BLUE ECONOMY FINANCE & INVESTMENT FORUM

Developing Local Capability for Global Opportunities: Building a Ship Ownership, Flagging, and Leasing Hub in IFSC for Strategic Investments

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1. INTRODUCTION

India's maritime sector is at a defining juncture—evolving from a compliance-oriented framework into a globally competitive ecosystem driven by finance, technology, and innovation. In this transformative landscape, the **Blue Economy Finance & Investment Forum**, convened under the **Directorate General of Shipping (DGS)**, serves as a strategic platform to unlock the potential of **GIFT City's International Financial Services Centre (IFSC)** as the nation's premier hub for ship ownership, leasing, and maritime finance.

The **International Financial Services Centres Authority (IFSCA)** at GIFT City has established a robust regulatory and fiscal framework that enables maritime enterprises to structure financing, leasing, and ownership models at par with leading international maritime jurisdictions. This initiative is closely aligned with India's progressive maritime reform agenda under the forthcoming **Merchant Shipping Act, 2025** and the **Coastal Shipping Act, 2025**. Together, these legislations modernize ownership eligibility, expand registration flexibility, and introduce innovative instruments such as **Bareboat Charter-cum-Demise (BBCD) registration** and **reverse flagging**, thereby enhancing India's maritime competitiveness.

Complementing these legislative reforms is a comprehensive digital modernization drive—exemplified by the launch of the **DGS Chartering and Licensing Portal (2025)**—which enables seamless, transparent, and paperless transactions across the maritime value chain. This convergence of legal, fiscal, and technological advancements has created an integrated ecosystem through which global investors can efficiently finance, register, and operate vessels under the Indian flag with international credibility and competitiveness.

The fiscal framework at **GIFT IFSC**, featuring a ten-year income tax holiday, capital gains exemptions, and zero-withholding-tax provisions, further strengthens India's value proposition as a preferred maritime investment destination. These incentives ensure the long-term viability, scalability, and global alignment of maritime financing structures within India's jurisdiction.

The **Blue Economy Finance & Investment Forum** thus embodies the strategic vision of **"Local Capability for Global Opportunity"**—anchoring international capital and maritime expertise within India while advancing national objectives of increasing

Indian-flagged tonnage, stimulating domestic shipbuilding demand, and fostering sustainable maritime growth.

GIFT City's emergence as a global hub for maritime finance and leasing represents not merely a financial innovation, but a **national strategic imperative**—one that positions India to assume a leadership role in maritime services, investment, and governance across the Indo-Pacific region.

2. Strategic Advantage of GIFT City in the Maritime Sector

GIFT City, through its International Financial Services Centre (IFSC), has emerged as one of India’s most forward-looking financial and regulatory enclaves designed to attract high-value maritime, aviation, and international trade services. In the maritime domain, GIFT IFSC is increasingly being recognized as a pivotal platform for ship leasing, financing, and ownership structures that are globally competitive yet domestically empowering. The ecosystem at GIFT City provides a critical bridge between India’s growing maritime industrial base and the requirements of international investors, shipowners, and operators seeking cost-efficient and compliant frameworks for asset management.

From a strategic standpoint, GIFT City’s positioning offers a multi-dimensional advantage: geographic proximity to key global shipping routes, policy continuity ensured by the International Financial Services Centres Authority (IFSCA), and fiscal incentives aligned with international maritime hubs such as Singapore and Dubai. The integration of transparent regulation, ease of capital movement, and a digital-first regulatory architecture ensures that GIFT City functions as a seamless conduit for cross-border financial participation in ship ownership, chartering, and financing.

The strategic policy intent underlying GIFT IFSC is to position India at the center of global shipping finance flows. India’s vast coastline, shipbuilding infrastructure, and expanding maritime trade volumes position it as a natural candidate to host such an international hub. GIFT City provides the platform to operationalize this potential—by offering a globally recognized jurisdiction under Indian sovereignty.

2.1 Enabling Regulatory Framework for Maritime Operations

IFSCA’s regulatory design for maritime activities at GIFT IFSC serves as the structural backbone enabling innovation and institutional confidence in ship leasing and ownership models. The framework allows a wide continuum of maritime business operations under a secure, transparent, and globally compliant system.

2.1.1 Ship Leasing and Employment Models

Entities at GIFT IFSC can engage in a comprehensive range of lease and employment structures—financial, operating, and hybrid leases—accompanied by flexibility to structure sale-and-leaseback agreements, novation contracts, and voyage charters. Unlike the rigid regulatory demarcations encountered under the domestic tariff regime, the IFSC framework provides dynamic room for commercial creativity, allowing lessees and lessors to align risk allocation, depreciation, and operational responsibilities optimally.

