

Indian Shipbuilding, Dredging & Allied Industries

A Deep-Dive for Investors

Abhishek Basumallick | August 2026

<1%

India's Global Shipbuilding Share

₹69,725 Cr

Government Support Package

₹1.5L Cr+

Defence Pipeline

4.5M GT

Capacity Target by 2047

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- Engineer by training, MBA in Finance. Spent 19 years in IT consulting before turning to full-time investing.
- Completely self-taught investor. In the markets since 2000.
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Data sources include: Screener.in, company annual reports, MoPSW, Ministry of Defence, SEBI filings, Clarkson Research, IMO, Breakwave Advisors, iMarine News, IMARC Group, OMR Global, PRS Legislative Research, and various media reports.

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 Fortune India

Cabinet approves ₹69,725 crore package to reinvigorate shipbuilding and maritime sector in India

The comprehensive package has adopted a four-pronged approach to, among others, strengthen domestic capacity, improve long-term financing,...

 The Diplomat – Asia-Pacific Current Affairs Magazine

India and Japan's Emerging Shipbuilding Partnership

The future of India-Japan security cooperation lies in shipyards – and maybe with the Mogami-class frigate.

 The Hindu

PM announces ₹4,000 crore for modernisation of Dredging Corporation

Prime Minister Narendra Modi announced ₹4,000 crore investment for modernisation of Dredging Corporation of India Limited during the recent...

 Spherical Insights

India Eyes Maritime Leadership with Rs 30,000 Crore Shipbuilding Hub in Andhra Pradesh

India Shipbuilding Market was worth around USD 1.12 billion in 2025 and is projected to grow to around USD 3.45 billion by 2035, at a CAGR of approximately...

 Indian Infrastructure Magazine

Shipbuilding Strategies: Government initiatives to increase India's share in global maritime trade

A strong shipbuilding industry is essential not only for maritime self-reliance but also for economic growth, employment generation,...

 Vinanet

Kerala Government Leases 18.16 Acres to Cochin Shipyard for Rs 5,000 Crore Ship Block Project - Growth Acceleration Report

Cochin Shipyard Ship Block Expansion - follows broader market developments shaping trading momentum and investor outlook.

 GMK Center

The Tata Group is investing \$1 billion in shipbuilding in India

Shipbuilding is set to become a new area of activity for the conglomerate, which has an annual turnover of \$180 billion. The Indian...

 The Maritime Standard

Colombo Dockyard signs dredger services MoU with DCI

Colombo Dockyard (CDPLC) and Dredging Corporation of India (DCI) have entered into a Memorandum of Understanding (MoU) for the former to...

India's shipbuilding sector is at a once-in-a-generation inflection — policy, financing, and demand are finally converging

SITUATION

India moves 95% of trade by sea but builds <1% of global ships. Defence orders dominate; commercial shipbuilding barely exists.

COMPLICATION

China, Korea, Japan control >90% of global orders. India's yards lack scale, financing costs 10-12% vs 2-5% globally, and the ancillary ecosystem is weak.

QUESTION

Can India's ₹69,725 Cr policy push — subsidies, cheap financing, greenfield clusters — actually build a competitive shipbuilding industry?

ANSWER

Yes, selectively. Defence + small/mid commercial + dredging + MRO are winnable. Large container ships and LNG carriers remain out of reach near-term.

PART 1

Industry, Structure & Policy

Why this sector matters — and why now

01

Why Shipbuilding & Dredging Matter

Role in trade, defence, logistics, and the Blue Economy

95% of India's trade by volume moves by sea — yet the country builds almost none of its own ships

95%

Trade by volume via maritime

<1%

India's global shipbuilding share

7%

Indian ships built domestically

~1,500

Vessels in Indian fleet

- India is the world's 5th-largest economy but ranks ~16th in shipbuilding output — a strategic mismatch
- The country depends heavily on foreign-built ships for trade, defence logistics, and energy imports
- Maritime has received far less policy attention than roads (₹20L Cr+) and railways (₹10L Cr+) in the last decade
- The "Blue Economy" — fisheries, offshore energy, coastal tourism, port services — is estimated at 4% of India's GDP

Shipbuilding is strategically critical — it underpins defence self-reliance, energy security, and logistics sovereignty

Defence

- India operates 150+ naval vessels
- Navy aims for 170+ fleet by 2035
- Submarine programme (P75I) worth ₹45,000+ Cr
- Self-reliance target: 75% indigenous content

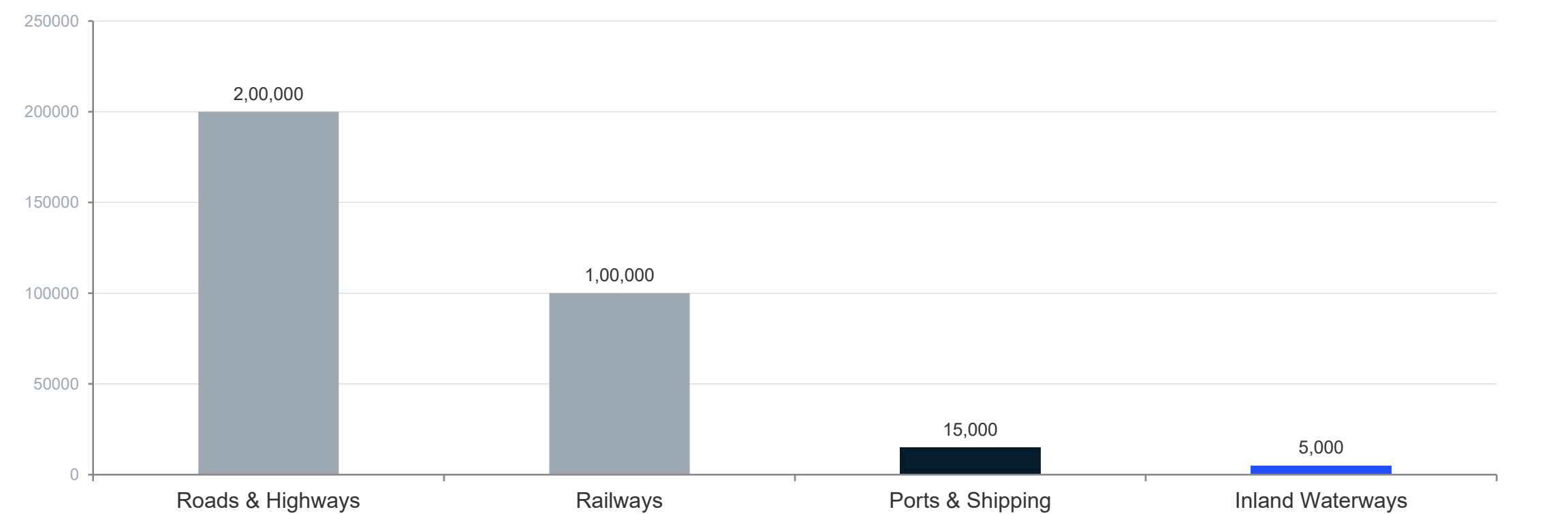
Energy Security

- India imports 85% of crude oil
- 45% of LNG requirements imported
- Offshore wind push: 30 GW target by 2030
- Specialised vessels needed for each

Logistics

- Coastal shipping is 3-4x cheaper per tonne-km than road
- Inland waterways carry <2% of freight vs 40%+ in EU
- Port-led development via Sagarmala
- Logistics cost reduction from 14% to 9% of GDP targeted

India's maritime sector has been historically underfunded — roads and railways received 20x more investment



Cumulative central government investment (₹ Cr, FY2015-2025 approx.)

Source: Union Budget documents, MoPSW

02

Global Shipbuilding Industry Landscape

China, South Korea, and Japan dominate — but cracks are opening

The global shipbuilding market is worth \$150-170B annually and is concentrated in three Asian nations

\$150-170B

Global market size (annual)

56.4M CGT

Global orders in 2025

174M CGT

Global order backlog

184.65

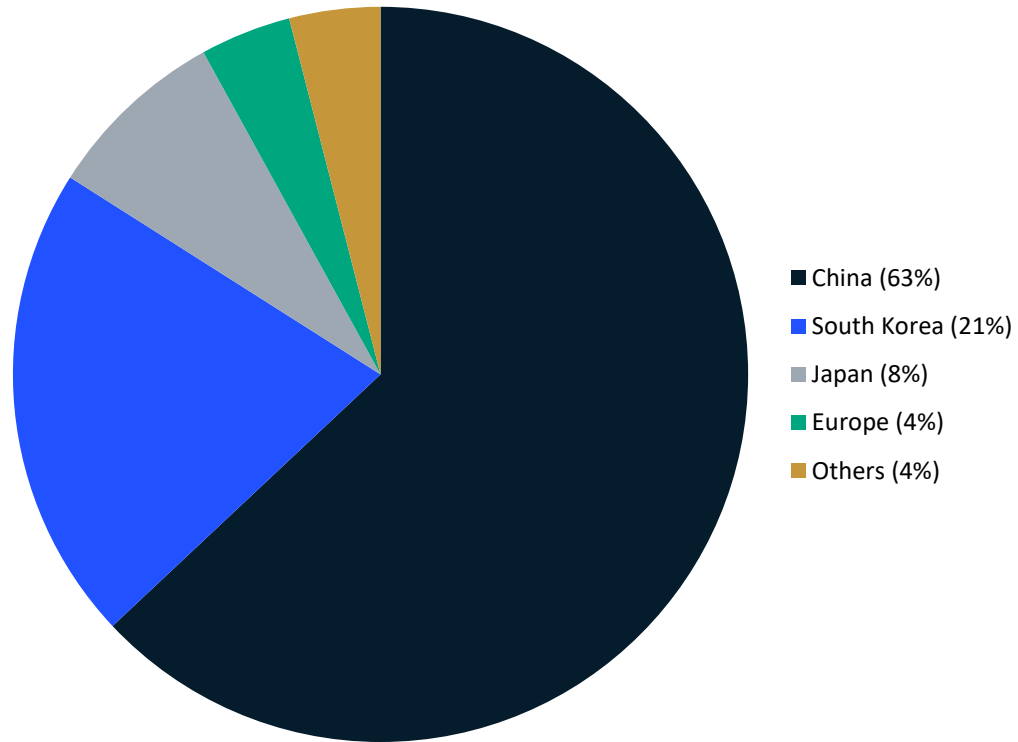
Clarkson Newbuild Price Index

- Market grew from \$130B (2020) to \$150-170B (2025) driven by fleet replacement and green shipping transition
- Newbuilding prices have risen 47% since December 2020, driven by yard capacity tightness and material costs
- Forward orderbook coverage extends 3-4 years — yard capacity is effectively sold out across major builders
- Annual orders declined 27% in 2025 vs 2024 (56.4M CGT vs 76.8M CGT) — from a very high base, not weak demand

*CGT is **Compensated Gross Tonnage** and was developed by OECD. It is a unit of measurement used to quantify the actual amount of work, labour, and complexity required to build a ship, rather than just measuring its physical size or weight.*

Gross Tonnage (GT) only measures a ship's internal volume. A simple bulk carrier is basically a large steel box, while a passenger cruise ship of the exact same size has complex wiring, luxury rooms, and heavy outfitting. CGT multiplies a ship's GT by a special factor based on its type and size to reflect true workload.

China commands 63% of global orders — its dominance has widened despite the overall market cooling



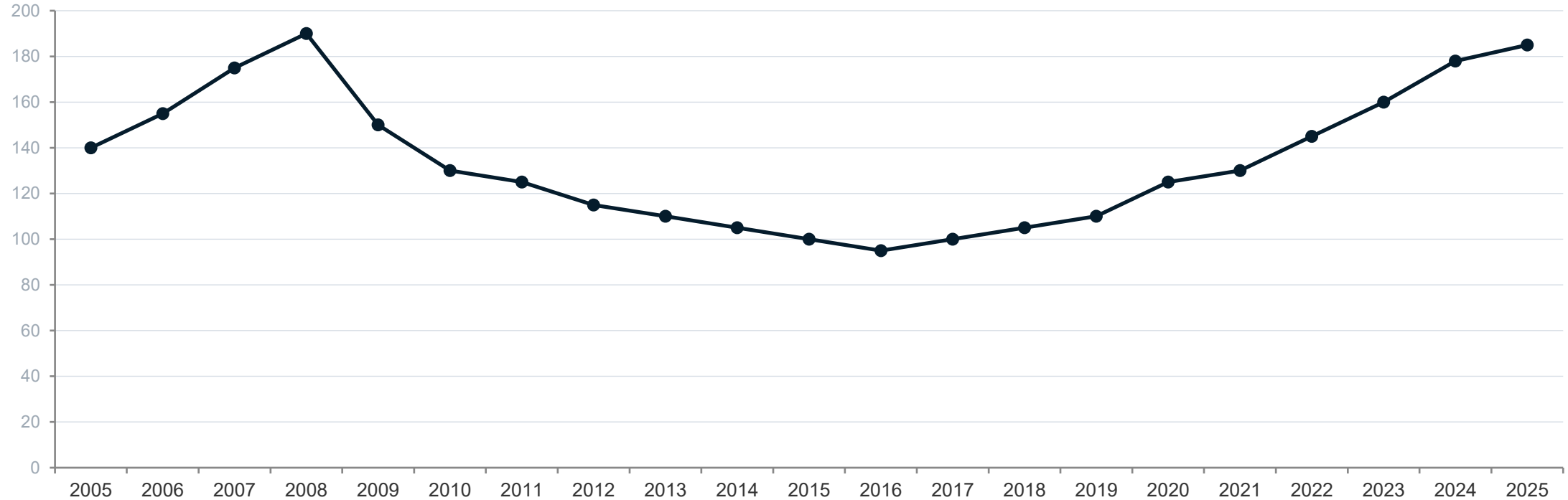
- 1 China: 35.4M CGT across 1,421 vessels in 2025
- 2 South Korea: 11.6M CGT, 247 vessels — gained 8% share
- 3 China holds 62% of global backlog (107.5M CGT)
- 4 South Korea leads in high-value LNG carriers (\$248M each)
- 5 Japan has lost share steadily — now <10%
- 6 India ranks ~16th globally with 57,637 GT output in 2025

The global orderbook is dominated by bulk carriers, container ships, and LNG vessels — each driven by different cycles

Vessel Type	Orderbook Share	Key Driver	Avg. Newbuild Price
Container Ships	~25%	Trade growth, fleet renewal	\$150-262M
Bulk Carriers	~22%	Iron ore, coal, grain trade	\$35-65M
LNG Carriers	~15%	Energy transition, LNG demand	\$240-250M
Tankers (Crude/Product)	~12%	Oil trade, fleet aging	\$65-130M
Offshore Vessels	~8%	Wind energy, oil & gas	\$30-200M
Others (Ro-Ro, Ferry, etc.)	~18%	Mixed demand drivers	Varies

Source: Clarkson Research

Shipbuilding is deeply cyclical — supercycles last 8-12 years, driven by trade volumes, freight rates, and fleet age



Current cycle is driven by fleet replacement (ageing fleet, avg. 25–30-year life), green transition mandates (IMO 2030/2050), and capacity tightness (yard slots sold out through 2028).

