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Can India reach its ambitious shipbuilding targets?

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Hindustan Shipyard

The story of India's government, led by prime minister Narendra Modi, setting a goal to become a top 10 shipbuilder by 2030 and a top five one by 2047 has been doing the rounds for some time now, but how feasible is it and what must happen for that to become a reality?

For one of the largest countries by area and the most populous country in the world, India's ambitious shipbuilding targets should come as no surprise. However, the steep path it has to climb to reach these lofty goals should not be underestimated.

India is currently outside the top 15 with a market share of only 0.07%. To become a top 10 player by 2030 as stated repeatedly by the Narendra Modi administration will require a huge amount of investment.

KPMG said that to reach the 2030 goal, the annual output of Indian shipyards needs to be increased from 0.072m gt to 0.33m gt by 2030 and to 11.31m gt a year by 2047 if its to make good on its top

five goal. This is a very tall order, especially given the utter dominance of rival China in the shipbuilding sector.

China commands 64.7% of global shipbuilding orders while the countries in second and third place – South Korea and Japan – have only 30.8% combined.

Those kinds of numbers from the top three shipbuilding countries leave the rest of the world fighting for scraps and having a market share in the single-digit percentile could be seen as a success. With so little of the market left for everyone else India has a rocky road to a higher market share and earning a better ranking in the shipbuilding world.

Nevertheless, Eric Veith, regional chief executive for South Asia at Bureau Veritas Marine and Offshore, believes that the Indian shipbuilding industry has a unique opportunity to reach these strategic goals due to significant growth in the previous four years.

“India’s competitive edge lies in its ability to cater to smaller vessels, a segment largely neglected by shipbuilders in China, Korea, and Japan. These countries typically focus on large, complex ships, leaving a gap for Indian shipyards to develop a reasonable share of the global newbuilding order in this segment,” he explains.

India’s competitive edge lies in its ability to cater to smaller vessels

One of the key drivers behind India’s maritime growth was the publication of the Maritime India Vision 2030 in 2021. This set a roadmap for expanding the country’s maritime industry capabilities, focusing on infrastructure and education of seafarers, technology, policy, shipbuilding, repair and recycling. The vision is supported by government incentives that make Indian shipyards more competitive compared to their counterparts in East Asia.

These incentives, together with India’s relatively low labour costs, are already starting to attract foreign shipowners, according to Veith. This is mostly used by shipowners looking for simple designs as well as small to medium-sized vessels such as Germany’s Carsten Rehder Schiffsmakler which ordered four 7,500 dwt MPPs with an option for four more earlier this year.

The contract was won by Garden Reach Shipbuilders and Engineers, a yard under the administrative control of the country’s ministry of defence, best known for its defence shipbuilding which like several other Indian shipyards decided to diversify its offering and attract foreign shipowners.

Dr Adam Kent, managing director of British consultancy Maritime Strategies International (MSI), agrees that smaller vessel construction is one of India’s positives, regardless of the country’s global shipbuilding output of merchant ships averaging around 0.1% annually since 2000.

“Despite this, the country boasts a well-established marine shipbuilding industry, though its primary focus is on smaller tonnage vessels like general cargo carriers, MPPs, tugs, and passenger ferries,” he says.

But the country is not just looking to use those segments to increase their share in the market. The Indian government has also contacted South Korea’s HD Hyundai Heavy, Hanwha Ocean, and Samsung Heavy Industries in an attempt to lure them into setting up bases in the country, mimicking China’s example some 20 years ago.

T.K. Ramachandran, secretary at India’s ministry of ports, shipping, and waterways, said India wants to do the same in the domestic shipbuilding industry as it did with its automobile revolution that began with wooing Japanese carmaker Suzuki in the 1980s to establish Maruti Suzuki India.

This was not without results. The secretary returned from a visit to South Korea last month and an unnamed government official disclosed to local media that some formal agreements are expected to be signed when Sarbananda Sonowal, union minister of ports, shipping, and waterways visits South Korea in March next year.

During 2024, there were several important developments concerning India's shipyards. The shipping ministry announced plans to build multiple shipbuilding clusters in collaboration with coastal states, while Indian billionaire Gautam Adani is also looking into entering the shipbuilding business via the \$5.4bn expansion plan for Mundra Port. Also, Pipavav Shipyard, the largest shipyard in India by capacity, is back in business after emerging from bankruptcy.

All of these are positive signs, but obstacles still exist. As MSI's Kent puts it, infrastructure and finances will be key.

"For India to improve its position in the global shipbuilding rankings, it must develop both the necessary facilities and the broader infrastructure and supplier networks to support a competitive domestic shipbuilding industry. Financial incentives, subsidies, and tax breaks will be instrumental in kick-starting this process," Kent says.

Shipbuilding is a complex process and requires a trained workforce and infrastructure and financial incentives must go hand in hand.

On the infrastructure end, Veith believes that it is most important for small shipyards to upgrade and expand their docking capacities to accommodate larger and more sophisticated vessels. This, he believes, will appeal to a wider range of international clients.

Furthermore, this will allow Indian shipyards to handle larger projects than they do now such as VLCCs, capesize vessels, and large boxships while an educated workforce will unlock the ability to work on the most complex vessels – LNG and LPG carriers, FSRUs, FLNGs, etc.

But even if such capacity exists, the question remains: why place orders in India when established yards in Korea, Japan, or China already offer proven track records? For Kent, the answer depends on a multitude of factors.

"As seen in the past, this decision will hinge on a combination of factors, including newbuilding costs, payment terms, slot availability, government guarantees, and access to vessel types and technologies," he states.

He also believes that, on the surface, India possesses all the fundamental building blocks to become a competitive player in the shipbuilding industry but that its success in that endeavour will depend on sustained government support and substantial economic backing.

For Veith, another critical challenge for India is improving ease of access to shipyards and improving its shipbuilding supply chain. He states that suppliers will need to adjust to shipyards' expectations regarding production planning and scheduling, competitive pricing, as well as compliance and service delivery.

"By improving infrastructure, developing their supply chains, and expanding upon its unique position in a well-targeted vessel market, India can make significant strides towards achieving their ambitious goals by 2030, and on to 2047," Veith concludes.

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