This model mirrors the successful evolution of Singapore's ship finance market, where leasing vehicles have become integral not just for asset deployment but also for refinancing and capital optimization. By adopting this framework, GIFT IFSC enables Indian and global participants to hedge financial risks effectively while acquiring access to long-term funding instruments tailored for the maritime sector.

2.1.2 Ancillary and Asset Management Services

A pioneering feature within the IFSC regulatory structure is the inclusion of maritime ancillary services, which support the broader ecosystem around ship leasing and ownership. Licensed entities may undertake asset management for owned or group-leased assets, provide brokerage services related to marine leasing, and act as independent third-party managers. These activities, governed under IFSCA's Ancillary Services Framework, encourage specialization and attract global service providers such as maritime law firms, registrars, insurance intermediaries, and classification societies to co-locate within GIFT City.

This integrated ecosystem reflects global best practice: clustering financial, technical, and legal expertise within shared jurisdictional boundaries ensures operational agility, faster turnaround for transactions, and a reputation for reliability—the three foundational pillars of a globally competitive maritime hub.

2.2 Preferential Treatment under Right of First Refusal (RoFR)

The Directorate General of Shipping has introduced an RoFR mechanism that directly complements IFSC's strategic maritime positioning. The policy recognizes IFSC-registered entities as valid participants in maritime service tenders, particularly those issued by public sector undertakings and government departments. The RoFR prioritization framework reinforces national policy objectives by rewarding Indian flag and Indian build attributes, while simultaneously integrating IFSC ownership models.

The prescribed order of preference—beginning with Indian-built, Indian-flagged, Indian-owned vessels, followed by IFSC-owned vessels—creates a powerful incentive for companies to establish ownership structures within the IFSC regime. It ensures that, while ownership patterns become globally competitive and capital inflows remain dynamic, the underlying shipbuilding and flagging benefits accrue to the Indian economy.

By recognizing IFSC-registered entities, the RoFR policy bridges traditional Indian shipping norms with global leasing vehicles. This balanced structure encourages multinational fleet operators to domicile leasing arms at GIFT IFSC and participate in direct charter contracts with PSUs—ultimately increasing India-flagged tonnage and domestic shipbuilding orders.

2.3 Tax Architecture and Fiscal Benefits

Tax incentives form the cornerstone of GIFT City's maritime attractiveness. The IFSC income-tax regime is modelled for investment acceleration, allowing infrastructure-heavy businesses such as ship leasing to achieve predictable returns during long-gestation investment cycles.

2.3.1 10-Year Income Tax Holiday

Maritime entities operating from GIFT IFSC may claim a full income-tax exemption for any 10 consecutive years within their first 15 years of operation. This unprecedented latitude in fiscal flexibility provides certainty to investors and lenders, enabling structured deals over extended financing horizons. The benefit translates into significant cost efficiency, allowing leasing margins to improve while maintaining international competitiveness on time-charter equivalent rates.

2.3.2 Capital Gains Exemption

GIFT-based maritime entities also receive capital gains tax exemptions on qualifying ship sales, lease transactions, and related asset disposals. This visibility on post-transaction taxation encourages reinvestment of proceeds into fleet expansion or the acquisition of next-generation vessels that meet decarbonization standards. Consequently, GIFT serves as a re-investment hub rather than a one-time tax arbitrage location, reinforcing India's long-term maritime sustainability agenda.

2.3.3 Comprehensive Tax Reliefs

Beyond income and capital gains, GIFT City provides a comparative fiscal matrix that distinctly outperforms the Domestic Tariff Area (DTA).

Parameter	**GIFT IFSC**	**DTA (India)**	**Strategic Impact**
Sale & Purchase of Ships	Tax Holiday	5% IGST	Lower acquisition cost
MRO and Dry-Dock Services	Tax Holiday	5% IGST + 5% Customs	Reduced maintenance cost
Fuel Oil	No Tax	5% IGST	Direct voyage savings

Vessel Taxation (Tonnage Tax / MAT / WHT)	Exempt	Applicable	Profit retention
Freight Services (Import / Export / Domestic)	No GST	5% GST	Competitive pricing

These fiscal instruments collectively position GIFT City as the most cost-efficient maritime jurisdiction within the Indian economic framework and a direct rival to established shipping capitals such as Hong Kong, London, and Dubai.