Cost competitiveness is driven by five factors — not just labour rates — and this is where India struggles most

Factor	India	China	South Korea	Japan
Financing Cost	10-12%	2-5%	1-2%	0-1%
Labour (USD/hr)	\$3-4	\$6-8	\$20-25	\$25-30
Productivity (Mhr/CGT)	150-180	50-60	10-15	10-15
Productivity (\$/employee)	\$11,134	—	\$122,994	\$151,487
Import Dependency	40-50%	<10%	<15%	<15%
Dry Docks	42	450	400	—
Design Indigenisation	30-40%	>90%	>95%	>95%

Source: Industry benchmarks, company filings

03

Global Dredging Industry Landscape

A capital-intensive, technology-driven niche with high barriers

The global dredging market is \$20-25B and growing at 5-7% CAGR — driven by port expansion, land reclamation, and offshore wind

\$20-25B

Global dredging market size

5-7%

CAGR through 2035

4 Players

Control >60% of global market

\$314M

India dredging market (2024)

- Capital dredging (new channels, port deepening) accounts for ~60% of global demand; maintenance dredging is the rest
- Top global players: Van Oord (Netherlands), DEME (Belgium), Boskalis (Netherlands), Jan De Nul (Luxembourg)
- Barriers to entry are high: a large cutter suction dredger costs \$100-200M and takes 2-3 years to build
- Offshore wind is creating new demand — foundation prep, cable routing, and seabed clearing need dredging vessels
- India's dredging market is projected to grow from \$314M (2024) to \$622M (2035) at 6.5% CAGR

Dredging differs from shipbuilding — it is about operating specialised vessels, not building them

Parameter	Shipbuilding	Dredging
Business Model	Build-to-order, project revenue	Fleet-operated, tender-based revenue
Asset Intensity	Moderate (yard + labour)	Very High (fleet ownership)
Revenue Visibility	3-5-year orderbook	1-3-year tender pipeline
Margins	7-18% EBITDA	15-30% EBITDA (cyclical)
Key Risk	Execution delays, cost overruns	Fleet utilisation, tender pricing
Capital Cycle	Working capital heavy	Capex heavy (fleet replacement)
Competitive Moat	Scale + financing	Fleet size + technology + permits

Source: [intelsense.in](#)

04

India Maritime Ecosystem Overview

Ports, waterways, coastal shipping, and the Sagarmala vision

India has 12 major and 200+ minor ports handling ~2,600 MT of cargo — but maritime infrastructure lags trade growth

12 Major

Ports under central government

200+

Minor/intermediate ports

~2,600 MT

Annual port cargo handled

111

National Waterways declared

- Major ports handled ~820 MT in FY2025; private ports (Adani, JSW) growing faster at 15-20% CAGR
- Coastal shipping carries <7% of domestic freight vs 30-40% in developed maritime nations
- Inland waterways carry <2% of freight; NW-1 (Ganga) and NW-2 (Brahmaputra) are priority routes
- Maritime India Vision 2030 targets doubling port capacity, 23% waterway modal share, and 28 million jobs

Sagarmala aims to reduce logistics cost through port-led development — ₹6+ lakh crore in investments planned

₹1.5L Cr

Port Modernisation

Deep-draft berths, automated terminals, LNG bunkering at major ports

₹2.5L Cr

Port Connectivity

Last-mile road/rail links, dedicated freight corridors to ports

₹1.2L Cr

Port-Led Industrialisation

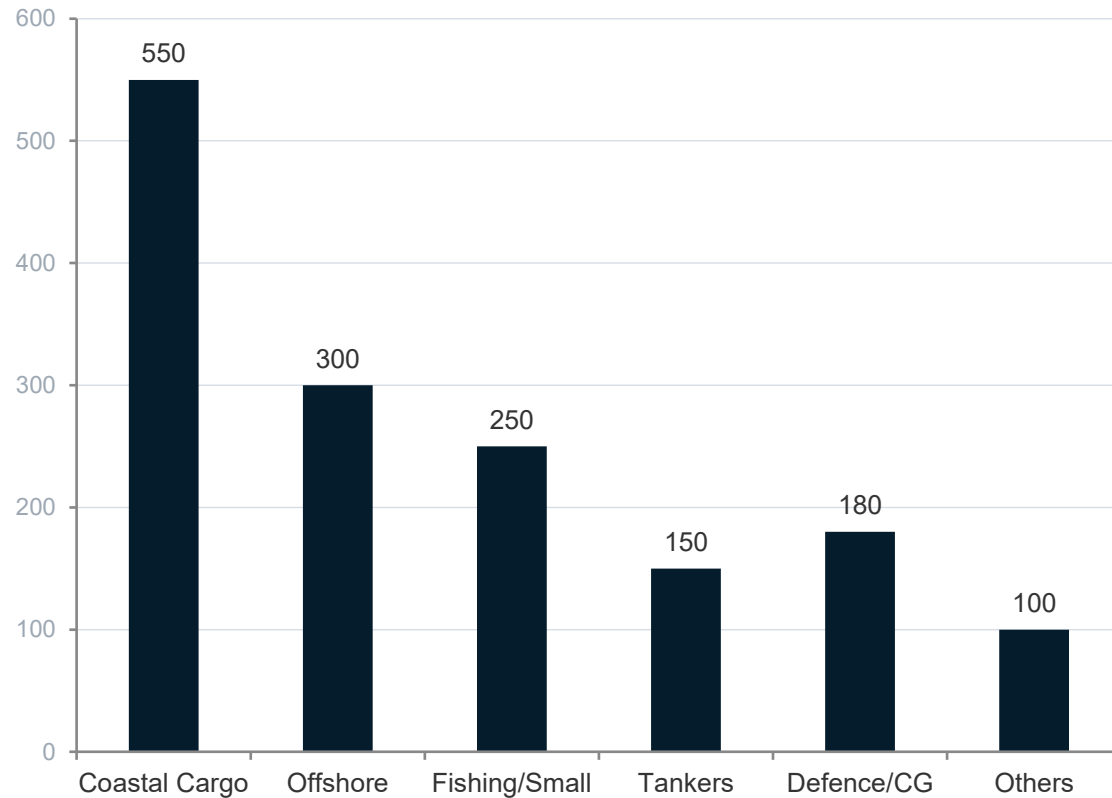
14 Coastal Economic Zones, SEZs near ports, ship repair clusters

₹0.6L Cr

Coastal Community Dev.

Skill development, fisheries modernisation, island connectivity

India's fleet is ageing and mostly foreign-built — creating a structural demand pull for domestic shipbuilding



Fleet Characteristics

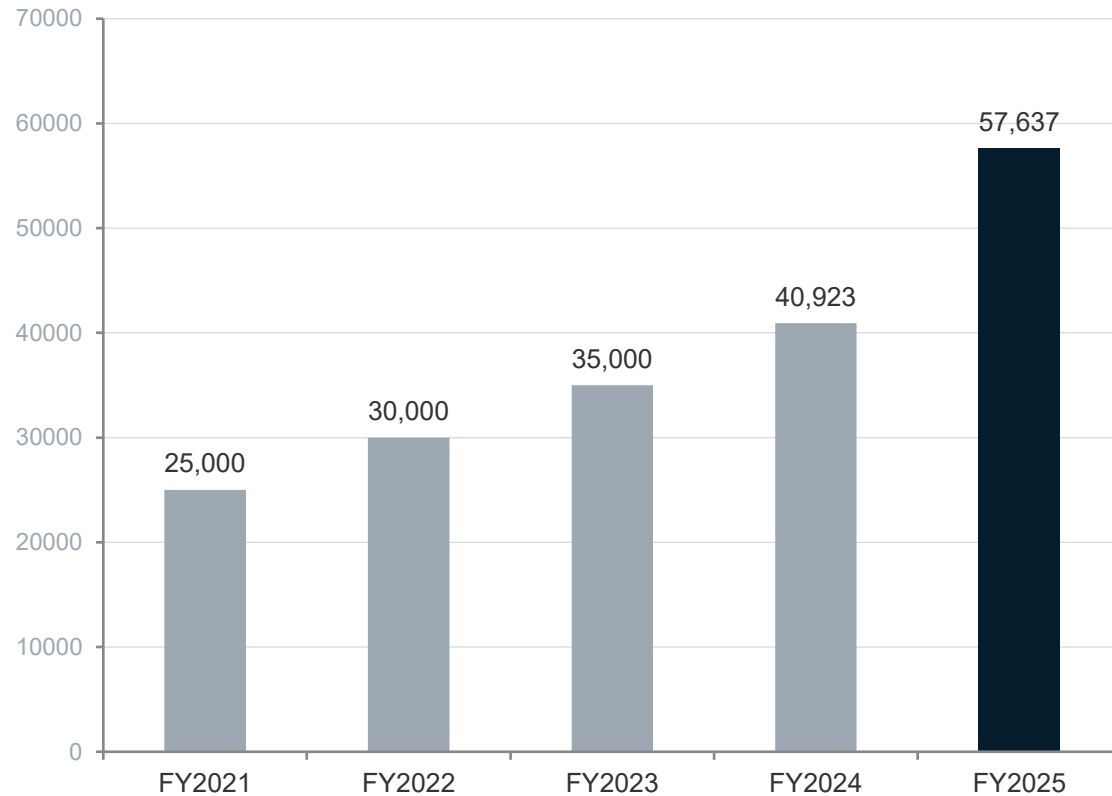
- Average vessel age: 20-25 years (vs 12-15 global)
- ~93% of commercial ships built abroad
- India-flagged fleet: ~1,500 vessels, ~14M GT
- Global fleet: ~105,000 vessels, ~2.3B GT
- India's share of global fleet: <1%
- Flag-of-convenience further reduces Indian-flagged tonnage

05

Indian Shipbuilding Industry — Current State

Small, defence-heavy, but growing at 20%+ per year

India's shipbuilding output grew 41% YoY to 57,637 GT in 2025 — but this is still a fraction of global output



For context:

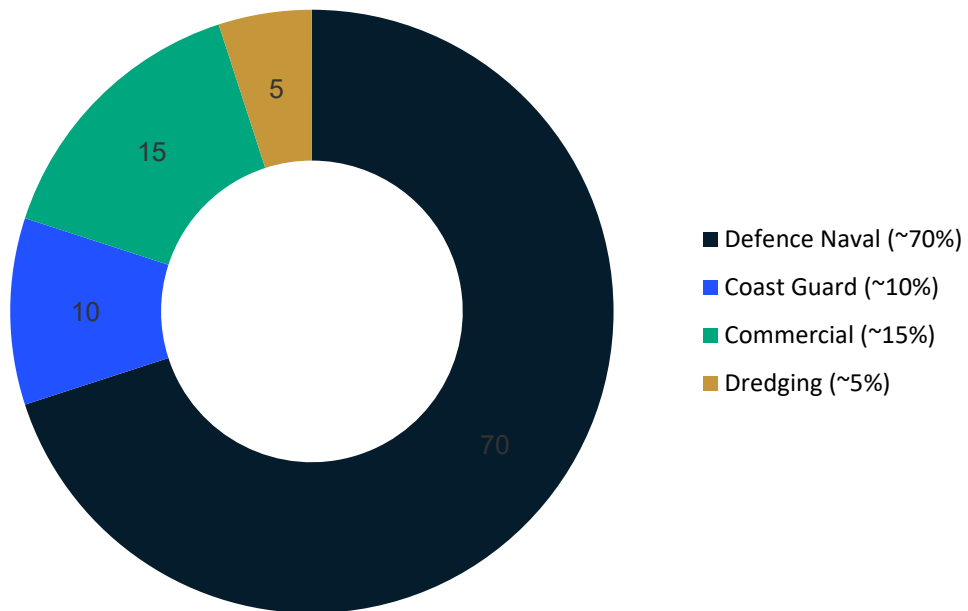
- China's output in 2025: 35.4 MILLION CGT
- India's 57,637 GT = 0.16% of China's output
- Even with 41% growth, gap is enormous
- India ranks ~16th globally
- Current orderbook: 96 vessels, 460,000 DWT
- Largest ship ever built: 93,322 DWT (Cochin, 2002)

India has ~61 registered shipyards but most are small — the top 6 account for ~85% of output

Shipyard	Type	Max Capacity (DWT)	Specialisation
Mazagon Dock (MDL)	Public/Defence	40,000 (expanding)	Submarines, destroyers, frigates
Cochin Shipyard (CSL)	Public/Mixed	110,000-200,000	Aircraft carriers, LNG, dredgers, commercial
GRSE	Public/Defence	~25,000	Frigates, corvettes, patrol craft
Hindustan Shipyard (HSL)	Public/Defence	80,000	Submarines, OPVs, tugs
Goa Shipyard (GSL)	Public/Defence	~15,000	OPVs, patrol boats, export vessels
Swan Defence (Private)	Public/Mixed	400,000	Bulk carriers, tankers, defence
L&T Shipbuilding	Private	~50,000	Interceptors, submarines, OPVs
Chowgule & Co.	Private	5,600-10,700	Mini-bulkers, eco-vessels

Source: MoPSW, company filings

Defence shipbuilding dominates India's orderbook — commercial is growing but still a small fraction



Defence vs Commercial

- Defence orders carry higher margins (15-20%) but are irregular and slow-moving
- Commercial orders have thin margins (5-10%) but scale better
- CSL's France's CMA CGM contract (6 x 1,700 TEU LNG container ships) is a breakthrough commercial win - \$360 mn deal
- MDL getting methanol dual-fuel PSV orders — a green first
- Government demand aggregation: ~400 vessels identified across oil, steel, fertiliser sectors

India builds mostly small and medium vessels — general cargo, tugs, patrol craft — not the large ships that drive global value

Vessel Category	India Can Build	India Cannot Build (yet)	Global Value Share
General Cargo	Yes (60% of orderbook)	—	5%
Offshore/Tugs	Yes	—	8%
Patrol/Defence	Yes (submarines, frigates)	—	15%
Dredgers	Growing capability	Large TSHDs	4%
Bulk Carriers	Up to Handysize	Capesize, VLOC	15%
Container Ships	Small feeders only	Mega 22,000 TEU	20%
Tankers	Up to Aframax (historically)	VLCCs consistently	18%
LNG/LPG	No current capability	All sizes	15%

Source: Breakwave Advisors

For details of vessel type, go to slide 116

06

Indian Dredging Industry — Current State

A growing domestic need with limited indigenous capability

India's dredging market is \$314M (2024) and growing at 6.5% CAGR — driven by port expansion and inland waterways

\$314M

India dredging market (2024)

\$622M

Projected by 2035

6.5%

CAGR (2025-35)

~40

Active dredgers in India

- Dredging is critical for maintaining port depths — India's major ports need regular maintenance dredging
- Capital dredging demand is rising due to Sagarmala port deepening and new port construction
- The Jal Marg Vikas Project (NW-1, Ganga) requires continuous dredging for navigability
- Adani Ports operates 23 dredgers — the largest private fleet in India
- DCI (public sector) has traditionally been the backbone but has struggled financially
- Global players (Boskalis, Jan De Nul) still win many large Indian tenders

India's dredging demand comes from four distinct sources — each with different growth trajectories

Port Deepening

High Growth

Major ports increasing draft to 18-20m for larger vessels. Deendayal Port, JNPT, Paradip all undertaking capital dredging.

Inland Waterways

High Growth

NW-1 (Ganga), NW-2 (Brahmaputra) need continuous dredging. Jal Marg Vikas: ₹5,369 Cr project for 1,620 km.

Maintenance Dredging

Steady

Annual requirement at all major/minor ports. Recurring revenue stream. ~₹1,500-2,000 Cr/year.

