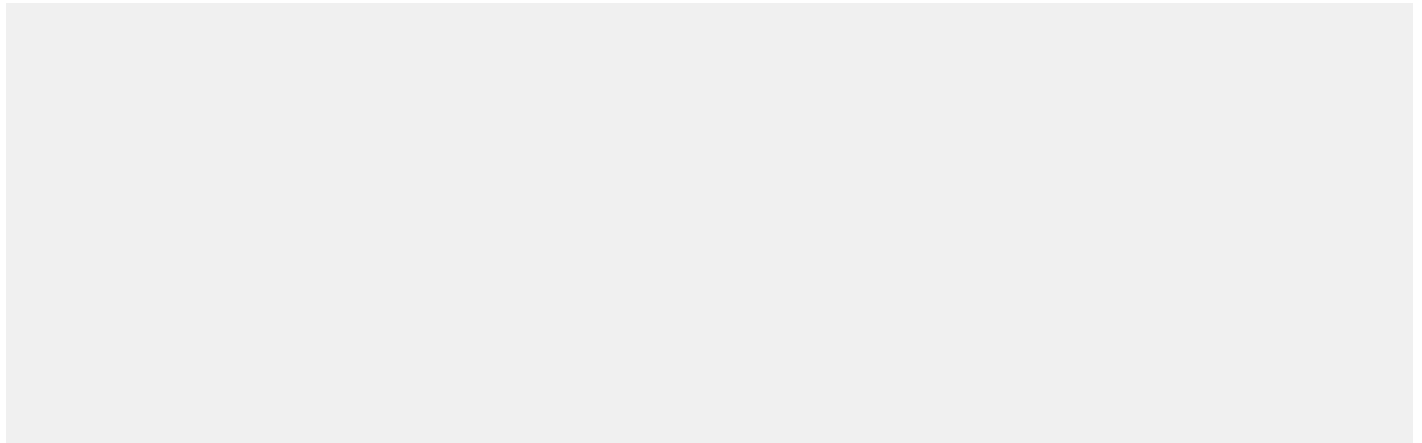


Interview with Dev Ashish Bakshi, Managing Director, Tapasya Engineering Works



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One trend we have seen taking place over the years is that, today, Indian machines are far better in quality and in par with international standards, than 15 years ago. How have you seen the Indian pharma machinery industry evolving over time, and where does it stand today?

India is not an emerging market anymore, but is today a market that has emerged. With rising cost containment pressures, the world was compelled to look eastwards, where India and China came forth as the two main options. India stood out for the simple reason that it is very strong in process technology, that could very easily translate the process requirements into real-time machine features.

Around 1997-1998, India became aware of the fact that, if it wanted to cater to the world market, it needed to be at par with the world style of business and the international standards of quality. This was the turning point when organizations across the pharma machinery industry started to get their equipment tested for CE certification, Intertech certifications, and so on. The objective was to meet European standards, because that was where the best pharmaceutical equipment was coming from.

After the US and Europe started to focus on India for production because of its lower production costs, Indian manufacturers inevitably had to upgrade their machinery to become at par with international standards. In terms of manufacturing and product quality, India has reached this goal

today.

Do you see the lower cost base as a durable comparative advantage, as India's costs are also going up in the future?

In terms of pharmaceutical manufacturing, India's cost is now substantially higher than a few years back. In terms of pharmaceutical machinery however, India's costs are still far below those of our European counterparts. I can safely say that, even today, we can offer a 50% cost reduction to the European products, with manufacturing in India according to European design.

How has the evolution of becoming at par with international standards affected Tapasya?

We have been the leaders in granulation technology for the last 20 years in India. The last financial year that ended on March 31st, 2011, 60% of our production went for exports. Companies such as Tapasya Engineering Works quickly altered their products during said evolution, in order to cater to the European markets. Further to that, we became pro-active at understanding the customers' requirements in those markets.

Overall, what have been the main growth drivers for Tapasya?

