



Guiding Spirit to Shipping Industry

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**SHIPPING - 4**

India eyes on a strategic port in Indonesia

**LOGISTICS - 8**

Kerala cuts petrol, diesel prices by Re 1 per litre

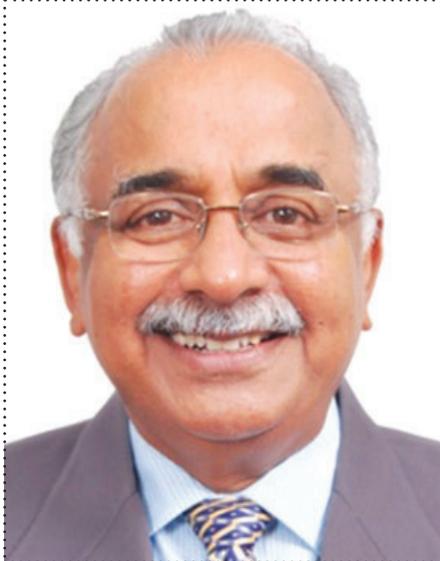
**EXIM - 9**

India, Indonesia agree to nearly ...

**PORT - 10**

India must invest in connectivity, not in more ...

Indian shipyard built ships became competitive following the reintroduction of the subsidy in 2016: B. Kannan



Vice Admiral B Kannan, PVSM, AVSM, VSM (Retd). Managing Director and CEO; L&T Shipbuilding Ltd

Brief Profile

Vice Admiral B. Kannan (Retd.) holds a Bachelor's Degree in Electronics & Communications Engineering from Govt. College of Engineering, Trivandrum, M.Tech from IIT Powai and a Post-graduation in Management from Jamnalal Bajaj Institute.

He has over 40 years of varied experience, out of which, for a period of 20 years, he was associated with different disciplines of Indigenous development of Naval Equipment, Integration of Equipment for War Ships and Submarine Construction. His areas of expertise also encompass Technical Infrastructure creation, Project Management, Quality Assurance and General Administration. For nearly 4 years, he served as Programme Director of a Strategic Program of Indian Navy, during which INS Arihant was launched. He retired as the Chief of Materiel - Indian Navy. He has been conferred with 3 Presidential awards viz. VSM in 1986, AVSM in 2009 and PVSM in 2013.

He is the Managing Director & Chief Executive Officer – L&T Shipbuilding Limited with effect from

19th October 2015. He is a Member of the Executive Management Committee of Larsen & Toubro and Member of Board of Shipbuilding IC of L&T.

Vice Admiral B Kannan (retd) Managing Director and CEO of L and T Ship Building, one of the successful private sector ship yards in the country gives an over view of the ship building industry and in particular the problems faced by the private ship yards in securing orders from the government and the difficulties in execution of contracts..

He also reveals how the L T ship yard at Katupalli near Chennai has overcome these difficulties and how it has cut both time and cost over runs a perennial problem in the Indian defense industry and successfully bagged overseas contracts.

In the Interview with Sagar Sandesh, without waiting for questions, he began pouring out vital information covering the shipping industry comprehensively and his highly informative talk delivered with vigour and warmth is given below under subheadings which in a way can be considered as Questions though not in interrogative forms.

1) The state of the shipping industry



L & T shipyard

Ship building industry faced downward trend following the steep fall in crude prices in the international market a few years ago. As the Oil and Gas industry was feeling the pinch of prices going down, they were not interested

in buying new ships. In fact the industry reversed the orders they had placed with the ship yards. Consequently the inventory of built and unsold ships became a huge problem for the shipyards.

The trend affected the Indian shipyard industry as well. The public sector ship yards in the country are not engaged in building commercial ships and were largely catering to orders from the defense ministry.

The recession in the industry led to re- activation of the subsidy in 2016 for the ships built by the domestic shipyards. The subsidy which was introduced in 2004 by the Vajpayee government had lapsed in 2014. Indian shipyard built ships became competitive following the reintroduction of the subsidy.

By this time Oil and Gas industry's turnaround came to a point when demand cannot be reactivated. A large number of ships built and unsold were still lying in ship yards. Instead of going in for competitive new ships available in the market, the owners preferred to go in for earlier built ships at cheaper rates.

This benefitted both the Operators of ships as well as the shipyards. Ship yards were able to liquidate ships and of course both of them incurring some level of losses. Hence the industry was definitely under stress.

2) Problems ailing the Indian ship yards

From the Indian commercial ship industry's perspective two issues

continue to affect the domestic ship yards notwithstanding the gains secured by the subsidy offered by the government.



Ship building equipments are imported, not manufactured in India; and imports cut profit

Most of the equipment required for commercial ship building be it electronic, navigation or communication equipment are not manufactured in the country. All these are even today continued to be imported. With the result significant percentage of the ship's cost are dependent on imports. This reduces your profit margin because your costs are dependent on foreign exchange variations.

This has happened because we have not given sufficient emphasis on indigenous development on equipment and machinery for building commercial ships and the electronic systems required for them. The equipment need to meet the requirement of Registration Society and the International Protocols for commercial ship building.

They should also meet the environmental requirements which are constantly changing and being upgraded.

(To be continued...)

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