gujarat had real economic growth of over 10% per year during this period while bringing water and electricity and providing child education to virtually every household. We think Mr. Modi can transform India, particularly if he gets re-elected for two more terms, as we think he will. He has an excellent track record, is incorruptible and is business friendly. We expect Mr. Modi to be the Lee Kuan Yew of India!"

As our founder predicted, a third term for Prime Minister Modi (PM Modi) has come to pass with the conclusion of India's general elections held from April to May 2024. Albeit the formation of a PM Modi-led government is with a coalition of like-minded political parties, the subsequent elections held in key states have proven the continuation of PM Modi's popularity with the masses, keeping him and his party in strong control of the government. PM Modi's re-election is a significant achievement at a time when incumbent governments have faced electoral loss of power around the world; notably, in the U.S., U.K., and Japan, the ruling BJP led by PM Modi secured another mandate. While he now leads a coalition government, his two major political partners back his economic agenda, and India is on track to becoming the world's third largest economy in the next few years. During PM Modi's decade in office, a remarkable transformation has taken place in India with changes evident in social, economic and regulatory areas. Digital infrastructure has benefited hundreds of millions at the bottom of the income pyramid having access to online bank accounts, direct transfer of government benefits, a nationally uniform biometric form of identity in Aadhaar, and access to mobile phones. Similarly, access to tap water has increased dramatically in rural communities.

India's economy has maintained an annual growth rate of 6-7% over the past decade, demonstrating resilience even in the face of pandemic-related challenges. Today, India contributes almost one-sixth of global economic growth. Domestic consumption is vibrant, and the country has become a top foreign direct investment (FDI) destination. Its healthy foreign exchange reserves have made its currency amongst the least volatile and a disciplined approach to maintaining its inflation targets has provided flexibility to weather geopolitical pressures, such as wars and oil price fluctuations.

The U.S. dollar strengthened against most currencies in the last quarter of 2024. The Indian rupee depreciated by 2.8% in 2024. Since the beginning of 2015, the Indian rupee has depreciated at an annual rate of 2.9%. Despite the sharp depreciation in the last quarter of 2024, the Indian rupee has performed relatively better than most currencies against the U.S. dollar. In real effective exchange rate terms, the Indian rupee seems to be overvalued. From the external account perspective, its current account deficit is well within the manageable level of 1-2%, with the current reading of around 1.2% of gross domestic product (GDP). India's $640 billion foreign exchange reserve is comfortable covering 11 months of imports. India's short term external debt of $127 billion is only around 20% of the total external debt, while the stable non-resident deposits constitute around 23%. From our experience, the Indian rupee's depreciation over time is a function of the difference in inflation between the two currencies.

Tremendous progress is evident in India's physical infrastructure such as roads, highways, railways, ports and airports. India has become an innovation hub and is now the third largest location for unicorns globally. India's aspirational class is growing. On the regulatory and policy front, landmark changes have taken place. Implementation of the Goods and Services Tax (GST), the passage of a path-breaking Insolvency and Bankruptcy law, significant reduction in corporate tax rates, banking and real estate reforms that have provided transparency to those sectors, and the start of privatization initiatives are paving the way for future growth. The following tables* detail key developments across economic, social, and government policies and regulations.

	FY2013-14	FY2023-24
Economic		
GDP	$1.9 trillion	$3.5 trillion
Nominal GDP per capita	$1,504	$2,539
Market capitalization	$1.2 trillion	$4.4 trillion
Foreign direct investment	$36 billion	$71 billion
Foreign exchange reserves	$304 billion	$646 billion
Number of stocks with $1 billion market cap	166	522
Number of unicorns	8	118
Contribution to global GDP (adjusted for purchasing power parity)	6.0%	8.2%
Social		
People with bank accounts	150 million	500 million
Digital payments volume	2.2 billion	185.9 billion
Tap water connections (rural households)	32.3 million *(FY2018-19)*	145.1 million
Internet subscribers	251.6 million	954.4 million

Regulatory and Policy Reforms

- Implementation of the GST.
- Banking reforms that have led to resolution of non-performing loans.
- The Real Estate Regulation Act (RERA) has provided greater transparency to the real estate sector, making it consumer friendly.
- Insolvency and bankruptcy law provided for a stronger role for banks in resolving defaulting corporate entities through a stream-lined legal process.
- Reduction in corporate tax rates from 30% to 22%.
- Successful privatization of Air India signalling the potential for more such initiatives.
- Clear mandate to Reserve Bank of India (RBI) on controlling inflation within set targets (2-6%).
- Massive budgetary capital allocations towards physical infrastructure, tripling in the last five years.
- Emphasis on "Jan Dhan-Aadhar-Mobile" for direct benefit transfer and e-governance has improved basic services and reduced corruption and 'leakage'.

We continue to believe that Fairfax India is well placed to capitalize on the growth opportunities India has to offer.

* *Throughout this letter, references to fiscal year (FY) refer to the Indian fiscal year from April 1 to March 31 of the denoted 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.*

Since inception, Fairfax India's book value per share (BVPS), our key performance measure, grew at a compound annual rate of 7.7% while the U.S. dollar S&P BSE Sensex 30 index (USD S&P BSE Sensex) has compounded at 6.9% in the same period. During 2024, Fairfax India's BVPS declined by 4.1% from $21.85 at the end of 2023 to $20.96 at the end of 2024.

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

$ billions except per share amounts:	**2024**	**2023**	**2022**	**2021**	**2020**		**2015**	**CAGR[(1)]**
Book value per share	$ 20.96	$ 21.85	$ 19.11	$ 19.65	$ 16.37		9.5	7.7%
Investments	3.6	3.6	3.2	3.5	3.0	...	1.0	13.9%
Common shareholders' equity	2.8	3.0	2.6	2.8	2.4		1.0	10.8%
Shares outstanding (millions)	134.8	135.4	138.3	141.2	149.5		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 8.2% annually.

Nearly 70% of Fairfax India's investments are in privately held companies, and 63% of the investments are not subject to mark-to-market valuations of public companies. Our privately held investments remain at valuations that could be deemed to be conservatively valued. Fairfax India's largest investment, Bangalore International Airport Limited (BIAL), has been under a significant phase of expansion with a view to meeting the growing demand for aviation services.

In the words of Sir John Templeton, "Whenever you can buy a large amount of future earning power for a low price, you have made a good investment". We strongly believe that all of our investment selections follow this principle.

Over the past 10 years the USD S&P BSE Sensex's earnings estimate grew by 4.7% while the index made an annualized return of 7.7% implying a valuation expansion. The valuation expansion is even more pronounced in the mid and small cap space. The earnings estimate for the NSE 100 Midcap index recorded a CAGR of 6.4% over 10 years. Over the same period its return compounded at 12.9%. Similarly, the NSE 100 Smallcap index earnings estimate grew at a CAGR of 8.4% while the index recorded an annualized return of 10.2%.

As seen below, the valuations of our public portfolio companies are better than the benchmark for Indian equities:

	S&P BSE Sensex		**Fairfax India**
	December 31, 2024	**10-year average**	**Public Indian Investments**
Price to earnings	23.9	24.2	16.2
Price to book	3.7	3.3	1.9
Dividend yield	1.2%	1.3%	0.6%
Market cap to GDP	128%	90%	N/A

As demonstrated in the table below*, Fairfax India has produced solid investment returns. Including $1.5 billion in unrealized gains on its existing portfolio, it has achieved a 10.2% annualized return since inception – 18.5% on publicly listed investments and 7.3% on private investments. Since its inception, Fairfax India has also generated realized cash gains, including dividends and interest of $939.2 million, and has never lost money on a monetized investment! We have achieved an annualized return of 25.5% on partially monetized investments and 18.3% on fully monetized investments, aggregating to an annualized return of 19.4% for all monetized investments.

Fairfax India's investments are in outstanding companies with a history of strong financial performance, led by founders and management teams that are excellent, and adhere to high ethical standards. A majority of our investments have performed well.

Existing Indian Investments	Initial investment date	Ownership %	Cash consideration	Fair value	Net change	Cumulative interest and dividends	Compounded annualized return[(1)]
Public Indian Investments							
Common stocks:							
IIFL Finance	Dec 2015	15.2%	101.1	311.4	210.3	18.7	17.9%
IIFL Capital (formerly IIFL Securities)	Dec 2015	27.3%	51.1	323.0	271.9	17.0	25.2%
5paisa	Dec 2015	24.6%	16.6	41.9	25.3	–	15.4%
Fairchem Organics	Feb 2016	55.3%	34.2	102.2	68.0	2.7	19.3%
CSB Bank	Oct 2018	40.0%	136.3	254.8	118.4	–	11.3%
			339.3	1,033.3	693.9	38.4	18.5%
Private Indian Investments							
Common stocks:							
NCML	Aug 2015	91.0%	188.3	44.3	(144.0)	0.8	(15.3)%
Sanmar	Apr 2016	42.9%	199.0	201.4	2.4	–	0.2%
Saurashtra	Feb 2017	51.0%	30.0	54.7	24.7	14.8	11.6%
BIAL	Mar 2017	64.0%	903.0	1,632.0	729.0	2.2	10.1%
IH Fund	Jan 2019	–	11.6	9.6	(2.0)	5.9	4.5%
Seven Islands	Mar 2019	48.5%	83.8	146.0	62.1	35.9	14.6%
Maxop	Nov 2021	67.0%	51.4	97.2	45.7	–	25.7%
Jaynix	Feb 2022	70.0%	32.5	81.6	49.1	–	37.5%
Global Aluminium	Oct 2024	65.0%	82.7	81.2	(1.5)	–	(1.8)%
Other Indian Fixed Income	Nov 2021	–	31.4	31.0	(0.4)	1.1	1.5%
			1,613.9	2,379.0	765.1	60.9	7.3%
Total existing			**1,953.2**	**3,412.2**	**1,459.0**	**99.3**	**10.2%**

Monetized Indian Investments	Initial investment date	Last sale date	Cash consideration	Cash proceeds	Cash proceeds less cash consideration	Cumulative interest and dividends	Compounded annualized return[(1)]
Partially monetized:							
CSB Bank	Oct 2018	Jun 2024	33.1	71.3	38.2	–	15.5%
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%
			76.6	294.2	217.6	7.6	25.5%
Fully monetized:							
Other	Mar 2018	Jul 2024	182.1	286.0	103.9	9.3	27.7%
NSE	Jul 2016	Apr 2024	26.8	188.9	162.2	15.0	32.8%
360 ONE	Dec 2015	May 2023	107.0	243.5	136.4	40.5	16.7%
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%
			670.0	1,317.2	647.3	66.9	18.3%
Total monetized			**746.6**	**1,611.4**	**864.8**	**74.4**	**19.4%**

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

Since we began, Fairfax India's investments have all been sourced and reviewed by Fairbridge, a wholly owned sub-advisor in India of Fairfax Financial, Fairfax India's parent. 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

* *Please refer to the company's MD&A included in its 2024 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.*

Mauritius subsidiary, FIH Mauritius Investments Ltd, 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 inception, Deepak Parekh, both as a trusted advisor and a former member of the Board of Directors, has provided us with invaluable advice on all our transactions.

