

Sector Report

Marine India

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OVERVIEW

The Indian Shipping industry comprises more than 774 vessels (Overseas and Coastal), with a gross tonnage of 13.9 million GRT and is ranked 15th in the world. India with a coastline of 7516 km carries about 90% of its external trade by volume and 70% by value via the sea route. The contribution of Indian Shipyards to this has been around 10%. Predominantly government – owned, Indian shipyards suffer from poor utilisation of their assets, few orders and a high cost of manufacturing. The net worth of many shipyards, particularly the ones under public sector control, has gradually eroded.

There are 7 government shipyards, 24 private sector shipyards and 34 Indian ship-owners. It is estimated that about 40% of the Indian fleet are aged over 20 year old. Current annual expenditure on import of equipment by Indian commercial shipbuilding industry (other than naval shipbuilding) is estimated at INR 2.5 billion (£31.25 million).

Over the years, the public sector shipyards have operated in a somewhat protected market, catering only to the captive demand from various domestic shipping companies and government agencies. During the decades of 1970s & 80s, the government had made it mandatory for Indian Shipping companies to source their ships from Indian Shipyards and encouraged them to do so by subsidies and other tax concessions. A subsidy of 30% based on International price parity still continues for the shipbuilding sector. However, these fiscal measures are inadequate to give necessary boost to the still nascent industry. Indian shipyards remain largely insulated from the present boom in shipping & the shipbuilding industry. Lately it is seen that various shipyards are now recording an increase of exports over its domestic sales.

OPPORTUNITIES

Market Opportunities are highly dependent upon the future development of the Indian Shipbuilding industry. The privatisation of Public Sector Shipyards is crucial for the continuing existence of the Shipyards. It is believed that the industry will go under if it is not privatised. There would be opportunities for investment in these shipyards when/ if government announces a disinvestment strategy for this sector. Private sector shipbuilding industry is booming and a growing number of business opportunities are also seen in the Indian leisure boating industry.

Despite the absence of marinas to park, yachts are fast gaining popularity among high network individuals. Boats ranging from INR 2 million (£25,000) to INR 20 million (£250,000) are the new symbol of luxury like foreign cars and executive jets. Last year, the Indian industry did a sale of about INR 500 million (£6.25-million) and is estimated to grow this year to approx. INR 1.5 billion (£18.75 million). According to industry contacts in the next five years, the leisure boating industry will be worth at least £0.5 billion (around INR 40 billion) in India. Private sector companies are trying to develop the leisure boating industry and companies such as Goa Yacht Haven Pvt Ltd, has proposed to build a 300-boat marina in Goa with an investment of INR 1 billion (£12.5 million). This shows that there is an increase in the number of business opportunities in this sector.

UKTI publishes international [business opportunities](#) gathered by our network of British Embassies, High Commissions and Consulates worldwide. These opportunities appear in the Opportunities portlet on the relevant sector and country pages on the UKTI website. By setting up a profile you can be alerted by email when relevant new opportunities are published. New or updated **alert profiles** can be set in My Account on the website.

CHARACTERISTICS OF MARKET

The shipbuilding industry can be broadly divided into three distinct segments:

1. Public sector shipyards involved in building ocean going vessels
2. Private shipyards involved in building small, medium & specialised crafts and
3. Public sector shipyards involved in building naval/defence crafts and coast guard vessels.

There are 28 shipyards in India, which include 7 large shipyards, which fall under public sector control. Public sector shipyards are a major force, given the sheer size of government investment and the number of years the shipyards have been in business. The public sector shipyards under the administrative control of the Ministry of Defence (MoD) are:

- ⇒ Garden Reach Shipbuilders & Engineers (GRSE),
- ⇒ Mazgaon Dock Limited (MDL) and
- ⇒ Goa Shipyard Ltd. (GSL)

The Public sector shipyards under the administrative control of the Ministry of Shipping are:

- ⇒ Hindustan Shipyard Ltd (HSL)
- ⇒ Cochin Shipyard Ltd (CSL),
- ⇒ Hoogly Dock & Port Engineers Ltd. (HDPE) and
- ⇒ Central Inland water Transportation Ltd. (CIWTC), fall under Ministry of Shipping.

