Impact of GST on Supply Chain

An understanding..

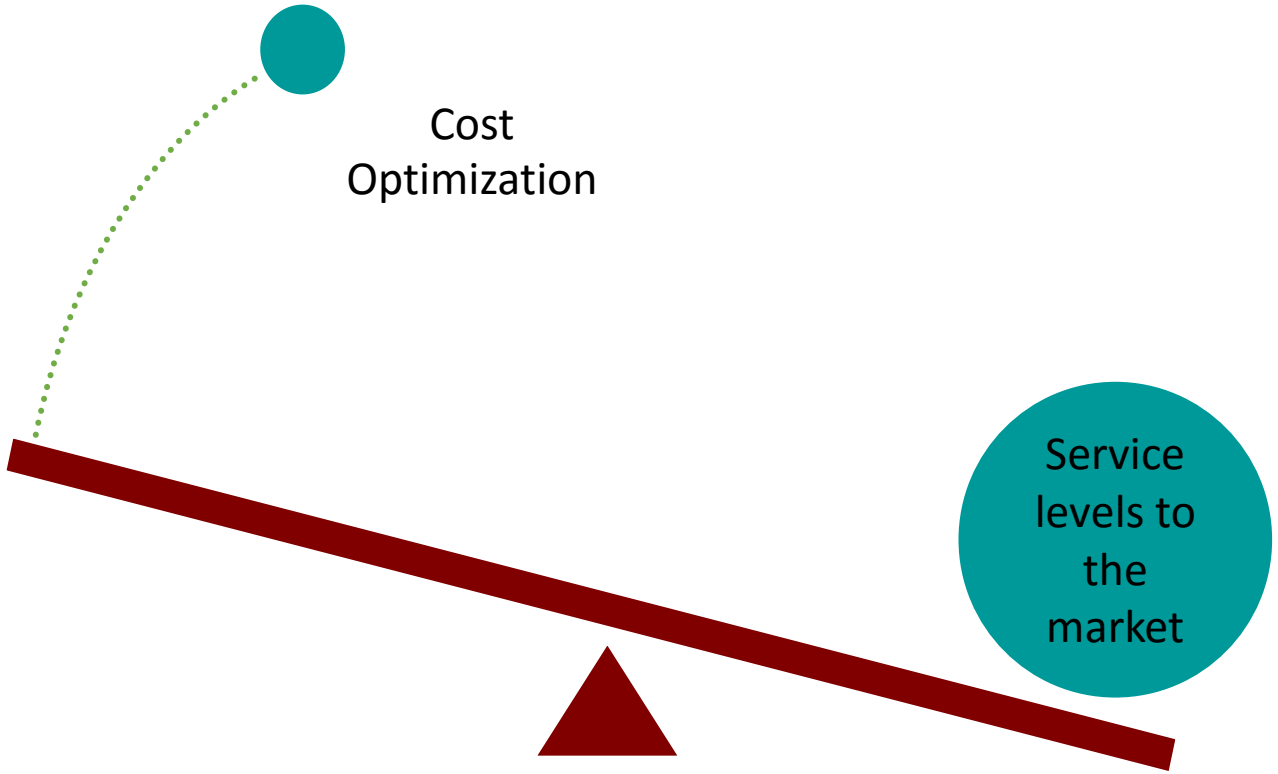
Ways of collaborating

SynCore

Synchronizing around the Core...

September 2016

Redesign, Restructure, Re-strategize



Together with Redesigning the Supply Chain in accordance with changing regulations, an organization needs to re-think and plan its Supply Chain practices and systems in order to meet the higher organization goals

Today's Pharmaceutical Supply Chain

Purchase

Third Party

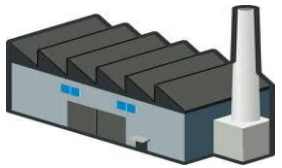
Own Manufacturing

Demand Planning

Supply Planning

RM/PM Suppliers

LL



National Depot/CFA

RD/ Super Stockist / CFA

RD/ Super Stockist / CFA

RD/ Super Stockist / CFA

Stockist

Stockist

Stockist

Stockist

Stockist

Stockist

Retailer

Institution

Hospital

Doctors

Domestic Exports

NGO's

.....

30

60-120

30-45

~ 10-15

~ 7

Average Lead time in days

60

30

15-30

7

Average Inventory held (in days)