Out of the fourteen investments listed above, five of them comprising 28% of the portfolio are in financial services, five of them comprising 17% of the portfolio are in manufacturing, three of them comprising 7% of the portfolio are in transportation, logistics and storage services and our single largest exposure is in airport infrastructure – a monopoly that comprises 48% of the portfolio.

Financial services account for around 26% of the total market capitalization in India currently, increasing from around 16% a decade ago. This increase is also partly driven by new listings of banks, insurance companies, asset managers and fintech businesses. Domestic and household savings account for 30% and 18% of GDP, respectively. Household savings in physical assets and gold still constitute around 60% of savings while household savings in various financial asset classes continue to grow over time. Bank deposits and credit have grown at a CAGR of 14% and 16% respectively over the past 25 years. Despite the rapid progress made towards banking the unbanked, the world bank financial inclusion database for 2021 shows that only 13% of adults over 25 years of age borrowed from a formal financial institution in India. Mortgage penetration is estimated at 11% of GDP compared to 20% in China and 52% in the U.S. The number of credit cards per 1,000 people in the working age population is estimated to be 62 in India compared to 742 in China and 5,150 in the U.S. India has witnessed rapid growth across financial services with a strong flow of domestic savings towards equities, mutual funds and savings-linked insurance products. Household savings in equities has gradually improved from 5% of GDP to an estimated 7% by March 2024. Our investments in the financial services sector are well positioned to capitalize on the immense growth in the financial services sector, which in emerging markets historically has been a multiple of GDP growth.

Industry comprising manufacturing, construction, and utilities accounts for 26% of the GDP, and within that manufacturing accounts for around 17% of the GDP. India is well positioned to benefit from the global trend towards diversifying supply chain on 'China Plus One' aided by stable geopolitics, favourable demographics and business-friendly government policies. While the value of goods imported into the U.S. from China fell by 18% since 2018 and its share of total U.S. imports fell from 21% to 13%, India's share improved marginally from 2.1% to 2.7% and grew by 60% in value, and has lagged behind Vietnam and Taiwan for imports from low-cost countries. PM Modi's government has a vision to grow manufacturing to 25% of GDP. 'Make in India' is one of the government's flagship programs with a focus on 27 sectors. Favourable policies and reforms aimed at building economies of scale, improvement in labour productivity, lowering logistics costs, a favourable taxation regime and production-linked incentive schemes have evolved over the past decade. Consequently, FDI inflows have shown a consistent upward trend, escalating from $45 billion in fiscal year 2014-15 to $71 billion in fiscal year 2023-24. India's exports of manufactured goods have grown from $76 billion in fiscal year 2019-20 to $109 billion in fiscal year 2023-24, accounting for one fourth of the exports from India. India has the advantage of its demographics, cost competitiveness, political determination, and is well supported by its vast domestic addressable market to make India a leading manufacturing hub in the world. We believe Fairfax India's investment portfolio is well positioned to benefit from these manufacturing and export-led trends.

Maxop, Jaynix, and Global Aluminium are the most recent additions to the portfolio, all of them are engaged in manufacturing fast-growing aluminum products with strong growth in exports as well as domestic markets. Maxop is benefiting from the global migration to light-weight materials in the automotive sector with products focused on both passenger and commercial vehicles. All of the founders are first generation promoters who take a hands on approach in running their businesses. There are a few common attributes of these businesses; including their ability to adapt to fluctuating demand, manufacture a variety of complex parts, meet high quality standards, and establish relationships with global and Indian OEMs and marquee customers. They all also engage with their customers from the early product design stage, improving their relationship with customers.

Services account for 55% of India's GDP while we have 84% of the portfolio across financial, trade, transportation and infrastructure services. Our investment in BIAL is well positioned to benefit from the robust growth expected in India's aviation sector. India is the third largest aviation market in the world with air passenger traffic of 376 million reported for fiscal year 2023-24. India had 50 operational airports in 2000, which today has grown to 157 operational airports. By the end of 2025, an additional 50 airports are likely to be commissioned. In 2022, total contribution of travel and tourism to the GDP was estimated at $200 billion. By 2028, this is expected to more than double to $500 billion! BIAL is the third largest airport in India and is poised to capture growth opportunities provided by the industry. The outlook for the aviation market is very robust with sustained growth of both domestic and international passengers. Over the next decade, there is a significant commitment made by the leading airlines, having placed orders for approximately 1,800 aircraft to be delivered by Boeing and Airbus. This will take the number of aircraft in operation from only 800 to 1,400 over the next five years. While the regulatory regime over the tariff setting mechanism is still evolving, there is a stable policy regime focused on sustained growth in the sector.

Except for Thailand, all emerging Asian markets experienced positive returns in 2024. India's 5.2% return (USD S&P BSE Sensex) was outperformed by all the markets except for Thailand. Sri Lanka continued to produce top returns for the second year in a row as it recovered from a crisis-driven low formed in April 2022.

	2024	**3-year total return**
Sri Lanka	65.4%	(9.7)%
Hong Kong	18.3%	(13.9)%
Malaysia	15.9%	(2.6)%
Singapore	12.8%	19.5%
China	11.6%	(30.6)%
Vietnam	6.8%	(24.3)%
India	5.2%	16.8%
Thailand	(1.2)%	(17.7)%

On a cumulative three-year basis, India along with Singapore outshines all the Asian emerging markets listed above. In 2024, India went through a period of outflows led by foreign portfolio investors (FPI) driven by the motivation to increase allocation to China post stimulus measures. Domestic flows into equities mitigated the impact of FPI selling while the supply from primary offerings almost matched the demand from domestic flows.

The USD S&P BSE Sensex is trading at 20.2 times its one-year forward earnings. Only 19 out of the 30 stocks had positive returns with the top five contributors accounting for almost all of the gains in the index. During 2024, a record amount of supply of equities totaling $77 billion was absorbed by the market. IPOs accounted for 27%, while qualified institutional placements and follow-on public offerings (FPOs) accounted for another 27%. Offers by promoters and private equity investors amounted to $35 billion accounting for the balance 46% of the total offerings. The Indian market provided an excellent exit opportunity for global private equity investors during the year resulting in the net FDI flows into India narrowing to $3.3 billion for 2024. Domestic flows into equities remained very strong with average monthly flows into domestic mutual funds of over $6 billion while the net flows from FPIs amounted to a meager $2.5 billion for the year.

Over the ten-year period since its inception, Fairfax India has outperformed the Indian markets despite conservatively valued private investments, as demonstrated in the following table showing the average annual percentage change over ten years:

Fairfax India BVPS(1)	7.7%
Fairfax India's Public Indian Investments(2)	19.8%
USD S&P BSE Sensex	6.9%

(1) Fairfax India's ten-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.

Fairfax India's net losses in 2024 were $41.2 million versus net earnings of $371.8 million in 2023, largely as the result of net gains on investments of $51.2 million compared to $554.9 million in 2023. Results in 2024 also reflect dividend and interest income of $61.5 million and net foreign exchange losses of $12.6 million. Fully diluted loss per share was $0.30 in 2024 versus net earnings per share of $2.72 in 2023. The significant contributors to net unrealized and realized gains (losses) recorded in 2024 were:

IIFL Capital (formerly IIFL Securities)	$183.9
BIAL	78.6
Maxop	43.1
Jaynix	34.5
Seven Islands	7.3
Saurashtra	5.7
NCML	(4.8)
CSB Bank	(75.5)
Sanmar	(95.1)
IIFL Finance	(116.0)

While the BVPS of Fairfax India is $20.96, we believe that the long term 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 22.6 million shares for $293.4 million or an average price of $12.98 per share, including the 0.6 million shares we bought in 2024 for $8.4 million at an average price of $15.07 per share. In total, we have bought back approximately 14% of total shares issued 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 BIAL will eventually be transferred to Anchorage.

With the acquisition of an additional 10% of BIAL from Siemens completed in February 2025, Fairfax India is the only private promoter with 74% ownership (43.6% held through Anchorage and the remaining 30.4% held by the company's wholly-owned Mauritius-based subsidiary) in BIAL. OMERS (the pension plan for municipal employees in the Province of Ontario, Canada) invested $129.2 million in September 2021 to acquire from Fairfax India an 11.5% interest on a fully diluted basis in Anchorage. 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 2024 as we are still in the process of obtaining regulatory approvals.

If Anchorage were currently listed, the proportion of Fairfax India's investments subject to public mark-to-market valuations would increase from 37% to 86% of the overall portfolio (inclusive of the additional investment in BIAL in February 2025).

Financial Position

At December 31, 2024, the financial position of Fairfax India was as follows:

Undeployed cash and investments	$ 214.4
Unsecured senior notes maturing in February 2028	500.0
Common shareholders' equity	2,826.5
Total debt to equity	17.7%

Fairfax India also had access to a $175.0 million revolving credit facility maturing October 2026, which as of December 31, 2024 we hadn't yet needed but was available for investing or operations. In February 2025, we amended the revolving facility agreement to provide for the issuance of letters of credit and increased the borrowing limit to $250.0 million, of which $170.9 million was utilized towards a letter of credit to support the additional acquisition of BIAL.

In December 2023, DBRS Limited upgraded Fairfax India's credit rating to BBB from BBB (low), reaffirming the company's strong financial position. In December 2024, DBRS reaffirmed the BBB rating with a stable outlook.

Performance Fee

Under the investment advisory agreement, 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 elected to receive its performance fee payable of $110.2 million in cash to limit shareholder dilution.

