

ANCHORING VALUE: THE COST ACCOUNTANT AS NAVIGATOR OF INDIA'S SHIPBUILDING RENAISSANCE

Abstract

“Every Vessel Has a Cost. Every Cost Needs a CMA”

India's shipbuilding industry is witnessing a revival, driven by the Maritime India Vision, Atmanirbhar Bharat, and a new Shipbuilding Financial Assistance Policy. Behind every shipyard's hull lies a complex set of financial considerations, many tied to long-dated construction contracts. This article highlights the role of the Cost and Management Accountant as interpreter of Ind AS 115, 23, 37 and related standards for long-gestation contracts, and custodian of the cost discipline needed to make a shipyard commercially viable. It explains the mechanics of the SBFAP, the SBFAS and the Interest Incentivization Fund with flowcharts.



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Introduction: Riding the Tide

When a keel originates at a shipyard, there is a distinctive noise heard - a dull and rhythmic thud of steel hitting steel and echoing throughout a yard that would be transformed over the next two to three years from being just a flat plate to a floating factory of valves, pipes, wires and compartments. It is not hard to miss the technological side of the shipbuilding from observing events happening at the edges of the dry dock to see shipbuilding purely as an engineering

marvel. Still, it is much harder to recognize that each welded plate, installed engine, and sea trials being performed represents a financial event that should also be measured, recorded, and accounted for, in its own way. Thus, somewhere between the moment when drawings are produced by a designer and the moment when a shipowner hoists the flag, the Cost and Management Accountant work, ensuring that everything is performed without mistakes and the numbers tell the same honest story as the steel.

In September 2025, the government announced a series of measures aimed at accelerating growth in India's shipbuilding sector. These initiatives focus on expanding domestic capacity, improving access to long-term financing, and cultivating a globally competitive maritime ecosystem. Together, they are intended to drive large-scale employment, attract sustained investment, and enhance India's strategic and economic resilience through modern infrastructure and targeted policy reforms. This measure forms part of a broader four-pillar strategy to strengthen India's maritime capabilities and enable shipyards and maritime companies to access capital at more competitive rates.



Pillar	Component	Description	Outlay (₹ crore)
Pillar 1	Shipbuilding Financial Assistance Scheme	Integrates targeted incentives, strategic missions and lifecycle support	24,736
	Financial Assistance	Financial support to Indian shipyards to bridge cost disadvantages	20,554
	Ship-breaking Credit Note	Credit note of vessel's scrap value when scrapped at an Indian shipyard	4,001
	National Shipbuilding Mission	Drives and oversees national shipbuilding initiatives across sectors	—
Pillar 2	Maritime Development Fund	Strengthens the backbone of EXIM trade (95% of trade by volume, 65% by value)	25,000
	Maritime Investment Fund	Equity-based financing with additional investor contributions (initial allocation)	20,000
	Interest Incentivization Fund	Supports maritime sector entities by reducing effective borrowing cost	5,000
Pillar 3	Shipbuilding Development Scheme	Long-term support: better infrastructure, safety measures and risk management	19,989
Pillar 4	Legal, Policy and Process Reforms	Infrastructure status for large ships, demand aggregation and legislative updates	—
Total			69,725

The Union Cabinet approved a comprehensive maritime and shipbuilding package of ₹69,725 crore in September 2025. The package includes ₹24,736 crore for the Shipbuilding Financial Assistance Scheme (SBFAS), ₹25,000 crore for the Maritime Development Fund and ₹19,989 crore for the Shipbuilding Development Scheme, aimed at strengthening domestic shipbuilding capacity, maritime financing and competitiveness. (Source: Press Information Bureau, Cabinet decision of 24 September 2025.)

The Engineering Complexity Behind Every Hull

A ship is not manufactured; it is grown. Unlike mass produced items that come off a conveyor belt, shipbuilding involves a special design of the vessel. Parts of the hull may be produced by different suppliers, but the actual fittings, engines, etc., are usually tailor-made and expensive. Above all, there are many kinds of vessels with different design specifications and approaches to construction. In general, building a ship is a more complicated process than any other type of manufacturing.

Naval architects may come up with various designs for the different vessels they create, yet the whole process of constructing the vessel requires many different components of construction including outfitting and painting works. The concept of traditional job costing is altered to suit shipbuilding whereby costs are tracked on hull number basis over various cost centres like electrical work, outfitting, fabrication and painting in a manner that follows the order of the physical sequence of shipbuilding. CMAs take into consideration the apportioning of overhead costs in different processes of shipbuilding. Furthermore, the price of steel may lead to a disparity in the contract, in terms of profit between the time of winning the contract and the moment of delivering the vessel to the client in such a way that allows one to use the developed skills of estimation and tracking of costs in the process.