Coastal/Land Reclamation

Moderate

Beach nourishment, coastal protection, industrial land creation. Smaller but growing segment.

07

Value Chain Deep Dive

Shipbuilding and dredging — from design to delivery

The shipbuilding value chain has five stages — India is weakest in design and ancillary components

India's Capability		
Design	Ship design, classification, engineering drawings. India imports 60-70% of designs.	Weak
Steel & Materials	Specialised marine steel, pipes, cables, coatings. 40-50% imported.	Moderate
Hull Fabrication	Cutting, welding, block assembly. Labour-intensive. India's strength.	Strong
Outfitting	Engines, electronics, navigation, HVAC. Mostly imported.	Weak
Testing & Delivery	Sea trials, commissioning, classification approval.	Moderate

Source: [intelsense.in](https://www.intelsense.in)

The dredging value chain is simpler but more capital-intensive — fleet ownership is the primary barrier

Survey & Planning

Hydrographic surveys, environmental assessment, route planning. India has adequate capability.

Equipment/Fleet

Cutter suction, trailing hopper dredgers. A single large CSD costs \$100-200M. India depends on imports.

Execution

Dredging operations — 24/7 for capital projects. Fleet utilisation is key to profitability.

Disposal

Material disposal — offshore dumping, land reclamation, environmental compliance.

08

Demand Drivers Shipbuilding (India)

Five structural forces creating a multi-decade demand pipeline

The Indian Navy's modernisation programme alone creates ₹1.5 lakh crore+ in shipbuilding demand over the next decade

₹1.5L Cr+

Navy orderbook pipeline

170+

Target fleet strength by 2035

₹45,000 Cr

P75I submarine programme

75%

Indigenous content target

- P75I: 6 submarines at ~₹7,500 Cr each — to be built at MDL or a private yard with foreign collaboration
- Next-Gen Destroyers (NGD): follow-on to Kolkata-class, estimated ₹40,000-50,000 Cr for 6-8 ships
- Fleet Support Ships, Landing Platform Docks, Mine Counter-Measure Vessels all in pipeline
- Coast Guard adding 100+ vessels — patrol craft, interceptors, pollution control vessels
- Make in India mandate: 100% domestic build for defence vessels (with licensed foreign designs)

Coastal shipping and inland waterways create demand for 200+ new vessels — a category India can build competitively

- Government has identified demand for ~400 vessels across oil, steel, fertiliser, and shipping sectors
- Coastal cargo movement targeted to triple from ~120 MT to ~400 MT by 2030
- Inland vessel fleet needs 1,000+ new vessels for NW-1, NW-2, and NW-3 operations
- Vessel types needed: barges (1,500-3,000 DWT), Ro-Ro ferries, coastal tankers, container feeders
- These are small/medium vessels (under 10,000 DWT) — exactly India's sweet spot
- CMA CGM contract to Cochin Shipyard (6 feeder vessels) proves India can win commercial export orders too

The green shipping transition adds a new demand layer — IMO mandates force fleet renewal worldwide

2030

IMO interim emissions target

2050

Net-zero shipping target

\$380/t

Potential CO₂ penalty from 2028

200

Green tugs ordered for India by 2036

- IMO's (International Maritime Organization) Carbon Intensity Indicator (CII) is already forcing less-efficient ships into slow steaming or early retirement
- Fleet renewal is accelerating — vessels not meeting CII ratings face commercial penalties from 2028
- India's green tug programme: 200 vessels by 2036 with 15-year charter contracts worth ~\$2.6B (₹22,000 Cr)
- Green fuel vessels (methanol, ammonia, hydrogen) eligible for enhanced SBFAS subsidies (up to 30%)
- Offshore wind: India's 30 GW target by 2030 needs installation vessels, cable-layers, service boats — potential new market

09

Demand Drivers Dredging

Port expansion, river interlinking, and coastal protection

India's port expansion and waterway development require sustained dredging investment of ₹5,000-8,000 Cr annually

- Port deepening: All major ports need 16-20m draft to handle Capesize and VLCC vessels — continuous dredging required
- Jal Marg Vikas Project: ₹5,369 Cr for 1,620 km on NW-1 (Ganga) — dredging is 40% of project cost
- River interlinking: Ken-Betwa, Par-Tapi-Narmada projects will need significant dredging support
- New port construction: Vadhavan (₹76,000 Cr mega-port) and other greenfield ports need initial capital dredging
- Coastal erosion: 30% of India's coastline is eroding — beach nourishment creates steady demand
- Offshore wind farm seabed prep: Foundation prep for 30 GW target will need dredging vessels

10

Policy Framework India

From benign neglect to aggressive support — a 180-degree shift

India's shipbuilding policy has undergone a radical reset — ₹69,725 Cr committed in a single comprehensive package

₹69,725 Cr

Total maritime support package

₹24,736 Cr

Shipbuilding Financial Assistance

₹25,000 Cr

Maritime Development Fund

₹19,989 Cr

Shipbuilding Development Scheme

- This is the largest-ever government commitment to India's shipbuilding sector — a 10x increase from the earlier ₹4,000 Cr SBFAP (Shipbuilding Financial Assistance Policy)
- The package addresses both sides of the problem: supply (shipyard capacity) and demand (financing for ship buyers)
- SBI Ventures appointed Fund Manager for the ₹20,000 Cr Maritime Investment Fund (May 2026)
- Employment multiplier of 6.4x — every ₹1 Cr invested creates 6.4x more economic activity

The policy package has four pillars — each targeting a different bottleneck in India's shipbuilding ecosystem

01

Financial Assistance (SBFAS)

₹24,736 Cr. Direct subsidies of 20-30% on shipbuilding costs. Enhanced support up to 30% for green-fuel vessels. Extended till 2036.

02

Maritime Development Fund

₹25,000 Cr. ₹20,000 Cr Maritime Investment Fund + ₹5,000 Cr Interest Fund. Makes financing available at globally competitive rates.

03

Shipbuilding Development

₹19,989 Cr. Greenfield cluster development (AP, Gujarat, TN). 25% capex support for brownfield expansion. India Ship Technology Centre.

04

Infrastructure Status

Indian-flagged vessels get infrastructure status (Sept 2025). Access to long-term debt, priority lending, and tax benefits.

The SBFAS subsidy has been redesigned — higher rates, longer duration, and special incentives for green vessels

Parameter	Old SBFAP (2016-26)	New SBFAS (2025-36)
Total Allocation	₹4,000 Cr	₹24,736 Cr (6x increase)
Base Subsidy Rate	14-20% of contract value	20-30% of contract value
Green Vessel Premium	Not available	Up to 30% for methanol/ammonia/H ₂
Duration	10 years	10+ years (extended to 2036)
Utilisation (old scheme)	~6-7% of funds used	New scheme — too early
Registered Shipyards	39 (only 18 active)	Expected to expand significantly
Ships in Pipeline (old)	~360 vessels, ₹16,000 Cr orders	Target: 200+ ships, 8.6M GT
Jobs Created (old)	23,500 direct, 125,000 indirect	Target: significantly higher

Source: MoPSW, SBFAS Guidelines Dec 2025

The Maritime Development Fund solves India's biggest structural problem — financing cost 10-12% vs 2-5% globally

- The MDF has two components working together:
- Maritime Investment Fund (MIF): ₹20,000 Cr corpus — 49% from government budget (₹9,800 Cr), rest from ports and private sector
- Interest Incentivisation Fund (IIF): ₹5,000 Cr — 100% budgetary support to subsidise interest rates on ship financing
- Together, these aim to bring effective borrowing cost for Indian ship buyers from 10-12% down to 5-7%
- SBI Ventures appointed as Fund Manager (May 2026) — institutional credibility for the fund
- MDF is projected to stimulate ₹1.5 lakh crore in shipbuilding investments by 2030
- This mirrors what South Korea did in the 1970s-80s — government-backed cheap financing catalysed their export shipbuilding industry

Three greenfield mega-clusters are planned — each with 1-1.2M GT capacity — designed to achieve global scale

Cluster	Location	Status	Key Features
Tamil Nadu	V.O. Chidambaranar Port + SIPCOT	In-principle approval	HD Hyundai JV, mega shipyard park
Andhra Pradesh	Coastal AP (likely Kakinada)	In-principle approval	Block fabrication, ancillary zone
Gujarat	Likely near Pipavav/Hazira	In-principle approval	Proximity to steel, existing port infra

Each cluster will include:

- Common dry docks, breakwaters, dredged channels, outfitting berths
- Shared utilities and logistics infrastructure
- Ancillary manufacturing ecosystem (steel, engines, electronics)
- Investment scale: ₹10,000-20,000 Cr per cluster
- 10-year rent holiday for cluster land
- HD Hyundai's tripartite MoU for Tamil Nadu cluster — includes design expertise transfer

Source: MoPSW, Sagarmala

11

Supporting Policy Measures

Customs duty, tonnage tax, Right of First Refusal, and more

Beyond the headline package, several targeted measures are improving the ecosystem incrementally

Customs Duty Exemption	Extended 10 years on shipbuilding inputs — steel, engines, electronics, components	Reduces cost gap by 3-5%
Tonnage Tax	Extended to inland vessels registered under Indian Vessels Act 2021	Lowers effective tax for ship operators
Infrastructure Status	Indian-flagged vessels get long-term debt access, priority lending	Reduces financing cost by 2-3%
Right of First Refusal	Indian shipyards get RoFR on government vessel orders	Protected domestic demand
Shipbreaking Credit Notes	Up to 40% of scrap value as credit towards new Indian-built vessels	Circular economy incentive
Brownfield Support	25% of capex for upgrading dry docks, cranes, fabrication yards	Faster capacity expansion

Source: MoPSW, Union Budget

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Structural Challenges

Why India has struggled — and what needs to change

India's 20-25% cost disadvantage vs China stems from five structural factors — not just labour rates

% contribution to cost disadvantage (estimated)

30%

Financing Cost

10-12% in India vs 2-5% in China. This alone adds 8-10% to vessel cost.

25%

Low Productivity

150-180 man-hours/CGT vs 50-60 in China and 10-15 in Korea.

20%

Weak Ancillary Ecosystem

40-50% of components imported. No domestic marine engine or electronics industry.

15%

Small Scale

42 dry docks vs 450 in China. No yard builds >3 ships simultaneously.

10%

Design Dependency

60-70% of designs imported. Adds cost and time to every project.

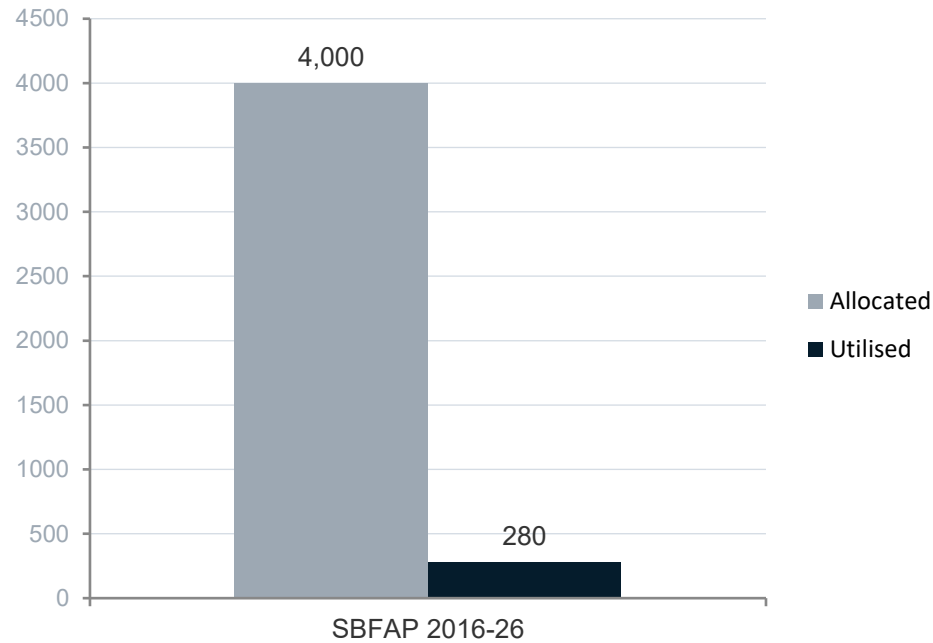
India's private shipyard track record is poor — multiple high-profile failures have eroded investor confidence

Company	What Happened	Orderbook at Peak	Status
ABG Shipyard	India's largest private yard. ₹22,842 Cr bank fraud.	₹15,000+ Cr	NCLT — liquidation
Bharati Defence (BDIL)	Promoter issues, project delays, debt spiral.	₹5,000+ Cr	NCLT — resolved
Pipavav Defence (now Swan)	Delays on Navy orders, financial stress.	₹10,000+ Cr	Sold to Swan/ADAG
Reliance Naval (RNEL)	Never completed a significant vessel.	Very large	NCLT — liquidation

These failures have made both banks and the government extremely cautious about private shipyard financing — which is partly why the MDF was created as a government-backed alternative.

Source: NCLT filings, company reports

The old SBFAP had good intentions but poor execution — only 6-7% of allocated funds were actually utilised



Why utilisation was low:

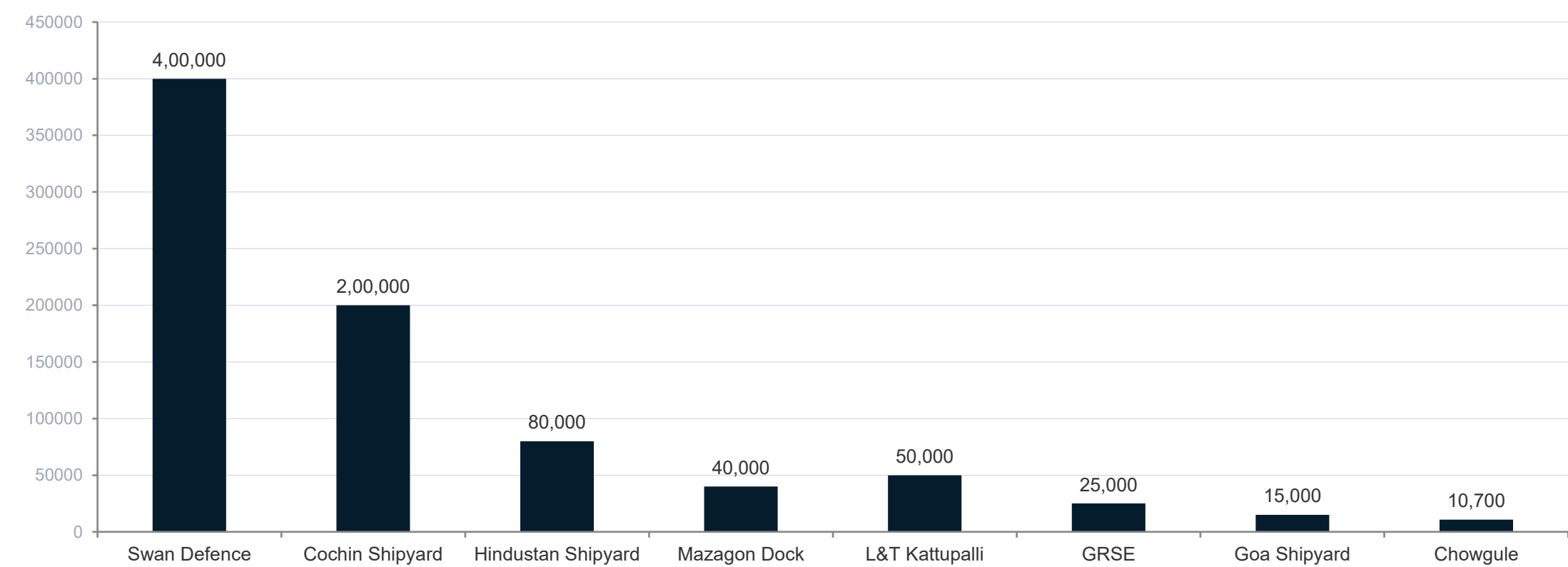
- Complex application process deterred small yards
- Subsidy paid only AFTER vessel delivery (3-5 year lag)
- Only 18 of 39 registered shipyards actively used the scheme
- No financing support — yards couldn't afford to build even with promised subsidy
- New SBFAS aims to fix these with simpler process and higher rates

