

**GOVERNMENT OF INDIA
SHIPPING
LOK SABHA**

UNSTARRED QUESTION NO:470

ANSWERED ON:26.11.2012

EFFECTS OF GLOBAL CREDIT CRUNCH ON VESSEL ACQUISITION

Sayeed Muhammed Hamdulla A. B.

Will the Minister of SHIPPING be pleased to state:

- (a) whether the vessel acquisition programme of shipping companies has been affected by the global credit crunch;
- (b) if so, the details thereof; and
- (c) the steps being taken by the Government to raise the necessary finance to enable acquisition of the same?

Answer

MINISTER OF SHIPPING (SHRI G.K. VASAN)

(a) & (b): The prevailing global credit crunch has been affecting the vessel acquisition programme of shipping companies as raising finance for ship acquisition has become increasingly difficult. The extreme volatility in charter rates has adversely affected the margins of the Shipping companies. On one hand, the declining asset prices has made banks reluctant to accept these assets in the form of collaterals, while on the other hand, the declining prices provide an opportunity for owners to acquire these assets, prices of which had reached exorbitant levels.

(c): The Indian National Shipowners' Association which represents Indian Shipping Companies holding 90% of the Indian tonnage represented for creation of a Rs.10,000 crore Corpus for providing credit facilities to Indian Shipping Companies for acquisition of ships. The Ministry of Finance had requested Indian Banks Association (IBA) to constitute a Working Group to examine the proposed funding for Ship acquisition by Indian Shipping Companies from abroad. The Working Group met and formed a small group of Executives from various banks to examine the issue. The IBA then responded that the borrowers need to have negotiations with individual banks for their funding requirements and that the IBA had no role to play in the matter.