The Shipbuilding Financial Assistance Policy and Scheme: Where Policy Meets Cost Accountancy

“From ₹24,736 crore of assistance to Ind AS accounting, the CMA quietly steers India’s shipbuilding revival, one costed hull at a time.”

1. From SBFAP to SBFAS

Indian yards compete against yards in China, South

Korea and Japan that benefit from scale, mature supply chains and, historically, aggressive state support. To narrow this gap, the Ministry of Ports, Shipping and Waterways introduced the Shipbuilding Financial Assistance Policy (SBFAP), under which eligible yards receive assistance calculated as a percentage of vessel price, released at keel-laying, launching and delivery. The assistance is the applicable rate multiplied by the lowest of Contract Price, Fair Price and (at final release) Actual Payment, converted at the SBI TT buying rate on the Date of Contract. Although on the face of it, the last Financial Assistance Policy sounded simple enough, it wasn’t of much help since it resulted in limited compensation. Very few of the existing Indian registered shipyards were able to take advantage of this scheme. The SBFAS, approved in September 2025 as its extension, has an outlay of ₹24,736 crore. Assistance ranges from 15% to 25% of the eligible price, depending on vessel category and price slab, with higher assistance for green, hybrid and specialised vessels, subject to minimum domestic value addition. The below Table summarises the differences. The SBFAP guidelines were amended on 14 May 2026 to add definitions of Security Instrument, Institutional Mechanism and Ship Owner, stage payments and other clauses like a force majeure clause. The SBFAS guidelines were issued on 26 December 2025 and modified on 7 January 2026.

Table: SBFAP versus SBFAS

Feature	SBFAP (amended 14.05.2026)	SBFAS (modified 07.01.2026)
Rate	20% / 17% / 14% by year of contract; 30% green fuel; 20% electric or hybrid	15% up to ₹100 crore; 20% above (large); 25% above (specialised)
Domestic content	Major hull portion built in India	Below 30%: nil; 30-40%: pro rata; 40%+: full;
Eligible Contract Window	Signed between April 1, 2016 and March 31, 2026.	Signed between September 24, 2025 and March 31, 2036.
Release	30% keel laying, 40% launching, 30% delivery	Same; plus Shipbreaking Credit Note

Feature	SBFAP (amended 14.05.2026)	SBFAS (modified 07.01.2026)
Ecosystem Integration	Operated standalone to grant monetary incentives directly to shipyards.	Interlinked with the newly established ₹25,000 crore Maritime Development Fund (MDF) for comprehensive equity and debt support.

Source: SBFAP and SBFAS Guidelines

For a Cost Accountant, this has a direct bearing on the financial viability of a contract and its accounting treatment. When assessing viability, one must consider the contract or Fair Price that will be reimbursed and the eligibility terms, examining whether the vessel and its buyer meet the criteria.

2. Ind AS 115 measures the transfer of performance - the CMA measures the cost of delivering that performance

The role of CMA is exercising significant judgment in measuring progress of performance obligations satisfied over time for recognition of revenue from contracts with customers. Revenue is recognized over time by measuring the work carried out or survey of performance completed to date under output method under Ind AS 115. Under this method, works completed to date in each contract are the basis to measure and recognize revenue. The quantum is calculated by each project team based on the technical progress up to the reporting date. The revenue recognized reflects the value of works completed/measured to date in line with the consideration as determined in the respective contracts. Provision for estimated losses if any, on the uncompleted part of the contracts are provided in the period in which such losses become probable based on the expected contract estimates at the reporting date.

In the case of ship repair contracts involving continuous maintenance support /recurring and routine services, the role of CMA is exercising the time elapsed output method i.e. measuring the progress based on time elapsed to reporting date, which is representative of the satisfaction of performance obligation subject to entitlement of consideration in exchange of goods and/or services. The measurement of progress towards complete satisfaction of a performance obligation is based on technical assessment and is revised/updated

on an ongoing basis.

Ind AS 115 determines when revenue is earned; the Cost Accountant determines whether the numbers truly reflect the performance behind it.

3. Claim lifecycle

Figure shows the claim lifecycle from contract to final post-delivery claim, released 30% at keel laying, 40% at launching and 30% at delivery, and where the CMA's work feeds it.

