

# **BDA Pharma: Purchasing Dilemma of New Machinery**

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**Abstract.** In May 2022, the plant head of BDA Pharma initiated a request for INR20 million to buy a new liquid syrup manufacturing machine. After several rounds of negotiations he narrowed the choice of suppliers down to two. Both these suppliers met the required product specifications. After further negotiations with the two suppliers, the plant head lowered the prices of the machines by more than INR1.5 million from earlier quotations. There was a price difference of INR0.5 million between the two suppliers. However, keeping in mind the immediate cost to the company and taking cognizance of long-term costs and benefits, the plant head had to make his final recommendation to get a purchase order out before the end of the month.

**Keywords:** B2B Marketing, B2B Sales, organizational buying, prescriptive selling approach.

## **1. Introduction**

In the third week of May 2022, Munish Talwar,<sup>1</sup> the BDA Pharma Private Limited (BDA Pharma) plant head, was considering recommending his decision for a new liquid syrup manufacturing machine to Santosh Deshpande, the company's managing director. He and Pravin Katoley, the plant deputy general manager, had narrowed the choice of suppliers for a new liquid syrup manufacturing machine down to Kent Pharma Machines (Kent)<sup>2</sup> and Ashu Pharma Machinery (Ashu Machinery).<sup>3</sup> In the final week of negotiations, the

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price cuts negotiated by Munish lowered the prices of the machines by more than INR<sup>4</sup>1.5 million from earlier quotations. However, he still had to make a final recommendation to get a purchase order out before end May.

## 2. Company Overview

BDA Pharma, an integrated healthcare company founded by four pharmacists in March 2006, was marketing pharmaceutical formulations in India and global markets. The company provided quality products at affordable prices. Initially, it entered the market with the launch of analgesics/antipyretics, anti-inflammatories, antiparasitics, antibiotics, and multivitamins, but later on, it extended its portfolio to include herbal medicines, cosmetics, and nutraceuticals. In 2022, BDA Pharma was marketing over 100 brands and generics worldwide, especially in Haiti, Dominican Republic, Panama, Chile, Malaysia, UAE, Oman, Kuwait, Jordan, Cambodia, Philippines, Bahrain, Vietnam, Burkina Faso, Togo, Congo, Benin, Niger, Senegal, Mauritania, Mali, Ivory Coast, Madagascar, Cameroon, Nigeria, Central African Republic, and Tanzania. In addition, the company had offices in India, Algeria, and France.

BDA's primary product range was capsules, tablets, creams, and liquid syrups (see Exhibit 1). The manufacturing plant was in Nagpur, India. The company manufactured most of its products at this plant but outsourced some (especially capsules) from third-party manufacturers. It preferred to manufacture creams and liquid syrups at its plant because of these products' low profitability when outsourced from third-party manufacturers. The company utilized many machines in the plant used in the pharmaceutical industry from leading suppliers as it always preferred high-quality with durability and reliability. In addition, it preferred vendors who rated high on trust, responsiveness, and value for money.

EXHIBIT 1: Composition of Product Portfolio of BDA Pharma

Product	Composition
Tablets	35%
Capsules	22%
Syrups	26%
Creams	17%

Source: Provided by Company

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3. Name disguised to protect confidentiality.  
 4. INR; 1 USD = 77.82 (as of May 22, 2022)

### 3. Liquid Syrup Manufacturing Machine

The liquid syrup manufacturing machine was critical in the pharmaceutical industry to produce syrups and suspensions that directly affected the quality of the liquids in two significant ways—minimum manual handling of liquid and effective cleanness during the manufacturing process. A good quality machine also helped with effective human resource management in the plant because of increased efficiency. This machine had two sub-machines—a liquid syrup manufacturing machine and a liquid filling, sealing, and packing machine.

As early as 2017, Munish and Pravin had been conscious of the need for a new liquid syrup manufacturing machine. The existing machine was more than 10 years old and needed frequent repairs. In 2018, Pravin analyzed the return on investment of a new machine based on the volume of business. To his surprise, he found that the business volume was insufficient to justify purchasing a new machine.

In December 2019, Santosh attended the 71<sup>st</sup> Indian Pharmaceutical Congress, in which the manufacturers of pharmaceutical equipment, producers of active pharmaceutical ingredients, and many pharmaceutical companies participated. Santosh saw a few advanced liquid syrup manufacturing machines and was particularly impressed with the Kent product. This machine had a feature that ensured no contamination in the internal surface of the shell and enabled complete filtration of the manufacturing batch without any hold-up due to the reverse flow of liquid, which was a time and cost saver. Furthermore, the top-dome structure helped with the fast and easy removal of the cartridge assembly and cleaning of the cake. Another feature was being able to filter toxic, hazardous, and explosive liquids (see Exhibit 2). As the machine received good reviews at the conference, Santosh met the company's sales manager, Sanjay Lahoti, and requested a presentation to his team at BDA after the Christmas break.

EXHIBIT 2: Kent's Liquid Syrup Manufacturing Machine



Source: Provided by Company

In the first week of January 2020, Sanjay, the sales manager of Kent, made a presentation to Munish and Pravin. In February 2020, Munish and Pravin visited the Kent factory to assess the various features of the machine. Pravin noticed that besides the time and cost savings, the new machine with enhanced capacity could increase the monthly production fourfold. Moreover, he realized that the machine would not only occupy less space, but its digital features would also reduce human resource requirements. However, in March 2020, the COVID-19 pandemic struck India, and BDA's manufacturing plant had to be closed for a number of weeks due to imposed lockdowns. As the pandemic affected the company's operations, BDA postponed all its major capital-intensive purchasing decisions to April 2021.

In April 2021, Munish and the company's Europe sales manager, Sandeep Gawande, started developing a five-year plan that included a significant plant expansion for export business. Sandeep informed Munish that they had missed a number of big orders in the syrup category range of products in Europe because of their low production capacity which would assure an additional INR40 million in sales if they increased production capacity for syrups. In June 2021, Munish received an email from his plant superintendent, Sham Laddha, informing him of the frequent breakdowns in the existing syrup manufacturing, which was not only delaying production and reducing volumes but was adding to production costs.

In July 2021, Munish made a capital request of INR20.5 million for a liquid syrup manufacturing machine. To appropriately quote prices in the request, Munish asked the four major pharma machinery manufacturers for their quotations based on the delivery of the machine by December 2021. In September, Santosh appointed Sanjeev Upneja as the general manager of finance. In October 2021, Sanjeev asked all departments to reassess and reevaluate all capital requests above INR10 million. By late October, Munish managed to persuade Sanjeev of the necessity for this machine and forwarded the capital expenditure request to Santosh for final approval. In the first week of November 2021, Munish received formal approval to purchase the new machine. In the meantime, the four main suppliers were engaged in convincing Munish about the USPs of their machines to gain the purchase order.

#### **4. Suppliers**

There are many pharma equipment manufacturers in India, but BDA Pharma favored four manufacturers of liquid syrup machines—Kent Pharma Machines, Ashu Pharma Machinery, Pusad Pharma Machines (Pusad Machines),<sup>5</sup> and JV Pharma Machinery (JV Machinery).<sup>6</sup> Although many Chinese manufacturers also

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