Our repurchases of 22.6 million shares since inception at an average price of $12.98 per share, have more than compensated our shareholders for the dilutive impact of issuing a cumulative 8.2 million shares to Fairfax Financial at an average price of $14.57 (a discount to book value) to settle performance fees for the first two calculation periods.

At the end of 2024, the first year of the fourth three-year period, no performance fee has been accrued.

Indian Investments*

Infrastructure Services

Bangalore International Airport (BIAL)

Under the exceptional leadership of Managing Director and CEO Hari Marar and his executive team, BIAL has continued its outstanding performance.

BIAL was recognized at the 2023 Prix Versailles organized by UNESCO as one of the 'World's most beautiful airports' acknowledging BIAL's Terminal 2 (T2). In addition to this, BIAL received more accolades in 2024, including:

- the 'Best Regional Airport in India & South Asia', 'Cleanest Airport in India & South Asia', and Terminal 2 was ranked second as the 'World's Best New Airport Terminal' at the prestigious Skytrax World Airport Awards 2024.
- the 'Best Airport of the Year' at the Wings India 2024.
- the 'Best Airport – Cargo Business' at the India Cargo Awards 2024.
- 'Airport of the Year – Perishables' at Cold Chain Unbroken in Hyderabad. BIAL continues to be India's No.1 Airport for exporting perishable cargo for 4 years in a row.
- the 'Golden Peacock award for risk management' for the transportation sector by the Institute of Directors, India at the 2024 Annual London Global Convention.

T2 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 experience begins from entry into the BIAL campus at the Main Access Road to entering T2 and continues until a passenger boards an aircraft at the piers.

The 2.8 million square feet 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 over 110,000 square feet of green walls around the terminal, hanging gardens that cascade down from the terminal roof on bronze veils and bells suspended from the ceiling, 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 liters of water cater to the airport's requirements. The planned 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 travelers can pass through security checks easily. During the year, BIAL introduced India's first biometric enabled Self-Baggage Drop (SBD) facility, enabling a simplified baggage drop experience. 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.

* *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.*

As Fairfax India's largest investment, BIAL accounts for 48% of the fair value of total investments (51% after the additional investment described below).

Between March 2017 and May 2018, Fairfax India invested $653.0 million to acquire 54% of BIAL, implying an equity value of approximately $1.2 billion for 100% of BIAL. In 2023, Fairfax India acquired an additional 10% of BIAL from Siemens for $250.0 million. In February 2025, Fairfax India completed its previously announced acquisition of an additional 10% equity interest in BIAL for $255.0 million. In aggregate, Fairfax India now has a total investment of $1.2 billion for its 74% equity interest in BIAL. BIAL is the third largest airport in India and is one of the fastest growing airports in the world. Bengaluru, considered India's Silicon Valley, is the fourth largest and fastest growing city in India.

After surpassing 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, BIAL catered to 40.7 million passengers in 2024. This is 9.5% higher than the passengers achieved in 2023. International passengers for 2024 were 5.4 million passengers, an increase of 21.1% over 2023 and representing 13% of total passengers. Historically, spend per international passenger is much higher than that of domestic passengers.

- **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 government regulated return on equity (ROE) deployed in the Regulatory Asset Base (RAB). AERA treats 30% of non-aero revenue (described below) as a subsidy for the purposes 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 periods. 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 increased significantly in the third control period. With the higher UDFs and the ultimate return of passenger volumes to pre-pandemic growth levels, normalcy in aero revenue has been restored.

Aero revenue in 2024 increased by 39% over the previous year to $217.9 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. In 2019, the second runway was commissioned as planned 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 $1.9 billion, to take the capacity to about 80 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 roughly $2.5 billion total investment 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 (excluding the impact of pandemic years). Non-aero revenue resumed its growth trajectory in 2023, driven by the normalization of passenger growth post-COVID, the expansion of available retail space, and an increasing tendency among airport passengers 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 by demonstrating flexibility and collaborating closely with concessionaires, who faced immense financial strain due to business slowdown during lockdowns. Remarkably, through a strategic mix of new concepts, digital initiatives, and loyalty programs, BIAL achieved non-aero spend per passenger of $14.20 in 2024.

BIAL, through its 100% owned subsidiary Bengaluru Airport Services Limited, took over the lounge construction from the concessionaire who was debarred by the government and made it operational. In 2024, 080 Domestic Lounge in T2 won the Best Domestic Lounge of the World award at the Airport Food and Beverage awards, and achieved revenue of $26.7 million. BIAL continues to see 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 and other operating income in 2024 increased by 54% over the previous year to its highest ever of $222.7 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 2024, BIAL recorded its all-time high cargo volume of 496,227 metric tons, including India's highest (28% of total) export shipments of perishable goods. Many initiatives have been implemented in the cargo business including; increasing capacity to approximately 1 million metric tons, building India's largest domestic cargo terminal facility and 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**

The plan for real estate monetization was delayed by about 2 years during the pandemic has seen some revival. BIAL has approximately 460 acres of land adjoining the airport that can be developed. Most of this land is undeveloped and Bengaluru's historically populated areas have gotten extremely 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 of BIAL was incorporated to carry on most of the real estate activities of BIAL. This entity, Bengaluru Airport City Limited (BACL), is now capitalized and staffed.

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 and sports facilities, executive skilling organizations, data centers, 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 centers. 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 hotel.
- A 775-room hotel project, envisaged on a plot of 5.5 acres.
- A 2 million square feet business park (17.7 acres), with the unique feature of having an Urban Forest into which the buildings are integrated.
- A state-of-art, fully integrated and technologically advanced concert arena (6.3 acres), with technical collaboration with Live Nation U.S.A.
- A world-class Convention & Exhibition Centre spread over 14.2 acres, to be developed by a highly renowned large Bengaluru based developer.
- Electric Vehicle R&D Centre, a facility consisting of R&D Testing Labs, Design Centre and Training Centre on a plot of 2.3 acres, being built by Epsilon Carbon Private Ltd.
- A built-to-suit facility being built for Air India's Aircraft Maintenance Engineering Training Institute, in a plot of 1.0 acre.
- Maintenance, Repairs and Overhaul (MRO) facility being built by Air India over 33 acres of land.

We are very excited that T2 has become a showpiece for what can be developed and built in India. BIAL is developing the combo hotel and the business park on its own to fast-track development rather than waiting for outside investment. Bengaluru city development is taking place towards and beyond the airport area. With the arrival of Metro rail connectivity to the airport expected in 2026, we are optimistic about the development of BIAL's real estate. The above developments will create its own momentum of growth as it occurs in any new real estate geography.

- **Summary**

Despite the extraordinary pandemic-related difficulties of the last few years, BIAL had a very commendable financial performance in 2024!

BIAL's revenue increased by 46% over the previous year to $440.6 million. EBITDA increased by 57% over the previous year to $301.5 million. Net income of $51.4 million increased by 18% over 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 average ROE of 17% for the combined first and second control periods. ROE in 2024 was 14% and BIAL is targeting an ROE of 20% over time.

The valuation of Fairfax India's 64% interest in BIAL increased to $1.63 billion in 2024 from $1.60 billion in 2023, implying an equity value of approximately $2.55 billion for the whole company. Excluding cash flows from Airport City, BIAL is carried on our books at 10.1 times normalized free cash flow, which we consider to be conservative. Bengaluru 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 conservative future cash flow estimates driven by growth in; passenger capacity, non-aero revenue, and real estate monetization plans. Our belief is that the current valuation does not reflect the market interest for similar businesses with a near impenetrable moat and monopolistic characteristics.

2024 featured the following achievements by BIAL:

- Air India and BIAL have forged a transformative partnership to position BIAL as the premier aviation hub for Southern India. This agreement promises to increase BIAL's international footprint by catering to the surging demand for direct long-haul connectivity from Southern India!
- Three new international airlines (Virgin Atlantic, Manta Air, Salam Air) and one domestic airline (Fly91) were added this year. Further, five new international routes and 12 new domestic routes were introduced in 2024.
- The MRO facility, being built by Air India, will stimulate the MRO ecosystem and is set to revolutionize the aviation landscape in the region. This $165 million investment is expected to create over 1,200 high-value jobs and herald a new era of innovation and unparalleled economic growth for the state of Karnataka.
- BIAL achieved an unprecedented milestone by being awarded the coveted AAA rating (stable outlook) from three of India's most esteemed credit rating agencies – ICRA Limited, India Ratings and Research Private Limited, and CRISIL Ratings Limited. Notably, BIAL stands as the only private airport in India to attain this financial credibility, a testament to their exceptional operational excellence and visionary leadership.
- It signed an agreement for a 45.9 megawatt (MW) solar-wind captive power project, reflecting BIAL's unwavering commitment to efficient carbon management and sustainability. The supply of power from the solar plant commenced from mid-October 2024.
- Continued 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 include:
    - Achieved the Airport Council International's (ACI)'s highest Level 5 Transition under Airport Carbon Accreditation (first airport in Asia).
    - Achieved Net Zero Greenhouse Gas (GHG) Emissions (Scope 1&2), six years ahead of the 2030 target.
    - Renewable energy sources were utilized for 100% of the airport's energy needs per annum (over 160 Million kWh renewable electricity).
    - Phased implementation of electric vehicles being undertaken in its march towards sustainable mobility.
    - Solid waste treatment plant is under construction and will lead to zero waste to landfill when commissioned.
    - With a Water Positivity Index of 2.36, BIAL replenishes more water than its consumption.
    - Over 700 million liters of potable water is recovered in a year through rainwater harvesting.

Financial Services

CSB Bank (CSB)

During 2024, the banking sector in India witnessed regulatory measures aimed at containing potentially excessive risk build-up from high credit growth in unsecured retail segments. In November 2023, The RBI increased the risk weights by 25% on consumer credit exposure of commercial banks and non-banking financial companies (NBFC), credit card receivables of banks and exposures of banks to NBFCs leading to some moderation in credit growth. The share of unsecured credit of banks had been increasing since 2015, reaching 25.5% by March 31, 2023. Given these measures, this share declined marginally to 25.3% at March 31, 2024.