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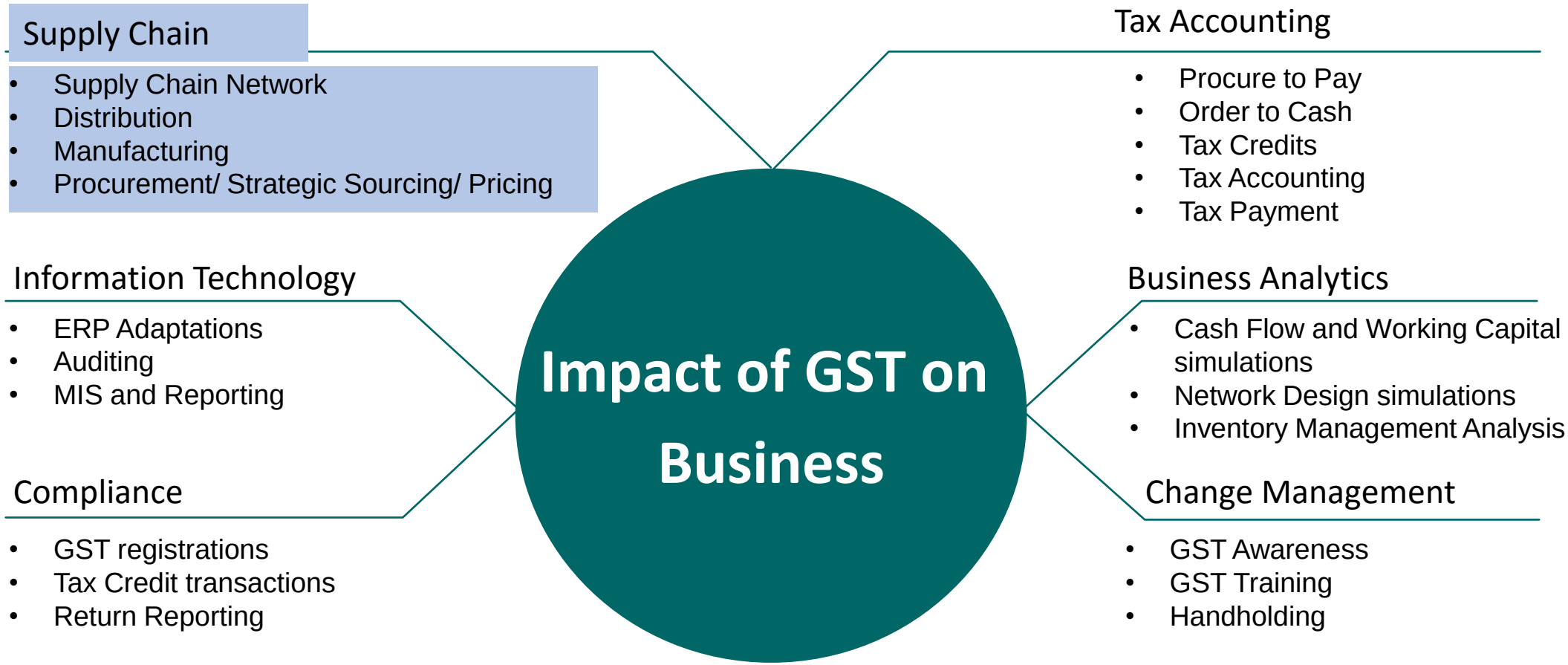
GST - Overall Business Impact



Impact of GST on Current Supply Chain

01

Supply chains in the past were designed to optimise the tax burden rather than purely based on demand and supply considerations.

02

The intricate tax structure (total of 15 taxes) made it **a *long and cumbersome process to manufacture and move goods*** from one part of the country to another.

03

To avoid taxes, companies preferred to have warehouses in each state and supply their products from those warehouses.

04

With GST, supply chains are expected to get more lean and simplified – designed to optimise supplies to match actual demand rather than comply and leverage on tax structures.

Impact of GST on Key Supply Chain Functions

Procurement

- Supplier Network Design
- Supplier Consolidation/Revaluation of RMPM costs
- Cost Saving Opportunities in the new tax structure

Manufacturing

- Supply Chain Network Design
- Manufacturing Locations Decision
- In house vs. Contract Decisions
- Product Location Mapping

Primary Distribution

- Central Warehouse Locations
- Central Warehouse – Regional Warehouse (C&F) – Product mapping
- Inventory Management

Warehousing

- Warehouse Size
- Warehouse Dispatch Capacity Warehouse Turnaround times

Secondary Distribution

- Regional Warehouse (C&F) – Territory Mapping
- Route Planning
- Inventory Management

Logistics

- Evaluation of 3PL service providers
- Aggregation opportunities

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SynCore's Framework - Key leverage points

1. Supply chain network re-design to leverage efficiencies and serviceability
2. Buffer stocks levels / inventory levels to be re-calculated based on the network re-design and the serviceability desired v/s costs
3. Logistics and Warehousing model to be re-looked at based on the new demand – supply configuration
4. Planning processes (demand, supply and distribution) to be re-designed for faster response based on dynamic inventory levels

How SynCore and your organization can collaborate

SynCore can work with your organization to be ready for GST in supply chain practices. We follow a phase wise approach to maximize benefits and minimize risks.

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Evaluate situation	**Supply Chain Network**	**Distribution Planning**	**Sourcing Strategy**	**Manufacturing**	**Continuous Improvement**
• Analysing current Supply Chain Structure • Impact Assessment – Quantitative, Qualitative • GST Awareness • GST Training	• Supply Chain & Network Re-Design	• Identifying RIGHT warehouse locations/3PL partners • Warehouse Capacity Planning • Inventory Management	• Identifying new Suppliers for proposed Supply chain network	• Evaluate Current Manufacturing locations • Revaluate In-house/Contract Manufacturing decision • Revaluate Product - Manufacturing Location mapping	• Continuous Improvement • Periodic review

