

## ABSTRACT

ILY Pharmaceutical is one of the pharmaceutical industry in Bandung that is manufacturing various type of medicines that will be distributed to fulfill the demands of all health units associated with Indonesian Army all over Indonesia. The problem faced by ILY Pharmaceutical is regarding the inventory of raw materials, the stock is always way bigger than the demand thus causing overstock. This is because ILY Pharmaceutical does not have an exact calculation for the order quantity and maximum inventory level that is needed to help managing the inventory of raw materials in the warehouse. In this research, the raw materials will be classified into category A, B and C, the A category then will use periodic review (R, s, S) while the B, and C category will use periodic review (R, S) method. The objective of this research is to minimize the total inventory cost. The calculation results show that by using periodic review (R, s, S) and periodic review (R, S), the total inventory cost can be lowered by 42% from \$12.194,98 to \$7.029,29.

**Keywords:** raw material, overstock, ABC analysis, inventory policy, periodic review (R, s, S), periodic review (R, S)