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Capacity & Infrastructure

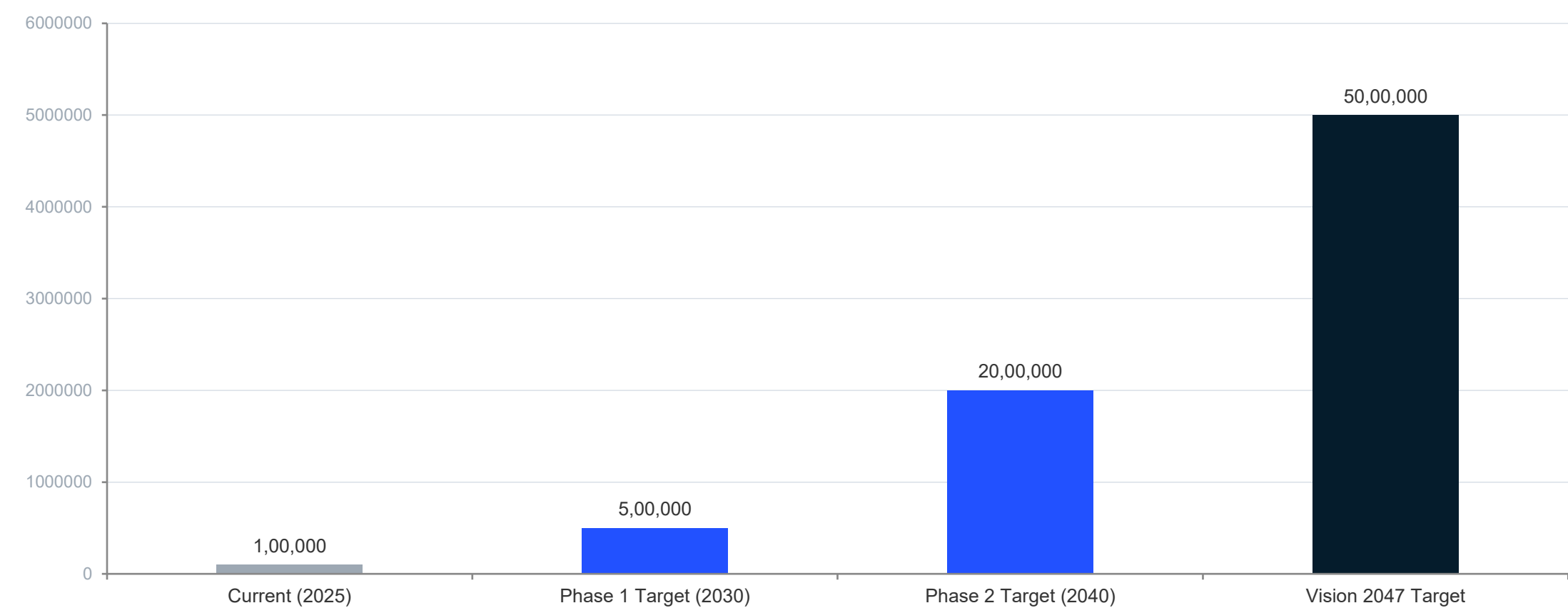
India's shipyard landscape — public, private, and planned

India has ~61 shipyards but capacity is fragmented — the top 4 yards account for >70% of output



Source: MoPSW SBR 2023-24

The 4.5M GT capacity target by 2047 requires massive investment — current capacity is under 100,000 GT



This requires a 50x increase in capacity — achievable only with greenfield mega-clusters and massive private investment

Source: MoPSW, Maritime Amrit Kaal Vision 2047

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Technology & Future Trends

LNG, green fuels, automation, offshore wind, and digital shipbuilding

Four technology shifts are reshaping global shipbuilding — India must catch these waves or fall further behind

Green Fuels

IMO 2050

LNG (transitional), methanol, ammonia, hydrogen as marine fuels. IMO 2050 net-zero mandate forces adoption. India's first methanol dual-fuel order placed (MDL).

Modular Construction

30-40% faster

Ships built in blocks at multiple locations, assembled at main yard. Reduces build time 30-40%. Korea/China standard practice. India beginning with HD Hyundai JV.

Offshore Wind Vessels

30 GW target

Installation, cable-lay, crew transfer vessels needed for 30 GW offshore wind target. New vessel category India hasn't built yet.

Digital/Autonomous

Emerging

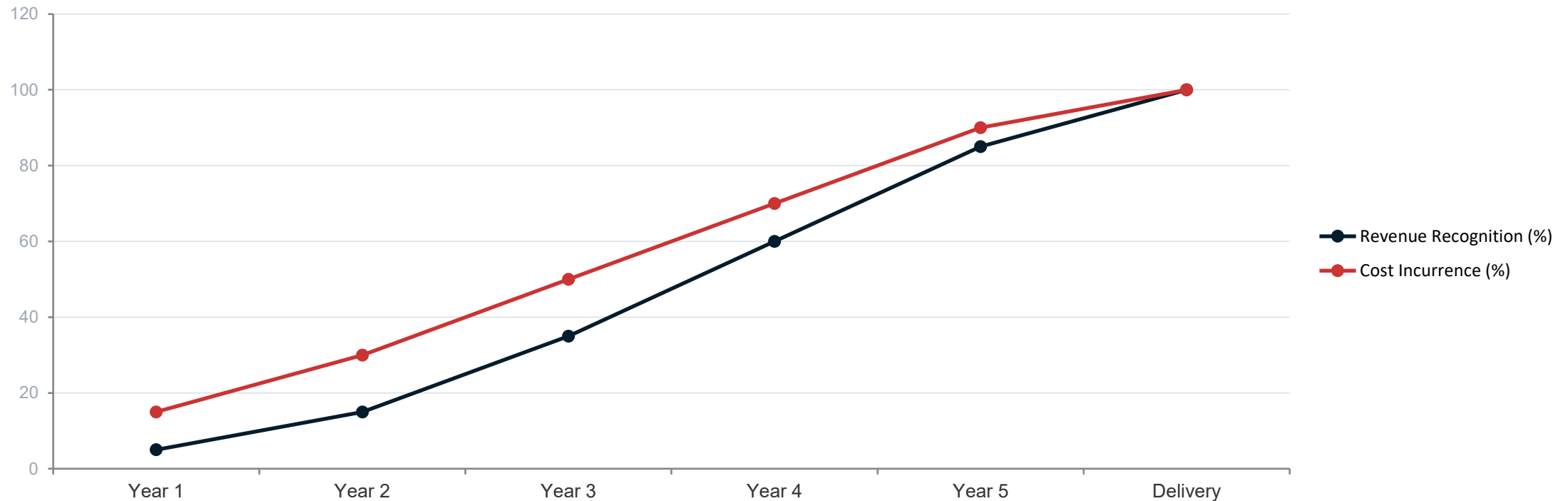
Digital twins, AI-assisted design, predictive maintenance, semi-autonomous navigation. Reduces design time and improves vessel efficiency.

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Economics of Shipbuilding

Revenue recognition, working capital, and margin dynamics

Shipbuilding revenue follows an S-curve — minimal in early years, accelerating as milestones are hit



Key implication: A yard with a growing orderbook will show LOW margins initially (high cost, low revenue recognition). This looks like poor execution but is actually the S-curve effect. Margins improve dramatically as projects mature.

Shipbuilding is a long working capital cycle business — 3-5 years from order to delivery, with front-loaded costs

Metric	Shipbuilding	Typical Manufacturing	Why It Matters
Order-to-Delivery	3-5 years	1-6 months	Long lock-in of capital
Advance from Buyer	10-20% at order	30-50%	Low upfront cash
Milestone Payments	4-6 stages	On delivery	Cash flow lumpy
Working Capital Days	150-250 days	60-90 days	High borrowing need
Revenue Recognition	Percentage of completion	On delivery	Accounting complexity
Margin Volatility	High (steel, forex, delays)	Moderate	Hard to predict earnings

Source: Company filings, Zerodha Daily Brief

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Economics of Dredging

Fleet ownership, utilisation, and operating leverage

Dredging economics are driven by fleet utilisation — the business has high fixed costs and enormous operating leverage

Metric	Dredging	Shipbuilding	Why Different
Revenue Model	Tender-based, per cubic metre	Project-based, milestone	Volume-driven vs project-driven
Capex	Very high (fleet)	Moderate (yard)	Fleet = primary asset
Depreciation	15-20% of revenue	3-5% of revenue	Machinery-heavy
Break-even Utilisation	60-65%	N/A	Below this, losses mount fast
Maintenance Dredging	Steady, recurring	N/A	Annuity-like component
Operating Leverage	Extreme	Moderate	Small volume change = big P&L swing

Source: DCI annual reports, industry analysis

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Competitive Positioning

Where India can win — and where it cannot

India has a realistic chance of winning in four specific segments — it should not try to compete everywhere

Segment	India's Position	Key Advantage	Realistic?
Defence Ships	Strong & growing	100% domestic mandate, design capability	YES — already winning
Small/Med Commercial	Emerging	Low labour cost, new subsidies	YES — CMA CGM order proves it
Ship Repair/MRO	Growing rapidly	Geographic location, low cost	YES — \$1.4B market growing 7.7%
Dredgers	Building capability	Domestic demand, subsidy support	YES — but needs fleet investment
Large Bulk/Tankers	Very weak	Some labour cost advantage	MAYBE — needs 5-10 years
Container Ships (large)	Non-existent	None currently	NO — not near-term
LNG Carriers	Non-existent	None currently	NO — technology gap too wide

Source: intelsense.in

India's ship repair market is \$1.4B and growing at 7.7% — this is the fastest path to earning foreign exchange

\$1.4B

India ship repair market (2025)

\$2.8B

Projected by 2034

7.7%

CAGR (2026-34)

- India sits on the busiest shipping lane in the world (Suez-Malacca route) — vessels pass within 200 nautical miles
- Ship repair is less capital-intensive than shipbuilding — lower entry barrier, faster revenue generation
- Cochin Shipyard earns 30-40% of revenue from ship repair — its highest-margin business
- GRSE grew MRO revenue 6x in 3 years (₹19 Cr to ₹114 Cr, FY22-25) using leased dry docks
- CSL partnered with Drydocks World (April 2025) and Maersk (Feb 2025) for repair collaborations
- Vadinar ship repair facility: ₹1,570 Cr investment approved (May 2026) with 25% government support

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Industry Cycle Framework

What drives the cycle — and where we are today

Shipbuilding cycles are driven by four interconnected indicators — all currently pointing to sustained demand

Indicator	Current Status	Direction	Signal
Global Freight Rates	Above 10-year average	Stable-to-rising	Positive for newbuild demand
Orderbook/Fleet Ratio	At decade highs (~18%)	Rising	Yards booked through 2028
Average Fleet Age	25-30 years for many segments	Ageing	Replacement demand rising
Newbuild Prices	Up 47% since 2020	Plateauing	Supports yard profitability
Scrappage	Below normal (vessels retained)	Will accelerate (IMO CII)	More new vessels needed
Green Transition	IMO mandates from 2028	Accelerating	Fleet renewal mandatory

Assessment: We are in the middle innings of a structural upcycle, not a late-cycle peak. The green transition adds a new, non-cyclical demand layer.

Source: Clarkson Research, industry analysis

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Key Risks (Industry Level)

What could go wrong

Seven risks could derail the India shipbuilding story — policy execution and financing are the most critical

HIGH	Policy Execution Delays	The ₹69,725 Cr package is announced but disbursement track record is poor (old SBFAP: 6-7% utilised). Funds must flow, not just be allocated.
HIGH	Financing Constraints	Banks remain wary of shipyard lending after ABG, RNEL, Pipavav failures. MDF must bridge this or yards can't scale.
HIGH	China Competition	China can build at 40-60% lower cost with 10x scale. Even with subsidies, Indian yards can't match on large commercial vessels.
MEDIUM	Cyclicalities	Global freight rates and orderbook are cyclical. A downturn in 2028-30 could pause India's momentum.
MEDIUM	Commodity Price Volatility	Steel (30-35% of ship cost), copper, and equipment prices can swing 20-30% during build period.
LOW	Currency Risk	Revenue in USD (exports) or INR (domestic), costs mix of both. INR depreciation helps exporters but hurts import-dependent yards.
MEDIUM	Talent Shortage	India lacks trained marine engineers, welders, and design engineers. Scaling to 4.5M GT needs massive skill development.

