



भारत सरकार / GOVERNMENT OF INDIA  
पत्तन, पोत परिवहन और जलमार्ग मंत्रालय  
MINISTRY OF PORTS, SHIPPING AND WATERWAYS

नौवहन महानिदेशालय, मुंबई  
DIRECTORATE GENERAL OF SHIPPING, MUMBAI

F. No. SD-9/CHART(82)/97-VI

Dated: 14.01.2021

**DGS Circular No. 02 of 2021**  
**(Shipping Development)**

**Sub.: Guidelines for exercise of Right of First Refusal-grant of license to foreign flag vessels.**

**Background, Legal Provisions and Policy:**

Whereas Section 406 of Part XIV of the Merchant Shipping Act, 1958 [Control of Indian ships and ships engaged in Coasting Trade], mandates that Indian ships and other ships chartered by Indian citizen or a company or a society, needs to be licensed by the Director General of Shipping. Such license can be granted subject to such conditions as may be specified by the Director General of Shipping.

2. Whereas section 407 of the same Part of the Act mandates that ships other than Indian ships or ships chartered by Indian entities, intending to engage in coastal trade of India, need to be licensed by the Director General of Shipping. Such license can be granted subject to such conditions as may be specified by the Director General of Shipping.

3. Whereas, in exercise of powers under the above sections of the Act, the Director General of Shipping has by way of Shipping Development Circular No.-2/2002 dated 08.11.2002 [F.No. SD-9/CHRT (82)/97-II], issued guidelines to provide the right of first refusal to the Indian flag vessels before grant of license to foreign flag vessels.

4. Whereas, as of now, the Right of First Refusal (RoFR) is available to Indian flag vessels, as stipulated under Shipping Development Circular 02 of 2002 dated 08.11.2002, issued by the Director General of Shipping, GoI.

5. Whereas, in addition to the existing policy to encourage flagging of ships in India, it is also 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 15.6.2017 and 28.05.2018, and 04.06.2020.

6. 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).

*Handwritten signature and date 14/1/21*

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7. Whereas, Government of India intends to further incentivise shipbuilding by providing additional market access and business support to ships built in India.
8. Whereas, it is felt that demand for the ships built in India can be promoted if some preference is given to Ships built in India, in chartering of vessels and for engaging in coastal trade.
9. 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 Ministry's existing policy to promote flagging of ships in India (iii) the Public Procurement and Make in India orders dated 15.6.2017, 28.05.2018 and 04.06.2020 issued by DIPP, (iv) the need to give a long term strategic boost to the domestic shipping and shipbuilding industry, (v) the need to encourage the domestic shipping industry to support the domestic shipbuilding industry, and (vi) 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.
10. Whereas, the Notification No. 2 of 'Make in India' dated 13.02.19 [F.No. SY-13017/4/2017-SBR], was issued by the Ministry of Shipping, Govt. of India, requiring the review of the guidelines on RoFR issued by the Director General of Shipping.
11. Whereas, the Shipping Development Circular 02 of 2002 was superseded by Shipping Development Circular No. 02 of 2019 dated 22.03.19.
12. Whereas, members of INSA were having certain objections on the provision covered in the circular on RoFR and the said Circular No 02 of 2019 was challenged in the Hon'ble Delhi High Court.
13. Whereas, the Notification No. 2 of 'Make in India' dated 13.02.19 [F.No. SY-13017/4/2017-SBR] has been withdrawn by the then Ministry of Shipping, Gol (now Ministry of Ports, Shipping and Waterways) on 20.07.2020.
14. Whereas, the Shipping Development Circular No. 02 of 2019 dated 22.03.19, has also been withdrawn by the DG Shipping, Gol on 07.08.2020.
15. Whereas, the Ministry of Shipping (now Ministry of Ports, Shipping and Waterways), Gol, has issued a Notification No. SY-13017/4/2017-SBR dated 23<sup>rd</sup> October, 2020 on 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.
16. Whereas, the said Notification of the Ministry dated 23<sup>rd</sup> October, 2020 provides the manner for exercise of Right of First Refusal.
17. Whereas, the said Notification of the Ministry dated 23<sup>rd</sup> October, 2020 provides that all vessels flying the flag of India (i.e. registered in India) up to the date of issue of new circular

*Shmita Deb*  
14/1/21