

## Productivity & Efficiency Gaps in the Indian Shipbuilding Industry

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Indian shipbuilding industry suffers various gaps and drawbacks as compared to other countries. Some of the major gaps are discussed below:

### Inadequate Support Infrastructure and Facilities

- **Inadequate transport facilities**
  - Inadequate road connectivity at the minor ports.
  - Lack of cargo generating centres at the hinterlands near the ports
  - Lack of mechanical handling facilities at riverine terminals.
  
- **Inadequate R&D Infrastructure and Investment**
  - Limited investment in R&D in ship designing and innovation.
  - High dependence of ship owners in old ships due to constraints of investment capacity to buy new ship.
  
- **Multiple Clearances**
  - The present requirement to obtain multiple clearances covering land acquisition, environmental clearance, power and water etc., from various departments for new projects in shipbuilding acts as a deterrent to attracting investment into this sector.

### Issues in availability of Raw Material, Manpower and Technology

- **Lack of indigenous production of raw-materials**
  - Non-availability of organized component and service supply manufacturers.
  - Dependence on imports for high quality steel plates and other structural items.
  
- **Lack of skilled and efficient manpower**
  - Lack of basic skills like welding and fitting.
  - Shortage of manpower with specialization in techno-economic spectrum in shipbuilding.
  
- **High Financing Costs**
  - High interest rates on working capital in India as compared to competing countries (Difference as high as 5-6% as compared to competing countries)
  - Service tax of 10.3% is applicable to the contractors for rendering services to the Shipyard, hire of equipment. This leads to approximate 1.5% of the cost addition to the total cost of the ship, as opposed to China, where a lump sum VAT is applicable, which is later refunded.
  
- **Lack of backward & forward linkages in the industry**
  - Absence of a strong ancillary industry
  - Lack of synergy between public and private yards
  - Lack of level- playing field to private shipyards.