

Shipbuilding Industry - Overview

Capacity constraints in leading countries and lower shipbuilding costs (cheap labour) in emerging countries prompted a gradual shift of shipbuilding activities from Europe to Asia since the early 90s. This has thrown open opportunities for the Indian shipbuilding industry. Rising global trade and strong replacement demand boosted the prospects of the Indian shipbuilding industry, particularly in the tenth five year plan (2002-07). From an industry dependent on government orders till late 90s, the Indian shipbuilding industry have turned export oriented focusing on the niche offshore segment. Export orders comprise about 80 per cent of the total market and domestic orders the rest.

The Indian Shipbuilding Industry, which had only about 0.1 per cent share of the world shipbuilding in 2002, expanded over tenfold accounting for 1% of the global shipbuilding industry with annual turnover of around US \$ 1.3 billion in 2011 and has been growing at a compounded annual growth rate (CAGR) of about 8 per cent⁸. The Indian shipbuilders occupied 6th rank globally accounting for 1% of the global order book aggregating 2.4 million CGT with 257 vessels on order in year ending 2010. In view of the ageing fleet of offshore vessels globally with approximately 40% of the offshore vessels above 20 years of age, the specialisation of Indian shipbuilders in the construction of offshore vessels augurs well for the Indian yards.

The domestic shipbuilding industry comprise of 32 shipyards. Riding on a high growth trajectory, the shipbuilding industry has doubled its capacity from about 2.5 lakh dead weight tonne (DWT) in March 2007 to five lakh DWT in 2011⁹. This capacity was created mainly for the export market, particularly in the small ship segment.

India has emerged as a major destination for the construction of offshore and oil industry ships like offshore supply vessels and anchor handling tugs. Given the inherent labor intensive nature of the shipbuilding industry, India has a natural advantage by virtue of its lower cost of labour and availability of skills. India also enjoys a long coastline of around 8,000 km long with several deep water ports serving as good locations for setting up shipyards. Gujarat is the preferred shipbuilding destination.

⁸ Assocham Report on Indian Shipping Sector

⁹ XIIth plan working group report