Source: intelsense.in

PART 2

Companies, Economics & Investment View

How to make money from it

20

Industry Structure India Players

PSU vs private, defence vs commercial, listed vs unlisted

India's shipbuilding sector is dominated by 4 public sector defence yards — private yards have a mixed track record

Company	Listed?	Focus	Market Cap (₹ Cr)	FY26 Revenue (₹ Cr)
Mazagon Dock (MDL)	Yes (NSE)	Defence (submarines, destroyers)	1,03,459	13,006
Cochin Shipyard (CSL)	Yes (NSE)	Mixed (carrier, commercial, repair)	38,983	4,308
GRSE	Yes (NSE)	Defence (frigates, corvettes)	30,222	7,002
Dredging Corp (DCI)	Yes (NSE)	Dredging operations	3,332	1,208
Hindustan Shipyard	Unlisted (MoD)	Defence (submarines, OPVs)	—	~2,500
Goa Shipyard	Unlisted (MoD)	Defence (OPVs, exports)	—	~1,500
Swan Defence	Yes (NSE)	Mixed (largest private capacity)	12,300	282
L&T Shipbuilding	Part of L&T	Defence + commercial	—	—
Knowledge Marine (KMEW)	Yes (NSE)	Dredging + shipbuilding	6,992	256
Krishna Defence	Yes (NSE)	Defence components + naval steel	1,631	245

Source: Company filings

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Mazagon Dock Shipbuilders (MDL)

India's submarine and destroyer specialist

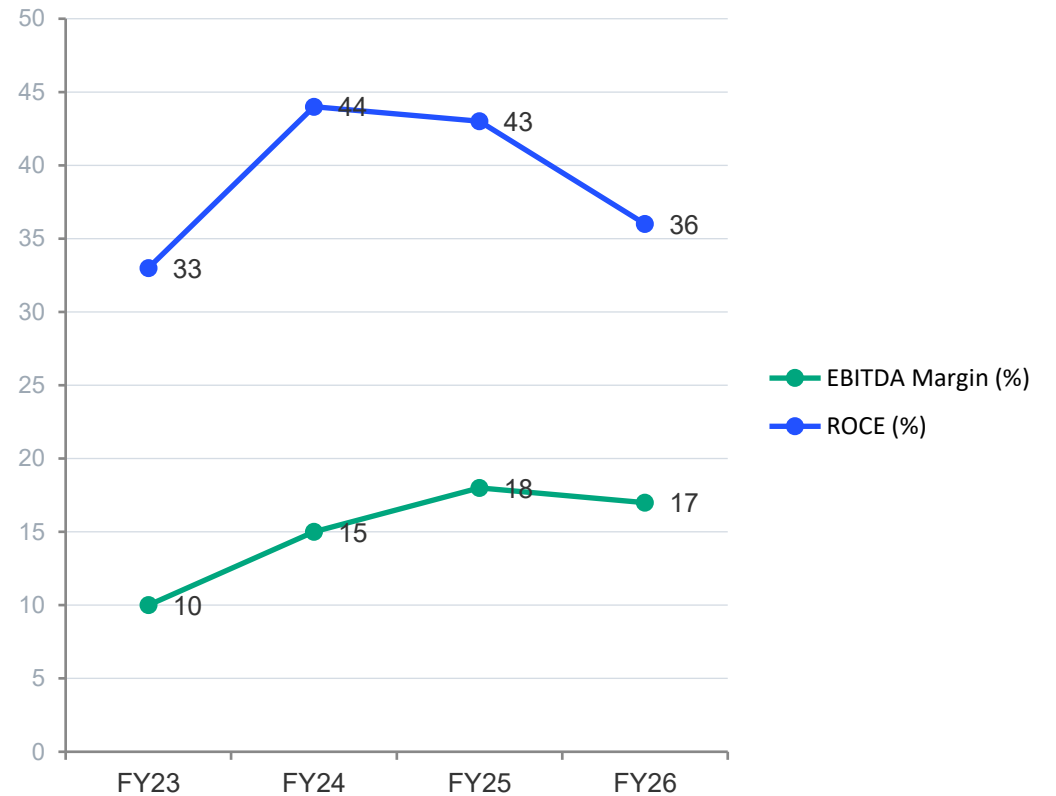
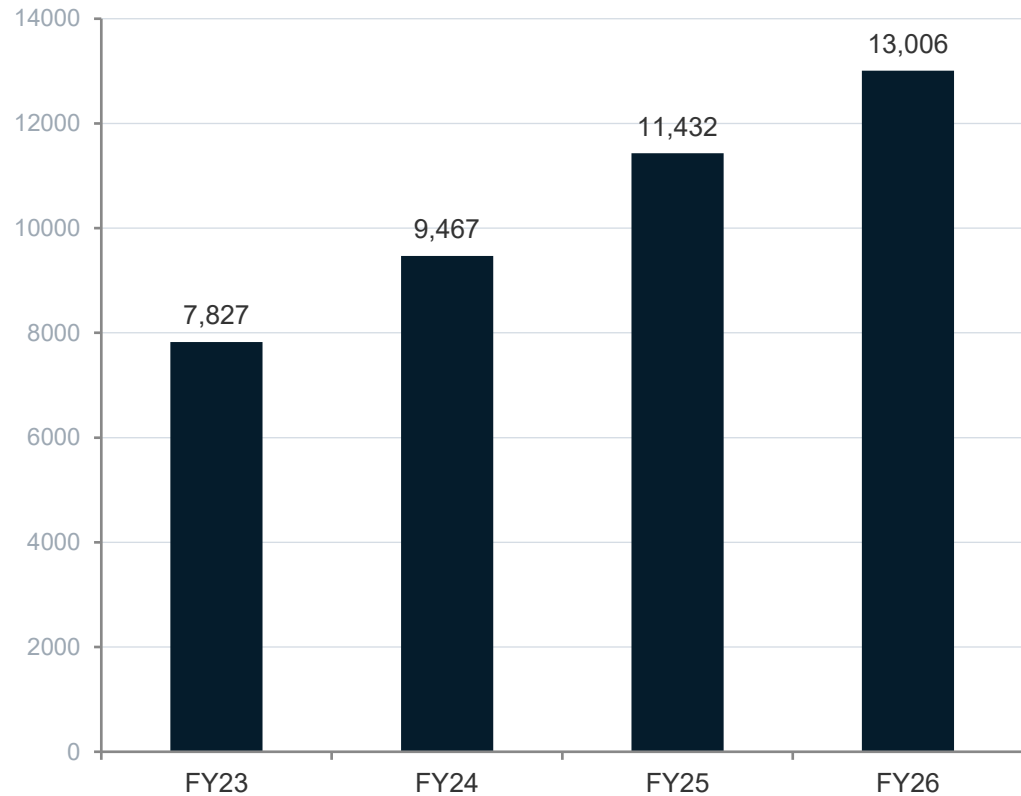
MDL is India's most valuable shipyard at ₹1.03L Cr market cap — built on submarine and destroyer expertise

₹1,03,459 Cr Market Cap	₹13,006 Cr Revenue (FY26)	₹2,578 Cr PAT (FY26)	36.1x P/E Ratio	36% ROCE (FY26)
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- India's ONLY yard capable of building destroyers and submarines — strategic monopoly position
- Built all 6 Scorpene-class submarines (P75 programme), 3 Kolkata-class destroyers, and 4 Visakhapatnam-class destroyers
- Government holds 84.83% stake — Miniratna Category 1 PSU under Ministry of Defence
- Revenue grew 26% CAGR over 5 years; profit grew 33.5% CAGR
- Near-zero debt — ₹242 book value, 10.6x price-to-book

Source: Screener.in, company filings

MDL's revenue has grown 66% in 3 years while margins expanded from 10% to 17% — a structural improvement, not cyclical



The P75I submarine programme (₹45,000+ Cr) is the single largest order opportunity in Indian shipbuilding history

- P75I: 6 next-generation submarines with Air Independent Propulsion (AIP) — estimated ₹45,000+ Cr
- MDL is the front-runner (built all P75 subs) but faces competition from L&T/private sector
- If won, P75I alone would provide 8-10 years of orderbook visibility
- Beyond P75I: Next-Gen Destroyers (₹40,000-50,000 Cr), Fleet Support Ships, and more in pipeline
- MDL also receiving first methanol dual-fuel PSV order — entering green/commercial segment
- Capacity expansion: Planning to build 200,000 DWT capacity (currently 40,000) with new infrastructure
- Key risk: P75I timeline has slipped multiple times — delay would impact near-term orderbook refill
- Tuticorin greenfield facility for VLCCs planned (₹15,000-18,000 Cr investment) — commercial pivot

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Cochin Shipyard Limited (CSL)

India's largest and most versatile shipyard

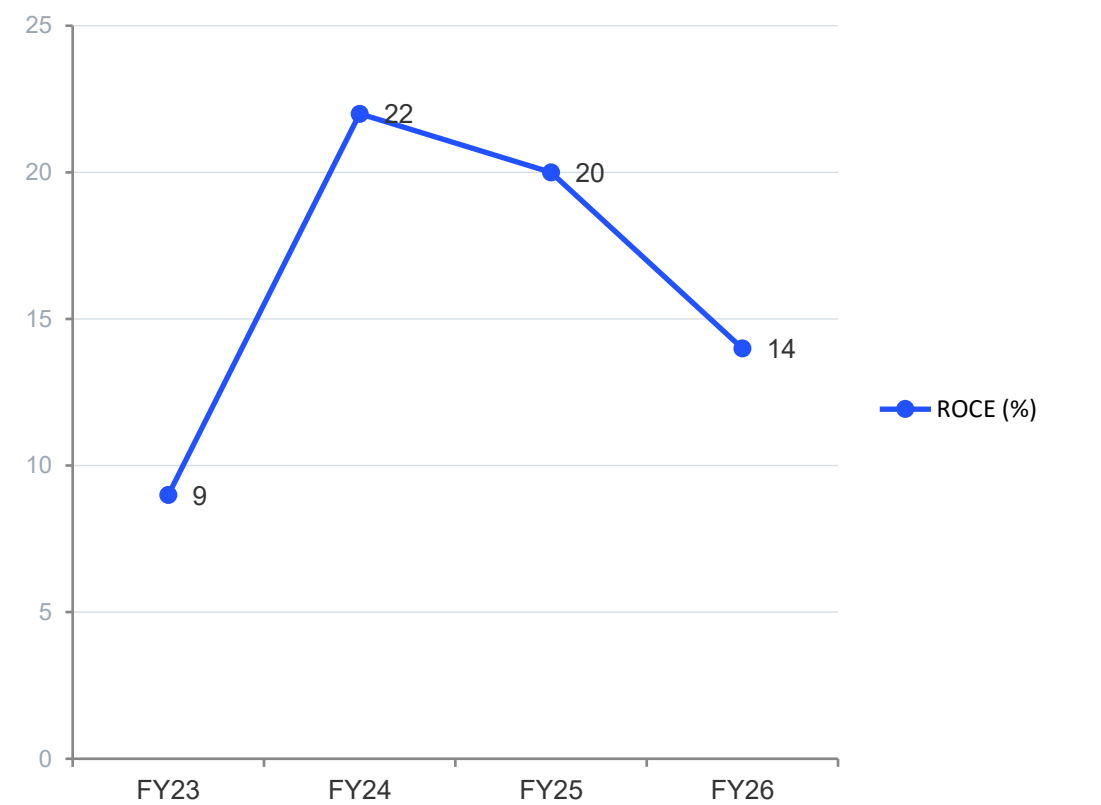
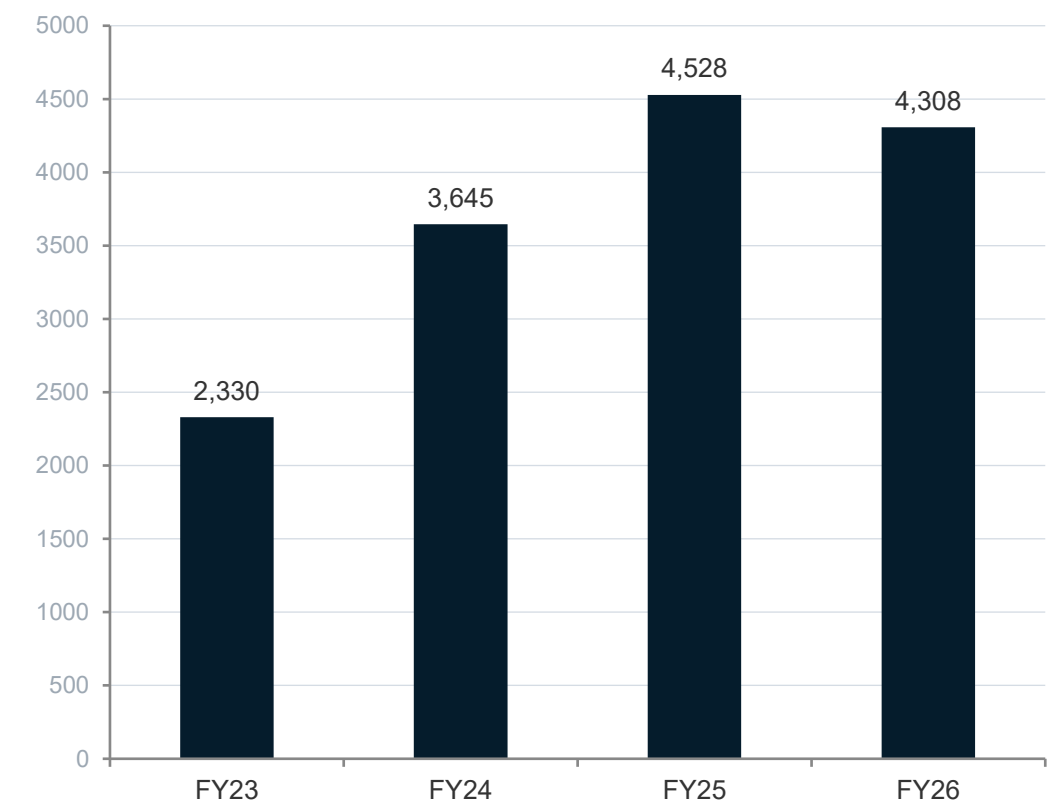
CSL is India's largest shipyard by capacity — the only one to have built an aircraft carrier and won international commercial orders

₹38,983 Cr Market Cap	₹4,308 Cr Revenue (FY26)	₹643 Cr PAT (FY26)	65.9x P/E Ratio	14% ROCE (FY26)
--	---	--	---------------------------------------	---------------------------------------

- Built INS Vikrant — India's first indigenous aircraft carrier (40,000+ tonne, largest vessel ever built in India)
- Capacity: 110,000-200,000 DWT — can build the largest ships of any Indian yard
- Won CMA CGM contract for 6 x 1,700 TEU feeder container ships — first major international commercial win
- Building the largest dredger in India: 19,100 DWT TSHD at €104M for European operator
- Ship repair contributes 30-40% of revenue — highest margin segment

Source: Screener.in, company filings

CSL's FY26 revenue declined 5% as the Vikrant cycle ended — the next growth phase depends on commercial order wins



Source: Screener.in

CSL is positioning for the next growth phase through 3 strategic bets — HD Hyundai JV, ship repair expansion, and green vessels

HD Hyundai JV

₹4,000-5,000 Cr ship-block fabrication facility. Design expertise transfer from world's #2 shipbuilder. Access to bulk carrier and tanker designs.

Could 3-5x commercial revenue

Ship Repair Expansion

Drydocks World partnership (Apr 2025). Maersk MoU (Feb 2025). Vadinar facility (₹1,570 Cr). Target: become Asia's repair hub.

Highest-margin business segment

Green/Commercial

CMA CGM feeder vessel order. Dredger capability. Targeting methanol-ready and hybrid vessels under SBFAS incentives.

