

No. SY-13017/4/2017-SBR

Government of India  
Ministry of Shipping  
(SBR Section)

Transport Bhawan, Parliament Street  
New Delhi – 110001

Dated 23, October, 2020

NOTIFICATION

**Subject: Promotion of Make in India initiative- RoFR for Indian built and Indian flagged ships through amendments to Guidelines for chartering of vessels done through tender process for all types of requirements**

Whereas, it is the express policy of the Government of India to encourage and promote manufacture and production of goods in India under 'Make in India', with a view to enhance income and employment. To give effect to this policy, the Department of Industrial Policy and Promotion (DIPP) has issued Public Procurement and 'Make in India' orders dated 15.06.2017, 28.05.2018 and 04.06.2020.

2. Whereas, Government of India has taken several steps to promote shipbuilding in India especially by providing long term subsidy for ship building under the shipbuilding financial assistance policy (2016-2026). Budgetary provision of Rs. 150 crore has been earmarked by this Ministry in 2020-21 for providing financial assistance to all Indian Shipyards, excluding Defence Shipyards.

3. Whereas, Government of India intends to further incentivise shipbuilding by providing additional market access and business support to ships built in India.

4. Whereas, it is felt that demand for the ships built in India can be promoted if priority in chartering of vessels is given to vessels built in India, flagged in India and owned by Indians.

5. Whereas, under the existing licensing conditions under Section 406 and 407 of Merchant Shipping Act, 1958, the Right of First Refusal (RoFR) is available to Indian flag vessels whenever charter of a vessel is undertaken through a tender process.

6. Whereas, a need has also been felt to review the licensing conditions keeping in view, (i) the Government of India's policy of promoting the Make in India initiative, (ii) the Public Procurement and Make in India orders dated 15.6.2017 and 28.05.2018 and 04.06.2020 issued by DIPP, (iii) the need to give a long term strategic boost to the domestic shipbuilding and shipping industries, (iv) the need to encourage the domestic shipping industry to support the domestic shipbuilding industry, and (v) the need to develop self-reliance and a strong synergy among these vital industries for the overall long term development and economic growth of the country.

7. This Ministry's Notification no. 2 of 'Make in India' of even number dated 13.02.2019 was withdrawn vide this Ministry's Notification of even number dated 20.07.2020. The circular of DG(Shipping) dated 22.03.2019 has also been withdrawn by DG(S) on 07.08.2020. Consultations have been held by DG(S) with Shipyard Association of India, Indian National Shipowners Association and after reaching consensus now it has been

decided with the approval of the competent authority that in any kind of charter of a vessel which is undertaken through a tender process, the Right of First Refusal (RoFR) would be exercised in the following manner:

- (i) Indian built, Indian flagged and Indian owned.
- (ii) Foreign built, Indian flagged and Indian owned.
- (iii) Indian built, foreign flagged and foreign owned.

Provided that:

(A) All vessels flying the flag of India (i.e. registered in India) up to the date of issue of new circular by the Director General of Shipping, shall be deemed to be Indian built vessels and will fall in category (i) above and

(B) The foreign flagged vessels permitted by DG(Shipping) under Section 406 of the Merchant Shipping Act, 1958 for chartering by an Indian citizen/company/society, who is building a ship in an Indian shipyard for registration under the Indian flag, as a temporary substitute for the Indian ship under construction, meeting the following two conditions shall be deemed to fall under Category (i) above:

(a) 25% of the contract money has been paid to the Indian shipyard.

(b) 50% of the hull fabrication has been completed, as certified by a Recognized Organization.

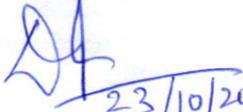
The duration of licence to such chartered vessel shall be limited to the period of building of the ship, as mentioned in the ship building contract.

8. Further, RoFR shall be applicable to all inquiries for in-charter of foreign flagged vessel within a 20% margin of purchase preference (price band) i.e. the maximum extent to which the price quoted by an Indian Company may be above the L1 for the purpose of purchase preference.

9. The above mentioned RoFR licensing conditions shall come into force from the date of issue of this order. Necessary amendments to the relevant shipping development circulars for implementing the revised licensing conditions shall be issued by Directorate General of Shipping. The revised licensing conditions may be given wide publicity.

10. Any grievance arising out of implementation of these guidelines shall be referred to Director General of Shipping.

11. This issues with the approval of Hon'ble Minister of State (Independent Charge) for Shipping.

  
(Dashrath Prasad)  
Director

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To,

Director General of Shipping, Mumbai - with a request to issue fresh circulars/guidelines in supersession of earlier circulars/guidelines currently in force on the subject matter.

Copy forwarded for information to the:

1. Additional PS to MoS (Independent Charge) for Shipping
2. CEO, NITI Aayog
3. Secretary Department of Defence, South Block, Ministry of Defence, New Delhi
4. Secretary, Department of Defence Production, Ministry of Defence South Block, New Delhi- 110011
5. Secretary, Department of Industrial Policy & Promotion, Udyog Bhawan, New Delhi-110011
6. Secretary, Ministry of Petroleum and Natural Gas, A-Wing, Shastri Bhawan, Dr. Rajendra Prasad Road, New Delhi- 110011
7. Secretary, Ministry of Chemicals and Fertilizers, A-Wing Shastri Bhawan, Dr. Rajendra Prasad Road, New Delhi-110011
8. Secretary, Ministry of Steel, Udyog Bhawan, Dr. Maulana Azad Road, New Delhi, 110011
9. Secretary, Ministry of Home Affairs, North Block, Central Secretariat, New Delhi-110001
10. All stakeholders/ /All Charters/Shippers/All Indian Shipping Companies
11. INSA/Shipyards Association of India/CSL/ISBA/ICSSA/FOSMA/MASSA, Mumbai

Copy also to

PS to Secretary (Shipping) /PS to AS(S) /PS to JS(S)