India’s Shipbuilding and Ship Recycling Sector: Policy Reforms, Growth Prospects, Key Challenges and the Road to a Global Maritime Hub

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Recent Developments:

- **The United Nations Conference on Trade and Development (UNCTAD)** reported that **India became the world's largest ship recycling nation in 2025**, increasing its global share from **30.1% in 2024 to 35.4% in 2025**.
- **India recycled 2.99 million Gross Tonnage (GT)** of ships during 2025, recording nearly **60% year-on-year growth**.
- **India achieved a key target of the Maritime India Vision (MIV) 2030 ahead of schedule**, strengthening its ambition to emerge among the **top 10 global shipbuilding nations by 2030** and the **top five by 2047**.
- **The April 2026 state visit of South Korean President Lee Jae Myung** further strengthened India–South Korea maritime cooperation through technology transfer, investment and shipbuilding collaboration.
- **The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (HKC)** entered into force globally in **June 2025**, providing a uniform international framework for environmentally sound ship recycling and benefiting compliant Indian ship recycling yards.

Overview:

- **India is leveraging its global leadership in ship recycling to develop a competitive domestic shipbuilding ecosystem** under **Maritime India Vision 2030** and **Maritime Amrit Kaal Vision 2047**.
- **The strategy combines policy reforms, financial incentives, infrastructure development, green technologies and international partnerships** to expand indigenous manufacturing, strengthen maritime security, generate employment and integrate India into global maritime value chains.
- **The long-term objective is to transform India from a major ship recycler into a globally competitive shipbuilding nation.**

Current Status of India's Ship Recycling Sector:

- **India has emerged as the world's leading ship recycling country**, accounting for over one-third of global ship recycling activity.
- **India recycled 2.99 million GT of ships during 2025**, reflecting significant growth in recycling capacity and international confidence.
- **The achievement fulfills a major milestone under Maritime India Vision 2030 well ahead of schedule.**
- **The Alang Ship Recycling Yard in Gujarat remains the world's largest ship recycling cluster** and is undergoing expansion to nearly **9 million Light Displacement Tonnage (LDT)**.
- **India is also pursuing inclusion of Alang facilities in the European Union's approved list of ship recycling yards**, which would improve access to European vessels.

Policy Initiatives Supporting Ship Recycling and Shipbuilding:

Recycling of Ships Act, 2019:

- **The Act aligns India's ship recycling industry with the Hong Kong Convention**, ensuring safe, environmentally sound and internationally accepted recycling practices.
- **Government financial assistance has modernized ship recycling yards**, enabling more than **115 facilities** to comply with international standards.

Ship-breaking Credit Note Scheme:

- **Ship owners receive a credit equivalent to 40% of the scrap value** of recycled ships.
- **The credit can be used for constructing new ships in Indian shipyards**, thereby creating a direct linkage between recycling and domestic shipbuilding.

Shipbuilding Financial Assistance Scheme (SBFAS):

- **The scheme provides financial assistance ranging from 15% to 25% of vessel cost**, reducing India's cost disadvantage against subsidized foreign competitors.
- **The scheme supports the establishment of the National Shipbuilding Mission** and is expected to facilitate shipbuilding projects worth approximately **?96,000 crore**.
- **The scheme will remain operational until 31 March 2036**, with an in-principle extension up to **2047**.

Shipbuilding Development Scheme (SbDS):

- **The scheme promotes greenfield shipbuilding clusters, modernization of existing shipyards and establishment of the India Ship Technology Centre** at the **Indian Maritime University**.
- **It provides 100% capital support for common infrastructure in new clusters and 25% capital assistance for expansion of existing facilities.**
- **A Credit Risk Coverage Framework has also been introduced** to improve access to project financing.

Maritime Development Fund (MDF):

- **A dedicated ?25,000 crore fund has been created** to provide long-term and affordable financing for maritime infrastructure.
- **The Maritime Investment Fund (MIF)** will function as a **?20,000 crore equity-based investment vehicle**, while **the Interest Incentivization Fund (IIF)** will provide **?5,000 crore** to reduce borrowing costs.

Sagarmala Finance Corporation Limited (SMFCL):

- **India's first dedicated Non-Banking Financial Company (NBFC)** for financing maritime and shipbuilding projects.
- **The institution aims to improve financial accessibility for shipyards and maritime infrastructure developers.**

Green Tug Transition Programme (GTTP) and Harit Nauka Guidelines:

- **The programmes encourage adoption of cleaner marine fuels**, including **Liquefied Natural Gas (LNG), battery-electric propulsion, hydrogen and methanol**.
- **The initiatives are expected to position India as an early leader in green shipbuilding technologies.**

India–South Korea Maritime Cooperation:

- **India and South Korea are collaborating under the VOYAGES framework**, focusing on development of India's first mega greenfield shipyard at **Thoothukudi**.

