

Frequently Asked Questions (FAQs) on Shipbuilding Financial Assistance Policy

Revision Number	As per policy dated
R0	Aug, 2023

Q1. What is the name of the policy for obtaining financial assistance?

Ans. Shipbuilding Financial Assistance Policy (SFAP).

Q2. What is SFAP?

Ans. Shipbuilding Financial Assistance Policy (SFAP) is the facility provided by Govt. of India to the Indian Shipyards to provide them a level playing field vis-à-vis Foreign Shipyards. This has been introduced as a special policy measure for revival and promotion of Shipbuilding Industry in India. Through this policy the Indian Shipbuilders will be given financial assistance on the new shipbuilding contracts with effect from April 1, 2016. This policy is being implemented through guidelines available at www.shipbuilding.nic.in

Q3. What are the criteria for eligibility under SFAP?

Ans. The following are the criteria for eligibility under SFAP:

Parameters	Criteria for Eligibility
a) Contract	The shipbuilding contracts signed during the period, April 1, 2016, to March 31, 2026, including the said dates.
b) Category of Vessel(s)	All types of floating crafts or structures built under the classification of one of the Recognized Organizations will be considered for the purpose of grant of SFA except for the crafts specified in Schedule-I of the Guidelines.
c) Type of Shipyard	Shipyard means any floating or a land based facility consisting of all or any of the following as essential features, namely, - waterfront, turning basin, berthing and docking facility, slipways and ship lifts.

	The Shipyard should be located within the territories of India and undertaking construction, manufacture, reconstruction or repair of vessels in India.
d) Time Limit for Delivery of the Vessel(s)	<ol style="list-style-type: none"> 1. Specialized Vessel(s) (*) must be constructed and delivered within a period of six years from the date of contract. 2. Standard Vessel(s) and all other vessels must be constructed and delivered within a period of three years from the date of contract. 3. In the case of shipbuilding contracts where more than two vessels are signed under the same contract, those vessels which are constructed and delivered within a period of four years from the date of Contract, shall be eligible for availing financial assistance <p>‘*’ For list of Specialized vessels, refer Schedule II of the guidelines.</p>
e) Other Conditions	<ol style="list-style-type: none"> 1. The major portion of the hull of the vessel(s) should be constructed and assembled in India. 2. The assembly of the hull, installation and commissioning of the major machinery and equipment and tests/trials of the vessel is to be done in India. 3. The shipyard applying for financial assistance under the policy for a vessel should not have availed any monetary support under any other policy or scheme of the Central or State Government for the said vessel. Such support shall not include: <ol style="list-style-type: none"> a. any exemptions of domestic taxes or import duties applicable on procurement of raw materials, components or capital goods, as the case may be; b. any fiscal or monetary benefits arising from the location of shipyard in an economic zone; c. any fiscal or monetary benefits arising from grant of infrastructure status to the shipyard; or d. any other fiscal or monetary benefit available by virtue of being a shipyard irrespective of the vessel being constructed/ repaired thereat.

(Please refer clause 3 and clause 7 of the Guidelines for more details)

Q4. Which are the Recognized Organizations (RO) of Government of India?

Ans. The list of organization recognized by the Government of India has been provided in the Gazette Notification No. S.O. 3316(E) dated December 26, 2014, as amended from time to time. The recognized organizations as on April 1, 2016 are:

1. Indian Register of Shipping,
2. Lloyds Register,
3. Bureau Veritas,
4. American Bureau of Shipping,
5. Nippon KaijiKyokai,
6. Korean Register of Shipping,
7. RINA Societa per zioni,
8. Russian Maritime Register of Shipping,
9. DNV GL

Q5. What are the various classifications of the vessel(s)?

Ans. The vessel(s) have been classified as: Specialized Vessel(s), Standard Vessel(s) and Vessel(s) other than Standard or Specialized Vessels(s).

Classification/ Particulars	Specialized Vessel(s)	Standard Vessel(s)	Vessel(s) other than Standard or Specialized Vessels(s)
1. Definition	Vessel(s) listed in Schedule-II of the Guidelines.	Vessel(s) for which Fair Price is determined on a periodic basis by the competent authority based on international price trends.	Vessel(s) which are neither Specialized Vessel(s) nor Standard Vessel(s).
2. Limit of Financial Assistance	No Limit.	≤ 40 Crores.	≤ 40 Crores.
3. Determination of Fair Price	It will be undertaken by International Valuers.	It will be undertaken by Competent Authority based on	It will be undertaken by International Valuers.

		international price trends.	
4. Time Limit for Delivery of Vessel(s)	≤ 6 Years.	≤ 3 Years.	≤ 3 Years.