As per the recent RBI report on trends and progress of banking, scheduled commercial banks remained in a healthy state reporting 1.4% return on assets (ROA) and 14.6% ROE at half year ending September 30, 2024. Gross non-performing assets (NPA) reached its lowest level in 13 years at 2.7% at March 31, 2024, from 3.9% reported at March 31, 2023. Over 44% of the reduction was due to better recoveries and upgrades to asset quality. Net NPA ratio of the banking sector also declined to a decadal low of 0.62% at March 31, 2024, and it further reduced to 0.57% at September 30, 2024. The provision coverage ratio of the banking sector improved to 76.7% by September 2024, a 260 basis points (bps) improvement over the 18-month period since March 2023. Capital position of banks remained healthy with capital adequacy ratio (CAR) at 16.8% at September 30, 2024.

The market share of private sector banks increased to 37.5%, a gain of 3% over the year. Banks experienced a hardening of 104 bps on cost of funds and an increase of 89 bps on yield on advances leading, in general, to a narrowing of net interest margin.

During 2024, bank credit growth stood at 12.4% over the previous year with credit deposit ratio increasing to 79% from 77% a year ago. The deposit growth of the banking system stood at 10.2% over the previous year.

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.

Fairfax India's investment in 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 811 branches (up from 751 last year) and 777 ATMs (up from 570 last year) across India. With its branches primarily located in South India, it focuses on retail, gold and small and medium enterprise loans, which together comprise about 78% of total advances. CSB also owns 34 residential and commercial properties and land banks, some purchased several years ago, and others acquired by enforcement of security.

CSB is in the process of transforming into a full-service new age private sector bank. Its strategy framework in place is called SBS 2030 (Sustain, Build and Scale). While it will sustain its core strength, several measures pertaining to the build phase have been initiated. CSB has already assembled a best-in-industry management team across its focus areas to build scale. It is in the middle of migrating its core banking system to a more advanced system which would give enhanced customer experience at par with the best in the industry. It is also implementing a new robust finance and risk management platform. Along with this system, it will also be setting up new payment systems, and a new digital channel system, resulting in new mobile and Internet banking platforms.

In comparison to industry growth for advances and deposits of 12% and 10%, respectively, CSB made excellent progress in its key performance measures in 2024. Loan advances grew 26% and deposits grew 22% (including lower cost, current and savings accounts (CASA) growth of 7%, where growth has been slower across the industry). Gold portfolio registered a growth of 36%. Yield on advances increased slightly to 11.3% from 11.2% in the prior year.

Net interest income grew by 3.6% and the credit to deposit ratio increased from 83% to 86%. Net interest margin (NIM) decreased from 5.2% but remains at an industry leading 4.5%. Cost of deposits increased to 6.0% from 5.1%, and CASA declined to 24.1% from 27.6% of total deposits, as a result of stronger growth in term deposits due to the current high-interest rate environment. NIM was also impacted by changes in the way penal interest income is accounted by banks following the regulatory guidance on penal interest.

Credit quality also remained stable with its gross NPA at 1.6% and net NPA at 0.6% and the provision coverage ratio at 81.5%. Its cost to income ratio was around 64% despite the investments in HR, IT and infrastructure, which have been made with high visibility of payback, and the same should come down to around 50% over time.

Its ROA is healthy at 1.3%, its ROE at 13% and CAR at 21.1%. The bank is underleveraged with the potential for better profitability in the future.

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, 2024 *(all numbers are %s)*[(1)]

	CSB	Peer Group	All Banks
Growth in Net Interest Income	6.6	10.1	12.9
Growth in Advances	19.5	15.4	13.2
Growth in Deposits	25.2	13.8	11.6
Credit Deposit Ratio	83.5	81.0	81.8
Return on Equity	13.4	12.3	13.9
Return on Total Assets	1.4	1.2	1.3
Net Interest Margin	4.7	4.0	3.7
Efficiency (Cost to Income) Ratio	63.6	58.2	59.1
Gross Non-Performing Advances	1.7	2.9	2.6

(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!

IIFL Finance (IIFL FIN)

IIFL FIN is one of the well-established non-deposit taking, NBFCs in India. NBFCs have shown remarkable growth and have gained significant importance in the financial sector ecosystem:

- NBFCs have grown from less than $347 billion (24 trillion Indian rupees) in fiscal year 2018-19 to $492 billion (41 trillion Indian rupees) at the end of fiscal year 2023-24 despite facing challenges, including the IL&FS crisis and the COVID-19 pandemic.
- Share of NBFC's in the overall credit is estimated to have increased from 12% in fiscal year 2007-08 to 20% in fiscal year 2023-24.
- NBFCs have progressed considerably in terms of size, operations, and technological sophistication, leading them to fill the gap in retail credit by catering to riskier customers with lower income enabling financial inclusion.
- Affordable housing finance, vehicle financing, gold loans, education loans, consumer durables, personal loans, credit cards and microfinance became key products for most of NBFCs in India.

Nirmal Jain is the CEO and is also the founder and a significant shareholder of all the IIFL Holdings group companies. Under Nirmal's leadership, IIFL FIN has consistently grown over the years to emerge as a significant operator under its key lending segments; gold loans, housing finance, microfinance and small business financing. It has assets under management (AUM) of $8.3 billion (714 billion Indian rupees) which has grown at CAGR of 15% in the last 5 years. Over the last few years, IIFL FIN has invested heavily to expand its branch network and digitalize its lending process, it has a nationwide network of over 4,850 branches and over 38,200 employees.

As previously disclosed, on March 4, 2024, the RBI ordered IIFL FIN, to stop sanctioning and disbursing any new gold loans with immediate effect due to inadequate compliance with certain banking regulations as identified by the RBI. The stoppage was with immediate effect until the RBI completed a special audit and the regulatory deficiencies identified were rectified to RBI's satisfaction. We are happy to report that IIFL FIN complied with all the requirements in close coordination with the regulator and the ban was withdrawn with effect from September 19, 2024.

IIFL FIN's gold loan AUM was $2.8 billion (234 billion Indian rupees) at March 31, 2024, accounting for 30% of the AUM. At March 31, 2024, the size of the gold loan by banks and NBFCs in the formal financial system stood at $31 billion (2,560 billion Indian rupees), of which $18 billion (1,535 billion Indian rupees) was held by NBFCs; IIFL FIN had a market share of 9.1% of the total gold loan segment and 15.2% of the gold loan by NBFCs. Between the date of the gold loan ban and September 30, 2024, IIFL FIN's gold loan AUM reduced to $1.3 billion (108 billion Indian rupees); the reduction of 54% was primarily due to normal repayments. During this period, the portfolio had low delinquencies, which reflects positively on the quality of its underwriting in this segment. The gold loan operations have resumed and IIFL FIN is focused on regaining its gold loan market share. This portfolio has historically had low NPAs, and at December 31, 2024, it reported gross NPA of 0.7%.

IIFL FIN lends secured home loans through its subsidiary IIFL Home Finance Limited (IIFL Home Finance) with a total AUM of $4.5 billion (384 billion Indian rupees) at December 31, 2024. While home loans are predominantly driven by banks, NBFCs with their home loan offering have significant presence and IIFL FIN is one of the leading players in the segment with its subsidiary having strong financials with its CAR at 46.2%. Its reported gross NPA at December 31, 2024, was 1.7% with a provision coverage of 103%. Its market share of AUM amongst home financing companies stood at 4.6% as of March 2024. There is huge potential for this business to grow profitably over time creating significant value in the process.

IIFL FIN undertakes its microfinance business through its wholly owned subsidiary IIFL Samasta Finance Limited, serving about 3 million customers. As of March 2024, its market share in this segment stood at 8.8% of the total microfinance loans issued by NBFCs.

Over the last few years, IIFL FIN has strategically increased assignments and co-lending to optimize capital utilization and this contributes to higher profitability. This shift is evident in the higher share of off-balance sheet loans, constituting 30% of AUM (which includes 13% from co-lending). This approach has granted leadership to IIFL FIN in co-lending and has enabled them to maintain strong AUM growth.

In 2024, IIFL FIN continued to pursue its strategy to grow its business by growing its AUM by co-lending with or assigning assets to other lenders and thereby utilizing less of its own capital. These assets now account for 30% of its AUM and 19% of its income.

The company maintained its credit rating (from CRISIL) despite the RBI action, and it is expected that IIFL FIN will improve its rating profile over time as the business momentum picks up.

2024 was a mixed year for IIFL FIN, while the company continued its growth trajectory except for the reduction in gold loans.

IIFL FIN concluded a rights issue raising $152 million (12.7 billion Indian rupees) in May 2024. The issue was oversubscribed 1.35 times. The rights entitlement was priced at 300 Indian rupees per share, with shareholders holding 9 shares as of the record date of April 23, 2024, eligible to subscribe to 1 rights equity share. The successful rights issue demonstrates investor confidence in IIFL FIN's growth prospects and financial stability. Fairfax India participated in the issue and subscribed to its rights entitlement resulting in our exposure to IIFL FIN increasing by $24.9 million. It's noteworthy that IIFL Finance has managed to grow organically ever since it started the NBFC business without significant dilution of capital. The rights issue was done despite low leverage to bolster the confidence of the stakeholders which is very important for any financial intermediary.

IIFL FIN's AUM experienced a decline of 8% over the previous year to $8.3 billion in 2024, with housing finance, microfinance, and gold loans comprising 42%, 14% and 21%, respectively. This was mainly due to a decrease in gold loans (39%) partially offset by growth in home loans (19%). In 2024, IIFL FIN's revenue increased by 5% to $775.1 million and net income decreased by 62% to $90.5 million, generating an ROE of 6%. The below average ROE resulted partially from the drop in gold loans, a one-time provision of $70.1 million from restructuring certain investments, the rights issue completed during the year, and higher-than-normal capital levels at IIFL Home Finance from a 2022 capital infusion into it of $275 million by ADIA, the Middle Eastern sovereign fund that valued IIFL Home Finance at $1.4 billion.

Asset quality is relatively better than the industry average, with gross and net NPAs at 2.4% and 1.0% respectively, compared to 1.7% and 0.9% respectively in the previous year. Asset quality recently faced some stress particularly across the microfinance and unsecured business loan segments, reflecting broader macroeconomic trends in line with the overall industry experience. The provision coverage ratio was 114% versus 151% the previous year.