Private sector shipyards are mentioned below:

- ⇒ ABG Shipyard, Mumbai
- ⇒ Bharti Shipyard, Mumbai
- ⇒ Pipavav Shipyard, Gujarat
- ⇒ L&T Shipyard, Gujarat
- ⇒ Chowgule Shipyard, Goa
- ⇒ Dempo Shipyard, Goa
- ⇒ Tebma Shipyard, Goa
- ⇒ JSW Shipyard, Jaigarh, Maharashtra State

The Public Sector Shipyards under the Ministry of Shipping have witnessed steady erosion in their profitability and order book position due to the high cost of manufacture, poor delivery and quality standards. As the shipyards have been operating in a protected market, they have been unable to compete with overseas shipyards. However, the private sector shipyards have proven to be much more efficient and competitive in terms of cost management and overall performance by focussing on value addition & specialisation. ABG shipyard is the largest private shipyard situated near Mumbai. They have built over 35 ships/vessels since 1998 whereas an equivalent publicly owned shipyard built 5 to 6 ships during the same period. The largest ship ever built in India was 86000 DWT.

In addition to shipbuilding, most shipyards do ship breaking and ship repairs. Labour costs are internationally competitive, but shipyards have been unable to keep pace with the technology resulting in erosion of competitiveness.

Globally, the shipyards are currently flooded with new orders. However the excitement at the global level has had no significant impact on Indian Shipyards, which seem to be insulated from developments in the world ship building market.

The performance of Public Sector Shipyards under the Ministry of Defence producing frigates, submarines, missile boats and patrol vessels has also been unimpressive. The continued investment support from the government has resulted in creation of substantial infrastructure in Mazgaon Docks Ltd, Mumbai and Goa Shipyard Ltd. While these shipyards have a strategic role

to play in securing national defence, this role can be played more effectively when these shipyards are able to absorb the latest technologies and are able to scale up their operations to International levels.

The recent Expenditure Reforms Committee report quite categorically states: " India has no competitive advantage in ship building. The bulk of steel and other components including Paints required for shipbuilding are imported. In spite of efforts to modernise technology, ship building in India is not world class and productivity is low. No foreign Shipping company ever comes or looks to Indian Shipyards for building vessels." The Ship Building industry has survived only because of Government Policy on Shipbuilding, which extended subsidy support of 30% on Ocean – going ships, along with an interest differential support of 5% to Shipping Companies to raise finances for ships built by Indian Shipyards. This cash support policy, has however, failed to sustain long term development and competitiveness of the shipyards.

The Expenditure Reforms Committee has recommended government disinvestments in the Public Sector Shipyards. However, the report does not suggest any effective strategy privatising these shipyards.

KEY METHODS OF DOING BUSINESS

India has an excellent manufacturing base supported by a skilled workforce and technically well qualified, competent management. It also has the world's largest number of graduate engineers, plentiful labour, a low cost base, and is a world leader in computer programming personnel.

The companies considering doing business in India should bear the following general principals in mind:

- * Be pro-active and aggressive in pursuing business opportunities;
- * Take a strategic, long term view;
- * Carry out basic research and systematically gain information on doing business in India;
- * Seek specialist advice from the relevant trade associations and authorities;
- * Appoint a carefully selected, reputable agent in India;
- * Ensure all necessary Indian government and other approvals have been obtained;
- * Be prepared to transfer the latest technology, design, quality, manufacturing and operating techniques and principles;
- * Install quality systems from the start; and
- * Investigate in detail the availability of local raw materials.