Q6. Is this policy applicable to Indian Shipyards building vessels for defence purposes?

Ans. No, Vessels built for defence purposes or for use by Navy or Coast Guard are not included in this policy. However, vessels like tugs, tankers, cargo ships and passenger ships that are not fitted with any weaponry, contracted for construction by foreign defence entities are eligible.

Please refer Schedule-I for the list of vessels excluded from financial assistance policy.

Q7. What is Fair Price?

Ans. Please refer clause 2(g) of the Guidelines.

Q8. Who is the Competent Authority?

Ans. Please refer clause 2(b) and Schedule-V of the Guidelines.

Q9. Who are the approved International Valuers and why is there a need for the International Valuers?

Ans. Please refer Schedule-III of the Guidelines for the list of International Valuers.

The certificate from the International Valuers is a pre-requisite to ascertain the Fair Price, for computation of financial assistance for vessel(s) other than Standard Vessel(s).

Q10. What is the rate for computation of financial assistance?

Ans. The rate for computation of financial assistance will be the rate corresponding to the financial year in which the initial contract has been signed as provided in Schedule-IV of the Guidelines.

Q11. Is there any incentive for building vessels propelled on green fuels?

Ans. The guidelines provide flat 30% Financial Assistance for vessels where main propulsion is achieved by means of green fuels such as Methanol/ Ammonia / Hydrogen fuel cells etc.

Also, flat 20% Financial Assistance is provided for vessels fitted with fully electric or hybrid propulsion system.

Q11. What is Contract Price? How is Financial Assistance calculated?

Ans. Please refer to clause 2(d) of the Guidelines for definition of Contract Price and clause 5 of the Guidelines for computation of Financial Assistance.

Example:

Value of the vessel in the initial/ first contract	-	Rs. 100
Date of contract	-	June 1, 2016
Date of in-principal approval	-	August 1, 2016
Date of delivery of vessel	-	May 30, 2019
Fair Price	-	Rs. 150
Actual payment received by shipyard	-	Rs. 300

Therefore as per proviso to clause 2(d) of the Guidelines, Contract Price = Value of the vessel in the initial/ first contract = Rs. 100.

Financial Assistance = applicable rate of financial assistance prevailing on the date of Contract x the lowest of the contract price or the fair price or actual payment received by shipyard when converted in Indian Rupees:

Hence, Financial assistance

= 14% x LOWEST (Contract Price, Fair Price, Actual payment received by shipyard)
= 14% x Rs. 100 = Rs. 14/-

Q12. Can a shipyard avail any other incentives/ grants for the vessel(s) for which it has already requested for financial assistance under SFAP?

Ans. The shipyard applying for financial assistance under the policy for a vessel should not have availed any monetary support under any other policy or scheme of the Central or State Government for the said vessel. Such support shall not include:

- (i) any exemptions of domestic taxes or import duties applicable on procurement of raw materials, components or capital goods, as the case may be;
 - (ii) any fiscal or monetary benefits arising from the location of shipyard in an economic zone;
 - (iii) any fiscal or monetary benefits arising from grant of infrastructure status to the shipyard; or
 - (iv) any other fiscal or monetary benefit available by virtue of being a shipyard irrespective of the vessel being constructed/ repaired thereat.
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Q13. What are the steps involved for availing the financial assistance?

Ans. There are three steps:

Step1: Registration of shipyard.

Step 2: In-principle approval of the shipyard for release of financial assistance subject to the fulfillment of requirements under the Guidelines. This creates a claim for such financial assistance subsequent to delivery of the vessel. Detailed in Annexure-I.

Step 3: Release of financial assistance subsequent to delivery of the vessel. Detailed in Annexure-II.

Q14. What is the procedure involved in applying for financial assistance?

A. Procedure for applying for in-principle approval is given below:

Step1: Apply for in-principle approval under the policy within 45 days from date of signing of contract.

Step2: Upload scanned copies of requisite documents.

Step3: Upload valuation reports provided by International Valuers for vessel(s) other than Standard Vessel(s).

(Please refer Annexure-I of the Guidelines for details.)

B. Procedure for applying for financial assistance is given below:

Step1: Apply for financial assistance under the policy within 60 days of delivery of vessel(s).

Step2: Submission of electronic copies of requisite documents corresponding to unique application number.

(Please refer Annexure-II of the Guidelines for details.)

Q15. What is the procedure for approving financial assistance?

Ans. Registration of shipyards:

Step 1: Portal will provide a username and password to the shipyard on its registered email-id upon successful completion of the registration process for accessing the portal.

A. Accord of in-principle approval:

Step1: Portal shall provide unique application number upon first submission of the application by the shipyard.