Project management
stakeholder communication

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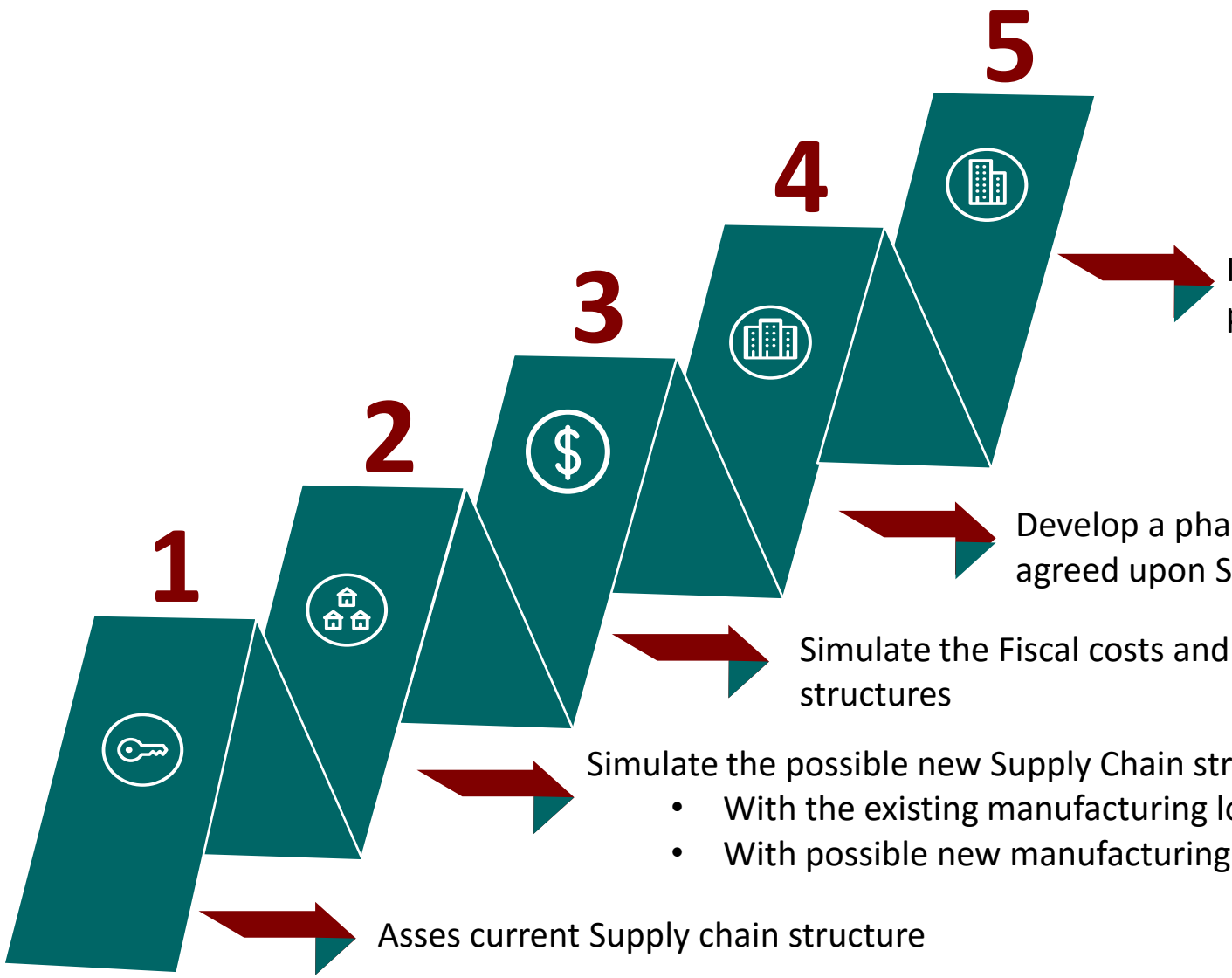
Supply Chain Structure Re-Design



Asses current Supply chain structure

Simulate the possible new Supply Chain structures

- With the existing manufacturing locations (with or without excise duty exemptions)
- With possible new manufacturing locations

Simulate the Fiscal costs and physical Supply Chain costs for the proposed supply chain structures

Develop a phase wise roadmap and transition plan for implementing the agreed upon Supply Chain network for both the scenarios

Identification of risk and formulating mitigation strategies to protect availability, optimize inventory and reduce costs