2.4 Strategic Impact on Indian Tonnage and Maritime Growth

The confluence of a liberal regulatory framework, preferential treatment under the RoFR regime, and comprehensive tax incentives is strategically calibrated to achieve one overarching goal—strengthening India's maritime resilience and global relevance.

1. Boosting Indian Tonnage: GIFT's regime directly supports registration and ownership of Indian-flagged vessels by making operation cost-neutral against foreign ports of registry. Enhanced leasing activity ensures that Indian shipowners can rejuvenate fleets without bearing excessive fiscal load.
2. Attracting Global Investors: The transparency of IFSCA governance and reliable legal architecture appeal strongly to institutional financiers, private equity participants, and established international leasing companies seeking a South Asian base.
3. Enhancing Maritime Financing: Integration with global interbank systems, free capital movement, and allowance for structured financial instruments enable the creation of new asset-backed maritime securities and investment trusts.
4. Reducing Operational Costs: Tax holidays and exemptions translate into lower charter rates, higher utilization, and longer lease durations for lessors and lessees operating under Indian registry.

In sum, GIFT City represents a redefinition of India's maritime policy execution—shifting from regulatory compliance to economic leadership. It offers the Indian shipping ecosystem a globally visible yet nationally controlled platform to expand tonnage, leverage domestic shipyards, and nurture ancillary services.

3. Legislative Reforms Enabling GIFT City as a Global Maritime Finance Hub: Progressive Maritime Provisions and Strategic Opportunities for IFSCA

The passage of the Merchant Shipping Act 2025 (MS Act 2025) and the Coastal Shipping Act 2025 represents not merely a modernization of India's maritime regulatory framework, but a strategic legislative foundation specifically designed to unlock GIFT City's potential as a globally competitive maritime finance and ship leasing hub. These Acts dismantle decades-old protectionist barriers and introduce progressive provisions that align perfectly with the International Financial Services Centres Authority's (IFSCA) vision of positioning GIFT City alongside Singapore, Hong Kong, and Dubai as a premier destination for international ship leasing, maritime financing, and vessel ownership structures.

GIFT City's International Financial Services Centre already provides an unparalleled fiscal and regulatory environment for maritime activities through the IFSCA Ship Leasing Framework (established August 2022, amended through 2024-2025). This framework permits operating leases, finance leases, and hybrid leasing models for vessels, with capital requirements as low as USD 200,000 for operating leases and USD 3 million for finance leases. GIFT-based ship leasing entities benefit from extraordinary fiscal incentives: 100% corporate income tax exemption for ten consecutive years out of the first fifteen years of operation, zero withholding tax on charter payments, zero GST on maritime services, and zero customs duty on ship imports.

However, until the enactment of the MS Act 2025 and Coastal Shipping Act 2025, fundamental limitations in India's ship registration framework—restrictive ownership requirements, absence of bareboat charter-cum-demise (BBCD) provisions, exclusion of non-propelled vessels, and burdensome coastal shipping licensing—constrained GIFT City's ability to fully operationalize its maritime finance potential. The 2025 legislative reforms eliminate these constraints, creating seamless integration between IFSCA's regulatory framework and India's national maritime registry, thereby establishing GIFT City as the jurisdictional bridge between global maritime capital and India's expanding shipping sector.

This section analyzes how specific provisions of the MS Act 2025 and Coastal Shipping Act 2025 create strategic opportunities for GIFT City and IFSCA, examining each reform's direct relevance to maritime finance operations, ship leasing structures, and tonnage growth objectives. The analysis demonstrates how these legislative instruments position GIFT City not as an isolated financial enclave but as an integrated maritime ecosystem capable of attracting billions of dollars in international ship finance capital while simultaneously expanding India's flagged tonnage and maritime sector contribution to national GDP.

3.1 Comparative Framework: Legislative Evolution and GIFT City Opportunities

The following table provides a comprehensive comparison of the restrictive historical framework, progressive reforms, and specific strategic opportunities these reforms create for GIFT City and IFSCA:

Provision	Merchant Shipping Act, 1958	Merchant Shipping Act, 2025 / Coastal Shipping Act, 2025	Strategic Opportunities for GIFT City and IFSCA
Ownership Eligibility	100% Indian ownership required (citizens or Indian-incorporated companies/co-ops) (Sec. 21)	Substantial Indian ownership (minimum percent notified by Govt.; allows foreign participation up to 49%) (Sec. 15(1))	Enables GIFT-domiciled SPVs with foreign institutional investors (up to 49%) to own Indian-flagged vessels; Attracts global maritime capital through IFSCA-regulated financing structures; Mobilizes NRI/OCI diaspora capital through GIFT investment vehicles; Creates internationally recognized ownership structures combining GIFT's tax advantages with Indian flag benefits
Registration Scope	Mechanically propelled, sea-going vessels only; non-propelled vessels excluded (Sec. 20(1))	All sea-going vessels including non-propelled craft (barges, lighters), and government-owned vessels (Sec. 3(70), 274)	Expands GIFT leasing market to include barges, lighters, dredgers, and inland waterway vessels; Creates new asset classes for IFSCA-regulated finance companies; Enables specialized leasing products for coastal

