

# Ships likely to be granted infrastructure status

## Govt may announce move in Budget

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The central government is likely to grant one of the most significant and long-standing policy asks from the maritime industry — infrastructure status to ships as part of the harmonised list of infrastructure sectors — and may consider announcing it in the upcoming Budget, sources aware of the developments said.

Inclusion in the harmonised master list of infrastructure sectors will allow developers in the sector access to infrastructure lending at easier terms with enhanced limits, to larger amounts of funds as External Commercial Borrowings (ECB), and to longer tenor funds from insurance companies and pension funds. It will also make them eligible to borrow from India Infrastructure Financing Company Limited (IIFCL), etc.

A senior official said that the finance ministry had initially been reluctant to grant this status, but eventually began to look at it for coastal vessels following the announcement made in 2023-24 Budget to encourage PPP (public private partnership) in coastal shipping, after little interest was shown by operators citing lack of low-cost finance.

Since then, very little headway has been achieved in the Centre's plan to have PPP projects, despite a provision of viability gap funding.

With the Ministry of Ports Shipping and Waterways (MoPSW)'s three-pronged push to develop shipbuilding in India, the government is now looking at a wider range of vessels for grant of infrastructure status.

Despite an ancient legacy of maritime



### TO SAIL STRONG

Benefits of inclusion in the harmonised master list of infra sectors

- Access to loans at easier terms, enhanced limits
- Access to larger amount of funds as external commercial

borrowings

- Access to longer tenor funds from insurance firms and pension funds
- Eligible to borrow from IIFCL

**0.06%:**  
Share of India in global shipbuilding

**\$109bn:**  
Amount paid by Indians to foreign operators in sea freight

activity and previous calls for fostering an ecosystem, India currently accounts for only 0.06 per cent of global shipbuilding. Indians paid \$109 billion in sea freight to foreign operators. According to Sarbananda Sonowal, minister of ports shipping and waterways, the government wants to be among the top five shipbuilding nations by 2047.

This would require a gigantic turnaround of events, even as the deadline is 22 years away, experts and industry players feel.

In April 2018, the government had accorded infrastructure status to railway rolling stock as part of a larger grant of status to verticals across the railway sector. This had prompted a demand from the shipping industry to the MoPSW, seeking a similar treatment for ships. Demands for enabling low-cost financing for ships have been as old as the turn of the century. In 2001, the Rangarajan Commission had asked for infrastructure status to be granted to ships.

Since 2016, shipyards have been granted the status of infrastructure. However, a senior industry player, on the condition of

anonymity, said that the maritime economy requires more focus than granting of infrastructure status.

“For example, shipyards have been given infrastructure status already, but they still do not have access to low-cost finance, and bank guarantees are a big problem even today,” he said. The shipping ministry, aware of this feedback, is looking to grant financial ease to the sector not just in principle but on the ground as well.

“This is why the government is looking at a multi-pronged push in the form of the Maritime Development Fund and the NBFC approval for Sagarmala Development Corporation. These two, in unison, can ensure that low-cost finances are available from maritime-dedicated financial institutions, and the situation of shipyards is not repeated,” a second official said.

Among other measures to boost shipbuilding and shipping within the country, the government is considering the Budget on February 1 to effect policy changes like tax breaks on ship components and repair services, customs duty exemptions for import of ship components, and reviewing tax deducted at source (TDS) for income earned by seafarers, the official added.

