



कर्मचारी राज्य बीमा निगम
(श्रम एवं रोजगार मंत्रालय, भारत सरकार)
EMPLOYEES' STATE INSURANCE CORPORATION
(Ministry of Labour & Employment, Govt. of India)



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U-25/12/ActionPlan/2021-MedV(1056) / 345
To

- Director (Medical) Delhi/Director (Medical) Noida.
- Dean, All ESIC PGIMSR's Medical Colleges.
- Medical Superintendents- All ESIC Hospitals.
- Director, Insurance Medical Services- All States/UTs
- Regional Director-All States/UTs

Sub: Maintaining of optimum inventory for Drugs /Medicines in ESI Institutions-reg.

Respected Sir/Madam,

Reference captioned subject and instructions issued time to time for strict monitoring and maintaining of optimum inventory for Drugs /Medicines in ESI Institutions.

In this connection, it has come to the notice of ESIC Hqrs that at various ESI locations, there are instances of stock out situation and expiry of Drugs. Such instances hamper the service delivery to ESI Beneficiaries and also result in loss to the ESI Corporation. It is again reiterated that:

1. ESI Institutions should formulate a Hospital formulary as per availability of Drugs in valid DG-ESIC Central Rate Contracts, CPSU's drugs on GeM, availability of drugs with Jan-aushadhi System keeping in view the National List of Essential Medicines.
2. Instruction should be issued from Head of the Institutions to treating Medical Officers to prescribe the Medicines as per Hospital formulary.
3. All possible efforts should be made by treating Medical Officers not to prescribe the Medicines outside Hospital formulary.
4. Hospital Store should maintain an optimum inventory on Principles of Material Management (Re-order Level, Buffer Stock etc.).
5. Efforts should be made to avoid stock out situation/excess procurement of all Medicines (RC/GeM/Jan-Aushadhi).
6. Medicines in Central RC/GeM/Jan-Aushadhi should be procured from respective sources and all efforts should be made to avoid Local Purchase of such medicines.
7. Maintenance of Re-order level is an important tool in procurement of drugs. Maintaining re-order levels effectively ensures optimal inventory to meet required demand. (The basic principles of Re-Order level have been attached for ready reference).

In above context, all ESI Institutions are again requested to maintain optimal inventory so that Stock out situation and expiry of drugs can be avoided.

This issues with the approval of Medical Commissioner (RC & PC).

Digitally signed by
Sanjiv Kochhar
Date: 23-06-2025
Dy. Medical Commissioner (RC&PC)
12:58:25

Re-Order Level

In inventory management, the reorder level (also known as the reorder point) is the inventory level at which a new order should be placed to avoid stockouts. It's a crucial tool for optimizing inventory by ensuring sufficient stock to meet demand while minimizing carrying costs and space utilization.

Factors Influencing Reorder Level:

- **Average Demand:** The average rate at which items are issued or used over a specific period.
- **Total Lead Time:** Time taken in processing of files from initiation of request for procurement to final delivery of Item.
- **Buffer/Safety Stock:** Extra inventory held to buffer against unexpected demand fluctuations or delays in lead time.
- **Demand Variability:** The degree to which demand fluctuates, requiring more or less safety stock.

Reorder Level Formula:

The basic reorder level formula is:

Reorder Level = (Average Demand x Total Lead Time) + Safety/Buffer Stock (if any).

Total Lead Time: Internal Lead Time + External Lead Time

Internal Lead Time: Time taken in processing of files from initiation of request for procurement to placing of Purchase Order.

External Lead Time: Delivery Period as defined in Terms & Conditions of Rate Contract/GeM/MoU with Jan_Aushadhi (From date of placement of purchase order by ESI Institution to the due date of execution of purchase order by supplier).