

# Cohesion MK Best Ideas

The India Diaries

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**Cohesion**  
Accessing India's Growth



## Catching the tailwind

As a lifelong lover of boats, I can tell you that it's a lot easier to have tides and currents working with you than against you. At times, we have no alternative other than to batten down the hatches, but given a free choice, it's always better to have the elements on your side. That's one of many reasons I love investing in India and have such a large share of my family's wealth invested there. There are incredibly powerful demographic and societal long-term trends in place. It's like having wind and tide all working in your favour.

However, even within an ocean that is broadly rising, there can still be currents that are moving more quickly. Get on one of those at the right time, and you can feel the boat come alive beneath your feet. My business partner, Madhu Kela, is a great believer in identifying such currents within the Indian economy and market. Each year, there are companies that just catch the current. Anyone who has ever been in business will know that wonderful feeling when you jump out of bed, excited to be going to the office because everything is going your way. We have been lucky enough to spend time with Dr. Habil Khorakiwala (Founder & Chairman) and Dr. Mahesh Patel (Director, Drug Discovery Research), of **Wockhardt**, one of the most exciting pharmaceutical companies not only in India but anywhere in the world at the moment. Dr. Khorakiwala has built Wockhardt into a strong research focused business since 1967, and combined with Dr. Patel has also built a strong innovation pipeline focused on antibiotics since 1999. Wockhardt isn't an embryonic biotech business. It delivers solid annual revenues of circa US\$ 350m, supplying essential drugs, including vaccines and insulin, globally. This core business provides a reasonable backstop to Wockhardt's value. Even without the exciting optionality in their pipeline, their business would still be attractive, which limits the downside of our investment.

When looking at pharmaceutical company pipelines, it's important to ask several important questions. How likely is it that the new drug will ever get approved by regulators? How long may that process take? How big is the market opportunity if the drug is successful in gaining regulatory approval? In the case of Wockhardt, I'm hugely excited by the answer to these questions.

Wockhardt has a broad pipeline of drugs at various stages of approval, but the one that is starting to get a LOT of attention is **Zaynich**. Wockhardt is widely recognised as a world leader in antibiotic research. I was amazed to learn that 12 of the 15 top firms engaged in antibiotic research have entirely vacated the space, despite a desperate need for new ones.

Remarkably, Zaynich will be the first structurally new antibiotic to be launched since 1987. Truly new breakthroughs are rare in medicine, and antibiotics are no exception. In line with this, the FDA has granted Zaynich QIDP (Fast Track) Status. Whilst there can be no certainty regarding the drug's commercial journey, hopes are high. It has now been filed with global regulators for approval, and Phase 3 trials have shown it has worked very well, with a circa 97% clinical cure rate. It has outperformed the current gold-standard hospital antibiotic. It has even worked against carbapenem-resistant infections.

Zaynich isn't just another antibiotic; it targets one of the biggest unsolved problems in modern medicine: antibiotic resistance. Antibiotic-resistant immunity-related deaths account for around 5 million per annum. To put this in context, that's about the same number of people who die from lung cancer or strokes. Zaynich is designed to kill some of the nastiest bacteria that survive the current "last line antibiotics" and which are all too common causes of pneumonia, bloodstream infections and ICU hospital infection outbreaks. Health authorities around the world all regard antibiotic-resistant bacteria as one of their top threats, as some patients quite simply run out of treatment options. For this reason, health authorities have granted 85 compassionate-use cases for Zaynich across India, France, Malaysia and the US. There has been a 100% microbiological success in patients who had failed every other available therapy. What's more, Wockhardt has 6 complementary antibiotics, 3 of which are already being successfully marketed. This, with Zaynich as the star drug, gives Wockhardt a very powerful commercial position for cross-selling. We believe there is every chance that Wockhardt could treble its earnings over the next few years, but it may well be more, as it is addressing a US\$ 7bn market in the US and EU that is crying out for a solution.

A fund manager I still greatly admire once coined the phrase "**a cork under water**". The image has remained with me. There are some stocks where it is hard to see how they will sink, other than temporarily, because of market background noise, but multiple powerful factors are pulling them higher. I hope I have given you a flavour of one of these stocks and why I was so excited leaving my meetings in India last week. **We have a whole portfolio with similar asymmetric return opportunities**, and I look forward to sharing them with you.

## **Unstoppable Modi**


Last week, Prime Minister (PM) Narendra Modi celebrated a landslide win for his Bharatiya Janata Party (BJP) in West Bengal, winning 207 of the 294 available seats in a region traditionally dominated by opposition parties. In 2021 they won just 77. Indeed, this is the first time ever that the BJP has won in this region. West Bengal has been a relative laggard for some time and there is now an expectation that the BJP can turn this massive region of 100m people into a further major driver of growth for India.

In the Western world, I see leaders who become progressively less popular over time. PM Modi, despite being in his third successive term in office, remains wildly popular. His victory has been widely viewed as a sign of continued public confidence in PM Modi's leadership, commitment to clean governance and delivering on his election promises. Political analysts credited the BJP's success to its focus on infrastructure projects, digital innovation, economic reforms, welfare schemes, and efforts to improve public services. In a politically volatile world, it is comforting to be under the stewardship of someone who enjoys such stability.

**For further information:**

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