Step2: Portal shall provide details of three valuers for assessment of vessel(s) other than the Standard Vessel(s).

Step3: Scrutiny of the application and request for clarifications, if required.

(Please refer Annexure-I of the Guidelines for details.)

B. Release of financial assistance:

Step1: Scrutiny of the application.

Note: The financial assistance, if approved will be released to the shipyards subject to the availability of the budget for the year.

(Please refer Annexure-II of the Guidelines for details.)

Q16. Who is the competent authority to provide in-principle approval?

Ans. Director General of Shipping.

Q17. Who is the competent authority to approve release of financial assistance?

Ans. Director General of Shipping.

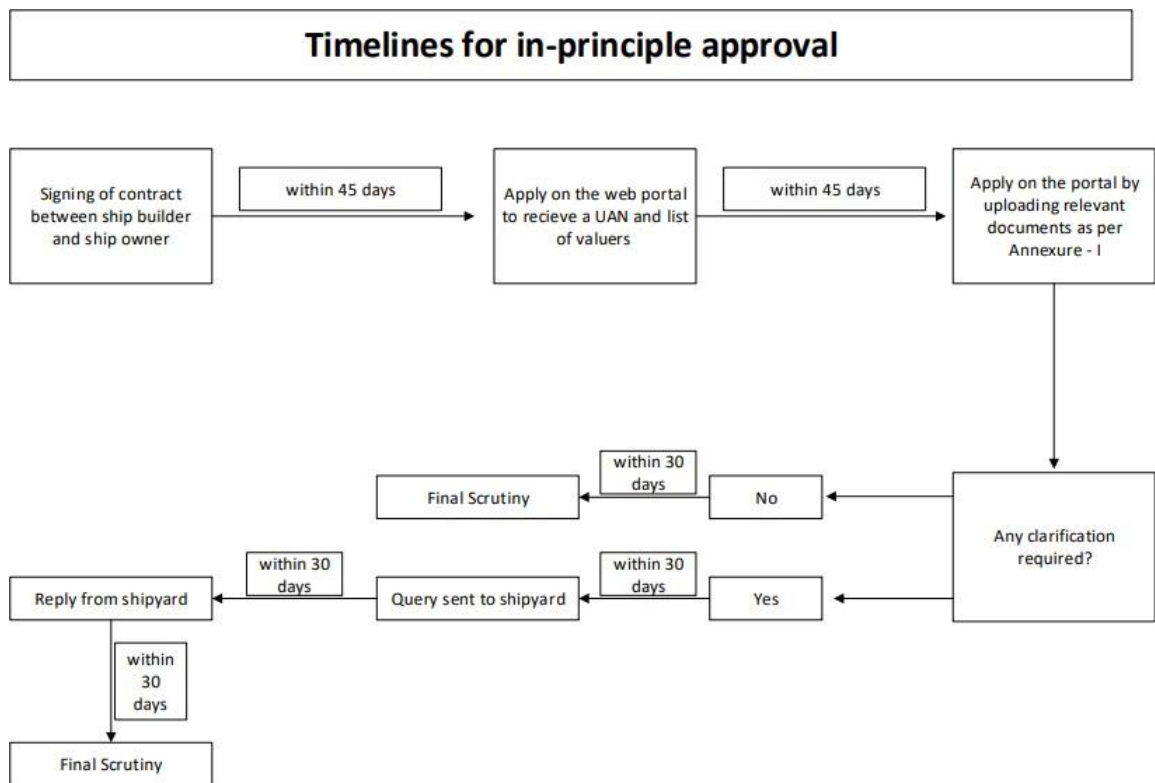
Q18. Whether the Shipyard applying for financial assistance is required to visit the office of the competent authority?

Ans. No. A portal has been developed: www.shipbuilding.nic.in. The applicant shipyard has to obtain a username and password for accessing the portal. Once the same is available, it can be used to make an application, submit/upload documents and track the application status.

