

**Case Study:**  
**N.R. Enterprises-Pharmaceutical  
Distribution**



**Prof. Dr. Rizwan Raheem Ahmed & Muhammad Ramzan**

**International **E** – Publication**

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## **Introduction**

Muhammad Ramzan, CEO-Owner of N.R Enterprises and Pharmic Enterprises, located in Karachi, Pakistan was delighted to close off deal for an industrial plot located at one of the Industrial area in Karachi. But at the same time he was thinking and talking to himself – “Will that idea of building a pharmaceutical on this land will be as fulfilling as his early experience had been with setting up a successful Pharmaceutical distribution venture from scratch?”

N.R Enterprises and Pharmic Enterprises had grown to be one of the largest pharmaceutical distribution services in Karachi with revenue more than 400 million annually. The services mainly provided to Institutional organizations across Pakistan for pharmaceutical related products such as medicines and surgical items. The clientele included major pharmaceutical companies in Pakistan both national and Multinational players.

The journey to achieve this success had not been very easy. Muhammad Ramzan had a price to pay for such a fast growth. Working 18 hours a day, seven days a week and giving less or no time to family and social gatherings for initial years is something Muhammad Ramzan recalls as toughest part of his career as entrepreneur. Muhammad Ramzan also knew that he had to take decision now in order to sustain competition and challenging operating environment of high inflation and interest rates, deteriorating economic situation leading institutions to cut their budgets. He had to take decision whether he should

1) Establish chain of pharmacy stores 2) Establish more distribution houses 3) Start a pharmaceutical company

## **Background**

Muhammad Ramzan had always preferred to do business as opposed to working for someone with limited pay. The tough realities of life were not in his favor however. Finance was main hurdle that kept him from starting his own business for a long time. He belonged to a lower middle class family. His father passed away in early childhood. He lived in his father’s inherited house of 60 yards and it was very difficult

to live in a small house with a big family of 18 persons. By the age of 17 he was struggling for survival of his family. After doing matriculation he started to do a job as a booker way back in 1991 in a new startup pharmaceutical distribution company by Mr. Ibrahim. Muhammad Ramzan considers Ibrahim as mentor and role model. "I have learnt all the nitti gritty of business from him", recalls Ramzan. Soon after he had been promoted as institutional officer and he worked at the same capacity till 2001. In June 2001 he got another promotion as institution manager in the same company and he worked in that company since his leaving in July 2007. In his job he learnt all the pros and corn regarding the institutional businesses of Karachi city. During his tenure he worked in different capacities like order booker, deliveryman, Sales Executive, Institutional Manager etc. for around sixteen years. He was covering almost all the institutions as an institutional manager and made his contacts with all the relevant personnel in the institutions. He also made contacts in national and multinational pharmaceutical companies. "Since during my job tenure I have given best services to my principals and I have made best contacts in the institutions, pharmaceutical industry and in the market. I had a very good reputation and that is why all the stakeholders encouraged me to start my own business and I have capitalized all these contacts and started my own pharmaceutical distribution setup and Alhamdulillah, I have succeeded."

In 2007 the then employer of Mr. Muhammad Ramzan went into deep financial crises and he had to close his distribution setup. Mr. Muhammad Ramzan had lost his job and was searching another job, but he could not succeed in getting a new job. During that period he contacted many previous principal companies and asks for their support.

## **Birth Of Distribution Houses**

In 2007, Muhammad Ramzan lost his job because the distribution setup had been closed where he was working. In the beginning he was searching a job, during that period he also met many sales and marketing executives of different pharmaceutical companies who were actually his principal at his ex-company, they all encouraged him that he should have started his own pharmaceutical distribution and they also committed to give their distributions to Ramzan if he had opened up his own

business setup.

“Since I did a job for last sixteen years and I know that how difficult to find a job and run your family, that is why this was a triggering point to start my own business and give jobs other people who needs it very badly. I am very proud to say that I have accommodated many people in my business and I believe God has given share of my every employee in my business that is why it is flourishing day and night”, Ramzan explains.