Diversifies beyond defence

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Garden Reach Shipbuilders (GRSE)

India's fastest-growing defence shipyard

GRSE has delivered 44% revenue CAGR over 5 years — the fastest growth among Indian shipyards, driven by frigate orders

**₹30,222
Cr**

Market Cap

**₹7,002
Cr**

Revenue (FY26)

₹748 Cr

PAT (FY26)

37.8x

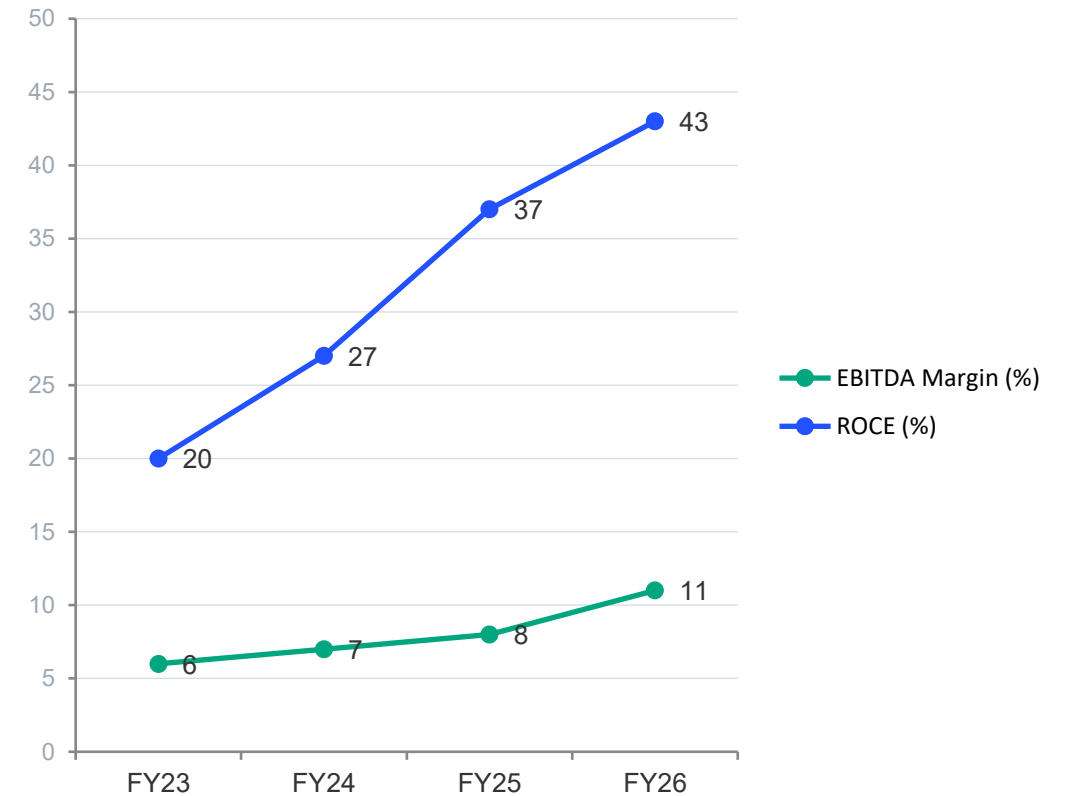
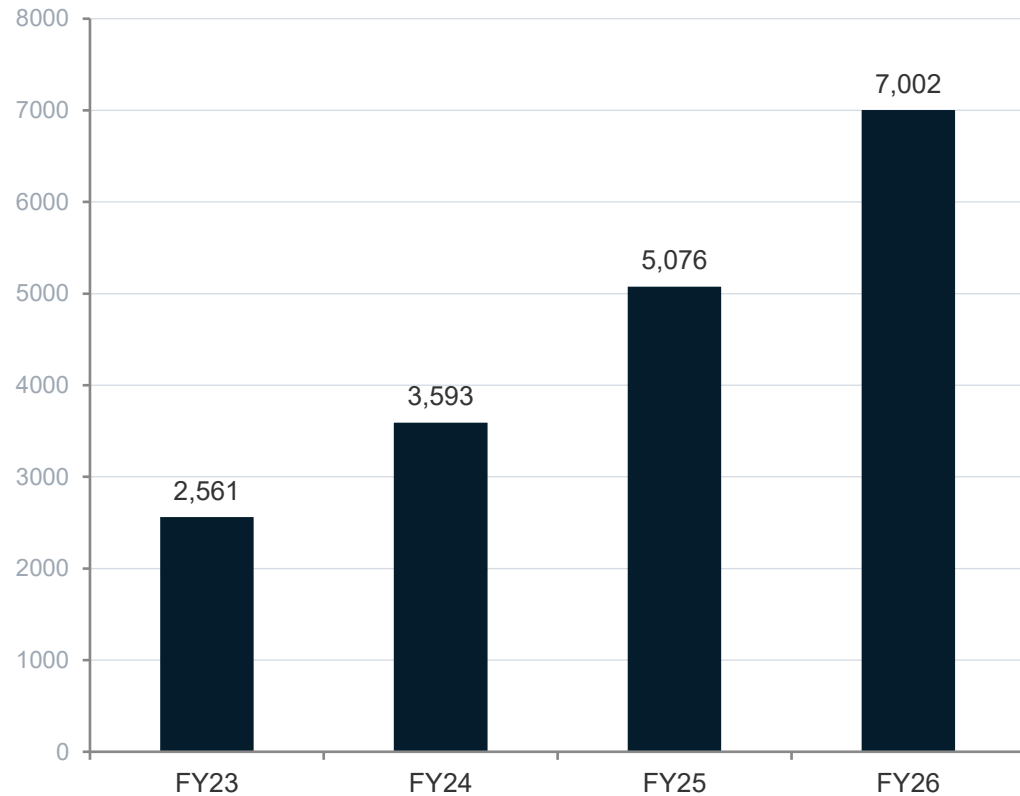
P/E Ratio

43%

ROCE (FY26)

- Oldest shipyard in India — 142-year legacy (est. 1884). Built 800+ vessels including 107 warships for the Indian Navy
- Currently building P17A stealth frigates — India's most advanced surface combatant
- Revenue has grown from ₹2,561 Cr (FY23) to ₹7,002 Cr (FY26) — 2.7x in 3 years
- EBITDA margin improved from 6% to 11% as higher-value frigate orders mature through S-curve
- ROCE at 43% — highest among Indian shipyards, reflecting capital-efficient operations
- Promoter holding: 74.5% (Government of India)

GRSE's revenue growth trajectory is the steepest in the sector — with margin expansion still in early stages



GRSE's MRO business grew 6x in 3 years using a leased dry dock model — capital-light and replicable

6x

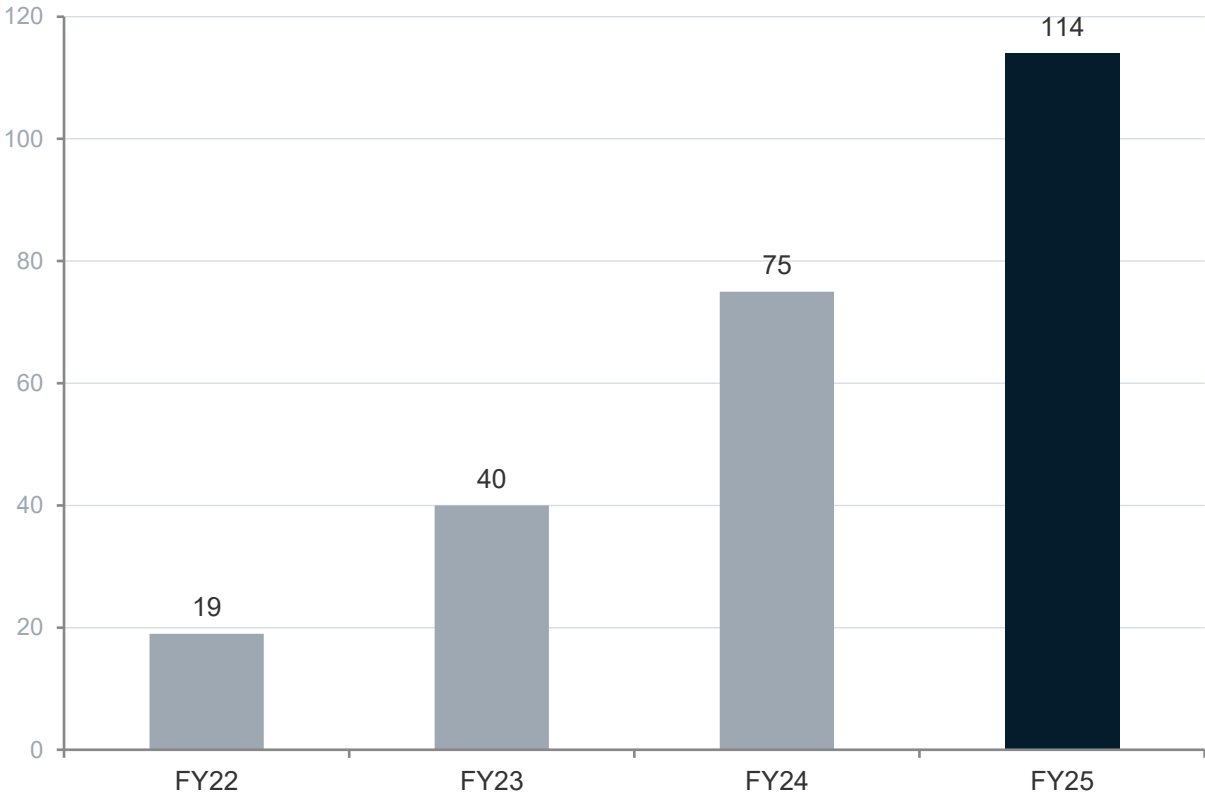
MRO Revenue Growth (FY22-25)

₹172 Cr

Active MRO order book

3 Docks

Leased from Kolkata Port — low capex model



Source: GRSE annual report, company filings

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Dredging Corporation of India (DCI)

India's flagship dredging company

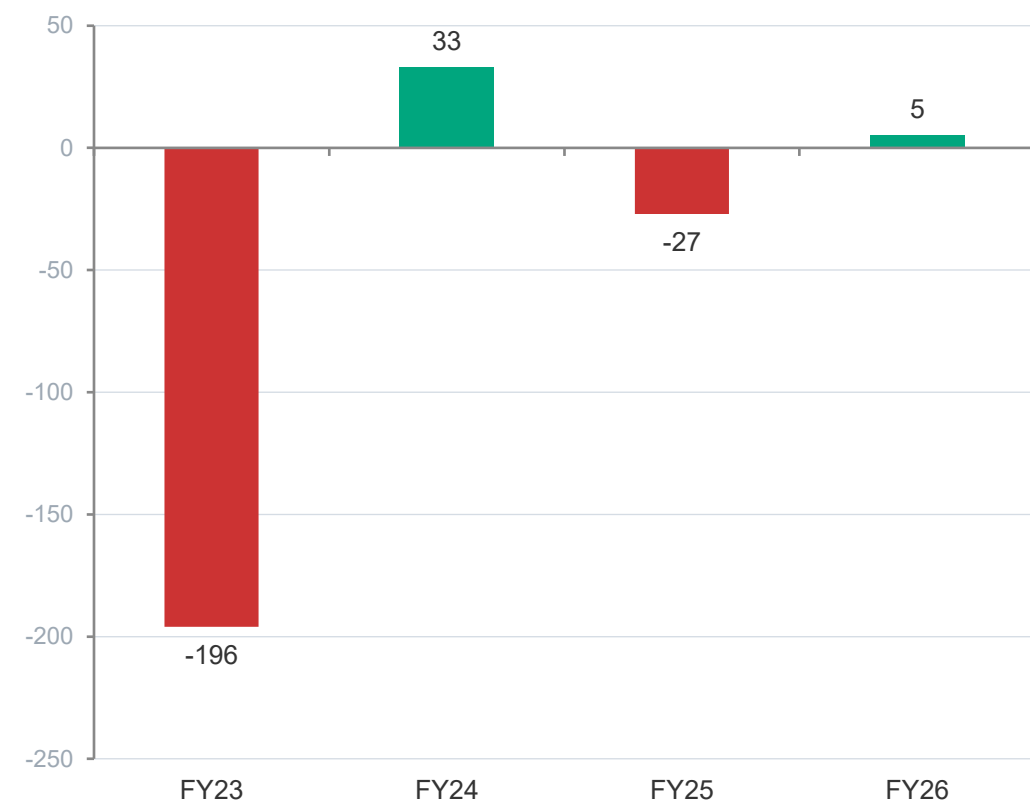
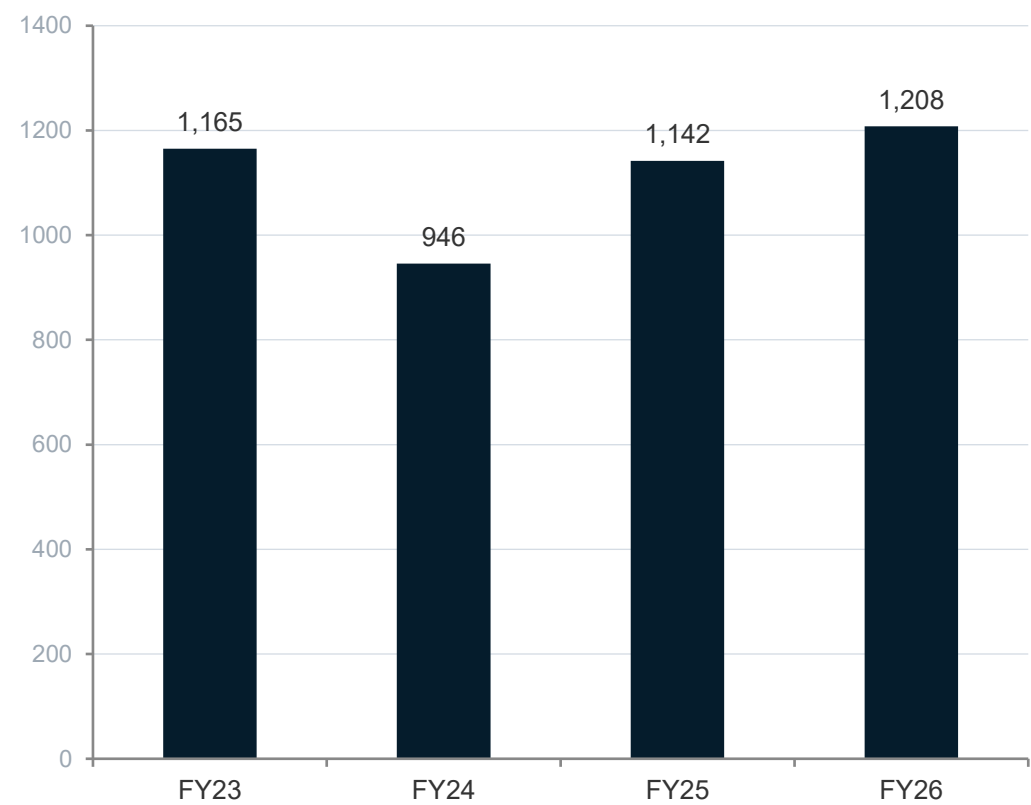
DCI returned to profitability in FY26 after a turbulent period — but margins remain volatile and fleet needs renewal

₹3,332 Cr Market Cap	₹1,208 Cr Revenue (FY26)	₹5 Cr PAT (FY26)	84.7x P/E Ratio	4.3% ROCE
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- India's oldest and largest government dredging company — transferred from MoPSW to Visakhapatnam Port Trust
- Revenue of ₹1,208 Cr in FY26 (record high) with ₹248 Cr operating profit (20% OPM)
- Q4 FY26 was strong: EBITDA margin at 29.9%, PAT of ₹87 Cr — significant improvement
- Management targets ₹1,500 Cr revenue in FY27
- Promoter holding: 73.47%. Debt-equity: 0.88x. Interest coverage: 5.2x
- Key challenge: Fleet renewal — dredgers have a 20-25 year life; DCI's fleet is ageing
- Stock has re-rated to ₹1,189 but P/E of 84.7x prices in significant earnings recovery

Source: Screener.in, ScanX

DCI's profitability has been erratic — swinging from losses to profits based on fleet utilisation and tender wins



Source: Screener.in

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Hindustan Shipyard & Goa Shipyard

The unlisted defence workhorses

HSL and GSL are unlisted defence PSUs with significant orderbooks — potential IPO candidates that investors should track

Parameter	Hindustan Shipyard (HSL)	Goa Shipyard (GSL)
Ministry	Defence	Defence
Location	Visakhapatnam, AP	Vasco da Gama, Goa
Established	1941	1957
Max Capacity	80,000 DWT	~15,000 DWT
Key Products	Submarines, OPVs, survey vessels, tugs	OPVs, patrol boats, export vessels
Vessels Built	190+	167+
Revenue (est.)	~₹2,500 Cr	~₹1,500 Cr
Key Programme	Submarine refits, diving support vessels	OPV exports to friendly nations
Listed?	No — but IPO discussed periodically	No
Strategic Value	Only yard doing submarine refits on east coast	Proven export track record

Source: Company websites, MoD

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Orderbook Analysis

The visibility metric that drives shipyard valuations

Combined orderbook of the 3 listed shipyards is ₹1.2+ lakh crore — providing 3-5 years of revenue visibility

Company	Orderbook (₹ Cr)	Revenue/Book Ratio	Visibility (Years)	Defence %
Mazagon Dock	~40,000	3.1x	~3 years	95%+
GRSE	~28,000	4.0x	~4 years	90%+
Cochin Shipyard	~25,000	5.8x	~5+ years	60%
Hindustan Shipyard	~15,000	6.0x	~6 years	95%+
Goa Shipyard	~8,000	5.3x	~5 years	90%+

Revenue/Book ratio shows how many times current annual revenue is covered by the orderbook. Higher is better for visibility but can also mean slower execution.

