

Internship Report On  
Supply Chain Management Practice in Eskayef Pharmaceuticals Limited

By  
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An internship report submitted to the BRAC Institute of Governance and Development (BIGD)  
in partial fulfillment of the requirements for the degree of  
Masters In Procurement And Supply Management (MPSM)

BRAC Institute of Governance and Development (BIGD)  
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## **Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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**Mir Mehbubur Rahman, MCIPS**

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## **Letter of Transmittal**

Mir Mehbubur Rahman, MCIPS  
BRAC Institute of Governance and Development (BIGD)  
BRAC University  
66 Mohakhali, Dhaka-1212

Subject: Supply Chain Management Practice in Eskayef Pharmaceuticals Limited

Dear Sir,

It is my pleasure to present this report on “Supply Chain Management Practice in Eskayef Pharmaceuticals Limited” which I was appointed by your direction. Currently I am working at this organization as Deputy Import Manager in Department of Commercial & HR. I have prepared this report with knowledge acquired from the courses of MPSM and my work experience from this organization.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

I trust that the report will meet the desires

Sincerely yours,

---

Md. Fahad Nazmul Chowdhury

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BRAC University

Date: August 01, 2021

## **Non-Disclosure Agreement**

This agreement is made and entered into by and between Eskayef Pharmaceuticals Limited and the undersigned student, Md. Fahad Nazmul Chowdhury at BRAC University.

As I am currently working at the organization, I have the access to the company information that are confidential. I agree that I will keep all the information strictly confidential and will not share with anyone outside of the organization.

---

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Date: August 01, 2021

## **Acknowledgement**

I want to show my gratitude to my internship program supervisor Mir Mehbubur Rahman, for giving the opportunity to submit this internship report on “Supply Chain Management Practice in Eskayef Pharmaceuticals Limited”.

I would like to thank my work- place supervisor Md. Mohsin Reza, General Manager Supply Chain for providing all the necessary support during preparing this internship report.

Finally, I would like to show my gratitude to the management of Eskayef Pharmaceuticals Limited to give me the opportunity to be a part of this esteemed organization.

## **Abstract**

This report focused on the supply chain management practice by Eskayef Pharmaceuticals Limited. SK+F has become a leading pharmaceutical company through good management practice, expert professionals, good working environment and delivering quality medicine to its end consumers. This report starts with the history of SK+F, company structure and hierarchy, products.

Industry analysis was done considering PESTEL and Porter's Five Forces model. There are some challenges this industry, for example, supplier has more bargaining power than buyers, threat of substitute product is also existing. On the other hand, political, economic, sociological, technological, environmental and legal condition of Bangladesh is favorable for Pharmaceutical industry. SK+F can take advantages from these factors.

Brief discussion was done about the commercial department's structure and responsibility, spend analysis of commercial department, segmentation of procurement process based on Karljic Matrix and supply chain network.

Finally, based on the overall analysis recommendation was suggested for betterment of the company.

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## List of Acronyms

|               |   |
|---------------|---|
| SK+F          | Eskayef Pharmaceuticals Limited                           |
| GM            | General Manager   |
| ED            | Executive Director  |
| HR            | Human Resources   |
| POD           | Purchase Order  |
| PFI           | Proforma Invoice  |
| LC            | Letter of Credit  |
| CNF           | Clearing & Forwarding                                     |
| MKT           | Marketing   |
| F&A           | Finance & Accounts  |
| BOE           | Bill of Entry   |
| FOB           | Free on Board   |
| EU GMP        | European Union Good Manufacturing Practice                |
| UK MHRA       | Medicines and Healthcare Products Regulatory Agency of UK |
| TGA Australia | Therapeutic Goods Administration of Australia             |
| UAE GMP       | United Arab Emirates Good Manufacturing Practice          |
| VMD UK        | Veterinary Medicines Directorate of UK                    |
| ERP           | Enterprise Resource Planning                              |
| R&D           | Research and Development                                  |
| MIS           | Management Information System                             |
| QC            | Quality Control   |
| QA            | Quality Assurance   |
| DGDA          | Directorate General of Drug Administration                |
| GMP           | Good Manufacturing Practices                              |
| API           | Active Pharmaceutical Ingredient                          |
| RDP           | Rolling Dispatch Plan                                     |
| MRP           | Material Requirement Plan                                 |
| CAD           | Cash against Documents                                    |
| TT            | Telegraphic Transfer                                      |
| SOP           | Standard operating procedure                              |

# **Chapter 1**

## **Overview of the Organization, Operations and Strategic Audit**

### **1.1 Introduction**

Eskayef Pharmaceuticals Limited (SK+F) is one of the leading pharmaceutical companies in Bangladesh focused on producing world class medicine to make it affordable for the mass population of our county. The same medicine is exported in many countries around the world. SK+F has state of the earth manufacturing facility which has been audited by the foreign bodies and received accreditations.

#### **1.1.1 Objective**

Analyze supply chain management practice in Eskayef Pharmaceuticals Limited.

#### **1.1.2 Methodology**

To gather knowledge, we have analyzed resources that are publicly available on website of SK+F.

#### **1.1.3 Scope**

Scope of this research will be to expand individual knowledge by providing information regarding the supply chain operation of SK+F.

### **1.2 Overview of SK+F**

Eskayef Pharmaceuticals Limited (SK+F) is the 6th largest Pharmaceuticals Company (annual turnover above Taka 2400 Crore) of Bangladesh having around 4700 employees. The company was incorporated in 1979 as a subsidiary of SmithKline & French, USA and was acquired by Transcom Group Limited in 1990 in the wake of the merger between SmithKline & French, USA and Beecham, UK. After the acquisition, the new company was named Eskayef Bangladesh Limited. Presently, SK+F is marketing ophthalmic products of world leader in ophthalmic products Allergan Inc. USA. SK+F is one of the eight production sites in the world who produce Insulin for Novo Nordisk Denmark to support the local market. They are exporting products to 21 countries across 4 continents. In 2017, Eskayef changed its name from Eskayef Bangladesh Limited to Eskayef Pharmaceuticals Limited to increase its presence in the international market.