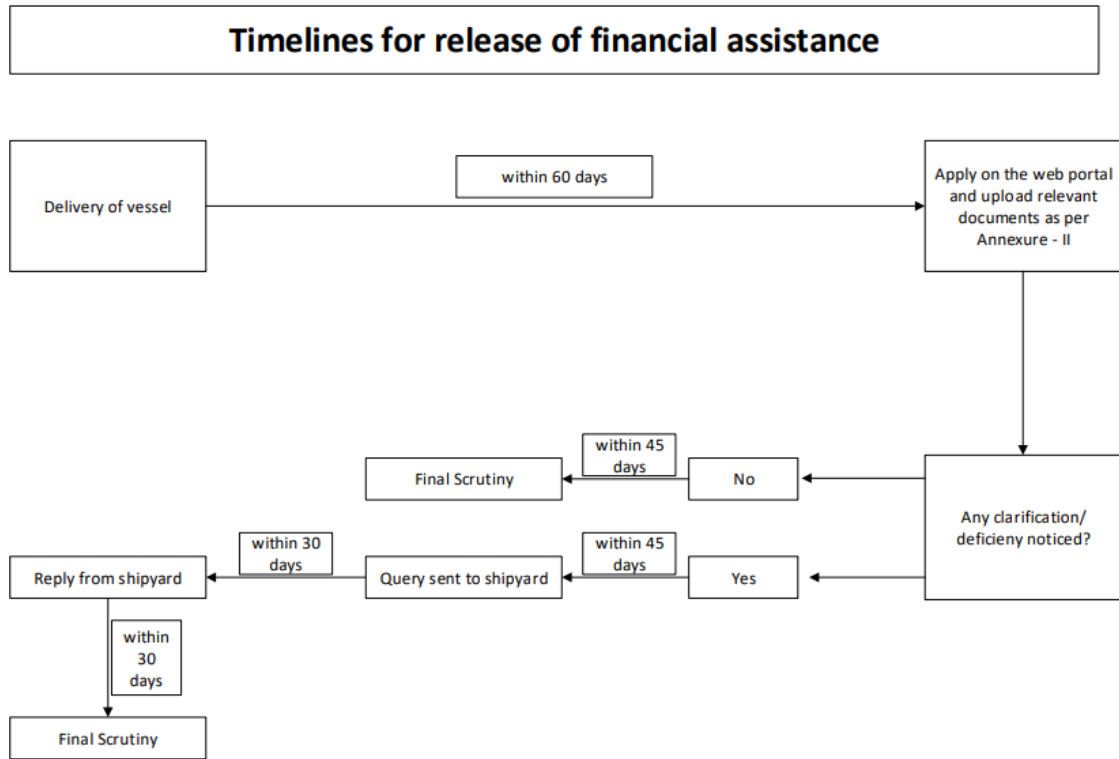
In case the documents are submitted without digital signatures, then the applicant will have to visit the office of competent authority for manual verification of submitted/uploaded documents with the original documents.

Q19. What are the timelines for according in-principle approval and release of financial assistance?

A. Timeline for according in-principle approval:



B. Timeline for release of financial assistance:



Q20. What happens to a shipyard's eligibility for financial assistance if the buyer terminates the contract after the shipyard has obtained the in-principle approval and managed to deliver ship to other buyer?

Ans. The claim for financial assistance for the vessel(s) shall continue to subsist as long as the vessel(s) contracted is eligible for financial assistance as per the Guidelines at the time of signing of its initial contract even if the contract has been terminated, provided that the vessel(s) was built and delivered within the stipulated timeline for delivery of vessel(s) as per the initial contract with the firstbuyer.

Q21. What is the exchange rate for computation of financial assistance?

Ans. The exchange rate for computation of financial assistance will be the rate published by the State Bank of India under the category of TT Buying Rates on the date of contract.

In case the exchange rate is not among the currencies published by the State Bank of India, the applicant shipyard shall obtain a certificate from the State Bank

of India about the exchange rate for the currency prevailing on the date of Contract.

Q22. Is there any grievance redressal mechanism in the event of rejection of application/financial assistance claim as per this policy?

Ans. Yes. If any grievance arises from acts of commission or omission of the designated competent authority, the same shall be referred to the Institutional Mechanism. The Institutional Mechanism has been constituted vide Ministry of Shipping's Order No. SY-16023/6/2015-SBR date June 16, 2016.

Q23. Can Competent Authority or Institutional Mechanism take a decision against the provisions of the Guidelines?

Ans. No.

Q24. Who will review the Guidelines, its Schedules and Annexures and when?

Ans. Ministry of Ports, Shipping and Waterways shall review the Guidelines every 2 years from the date of issue or the date of last review of the Guidelines, as the case may be.

However, this shall not affect the right of the Ministry to amend or modify these guidelines at any point of time including the Schedules and Annexures appended thereto.

Q25. What if the contract is for series of vessels with different delivery timelines which may be extending beyond 3 years?

Ans. In the case of shipbuilding contracts where more than two vessels are signed under the same contract, those vessels which are constructed and delivered within a period of four years from the date of Contract, shall be eligible for availing financial assistance.

Only in case of Specialized Vessel(s), the delivery period may be extended beyond 3 years but not exceeding 6 years when the shipyard applies for such approval for the vessel(s) under this policy and upon receiving permission by the competent authority.

