

**GOVERNMENT OF INDIA
SHIPPING
LOK SABHA**

UNSTARRED QUESTION NO:1953

ANSWERED ON:04.12.2014

RELAXATION IN RULES

Gavit Dr. Heena Vijaykumar;Patil Shri Vijaysinh Mohite;Satav Shri Rajeev Shankarrao;Sule Smt. Supriya Sadanand

Will the Minister of SHIPPING be pleased to state:

- (a) whether slow down in global economy and high interest borrowing has led to big losses to shipping companies;
- (b) if so, the details thereof;
- (c) whether the Government has asked the Reserve Bank of India to relax rules allowing shipbuilding companies which are sitting on huge losses to go in for a second round of debt restructuring;
- (d) if so, the details thereof and the reasons therefor including reaction of the Government thereto; and
- (e) the other steps taken/being taken by the Government to revive the shipbuilding industry?

Answer

MINISTER OF STATE IN THE MINISTRY OF SHIPPING (SHRI PON. RADHAKRISHNAN)

(a)&(b): Shipping is highly capital intensive and depends largely on the debt market to finance its acquisitions. The extreme volatility in charter rates has adversely affected the margins of the shipping companies. The current meltdown in the international financial markets has placed the Indian Shipping industry in a situation where assets are available to be acquired at reasonable prices, but the availability of money on loan is almost dried up through the normal international commercial bank channels; if any credit is available, it is at a very high cost and stringent terms.

(c)to(e): Yes Madam. The government has requested RBI and the Ministry of Finance (Department of Financial Services) to sanction a special dispensation for five years i.e. upto 31st March, 2020, to treat repeat restructuring of Shipyards, after failure of first Corporate Debt Restructuring (CDR), as equivalent to first restructuring. The reason for including the proposal is that during market downturns, such as the situation prevalent today, shipyards may need to opt for Corporate Debt Restructuring (CDR) mechanism to restructure their loans. However, when first restructuring fails, the loans become NPAs and hence bankers find it difficult to undertake repeated restructuring.

Other steps taken by the Government to revive shipbuilding industry include extension of the shipbuilding subsidy scheme of 2002-2007 from October 2009 till March 31, 2014 for liqui- dation of committed liabilities for ship-building contracts secured during 2002-2007 under the scheme.