Figure-1: Operational Headquarters, Eskayef Pharmaceuticals Limited



Figure-2: Manufacturing Facility, Tongi Plant

### 1.2.1 Eskayef's Landmarks

1979

---

Incorporation as a subsidiary of **SmithKline & French**, USA

1999

---

Introduction of **Pellet Technology** in Bangladesh

2001

---

Commencement of **Animal Health & Nutrition Division**

2008

---

Achivement of UK MHRA accreditation

Initiation of **Cepha Plant**

2010

---

Attainment of **TGA Australia** accreditation

2013

---

Accomplishment of EU GMP accreditation and Launching of **Eye Care Project**

1990

---

Acquisition of **Smithkline & French (SK&F)**, USA by Transcom

2001

---

Acquition of old Squibb plant at Tongi by Transcom Group

2006

---

Inception of state of the art Tongi plant

2010

---

Starting of Novo Nordisk's **Insulin Manufacturing**

2011

---

Obtention of **VMD UK** accreditation

2014

---


Achievement of **UAE GMP** accreditation

2017

---

Changed the name from Eskayef Bangladesh Limited to Eskayef Pharmaceuticals Limited

### 1.2.2 Eskayef at a Glance

|                  |  |
|------------------|--|
| Company name     | Eskayef Pharmaceuticals Limited  |
| Logo             |   |
| Slogan           | Excellence through quality   |
| Type             | Private Limited Company  |
| Acquisition from | SmithKline & French, USA   |
| Company          | 1990   |
| Ownership        | Transcom Group   |
| Chairman         | Ms. Shahnaz Rahman   |
| MD & CEO         | Ms. Simeen Hossain   |
| Employees        | 4000+  |
| Business         | Pharmaceutical Finished Products, Bulk Pellets, Animal Health & Nutrition Products |
| Distribution     | Transcom Distribution Company Limited (TDCL)                                       |
| Web address      | <a href="http://www.skfbd.com">www.skfbd.com</a>                                   |

### 1.2.3 Mission

To manufacture and supply products with quality and excellency & to contribute to improve the population's health and well-being

### 1.2.4 Vision

To lead the national pharmaceutical market, to be recognized as a multinational conglomerate from Bangladesh and stand out as a model of efficiency & trust to our collaborators, consumers, health care professionals & society

### 1.2.5 Professionals

There are number of highly qualified and trained professionals works at SK+F, such as:

- Pharmacists
- Medical Doctors
- Veterinary Doctors
- Microbiologists
- Aqua Specialists
- Financial Experts
- Business specialists
- IT Specialists
- Engineers
- Chemists & Biochemists

### **1.2.6 Product Category**

SK+F is manufacturing below category medicines:

- Anti ulcerant drugs
- Multi vitamin
- Antibiotics
- Insulin Human
- Therapeutics
- Cephalosporine
- Antimigrant
- Oncology drugs
- Oral Saline
- Ophthalmic
- Feed additives

### **1.2.7 Sister concerns of Eskayef Pharmaceuticals Limited**

- Transcom Ltd.
- Transcom Beverage Ltd.
- Transcom Consumer Product Ltd.
- Transcom Distribution Company Ltd.
- Transcom Electronics Ltd.
- Bangladesh Lamps Ltd.
- Bangladesh Electrical Industries Ltd.
- Transcom Food Ltd.
- Transcom Mobile Ltd.
- Mediastar Ltd.
- Media World Ltd.
- Transcraft Ltd.
- Relience Insurance Ltd.
- Tea Holdings Ltd.

### **1.3 Corporate social responsibility**

SK+F is highly focused on the CSR activities. These activities took place in different forms like, Alleviating the pain & sufferings of Acid Survivors. Under brand Losectil, SK+F allocate fund for the treatment of Acid survivors.

### **1.4 Medical Publications & CME**

Eskayef Pharmaceuticals Ltd. Helps the medical professionals by providing updated scientific & medical information on regular basis. Services are as below:

- Continuing Medical Education (CME) Program
- Responding to Doctors' Queries
- Medical Publications

#### **1.4.1 Continuing Medical Education (CME) Program**

##### **a) International Seminars & Symposiums**

SK+F arranges International Seminars & Symposiums for the doctors on regular basis

##### **b) Clinical Meetings and Peer Group Discussions**

SK+F organizes clinical meetings in different medical colleges regularly. In this meeting participants discuss about various medical issues which is essential for the medical society. It helps the intern doctors to enhance their knowledge.

##### **c) Scientific Meetings with Rural Medical Practitioners**

In rural areas patients are highly dependent on the Rural Medical Practitioners. SK+F arrange scientific meeting to train them.

#### **1.4.2 Responding to Doctor's Queries**

SK+F always helps the doctors by responding to their queries. SK+F has its dedicated medical affairs team to respond on doctor's query with authentic scientific information.

#### **1.4.3 Medical Publications**

Medical magazines are published on regular basis targeting the doctors on different field. It helps the doctors with upgraded information about the medical innovation.



