8. Shipbuilding Infrastructure - Economy

The government has announced a ₹69,725 crore package to revitalize India's shipbuilding industry, aiming to make it a top 5 global player by 2047. This policy addresses key challenges like financing gaps and technological backwardness to boost domestic manufacturing, create jobs, and enhance maritime security.

Key Pillars of the New Shipbuilding Package

The comprehensive strategy is built on four main pillars designed to address financing, capacity, technology, and policy gaps.

Financing Support -

Shipbuilding Financial Assistance Scheme (SBFAS) - Extended until March 2036 with a corpus of ₹24,736 crore to provide direct financial aid to shipyards.

Maritime Development Fund (MDF) - A massive **₹25,000 crore** fund with two key components -

1. **Maritime Investment Fund** - To support new shipbuilding ventures and related infrastructure.
2. **Interest Incentivization Fund** - To subsidize interest rates on loans, making credit more affordable for shipbuilders.

Infrastructure Status - Large commercial ships will be granted "infrastructure status," enabling them to access long-term, low-cost financing.

Capacity Expansion

Shipbuilding Development Scheme (SbDS) - An outlay of ₹19,989 crore is allocated to create 4.5 million Gross Tonnage (GT) of shipbuilding capacity annually and promote mega shipbuilding clusters.

Technology and Skilling - An India Ship Technology Centre will be established under the Indian Maritime University to focus on cutting-edge technology adoption (e.g., green shipping, prefabrication) and specialized training programs.

Policy and Institutional Reforms - A new National Shipbuilding Mission will be launched for coordinated policy implementation. The package includes legal, taxation, and regulatory reforms to streamline approvals and attract private investment, with incentives aligned with the Atmanirbhar Bharat vision.

Significance of the Package

This package is expected to have a transformative impact on India's economy, global standing, and strategic security.

Economic Impact - It is projected to unlock investments worth ₹4.5 lakh crore and create nearly 30 lakh jobs. It will help reduce India's massive annual outgo of ₹6 lakh crore (~$75 billion) paid to foreign shipping companies for trade services.

Global Competitiveness - India currently ranks 20th globally in shipbuilding with a minuscule 0.06% market share. The package aims to propel India into the top 10 by 2030 and the top 5 by 2047.

Geopolitical and Strategic Security - With 95% of India's trade by volume moving via sea, an expanded indigenous shipbuilding capacity is crucial for energy, food, and maritime security, reducing reliance on foreign-owned vessels.

Sustainability - The policy emphasizes the construction of greener, fuel-efficient, and low-emission ships, aligning with global climate regulations and India's sustainability goals.

Current Challenges in India's Shipbuilding Sector

The new package aims to address long-standing structural weaknesses in the Indian shipbuilding industry.

Technological Gaps - Indian shipyards lag behind global leaders, lacking advanced capabilities like prefabricated block assembly, heavy-lift cranes (1000+ tonnes), and long assembly lines.

Long Turnaround Times - Shipbuilding in India typically takes 2–3 years for a vessel, compared to about 1 year in competitive yards in Korea, Japan, and China.

Weak Ancillary Ecosystem - An underdeveloped supply chain for components and related services delays construction and increases costs.

Financing Bottlenecks - Access to affordable, long-term finance has been a major hurdle, especially for smaller shipyards.

Lack of Demand Visibility - Indian shipowners often hesitate to place orders with domestic yards due to uncertainty in long-term demand, despite government subsidies.

Global Best Practices and The Way Forward

To achieve its ambitious targets, India can learn from global leaders and implement a focused strategy.

Global Best Practices

Practice	Leading Countries	Description
Prefabrication & Assembly-Line	Korea, Japan, China	Building ships in large, prefabricated blocks and assembling them on a line, dramatically reducing costs and construction time.
Institutional Support	China	Has developed a vast ecosystem of dedicated training institutions and R&D facilities to support its massive shipbuilding industry.
Niche Specialization	China (Bulk Carriers), Japan (Tankers), Korea (LNG Carriers)	Dominating specific, high-value market segments to achieve global leadership and economies of scale.

The Way Forward for India

1. **Upgrade Infrastructure** - Modernize shipyards with longer docks, high-capacity cranes, and prefab block technology.
2. **Strengthen Ancillary Ecosystem** - Develop industrial clusters dedicated to shipbuilding components to create a robust domestic supply chain.
3. **Introduce Long-Term Demand Mechanisms** - Secure long-term contracts for Indian-built ships with state-owned utilities (for coal, crude oil imports) to provide shipowners with assured demand.
4. **Human Capital Development** - Establish specialized institutions to train a new generation of shipbuilding engineers and skilled labor.
5. **Identify a Niche** - Instead of competing across all segments, India could focus on a specific niche, such as medium-sized vessels or green-fuel ships, to build expertise and integrate into global value chains.

Source - https - //www.thehindu.com/opinion/editorial/upgrading-shipyards-on-strengthening-indias-shipbuilding-infrastructure/article70098292.ece