Source: Company filings

The key risk to orderbook-based valuation is execution timeline — Indian yards deliver 2-3 years late on average

- Indian defence ships take 6-10 years from order to delivery vs 3-5 years globally
- INS Vikrant: Ordered 2009, delivered 2022 — 13 years (though this was India's first carrier)
- P75 submarines: Programme started 2005, last delivered 2024 — 19 years for 6 submarines
- P17A frigates (GRSE): On track for ~6-7 year delivery cycle — better than historical average
- Delays are driven by: design changes, vendor delays, funding pace, and testing requirements
- Commercial orders have shorter cycles (2-4 years) — CSL's CMA CGM feeders expected in 3 years
- For investors: Orderbook provides revenue visibility but NOT revenue timing certainty

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Financial Deep Dive

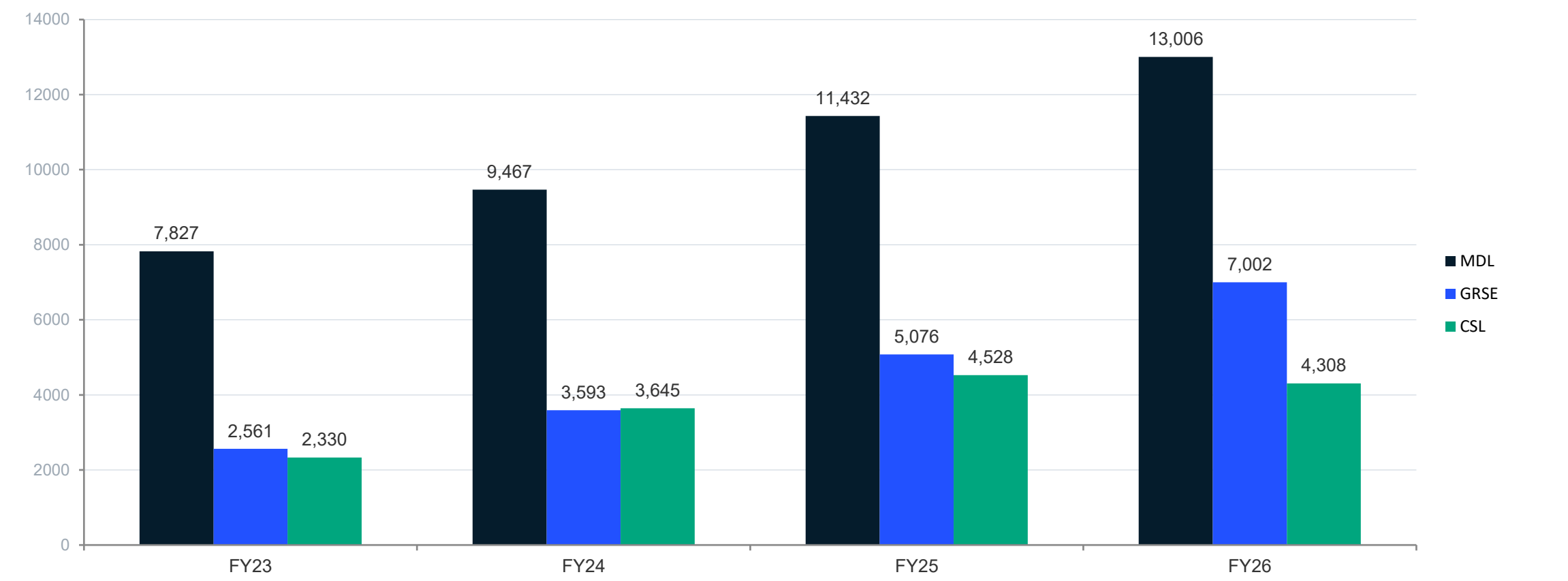
Revenue, margins, returns, and cash flows across the sector

All three listed shipyards show strong revenue growth and improving margins — GRSE leads on ROCE, MDL on absolute scale

Metric	Mazagon Dock	Cochin Shipyard	GRSE	Dredging Corp
Revenue FY26 (₹ Cr)	13,006	4,308	7,002	1,208
Rev. 3Y CAGR	18%	23%	40%	1%
EBITDA Margin FY26	17%	16%	11%	20%
PAT FY26 (₹ Cr)	2,578	643	748	5
ROCE FY26	36%	14%	43%	4%
ROE FY26	29%	11%	32%	<1%
Net Debt	Near Zero	Near Zero	Near Zero	0.88x D/E
Dividend Yield	0.71%	0.51%	0.49%	Nil

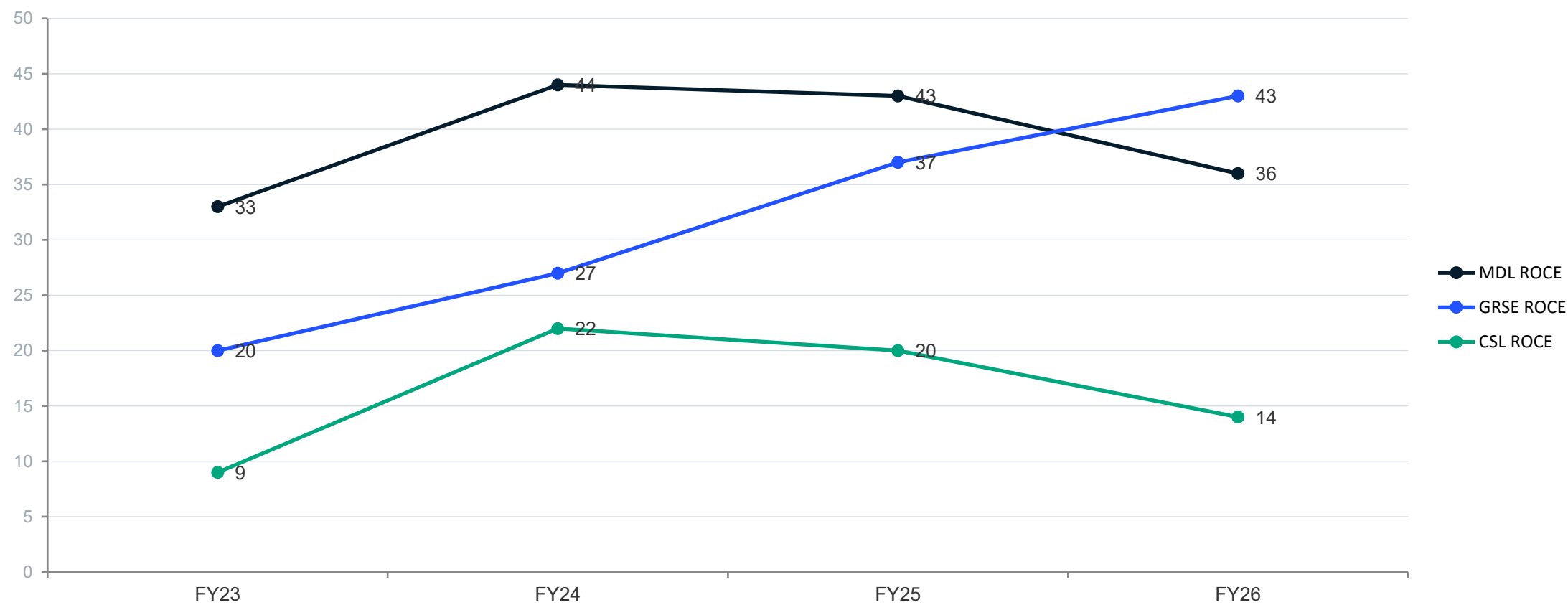
Source: Screener.in

Revenue growth across shipyards has been dramatic — driven by order execution acceleration and S-curve recognition



Source: Screener.in

ROCE tells the real story — GRSE at 43% and MDL at 36% are world-class returns for capital-intensive businesses



Source: Screener.in

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Valuation Framework

How to value shipyards — P/E, EV/EBITDA, and orderbook multiples

Indian shipyards trade at premium multiples — reflecting orderbook visibility, policy tailwinds, and scarcity value

Metric	MDL	CSL	GRSE	DCI	Sector Avg.
Market Cap (₹ Cr)	1,03,459	38,983	30,222	3,332	—
P/E (FY26)	36.1x	65.9x	37.8x	84.7x	~45x
Price/Book	10.6x	6.6x	11.5x	2.7x	~8x
EV/EBITDA (est.)	~30x	~35x	~28x	~15x	~27x
Mkt Cap/Orderbook	~2.6x	~1.6x	~1.1x	N/A	~1.8x
Div. Yield	0.71%	0.51%	0.49%	Nil	0.57%

Key valuation insight: GRSE trades at the lowest Mkt Cap/Orderbook ratio (1.1x) despite having the highest ROCE (43%) and fastest growth (40% revenue CAGR). This suggests relative value within the sector.

Source: Screener.in, BSE

Indian shipyards trade at significant premiums to global peers — justified by higher growth but stretched on absolute basis

Shipyard	Country	Market Cap (\$B)	P/E	EV/EBITDA	ROCE
HD Hyundai Heavy	Korea	~15	~15x	~10x	~12%
Hanwha Ocean	Korea	~10	~20x	~14x	~10%
CSSC Holdings	China	~50	~25x	~18x	~8%
Yangzijiang	China/SG	~8	~8x	~6x	~20%
Mazagon Dock	India	~12	~36x	~30x	~36%
GRSE	India	~3.6	~38x	~28x	~43%
Cochin Shipyard	India	~4.7	~66x	~35x	~14%

India trades at 2-3x the P/E of Korean/Chinese peers. However, Indian yards deliver 2-3x higher ROCE and are growing 2-5x faster. The premium is partially justified.

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Defence vs Commercial Split

Different margin profiles, order visibility, and growth trajectories

Defence orders carry higher margins but are lumpy and slow — commercial is thinner-margin but scalable

Parameter	Defence Shipbuilding	Commercial Shipbuilding
EBITDA Margin	15-20%	5-10%
Order Visibility	5-10 years	2-4 years
Build Cycle	6-10 years	2-4 years
Customer Concentration	Govt only (Navy/CG)	Diversified (shipping cos)
Price Discovery	Cost-plus / negotiated	Competitive tender
Execution Risk	Design changes, testing	Cost overruns, steel prices
Growth Ceiling	Limited by defence budget	Global market
Strategic Value	Self-reliance mandate	Export earnings, employment

Source: Company filings, Abhishek Basumallick analysis

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Capital Allocation & Balance Sheets

Clean balance sheets, government support, and expansion plans

All three listed shipyards have near-zero debt — a structural advantage funded by government advances on defence orders

Metric	MDL (FY26)	CSL (FY26)	GRSE (FY26)
Net Worth (₹ Cr)	9,775	5,891	2,512
Net Debt	Near Zero	Near Zero	Near Zero
D/E Ratio	~0	~0	~0
Cash & Equivalents	Significant	Significant	Significant
Customer Advances	Large (defence)	Large	Large (defence)
Capex Plans	Capacity expansion to 200K DWT	HD Hyundai JV, Vadinar	MRO dock expansion
Dividend Payout	~25-30%	~25-30%	~20-25%

Key insight: Defence shipyards get 10-20% advance from the Navy on order placement — this partially funds the build, keeping debt low. This is a structural advantage PSU yards have over private players.

Source: Company filings

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Scenario Analysis

Bull, base, and bear cases for India's shipbuilding sector

The sector's trajectory depends on policy execution, financing, and global cycle — three scenarios frame the range

BULL
25%

India becomes a significant commercial export hub

MDF fully deployed, 3 greenfield clusters operational by 2032, HD Hyundai JV produces 200,000+ DWT vessels, commercial orderbook grows 10x, India reaches 3-5% global market share by 2035. Listed shipyard revenues grow at 25-30% CAGR.

BASE
50%

Defence-led growth with selective commercial wins

Defence orderbook grows steadily (₹50,000+ Cr/year inflow), MDF partially deployed, 1-2 clusters start by 2033, commercial remains small but growing. India reaches 1-2% global share by 2035. Revenue CAGR: 15-20%.

BEAR
25%

Policy execution fails, status quo continues

MDF funds don't flow, greenfield clusters delayed 5+ years, SBFAS underutilised (like old SBFAP), private yards fail again. India stays at <1% global share. Revenue CAGR: 5-10%, driven only by existing defence orders.

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Investment Thesis

Why this sector deserves attention — and which stocks benefit most

This is NOT just a shipbuilding story — it is a financing + policy + defence + capex cycle convergence play

01

Policy Inflection

₹69,725 Cr package is 10x larger than anything before. Government is directly attacking both supply (capacity) and demand (financing) constraints.

02

Defence Tailwind

₹1.5L Cr+ naval orderbook with 100% domestic build mandate. P75I submarines, next-gen destroyers, fleet support ships provide decade-long visibility.

03

MRO Opportunity

\$1.4B ship repair market growing at 7.7%. India's location on the Suez-Malacca route is a natural advantage. Capital-light, high-margin.

04

Scarcity Premium

Only 3 listed pure-play shipyards in India (MDL, CSL, GRSE). Rising institutional interest in the sector with limited float.

India's constraint is NOT demand — it is execution capacity and capital access. Government is now directly attacking both.

BEFORE (Pre-2025)

- × SBFAP: ₹4,000 Cr (6-7% utilised)
- × No financing support
- × No greenfield plans
- × Only defence orders
- × Private yards failing

AFTER (2025+)

- ✓ SBFAS: ₹24,736 Cr (6x increase)
- ✓ MDF: ₹25,000 Cr for cheap financing
- ✓ 3 greenfield clusters approved
- ✓ Commercial + export orders emerging
- ✓ HD Hyundai JV for technology transfer

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Risks to Thesis

What could go wrong with the investment case

Six company-level risks investors must monitor — beyond the industry risks discussed earlier

MDL	Order Delays	P75I decision has been delayed multiple times. Any further delay impacts MDL's orderbook refill.
CSL	Post-Vikrant Hangover	CSL's FY26 revenue already declined 5% as Vikrant cycle ended. Next carrier not ordered yet.
All	Margin Compression	As commercial orders grow (lower margin), blended margins could compress from current 15-20% levels.
All	Valuation Risk	Sector trades at 35-66x P/E — any execution disappointment could trigger de-rating.
All	Global Slowdown	A shipping downturn would reduce commercial demand and delay India's export ambitions.
DCI	DCI Fleet Risk	DCI's ageing fleet needs ₹2,000+ Cr replacement investment — unfunded, dilutive if equity-raised.

Source: intelsense.in

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Industry Catalysts Next 3-5 Years

Events that could trigger sector re-rating

Five near-term catalysts could materially re-rate the sector — P75I award is the single biggest one

H2 FY27?

P75I Submarine Award

₹45,000+ Cr order to MDL or L&T — would be the largest single defence order in Indian history

FY27

First MDF Disbursement

Proves the financing mechanism works. First commercial orders placed using MDF funding would be a credibility milestone.