## **Bootstrapping**

Most critical issue at that time was the huge finance because every company had a policy of cash in advance and Ramzan did not have much cash at that time. Few companies had agreed to give credit of 30 days after the long negotiation and because of his previous relations with the executives of those companies. Muhammad Ramzan took those companies who gave him 30 days credit facility so in that way he would overcome the shortages or limited cash flow problem.

“I started with unbelievable cash i.e. PKR150000 which I utilized in buying some furniture, advance for rental shops and salaries for two staff members for three months. Since I had a credit facility from companies and I was able to generate positive cash flow just after four months time period. I had supplied medicines to the institutions on public transport in cartons in order to save expenses. However, I was giving very low salaries but I was providing meal from my home and keep them motivate and discuss and share all the problems with my staff so in this way they feel sense of ownership and importance.”

He had started his own distribution setup and took two shops on rental basis, in one shop he built his office and in second shop he made warehouse. Initially, he started his distribution setup from one company in the institutions of Karachi city.

Later on he added few partners but they worked only as silent partners, some of the partners just did investments and got the profit in a specific ratio but they did not have the right to interfere in day-to-day operation and decision-making.

## **Early Acceptability And Growth**

Besides institutional distribution he was also supplying hospital surgical items into hospitals from the wholesale market. He was very much successful to generate the business from a very short amount of finances. In one year time period he established his company's name in the industry in a very reliable and good distributor. His credit line with the companies, services to the institutions, and timely supplies and more of it by following ethical practices, made him a very reputed distributor in the pharmaceutical industry and institutions as well.

After one year time period Ramzan had hired a computer operator, and accounting personnel for day-to-day operation. He had also taken the expertise of a lawyer who was filling his tax related matters every year. He had also taken advices from the senior pharmaceutical personnel time to time.

## **Pharmic Enterprises**

He has started his distribution setup with two shops, one office boy, one deliveryman and himself as institutional business manager. He worked as order taker, business development manager, negotiator from suppliers and vendors, and many more. He worked very hard day and night and established his first company Pharmic Enterprises just in two years time period. The total revenue from Pharmic Enterprises was 150 million per anum and made 12 principals very reputable pharmaceutical companies from the industry. He was supplying pharmaceutical drugs and surgical items almost all the prominent institutions and hospitals of Karachi city.

After catering almost all the business of private and government hospitals he wanted to enhance further businesses outside the Karachi. By the time many new pharmaceutical companies have contacted him for the hospital and institution supplies but they put the conditions if he is already dealing in the same molecules of any other company then he has to let go that company. From there he had an idea of another pharmaceutical distribution company in order to cater the services of other and new companies. Therefore, N.R. Enterprises was born and he operated two companies under one roof but different staff and facilities.



## **N.R. Enterprises**

As new principals approached him but with a condition that he should not be supplying their products with those companies who are having the similar molecules but different brand names because they have a fear of cannibalization of businesses. Therefore, he had an idea to open up another distribution with different name so; the inception of N.R. Enterprises had been occurred. Soon after the creation of N.R. Enterprises five new principal companies have been were added in the N.R. Enterprises portfolios. After one year time period they have also started doing business in Hyderabad, Nawabshah, Sukkur, Mirpurkhas, Dadu and Larkana.

N.R. Enterprises enjoys very good credibility in Karachi and outside Karachi City. At the same time they have also started trade distribution at the N.R. Enterprises. Basically trade business is the business, which can be gotten from retail and wholesale pharmacies. Few new companies have insisted to N.R. Enterprises that they should do their trade businesses in Karachi city as well. So, in this way four new companies were added in the N.R. enterprises for institutional and trade businesses. As on 30th June 2010, the total turnovers of N.R. Enterprises were 250 million for that particular fiscal year.

## **Turnover And Profitability**

The total turnover from N.R. Enterprises and Pharmic Enterprises is 400 million per annum, in that 400 million the institutional and hospitals drugs and surgical items and trade businesses from retail and wholesale pharmacies are included. Typically all the pharmaceutical companies offer some certain institution and retail margins to the distributors. Typically for trade companies offer 7 to 9 percent for retail and wholesale, whereas, for the institutions and hospitals the discounts varies from 12 to 15 percent margin. After operating cost and financial cost the net profit is about 5 percent on aggregate basis for N.R. Enterprises and Pharmic Enterprises. So, in this way in last fiscal year 2009-10 the net profit for both the entities were 20 million after tax.

