

How India can catch up in ship repair market

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The challenge is to attract Indian sub-contractors, now in Dubai and Singapore

The ship repair industry must focus on developing ancillaries and evolve good labour practices to tap the high potential.

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The Indian ship repair industry can vie for a much larger pie of the \$20-billion global market. But the players need to improve their service delivery strengths by investing in trained manpower, developing ancillaries to ensure faster supply of spare parts, and adhering to timelines, amongst others.

“The ship repair market in India, which was at ₹ 2,596 crore in 2010, has the potential to touch ₹ 4763.4 crore by 2015,” Mr Ajay V. Sharma, Director, Mantrana Maritime Advisory, said. “In the last six-eight years, this industry has grown by three times,” Mr Sharma said.

Mr S. Krishnakumar, Head, Ship Design and Engineering, Larsen and Toubro, pointed out that every year, in the size of 200 metre-sub-200 metre range vessels, about 230 call on the Indian shores at least five times.

The offshore sector, where India is seeing a lot of activity, will also drive the growth of the industry. Most of the vessels deployed in the offshore sector go to Singapore and Dubai to get their repair works done even though it involves additional logistics costs for them.

Indicating that the domestic ship-repair industry has a lot of catching up to do, Mr Sharma said, “Unless you are very bad, the shipowner won't want to go anywhere else,” indicating that the domestic industry has a lot of catching-up to do.

LESSONS FROM SINGAPORE

Calling for lessons from Singapore, Mr Krishnakumar said, “The Singapore ship repair industry has set up facilities on shoe-string budgets (barring large players); invests in intensive practical training; and has developed standardised procedures for repair across shipyards.”

Singapore accounts for 25 per cent of the \$20-billion ship repair works taken worldwide annually. India needs to build capacity and competitiveness, particularly in ancillary industry and logistics. “We cannot blame external factors for the industry's current state. Indian industry has never focused on serious investments in ship repair yards,” Mr Krishnakumar said. He added that the Indian ship repair needs to invest in training to convert India into a key ship repair destination.

Mr Sharma also stressed that timely deliveries do not happen at Indian ship repair yards. “During the recession years, Hindustan Shipyard Ltd and Cochin Shipyard Ltd started working on ship repair by fluke. In difficult times,

shipyards tend to depend on ship repairs business to keep afloat” said Mr Sharma.

GOVERNMENT role

Some experts called for Government interventions in this sector to make it attractive. “A service tax was levied in 2005 on the labour element. Additionally, the State Government levies works contract tax on the value-added work, making ship repair activity relatively costlier,” said Commodore M Jitendran, CEO, Pipavav Shipyard Ltd. Earlier, he was the Chairman and Managing Director of Cochin shipyard Ltd.

There is also a need on the part of major ports which are under Centre's jurisdiction to focus on earnings from ship repair works also.

“Mumbai Port Trust has two dry docks operating on first-come and first-serves basis. Rentals of the dry docks are not market-driven. Also Coast Guard and Navy vessels are prioritised,” Mr Sharma pointed out.

There is a need to enable long lease of water front by major ports for ship repair work. “All that we need to set up ship repair facility is a tiny little parking space to float a dock” said Mr Krishnakumar, adding that about 200 metre of water front would be required to exploit the potential.

“The Government could consider setting up special economic zones for repair yards” Mr A.P.V. N. Sarma, former Secretary, Shipping, told *Business Line* on the sidelines of a shipbuilding seminar in Mumbai. Though there were discussions in the Ministry for such a move, a formal proposal was not taken up, he added.

INVESTMENT OPTIONS

“Mumbai, Kakinada and south Kochi regions are lucrative investments options for ship repair activities in the backdrop of the active offshore work being undertaken in the vicinity,” Mr Sharma said.

Also, there are not many players in the ship repair sector, as there are in the shipbuilding sector in the country today. Mr Krishnakumar stressed the need for industry to be more involved with the ancillary and evolve good labour practices.

“Most of the sub-contractors in Dubai and Singapore are from India. There is a huge Indian diaspora of workers, supervisors and managers currently employed outside are willing to return. The challenge is for the Indian industry to attract them,” said Mr Krishnakumar.

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