FY27-28

HD Hyundai JV Kickoff

Ground-breaking at Tamil Nadu cluster + first block fabrication orders — technology transfer begins

Ongoing

Commercial Export Wins

More orders like CMA CGM deal would prove India can compete internationally. Each win builds confidence.

FY27-28

Green Vessel Orders

First methanol/ammonia vessel orders under SBFAS 30% subsidy — positions India in the next-gen ship segment

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What to Track Monthly/Quarterly

The dashboard for monitoring this sector

Four categories of data should be monitored regularly — order inflows and policy execution matter most

Order Inflows (Monthly)

- New defence orders announced
- Commercial tenders won
- Orderbook growth vs depletion
- P75I programme status

Policy Execution (Quarterly)

- MDF disbursements
- SBFAS utilisation rate
- Greenfield cluster progress
- Brownfield capex sanctions

Global Cycle (Monthly)

- Baltic Dry Index / freight rates
- Clarkson Newbuild Price Index
- Global orderbook/fleet ratio
- China/Korea order volumes

Company Metrics (Quarterly)

- Revenue recognition pace
- EBITDA margin trend
- Working capital days
- MRO revenue share

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Appendix

Glossary, ship types, policy documents, and data tables

Key shipping and shipbuilding terms every investor should know

Term	Full Form	What It Means
DWT	Deadweight Tonnage	Total weight a ship can carry (cargo + fuel + stores)
GT	Gross Tonnage	Measure of total internal volume of a ship
CGT	Compensated Gross Tonnage	GT adjusted for ship complexity (an LNG carrier gets higher CGT than a bulk carrier)
TEU	Twenty-foot Equivalent Unit	Standard container size — a 20,000 TEU ship carries 20,000 standard containers
VLCC	Very Large Crude Carrier	Oil tanker carrying 200,000-320,000 DWT — the largest common commercial vessel
OPV	Offshore Patrol Vessel	Navy/Coast Guard vessel for coastal security and EEZ patrol
TSHD	Trailing Suction Hopper Dredger	Self-propelled dredger that sucks sediment while moving
CSD	Cutter Suction Dredger	Stationary dredger that cuts hard material — used for capital dredging
IMO	International Maritime Organization	UN agency that sets global shipping standards
CII	Carbon Intensity Indicator	IMO rating (A to E) measuring a ship's CO ₂ efficiency

Source: [intelsense.in](https://www.intelsense.in)

A visual guide to the major commercial vessel categories and their typical sizes

Vessel Type	Size Range (DWT)	Typical Cost	Key Cargo	India Builds?
Capesize Bulk Carrier	150,000-400,000	\$55-65M	Iron ore, coal	No
Panamax Bulk	65,000-85,000	\$32-40M	Grain, coal	Historically yes
Handysize Bulk	15,000-35,000	\$25-30M	General cargo	Yes
VLCC (Tanker)	200,000-320,000	\$110-130M	Crude oil	No
Aframax (Tanker)	80,000-120,000	\$55-65M	Crude/products	Historically yes
Container Ship (mega)	180,000-230,000	\$150-262M	Containers	No
Container Feeder	10,000-30,000	\$20-35M	Containers	Yes (CSL)
LNG Carrier	160,000-180,000 m³	\$240-250M	LNG	No
Offshore PSV	3,000-5,000	\$30-50M	Offshore supplies	Yes
Tug	500-2,000	\$5-15M	Port operations	Yes

Source: [intelsense.in](https://www.intelsense.in)

Reference list of key policy documents and announcements for the sector

- Maritime India Vision 2030 (MoPSW, 2021) — Master plan for India's maritime sector
- Maritime Amrit Kaal Vision 2047 — Long-term target: top 5 shipbuilding nation, 5M GT/year capacity
- Sagarmala Programme (2015-ongoing) — Port-led development, ₹6+ lakh crore investment plan
- SBFAS Guidelines (December 26, 2025) — New shipbuilding subsidy scheme, 20-30% assistance
- MDF Guidelines (February 20, 2026) — ₹25,000 Cr financing support mechanism
- Infrastructure Status Notification (September 19, 2025) — Indian-flagged vessels get infrastructure classification
- ₹69,725 Crore Maritime Package (July 2026) — Comprehensive 4-pillar support announced by Cabinet
- National Shipbuilding Mission — Framework for reaching 4.5M GT capacity by 2047
- Indian Vessels Act 2021 — Updated regulatory framework for vessel registration and safety
- IMO GHG Strategy (2023) — Net-zero shipping by 2050, CII ratings from 2024

Source: Various sources

Areas where data is inconsistent, unavailable, or unreliable — investors should be aware of these limitations

- India dredging market size estimates vary widely — \$314M (OMR) to \$600M+ (other sources). No single authoritative source.
- Private shipyard financials (Swan Defence, L&T Shipbuilding, Chowgule) are not publicly disclosed in detail. KMEW and Krishna Defence are recently listed SMEs with limited analyst coverage.
- Orderbook data for unlisted yards (HSL, GSL) comes from media reports and MoD disclosures — may not be current.
- Policy execution timelines are aspirational — greenfield clusters, MDF deployment could take 3-5 years longer than announced.
- Global shipbuilding market size estimates vary from \$130B to \$170B depending on methodology (new builds only vs including repair).
- Indian Navy's procurement pipeline timelines are classified — publicly available data is approximate.
- S-curve revenue recognition makes it hard to compare shipyard quarters — FY26 Q4 can look very different from Q1.
- DCI's fleet composition and age breakdown are not clearly disclosed — makes fleet renewal analysis approximate.

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Company One-Pagers

Quick reference profiles for key companies

Mazagon Dock Shipbuilders Limited (MDL)

NSE: MAZDOCK | BSE: 543237

₹1,03,459 Cr

Market Cap

₹13,006 Cr

Revenue (FY26)

₹2,578 Cr

PAT

36.1x

P/E Ratio

36%

ROCE

About

India's only yard building destroyers and submarines. 250-year legacy, 809 vessels built since 1960. Capacity: 11 submarines + 10 warships simultaneously. Planning ₹5,000 Cr greenfield VLCC yard at Tuticorin.

Key Management

- CMD: Sanjeev Singhal
- Government holds 84.83% stake
- Miniratna Category 1 PSU under MoD

Financial Snapshot

	FY23	FY24	FY25	FY26
Revenue (₹ Cr)	7,827	9,467	11,432	13,006
EBITDA Margin	10%	15%	18%	17%
PAT (₹ Cr)	1,119	1,937	2,414	2,578
ROCE	33%	44%	43%	36%

Growth Triggers

- ▲ Order book ₹40,000+ Cr — 3x annual revenue
- ▲ P75I submarine programme: ₹45,000+ Cr potential
- ▲ Tuticorin opens VLCC market by 2030-31
- ▲ ROCE 36% — best-in-class capital efficiency

Key Risks

- ▼ Defence-only — commercial capability unproven
- ▼ Mumbai yard limited to 40,000 DWT (expanding)
- ▼ Project delays trigger MoD liquidated damages
- ▼ S-curve: early-phase revenue appears low

Cochin Shipyard Limited (CSL)

NSE: COCHINSHIP | BSE: 540678

₹38,983 Cr	₹4,308 Cr	₹643 Cr	65.9x	14%
Market Cap	Revenue (FY26)	PAT	P/E Ratio	ROCE

About

India's largest shipyard by capacity (200,000 DWT). Built INS Vikrant, India's first indigenous aircraft carrier. Strong ship repair business. Won CMA CGM contract for 6 container feeders — first major export win.

Key Management

- CMD: Madhu S. Nair
- Government holds ~72.86% stake
- Under Ministry of Ports, Shipping & Waterways

Financial Snapshot

	FY23	FY24	FY25	FY26
Revenue (₹ Cr)	2,330	3,645	4,528	4,308
OPM	12%	24%	20%	16%
PAT (₹ Cr)	334	813	843	643
ROCE	9%	22%	20%	14%

Growth Triggers

- ▲ HD Hyundai JV: ₹4,000-5,000 Cr facility
- ▲ Ship repair partnerships with Drydocks World, Maersk
- ▲ CMA CGM feeder order proves export capability
- ▲ Vadinar repair facility: ₹1,570 Cr investment

Key Risks

- ▼ Post-Vikrant revenue decline in FY26 (-5%)
- ▼ No next aircraft carrier ordered yet
- ▼ Commercial margins lower than defence
- ▼ High P/E (66x) leaves little room for error

Garden Reach Shipbuilders & Engineers (GRSE)

NSE: GRSE | BSE: 542011

₹30,222 Cr	₹7,002 Cr	₹748 Cr	37.8x	43%
Market Cap	Revenue (FY26)	PAT	P/E Ratio	ROCE

About

India's oldest shipyard (est. 1884). Built 800+ vessels including 107 warships. Currently building P17A stealth frigates. Fastest-growing listed shipyard: 44% revenue CAGR over 5 years. MRO growing 6x via leased docks.

Key Management

- CMD: Cmde PR Hari (Retd)
- Government holds 74.5% stake
- Defence PSU under MoD

Financial Snapshot

	FY23	FY24	FY25	FY26
Revenue (₹ Cr)	2,561	3,593	5,076	7,002
EBITDA Margin	6%	7%	8%	11%
PAT (₹ Cr)	228	357	527	748
ROCE	20%	27%	37%	43%

Growth Triggers

- ▲ 44% revenue CAGR — fastest in sector
- ▲ ROCE 43% — highest among Indian shipyards
- ▲ MRO business: 6x growth, capital-light model
- ▲ P17A frigates and follow-on orders

Key Risks

- ▼ Concentrated in frigates/corvettes
- ▼ Limited commercial capability
- ▼ Kolkata yard size limits vessel size
- ▼ Margin expansion may plateau

Dredging Corporation of India (DCI)

NSE: DREDGECORP | BSE:
523618

₹3,332 Cr

Market Cap

₹1,208 Cr

Revenue (FY26)

₹5 Cr

PAT

84.7x

P/E Ratio

4.3%

ROCE

About

India's only listed pure-play dredger. Owns and operates fleet of dredgers for port maintenance and capital dredging. FY26 was a turnaround year with record ₹1,208 Cr revenue and return to profitability.

Key Management

- Captain S. Divakar (MD)
- Promoter: 73.47% (Vizag Port)
- Transferred from MoPSW to Vizag Port Trust

Financial Snapshot

	FY23	FY24	FY25	FY26
Revenue (₹ Cr)	1,165	946	1,142	1,208
OPM	-2%	21%	12%	20%
PAT (₹ Cr)	-196	33	-27	5
ROCE	Neg.	7%	2%	4%

Growth Triggers

- ▲ Record revenue ₹1,208 Cr in FY26
- ▲ Management targets ₹1,500 Cr for FY27
- ▲ Q4 FY26: 29.9% EBITDA margin, ₹87 Cr PAT
- ▲ Sagarmala + inland waterways drive demand

Key Risks

- ▼ Erratic profitability — losses in FY23, FY25
- ▼ Ageing fleet needs ₹2,000 Cr+ replacement
- ▼ Debt-equity at 0.88x — highest in sector
- ▼ Global dredgers dominate large tenders

Swan Defence & Heavy Industries

Private | Pipavav, Gujarat

Private

Status

400,000 DWT

Max Capacity (largest in India)

Mixed

Defence + Commercial

About

Operates the Pipavav shipyard in Gujarat — India's largest private shipyard by capacity (400,000 DWT). Previously Pipavav Defence (ABG Group), now under Swan Energy. Secured chemical tanker and Kamsarmax bulk carrier orders.

Key Management

- Swan Energy Ltd (parent)
- Pipavav, Gujarat location

Growth Triggers

- ▲ Largest DWT capacity in India (400,000)
- ▲ Secured commercial bulk carrier orders
- ▲ Only private yard with large vessel capability
- ▲ Could benefit from greenfield cluster proximity

Key Risks

- ▼ Chequered history (previous owner failures)
- ▼ Financial details not publicly available
- ▼ Private — no public market liquidity
- ▼ Track record needs to be proven with new management

Knowledge Marine & Engineering Works (KMEW)

NSE: KMEW | BSE: 543273

₹6,992 Cr	₹256 Cr	₹79 Cr	54.0x	16.4%
Market Cap	Revenue (FY26)	PAT	P/E Ratio	ROCE

About

Founded 2015. India's fastest-growing dredging company. Owns and operates dredgers, pilot boats, and marine craft. Fleet at 100% utilisation. Revenue mix: dredging 70%, shipbuilding 21%, charter hire 7%. Executing ₹300 Cr capex at new 15-acre Saphale facility near Vadhavan Port.

Key Management

- WTD: Kanak Kewalramani
- COO: Dinesh Kewalramani
- Promoter holding: 49.99%

Financial Snapshot

	FY23	FY24	FY25	FY26
Revenue (₹ Cr)	202	164	201	256
OPM	34%	30%	39%	38%
PAT (₹ Cr)	48	31	50	79
ROCE	—	—	—	16.4%

Growth Triggers

- ▲ Order book ₹1,633 Cr — 6.4x annual revenue
- ▲ ₹3,000 Cr bid pipeline (IWAI + DCI contracts)
- ▲ New Saphale shipyard near Vadhavan — strategic location
- ▲ Green Tug contracts: ₹90 Cr each with 15-year tenure and 20% subsidy

Key Risks

- ▼ Small revenue base (₹256 Cr) at premium valuation (54x P/E)
- ▼ Capital-intensive fleet expansion needs ₹150-200 Cr additional fundraise
- ▼ Execution risk on ₹300 Cr Saphale capex

Krishna Defence & Allied Industries

NSE: KRISHNADEF

₹1,631 Cr	₹245 Cr	₹38 Cr	39.8x	31%
Market Cap	Revenue (FY26)	PAT	P/E Ratio	ROCE

About

Defence components maker supplying critical parts to Indian Navy warships. Products include armoured steel profiles (26 variants), IACS class-certified bulb bars for commercial shipbuilding, and aircraft arresting gear systems (DRDO). AS9100D certified for aerospace/defence. Nearly debt-free.

Key Management

- MD: Ankur Shah
- Promoter holding: 59.90%
- Halol, Gujarat manufacturing base

Financial Snapshot

	FY23	FY24	FY25	FY26
Revenue (₹ Cr)	63	106	190	245
EBITDA Margin	10%	12%	15%	25%
PAT (₹ Cr)	5	10	22	38
ROCE	15%	17%	24%	31%

Growth Triggers

- ▲ Revenue CAGR 48% over 5 years — high growth trajectory
- ▲ ROCE jumped from 15% to 31% in 3 years
- ▲ ₹103 Cr order book + ₹221 Cr tender pipeline
- ▲ New product lines: defence electronics, underwater platforms, smart ammunition

Key Risks

- ▼ Small scale — ₹245 Cr revenue
- ▼ Promoter holding declined 13.5% over 3 years
- ▼ Concentrated in defence steel — needs diversification
- ▼ Halol capacity constraints (expanding with new 50,000 sq.ft. plot)

Key Takeaway

India's shipbuilding sector is at a once-in-a-generation inflection point

The convergence of ₹69,725 Cr government support, defence orderbook visibility, and the global green shipping transition creates a multi-decade growth opportunity. Execution — not demand — is the constraint. Monitor policy disbursement closely.

Abhishek Basumallick | August 2026

Intelsense.substack.com