			logistics and port operations; Substantially increases addressable market size for GIFT-based maritime finance entities
Bareboat Charter Registration (BBCD)	Not recognized; no clear framework for BBCD/dual registration	Permits bareboat charter-cum-demise (BBCD) registration of foreign ships under Indian control with dual flagging (Sec. 16)	Game-changing provision: Enables GIFT entities to charter foreign vessels under Indian flag without ownership transfer; Creates asset-light fleet expansion model with 20-25% down payments; Attracts international lessors (Japanese, Korean, European) to deploy vessels through GIFT charterers; Provides Indian flag benefits (cabotage, RoFR preference) to GIFT-controlled vessels during charter period; Protects foreign lessor mortgages while enabling IFSCA regulatory oversight
Registration of Abandoned Vessels	No structured pathway for abandoned vessels to enter Indian registry	Allows acquisition and registration of abandoned vessels after survey/certification (Sec. 15(8))	Creates niche investment opportunities for GIFT-based distressed asset funds; Enables vessel refurbishment and resale financing through IFSCA entities; Supports circular economy and sustainable maritime finance initiatives
Temporary Registration for Recycling	Restricted; no explicit temporary registration for vessels	Allows temporary registration for vessels coming to	Integrates ship recycling finance with GIFT's maritime ecosystem; Enables IFSCA-regulated entities to finance

	coming for recycling	India for recycling (Sec. 17)	end-of-life vessel transactions; Supports India's position as global recycling hub (Alang) through GIFT financial services
Non-propelled Vessels	Not recognized as "ships"; no registration possible (Sec. 20)	Explicit inclusion of non-propelled vessels in registration/tonnage (Sec. 3(70), 274)	Expands GIFT leasing addressable market by thousands of vessels; Creates specialized products for inland waterway development under Sagarmala/IWAI programs; Enables IFSCA entities to finance critical coastal logistics infrastructure
Coastal Shipping Licensing	General trading licenses required for both Indian-flagged and foreign-flagged vessels	Licensing removed for Indian-flagged vessels; only foreign vessels require licensing (Coastal Shipping Act 2025, Sec. 42, 3 & 4)	Major deregulation benefit: GIFT-controlled Indian-flagged vessels operate in coastal trade without licensing delays; Eliminates administrative burden and transaction costs for IFSCA-regulated shipping entities; Accelerates deployment timelines for GIFT leasing companies in cabotage markets; Positions GIFT as efficiency-focused, streamlined maritime operations hub
Location for Registration	Limited to ports of registry under the Act (Sec. 23)	Any port or place in India as notified; flexibility for out-of-country registry (Sec. 15(6))	Provides registration flexibility for GIFT-based entities with international operations; Enables IFSCA to coordinate with DGS for GIFT-specific registration protocols; Supports

			reverse flagging strategies for tax optimization and global deployment

3.2 Detailed Analysis: How Key Reforms Enable GIFT City's Maritime Finance Ecosystem

3.2.1 Bareboat Charter-cum-Demise (BBCD) Registration: The Cornerstone of GIFT's Ship Leasing Model

Legislative Foundation and Mechanism

Section 16 of the MS Act 2025 represents the single most transformative provision for GIFT City's maritime ambitions. By explicitly authorizing BBCD registration—whereby foreign vessels chartered by Indian entities may be registered under Indian flag while maintaining parallel registration in their original flag State—this provision creates the legal foundation for GIFT City to function as a true international ship leasing hub comparable to Singapore and Hong Kong.

Strategic Implementation in GIFT City Context

The BBCD framework integrates seamlessly with IFSCA's Ship Leasing Framework established in August 2022. Under this integrated structure:

Dual Flagging Architecture: A vessel owned by a foreign lessor (Japanese operating lease company, Korean ship finance entity, European sale-and-leaseback specialist) can be chartered to a GIFT City-domiciled Finance Company or Finance Unit registered with IFSCA. The vessel simultaneously maintains registration under its original flag (protecting the lessor's mortgage and ownership rights) while being registered under Indian flag for operational purposes during the charter period (typically 3-7 years).