## 1.5 Organizational Structure

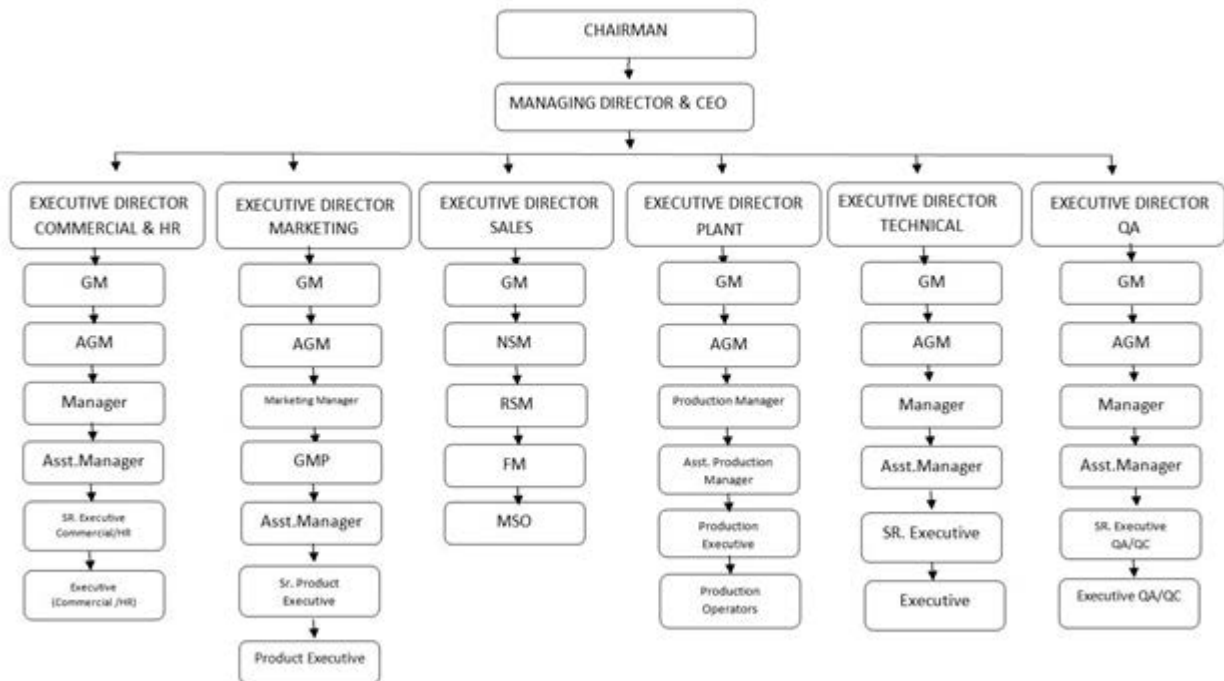


Figure-3: Organizational Structure

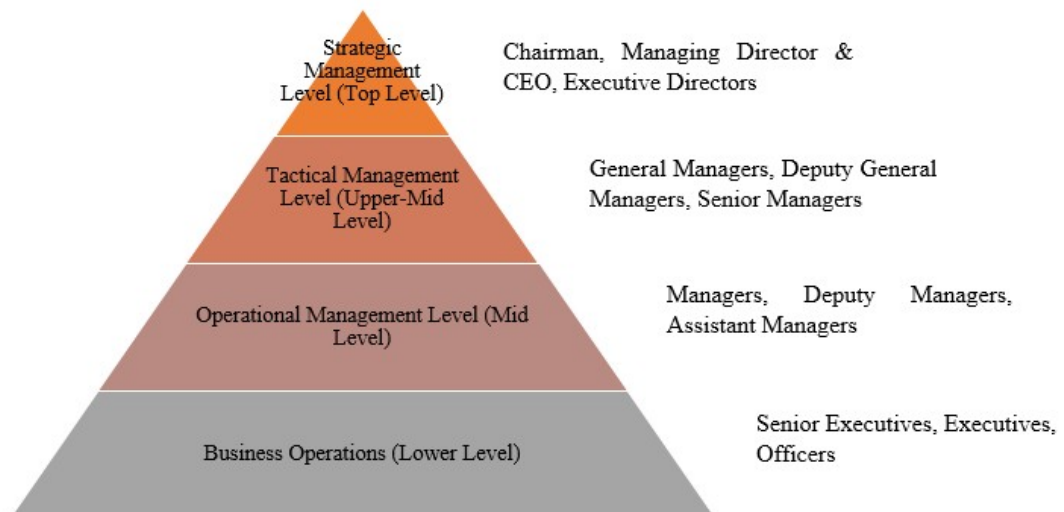


Figure-4: Organizational Hierarchy

Eskayef follows Tall Hierarchy throughout the organization. There are twelve departments which are controlled by Executive Directors of that concerned departments. From the above organizational diagram, we can see that, SK+F maintain basic management approach: chain of

command throughout the company. Concerned executives/management staffs are assigned to report to their designated supervisors. They implement the decisions which are taken by the higher authorities.

### **1.6 Departments of the Organization**

- Commercial Department
- Human Resource and Training Department
- Marketing and Formulation Department
- International Business Department
- Sales Department
- Finance and Accounts Department
- Quality Assurance and Control Department
- Product Development Department
- Analytical Development Department
- Production Department
- Production Planning & Inventory Control Department (PPIC)
- Warehouse

### **1.7 Responsibility and accountability of Commercial Department**

Commercial Department of SK+F is a major operational department who are responsible for all types of purchasing activity. Three major segments of this department are import, local procurement and logistics. Executive Director Commercial & HR is responsible for directing this Department. For every purchase, concerned executives have to take approval from Executive Director Commercial & HR and GM Supply Chain. They are also responsible for taking strategic level decisions regarding procurement. Commercial department have to purchase raw materials for medicine from many countries around the world. Last year this department has purchased BDT 530 Core worth of raw materials. Basing on the requirements of production department, import and local procurement team avail the raw and packing materials for production on time.

Commercial department has dedicated team who are responsible for assisting executives of marketing team to select suitable vendor for local promotional literatures. This selection process is conducted through tender. SK+F maintains a database of vendors, who are selected after fulfilling all the required criteria of the organization. Logistics team is responsible for selection and providing promotional gift items for the doctors.