- **The proposed shipyard will have an annual capacity of approximately 2.5 million GT** and is expected to generate nearly **15,000 direct jobs**.
- **South Korean companies are facilitating technology transfer** in advanced ship design, automation, green propulsion systems and construction of high-value vessels.
- **The Korea Marine Equipment Association (KOMEA)** has established operations in Mumbai to promote localization of marine equipment manufacturing.
- **Collaboration in defence shipbuilding will strengthen indigenous naval manufacturing** under the **Make in India** initiative.
- **Academic partnerships involving IMU, KMOU, KOICA and the Ministry of Ports, Shipping and Waterways** aim to strengthen research, skill development and marine engineering capabilities.

Major Challenges in India's Shipbuilding Sector:

- **India currently possesses commercial shipbuilding capacity of only around 0.072 million GT**, accounting for **less than 1% of global shipbuilding output**.
- **China, South Korea and Japan collectively account for nearly 95% of global shipbuilding orders**, making international competition extremely intense.
- **Indian shipbuilders face significantly higher borrowing costs**, with domestic interest rates remaining substantially above those of major competing countries.
- **The absence of sovereign refund guarantees reduces the competitiveness of Indian shipyards** in international bidding.
- **India remains heavily dependent on imports for critical marine equipment**, including propulsion systems, shipbuilding-grade steel and navigation technologies.
- **Limited availability of mega dry docks restricts India's ability to construct ultra-large commercial vessels**, preventing participation in high-value shipping segments.
- **Domestic shipping companies frequently purchase second-hand foreign vessels**, reducing demand for newly built Indian ships.
- **India holds less than 1% of the global Maintenance, Repair and Overhaul (MRO) market**, with many Indian vessels relying on foreign repair facilities.
- **A shortage of specialized marine engineers, naval architects and green propulsion experts** limits rapid technological advancement.
- **Land acquisition challenges, regulatory delays and procedural complexities** continue to affect investment and project implementation.

Measures Needed to Strengthen India's Shipbuilding Sector:

- **India should adopt the South Korean "Ulsan Model"**, integrating shipyards, ancillary industries, logistics infrastructure and training institutions within dedicated industrial clusters.
- **Recovered steel and materials from ship recycling should be integrated into domestic shipbuilding supply chains**, promoting a circular maritime economy.
- **Foreign collaborations should emphasize mandatory technology transfer, domestic value addition and workforce development**, ensuring long-term technological self-reliance.
- **Localization of marine equipment manufacturing should be accelerated** to reduce import dependence and improve supply-chain resilience.
- **India should capitalize on emerging green shipping technologies**, including hydrogen, methanol and ammonia-based propulsion systems, in line with International Maritime Organization (IMO) decarbonization targets.
- **The Right of First Refusal (RoFR) policy should be implemented effectively** to ensure preference for Indian-built and Indian-flagged vessels in government and PSU procurement.
- **Stable financing mechanisms, faster regulatory approvals and stronger public-private partnerships** are essential for sustained sectoral growth.

Significance for India:

- **Shipbuilding acts as the "mother industry" of heavy engineering**, generating strong multiplier effects across steel, electronics, machinery, logistics and defence manufacturing.
- **Expansion of the sector can generate up to 30 lakh employment opportunities** across skilled, semi-skilled and ancillary industries.
- **A robust domestic shipbuilding industry enhances maritime security, strategic autonomy and supply chain resilience.**
- **The sector supports the objectives of Aatmanirbhar Bharat, Blue Economy, Make in India and the Maritime India Vision.**

Way Forward:

- **India should simultaneously strengthen ship recycling, shipbuilding, ship repair and maritime financing** to develop an integrated maritime industrial ecosystem.
- **Policy certainty, competitive financing, technological modernization and global partnerships** will remain essential for achieving the targets under **Maritime India Vision 2030** and **Maritime Amrit Kaal Vision 2047**.
- **A combination of indigenous capability development and strategic international collaboration** can position India among the world's leading maritime manufacturing nations.

Value Addition for UPSC:

Important Terms:

- **Gross Tonnage (GT):** International measure representing the overall internal volume of a ship.
- **Light Displacement Tonnage (LDT):** Weight of a ship excluding cargo, fuel, passengers and consumables; widely used in ship recycling.
- **Hong Kong Convention (HKC):** International convention establishing safe and environmentally sound standards for ship recycling.
- **Blue Economy:** Sustainable use of ocean resources for economic growth, livelihoods and ecosystem conservation.
- **Right of First Refusal (RoFR):** A policy granting Indian-built or Indian-flagged vessels preferential opportunity before foreign vessels in specified procurement.

UPSC Prelims Facts:

- **India aims to become one of the top 10 global shipbuilding nations by 2030 and among the top five by 2047.**
- **Alang (Gujarat) is the world's largest ship recycling yard.**
- **The Recycling of Ships Act, 2019 aligns India with the Hong Kong Convention.**
- **The International Maritime Organization (IMO)** is the United Nations specialized agency responsible for global shipping safety, security and prevention of marine pollution.

Maritime India Vision 2030 serves as India's long-term roadmap for developing ports, shipping, shipbuilding and maritime logistics.