

SOP FOR SUPPLY CHAIN MANAGEMENT

Example of a Pharmaceutical Company

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1. PURPOSE AND SCOPE

Purpose

To establish standardized procedures for effective inventory management ensuring optimal stock levels, regulatory compliance, patient safety, and cost control at ANC Pharmacy, Chennai.

Scope

This SOP applies to all pharmaceutical products, medical devices, and consumables handled by the pharmacy, covering the entire inventory lifecycle from procurement to disposal.

2. REGULATORY FRAMEWORK

Applicable Regulations:

- ☐ Drugs and Cosmetics Act, 1940 & Rules, 1945
- ☐ Tamil Nadu Drugs Control Rules
- ☐ GST regulations for pharmaceutical products
- ☐ Narcotics Drugs and Psychotropic Substances Act, 1985
- ☐ Medical Device Rules, 2017

3. ROLES AND RESPONSIBILITIES

3.1 Pharmacy Manager

- ☐ Overall responsibility for inventory management
- ☐ Approval of procurement decisions above ₹25,000
- ☐ Monthly inventory review and analysis
- ☐ Ensuring regulatory compliance

3.2 Senior Pharmacist

- ☐ Daily inventory monitoring
- ☐ Supplier relationship management
- ☐ Staff training and supervision
- ☐ Quality control oversight

3.3 Junior Pharmacist/Assistant

- ☐ Daily stock recording and data entry
- ☐ Physical stock verification
- ☐ Customer service and dispensing
- ☐ Basic inventory maintenance

3.4 Store Keeper (if applicable)

- ☐ Receiving and inspection of goods
- ☐ Storage organization
- ☐ Stock movement recording
- ☐ Security maintenance



4. INVENTORY CLASSIFICATION

4.1 Product Categories

A. Prescription Medicines

- ☐ Schedule H, H1 drugs
- ☐ Controlled substances (Schedule X)
- ☐ Narcotics and psychotropic substances

B. Over-the-Counter (OTC) Products

- ☐ General medicines
- ☐ Health supplements
- ☐ Medical devices
- ☐ Consumables and sundries

4.2 ABC Analysis Classification

Category A (High Value - 70% of investment, 10% of items)

- ☐ Minimum stock: 15 days
- ☐ Maximum stock: 45 days
- ☐ Review frequency: Weekly

Category B (Medium Value - 20% of investment, 20% of items)

- ☐ Minimum stock: 15 days
- ☐ Maximum stock: 45 days
- ☐ Review frequency: Weekly



Category C (Low Value - 10% of investment, 70% of items)

- ☐ Minimum stock: 30 days
- ☐ Maximum stock: 90 days
- ☐ Review frequency: Monthly

5. PROCUREMENT PROCEDURES

5.1 Supplier Selection Criteria

- ☐ Valid drug license
- ☐ GST registration
- ☐ Credit terms (minimum 30 days)
- ☐ Delivery capability in Chennai
- ☐ Quality assurance certification

5.2 Ordering Process

Daily Review (9:00 AM)

- ☐ Generate low stock report from inventory system
- ☐ Check upcoming promotions and seasonal demands
- ☐ Verify credit limits with suppliers
- ☐ Place orders before 11:00 AM for same-day delivery

Order Approval Matrix:

- ☐ Up to ₹10,000: Junior Pharmacist
- ☐ ₹10,001 – ₹25,000: Senior Pharmacist
- ☐ Above ₹25,000: Pharmacy Manager



5.3 Preferred Suppliers (Chennai-based)

- ☐ Primary: Chennai Medical Distributors, T. Nagar
- ☐ Secondary: Tamil Nadu Pharmaceuticals, Egmore
- ☐ Emergency: 24/7 Medical Supply, Adyar

6. RECEIVING AND INSPECTION PROCEDURES

6.1 Delivery Acceptance Checklist

- ☐ Verify supplier invoice against purchase order
- ☐ Check GST invoice format and tax rates
- ☐ Inspect packaging for damage
- ☐ Verify batch numbers and expiry dates
- ☐ Check temperature-sensitive items immediately
- ☐ Count quantities received
- ☐ Sign delivery receipt with timestamp

6.2 Quality Control Checks

For Each Batch:

- ☐ Verify manufacturer details and licenses
- ☐ Check packaging integrity
- ☐ Ensure minimum 12 months shelf life (except fast-moving items)
- ☐ Verify batch number legibility
- ☐ Check for any recall notifications

Temperature-Sensitive Items:

- ☐ Insulin: 2-8°C (refrigerated storage)
- ☐ Vaccines: As per manufacturer specifications
- ☐ Certain antibiotics: Room temperature <25°C

6.3 Discrepancy Management

- ☐ **Short Supply:** Document shortage, inform supplier immediately
- ☐ **Damaged Goods:** Photograph damage, reject delivery, claim replacement
- ☐ **Expired Products:** Reject immediately, document for supplier credit

7. STORAGE AND ORGANIZATION

7.1 Storage Zones

Zone A: Prescription Medicines

- ☐ Climate-controlled area (18–25°C, <60% humidity)
- ☐ Alphabetical arrangement by generic name
- ☐ Separate locked cabinet for Schedule X drugs

Zone B: OTC and General Items

- ☐ Open shelving system
- ☐ Category-wise arrangement
- ☐ Easy customer access for self-service items

Zone C: Refrigerated Storage

- ☐ Dedicated pharmaceutical refrigerator
- ☐ Temperature monitoring every 4 hours
- ☐ Backup power supply

Zone D: High-Value Items

- ☐ Locked storage cabinet
- ☐ Limited access (Manager/Senior Pharmacist only)
- ☐ CCTV monitoring

7.2 Storage Guidelines

FIFO (First In, First Out):

- ☐ Arrange items by expiry date
- ☐ Use colored stickers for batch identification
- ☐ Red: Expiring within 6 months
- ☐ Yellow: Expiring within 12 months
- ☐ Green: >12 months shelf life

Segregation Requirements:

- ☐ External use medicines separate from internal
- ☐ Controlled substances in locked cabinet
- ☐ Damaged/expired items in quarantine area

8. INVENTORY TRACKING AND DATA ENTRY

8.1 Inventory Management System

Software: PharmEasy POS/MediTrack Inventory System Access Levels:

- ☐ Level 1: View only (Junior staff)
- ☐ Level 2: Add/Edit transactions (Senior Pharmacist)
- ☐ Level 3: Full access including reports (Manager)

8.2 Daily Data Entry Procedures (Timing: Every 2 hours)

- ☐ Purchase Entries: Log all received items immediately
- ☐ Sales Entries: Real-time POS integration
- ☐ Adjustments: Document any stock corrections with reason codes
- ☐ Transfers: Record any internal transfers between sections



8.3 Stock Movement Documentation

Inward Register:

- ☐ Date and time of receipt
- ☐ Supplier name and invoice number
- ☐ Item details (name, batch, quantity, expiry)
- ☐ Storage location assigned
- ☐ Received by (signature)

Outward Register:

- ☐ Date and time of sale
- ☐ Customer details (for prescriptions)
- ☐ Items dispensed
- ☐ Remaining stock
- ☐ Dispensed by (pharmacist signature)

9. STOCK MONITORING AND CONTROL

9.1 Daily Stock Review (6:00 PM)

- ☐ Review day's sales against targets
- ☐ Identify fast-moving items requiring reorder
- ☐ Check for any stock discrepancies
- ☐ Update minimum stock levels based on demand patterns

9.2 Weekly Analysis (Every Monday, 10:00 AM)

- ☐ Top 20 selling items
- ☐ Slow-moving stock (>90 days)
- ☐ Near-expiry items (within 6 months)
- ☐ Stock-out incidents



9.3 Monthly Stock Taking

Physical Count Schedule:

- ☐ Week 1: Category A items (high-value)
- ☐ Week 2: Category B items (medium-value)
- ☐ Week 3: Category C items (low-value)
- ☐ Week 4: Special categories (controlled substances, refrigerated items)

Variance Analysis:

- ☐ Investigate discrepancies >2%
- ☐ Document reasons for stock variations
- ☐ Implement corrective actions
- ☐ Update security measures if required

10. ORDER PICKING, PACKING, AND DISPATCH

10.1 Prescription Dispensing Process

1. Prescription Verification:

- ☐ Check doctor's credentials and signature
- ☐ Verify patient information
- ☐ Confirm drug interactions and allergies