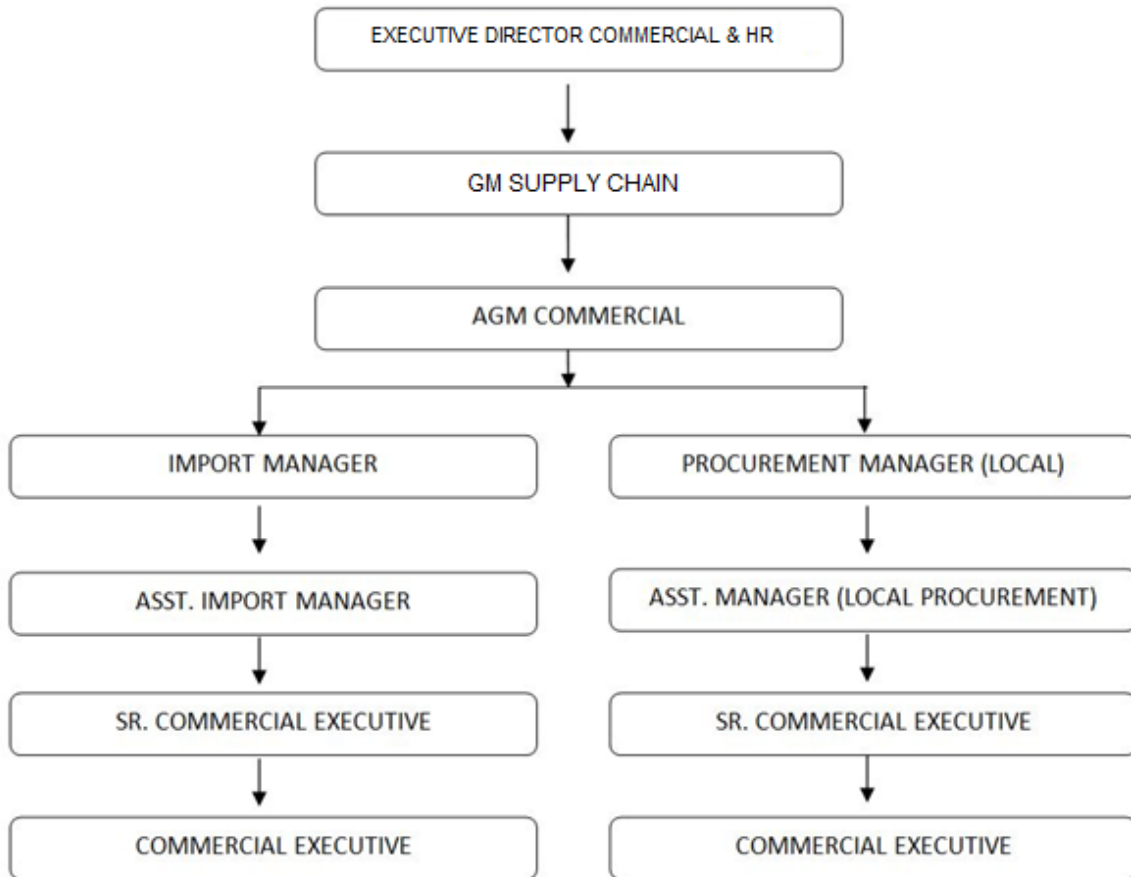


Figure-5: Structure of Commercial Department

Executives has to work closely with F&A Department, CNF agents and Customs authority to facilitate smooth delivery of the imported materials. After receiving assessment documents from customs house, executives send it to F&A department for customs duty payment.

## Chapter 2

### Industry and Competitive Analysis

To serve the demand of local market and overseas pharmaceutical companies in Bangladesh are using most advanced technology. Currently pharmaceutical companies in Bangladesh are manufacturing expensive and lifesaving medicines like insulin, hormones and oncology drugs in their facilities. Many companies are working as local contract manufacturer for world renowned companies. For example, SK+F is locally manufacturing Insulin product for Novo Nordisk, Denmark. This type of agreement involves tech transfer process, which make local manufacturer more efficient. Local manufacturers are fulfilling more than 90% of local market demand. After fulfilling the local demand, many companies are also exporting these medicines in different countries like Africa, Europe and other Asia countries.

There are currently 199 Allopathic Drug Manufacturers are registered by DGDA.

Other types of drug manufactures like, ayurvedic drug manufacturers, unani drug manufacturers, herbal drug manufacturers, homoeopathic & biochemic drug manufacturers are also functional in this sector.

Below is the list of top 10 medicines which are produced by different local manufacturers:

- 1 Seclo (Omeprazole)
- 2 Sergel (Esomeprazole)
- 3 Maxpro (Esomeprazole)
- 4 Pantonix (Pantoprazole)
- 5 CEF-3 (Cefixime Trihydrate)
- 6 Mixtard 30 (Insulin Human & Isophane Insulin Human)
- 7 Napa Extra (Paracetamol & Caffeine)
- 8 Losectil (Omeprazole)
- 9 Napa (Paracetamol)
- 10 Exium (Esomeprazole)

PESTEL Analysis and Porter's Five Forces Analysis frameworks has been selected to discuss about the competitive analysis of pharmaceutical industry.

## **2.1 PESTEL Analysis**

### **2.1.1 Political Factors**

Political stability in Bangladesh has prepared favorable environment for pharmaceutical industry. Companies are more focused on smooth production and delivery rather than worrying about supply disrupt of raw materials due to strikes or hartal that was previously practiced by the political parties. Though sometime labor strikes take place at Dhaka airport or Chattogram seaport which last for a day. The effect of this type of incidents has very low impact on delivery of raw materials. Import policy regarding pharmaceuticals raw materials, packing materials and machineries are influenced by political factors.