Loan to value is very conservative at 71% for home loans, 68% for gold loans and 47% for secured business loans. With a well-diversified asset portfolio of which 98% is retail in nature, a CAR of 22.0% for IIFL Finance and 46.2% for IIFL Home Finance, and net interest margins at 8.7%, even though the cost to income ratio increased from 43% to 46% (due to the growth in the number of branches and decline in gold loan portfolio), IIFL FIN is well positioned to capture opportunities unfolding for the NBFC sector.

IIFL Capital Services (formerly IIFL Securities) (IIFL CAP)

IIFL CAP is one of India's leading financial services companies. The company offers a comprehensive suite of products and services for institutional investors, corporates, affluent individuals, and family offices. Investment banking, corporate advisory, financial products distribution, broking, wealth advisory and lending solutions are the key products and services offered by the company.

This was the original parent entity set up in 1997 by Nirmal Jain and R. Venkatraman. Fairfax Financial first invested in the company in 2009 and substantially scaled up its stake through Fairfax India in 2015. Fairfax India currently owns 27.3% of the company and Fairfax as a group owns 30.7%.

IIFL CAP has over 100 branches in India (with offshore presence in Singapore, London, and New York) and has over 3,500 partners. It has close to 1,000 clients in the institutional segment and over 3 million clients in the retail segment. It had AUM of $28.6 billion (2.4 trillion Indian rupees) at December 31, 2024, of which $3.6 billion (305 billion Indian rupees) was out of assets under its distribution arm and the balance under the custody relationship with its clients.

IIFL CAP's performance is impacted positively by rising retail participation driven by the financialization of household savings and increasing allocation to capital markets. Internet penetration, the rise of low-cost discount brokers, the introduction of smaller contract sizes and weekly contracts in the derivatives markets contributed to enhanced market activity in 2024.

Over the last decade, over 150 million new securities accounts have been added bringing the total number of accounts to 175 million in India, an annual growth rate of 22%. Equity cash volumes grew at a CAGR of 20% while the equity futures volumes increased by 15% annually. Equity options notional and premium average daily turnover (ADTO) surged by 69% and 50% per annum, respectively.

Broking Industry	Units	FY2014-15	FY2024-25 YTD	10-year CAGR
Securities (Demat) Accounts	millions	23	175	22%
NSE Active Clients	millions	5	49	25%
Equity Cash ADTO	INR billions	213	1,306	20%
Equity Futures ADTO	INR billions	513	2,037	15%
Equity Option Notional ADTO	INR billions	2,614	496,818	69%
Equity Option Premium ADTO	INR billions	13	786	50%
Number of IPOs		21	73	N/A
Capital Raised under IPO	INR billions	265	1,050	15%

The domestic mutual fund industry (MF) has also witnessed remarkable growth over the last five years. The number of investor accounts has grown by 20% annually to 217 million. Monthly flows under the systematic investment plan (SIP) have surged to 253 billion Indian rupees ($3 billion per month), growing at 25% per annum. The MF industry's AUM expanded at a 19% CAGR reaching 63 trillion Indian rupees ($741 billion). This has had a positive impact across the chain involving financial product distributors, wealth managers and brokers.

Additionally regulatory changes requiring peak margin and mandatory cash margin of 50% have brought about an additional revenue stream for the broking industry with the resulting growth in margin trading facilities.

Asset Management Industry	Units	FY2019-20	FY2024-25 YTD	5-year CAGR
MF Accounts	millions	86	217	20%
Monthly SIP Flows	INR billions	82	253	25%
MF Industry AUM	INR billions	26,258	63,457	19%
MF Industry Equity AUM	INR billions	11,272	37,586	27%
MF Industry Equity AUM Share	N/A	43%	59%	N/A

Institutional broking business benefited from the expansion of AUM of the domestic MF industry, expansion in the number of FPIs to over 12,000 with an estimated value of stocks owned of over $750 billion.

The Indian primary market also benefited from the strong participation. The number of IPOs over the past three years from 2021 rose to approximately 60 per year compared to approximately 20 annually from 2017 to 2020. Investment banking has seen rapid expansion apart from IPOs and FPOs, also in infrastructure investment trusts, real estate investment trusts, offer for sale by sponsors and the large size of issuances. The annual capacity has quadrupled over the past decade to over $25 billion. M&A advisory, capital raising by unlisted firms and start-ups have also seen steady growth. The total fee pool for the industry in 2024 is estimated to have grown to between $1.3 billion and $1.4 billion.

IIFL CAP is also foraying into offering wealth management services and has taken significant steps forward during the year. The addressable asset pool for ultra-high net worth individuals (UHNI) and high net worth individuals (HNI) is estimated around $1 trillion and is expected to double in five years taking the total market to over $2 trillion. India has a healthy savings rate of 30% and is growing at a CAGR of 8% and along with it, the share of capital market products, which is also on the rise. The AUM of listed Indian players range from $9 billion to $67 billion with all the listed companies being richly valued given their high growth potential. IIFL CAP with its wide reach has a natural advantage to grow this business and create significant value in the process. The table below provides an overview of the lay of the land for this line of business.

Key Parameters	
Total $US billionaires in India	271
Total wealth with HNI and UHNI (2023)	$1.2 trillion
Projected wealth with HNI and UHNI (2028)	$2.2 trillion
MF Industry AUM in October 2024	$791.2 billion
Equity Oriented AUM in October 2024	$351.7 billion
MF AUM to GDP (India vs. U.S. / Global)	16% vs. 116%
Professionally managed financial wealth (India vs. matured markets)	15% vs. 7.5%

IIFL CAP had another great year in 2024: Its revenue increased 40% to $322.5 million and net income grew by 83% to $91.5 million. These results were driven by the strong performance of the retail and institutional broking and investment banking divisions that benefited from the buoyant equity and IPO markets in India in 2024.

During 2024, IIFL CAP share price gained 125% following the gain of 125% it recorded in 2023 a cumulative gain of 408% over the two-year period, our conviction about the market recognition of IIFL CAP transpired. While its earnings are aligned to the overall market activities, it has long term potential to create significant value. IIFL CAP, at a valuation of 13.0 times price to estimated fiscal year 2024-25 earnings and price to estimated March 2025 BVPS of 3.8 times, is still trading at a discount to its peers while the market has rerated the capital market players.

As one of India's leading domestic full-service capital market players, the company is expanding its offerings to include wealth management services. This strategic move aims to tap into the growing demand from India's increasing HNI population, which is expected to grow significantly. As the company's wealth management operations gain momentum, addressable market opportunities for IIFL CAP will increase significantly leading to higher revenue growth and lower risk of market-related volatility because of a diversified business model.

5paisa Capital (5paisa)

5paisa, which literally translates to "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 the 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 behavior, 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.

5paisa is also one of the beneficiaries of the robust trends experienced in the Indian capital markets as discussed in the IIFL CAP section.

In terms of investor participation, growth has been impressive, especially after COVID-19. Overall number of active clients in the industry increased from 10.8 million in March 2020 to 50.2 million in December 2024. 5paisa has sustained a strong pace of client acquisitions since inception, taking its total client base to 4.7 million, representing market share of 9.4% in December 2024.

The Indian trading landscape has witnessed a remarkable surge in derivative ADTO across all segments, skyrocketing from 14 trillion Indian rupees in March 2020 to 468 trillion Indian rupees in December 2024, increasing an astonishing 33 times over the last 5 years. As of December 2024, 5paisa achieved an impressive ADTO of 3 trillion Indian rupees, translating to an ADTO market share of 0.6%.

The 5paisa mobile app has been hugely popular, recording over 21.2 million downloads and sustaining a rating of 4.3 on the Google Play Store.

Indian capital market regulator Securities Exchange Board of India (SEBI) recently initiated several measures with a view to tighten retail participation in the derivatives market to enhance investor protection and market stability. It was done in response to the rapid growth in the volume of derivatives traded on the exchanges. ADTO registered an annual growth of 109% over the past five years. The various measures which came into effect in the second half of November 2024 include stricter margin requirements, increased size of the contracts traded, limiting weekly expiry contracts to just one per exchange, and enhanced disclosure norms. SEBI also made it mandatory for the exchanges to levy uniform transaction charges replacing volume-based charges the exchanges were offering earlier.

This was benefiting large discount brokers who were offering their services for a very low cost to their customers because based on their volumes, they were earning handsome discounts from the exchanges.

Consequently, there has been moderation in the ADTO in the equity derivatives segment. ADTO in the derivatives segment has declined by 36% during December 2024. The pace of customer addition has moderated since these measures were implemented, registering a 25% decline in monthly volume of new demat accounts opened since September 2024.

These measures are expected to impact all intermediaries in India. Hence, it is widely expected that the players will be taking some mitigative measures to offset the impact on their revenues and such measures are not expected to dissuade their customers from their market activities.

However, to compensate for this loss, 5paisa has implemented various measures, including migrating clients from the basic plan to the standard plan, discontinuing subscription plans to eliminate bulk discounts, standardizing associate partner sharing, and revising depository participant charges, which are expected not only to offset the income loss but also mitigate the potential volume impacts.

In 2024, 5paisa's total revenue grew 8% to $48.0 million and net income grew 1% to $7.6 million – due to the intense competition from established and new discount brokers, its market share in retail cash broking fell from 2.3% to 1.6%, even while it added customers at an average rate of about 64,000 per month.

Transportation, Logistics and Storage Services

Seven Islands Shipping (SISL)

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.

At the time of Fairfax India's initial transaction in 2019, SISL owned 14 vessels with a total deadweight capacity of 0.9 million metric tons. Currently, SISL owns 26 vessels with a capacity of about 1.3 million metric tons. Out of its current fleet, 24 are Indian-flagged tankers and 2 vessels are held in a wholly owned subsidiary in the UAE under the Marshall Islands flag. Its fleet consists of 22 oil product tankers, 2 crude oil tankers, and 2 LPG carriers. In 2021, it entered the gas carrier container shipment market with one Very Large Gas Carrier and one Medium Gas Carrier.

SISL is the second largest private tanker shipping company in India. SISL owns 26 out of 123 ships owned by Indian owners. It has a significant market share in product tankers with 22 out of 69 Indian-owned ships on deployment. Out of 74 ships on time charter with Indian charterers, 57 are Indian-owned ships. SISL is the market leader in tanker time charter along the Indian coast with 24% of overall market share and 32% market share of the Indian-owned fleet. During the year, SISL set up a wholly owned subsidiary in Jebel Ali Free Zone in Dubai, UAE for owning and chartering vessels in the international market. SISL distinguishes itself by managing its fleet acquisition and deployment based on the time charter deployment. Over the past 6 years, time charter revenue as percent of total charter revenue averaged 76%. It remains a very efficient operator with an industry best annual idle time over the last 3 years of less than 12 days per vessel.

