

## Fairfax India to buy 74% stake in agri-warehousing firm National Collateral for \$125M

Its Canadian parent owns stake in Africa's largest grain storage company AFGRI Holdings.

Canadian investment giant Fairfax has inked a deal to buy 74 per cent stake in National Collateral Management Services Ltd (National Collateral) through its newly created India-focused investment unit for Rs 800 crore (\$125 million), it said.

This comes as back-to-back investment decisions after Fairfax India Holdings Corporation (Fairfax India) made an open offer to buy up to 26 per cent of Carlyle-backed financial services company IIFL Holdings Ltd (formerly India Infoline) for Rs 1,621 crore (\$255.4 million) last week. The success of this move depends on various factors, including movement of share price of IIFL as it is a listed company. Therefore, National Collateral happens to be the first negotiated deal for Fairfax India.

Fairfax India, which raised \$1.06 billion early this year through an IPO in Toronto Stock Exchange with anchor investment from Fairfax, said the National Collateral transaction is expected to be completed later in 2015.

National Collateral is a leading private-sector agricultural commodities storage company that has been operating for over 10 years and is now preparing to expand to take advantage of the market potential in the under-developed agricultural storage industry. The company operates in the mid-stream agriculture value chain by offering solutions in grain procurement, testing, storage and collateral management.

It is present in 12 states across India and its warehouses manage as many as 42 agricultural commodities. National Collateral also offers storage services for non-agricultural commodities and inventories.

"We are looking forward to investing in National Collateral which, under the leadership of CEO Sanjay Kaul will continue to build on its position as the largest private-sector agriculture warehouse and grain collateral storage company in India," said Prem Watsa, the India-born chief of Fairfax Financial and chairman of Fairfax India.



"National Collateral has an impressive management team, and our long-term approach to investing will allow it to take advantage of the substantial market potential in India by offering competitive, market-driven solutions for India's agriculture warehouse and grain storage industry," he added.

IDFC Securities was the financial advisor to Fairfax India on this deal.

The Canadian investment firm said it was also aided in terms of due diligence by a group portfolio firm AFGRI Holdings, Africa's largest grain storage company, which has been in business for over 90 years. Fairfax Financial, Fairfax India's controlling shareholder, owns 40 per cent of AFGRI.

Incorporated in 2004, National Collateral is governed by an independent and professional board. It counts IFFCO, Rabo Equity, IFC, Karur Vysya Bank, HAFED, NCDEX, Punjab National Bank, Corporation Bank, Bank of India, Canara Bank, HDFC Bank, ACE Geneva, Indian Bank and YES Bank as shareholders.

Fairfax India did not say it is investing afresh in the company or buying stake from some of its existing investors. Its statement, however, indicated that it is buying the stake from some of the non-bank investors.

It said it will collaborate closely with the continuing National Collateral shareholders, which include NCDEX and a number of Indian banks. Kaul and his team will continue to manage National Collateral.

Fairfax as a group had acquired majority stake in Thomas Cook India three years ago and has been using it as a platform to buy other business services firms. Fairfax also holds 26 per cent stake in ICICI Lombard General Insurance Co.