Asset-Light Capital Structure: GIFT-based charterers can acquire operational control of modern, internationally financed vessels with down payments as low as 20-25% of vessel value, with the balance financed through charter payments over the lease term. This dramatically reduces the capital intensity of fleet expansion, enabling GIFT entities to deploy multiple vessels while maintaining healthy balance sheet ratios attractive to international equity and debt investors.

Mortgage Protection and International Finance Access: The dual registration framework ensures that mortgages and security interests established under the original flag State law remain valid and enforceable throughout the charter period. This protection is critical for attracting international ship finance banks (KfW IPEX-Bank, DVB Bank, Danish Ship Finance), institutional lenders, and leasing companies who require certainty of collateral security regardless of operational flag changes.

How BBCD Advantages GIFT City and IFSCA

Access to Protected Coastal Trade: During the BBCD charter period, the vessel operates under Indian flag and qualifies for cabotage rights—exclusive access to India's protected coastal shipping market reserved for Indian-flagged vessels under the Coastal Shipping Act 2025. This immediately monetizes the Indian flag registration even while underlying ownership remains with the foreign lessor.

Right of First Refusal (RoFR) Eligibility: Vessels on BBCD registration controlled by GIFT entities qualify under the Directorate General of Shipping's RoFR policy in the category of "foreign-built, Indian-flagged, IFSC-owned" vessels. This provides competitive advantage in tenders issued by public sector undertakings for crude oil transport, coal imports, fertilizer shipments, and other government-related cargo—effectively creating revenue premium over foreign-flagged alternatives.

Fiscal Optimization: The GIFT City charterer benefits from 100% corporate income tax exemption on charter income for ten consecutive years, zero withholding tax on payments to foreign lessors, and zero GST on charter services—creating returns on equity and internal rates of return that are globally unmatched and highly attractive to both domestic and international investors in IFSCA-regulated entities.

Global Lessor Attraction: International ship leasing companies gain access to India's substantial shipping market (95% of India's trade by volume transits through seaports) by deploying vessels under BBCD to GIFT charterers, creating powerful incentive for global maritime capital to flow through IFSCA-regulated structures.

3.2.2 Coastal Shipping Licensing Deregulation: Operational Efficiency for GIFT Maritime Entities

Legislative Reform: Elimination of License Burden

The Coastal Shipping Act 2025 fundamentally restructures coastal shipping regulation by repealing Part XIV of the MS Act 1958 (which mandated general trading licenses for all vessels in coastal trade) and establishing a new framework under which Indian-flagged vessels operate in coastal shipping without requiring licenses, while foreign-flagged vessels remain subject to transparent licensing criteria (Sections 3, 4, and 42 of Coastal Shipping Act 2025).

Strategic Impact for GIFT City Operations

This deregulation creates immediate operational advantages for IFSCA-regulated shipping and leasing companies:

Transaction Cost Reduction: Elimination of licensing requirements removes application fees, processing delays (historically weeks to months), documentation burdens, and renewal compliance costs. For GIFT-based entities operating multiple vessels in coastal trades, this translates to significant annual cost savings and improved operational cash flows.

Deployment Speed: GIFT leasing companies can deploy newly acquired or chartered vessels into Indian coastal routes immediately upon flag registration, without waiting for separate coastal trading license approvals. This acceleration is critical for time-sensitive charters and for maximizing vessel utilization rates—key metrics for leasing company profitability.

Competitive Positioning: The licensing exemption applies exclusively to Indian-flagged vessels, creating structural competitive advantage for GIFT entities operating Indian-flagged tonnage versus foreign-flagged competitors who must navigate the licensing process. This reinforces GIFT City's strategic positioning as the preferred domicile for maritime operations serving the Indian market.

How This Benefits IFSCA's Strategic Objectives

Enhanced Value Proposition: IFSCA can market GIFT City to international maritime investors as offering not just fiscal advantages (tax exemptions) but also regulatory efficiency and operational simplicity in accessing India's coastal shipping market—a unique combination unavailable in competing jurisdictions.

Faster Scale-Up: The licensing deregulation enables GIFT-based shipping companies to scale operations rapidly, deploying additional vessels into coastal trades as they acquire or charter tonnage, supporting IFSCA's objective of establishing GIFT City as a high-volume maritime finance center.

Integration with Cabotage Policy: The licensing exemption reinforces India's cabotage reserves (protection of domestic coastal trade for Indian-flagged vessels) while ensuring that GIFT City becomes the primary mechanism through which international capital participates in this protected market—creating win-win alignment between national maritime security objectives and international financial flows.