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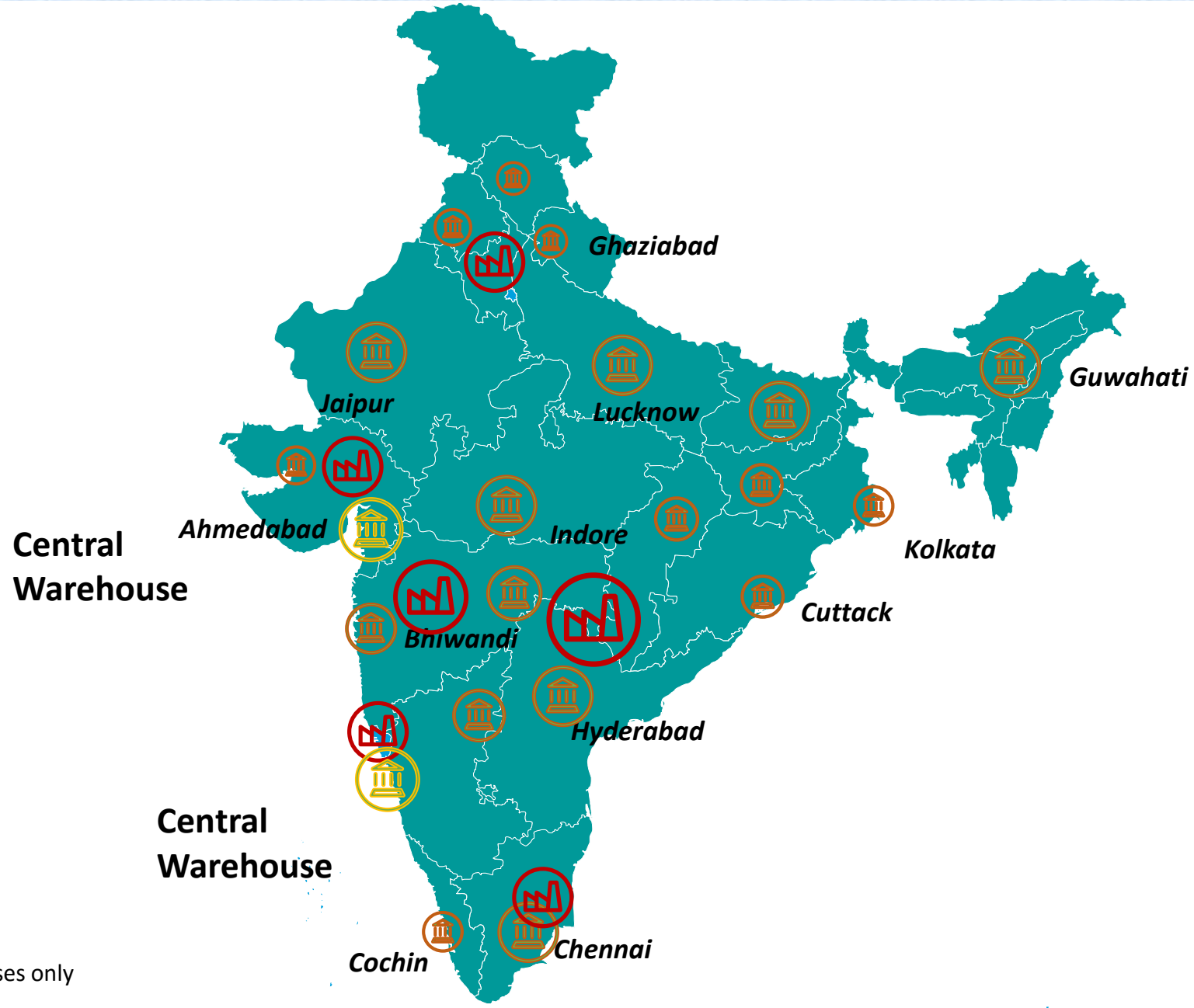
Pre GST



* Sample – For illustration purposes only

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Post GST

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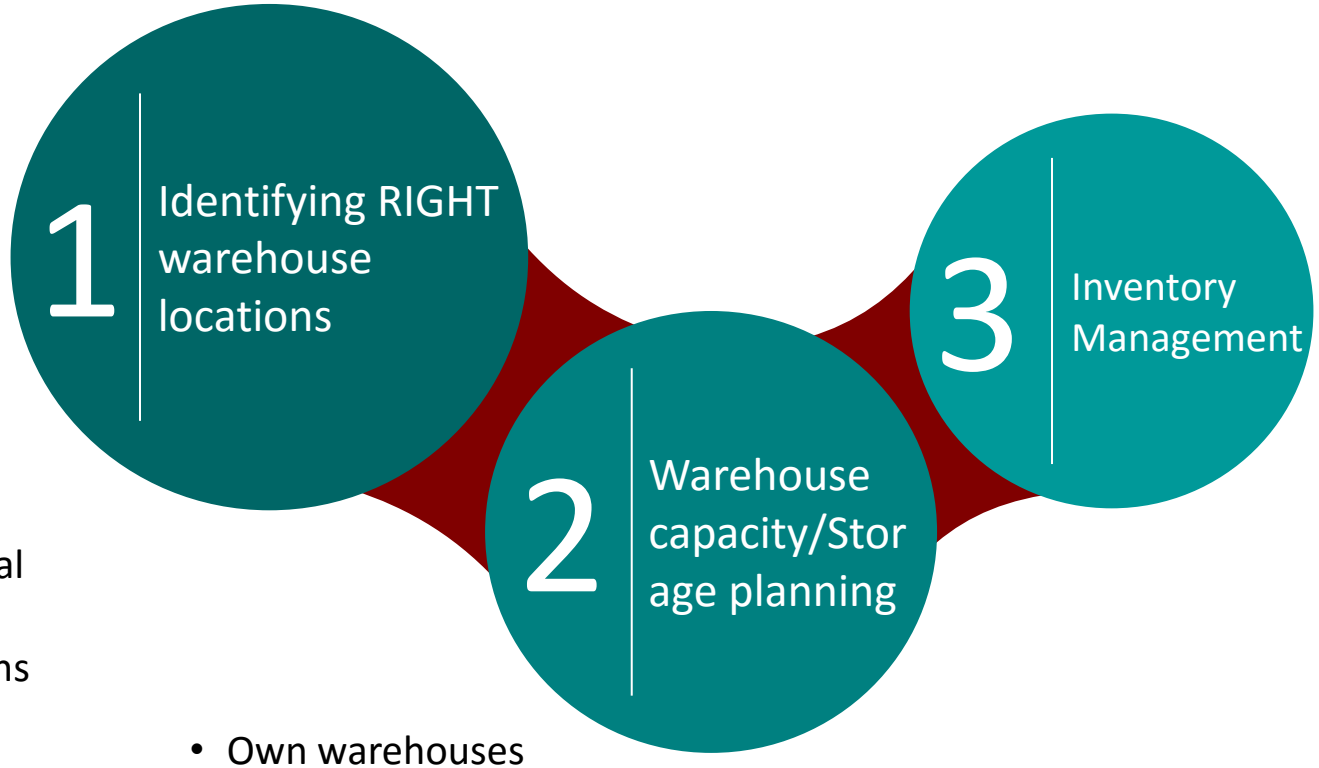
Distribution