2. Stock Selection:

- ☐ Select nearest expiry batch (FEFO – First Expiry, First Out)
- ☐ Verify correct strength and quantity
- ☐ Check for any special storage requirements



3. Packing Guidelines:

- ☐ Use appropriate containers (moisture-proof for tablets)
- ☐ Clear labeling with dispensing instructions
- ☐ Include patient counseling leaflets
- ☐ Separate internal and external use medicines

10.2 Home Delivery Service

Coverage Area: Within 10 km radius of T. Nagar location **Delivery Schedule:**

- ☐ Morning: 10:00 AM – 1:00 PM
- ☐ Evening: 4:00 PM – 7:00 PM

Coverage Packing Standards:

- ☐ Temperature-controlled bags for sensitive medicines
- ☐ Secure packaging to prevent damage
- ☐ Delivery receipt with customer signature
- ☐ Cash/card payment processing capability

11. RETURNS AND REVERSE LOGISTICS

11.1 Customer Returns Policy

Acceptable Returns (within 7 days):

- ☐ Unopened packages with original packaging
- ☐ Manufacturing defects
- ☐ Wrong items dispensed (pharmacy error)



Non-Returnable Items:

- ☐ Opened medicine packages
- ☐ Prescription medicines (unless pharmacy error)
- ☐ Items without original packaging
- ☐ Expired products

11.2 Supplier Returns Process

Return Categories:

- ☐ Expiry returns (3–6 months before expiry)
- ☐ Damaged goods claims
- ☐ Overstock returns (as per agreement)
- ☐ Product recalls

Documentation Required:

- ☐ Original purchase invoice
- ☐ Return authorization from supplier
- ☐ Batch-wise return list
- ☐ Reason for return
- ☐ Expected credit note value

11.3 Damaged and Expired Stock Management

Quarterly Review Process:

- ☐ Identify expired and near-expiry stock
- ☐ Segregate damaged items
- ☐ Contact suppliers for return authorization
- ☐ Destroy non-returnable expired medicines as per regulations
- ☐ Maintain disposal records for regulatory compliance

12. INVENTORY SECURITY MEASURES

12.1 Physical Security

Access Control:

- ☐ Biometric entry system for staff
- ☐ CCTV coverage of all storage areas
- ☐ Alarm system with 24/7 monitoring
- ☐ Secure locks for controlled substances cabinet

Daily Security Checklist:

- ☐ All entry points secured
- ☐ CCTV system operational
- ☐ High-value items properly locked
- ☐ No unauthorized personnel in storage areas
- ☐ Alarm system activated after hours

12.2 Inventory Security Controls

Controlled Substances (Schedule X):

- ☐ Double lock system (two keys, two authorized persons)
- ☐ Daily physical count
- ☐ Transaction log with signatures
- ☐ Monthly audit by external pharmacist
- ☐ Immediate reporting of any discrepancies

High-Value Items (>₹5,000 per unit):

- ☐ Separate locked storage
- ☐ Access log maintenance
- ☐ Quarterly physical verification
- ☐ Insurance coverage verification



13. EQUIPMENT AND TOOLS USAGE

17.1 Document Review Schedule

Weighing and Measuring:

- ☐ Digital weighing scale (accuracy: 0.1g)
- ☐ Measuring cylinders (various sizes)
- ☐ Calibration certificates (annual)

Storage Equipment:

- ☐ Pharmaceutical refrigerator with temperature logger
- ☐ Dehumidifier for monsoon season
- ☐ Air conditioning system for climate control

IT Equipment:

- ☐ POS system with barcode scanner
- ☐ Thermal printer for labels
- ☐ Backup internet connection
- ☐ UPS for power backup

13.2 Maintenance Schedule

Daily:

- ☐ Temperature log recording
- ☐ POS system backup
- ☐ Equipment cleaning

Weekly:

- ☐ Refrigerator defrosting
- ☐ Scale calibration check
- ☐ IT system updates

Monthly:

- ☐ Deep cleaning of storage areas
- ☐ Equipment performance review
- ☐ Backup system testing

Annual

- ☐ Professional equipment calibration
- ☐ Insurance policy renewal
- ☐ Equipment replacement planning

14. SUPPLIER COMMUNICATION & ORDERING

14.1 Supplier Relationship Management

Regular Communication Schedule:

- ☐ Daily: Order placement and delivery coordination
- ☐ Weekly: Performance review and issue resolution
- ☐ Monthly: Credit reconciliation and payment processing
- ☐ Quarterly: Contract review and rate negotiations

14.2 Key Performance Indicators for Suppliers

- ☐ Delivery Performance: >95% on-time delivery
- ☐ Quality Score: <1% rejection rate
- ☐ Service Level: 24-hour response to queries
- ☐ Credit Terms: Minimum 30 days payment terms
- ☐ Stock Availability: >98% order fulfillment rate

14.3 Emergency Procurement Process

24/7 Emergency Contacts:

- ☐ Primary supplier emergency line: [Phone Number]
- ☐ Backup distributor: [Phone Number]
- ☐ Hospital pharmacy network: [Contact Details]

Process:

- ☐ Identify critical stock-out situation
- ☐ Contact primary supplier emergency line
- ☐ If unavailable, contact backup suppliers
- ☐ Document emergency purchase with reason
- ☐ Follow up with regular procurement process

15. INVENTORY AUDIT PROCEDURES

15.1 Internal Audit Schedule

Daily Audits:

- ☐ Cash register reconciliation
- ☐ High-value item count
- ☐ Controlled substances verification
- ☐ Temperature log review

Monthly Audits:

- ☐ Random sample counting (5% of total items)
- ☐ System vs. physical stock comparison
- ☐ Supplier payment reconciliation
- ☐ Expiry date verification



Quarterly Audits:

- ☐ Complete physical stock count
- ☐ ABC analysis review
- ☐ Supplier performance evaluation
- ☐ Cost analysis and margin review

15.2 External Audit Requirements

Regulatory Audits:

- ☐ Annual drug inspector visit
- ☐ GST compliance audit
- ☐ Professional body inspection (if applicable)

Preparation Checklist:

- ☐ All records up to date
- ☐ Physical stock matches system records
- ☐ License documents current
- ☐ Staff training records available
- ☐ Controlled substances register complete

15.3 Audit Documentation

Required Records:

- ☐ Purchase invoices and receipts
- ☐ Sales register and prescription copies
- ☐ Stock movement registers
- ☐ Temperature monitoring logs
- ☐ Supplier contracts and agreements
- ☐ Staff training certificates
- ☐ Equipment calibration certificates

16. INVENTORY BUDGETING

16.1 Budget Planning Process

Annual Budget Allocation:

- ☐ 70% for prescription medicines
- ☐ 20% for OTC products
- ☐ 5% for medical devices
- ☐ 3% for consumables
- ☐ 2% for emergency stock

Monthly Budget Review:

- ☐ Compare actual vs. budgeted purchases
- ☐ Analyze category-wise spending
- ☐ Adjust procurement plans based on sales trends
- ☐ Maintain 3-month rolling forecast

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16.2 Financial Controls

Purchase Approval Limits:

- ☐ Assistant: Up to ₹5,000
- ☐ Pharmacist: Up to ₹15,000
- ☐ Senior Pharmacist: Up to ₹25,000
- ☐ Manager: Above ₹25,000



Payment Terms Management:

- ☐ Negotiate minimum 30-day credit terms
- ☐ Take advantage of early payment discounts (2/10 net 30)
- ☐ Maintain good credit rating with suppliers
- ☐ Monitor credit limits regularly

16.3 Cost Optimization Strategies

Bulk Purchase Benefits:

- ☐ Negotiate better rates for higher volumes
- ☐ Seasonal stocking for monsoon-related medicines
- ☐ Festival season advance procurement
- ☐ Generic substitution where applicable

Inventory Turnover Targets:

- ☐ Category A items: 12x per year (monthly turnover)
- ☐ Category B items: 6x per year (bi-monthly turnover)
- ☐ Category C items: 4x per year (quarterly turnover)

17. HEALTH, SAFETY, AND COMPLIANCE

17.1 Workplace Safety Measures

Personal Protective Equipment:

- ☐ Disposable gloves for handling medicines
- ☐ Face masks when dealing with powdered medications
- ☐ Safety glasses for chemical handling
- ☐ First aid kit readily available

Fire Safety:

- ☐ Fire extinguishers in all storage areas
- ☐ Smoke detectors with alarm system
- ☐ Emergency evacuation plan posted
- ☐ Monthly fire drill practice

