

# Watsa lines up \$1bn investment for India

## Fairfax CEO Says Modi Country's 1st Pro-Biz PM, Predicts Eco Growth Will Cross 10%

Surojit Gupta & Sidhartha | TNN

V Prem Watsa, often described as Canada's Warren Buffet, is betting big on India after the change of regime. The Hyderabad-born chairman and CEO of Fairfax Financial Holdings has lined up a venture that will invest in India in sectors including grain storage, and will start with an initial corpus of \$1 billion. Unlike several investors, Watsa is sticking to brick-and-mortar, saying the valuations in the "new economy" are very high. TOI caught up with him over the weekend to discuss his investment mantra and India plans. Excerpts...

### You met Prime Minister Narendra Modi. What are your views about the government and India? How is India being viewed by investors?

For the first time in about 67 years, this country has a prime minister who is pro-business, a prime minister with a track record of achievement in Gujarat. I think of Lee Kwan Yew in Singapore; I have said publicly in Canada, Mr Modi is the Lee Kwan Yew of India. It is going to be great for everybody. There are very few countries in the world today that are as exciting as India.

### What are your plans to be part of this growth story?

We have been in India for 20 years. ICICI Lombard was our first investment in 2001. Then a few years ago, we invested in Thomas Cook, IKYA and Sterling Resorts. India has huge strengths but what India lacked was at the top, the ability to understand that business provides employment. We need to open India and the economy up and let people come. I see unlimited opportunity.

### What are the sectors that you find interesting in India?

We believe India is going to have economic growth in excess of 10%. In that environment, what we want to do is what we have done with Thomas Cook. Good businesses, with good, ethical and honest leadership, good track record and we helped them in their acquisition of IKYA, Sterling Resorts, helped them grow, expand. So that's what we want to do. So, it is not any specific sector, it has to be ethical management, honest management, strong track record and leadership that does not want to sell and retire, wants to build. We will back these types of businesses.

### So, you are looking at companies and not sectors?

We are keeping it broad. We are keeping it open. It could be infrastructure, could be companies, public companies, private companies. Smaller companies as opposed to bigger

companies, which will grow and provide services to the average Indian. So, for example, a company in Europe is doing very well. It is 100 years old and manufacturing there. It does not make sense to manufacture in Europe. It is owned by a private equity firm. We could buy it and get the manufacturing here to India. Design in Europe and manufacture here in India, servicing global clients but make it in India. So, this is the kind of thing we are thinking. We won't get into commodity businesses like steel, copper that's not our expertise, but anything on the service side we will get in.

### Do you want to bring the restaurant business to India?

#### ON WHICH BUSINESSES HE WILL BACK |

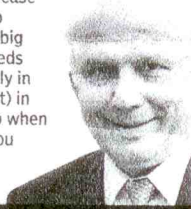
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PREM WATSA | CHAIRMAN & CEO, FAIRFAX FINANCIAL HOLDINGS

We want to get the best and the brightest in North America to India. (In the) restaurant business, we have some of the best franchises. There's a steakhouse in Canada called Keg restaurants. It's perhaps the best brand in Canada. You have William Ashley, which is 50-60 years old. You have Cara that is 135 years old. We will look at bringing it here sometime just like with insurance. We expect to bring those over time to India and the world.

### What is your assessment of the insurance sector? Is the FDI cap holding up some investments?

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### Do you have a figure in mind on investments in India?

We are looking at creating a separate company and investing to the tune of approximately \$1 billion with our money. It will be a separate company only for India. We will tell you more in the next few weeks.

### What about e-commerce?

Indians have gone to Silicon Valley, they dominate many companies. But, I am not in that area. I think valuations are perhaps high. Indians are going to do really well in e-commerce but that's not our field.

### In the past, you had talked about "speculative excesses". Are valuations a big worry?

If you look at the valuations of \$30-35 billion and very little sales, no profits, losses - I have seen speculations like that. It happened 12-13 years ago with the dot.com bust. When they drop, they don't drop 30%, 50% - they drop 90%. In China, there is massive real estate speculation and I have said it in our annual report. In these

bubbles, you never know when it will break. So, you can see the bubbles in China in real estate, in US in high-tech area.

### What about online retail, cab companies, the other pieces of the consumption story?

I don't follow them very much but the valuations are very very speculative. It is based on your audience and what you will do, not what you have done. Google is a great success story so Uber is next Google, Tesla Motor is next Google. Everyone extrapolates that but it may not be. For Whatsapp, Facebook paid \$19 billion for a company that had 50 employees and \$20 million in revenues. Unbelievable. Only in the stock market can you get valuations like that.

### Is it a fair assessment to make that you are brick-and-mortar investor, not betting too much on the new economy?

Yes, that's a fair comment. We don't think our expertise is in that area. There's lots of opportunity but that's not our expertise. Our expertise is brick-and-mortar and services - travel services, human resource services through IKYA, resorts and all that.

For the full interview, log on to [timesofindia.com](http://timesofindia.com)