### **2.1.2 Economic Factors**

Positive economic growth of Bangladesh has played a favorable role for pharmaceutical industry. Now a day's individual spends more money on healthcare, which includes medicines. This indicates that pharmaceutical companies will earn more revenue. Customs duty for vitamin, antibiotics, cephalosporin, insulin, cancer related drugs is Zero in Bangladesh. As a result, these drugs are affordable for the people.

### **2.1.3 Social Factors**

Social factors have very important role in pharmaceuticals industry of Bangladesh. There is a large number of aging populations exist in Bangladesh and they need mediation on regular basis due to health problems. Pharmaceutical companies consider this aging population a profitable segment for business.

Now a day's rate of obesity among the general people has increased due to un-healthy eating habit, stress, lack of physical exercise, long working hour. Due to obesity individuals are suffering from many diseases and health problems which requires medication for treatment. This segment is also contributing to the revenue of the pharmaceutical companies.

### **2.1.4 Technological Factors**

Technological development has helped the pharmaceutical industry to achieve highest level of quality. Companies are investing more in R&D section and inventing new molecules. In Bangladesh SK+F, Square, Beximco are producing world class insulin products. Foreign companies are also investing more on these companies through tech transfer process.

### **2.1.5 Environmental Factors**

Pharmaceutical companies must follow the “National Drug Policy 2005”. According to this every manufacturing site must have water treatment plant, waste must be disposed in dedicated facility.

### **2.1.6 Legal Factors**

Pharmaceutical companies are controlled and directed by the Directorate General of Drug Administration (DGDA). DGDA is responsible for setting the MRP for every drug, approve recipe for launching new generic drugs, approving block list. Companies are also audited by the officials form DGDA on regular basis to ensure Good Manufacturing Practices (GMP).

## **2.2 Porter’s Five Forces Analysis**

### **2.2.1 Threat of new entrants: Low**

Establishing a new pharmaceutical company requires large amount of investment which is a barrier to enter. They also need to take permission from DGDA by fulfilling all the requirements. There are 199 companies are functional in allopathic segment, which is a big number for a country like Bangladesh. Customers are loyal to some specific brand like Napa, Seclo, Losectil. Also, they prefer to buy medicines produced by the top 10 companies. Unless the new entrant introduces new lifesaving molecules, entry is very difficult in the sector.

### **2.2.2 Threat of substitute product: High**

There are many substitute brands are available for individual generic medicine. So, the threat of substitute product is high. Patients follow the advice of the doctors and the chemists. So, the pharmaceutical companies target these doctors and chemist shop to promote their drugs.

### **2.2.3 The bargaining power of buyers: Very Low**

Retail price of every medicine is set by the DGDA. Based on the prescription issue by the doctors, patients buy medicine from the chemist shop. Chemists can give discount to the patients from their allocated commission. Other than that, bargaining power of buyers are very low.

### **2.2.4 The bargaining power of the supplier: High**

Pharmaceutical companies of Bangladesh imports most of the raw materials and packing materials from different countries like China, India and other European countries. These

suppliers control the price and the supply. Switching cost to new supplier is very high, because they need to be audited and fulfill other requirements. As a result, bargaining power of the supplier is high.

#### **2.2.5 Rivalry among the exiting competitors: High**

Top ten companies are controlling the major portion of market share in pharma industry. They are producing and promoting medicines from similar generic group. As a result, competition among these companies are fierce.

## **Chapter 3**

### **Supply Chain Management Practice by Commercial Department**

Eskayef Pharmaceuticals Limited one of the leading pharmaceutical companies in Bangladesh has to purchase raw materials for medicine from many countries around the world. Last year the procurement team has purchased BDT 500 Core worth raw materials, promotional items and machineries. Around 87% of the purchase is imported and rest of the percentage are from local sources.

#### **3.1 Description of Departments**

Commercial department of SK+F is divided in to three major segments (1) Import Commercial (2) Local Commercial and (3) Logistics.

##### **3.1.1 Import commercial**

Import commercial section has six teams. These teams have been formed based on the type of materials, project, purchasing procedure.

###### **a) Pharma Import Section**

This team is responsible for purchasing of raw and packing materials for Tongi and Mirpur plant. They analyses the production plan and check the inventory and based on that they place orders to suppliers. Most of the raw materials are imported from India. There are limited number of producers for specific raw materials and they supply to the rest of the world. As a result, the main sourcing approach for pharma section is single source. For the items which are produced by many producers, SK+F follows multiple sourcing for these items. They follow selective tender procedure. As the team members plan and execute import procedure base on fixed production plan, item variety is low and volume is high, lean supply chain strategy is considered to be the best option.

###### **b) Animal Health Division (AHD)**

There is a dedicated team of two members whose primary responsibility is to avail all types of required materials for the manufacturing unit of Animal Health Division which is located at Rupganj, Narayanganj. They import finished products for direct sell from many European countries, raw materials for formulation from China and India. This division is comparatively



new department at SK+F, the procurement team works closely with the marketing and sales team. Different customers have different specification of premix products, and SK+F needs to supply as per their specification. This market is price and demand sensitive. Collaboration between these departments is very important. Finished products for direct sell are imported through single sourcing approaches. For raw material multiple sourcing approaches is considered. Tender procedure is selective or restricted. As the demand is unpredictable and item variety is high, supply chain agility is the key option for success. To retain the existing customers and deliver the sudden orders, Animal Health Division often sells the goods below the import price.