3.2.3 Flexible Ownership Structures: Attracting Global Maritime Capital to GIFT City

Legislative Foundation: Substantial Indian Ownership Model

Section 15(1) of the MS Act 2025 replaces the MS Act 1958's absolute 100% Indian ownership requirement with a flexible "substantial Indian ownership" standard (projected at approximately 51%, subject to government notification). This framework explicitly permits foreign participation up to 49%, and recognizes diverse entity types including joint ventures, SPVs, NRIs, OCIs, and any other entities notified by the Central Government.

GIFT City Implementation Architecture

This ownership flexibility creates unprecedented opportunities for IFSCA to structure sophisticated maritime investment vehicles:

GIFT-Domiciled SPVs with International Investors: IFSCA-registered Finance Companies or Finance Units can establish Special Purpose Vehicles domiciled in GIFT City with ownership structures combining Indian promoters/investors (maintaining 51% or more) and foreign institutional investors, private equity maritime funds, or international shipping companies (holding up to 49%). These SPVs can then own and operate Indian-flagged vessels while accessing both Indian market advantages and global capital.

NRI/OCI Capital Mobilization: The explicit inclusion of Non-Resident Indians and Overseas Citizens of India as eligible owners enables GIFT City to target the substantial maritime capital and expertise held by Indian-origin shipping professionals, vessel operators, and maritime entrepreneurs in Singapore, Dubai, London, Hamburg, Tokyo, and other major shipping centers—potentially mobilizing billions of dollars in diaspora investment into IFSCA-regulated structures.

Joint Venture Platforms: Indian shipping companies can partner with global maritime operators (Maersk, CMA CGM, MSC, Cosco) through GIFT City joint venture entities, combining Indian market access and flag benefits with international operational expertise, established customer relationships, and global financing capabilities.

How This Advantages IFSCA and GIFT City

Capital Inflow Acceleration: The substantial ownership model dramatically expands the pool of potential investors in GIFT maritime entities from exclusively Indian sources to global institutional investors, sovereign wealth funds, maritime private equity funds, and international leasing companies—multiplying available capital for vessel acquisition and fleet expansion.

Global Competitiveness: IFSCA can position GIFT City as offering ownership flexibility comparable to or exceeding competing maritime finance hubs. Unlike purely domestic Indian structures (100% Indian ownership) or purely foreign structures (no Indian flag access), GIFT's hybrid model combines the best attributes of both—Indian flag benefits with international capital participation.

Ecosystem Development: Flexible ownership structures attract not just capital but also global maritime expertise, encouraging international shipping companies, classification societies, maritime law firms, insurance underwriters, and technical managers to establish presence in GIFT City to service the growing base of IFSCA-regulated maritime entities.

3.2.4 Reverse Flagging Authorization: Global Registry Flexibility for GIFT Entities

Legislative Provision: Section 15(6)

Section 15(6) of the MS Act 2025 introduces an unprecedented provision: "An Indian vessel may be registered in a State other than India subject to such conditions as may be prescribed." This reverse flagging authorization permits Indian-owned vessels to register in foreign flag States while maintaining nominal Indian regulatory connection.

Strategic Utility for GIFT City Maritime Finance

While seemingly counterintuitive to the objective of expanding Indian-flagged tonnage, reverse flagging creates unique strategic opportunities for GIFT City as an international maritime finance hub:

Tax Optimization Structures: Certain international shipping routes, financing structures, or commercial arrangements benefit from specific foreign flag registrations (Panamanian flag for certain established trade protocols, Marshall Islands registry for structured finance vehicles, Norwegian International Ship Register for Nordic financing markets). GIFT entities can own vessels under these alternative registries while maintaining connection to Indian regulatory oversight, combining jurisdiction-specific advantages with GIFT City's fiscal benefits.

Global Deployment Flexibility: For GIFT-based maritime investment funds or ship owning platforms with global operations, reverse flagging enables vessels serving international routes (not requiring Indian cabotage access) to optimize flag selection based on specific operational requirements, labor regulations, or trading partner preferences, while financial ownership and control remain with IFSCA-regulated GIFT entities.

Regulatory Arbitrage Management: Rather than losing Indian-owned tonnage entirely to uncontrolled foreign registries, Section 15(6) allows IFSCA and DGS to maintain oversight and regulatory connection to vessels that benefit from foreign flag registration for specific commercial purposes—preventing complete loss of Indian maritime capital to offshore structures while enabling legitimate operational flexibility.

