



IRClass sets its sights on growth

Register of Shipping managing director Arun Sharma shares his global strategy with *IHS Maritime*
Titus Zheng reports

India's independent ship classification society, the Indian Register of Shipping (IRClass), has made rapid progress in ship classification, certification services, and technical solutions since its founding in 1975.

In that relatively short span of 40 years, IRClass has established itself as an international ship class society. It considers itself to be "on par with leading ship classification societies of the world, which have been in existence for over a hundred years".

IRClass became an Associate of the International Association of Classification Societies (IACS) in 1991. Then, after complying with IACS' stringent criteria, it succeeded

in becoming a full member in June 2010. This made it the youngest full member to achieve this feat.

It is not resting on its laurels. Arun Sharma, chairman and managing director of IRClass, has set his sights on bigger things for the society. He said he wanted to promote IRClass as a dynamic and innovative solutions provider to the shipping community.

"We are marketing ourselves as a young class society, being the first choice of all existing and potential customers for classification and certification services and technical solutions, globally," said Sharma.

Key points

- IRClass is strategically targeting offshore vessels in India and tankers in Malaysia
- Growth ambitions include new offices in Abu Dhabi, and Malaysia

He believes that IRClass can offer a first-class service at competitive prices due to the generally low manpower costs in India. Besides, the society has a team with a good mix of experience and youth that endeavors to maintain its heritage as well as embrace new opportunities.

Sharma concedes that the overall outlook for the shipping industry is mixed: there has not been a fully fledged recovery, but there has been improvement.

Asked about his five-year view for the industry, he noted "a fundamental demand for oil and gas, and the consumption of it will grow in proportion with an increase in the global population and expansion of the emerging market economies".

He does not think crude oil prices will

Shipbuilding ambitions await support

An Indian commercial shipbuilding revival needs a multi-pronged solution and a long-term strategy from its government
Manoj Venunath reports

The Indian government wants a strong shipbuilding industry, so in July 2014, while presenting his first budget, finance minister Arun Jaitley announced that officials would come up with a comprehensive policy by March.

One year on and this policy is nowhere in sight as the finance ministry continues to weigh up the revenue implications of the many incentives that have been proposed to kick-start the beleaguered industry. Among these would be the granting of

special economic zone status to shipyards, which would include fiscal incentives.

Key points

- Commercial shipbuilding is a key part of the Make in India vision
- Key elements needed include low-interest loans, local supplier clusters, and buyer incentives

At present the industry is relying on naval shipbuilding. Estimated to be worth more than USD250 billion in the next 10 years, there has been a flow of orders as India modernises its marine defence fleet.

As a result, big corporations have been attracted to invest in the country's yards. These include billionaire Anil Ambani of Reliance Group-acquired Pipavav Defence and Offshore



Engineering, and Beirut-based Privinvest Holding, which is in advanced talks to buy a controlling stake in ABG Shipyard. Local firms, such as Mahindra & Mahindra and Hero Motor Corp, are also scouting for acquisition opportunities in shipyards with government licences to build warships.

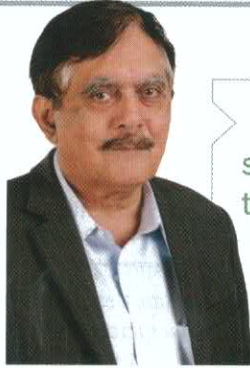
The diversification into naval shipbuilding was considered a stop-gap until the climate for commercial shipbuilding improved. However, there are a number of challenges the government will have to resolve before

languish at a low level in the long term, but will rise gradually. In turn, the relatively higher crude oil price will prompt more oil and gas exploration activities to meet the growing energy demand.

This rationalisation has helped to formulate the society's corporate strategy of targeting offshore vessels operating within Indian waters to register with it. "My country offers lots of offshore oil and gas opportunities, with huge coastlines and regions for oil and gas exploration activities to take place," Sharma said.

Besides fuel consumption, Sharma felt safety was also a "commodity" that cannot be lived without. "Whether in good times or bad, there is always a market for classification societies. [Class] only accounts for around 2% of the total cost for shipowners. They should not cut down on it, as it compromises the safety of their vessels," he said.

IRClass is also targeting small-to-medium shipowners with 10 or more vessels that have not registered with the bigger class societies. It plans to win over the river and coastal vessels operating in India's inland waterways.



IR Class

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Arun Sharma, chairman and managing director of IRClass

Within India, IRClass is well established, having succeeded in getting India's coastguard and navy to register their ships with it. Going forward, it hopes to attract a bigger share of foreign-based shipowners to the register.

At present, it has about 100-150 foreign shipowners on its books, representing about 10% of all its registrants.

To support its growing external market focus, IRClass plans to expand its office presence in key markets. In the Middle East, the class society already has an office in Dubai, United Arab Emirates, but aims to launch a technical committee in Abu Dhabi this year,

with a focus on offshore vessels.

Similarly, in southeast Asia, IRClass has made headway with its Singapore office and plans for this year are to establish an office in Malaysia with a focus on tankers.

Amid these overseas activities, IRClass retains deep involvement in the development of India as a fundamental part of its corporate strategy. An example, Sharma noted, is a recent partnership with the state of Maharashtra to 'oversee and partner' the state government in its infrastructure development. ■

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Prime Minister Narendra Modi wants to develop the shipbuilding industry, but a national policy is yet to emerge

commercial shipbuilding can be reborn.

Working capital is reported to be a problem for the yards. Sluggish cashflows from the lack of orders have seen yards unable to repay large bank loans. The yards say they lack financial support from the government. While competitors in South Korea, China, and Japan access loans at interest rates ranging from 2.7-6%, Indian shipyards pay 13-14% interest on capital expenditure and loans for raw material purchases.

While the shipping ministry has rejected

the establishment of a low-cost fund for shipbuilders, it has resurrected its subsidy plan. Under this, local yards are offered 20% of the ship price depending that eligible ships are constructed within five years of the order.

The government has also directed state-run Shipping Corporation of India to order five new offshore support vessels at Cochin Shipyard, also state-owned; and it has directed GAIL (India), India's state-run natural gas firm, to ensure that at least three of the nine new LNG carriers it plans to timecharter are built at Indian yards.

The country's policy on local cargo shipping is also likely to be reviewed, to give first preference to ships not only registered but built in India. At present, cabotage is reserved for Indian-registered ships, with foreign ships allowed to operate in Indian territorial waters when Indian ships are not available, and only with the approval of India's maritime regulator.

A lack of local equipment manufacturers and material suppliers is another factor holding the industry back. China developed its industry on a cluster concept, with equipment manufacturers and raw material suppliers situated locally. In a project industry such as shipbuilding, where local availability

of materials and skills is crucial for on-time delivery and price, the cluster concept is considered essential for growth.

Another important requirement is access to good basic ship designs. Local availability of ship design is crucial for yards to complete ship construction on time. In other markets, designs are standardised, making it easier to cost and order equipment, or even to bid for construction. Thus, large numbers of ships are produced globally within a short time.

Another hindrance to the success of Indian shipbuilding has been delivery delays. To revive confidence, industry experts suggest buyers would need to be incentivised through the provision of competitive post-delivery financing for vessels built at Indian shipyards through a bank such as EXIM Bank of India.

Experts also recommend that government support be linked to performance monitoring – including productivity, post-delivery vessel performance, and profitability.

Modi wants to promote 'Make in India', and maritime has the power to foster manufacturing. But to achieve this in India, the government will need to look and plan for the long term. ■

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