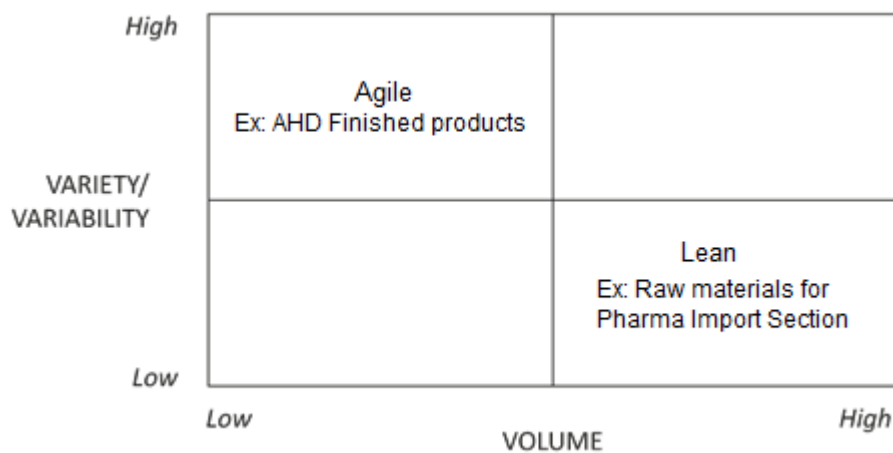


Figure-6: Supply chain strategy based on Lean and Agility

**c) Machineries Section**

Team of 5 members work closely with Finance department and engineering department to purchase capital machineries and spare part required by the production plant. Involvement of money is very high for these types of purchases. Executive Director Technical and Executive Director Finance assess all the requisition for capital machineries and after their approval it is placed on the board meeting. Team members from import department start working for import after receiving the approved requisitions. Single sourcing is followed for purchasing the capital machineries and spare parts. Technological partnership with the manufacturer is also take place for large and complicated machineries.

**d) Project Team**

SK+F has local contract manufacturing agreement with Novo Nordisk, Denmark, Les Laboratoires Servier, France and Loreal, India. These projects are assigned to a dedicated import team. Manufacturing unit for these projects are located at Tongi plant. All the required materials are supplied by these companies. Team members are responsible for issuing LC and

ensure delivery of goods after clearance form customs. For projects, SK+F follows collaboration or partnership approach.

#### **e) Planning Team**

Planning team receive the MRP (Material requirement planning) prepared by the Executive Director Commercial and HR. He cross checks this with RDP (Rolling dispatch plan) and production plan entered in the central database. If the plan is justified then it is distributed among the executives based on their respective products.

#### **f) Clearance Team**

Their main responsibility is to ensure customs clearance after executives submitted the clearance file to C&F agents. They closely monitor the assessment process, ensure duty payment, conduct time to time meeting with customs officers and deliver the goods to warehouse. They also process the bills submitted by the C&F agents.

### **3.1.2 Local Commercial**

Local commercial team has five members and they are supervised by Procurement Manager. They are responsible for purchasing packing materials like Alu foils, PVC/PVDC, shipper, carton and printing materials like leaflets. These items are purchased from multiple sources through open tender, selective or restricted tender procedure.

### **3.1.3 Logistics team**

Main responsibility is to select vendor for promotional gift items which are requested through requisition by the executives from marketing department. These vendors are selected through open tender, selective or restricted tender procedure. They also process the bills submitted by the vendors after the delivery at respective warehouses.

## **3.2 Transection tools used by Commercial Department**

The main transection tool used by SK+F for import is Letter of credit (LC). Depending on the urgency of the material and suppliers request, SK+F also uses transection tools like Cash against documents or Telegraphic Transfer. Among these transection tool, LC is the safest tool. Local materials are purchased by cheque.

Category-wise sourcing approach and transaction tools used –

| Item Category                                 | Sourcing                                      | Transaction Tools |
|---|---|-------------------|
| Raw & Packing Materials                       | Single & Multiple sourcing                    | LC/CAD /TT        |
| Finished goods/Trading items                  | Single sourcing                               | LC                |
| Machineries & spare Parts                     | Single sourcing and technological partnership | Letter of Credit  |
| Local packing materials and promotional items | Single & Multiple sourcing                    | Cheque            |

Banks provide loan facility for LC. SK+F usually gets 90 days and 180 days load facility for raw materials, packing materials and Finished goods/Trading items. 360 days loan facility is available for machineries.

### 3.3 Segmentation of Procurement Operation

Based on Karljic Matrix, SK+F's procurement operation can be segmented as –

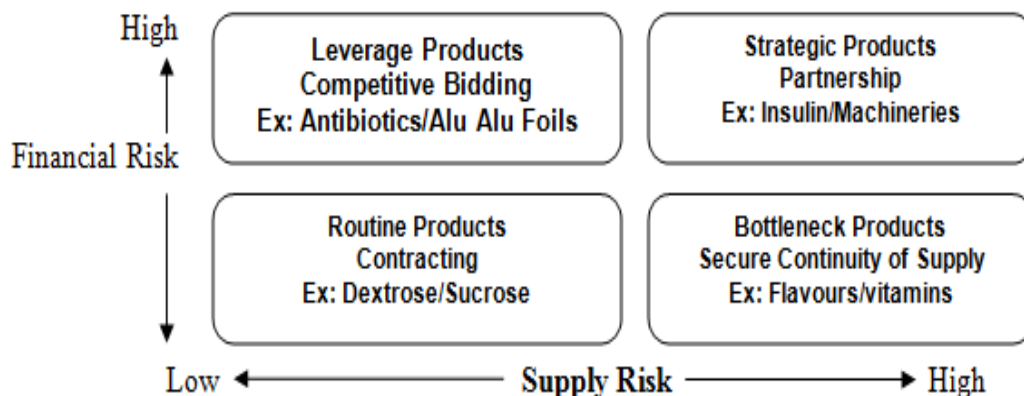


Figure-7: Segmentation based on Karljic Matrix

#### 3.3.1 Leverage Products

Financial risk of these products is high and supply risk is low. As per SOP, four sources can be enlisted for each material. SK+F can take advantage from these suppliers. For example: In China many manufacturers produce Antibiotics and price is also competitive.

### **3.3.2 Routine Products**

Products which are required on regular basis in large quantity. For example: Glucose, Citric Acid, Dextrose, Sucrose, Benzyl Alcohol.