- Plant Warehouse (Central Warehouses), Regional Warehouse, CFA locations
- Warehouse - Territory mapping to ensure high reach
- Route Planning (Plant – Plant Warehouse – Regional Warehouse – CFA)

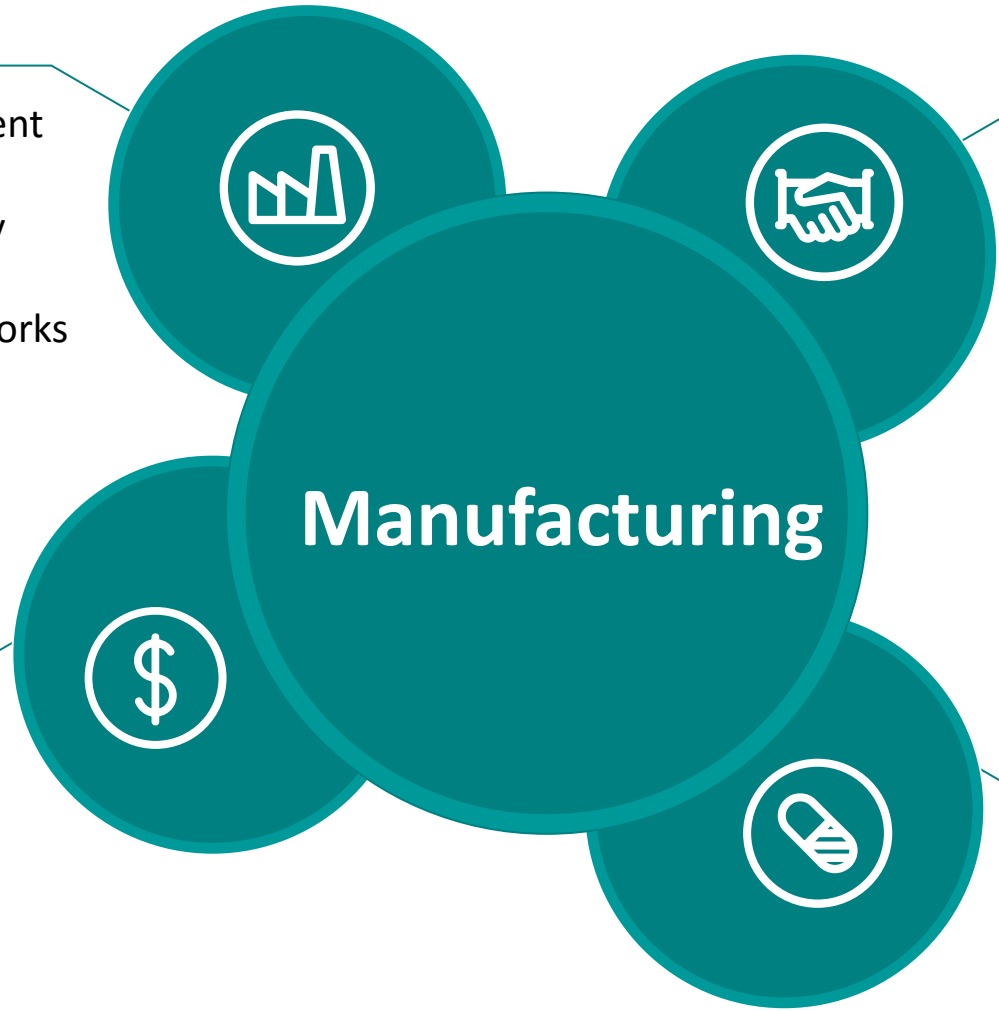
- Own warehouses
  - Capacity planning based on dispatch cycles, lead times, past consumptions and forecasted consumption
- CFA
  - Evaluating existing CFA's alignment to the new Supply network design
  - Calculating the storage capacity needed at the new warehouse locations
  - Evaluating the new and existing CFA's based on the new supply chain network on the basis of their storage capacity
  - Redefining the contract with CFA based on the changing volumes
- 3PL/4PL
  - Cost – Benefit Analysis of 3PL/4PL service providers

