



# Ship Acquisition, Financing and Leasing (SAFAL): IFSC Report

## Why in News

Recently, the report titled **Ship Acquisition, Financing and Leasing (SAFAL)** was submitted by the Committee for Development of Avenues for Ship Acquisition, Financing and Leasing to the [International Financial Services Centres Authority \(IFSCA\)](#).

## Key Points

### ▪ About the Committee:

- **Formation:** It was constituted by IFSCA in June 2021 with representatives from the Government of India, Gujarat Maritime Board, industry and finance experts, and academicians.
- **Objective:** Focus remained on enabling cost-effective and competitive delivery of shipping services on ships owned and leased from India-offshore IFSC which is on par with overseas competitors.

### ▪ Observations of the Committee:

- **Net Importer of Shipping Services:** Despite having a large coastline, growing domestic market and international seaborne trade, deep-rooted maritime traditions, and skilled seafarers, India **continues to have a smaller share in the international shipping sector**, thus becoming a net importer of shipping services especially ship finance.
- **Required Changes:** It has presented the **critical and necessary changes required** to bring this greenfield venture to India IFSC.
  - These cover **legal and regulatory domains, direct and indirect taxes, ship finance, and ease of doing business** drawing upon global best practices.
- **Imparting Brand Value:** It finds that the time is opportune for **imparting a brand value to Indian-flagged vessels**.
  - This can be done by carving out a **share in global cross trades, securing gainful transactions** for India's marketplace, **promoting decarbonization and greening of the blue oceans**, and **leveraging India-IFSC Maritime** for achieving the [Maritime India Vision 2030](#) and beyond.
    - Maritime India Vision 2030 is a ten-year blueprint for the maritime sector which was released by the Prime Minister of India at the Maritime India Summit in November 2020.
    - It will supersede the [Sagarmala initiative](#) and aims to boost waterways, give a fillip to the shipbuilding industry and encourage cruise tourism in India.

### ▪ Importance of the Shipping Sector for India:

- Nearly half of India's border is covered by sea, with a coastline of about 7,517 km, with 12

major and 205 minor ports.

- India is also **strategically located** on the world's shipping routes.
- It is estimated that **about 95% of India's goods trade by volume** and **70% by value** is done through maritime transport.
- India has significant exposure to maritime freight rate. Seaborne freight is estimated to be \$85 billion annually.
- The **share of Indian ships in carrying India's export-import cargo** was about 6.53% in FY 2019-20.
- Each year India is estimated to pay about \$75 billion seaborne freight to foreign shipping companies.
- India is thus well placed to step up its investment in the shipping industry.

▪ **Related Measures taken by the Government:**

- **Revision of the criteria for Right of First Refusal (ROFR):** The criteria for granting the Right of First Refusal in chartering of vessels through tender process has been revised, for promoting tonnage under Indian flag and ship-building in India, so as to make India a **Atmanirbhar/self-reliant** in terms of tonnage and ship-building in India.
- **Subsidy Support to Indian Shipping Companies:** A scheme for the promotion of flagging of merchant ships in India by providing Rs.1624 crore over a period of five years as subsidy support to Indian shipping companies in global tenders floated by Ministries and **CPSEs** has been approved by the Cabinet.
- **Ship Building Financial Assistance Policy (2016-2026):** Government of India approved the Financial Assistance Policy for Indian Shipyards in December 2015, for grant of financial assistance to Indian Shipyards.

**International Financial Services Centre (IFSC)**

- An IFSC **enables bringing back the financial services and transactions** that are currently carried out in offshore financial centres by Indian corporate entities and overseas branches/subsidiaries of Financial Institutions (such as banks, insurance companies, etc.) to India.
- It offers a **business and regulatory environment** that is comparable to other leading international financial centres in the world like London and Singapore.
- IFSCs are **intended to provide Indian corporates with easier access to global financial markets**, and to complement and promote further development of financial markets in India.
- The first IFSC in India has been set up at the **Gujarat International Finance Tec-City (GIFT City)** in Gandhinagar.
- The central government has established the **International Financial Services Centres Authority** to regulate all financial services in International Financial Services Centres (IFSCs) with **headquarters in Gandhinagar (Gujarat)**.

**Source: PIB**