### **3.3.3 Bottleneck Products**

These items have low profit impact on the company but has high supply risk. Due to limited number of alternative sources available in the market, supply of vitamin items become uncertain every year. For example, there are few manufactures who produces Calcium D pantothenate. From European side BASF, DSM and from China Xinfra is the main manufacturer. Normal price of this material is USD 10.00. But almost every year these manufacturers increases the price. And Highest price of this item was USD 800.00.

### **3.3.4 Strategic products**

APIs used in contract manufacturing projects are very expensive. For example, Insulin Crystals for Insulin project and Indapamide for Servier project are very expensive. Purchase approval for these items are given by the top management. Purchase decision of plant equipment and capital machineries are also taken by the Executive Directors.

## **3.4 Supply Chain Network of SK+F**

Planning team receive the MRP (Material requirement planning) prepared by the Executive Director Commercial and HR. He cross checks this with RDP (Rolling dispatch plan) and production plan entered in the central database. If the plan is justified then it is distributed among the executives based on their respective products.

Based on the MRP executives prepare their purchasing plan. For raw and packing materials single and multiple sourcing is considered. As per standard operating procedure each material is allowed have maximum four sources approved at a time. After receiving the MRP, tender is called and lowest bidder is awarded with the order. As the sources are enlisted based on sample test and the manufacturing plants are audited by the SK+F professionals on regular basis, chances of receiving bad quality material is very low.

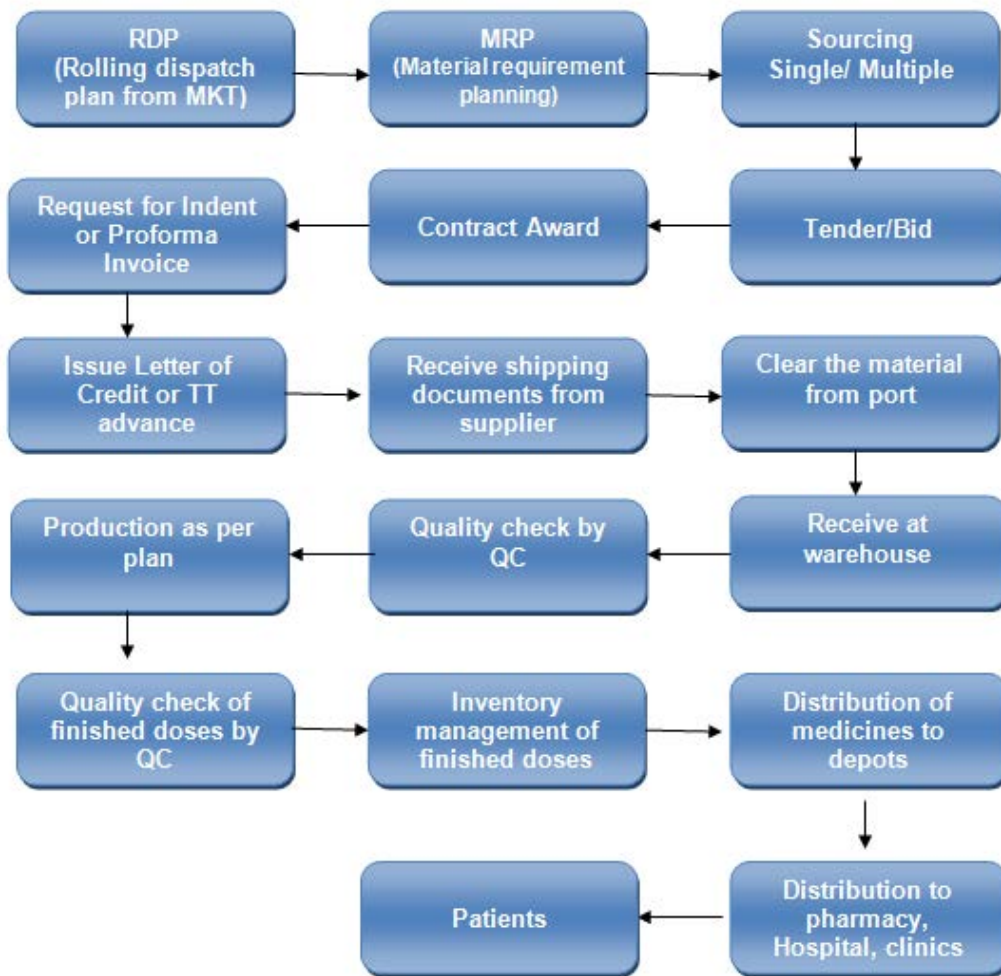


Figure-8: Supply Chain Process of SK+F

For the import of ready for sell finished goods, single sourcing is preferred as these items and their packaging are produced as per SK+F's customized specification. As per requirements of Department of livestock, the manufacturers name must be printed on the products label. So, changing of source or using multiple sourcing will create confusion among the customers.

After supplier receive the order through LC/CAD/TT, they prepare the materials and ship the goods through air, sea or by road. After the material reached port, customs clearance is done by the C&F agents. After receiving the materials from designated ports, executives closely monitor the safety stock of the raw materials.