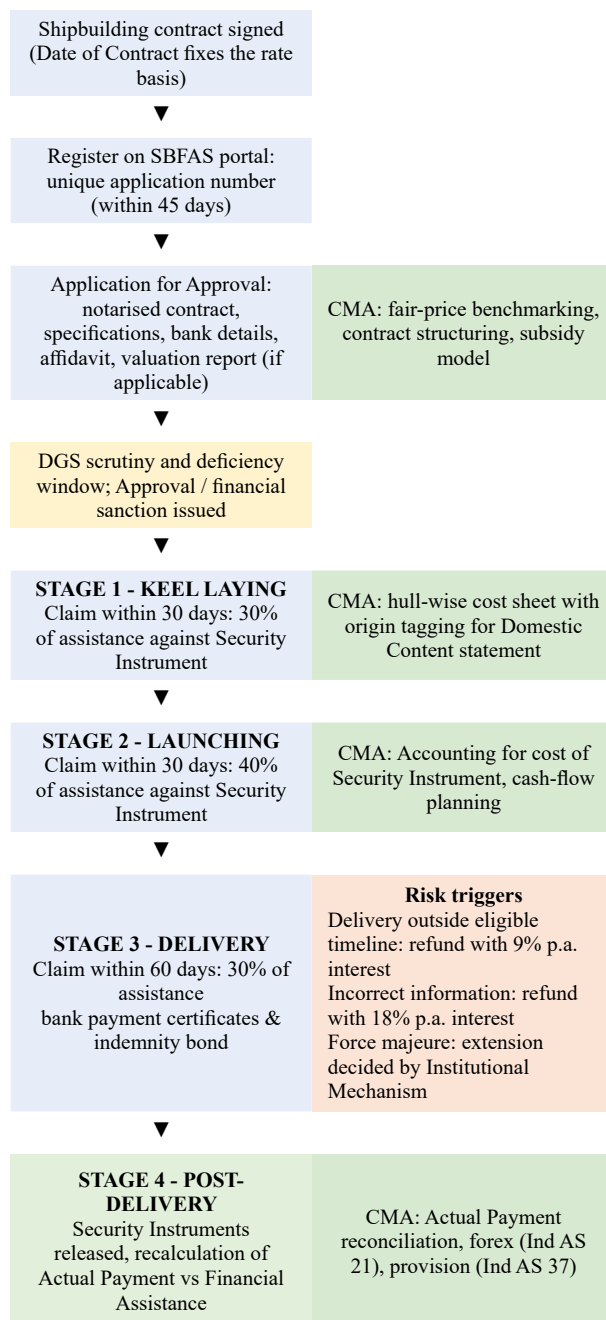


Figure1: SBFAP / SBFAS claim lifecycle and CMA touchpoints

The Interest Incentivization Fund: Cheaper Money for a Capital-Hungry Industry

In contrast to the SBFAS, which narrows the price gap on completed ships, the Interest Incentivization Fund (IIF) addresses the equally critical problem of high borrowing costs. Shipbuilding needs large working capital given the long period between order and delivery, and Indian capital has been relatively expensive.

The IIF, established under the Maritime Development Fund (MDF), is designed to support shipyards located in India by reducing their effective cost of borrowing. By lowering the cost of debt, the scheme aims to enhance the financial viability of shipbuilding and related maritime projects. This initiative forms a key component of the government's strategy to strengthen India's maritime and shipbuilding capabilities. Through this interest-based incentive, Indian shipyards and maritime companies gain access to capital at more competitive effective rates. All term loans, CAPEX loans and working capital loans availed by shipyards located in India would be eligible for availing coverage under IIF. IIF shall provide interest incentive of 3% per annum on term loans and working capital loans of shipyards located in India.

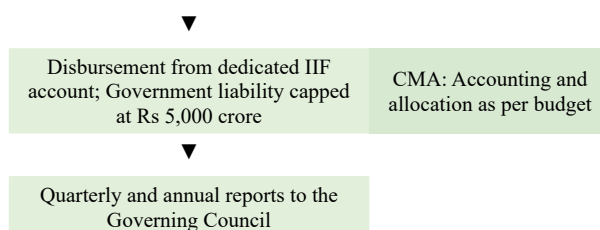
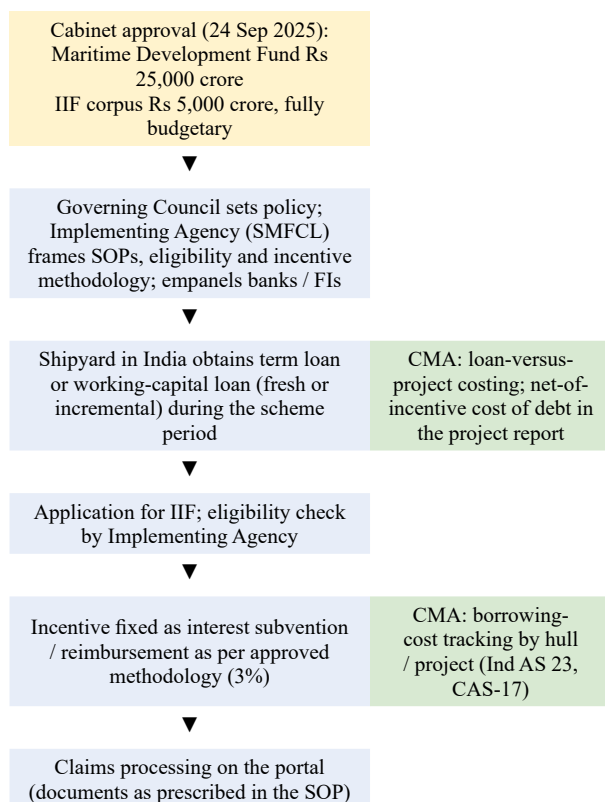