In 2019, Fairfax India acquired a 48.5% equity interest in SISL for a cost of $83.8 million. On December 31, 2024, this investment was valued at $146 million after receiving a dividend of $29.9 million in December 2024.

During the year as part of its fleet renewal plan, it sold three medium range (MR) tankers and acquired two MR tankers and one chemical tanker. It added another MR tanker in the month of January 2025. The average age of its fleet has come down to 19 years from 23 years at the time of acquisition. Over the next five years, SISL aims to increase its fleet from the current 26 to about 28 ships.

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. However, SISL bids competitively (because of its lower cost base) and does not rely on cabotage protection to win contracts. Strategically, SISL operates most 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 to enable it to implement robust operational, safety, security, and financial procedures.

With its market leadership, SISL established a maritime training institute near Mumbai which is accredited by the Directorate General of Shipping (DGS), Government of India to operate four flagship courses facilitating an annual intake of 520 students. It has successfully graduated 400 students with career placements on track. It has several memorandums of understanding with a few global shipping majors for shipboard training of its cadets.

Its revenue increased by 25% to $205.0 million and net income increased by 1% to $83.8 million (lower growth in net income is due to lower profit from sales of ships during the year). However, its operating EBITDA grew by a similar 22% in line with its revenue growth. Shareholders' equity grew by 11% to $231.1 million, generating a ROE of 35%, even after the special dividend in December 2024 as described above. This exceptional performance for two consecutive years has been made possible due to a very disciplined approach by management, taking advantage of high tanker rates, moving some vessels on spot charter back to time charter, and achieving average vessel utilization of around 96%. Despite some volatility in the last few years, SISL has mostly demonstrated stable and consistent revenue and had an EBITDA CAGR of about 37% in the last 10 years. Since the time we acquired our interest in SISL, it has generated a free cash flow of $302.4 million, an average annual free cash flow on investment of about 30%.

SISL has a great track record of acquiring ships at the right valuation with clear deployment opportunities. Given the inherent cyclical nature of its business, where the shipping lines are forced to be price takers, the factors under their control are well managed by management. A promising future for SISL will be the result from; a disciplined value investing approach towards acquiring ships, reducing unplanned downtimes with excellent vessel maintenance, sustaining a good safety record, excellent customer service, and regulatory compliance.

The fair value of Fairfax India's investment in Seven Islands increased to $146.0 million in 2024 from $142.8 million in 2023, implying a price to earnings* of 4.6 times and a price to free cash flow of 3.8 times.

National Commodities Management Services (NCML)

Indian agriculture sector represents 18% of GDP while it supports the livelihood of about 42% of the population. Crop production accounts for over 54% of agriculture. The agriculture sector has grown at a remarkable 4.2% over the past five years. Trade, hotels, communication and transport services account for around 18% of GDP. NCML is positioned at the cross section of these two systems and plays an important role in the food value chain.

In 2015, Fairfax India acquired approximately 88% of NCML for an aggregate investment of approximately $148.7 million. Our initial investment in NCML was premised on the vast scope for expansion given the various opportunities arising from pain points that were attracting government and policymakers to make a positive transformation to the agricultural economy of India. These pain points included; poor storage conditions, post-harvest losses, lack of access to formal credit and collateral, inefficient market linkages and various logistical bottlenecks, and high transportation costs which continue to persist today, still leaving vast opportunities for meaningful growth in the future.

NCML has operated for over 20 years in the agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management. NCML also offers commodity and weather intelligence service and financing to agriculture sector participants.

Total annual agriculture production of commodities such as cereals, pulses and oil seeds is estimated to be around 370 million metric tons while the storage capacity of agriculture warehousing is estimated to be 215 million metric tons of which the private sector capacity is estimated at 108 million metric tons. Within the private sector, organized players account for 27 million metric tons, unorganized and government leasing of private warehouses account for the balance. By some estimates, organized private sector capacity is expected to grow by over 10% per annum over the five years ending 2029. Similar growth is expected in ancillary services such as testing, certification, quality assurance and risk management. The current market size of the ancillary services is estimated to be $800 million.

NCML has about 2.3 million metric tons of storage capacity in over 165 locations with 771 warehouses in 16 states in India. It has a network of 16 regional offices, more than 750 touch points at agricultural produce markets and thousands of farmers and traders to facilitate procurement of commodities. NCML also operates six testing labs and over 2,380 weather stations, and created a financing loan book of 265 million Indian rupees.

* *Unless otherwise noted, price to earnings ratios relate to forecasted earnings for fiscal year 2024-25, with exception of Maxop and Saurashtra which use one-year forward earnings for fiscal year 2025-26. Also unless otherwise noted, price to free cash flow ratios relate to forecasted free cash flows for fiscal year 2024-25. Refer to the Appendix to the Letter to Shareholders for further detail.*

In our past letter to you, we chronicled various issues NCML went through leading to its poor performance against our initial expectations which include:

- Demonetization and GST-related challenges faced by the industry.
- Fall in the volume of commodities traded in NCDX.
- Challenges of banking system exposure to agriculture value chain.
- COVID-19 impact.
- Poor execution of silo projects by the management.
- Farmers protest against farm laws enactments in 2020 which were more intense around NCML operational areas.

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

- The senior management team of NCML has been changed and stabilized.
- NCML has completed construction of six silo locations and expects the last one to be completed in early 2025. 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 its 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.

2024 was a turnaround year for NCML; although revenue decreased slightly by 4% to $31.6 million, net loss decreased from $18.5 million to $7.0 million, and EBITDA (excluding impairment charges) was reported at $8.7 million compared to an EBITDA loss of $0.1 million in the previous year. Based on 2024 performance, it has returned to a growth trajectory.

The fair value of Fairfax India's investment in NCML decreased to $44.3 million in 2024 from $50.3 million in 2023.

A significant part of NCML's restructuring has been completed under Sanjay's leadership. NCML's work on capital allocation and business strategies has helped in turning around 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 one of the largest privately owned companies in this sector.

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 provides a facility outside of congested ports for temporary storage of goods pending customs clearance and further distribution.

Launched in 2005, Saurashtra currently operates two CFS. Its prime CFS is located five kilometers from Mundra port. With 24/7 operations, Saurashtra has the capacity to handle about 231,600 TEU (twenty-foot equivalent unit shipping containers) per annum and handled about 136,720 TEU in 2024 at Mundra, implying capacity utilization of about 59% and a reduction in volume of 5% from the previous year. The increasing trend in direct port delivery (DPD) volumes has impacted import volumes in the CFS business. Saurashtra maintained its market share of about 13% at Mundra port, the second highest among all CFS there.

It commenced its second CFS at Kandla in October 2024 making its first foray outside of Mundra port. With the additional annual 66,000 TEUs capacity at Kandla, its overall container handling capacity has increased by 28%.

Fairfreight Lines, the NVOCC (non-vessel operating common carrier) business launched by Saurashtra in 2017, reported a growth of 6% in operating revenue and 48% growth in operating profit driven by better margin and cost rationalization achieved during the year.

Under the able leadership of Raghav Agarwalla, Saurashtra produced better financial results in 2024, despite challenges faced in one of its divisions. Due to the drop in volume of containers, revenue decreased by 1% to $38.9 million. EBITDA increased by 16% to $14.0 million driven by its focus on high margin business and cost rationalization measures undertaken during the year. Its net income increased 19% to $6.4 million. In 2024, Saurashtra generated an ROE of 25% versus 19% the previous year, generated $10.1 million of free cash and at year-end had a cash balance of $9.8 million and debt of $5.5 million.

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 increased slightly to $54.7 million in 2024 from $50.6 million in 2023, implying a price to earnings of 10.6 times and a price to free cash flow of 11.0 times. It has paid cumulative dividends to Fairfax India of $14.8 million since acquisition.

Manufacturing

Sanmar Chemical Enterprises (Sanmar)

The Sanmar Group is a diversified Indian business conglomerate with a rich history spanning over six decades. Founded in 1972 by the late Mr. N. Sankar, the group has a presence in various sectors, including chemicals, engineering, and shipping. Fairfax India's investment is in the chemicals business, which is housed within three operating companies, two in India – Chemplast Sanmar (CSL) and Chemplast Cuddalore Vinyls (CCVL) – and one in Egypt – TCI Sanmar (TCI).

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 that Fairfax India originally invested while increasing our ownership of Sanmar.

In 2020, Sanmar committed to reducing the company's overall debt. To achieve this objective, it committed to actively pursuing 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 made considerable progress in deleveraging its balance sheet.

In 2021, CCVL was made a 100% CSL subsidiary, thereby consolidating 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 of $344 million by the holding company, in which Fairfax India has its 43% ownership.

- **Chemplast Sanmar Limited (CSL)**

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 to repay debt of about $165 million in CSL and about $300 million in the holding company. As a result, the debt at CSL and the holding company was fully repaid as at December 2021.

CSL remains the publicly listed flagship specialty chemicals company of the group that manufactures specialty paste PVC resin, caustic soda, and chloro-chemicals which find their end use in making flexible products like artificial leather, gloves, tarpaulins, conveyor belts, and coated fabrics. CSL has seven plants across four locations with various products and capacities as follows:

Location	Product	Capacity
Mettur (Tamil Nadu)	Specialty paste PVC	66,000 mtpa
	Caustic soda	62,000 mtpa
	Chloromethanes	35,000 mtpa
	Hydrogen peroxide	34,000 mtpa
	Refrigerant gas	1,700 mtpa
	Captive power plant (coal)	48.5 MW
Cuddalore (Tamil Nadu)	Specialty paste PVC	41,000 mtpa
Berigai (Tamil Nadu)	Custom manufacturing	4,500 mtpa
Karaikal (Puducherry)	EDC	84,000 mtpa
	Captive power plant (gas)	12.0 MW
	Caustic soda	57,000 mtpa

CSL ventured into a high-margin custom manufactured chemicals business (CMC) which involves manufacturing advanced intermediates for global agrochemicals, pharmaceuticals, and fine chemicals industries. CSL has developed a strong relationship with the big four innovators of agrochemicals. Over the past two years, it commissioned two multi-purpose production blocks with an initial investment of approximately $80 million.