Other background information on doing business in India can be found on UKTI's website. Simply go to the India country page where you will find information on:

- Economic background and geography
- Customs & regulations
- Selling & communications
- Contacts & setting up
- Visiting and social hints and tips

MORE DETAILED SECTOR REPORTS

Research is critical when considering new markets. UKTI provides [market research](#) services which can help UK companies doing business overseas including:

- **Overseas Market Introduction Service (OMIS)**. Bespoke research into potential markets, and support during your visits overseas

- **Export Marketing Research Scheme.** In-depth and subsidised service administered by the British chambers of Commerce on behalf of UKTI

Contact your local [International Trade Advisor](#) if you are interested in accessing these services, or for general advice in developing your export strategy.

When considering doing business in India, it is essential to obtain legal, financial and taxation advice. For further details, please contact:

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PUBLICATIONS

1. Maritime Monitor
Published By: I-Maritime Consultancy Pvt Ltd
205 Hermes Atrium, Plot -57, Sector II
Central Business District, Belapur
Navi Mumbai 400614
Maharashtra, India
Tel: 91 22 27579611, 27577834
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E-mail: consult@imaritime.com
Website: <http://www.imaritime.com>
2. Indian Infrastructure
Published By: Power Line Research
D-4/5, Second Floor, Vasant Vihar
New Delhi 110057, India
Tel: 91 11 26152322, 26159120
Fax: 91 11 26152344
E-mail: powerlin@del2.vsnl.net.in
Website: www.indianinfrastructure.com
3. Ship Mag
A-23-24, Avillion, Green Fields Society
J.V. Link Road, Opp. Fantasy Land, Andheri East
Mumbai 400 093, India
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Email: svtesh_5@rediffmail.com
4. Sailor Today
406, Shivam Chambers, Next to Sahara TV, S V Road
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Tel: 91 22 6588 4100; Mobile: 91 9821234405
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EVENTS

1. 3rd Southern Asia Ports Logistics and Shipping 2008

Dates: 25th to 26th September 2008
Venue: The Leela Kempinski Hotel, Mumbai, Maharashtra, India
Website: www.transportevents.com

2. India Shipping Summit 2008
Dates: 30th September to 1st October 2008
Venue: Grand Hyatt, Mumbai
Website: www.indianshippingsummit.com
3. Mumbai International Boat Show (MIBS)
Dates: 19th to 22nd February 2009
Venue: Bandra Kurla Complex (BKC), Mumbai, Maharashtra, India
Website: www.mumbaiboatshow.com
4. 6th International Maritime Exhibition and Forum 2009
Dates: 26th to 28th September 2009
Venue: Bombay Exhibition Centre, Mumbai, India
Website: www.inmexindia.com

UK Trade & Investment's [Tradeshaw Access Programme](#) (TAP) can help eligible UK businesses take part in overseas exhibitions. Attendance at TAP events offers significant benefits:

- possibilities for business opportunities both at the show and in the future
- a chance to assess new markets and develop useful contacts
- grants are available if you meet the criteria
- UKTI staff overseas will be available to assist delegates

Find out if you are eligible to apply to attend this event, and more about the support UKTI can offer, on the UKTI [Market Entry](#) web page.

Details of TAP events can be found in the **Events** portlet on the [country] page.

Other **Market Visit Support** may be available via your local International Trade Advisor.

CONTACT LISTS

UKTI's **International Trade Advisers** can provide you with essential and impartial advice on all aspects of international trade. Every UK region also has dedicated sector specialists who can provide advice tailored to your industry. You can trace your nearest advisor by entering your postcode into the [Local Office Database](#) on the homepage of our website.

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For new and inexperienced exporters, our [Passport to Export](#) process will take you through the mechanics of exporting. An International Trade Adviser will provide professional advice on a range of services, including financial subsidies, export documentation, contacts in overseas markets, overseas visits, translating marketing material, e-commerce, subsidised export training and market research.