

Leveraging Commercial Shipbuilding in Garden Reach Shipbuilders & Engineers Ltd.

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Synopsis

On 22 Jun 2024, GRSE bagged an order [for an amount of 54 million USD] for building four in number Multi-Purpose Vessels from a German Client. How significant is this event to the shipyard beyond the realms of bagging an export order?

The Journey

The Indian shipbuilding industry is well poised for growth in spite of sharing a small percentage of the global shipbuilding market. With the supportive measures by the Government, the industry can grow at a rate of more than 30%. Post pandemic era, the growth in international trade has resulted in increased global and domestic demand for new vessels. With the Chinese shipyards reaching their capacity, Indian shipyards are being looked at as alternatives having definite commercial advantages over shipyards in developed nations. Simultaneously, the increased thrust on indigenous manufacturing in defence industries, has resulted in an exponential growth in construction of warships in Indian Shipyards. Presently, 64 out of 66 warships for Indian Navy are being built in India. The global conflicts in recent times have fuelled the defence preparedness of the country thereby maintaining the same growth story in near future.

The journey of Garden Reach Shipbuilders & Engineers (GRSE) Ltd., a premier Warship building Company in India, under the administrative control of Ministry of Defence, dates back to 1884 when it started its journey as a small workshop to repair vessels of River Steam Navigation Company. The Company was taken over by the Government of India in 1960. GRSE has built over 790 platforms including 109 warships for Indian Navy, Indian Coast Guard, and friendly foreign countries. As a diversified company, in addition to shipbuilding & ship repair, GRSE is also engaged in engine production and other engineering activities.



Commercial Shipbuilding – The global scenario

The demand for commercial vessels after the pandemic has grown exponentially. The market size was estimated at USD 145 billion in 2022 and is anticipated to grow at a CAGR of over 3% between 2023 and 2032. Currently, China dominates the commercial shipbuilding market and it is estimated that 102 million GT of ships are currently on order at Chinese yards with South Korea being distant second. India with a market share of less than 1% does not figure in the list of top 10 shipbuilding nations in the world. During the Global Maritime India Summit 2023, Prime Minister Shri Narendra Modi declared that India aims to become a top five shipyard hub. Presently around 90 commercial vessels are being built in various Indian shipyards.

During discussion, Chairman GRSE, Commodore P R Hari brought out that there is a large global demand for sub 1000 TEU container vessels as the existing fleet is aging and the focus has always been on larger vessels due to the economy of scale. These feeder vessels serve the smaller ports including the riverine

ones. He brought out that building these vessels is ideal for Indian shipyards as they are less complex with larger demand and dimension wise perfect for the existing infrastructure in the country.

Why Commercial Shipbuilding

When asked about the justification of delving into commercial shipbuilding in spite of a healthy orderbook of over INR 22500 Cr; Commodore Hari brought out that over a period of time GRSE has assimilated the knowhow of warship building and became the largest builder of warships in terms of number for Indian Navy. However, the heritage of building a much larger number of commercial vessels in comparison to defence vessels has once again encouraged the shipyard to explore the market of commercial shipbuilding. The current order, the Chairman brought out, is a result of silent hard work over a period of two years. A very lean dedicated team was tasked to study the market demand especially in the European market. Contacts were established with the prospective buyers and projection of the yard capabilities were made in a manner that the Buyers started considering the shipyard as an alternative option to Chinese or Turkish shipyards. The costing was made meticulously where the Shipbuilding subsidy by Government of India played a crucial role, so much so that the Buyer found the Indian option more lucrative compared to their earlier shipbuilders.

The shipyard aspires to be globally recognised as the best Indian Shipyard through its vision statement. The Chairman brought out that the export orders so far executed by the Shipyard were mainly restricted to friendly foreign countries with the support of the Ministry of Defence. However, for the first time in its history, GRSE could step into the European market on its own where the potential is unlimited. He explained that though any export order increases the MoU rating for the shipyard, but this particular order provides a viable recognition for the shipyard in a niche area which is available at a premium in India.

He explained that the order value, though sizeable, is not of primary importance for the shipyard. The intrinsic learning potential through successful execution of this project will bring in significant value addition to the work culture of the shipyard. He further elaborated that if we can achieve the European standard of ship construction, translating the same to Naval shipbuilding will bring in a paradigm shift in our construction quality and timeline. The orderbook positions can always be readjusted through timely inclusion of one or two such export orders which can fill in the gaps during the construction cycle of other existing projects and maintain a healthy top line.

What next in Commercial Shipbuilding

The new '1000 ship' thrust of Government of India will propel commercial shipbuilding in India in next couple of decades. GRSE is a riverine shipyard and therefore, the shipyard plans to explore the avenues for building small and medium size, technology intensive vessels in future. The recent orders on Oceanographic Research Vessel (ORV), Ocean going Tug, Trailing Suction Hopper Dredger will certainly be of some relevant guidance towards that direction. Enhancing the technological capability in green shipping, wind farm vessels, cable laying vessels and platform support vessels will be the next focus area of the shipyard. GRSE will also be extending support to its partner shipyards and collaborate with them to build commercial vessels in their premises. Various collaborative models have been adopted in developing and manufacturing critical components of these vessels indigenously, to overcome the import liabilities of the country and truly replicate the spirit of Make in India in commercial shipbuilding. Therefore, a growth is definitely visible and GRSE would like to follow the trajectory by embracing a new culture and certainly through a coordinated technological upliftment.