During the year, CSL added 41,000 metric tons per annum (mtpa) of specialty paste PVC capacity at Cuddalore, a one-step process using vinyl chloride monomer (VCM) as its raw material, while 60% of CSL's paste PVC capacity is backward integrated.

- **Chemplast Cuddalore Vinyls Limited (CCVL)**

CCVL (100% subsidiary of CSL) manufactures a commodity chemical called suspension PVC (SPVC) which is used to make both rigid (pipes, fittings, profiles, hard flooring) and flexible products (flexible pipes, wires and cables, films, and sheets). With an overall capacity of 331,000 mtpa at Cuddalore, CCVL is the largest manufacturer of SPVC in the South and the second largest in India. India's demand for SPVC for fiscal year 2023-24 was 4 million mtpa which gives Sanmar a potential market share of around 8%.

CSL consolidated revenue grew by 9% to $538.4 million over the previous year and EBITDA of $25.0 million grew by 51%. It incurred a loss before tax of $19.4 million versus a loss of $13.7 million the previous year. Incremental capital costs of the capacity expansion in CMC and paste PVC discussed above resulted in the loss before tax. However, for the second year in a row, the performance of the paste as well as the SPVC business have been affected by market conditions. SPVC business performance over the past two years has been impacted by severe dumping from China. Poor demand in the U.S. due to poor housing construction activity further exacerbated the situation. The Southeast Asia PVC price per ton (on a cost and freight basis) has fallen from its peak of $1,460 in March 2022 to $770 in December 2024, with a low of $750 recorded in December 2023. Specialty paste PVC has also seen dumping from across geographies due to a global imbalance in supply and demand. The Government of India has introduced a provisional anti-dumping duty on paste PVC which has not helped much as dumping from EU remained uncovered. A provisional anti-dumping duty on import of SPVC ranging from $25/metric ton to $339/metric ton depending on the source of imports has been announced but awaiting implementation. Based on these measures, Sanmar management is hopeful for a positive effect in 2025. Demand for PVC remains robust in the Indian market growing at a CAGR of 7% to 8% with current demand estimated at over 4 million mtpa. With a domestic supply of around 1.5 million mtpa, Sanmar is well-positioned in its domestic PVC business.

- **TCI Sanmar (TCI)**

In 2007, Sanmar acquired TCI 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. In 2018, with help from the financing provided by Fairfax India, TCI completed a major expansion plan and added a new 200,000 mtpa PVC plant, taking total PVC capacity to 400,000 mtpa, and added a 130,000 mtpa calcium chloride plant and a 75,000 mtpa caustic soda by-product line. It also operates a unique 60,000 mtpa bio-ethylene plant with sugarcane-based ethanol as feedstock, resulting in bio-attributed Green PVC.

Location	Product	Capacity
Egypt	Caustic soda	275,000 mtpa
	Calcium chloride	130,000 mtpa
	Suspension paste PVC	400,000 mtpa
	Bio-ethylene	60,000 mtpa

Caustic soda has done well for TCI and it enjoys significant cost advantages given the low energy cost in Egypt. The PVC operation has been running at close to 100% capacity for the past two years. However, the global downcycle in PVC coinciding with the foreign exchange crisis in Egypt, adversely impacted TCI's performance. To fund its raw material imports, TCI was forced to export its PVC over the past two years. Domestic sales came down to 28% of sales in fiscal year 2023-24 and are expected to improve to 40% in fiscal year 2024-25. A gradual improvement in foreign currency availability is helping the shift and TCI is aiming to shift to 75% of sales in the domestic market over the coming years. TCI is also expecting certain trade measures from the Egyptian government given the severe dumping. Egypt currently has a 2% customs duty and 9% anti-dumping duty (ADD) on imports from the U.S. while imports from EU or China are without ADD.

TCI revenue for the year reduced to $420.0 million from $476.6 million in the previous year. Its EBITDA of $30.1 million was down 62% from $79.0 million. It reported a loss before tax of $107.1 million, primarily driven by higher finance costs.

The Sanmar Group has been supporting TCI operations which has helped it to remain in operation. Normalized demand for SPVC in Egypt is over 400,000 mtpa while the Middle East and Africa (MEA) region has a deficit of 1.5 million mtpa. TCI is well positioned to take advantage of its investments in Egypt.

At the consolidated level, Sanmar's revenue for the year fell 3% to $925.2 million, EBITDA of $55.3 million was down 42% and incurred a loss before tax of $124.9 million.

Global PVC capacity is around 60 million mtpa with demand estimated in the region of 50 million mtpa and is growing. China accounts for around 28 million mtpa capacity and 80% of Chinese capacity uses carbide-based technology. The rationalization of carbide-based capacities under the Minamata Convention is widely expected but with no clear timing of occurrence. PVC capacities of Sanmar are well located in deficit regions to address the local demand. Sanmar is taking initiatives to improve its cost competitiveness with possible backward integration and or to enter strategic partnerships to source VCM. Sanmar is also trying to exploit synergies between its operations in India and Egypt to take full advantage of the fast-growing Indian and MEA markets. It is also working towards improving its balance sheet liquidity and financial condition.

The fair value of Fairfax India's investment in Sanmar decreased to $201.4 million in 2024 from $302.9 million in 2023, primarily due to a decline in the valuation of TCI (to a value substantially less than replacement value), reflecting the challenges in Egypt discussed above. As such, Sanmar's fair value on December 31, 2024, was less than the publicly traded market price of CSL, despite TCI's significant upside potential when market conditions improve, as we expect they eventually will.

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 due to 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 suppliers to convert waste generated during the production of soya, sunflower and corn oils into valuable chemicals. These chemicals include acids that are used in 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, Arkema and Asian Paints. Fairchem operates from a single plant in Ahmedabad, the largest city in Gujarat, the home state of PM Modi. This plant has one of the largest processing capacities for natural soft oil based fatty acids in India.

For 2024, its revenue declined by 5% to $69.4 million, net earnings decreased by 20% to $4.0 million and shareholders' equity grew by 8% to $35.2 million, generating an ROE of 11%. In the previous year, its profitability was impacted by high cost of raw material precipitated by the war in Ukraine and its related disruptions. During 2024, its performance was impacted by:

- Reduced demand from the paint industry, a major consumer for the product Linoleic acid;
- Poor demand conditions also resulted in pricing pressure from Chinese imports and domestic soya fatty acid manufacturers; and
- An unexpected imposition of additional import duty of 22% on vegetable oil by the Government of India with a view to protect farmers from overseas dumping resulting in higher cost of production of Dimer Acid.

Fairchem has taken several measures to counter the impact of the above challenges. It has launched a higher value product, isostearic acid, which has application in lubricants and finer grades, in cosmetics. This product is expected to reach full capacity by the end of 2025.

Fairchem has earmarked 40,000 metric tons out of its 120,000 metric tons capacity of raw material for use to process an abundantly available, locally produced raw material to make another high value product for which it has undertaken pilot plant trials. This would entail an additional investment of around $6 million with potential additional sales of $80 to 100 million in the coming years.

Fairchem has a history of making concerted effort to expand capacity and introduce newer products in its core area of oleochemicals in a cost-effective manner, funded by cash generated from the business.

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.

In December 2024, Fairfax India made an additional investment of $4.5 million in Fairchem increasing its ownership from 52.8% to 55.3%.

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.

Fairfax India acquired a 67% equity interest in Maxop from Shailesh Arora, its founder and owner. It completed the first step of this transaction in November 2021 by acquiring a 51% stake for a payment of $29.5 million. As a second step as was previously agreed, Fairfax India purchased an additional 16% in September 2022 for a further payment of $21.9 million.

Maxop offers its customers die casting parts, complete machining with related assemblies along with in-house die design, simulation and manufacturing of tools and dies of such parts. OEMs and Tier 1 customers engage with Maxop from the inception of product development and design driven by its research and development capabilities. This association in the product development process ensures repeat orders from existing customers.

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 at least 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 is well positioned to benefit from the global trend towards lightweight components as well as electric vehicle (EV) adoption in the automotive sector. Maxop currently caters to 3% of the domestic demand from passenger vehicle manufacturers, which is still at a nascent stage of only 30 cars per 1,000 people. During 2024, it received nominations for 72 additional parts of which 52 were from export markets.

In 2024, Maxop's revenue increased 28% over the previous year to $100.5 million. Exports increased to 52% of the revenue compared to 45% the previous year. Its gross profit margin was 51% and EBITDA margin was 22% compared to 20% in the previous year. Its net income grew 36% to $7.8 million.

The fair value of Fairfax India's investment in Maxop increased to $97.2 million in 2024 from $56.7 million in 2023, implying a price to earnings of 10.4 times and a price to free cash flow of 13.2 times.

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

Maxop's future looks very promising:

- As it continues to be a preferred supplier to its end customers;
- Has an expanding customer base;
- By expanding its design and manufacturing capabilities and its product portfolio with a clear focus on ensuring quality standards; and
- Its clear focus on cost management.

Jaynix Engineering (Jaynix)

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 in North America and Europe. It works with customers from product development to the implementation of supply chain and it holds inventory for most of its customers across North America.

In February 2022, Fairfax India acquired 70% of Jaynix Engineering for $32.5 million. Jaynix was founded in 2008 by two brothers and engineering graduates, Nikhil and Ninad Diwakar, in Nashik, Maharashtra. Jaynix is headquartered in Vadodara, Gujarat and operates with five manufacturing plants (three in Nashik and two in Vadodara). Its aluminum processing capacity is 600 tons per month.

Jaynix achieved several milestones in 2024:

- Jaynix has set up a captive Underwriter Lab (UL 486 A&B lab) at Vadodara which commenced operations in 2024 and has progressed on expected lines as reported earlier. It is fully operational with 43 test stations added and certified during 2024. This has enabled it to de-bottleneck a significant impediment in its supply chain and enable it to supply its aftermarket products directly to retailers/distributors in North America.

- It received its first orders from two Tier 1 customers in North America for fully assembled products and the assemblies, deliveries for which commenced in October 2024. This is expected to boost sales in 2025.
- It has hired a U.S. based consultant to help with designing Jaynix branded lugs which will be sold through distributors.
- It won the supplier of the year award from two of its large customers.

