

GOVERNMENT OF INDIA
MINISTRY OF PORTS, SHIPPING AND WATERWAYS

LOK SABHA
UNSTARRED QUESTION NO-708
ANSWERED ON – 26.07.2024

SHIPBUILDING FINANCIAL ASSISTANCE POLICY

708. SHRI DUSHYANT SINGH:
DR. RANI SRIKUMAR:

Will the Minister of PORTS, SHIPPING AND WATERWAYS be pleased to state:

पत्तन, पोत परिवहन और जलमार्ग मंत्री

- (a) whether the government has evaluated effectiveness and utilization of the Shipbuilding Financial Assistance Policy for Indian Shipyards and if so, the details thereof, if not, the reasons therefor;
- (b) whether the Government has identified any technical reasons like high imports of material for shipbuilding, less automation in the shipbuilding processes etc. that are affecting the competitiveness of Indian Shipyards; and
- (c) If so, the details thereof along with the Government initiatives to encourage domestic shipbuilding in the country?

ANSWER

MINISTER OF PORTS, SHIPPING AND WATERWAYS
(SHRI SARBANANDA SONOWAL)

(a) Shipbuilding Financial Assistance Policy (SBFAP) provides Indian Shipyards a level playing field vis-à-vis Foreign Shipyards for domestic and international shipbuilding orders. This scheme is aimed for revival and promotion of Shipbuilding industry in India for shipbuilding contracts signed from 2016 to 2026. It is noted that, public and private shipyards like Cochin Shipyard Ltd, Chowgule Shipyard, Mazgaon Shipyard, Garden Reach Shipbuilders and Engineers etc have secured several domestic and foreign shipbuilding orders, thereby leveraging the availability of financial assistance through SBFAP. In the SBFAP scheme, a total of 313 vessel orders encompassing both domestic and export orders have been procured by 39 shipyards since the inception of the scheme, with a total value of approximately Rs. 10,500 crore. These shipyards have received financial assistance totaling Rs. 337 crores for delivering 135 vessels to the domestic and international ship owners.

(b) & (c) Lower domestic demand for commercial shipbuilding, high cost of finance, relatively small ancillary industry, less automation etc. are seen as reasons affecting the competitiveness of Indian Shipyards.

The details of the Government initiatives to encourage domestic shipbuilding in the country are as under:

(i). To increase indigenous shipbuilding with regard to modern technologies and machinery, the Ministry has amended the SBFAP guidelines to include

- a) Wind farm installation vessels and construction of sophisticated dredgers as specialized vessels which are eligible to get higher financial assistance, over and above ₹40 Crores which is upper limit for non-specialized vessels.
- b) Financial assistance of 30% for vessels where main propulsion is achieved by means of green fuels such as Methanol/ Ammonia / Hydrogen fuel cells,
- c) Financial assistance of 20% for vessels with electric means of propulsion or vessels fitted with hybrid propulsion system.

(ii). To promote indigenous shipbuilding, the Government entities dealing with ship building and ship-owning are advised to ensure local content as per the Government of India Public Procurement (Preference to Make in India) Order, 2017. As per this Order, procurement of ships of less than ₹200 crores is required to be from Indian shipyards.

(iii). Government of India vide Gazette Notification No. 112 dated April 13, 2016 has provided infrastructure status to Shipyards. The “Shipyards” have been defined therein as a floating or land-based facility having requisite facilities for carrying on shipbuilding/repair/breaking activities. Infrastructure status would enable Indian shipyards to avail cheaper long-term source of capital and would enable the shipyards to reduce their cost disadvantage and invest in capacity expansion thereby giving a boost to the Indian shipbuilding industry.

(iv). The Government, in November, 2021, has released Standard Tug Designs of five variants for use by Major Ports for procurement of tugs to be built in Indian Shipyards.

(v). Government has issued guidelines on 19.05.2016 for evaluating and awarding tenders for new shipbuilding orders floated by government departments or agencies including public sector undertakings for acquisition of any type of vessel(s) used by them for Governmental purposes or for their own use. Whenever acquisition of a vessel(s) is undertaken through tendering route, the qualified Indian Shipyards will have a “Right of First Refusal” to enable them to match the evaluated lowest price offered by the foreign shipyard which is aimed at increasing ship building activities in Indian shipyards.

(vi). To promote indigenous shipbuilding, the Ministry of Ports, Shipping and Waterways on 20.09.2023 has revised the hierarchy of Right of First Refusal (RoFR) to be followed for all kind of tender. The revised hierarchy of RoFR is:

- (1) Indian built, Indian flagged and Indian owned
- (2) Indian built, Indian flagged and Indian IFSCA owned
- (3) Foreign built, Indian flagged and Indian owned
- (4) Foreign built, Indian flagged and Indian IFSCA owned
- (5) Indian built, foreign flagged and foreign owned
