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# Economic Conditions of the Marine and Shipbuilding Industry in India

## 1. Introduction

India, with its 7,500 km long coastline, 12 major ports, and over 200 minor ports, has immense maritime potential. The marine and shipbuilding industry plays a critical role in the nation's strategic and commercial ambitions, contributing to economic growth, employment, defence capability, and international trade. This report explores the current economic conditions of the Indian marine and shipbuilding sector, highlighting its challenges, prospects, and policy environment.

## 2. Overview of India's Marine and Shipbuilding Industry

### 2.1 Industry Snapshot

- **Global Ranking:** India ranks among the top 15 shipbuilding nations but contributes less than 1% to the global shipbuilding market (dominated by China, South Korea, and Japan).
- **Shipyards:** 27 shipyards, including:
  - Public Sector: Cochin Shipyard Ltd (CSL), Hindustan Shipyard Ltd (HSL), Goa Shipyard Ltd (GSL), Mazagon Dock Shipbuilders Ltd (MDL), Garden Reach Shipbuilders & Engineers (GRSE).
  - Private Sector: L&T Shipbuilding, Reliance Naval & Engineering, ABG Shipyard.
- **Employment:** The sector directly employs over 50,000 people and indirectly supports around 200,000 workers.

### 2.2 Key Segments

- **Commercial Shipbuilding:** Tankers, bulk carriers, barges, tugs, ferries.
- **Defence Shipbuilding:** Frigates, aircraft carriers, submarines (under strategic partnerships).
- **Ship Repair and Maintenance:** Gaining momentum due to cost competitiveness and growing domestic fleet.

## 3. Economic Performance and Government Support

### 3.1 Sector Growth and Challenges

- **Contribution to GDP:** The shipbuilding sector's direct contribution is low (~0.1% of India's GDP), but it supports trade (~95% of India's international trade by volume).
- **Current Capacity Utilization:** Shipyards are operating at ~30–50% of capacity due to lack of consistent orders.
- **Capital Intensity:** High investment and long gestation period discourage private investment.

### 3.2 Government Initiatives

- **Shipbuilding Financial Assistance Policy (2016–2026):**
  - 20% subsidy on shipbuilding contracts to boost competitiveness.
  - Target: Make India a regional hub for small and medium commercial vessel construction.
- **Sagarmala Programme:**
  - Port modernization, connectivity enhancement, and port-led industrialization.
  - Expected investments: ₹6 lakh crore (approx. \$75 billion).
  - 400+ projects identified; aims to reduce logistics costs and time.
- **FDI Policy:**
  - 100% Foreign Direct Investment allowed under the automatic route for shipbuilding and port sectors.

## 4. Trade and Export Performance

### 4.1 Domestic Demand

- **Drivers:** Coastal shipping growth, inland waterways (under Jal Marg Vikas), Indian Navy procurement.
- **Ship Repair:** Increasing due to India's location advantage and rising demand for green retrofitting and maintenance.

### 4.2 Export Trends

- **Export Markets:** Europe, Southeast Asia, Middle East, and Africa.
- **Challenges:**
  - Cost competition from East Asian countries.

- Limited scale, outdated technology, and delay in delivery timelines.

### 4.3 Import Dependency

- Critical components like marine engines, navigation systems, and advanced steel are still largely imported.
- Strengthening local manufacturing of marine equipment is essential to reduce dependency.

## 5. Strategic Importance and Defence Sector Synergy

- **Defence Orders:** Major boost from Indian Navy's indigenization program (INS Vikrant, Scorpene-class submarines).
- **Atmanirbhar Bharat Mission:** Focus on self-reliance in defence production has revived interest in shipyard capacity enhancement.
- **Public-Private Partnerships:** Collaboration with private shipbuilders for auxiliary vessels and strategic platforms.

## 6. Challenges Facing the Indian Shipbuilding Economy

- **Inadequate Infrastructure:** Many shipyards lack modern dry docks, robotic systems, or deepwater access.
- **Low Global Competitiveness:** High financing cost, labor inefficiencies, and lack of economies of scale.
- **Skilled Workforce Gap:** Shortage of specialized naval architects, marine engineers, and welders.
- **Delays in Project Execution:** Lengthy procurement procedures, regulatory bottlenecks, and logistical issues.

## 7. Future Outlook and Opportunities

### 7.1 Growing Coastal and Inland Shipping

- **Potential:** 14,500+ km of navigable waterways under development.
- **Support:** Inland Waterways Authority of India (IWAI) initiatives to increase cargo movement via rivers and canals.

## 7.2 Cruise and Tourism Sector

- **Market:** Rise in cruise tourism and luxury ferries can create demand for new ship designs and builds.
- **Initiatives:** Ministry of Tourism and Sagarmala Development Company promoting maritime tourism.

## 7.3 Renewable Energy and Offshore Vessels

- **Opportunity:** Growing offshore wind projects and oil exploration require support vessels and maintenance ships.

## 8. Recommendations

- **Upgrade Shipyard Technology:** Invest in automation, 3D modeling, and smart construction tools.
- **Skill Development:** Maritime institutes should align curriculum with global trends and encourage R&D.
- **Encourage Exports:** Extend credit lines and negotiate bilateral shipping agreements.
- **Streamline Policies:** Fast-track clearances and implement single-window systems for shipbuilding permissions.
- **Promote Green Shipping:** Offer incentives for electric, hybrid, and LNG-fuelled vessels.

## 9. Conclusion

India's marine and shipbuilding industry holds significant strategic and economic potential. With proper policy execution, technology adoption, and global collaboration, India can transform into a shipbuilding hub for the Indo-Pacific region. Leveraging its coastal geography, skilled manpower, and market size, India is poised to accelerate maritime industrialization and emerge as a key player in global ship construction and marine services.