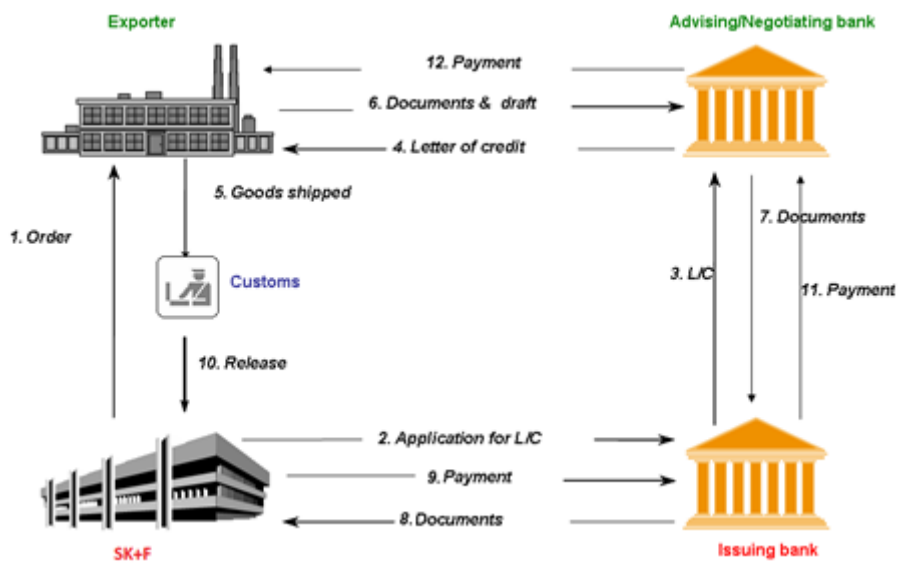


Figure-9: Procurement (Import) Process of SK+F

At warehouse, materials are tested by the QC department and after the materials receive pass tag from QC, production department start manufacturing the finished doses. QC again check the quality of the finished doses and provide pass tag. Based on the requisition from Regional managers Logistics Department arrange the distribution of the medicines to the depots. From there it goes to pharmacies, Hospitals and clinics.



Figure10- Distribution system of SK+F

## **Chapter 4**

### **Findings, Recommendation, Conclusion and References**

#### **4.1 Findings**

In current structure there are some problems exist which hamper the procurement process:

##### **4.1.1 RDP**

A sudden increase in RDP will cause material shortage as SK+F maintain three months stock. As the management is not blocking the RDP for certain months, Marketing department changes their plan almost every month without consulting with procurement team, which causes material shortage.

##### **4.1.2 Single Source**

SK+F sometime face problem with single sourced items. As a result, if the supplier fails to provide the supply on time it will create material shortage.

##### **4.1.3 Customs Clearance**

Problem also exists in clearance point. No other C&F agents can work with SK+F as the management policy allow SK+F to work only with their own C&F agent “Tea Holding Ltd.” in Dhaka and Chittagong port. Total number of employees of Tea Holding Ltd is six. It is very difficult for a company with this number of employees to handle clearance of large number of items. As a result, SK+F has to face penalty for late clearance/demurrage, product shortage.

#### **4.2 Recommendations**

##### **Suitable Strategy For SK+F’s Procurement Structure**

##### **4.2.1 Freeze RDP**

RDP should be freeze for next three months. If it is necessary increase the RDP, then it should be done with consent of procurement department.

##### **4.2.2 Multiple Sourcing**

Pharmaceutical industry is a very important industry as it produces lifesaving medicines for the nation. A shortage of single raw material can stop the production of many medicines. Multiple sourcing can eliminate the chance of raw material shortage. As having more suppliers of a

given raw material will ensure SK+F to avoid supply shortages or disruptions or a supplier failure. SK+F can take advantage of the best available price, as more suppliers in the market will increase the bargaining power of SK+F. There will be a competition between the suppliers, so the quality of the raw material will be high.

#### **4.2.3 Technological Partnership**

Technological advancement will provide the opportunity to innovate new medicine ensuring the quality. SK+F should emphasize on technological partnership with qualified suppliers. They will help with the new technology in the market and introduce a way to increase the quality and quantity of the medicine.

#### **4.2.4 Increase the Number of C&F agents**

Management should enlist more C&F agents for customs clearance purpose. It will divide the clearance load among the agents and materials will be cleared on time.

#### **4.2.5 Lead Time**

SK+F should consider the lead time for each and every material they purchase as shortage of one material will be the cause of shortage of many drug items in the market.

### **Strategy for SK+F's Supply Chain Network**

#### **4.2.6 Strategic Network Design**

Strategic network design will allow SK+F to expand its business by entering into new target market and responding to competitive pressures. For example: SK+F have decided to import Salacgil DS (a finished dose form bolus item for Cattles) to Bangladesh. It is a new market for them as previously they only imported finished dose medicines for poultry and aqua. Now with proper strategic network design they will be able to enter this market.

#### **4.2.7 Tactical Optimization of an Existing Network**

It will allow SK+F to find better way to support planning decisions about the use of facilities, inventory, transportation, source selection and product flow within its fixed network of facilities in order to gain leverage from its existing networks for instant achievement. Tactical planning will help SK+F to plan policies and programs. It will allow the company to set new targets to achieve the long-term goals. For example, availability of Salacgil DS in the market



will requires a new warehouse location to reach customer better, then the tactical plan should allocate resources for the needed facility.

#### **4.2.8 Contingency Planning**

Contingency Planning will help SK+F to handle unexpected events such as a fire, energy shortages, strikes, natural disasters, product recalls or other causes for disruption to supply. One of the most important requirements for the foreign accreditation is having a good contingency planning. This planning will help the company to tackle any unexpected events and save the company from bigger loss.

#### **4.3 Benefits of Proper Network Planning for Supply Chain:**

- a) It will minimize the overall supply chain costs. This includes transportation cost, manufacturing cost, inventory management cost and raw material supply cost.
- b) Companies will be able to identify the total delivered cost for every customer and product.
- c) It will improve companies' profitability through identifying the way of serving customers demand through Supply Chain network.
- d) Helps to minimize overall company's expense through better utilization of existing assets.

#### **4.4 Conclusion**

Proper network planning and procurement structure will allow SK+F to minimize its overall cost and help it to avail the materials on time. It will give competitive advantage over its competitors. As large amount of money is involved in procurement sector, right utilization of procurement structure will save large amount of money and increase the profit to the company. Proper implementation of network planning for supply chain will allow SK+F to emphasize various business operations that manage the delivery of products to customers.

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