- SKU- Node tagging
- Designing inventory management policy
- Defining inventory targets (levels) at all nodes (Warehouses, CFA) to ensure high serviceability (availability) at optimum inventory

Manufacturing / Sourcing

Supply Chain Network

- Evaluating alignment of current Manufacturing units, loan licensed units and third party units locations with the proposed Supply Chain networks



In House/Contract

- Revaluate product wise in-house/Contracting decisions based on the following factors
  - Strategic importance of the product
  - Volume and value share
  - Level of control required
  - Current Line capacity vs. Current Line utilization vs. Current Line utilization by this product
  - In house vs. Contracted Product Margins
  - Inventory carrying costs in both the cases
  - Impact of non-availability in both the cases
  - Overall Cost- Benefit analysis

Financial Modelling

- Simulation of Supply Chain costs of different Supply Chain networks
- Cost – Benefit Analysis of location movement (if recommended)
- Quantitative benefits

Product Location Mapping

- Relook at product-location mapping and evaluate manufacturing locations on product demand proximity and distribution network

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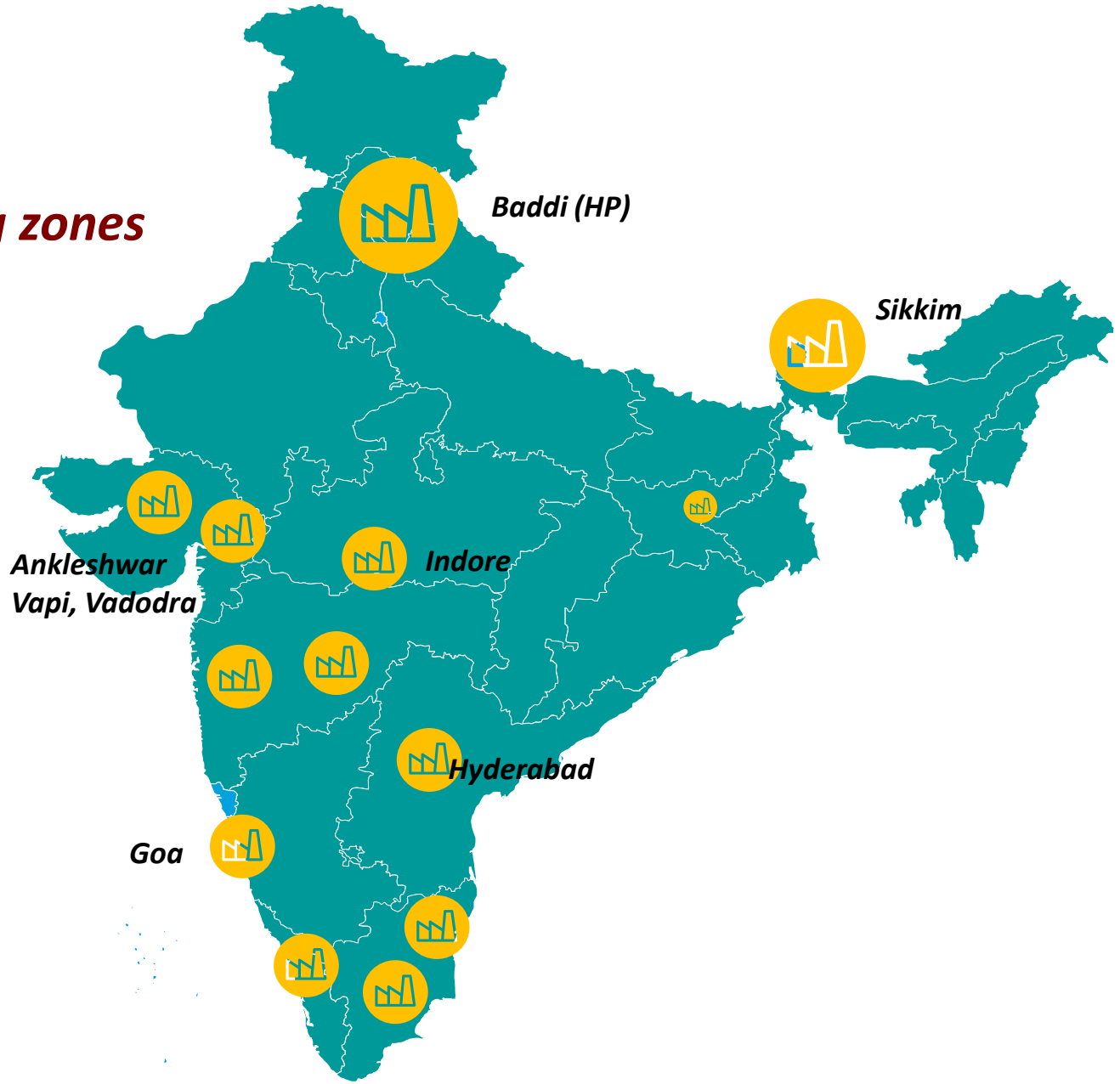
Pre GST