The main growth drivers for us have been the commitment and consistency in quality. New product development has been a key growth driver for our organization. As part of our policy, we do not go for more than 5 to 7 customers per year, but we have still grown from year to year, because we have delivered consistent quality that went beyond customer expectations. For sanofi-aventis for example, we are the preferred vendors of granulation equipment worldwide.

With over 800 manufacturers in the Indian market alone, what position have you been able to take?

In the granulation niche, we have 32 competitors. As per a recent third-party market survey on this niche, it was shown that Tapasya Engineering Works now has conquered 25% of this market.

What is your biggest challenge to defend this market share?

The biggest challenge for us is to improve our response times. In the earlier days, the timeline of conceptualization to project completion would take approximately 20 months. Today, the customers want to go through this entire process in just 10 months. This is one of the reasons we are enhancing our capacity and hiring more people. While we had only 2 manufacturing facilities 2 years back, we now have 4, with the 5th now being finalized. We want to reach a position where we can offer the customer off-the-shelf equipment, which can reduce their start-up time.

A lot of Indian manufacturers have looked abroad to stay updated with the latest trends in machinery. To what extent have you reached out in that sense?

We have been traveling all over the world to investigate what sort of quality the end-user of the product desires, and to find out what our competitors have delivered on. Tapasya has teams that travel to do its research, which has led to some great achievements in recent years.

This is exactly why we also have international brands approaching us for cooperation.

There is of course also the JV with KORSCH. Can you elaborate on its importance for Tapasya?

This JV was set up about 8 months back, and is aimed at creating a win-win situation for both companies. Cost containment pressures are not only being experienced in the Western world, but now also in the East too. There are so many products that these manufacturers produce, which are beyond the affordability of 80% of the users around the world. When the Western world uses India as a manufacturing base, they can not only source the human intellect at a much lower cost, but also source components that are being made in this part of the world, thus effectively bringing down the cost of the product. This, in turn, increases the affordability of the products and gives our customers a bigger market share.

From a wider perspective, it is worth mentioning that India has 22,000 pharmaceutical companies. However, realistically speaking, there are only 200 to 250 companies that can buy these Western products at Western prices. When you rationalize the product by geographically lifting manufacturing to a cheaper location, you increase the customer base because of a greater affordability of your products. At the end of the day, you will end up with higher sales and higher profitability. It is a win-win situation.

You already mentioned that the Western world was forced to look Eastwards, not only at India but also at China. What do you see as the competitive edge of Indian manufacturers over their Chinese counterparts?

The cost of manufacturing in China is far lower than in India, and the volume manufacturing capacity of China is far higher too. In spite of that, China has not been able to penetrate into the pharmaceutical machinery segment.

The biggest barrier they have is the language. Second, is the consistency of quality. Third is the lack of understanding of a process. Fourth and last is the lack of commitment. In addition to that, there is a lack of documentation, customer focus and after sales support. Overall, I feel that there is a lacking integrity on their products.

After sales support has definitely become more important in operating and maintenance processes. How does Tapasya aim to deliver a prime service to its customers?

It would not be an understatement, if I would say that Tapasya Engineering Works has always created benchmarks for this industry. Apart from that, we have also created benchmarks for ourselves.

Today, we are struggling with our customer support, which is why we have more people coming in to fill in this gap. In the past year, we added roughly 30 people, while another 7 are being added in these days.

How do you now see the expansion strategy of the company?

We already have one joint-venture, with 2 more coming. These will increase our product profile. We are not diversifying into any different products, but products that are down-the-line solutions. With these additional products coming in, we are expecting a growth of at least 100% for this financial year.

Where do you see yourself taking the company in the next 5 years?

The target for Tapasya Engineering Works is to become a Rs. 750 crore company in the next 5 years to come.

Do you have any final message for our readers?

First of all, the world needs to look at the "India brand". The level of education and intellect is one of the highest in the world in India. With the growth that we have shown as an economy, consider us seriously as a player that is here to stay. Use us as a partner in your growth, rather than looking at us as competition

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