17.2 Regulatory Compliance

License Requirements:

- ☐ Drug license renewal (every 5 years)
- ☐ GST registration maintenance
- ☐ Professional registration updates
- ☐ Building and fire safety certificates

Record Keeping Requirements:

- ☐ Maintain all records for minimum 3 years
- ☐ Digital backup of critical documents
- ☐ Controlled substances records for 10 years
- ☐ Temperature logs for cold chain items

17.3 Staff Health and Safety Training

Quarterly Training Topics:

- ☐ Proper lifting techniques
- ☐ Chemical spill response
- ☐ Emergency procedures
- ☐ Personal protective equipment usage
- ☐ Infection control measures



Annual Training Requirements:

- ☐ Continuing education for pharmacists
- ☐ First aid certification
- ☐ Fire safety training
- ☐ Regulatory updates

18. CONTINUOUS IMPROVEMENT AND REVIEW

18.1 Performance Metrics

Key Performance Indicators:

- ☐ Inventory turnover ratio: Target >8 times per year
- ☐ Stock-out incidents: <2% of total SKUs per month
- ☐ Expired product loss: <0.5% of total inventory value
- ☐ Customer satisfaction score: >95%
- ☐ Supplier delivery performance: >98%

18.2 Monthly Review Process

Review Meeting Agenda:

- ☐ Previous month's performance analysis
- ☐ Inventory turnover and aging analysis
- ☐ Supplier performance review
- ☐ Customer feedback analysis
- ☐ Cost optimization opportunities
- ☐ Process improvement suggestions
- ☐ Training needs identification

18.3 Continuous Improvement Initiatives

Process Optimization:

- ☐ Regular review of minimum and maximum stock levels
- ☐ Automation opportunities identification
- ☐ Supplier consolidation benefits
- ☐ Space utilization optimization
- ☐ Technology upgrade planning

Quality Enhancement:

- ☐ Customer feedback integration
- ☐ Staff suggestion program
- ☐ Best practices sharing
- ☐ Industry benchmark comparison
- ☐ Professional development planning

19. EMERGENCY PROCEDURES

19.1 Emergency Contact List

- ☐ Pharmacy Manager: [Mobile Number]
- ☐ Drug Inspector: [Office Number]
- ☐ Police Station: 100
- ☐ Fire Department: 101
- ☐ Ambulance: 108
- ☐ Electricity Board: [Local Number]
- ☐ Security Agency: [24/7 Number]



19.2 Emergency Response Procedures

Power Failure:

- ☐ Switch to UPS backup immediately
- ☐ Check refrigerator temperature
- ☐ Contact electricity board for restoration time
- ☐ If extended outage, transfer critical medicines to backup location

Fire Emergency:

- ☐ Evacuate all personnel immediately
- ☐ Call fire department (101)
- ☐ Do not attempt to fight large fires
- ☐ Secure controlled substances if safely possible

Theft/Burglary:

- ☐ Do not resist if confronted
- ☐ Call police (100) immediately after incident
- ☐ Check controlled substances inventory
- ☐ File insurance claim within 24 hours

19.3 Business Continuity Planning

Alternative Supplier Arrangements:

- ☐ Maintain relationships with 3-4 backup suppliers
- ☐ Emergency stock agreements with nearby pharmacies
- ☐ Mutual aid agreements with pharmacy association members



Data Backup and Recovery:

- ☐ Daily automatic backup to cloud storage
- ☐ Weekly physical backup to external drive
- ☐ Monthly full system backup
- ☐ Quarterly disaster recovery testing

20. APPENDICES

Appendix A: Forms and Checklists

- ☐ Daily Stock Review Checklist
- ☐ Receiving Inspection Form
- ☐ Physical Count Sheet
- ☐ Discrepancy Report Form
- ☐ Supplier Performance Scorecard

Appendix B: Contact Information

- ☐ Supplier Contact Directory
- ☐ Emergency Contact List
- ☐ Regulatory Authority Contacts
- ☐ Professional Network Contacts

Appendix C: Reference Documents

- ☐ Drugs and Cosmetics Act provisions
- ☐ GST rates for pharmaceutical products
- ☐ Storage requirement guidelines
- ☐ Disposal regulations for expired medicines



DOCUMENT CONTROL

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