Current Manufacturing zones



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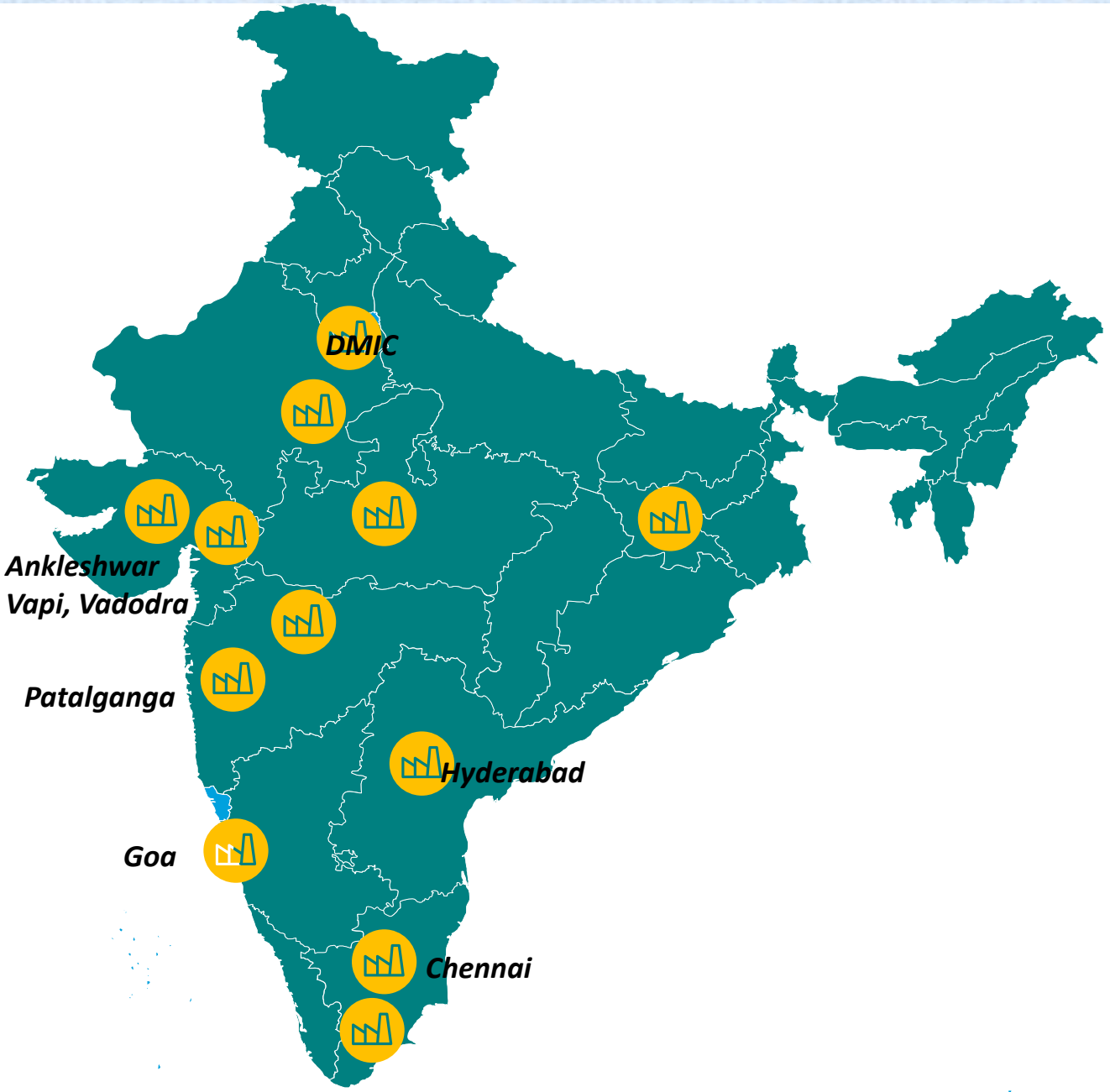
Post GST



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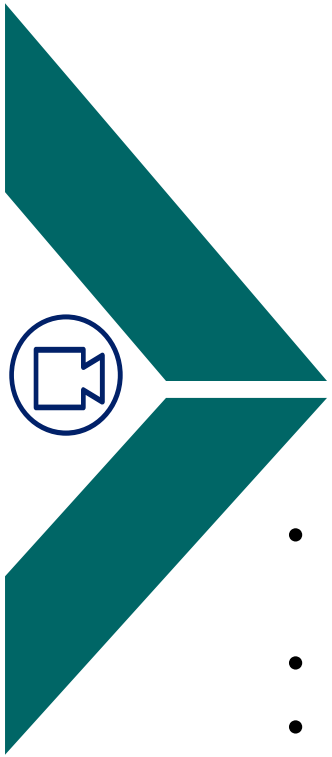
Our Proposal – Supply Chain and IT Modules



1

- Current reality assessment
- Analysis
- Recommendations

2

Solution development based on

- Strategic
- tactical
- operational decisions

3

Implementation assistance

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About Us

SynCore specializes in providing pharma companies with customized solutions to improve sales and profitability, through ‘operational excellence’ and ‘marketing and sales effectiveness’.

Through our partnership model and effective solutions, our Pharma clients have achieved dramatic results in KPI performance.

With SynCore, you can be assured of quick and correct analysis, followed by training and systems readiness and then rapid implementation.

SynCore has been named as one of the "Top 25 Most Promising Business Consultants in India" by the Consultants Review Magazine in 2014.