Q26. Will the shipyard get the assistance in advance or is it paid later at a later stage?

Ans. Financial assistance is provided after processing the application for financial assistance (Refer Annexure II) upon successful delivery of the vessel.

Q27. What will happen if the vessel is not delivered within 3 years in case of Standard Vessel(s) and vessel(s) other than Standard or Specialized Vessels(s)?

Ans. Shipyard will not be entitled to avail financial assistance.

Q28. Can changes be made to the application or documents after the application has been submitted with the required documents?

Ans. No. However, in cases where clarifications are sought, the applicant shipyard shall make good the deficiency and/or provide clarification within thirty (30) days of receipt of such communication from the competent authority.

Q29. How will the International Valuers be selected?

Ans. Details of five valuers will be randomly selected by the portal for assessment of value of the vessels out of which shipyard can select any three for submission of valuation report.

Q30. Who will make the payment to the International Valuers?

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Ans. The applicant shipyard will be responsible to make the payment to the International Valuers.

Q31. Who will upload the valuation report of the International Valuers on the portal?

Ans. The applicant shipyard will upload the valuation report within forty-five (45) days from the date on which details of previous set of valuers are generated by the portal.

Q32. What if the International Valuer(s) refuse to undertake the valuation process or deny to provide the valuation report?

Ans. In such a situation the shipyard will have to apply for fresh names of International Valuer(s) within forty-five (45) days from the date on which details of previous set of valuers are generated by the portal.

Q33. What to do when liquidated damages are imposed?

Ans. If the buyer has waived the liquidated damages and shipyard submits the certificate of practising Chartered Accountant confirming the same, then amount of financial assistance would not be reduced on account of liquidated damages. The format for the certificate of Chartered Account, to be submitted by shipyard, is given at Annexure-III of the guidelines.

Further, if liquidated damages are imposed, then the same amount of liquidated damages as certified by the Chartered Accountant would be considered for computation of financial assistance (Refer Q39 for details). The delivery time may be 3 years, 4 years or 6 years as the case may be.

In any case (with or without liquidated damages), the vessel(s) should be delivered within 3 years, 4 years or 6 years as the case may be.

Q34. Whether an original contract signed during the policy is eligible for financial assistance when such contract has been altered by a subsequent novated contract between the parties?

Ans. Yes. As per the definition of contract in clause 2(c) of the guidelines, the novated contract shall remain valid provided that the contract continues to pertain to the said underlying vessel or vessels of the initial contract.

Q35. Is it required to provide a Certificate of Actual Payment received for a vessel duly certified by a Chartered Accountant for the claim of financial assistance?

Ans. Yes, certificate of actual payment received for a vessel duly certified by a Chartered Accountant registered with Institute of Chartered Accountants of India is to be provided at the time of claim of financial assistance.

Format for the certificate of Chartered Accountant has been provided at Annexure-III of the Guidelines.

Q36. What provision the Shipyard has further to rejection of application by the Competent Authority?

Ans. If the application is rejected as per the provisions of the Guidelines then the shipyard may appeal to the Institutional Mechanism.

Q37. Whether the payment made directly to a vendor/ party on behalf of the shipyard by the owner for procurement of machinery and equipment in terms of the contract or any amendment thereto may be considered as part of the 'Actual Payment'?

Ans. No, it will not be considered as part of the 'Actual Payment'.

“Actual Payment” means the total quantum of payment received by the shipyard pertaining to a shipbuilding contract including such payment received subsequent to the delivery of the vessel as is duly certified by a Chartered Accountant registered with Institute of Chartered Accountants of India in the format prescribed at Annexure-III of the guidelines and supported by requisite documentary evidence.

Q38. What will happen in the event that the budget is not available in a particular year?

Ans. If budget is not available in a particular year, then the financial assistance will be released on priority to the qualified/ approved applicant shipyard in the subsequent year.

Q.39. How would the Liquidity damages (LD) be treated in calculation?

An illustration of treating LD is as under:

Value of the vessel in the initial/first contract -	Rs. 100
Date of contract -	June 1, 2016-10-28
Date of in-principal approval -	August 1 , 2016
Date of delivery of vessel -	May 30, 2019
Fair Price -	Rs. 150
Actual payment received by shipyard -	Rs. 300
Liquidity Damage as certified by Chartered Accountant on letter head -	Rs. 25
Therefore, as per proviso to clause 2(d) of the Guidelines, Contract Price= value of the vessel in the initial/first contract=	Rs. 75
Financial Assistance	
= 20% x Lowest (Contract price, fair price)	
= 20% of Rs. 75 =	Rs. 15
