



## ABSTRACT

The competitiveness (and success) of a defence manufacturing company largely depends on its efficient pricing policy. Indian Ordnance Factories are following cost based pricing strategy in similar manner as defence industry in some other important countries like China and France.

Defence industries in the world are highly regulated. In fact, governments are the sole buyer as well as the sole producer of a lot of products in most countries. However, quite a few products are also imported and exported. Domestic industry is not equivalent to domestic market in most of the countries. Therefore, procurement is as important as production in a country like India. The free market mechanism is absent in the domain of defence industry. Development of a new product is a challenging task as it requires a long lead time and huge uncertainties are associated with product development.

However there were observed different kind of reforms in western defence industries as also in China, to bring competitive factors in defence procurement policy and manufacturing.

This dissertation addresses the effectiveness of cost based pricing in Indian ordnance factories and its limitations to control price rise for different products. The report has been based on an extensive study of existing government policy/directive, accounting system and published annual accounts. This work suggests an alternative model to control arbitrary price increase and automated mechanism for cost reduction by improving productivity.