

SHIPBUILDING



'Long-term Demand Looks Healthy'

Apeejay Surrendra Group, the over Rs 4,500-crore company with nearly 43,000 employees and operating in diverse fields such as tea, hospitality, shipping, retail, real estate and financial services, has ventured into shipbuilding. Its shipyard initiatives include two greenfield yards in a joint venture with Bharati Shipyard. Indian shipyards, though late entrants into the market, can make their presence felt through expertise and innovation, says **Sourav Daspatnaik**, chief executive officer (CEO), Shipyard initiatives, of the Group, in an interview with **Maritime Gateway**.

Could you brief us about Apeejay's shipyard initiatives?

A: Apeejay Surrendra Group, in a joint venture with Bharati Shipyard Ltd., proposes to come up with two greenfield shipyard projects in West Bengal and Orissa. The project in West Bengal (East Midnapore) would be a shipbuilding and ship repair facility while the one in Orissa (Bhadrak) would have shipbuilding, manufacture and servicing of offshore structures and oil rig. Investment in each of these projects, to be equipped with state-of-the-art facilities matching in scale to compete with international players, would be to the tune of Rs 2200 crore.

In what way has global recession impacted shipyards in the country?

A: India is still a small player in the shipbuilding market compared to Japan, Korea and China. The nation's share of the world shipbuilding market is only 1 per cent which is an opportunity in itself and can be capitalised. Shipping follows a cyclical pattern with its peaks and crux and the current slowdown is not a new phenomenon. However, despite the recession, demand for long-term shipbuilding looks healthy. As per estimates, natural demand based on trade projections could be over 480 million DWT (dead weight tonnage). It is estimated that the repair demand essentially in the bulk segment during the period 2011-2012 shall be about 200 million DWT. The cumulative order books of the industry currently record over 550 million DWT. Irrespective of likely cancellations owing to the slowdown, it's a positive scenario with over 250 million DWT of orders expected.

However, since the market has slowed down, competition for the available demand will be intense. Full capacity utilisation may not include those coming on stream. Estimates suggest that demand/supply scenario is likely to have moderate capacity utilisation of the existing shipyards at about 60-65 per cent in the next five-year horizon.

Assuming that the delivery capacity is 440 million DWT from the shipyards across the world, it is important for Indian shipbuilding industry to take a share of the existing order books by emphasising on quality and innovativeness. In this scenario, it will be necessary to sharpen and differentiate value proposition.

Bengal Shipyard Limited

JV greenfield shipyard project for shipbuilding and ship repairs with Bharati Shipyard Limited

Location: Geokhalli, East Medinipur, West Bengal Estimated Project

Cost: Rs 2000 crore over 3 phases

Project Highlights:

- Area Requirement: Over 500 acres
- Employment Generation (Direct + Indirect): Over 25,000 people
- Annual throughput: Rs 3500 crore of annual revenue on value terms

Oceanic Shipyard Limited

JV greenfield shipyard project for shipbuilding & oil rig manufacturing and repairs with Bharati Shipyard Limited

Location: Dhamra, Bhadrak district, Orissa Estimated project

Cost: Rs 2200 crore over 3 phases

Project Highlights:

- Area requirement: 1400 acres
- Annual throughput: Rs 3700 crore of annual revenues on commissioning of Phase III
- Employment Generation (Direct + Indirect): Over 25,000 people

How will cancellation of orders, in the wake of falling ship prices, affect new shipyards?

A: One has to look at the segments that are strong like containers, bulks, repairs and build a capability in a phased manner in Product Supply Vessel (PSV) and Offshore Supply Vessel (OSV). Indian shipbuilding needs to market its expertise and innovations.

What will be the industry scenario in 2009-10?

A: Industry scenario will be challenging owing to depressed markets for shipping. By the end of 2009, markets will stabilise and achieve a 5-6 per cent growth in the sector, in keeping with estimated growth figures for world trade. The emerging Indian shipyards are privileged to attract some of the scheduled repair businesses of the world in addition to the spot repair jobs. The ship repair facilities around India are in the Gulf, Singapore and Colombo – none in the country – therefore, a huge opportunity to be leveraged.

And the potential players?

A: Emerging economic drivers make it attractive for a mixed basket of shipbuilding and repairs as well as off-shore structures and rigs. Successful new entrants into shipbuilding have traditionally built capability before the 'boom' and so when the 'boom' commenced, they met with success. The 'boom' in 1950 saw the emergence of Japan as a leading player, Korea emerged after the 80s and China after the 90s. It is expected of India, with its talent and technical capability, quality steel, to be well poised for the future. **MB**