How This Supports IFSCA's International Hub Positioning

Enhanced Value Proposition: IFSCA can market GIFT City as offering not just access to Indian markets but also global registry management capabilities, positioning GIFT as a sophisticated maritime finance center capable of structuring complex cross-border ownership, flagging, and financing arrangements comparable to services offered by leading maritime law and finance firms in London, Singapore, and Hong Kong.

Attracting Global Fleet Managers: International ship management companies and maritime investment platforms seeking Asia-Pacific presence are attracted to GIFT City's combination of reverse flagging flexibility, fiscal advantages, and proximity to Indian and regional markets—creating foundation for GIFT to develop as a regional maritime headquarters hub.

3.3 Integrated Legislative-Regulatory Ecosystem Positioning GIFT City for Maritime Leadership

The Merchant Shipping Act 2025 and Coastal Shipping Act 2025 do not merely modernize India's maritime regulatory framework—they strategically enable GIFT City's transformation into a globally competitive maritime finance and ship leasing hub through:

BBCD Registration (Section 16): Creating asset-light leasing structures, enabling dual flagging, protecting international mortgages, and providing Indian flag benefits to GIFT-controlled vessels—the cornerstone provision for ship leasing industry development.

Coastal Licensing Deregulation (Coastal Shipping Act 2025): Eliminating administrative burdens, reducing transaction costs, accelerating deployment timelines, and reinforcing competitive advantage for GIFT entities in protected coastal markets.

Flexible Ownership Structures (Section 15(1)): Enabling GIFT-domiciled SPVs with international investors, mobilizing NRI/OCI diaspora capital, facilitating joint ventures, and attracting global maritime institutional investment.

Reverse Flagging Authorization (Section 15(6)): Providing global registry management flexibility, enabling tax optimization structures, and positioning GIFT as sophisticated international maritime finance center.

When integrated with IFSCA's Ship Leasing Framework and GIFT City's unparalleled fiscal advantages (100% tax exemption, zero WHT, zero GST), these legislative reforms create a holistic ecosystem capable of attracting billions of dollars in international ship finance capital, substantially expanding Indian-flagged tonnage, and establishing GIFT City as a credible Indo-Pacific competitor to Singapore, Hong

Kong, and Dubai in the global maritime finance landscape. The operationalization of subordinate rules expected by January 2026 will activate this integrated framework, positioning IFSCA to capture significant market share of Asia-Pacific maritime financing flows and vessel ownership structures over the coming decade.

4. Digital Maritime Infrastructure and Strategic Opportunities: The DGS Chartering and Licensing Portal as a Critical Enabler for GIFT City's Maritime Finance Ecosystem

The launch of the Directorate General of Shipping's (DGS) Chartering and Licensing Portal on September 22, 2025, represents a critical infrastructure modernization that directly amplifies GIFT City's capacity to function as a globally competitive maritime finance and ship leasing hub. While the Portal's primary objective—digitizing vessel chartering approvals across import, export, and coastal trade—focuses on regulatory efficiency and process streamlining, its strategic implications for GIFT City and the International Financial Services Centres Authority (IFSCA) extend far beyond administrative convenience. The Portal fundamentally transforms the operational landscape within which GIFT-based maritime finance entities conduct business, removing friction, reducing transaction costs, and enhancing the predictability and transparency critical for attracting international maritime capital.

The integration of the DGS Portal with IFSCA's Ship Leasing Framework and the regulatory provisions of the Merchant Shipping Act 2025 creates a seamless, digital-first maritime ecosystem. This integrated architecture positions GIFT City not merely as a financial offshore center but as a comprehensive, end-to-end maritime finance and operations hub where international and Indian investors can structure, finance, deploy, and manage vessels through unified digital infrastructure aligned with international best practices employed by maritime finance centers in Singapore, Hong Kong, and London.

For IFSCA and GIFT City stakeholders, the DGS Portal's launch represents the operational realization of India's commitment to positioning itself as a modern, digitally enabled maritime finance jurisdiction. Where regulatory provisions (MS Act 2025, Coastal Shipping Act 2025) establish the legal framework and fiscal incentives create the capital attraction mechanisms, the DGS Portal provides the operational infrastructure that translates policy intentions into actual business efficiency and cost savings. This section analyzes how the Portal creates specific strategic opportunities for GIFT City-based maritime finance entities and how IFSCA can leverage this infrastructure to accelerate GIFT's emergence as a premier maritime finance destination.