The global cable lugs market is valued at around $2 billion and is growing rapidly at around a 6% CAGR. The growth is driven by demand for data centers, switchgears, EV and transmission infrastructure. Strict UL certification requirements ensure high performance and safety. Jaynix is one of the few manufacturers outside of the U.S. that offers design, manufacturing and testing capabilities under one roof.

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 is set to launch its own range of lugs and neutral bars in the U.S. market with products designed to perform better than the current offerings in the market. It is investing in a new facility to cater to this demand which is expected to be operational in mid-2025.

In 2024, Jaynix's revenue increased 30% over the previous year to $46.7 million, while EBITDA grew 43% and net profit grew 48%, to $14.8 million and $10.1 million, respectively, generating an ROE of 30%. Its performance is laudable in the context of the U.S. imposing tariffs of 39% on aluminum products from India, though this was removed later.

The fair value of Fairfax India's investment in Jaynix increased to $81.6 million in 2024 from $49.3 million in 2023, implying a price to earnings of 11.8 times and a price to free cash flow of 10.3 times.

Jaynix's growth prospects remain very robust.

Global Aluminium

In October 2024, Fairfax India acquired an effective 65% equity interest for $82.7 million in Global Aluminium – a world class manufacturer of extruded aluminum profiles founded by an enthusiastic second-generation entrepreneur, Anil Agarwal. We seized on an opportunity to have a great partner in Anil to run a business we believe has a huge runway for growth after winning his trust in our fair and friendly culture.

Global Aluminum is the third largest aluminum extrusion company in India with a capacity of 50,000 mtpa across two plants near Hyderabad. The Indian aluminum extrusion market is estimated to be $1.8 billion in 2023 and is projected to grow to $2.5 billion by 2027 at a CAGR of 8.2%. This growth is being driven by a rising demand for lightweight and durable products in:

- The building and construction industry (doors, windows, curtain walls, roofing, building wires);
- The automotive industry (roof rails, flats, rods, bumpers, tubes);
- The electronics and electrical industries (LED strips, overhead cables); and
- Industrial use (solar panels, round bars, tubes).

Most aluminum products are sold mill-finished – this market was valued at $1 billion in 2023 and constituted about 55% of the total Indian market. It is projected to grow at a CAGR of 7.7%. Anodized aluminum products are finding increasing applications and are projected to grow at 9.4% CAGR from $637 million in 2023 to $912 million in 2027. The powder-coated extrusion market is the smallest segment and is projected to grow at 6.8% CAGR from $179 million in 2023 to $233 million in 2027.

Based on our experience working with Maxop and Jaynix, we perceive structural tailwinds globally for aluminum products primarily driven by major user industries – building and construction, automotive and renewable energy. Environmental concerns, the push towards EVs and tightening fuel efficiency standards leading to an increase in the usage of aluminum by automotive industry, will enable further growth.

Global Aluminum has in-house capabilities to produce value-added products by anodizing and powder coating extrusions. Products of Global Aluminium have wide ranging applications and are catering to architecture, renewable energy, electricals and electronics and automotive industries. It has built a strong presence in the industry to become the third largest player in India by focusing on complex applications for industrial customers and shunning general trade which commonly caters to local construction businesses. It has invested in design capabilities to develop complex profiles and provides value-added services that help deliver finished products. It has developed a reputation for high-quality products with minimal defects, quick turnaround times for preparatory development activities and highly responsive after-sales service. It has a ready portfolio of over 50,000 dies, catering to over 15,000 profiles, and the ability to develop custom dies with short lead times. In any year, about 90% of revenue is from its existing customers with a well-diversified customer base with the top twenty customers accounting for only 45 to 50% of its revenue. It serves more than 25,000 customers and is well positioned to benefit from the China Plus One momentum.

At our carrying value, Global Aluminium is valued at 9.9 times its earnings and 12.0 times its free cash flow.

During 2024, Global Aluminum reported sales of $116.5 million, generating EBITDA of $11.1 million and net income of $4.3 million. It had borrowings of $15.0 million.

We have another growth engine in our portfolio with the addition of Global Aluminum.

Developments in India

In a year marked by economic uncertainty and continued geopolitical tension in Europe and the Middle East, incumbent governments worldwide experienced electoral loss of power. In such a milieu, India was an exception. The BJP retained power with PM Modi receiving a third successive five-year mandate, albeit leading a coalition government. Despite global headwinds, India's upward economic trajectory continues, and it will become the world's third largest economy in the next few years. The country has demonstrated resilience over the past five years in dealing with the pandemic, geopolitical uncertainty, supply chain disruptions, and fluctuating oil prices. While short-term growth projections have been revised downwards to the 6.0% to 6.5% range, India is still the world's fastest growing large economy, and its contribution to the world GDP is expected to reach over 9%, including adjustment for purchasing power parity, by 2027. Its foreign exchange reserves are amongst the world's top five, exceeding $600 billion, thereby allowing it to navigate market volatility. The RBI has stayed focused on meeting its stated inflation targets and the central government has demonstrated fiscal prudence, with a downward trend in the size of the fiscal deficit. In its most recent budget, the finance minister projected that the fiscal deficit's downward trajectory will continue and will be at 4.4% for this fiscal year (fiscal year 2025-26). Also, the budget left the corporate tax rate unchanged, provided significant tax cuts for the middle class, and simplified the process of tax filing and compliance.

The macro-economic fundamentals of India are strong, notably, a consumption-led economy with a strong services sector that is globally well-positioned and increased rural demand. Its manufacturing sector is poised for growth as well. Policies related to production-linked incentives have been introduced by the central government as India seeks to capitalize on corporations looking to diversify and mitigate geopolitical risk. India is amid a remarkable infrastructure drive, tripling the amount of government allocations from just 5 years ago. This has resulted in an unprecedented expansion of roads, highways, ports, airports and railways. India's financial sector is vibrant with well-capitalized banks, healthy balance sheets and strong profitability. India's private sector banks have increased their branches by 60% in the last decade. Significantly, financial inclusion has increased rapidly with over 500 million bank accounts.

These fundamental strengths have led to India becoming a top-tier FDI destination, with leading multinational corporations expanding their presence in India. Global firms are seeking Indian IT and digital expertise. iPhone production in India has risen exponentially since production began in 2017, with Apple indicating that over 20% of its iPhones will be produced in India in the coming year. Amazon's largest global location is in Hyderabad and Bengaluru has become a key destination for the "global capability centers", with Intel and Nvidia doing their design work in that city. These centers represent India's transition to higher end technology research and product development. In a span of a decade, from 2010-2021, American multinational companies have tripled their R&D expenditure in India. India's global services exports have witnessed a boom and represent almost 10% of GDP.

Concurrently, Indian companies have grown, and their market capitalization has risen markedly in the last decade. India's growing middle class is becoming active in the stock market, with the percentage of Indian households holding shares of some kind having increased significantly in the last five years to 20%. The aspirations of the new India are also evident in the rise of domestic and international tourism. Its expenditure on outbound tourism has nearly doubled in the past decade and is expected to rise by 17% in 2025.

India's digital transformation has been a landmark accomplishment. From biometric identification to real-time payments, to internet connectivity and telecoms, the digital economy has created a pathway for millions of Indians for basic services and for commercial purposes. Over 50% of Aadhar-linked bank account holders are women with many based in rural parts of the country. It is expected over half of bank deposits will be made online in the coming five years. Another aspect of India's growth story is the rise of the southern states in terms of their economic contribution, representing 30% of the country's GDP. Expanded economic activity is also taking place beyond the traditional strongholds of western and southern India. India's largest populous state, Uttar Pradesh has undertaken major policy reforms and has adopted business-friendly policies. The state of Assam recently announced a microchip plant from a leading Indian company and India's largest vaccine plant will be in the state of Odisha.

The outlook for India is most promising. The country is poised for an exciting future, a domestically driven consumption-led economy in the world's largest democracy, geopolitically important, and a reform-driven government, all point to a sustained period of economic growth.

As we end our ten years of operations, we would like to acknowledge the strong leadership provided by Amy Sherk, Chief Financial Officer (CFO), Jennifer Pankratz, General Counsel and Corporate Secretary, 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 and we are grateful as he continues to be an advisor to us.

After six years as our CFO, Amy Sherk is transitioning to assume a new responsibility. While we are happy for her in her well-deserved move to the CFO of Fairfax Financial, we will miss her presence as the CFO of Fairfax India. We are happy that she will remain an executive officer of Fairfax India as Vice President, ensuring a seamless transition for her successor. We want to thank Amy for her outstanding contribution to Fairfax India during her presence as its CFO. We welcome Debbie Chalkley, our new CFO effective from March 10, 2025, who brings over two decades of experience, including over 13 years of experience with the Fairfax Group. She most recently served as the CFO of Onlia Insurance and, before that, in various corporate finance positions with Northbridge, including Vice President in both finance and information technology. Debbie is in the process of seamlessly assuming her role as the CFO of Fairfax India.

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 9, 2025.

March 7, 2025

Gopalakrishnan Soundarajan
Chief Executive Officer

Benjamin P. 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, 2024.

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 interest and dividend 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 (i) 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 (ii) 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, if any, as presented in note 12 (Related Party Transactions) within the consolidated financial statements for the year ended December 31, 2024, 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, if any, 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, performance fees, investment and advisory fees, interest expense, 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, 2024.

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, 2024. Cash and marketable securities at December 31, 2024 also included a short term receivable of $5,548 from the company's investment custodian relating to dividends received on behalf of the company.

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 forecasted free cash flows for its current fiscal year (fiscal year 2024-25). Free cash flow is calculated as cash flow from operations of the investee company, less maintenance-related capital expenditures and interest expense. References to normalized free cash flow refer to forecasted free cash flow for the investee company's fiscal year 2026-27.

Proportion of Fairfax India's investments subject to public mark-to-market valuations – 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 $217.6 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 (i) the sum of cash proceeds and cumulative interest and dividends received from monetized Indian Investments, and (ii) cash consideration originally paid for monetized Indian Investments.

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, 2024.

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, 2024. Undeployed cash and investments at December 31, 2024 also included a short term receivable of $5,548 from the company's investment custodian relating to dividends received on behalf of the company.