Figure 2: Interest Incentivization Fund process flow

As far as the Cost Accountant's role is concerned, the implications are far reaching. In assessing project feasibility, the lower interest rate under the IIF must be considered, and project reports should use this preferential rate in total expenses, not the yard's overall rate. Loan documents must also be prepared to accounting and auditing requirements so that no later objection arises about treatment as a subsidy. The incentive should be recorded only when there is reasonable assurance that the loan conditions will be met, disclose it, and keep loan-wise workings so that the net borrowing cost per hull is visible in costing under CAS-17.

Build the Ship, Control the Cost, Create the Value.

The Cost Accountant's Tool-kit Across the Yard

The contribution of the Cost Accountant is best appreciated as a thread running through every stage of construction, as illustrated below.

Value Chain Stage	Role of the Cost Accountant
Design & Estimation	Building the cost model for tender bidding; costing alternative material and machinery options; setting standard costs for steel, outfitting and labour hours per hull.
Contracting & SBFA Compliance	Structuring contract price to align with eligibility norms; preparing and certifying milestone-linked claims; liaising with the Directorate General of Shipping., Benchmarking Fair Price.
Procurement & Sub-contracting	Make-versus-buy analysis; variance analysis on imported machinery against budgeted exchange rates; vendor cost audits.

Value Chain Stage	Role of the Cost Accountant
Production	Job and process costing by hull; tracking overruns against the work breakdown structure; idle-time analysis across shops.
Testing, Trials & Delivery	Costing rework from sea-trial deficiencies; final contract profitability; reconciling actual cost to Ind AS 115 estimates.
After-Sales & Warranty	Warranty provisions under Ind AS 37; life-cycle costing for maintenance contracts.

Table: Role of the Cost Accountant Across the Shipbuilding Value Chain

This encompasses processes from the design phase, where alternative analysis gives preliminary cost estimates, to the post-sales phase, when life-cycle costing measures come into play.

Beyond the Balance Sheet: Economic, Social and Strategic Stakes

The significant role of the Cost Accountant extends beyond financial statements. A shipyard is the last point of a long chain of suppliers of fabricated components, castings, fittings and cables, so the efficiency of smaller firms is tied to the yard's cost discipline. Shipbuilding is also manpower-intensive, creating jobs in towns such as Kolkata, Kochi, Visakhapatnam and Mumbai. Building warships, dredgers and research ships locally reduces dependence on foreign technology and saves foreign exchange, an objective to which CMAs indirectly contributes.

Challenges on the Horizon

The road is never without friction. Despite its potential benefits, cost overruns are prevalent in the industry, where changes to the designs occur frequently and where anticipated costs can change due to unexpected engineering challenges. Among these is the idea that the shipbuilding industry will always face the problem of cost overruns. In addition to that, the knowledge of the technological aspects of shipbuilding adds to the difficulties that a CMA has to overcome when dealing with the problem of cost overruns. Finally, although a wide range of processes are being digitalised, it is, nevertheless, far from being an all-prevailing method of variance analyses in the industry.

It is necessary to promote the development of a

standard costing approach specific to the shipping sector, which might take the form of a Cost Accounting Standard specifically addressing the intricacies of the sector's various costing issues, including the treatment of design and pre-production expenses, allocation of dry dock and infrastructure costs across various hulls under construction and the cost of rework required after trials and other purposes.

Conclusion: The Quiet Navigator

When the finished vessel finally leaves its moorings and leaves the yard, the achievement belongs to the architects, the welders, and the engineers who created metal from a drawing. However, every single accomplishment that made this day financially viable and every subsidy claim validated through the SBFA, every cost-to-complete projection that ensured that Ind AS 115 complied with accounting legislation, every variance report that managed to catch an overspending before it got out of control - has been marked with a touch of Cost Accountant's hand. As India is pursuing the goal of achieving greater maritime independence, the role of the profession is to stay, as it has been at its very best: invisible on the deck, but absolutely necessary in the engine room, keeping the numbers as safe as is the case with the vessels. As they say, it is easy to navigate the seas when one is on land.

From Steel to Sailing: The Cost Accountant Behind Every Vessel! 

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