SynCore is the Knowledge Partner for several associations for industry research work

PatientSafe India, a one-day conference on addressing the counterfeit challenge, was successful organised on June 28, 2016 in Mumbai. SynCore was the Knowledge Partner

Snippets of our recent publications……

Brace for BREXIT *August 3, 2016*

Growth in generics prowess: India could also look at becoming a major generic medicines provider to the UK as it looks to expand funding to enhance its National Health Service (NHS).

Javin Bhinde, Managing Director and Chief Executive Officer, SynCore Consulting elaborates, "One of the causes for the strength that the referendum gained was the oft repeated line by the United Kingdom Independence Party (UKIP), 'We send the EU £350m a week, let's fund our NHS instead.' The NHS is one of the world's largest publicly funded health services and provides healthcare in the UK. The rising cost of healthcare has been a source of concern in the UK. For Indian pharma companies this represents an opportunity as the need for economical generic drugs is being felt." Read More

Conference on drug counterfeiting organised in Mumbai *July 8, 2016*

According to **Javin Bhinde**, Managing Director, SynCore Consulting, drug counterfeiting is one of the classic cases wherein the source of disruption lies way out of the area of influence of the manufacturer but there is a lot that manufacturers can do to dramatically limit the ability of drug counterfeiters to breach the boundaries of the legitimate supply chain. More often than not, traditional supply chain designs offered many fundamental barriers to the flow of information to and from various touch points across the value chain. This combined with the intricate and highly complex nature of the downstream flow of materials made it a formidable task to have a real-time understanding of what was transpiring. Read More

'Almost all major manufacturers of pharma products in India have acknowledged and responded to the counterfeit challenge in the India'
June 28, 2016

Javin Bhinde, MD & CEO, SynCore Consulting shares details of the PatientSafe India conference this year and its objectives. He also elaborates on the steps to deal with the challenge of counterfeit medicines, with **Express Pharma**
Read More

PatientSafe India to be held in Mumbai on June 28 *June 21, 2016*

PatientSafe India, a one-day conference on addressing the counterfeit challenge, will be organised on June 28, 2016 in Mumbai. The conference will be facilitated by SynCore Consulting with the active collaboration of all the industry associations, regulators, trade bodies and consumer groups. The theme of the conference will be to deliberate on various aspects of drug counterfeiting and suggest creative ways to raise awareness and devise strategies for curbing the practice of drug counterfeiting.

The conference will be marked by the presence of eminent speakers from different segments of the pharmaceutical ecosystem. Senior representatives from OPPI, AIOCD, IMA, IPA, IDMA, FDA and various government agencies, directors of policies and government affairs and senior management professionals from the industry will share their insights on tackling the challenge of drug counterfeiting. Read More

Our Engagement Results and Select Clients & Industry Associations

Improvement in Profitability by **50%**

50% Capacity Release

Improvement in Inventory Turns by **40%**

Availability increased to more than **95%**

Improvement in Revenues by **25%**

Due Date Performance improved to **90%**

Clients

Cipla — Caring for life

gsk GlaxoSmithKline

Glenmark — A new way for a new world

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WALLACE

MEGA We care

Industry Associations

OPPI — Organisation of Pharmaceutical Producers of India

FICCI

IDMA

AIOCD

SynCore

See What our Clients say About us

"The dedication and commitment towards 'execution' demonstrated by the SynCore team is commendable. The new tools together with the new top management focus on operational efficiencies brought about a change in our processes. Aided by the online application and your continuous handholding to the team, we have been able to achieve significant business benefits like complete visibility of the inventory and across locations for finished products and raw materials".

Head Global Supply Chain, Indian US $2 bn Pharma Company

"We engaged SynCore Consulting in Domestic Formulation & API supply planning process improvement project. SynCore was instrumental in helping us to identify those critical areas in Supply Chain where we could improve. I am happy to say that, SynCore consultants completed successfully all the deliverables within the given time frame which helped us to achieve the goal of our projects. They have broad experience across their team and have shown flexibility in adapting to our changing circumstances and needs".

Head Global Supply Chain, Indian US $1 bn Pharma Company

"SynCore was instrumental in helping us to identify those critical areas for developing meaningful and executable plans that would improve the performance of the company in the areas of market, product, people, customer experience and systems, processes and KPIs. The SynCore team was able to demonstrate to our team the CBD framework and emphasized how strategic planning is useful and practical and can translate into actionable items that will trigger business growth. SynCore team walked the extra mile in covering all the important areas and I wish SynCore the best of luck in all endeavors".

Director , Strategy & Marketing, US $50 mn Multinational Nutraceutical Company

"We engaged SynCore Consulting as our Theory Of Constraints (TOC) training partners to fulfill our strategic initiative called 'Change By Design' with TOC as its Engine. I believe our engagement with SynCore has helped:

- To develop a framework to enable the Business Heads and Managers across businesses of Mega to prepare the Strategic Roadmaps for the next 3 years using TOC as the engine
- To enable people to use the TOC Framework on a day to day practical level and use the TOC Thinking Process Tools in the day to day decision making".

Director , Strategy & Marketing, US $500 mn Multinational Nutraceutical Company

Lets Begin…