

## So how much discount you are offering on SPM? Final Bolo Abhi!

By Harshwardhan Gupta

A Special Purpose Machine (SPM), or an automation device is not quite a color TV, or a washing machine, or a bag of Basmati rice. I am amazed at the sheer number of qualified, experienced people who think that a specific SPM is a commodity just like any other. Quite to the contrary, an SPM is something that you commission an expert engineer to conceive, design and make, either to expand your capabilities, productivity, or to reduce your own costs.

One so often hears the catch phrase – win-win situation, but selling SPMs and automation in India is so very often a TOTAL lose-lose situation. Just like in Alice's Wonderland, in the World of Indian automators and special-purpose machinery builders, one has to run very fast to stand in the same spot.

The purchase chief, or even the owner, first drives the really competent guys out of the race, and then pits one "SPM Fitter" against another to get the "best" bargain. The automation or the SPM may be desperately needed by the buyer to survive by reducing costs, but the Purchase Chief has to show the Boss how he has tamed the SPM lion and has taken out 22.35% of its teeth! Effect? The "winner" cuts costs by cutting corners and stealing ideas from others. This Fitter finally delivers a watered down SPM after repeated delays. Now the poor toothless lion cannot perform well, so it soon becomes a White Elephant. Then the export orders suffer. The investor pulls out and loses all faith in these "newfangled" ideas. "Our old method only was better." Who is the winner here? The "smart" buyer?

The following situations recounts some of the tactics Indian SPM buyers employ, and some of the self-defeating attitudes they have, and will die

but not give up (The ludicrous part is not the language, but the self-destructive attitude. Italics are mine):

- "And it must be very cheap, okay? We don't want posh, safe, silent, good-looking and all that, okay? Ekdum simple (read Absolute junk), but it has to work day and night, okay?"
- "Make it cheap and simple? Nothing fancy!" (Not realizing that making something simple and cheap for the first time is difficult and time-consuming, and therefore a relatively more expensive exercise.)
- "I have feeling your idea will not work. Explain your idea to me how it will work?" (So the concept can be stolen and given to a "cheaper" guy to execute. Slowly, the good SPM maker leaves the profession in sheer frustration.)
- "You don't trust us or what? You are not giving idea only? Without getting idea how we will decide?" (Not realizing that ideas once given are gone forever.)
- "Explain your costing to me why it is so high? Nobody is making profits today, so why should you? You know today's market condition no?" (So the high but absolutely normal overheads of an SPM maker are then ripped apart, and his profits reduced to negative numbers.)
- "Why you are using such high-quality bought-outs from big-big names? We are using "commercial" grade only!" (Now the quality and reliability takes a beating, but money has been saved!)
- "We want delivery in 2 weeks only ok? We cannot wait for your 4 months. If you can give it in 2 weeks take advance otherwise forget it." (Talking about it back and forth, mainly on the price and specifications has taken more than 6 months, incidentally. And quotation was required within 2 days.) "Then if you are delivering in 2 weeks, why you want advance? Our payment processing itself takes 6-8 weeks because we are big organization. Then credit period starts."
- "See I don't want Mercedes, I am ordinary person. I want cheap machine only" (At the

same time his wife would actually be shopping in the city in a Mercedes.)

- “12 Lakhs? No no no, this is absolutely exorbitant (read “exorbitant”). Our budget is 3 lakhs only. Above that it is totally uneconomical!” (If the machine builder had said 3 lakhs, the buyer would have countered with 0.5. The buyers often have no idea of a “budget” but this is just a tried and tested way to bargain, just the way you haggle in a fish market. In reality it may be so that even the raw material cost is above 5 lakhs. And the buyer doesn’t even know how to properly calculate Return on Investment.)
- “Imported machine is 8 lakhs; so Indian machine should be not more than maximum-to-maximum 2 lakhs.” (The “imported” machine is an off-the-shelf product so it is relatively cheap, a one-off Indian prototype would at least cost the same, if not more.)
- “We will give him wrong idea first, then he will explain how it will not work and then he will reveal his good idea. Best way to take out idea from these big big consultants. Then who wants to employ them? Our Rajesh will get it done in half of half price“
- “Lets get quotation for atomization (read automation) machine no? Just for idea only! Our manual system is actually working quite ok, only Munnabhai Mistry is remaining too much absent nowadays.” (So the poor SPM maker spends sleepless nights over this “challenging” problem, all for nothing.)
- “What, our Indian engineering, design and manufacturing costs are just 10% of cost in foreign. There everything is so costly! I had gone in summer. Just drinking water costing 185 rupees one liter. I don’t understand why you are giving such high quotations?”
- “No, no, you immediately make visit to our Ahmedabad factory and study and give us quotation on the spot only, as our MD has said this atomization project is top priority. So when you are coming? Day after tomorrow you come because tomorrow I am not there. Take night train from Bombay. Rush is there I know so you give 4-500 to TT.”
- “Who is this? Who? From? Regarding? What SPM? Achchha, that quotation you sent about 4 months ago? No we have not decided anything so far. Our MD is on foreign trip, so when he comes you give a call. Okay? No his return is not sure when. Thankyou, ya ok ok, bye, bye, ya bye!”
- “Design does not cost so much! Why you are telling like this? Just you make few drawings that too draftsman makes, you don’t make no, you just give idea. So why you are charging so much? So design part of cost should not be so much, should be zero only, design you make from profit.”
- “In our line labour is very very cheap, I can get worker at 14 rupees per day for 10 hours, such expensive machine we cannot afford.” Knowing fully well that the consequences of employing such cheap labour are already proving to be very expensive in many other ways.
- “What high quotations you are giving! We also know the costs okay? We also have machine building facility only it is overloaded. If we make, it will cost your one-third! Overheads? No here we calculate by direct cost only. Machine building overheads are added to general overheads only. Why you cannot do like that?”
- “Oh that atomization guy is on the line? Tell him I have gone out of country and will come back end of next month only. Once we give inquiry how much they are following up. Should not have given inquiry only.”
- “Don’t waste money in covers and guards and fancy all that. That we will do.”
- “You are getting entry in our organization no? So this time you do in loss next time we will adjust you. What is there you will make little loss but you will get entry no?” (As if one is getting an entry in some Bollywood superstar’s home. The next time then never comes, or one of the above lines is used to bargain all over again.)
- “If you cannot make machine work in 2 days we will take it and ask our fitter to adjust and take trial. You may be IIT graduate but he is expert.”

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(The short and sweet path to ruin a new concept completely.)

- “Don’t even talk about advance, our MD ji has issued circular last year only. And against 80% payment on delivery you have to give bank guarantee, and last 20% after one year only. These are terms for everybody not only you.”

In these and more ways, just how so many SPM buyers harm their own business interests so casually, is beyond this author’s comprehension.

As I said, an SPM is something that you commission a professional engineer to make, and

if you push him into a corner, you will finally find that you have painted yourself into another corner. Would you deal in the same ways with your doctor or your lawyer?

Now all the sellers will say, “Wow, he has hit the nail on the head.” But if this writing causes even a small awareness of his follies in even one buyer, the author would be the happiest person.

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The author is a graduate of IIT Bombay in Mechanical Engineering. He has been designing machines since 1976. He founded Neubauplan Machine Design Studio, an independent consulting machine-design firm in 1981 in Pune. He can be reached at [harsh@neubauplan.com](mailto:harsh@neubauplan.com) or through his website at [www.neubauplan.com](http://www.neubauplan.com)