## **Organizational Structure**

Since there are two organizations, which are being operated under one roof, therefore, many administrative staff and facilities are being pooled by both the entities. There is a CEO for both the companies and two general Managers are reported to him each from N.R & Pharmic. Every general manager has a team of three area managers and every area manager has a team of 10 to 15 sales representatives and bookers, there are 12 staff officers. There are 12 supply vans and 2 shahzor trucks for bulk supplies, four High roof vans for outskirts and outstation supplies. An office premise is located near Khudadad Colony round-about. They have taken two floors for two companies and two different warehouses for both the companies. Moreover, they have also sub-sales offices in Hyderabad and Sukkur as well; from there they operate the entire operation of whole Sindh province except Karachi City.

## **Entrepreneurial Style**

Muhammad Ramzan has his own philosophy regarding entrepreneurial spirit.

“The most important thing is the attitude and then comes skills and know-how because if you do not have the winning and positive attitude then it is very difficult to survive. In future the attitude is the most important thing. Skills and know-how can be learnt but the attitude is God gifted and it cannot be learnt from any university or institute”.

“If you are determined, hardworking, honest, and passionate then God will never let you down and you should be down to earth nature when you got all the success and in hard times do not be disappointed and carry on, carry, carry on until the success would be achieved”.

“There is a lot of stress being an entrepreneur, because you are not thinking about you alone rather there are many employees who are engaged with you, and then you have to think about their needs as well. You have customers on both ends i.e. Principals companies at one end and institutions are on other end and you have to satisfy all the stakeholders”. “The successful business is more than a satisfaction

and rewarding for any entrepreneur because business is just like his child. There are so many rewards in terms of monetary, satisfaction, recognition in the business community and society. Same as you have to forgo or trade-off many things during your struggle period specially your family and social gatherings etc.” “If anyone who has an erg to excel in his own business, he is positive minded, good entrepreneurial attitude and have an ability to take risks then he could be an entrepreneur or if he lags all these qualities then he should do a job and even do not think about his own business.”

“Always trust on your capabilities and respect your employees and do your best in any circumstances and then leave the results on the GOD”.

### **Future Opportunities**

Muhammad Ramzan does not stop here, instead he goes on exploring further options because according to him life never stops and if you stop then life is over.

Muhammad Ramzan also opened a pharmacy in wholesale market but that did not succeed. Learning from failure Ramzan planned to establish a chain of pharmacies in the city. He also has options for opening up more distribution houses. He is also thinking of opening up his own pharmaceutical company.

## ABOUT AUTHOR



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Dr. Rizwan Raheem Ahmed holds B.Sc. (Hons.), M.Sc. in Applied Statistics and Master of Science (MAS) in Human Resource Management from University of Karachi. He also earned MBA (Marketing) from PAF-KIET and MBA (General Management) from Institute of Business Administration, Karachi. He also holds MS (Management Sciences) from SZABIST and M.Phil. (Financial Economics) from Hamdard University, Karachi. Dr. Rizwan earned his Ph.D. in Pharmaceutical Marketing from Hamdard University, Karachi.

Dr. Rizwan Raheem Ahmed carries more than 19 years of Professional Experience at Senior Management Positions in Sales and Marketing with prestigious National & Multinational Organizations in Pharmaceutical Industry. He has been associated with Indus University since September 2013 as Professor for Business Administration & Commerce department. He has been visiting Faculty for SZABIST for several years. More than 35 Publications (Peer reviewed research articles) are on his credit in reputed National & international Journals including ISI Thomson Reuters indexed & impact factor Journals also. He is also an author of several News articles, which have published in DAWN, Karachi and Business Recorder, Karachi.

He has attended several international conferences on Pharmaceutical Marketing, and distinct therapeutic classes of different Medical Specialties in China, Russia, United States, United Kingdoms, Italy, Netherlands, Brazil, Malaysia, Thailand, Singapore, Jordan, UAE, Sweden, Brazil and other parts of the Globe.