4.1 The DGS Portal as a Digital Infrastructure Backbone for GIFT-Based Maritime Operations

4.1.1 Portal Functionality and Direct Benefits for GIFT Entities

The DGS Chartering and Licensing Portal, operationalized under DGS Circular 35 of 2025 (dated September 11, 2025), establishes a centralized, digitalized system for processing chartering permissions and No Objection Certificates (NOCs) for foreign-flagged vessel charters under Sections 406 and 407 of the Merchant Shipping Act 1958. The Portal consolidates what historically involved multiple government departments, paper submissions, physical documentation verification, and weeks of processing delays into a unified digital workflow accessible 24/7 to registered users.

Key operational features of the Portal directly supporting GIFT maritime entities include:

No Objection Certificate (NOC) Streamlining: GIFT-based ship leasing companies and finance units charter foreign-owned vessels to Indian operators under bareboat charter-cum-demise (BBCD) arrangements authorized under MS Act 2025, Section 16. For each such charter, DGS NOC approval is required under coastal trade or export-import regulations. The Portal consolidates NOC application, document upload, verification, and issuance into a single digital platform, reducing processing time from historically 2-4 weeks to projected 3-5 business days.

Multi-Stakeholder Coordination: The Portal's dashboard and role-based access architecture enable simultaneous engagement by GIFT charterers, foreign vessel owners (represented by their Indian agents), DGS compliance officials, and IFSCA regulatory liaisons. This stakeholder coordination, previously requiring sequential correspondence and manual information exchange, now occurs in real-time through the unified platform, eliminating information asymmetries and processing bottlenecks.

Real-Time Status Visibility: GIFT finance entities gain immediate, transparent visibility into NOC application status through automated status tracking, notification triggers, and escalation protocols. This predictability is critical for time-sensitive chartering decisions and enables GIFT entities to commit to deployment schedules with confidence in regulatory approval timelines.

Compliance Analytics and Audit Trail: The Portal maintains comprehensive digital audit trails and compliance records for all chartering transactions. This facilitates IFSCA regulatory oversight and enables GIFT entities to demonstrate adherence to regulatory requirements to international investors and lenders reviewing governance and compliance credentials.

4.1.2 How Portal Infrastructure Reduces GIFT Operating Costs

The digitalization of NOC processing generates substantial cost reductions for GIFT maritime finance entities:

Administrative Overhead Reduction: Historically, chartering companies maintained dedicated compliance and regulatory affairs teams to manage physical NOC applications, prepare documentation, follow up with DGS offices, and retrieve approvals. The Portal's automated workflows, real-time status visibility, and integrated documentation management reduce administrative resource requirements by an estimated 40-50% per transaction.

Documentation Efficiency: The Portal's standardized digital documentation requirements eliminate redundant submissions of identical documents across multiple government offices. GIFT entities submit chartering documentation once through the Portal; this information is automatically available to all relevant regulatory authorities, eliminating duplicate preparation and submission processes.

Reduced Deployment Delays: By accelerating NOC processing from weeks to days, the Portal directly reduces vessel idle time and enables faster revenue generation for GIFT leasing companies. For high-value vessels in competitive global shipping markets, even 2-3 week acceleration in regulatory approval translates to tens of thousands of dollars in marginal revenue recovery.

Transaction Cost Pass-Through: The operational efficiencies and cost reductions achieved through Portal usage enable GIFT-based charterers and lessors to offer more competitive lease rates to Indian operators, strengthening GIFT's market positioning against traditional Indian shipping companies and foreign lessors operating through foreign jurisdiction platforms.

5. CONCLUSION

The transformation of India's maritime framework—anchored in the establishment of GIFT City's International Financial Services Centre (IFSC)—marks a decisive step towards realizing the vision of **"Developing Local Capability for Global Opportunities."** By integrating progressive legislation, a transparent regulatory environment, and globally benchmarked fiscal incentives, India has created the foundations of a maritime ecosystem that combines international competitiveness with domestic value creation.

Through the Directorate General of Shipping's policy leadership and the International Financial Services Centres Authority's regulatory innovation, GIFT IFSC is evolving into a **comprehensive hub for ship ownership, flagging, and leasing**, enabling global capital to operate seamlessly within Indian jurisdiction. The convergence of the Merchant Shipping Act 2025, the Coastal Shipping Act 2025, and the DGS digital infrastructure ensures that India can now offer an efficient, digitally enabled, and investor-friendly environment comparable to established global maritime centers.

This initiative reflects a broader national aspiration—to strengthen India's tonnage, revitalize shipbuilding, attract international finance, and build maritime capabilities that serve both domestic and global markets. GIFT City thus stands not only as a financial jurisdiction but as a strategic instrument of India's maritime resurgence—translating policy into prosperity and positioning the nation as a pivotal maritime and investment hub in the Indo-Pacific region.