

Guidelines for the Interest Incentivization Fund (IIF) under the Maritime Development Fund (MDF)

1 Background

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.

A key component of the package is an interest-rate incentive designed to reduce the cost of borrowing for shipbuilders. By lowering the effective cost of debt, the government aims to make shipbuilding projects more financially viable. 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 1: Shipbuilding Financial Assistance Scheme (₹24,736 crore) - The scheme aims to bring together India's indigenous shipbuilding capabilities and maritime innovation. With an outlay of **₹24,736 crores**, it aims to catalyze domestic shipbuilding capabilities and maritime innovation. It integrates targeted incentives, strategic missions, and lifecycle support to strengthen India's shipbuilding ecosystem.

- i. **Component 1: Financial Assistance:** Provides financial support to Indian shipyards to bridge cost disadvantages and promote competitiveness. Total outlay of **₹20,554 crore** approved, valid until **March 2036**.
- ii. **Component 2: Ship-breaking Credit Note:** To provide credit note worth 40% of the vessel's scrap value, applicable when scrapped at an Indian shipyard. Total outlay of **₹4,001 crore** for the scheme.
- iii. **Component 3: National Shipbuilding Mission:** To Drive and oversee national shipbuilding initiatives across sectors.

Pillar 2: Maritime Development Fund (₹25,000 crore) - The Maritime Development Fund aims to strengthen the backbone of India's EXIM trade, which relies heavily on

maritime transport - handling 95% of trade by volume and 65% by value. Despite its strategic importance, the sector faces persistent challenges in accessing affordable finance. Addressing these barriers is essential to unlock the full potential of India's maritime economy.

- i. **Component 1: Maritime Investment Fund:** Equity-based financing with additional investor contributions will anchor the Maritime Investment Fund's capital structure. An initial allocation of ₹20,000 crore.
- ii. **Component 2: Interest Incentivization Fund:** To support maritime sector entities by reducing their effective borrowing cost. ₹5,000 crore allocated for the initiative.

Pillar 3: Shipbuilding Development Scheme (₹19,989 crore) - A long-term support has been planned to boost shipbuilding through better infrastructure, safety measures, and risk management.

Pillar 4: Legal, policy and process reforms - As part of legal, policy, and process reforms, large ships have been accorded infrastructure status to enable easier access to affordable financing, while coordinated efforts are underway to boost domestic shipbuilding through demand aggregation. A series of legislative updates have also been introduced to modernize maritime laws and strengthen regulatory frameworks.

2 Introduction to IIF scheme

The Interest Incentivization Fund (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 broader four-pillar 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.

3 Definitions and Abbreviations

- **IIF:** Interest Incentivization Fund
- **MDF:** Maritime Development Fund
- **RBI:** Reserve Bank of India
- **NPA:** Non-performing Asset
- **Implementing Agency:** Authority designated to administer Interest Incentivization Fund (IIF)
- **Lending Institution/ Lender:** Bank, RRB, Cooperative Bank, or NBFC approved under the scheme
- **Beneficiary/ Borrower:** An eligible maritime-sector entity availing the incentive
- **Interest Incentive:** Provision of interest incentive to reduce effective interest rate of loans taken by the Borrower
- **Annual Accounts: Annual accounts** mean the company's accounts/ report that are prepared at the end of a Financial Year to showcase the company's financial strength, and should comprise of Balance Sheet, Profit & Loss Account and Cash Flow Statement, along with relevant schedules and statements
- **Ministry:** Ministry of Ports, Shipping and Waterways, Government of India
- **Current year: Current year** means the Financial Year in which a Borrower has sought the benefits under IIF.
- **Financial Year:** Financial year means the year commencing from 1st April of a calendar year and ending on 31st March of the subsequent calendar year.
- **Scheme Period:** The corpus of IIF, i.e., ₹5,000 crore, is for a tenure of 10 years upto 31st March 2036
- **Working Capital Loan:** A loan sanctioned to meet working capital requirements for shipyards.
- **MDF Governing Council:** The Cabinet approval of the Maritime Development Fund

(MDF) mandates setting up of a Governing Council with representation from Government, finance, maritime infrastructure sector to oversee the activities of MDF. Accordingly, the Governing Council (GC) has been set up through the OM SY-19014/71/2024-SBR (e367693) dated 13 October 2025

- **Interest Incentive:** IIF shall provide interest incentive of 3% per annum on term loans and working capital loans of shipyards located in India

4 Objective of the Scheme

The objective of IIF under MDF is as follows:

- i. Reduce the cost of borrowing for Shipyards located in India thereby enhancing their financial viability.
- ii. Encourage modernization and expansion through affordable financing.

5 Coverage and Scope

The following loans (All term loans, CAPEX loans and working capital loans) availed by shipyards located in India would be eligible for availing coverage under IIF.

- Term Loans (Capital Loans): Loan tenure of up to 15 years shall be covered under IIF.
- Working Capital Loans: Loan tenure of up to 5 years shall be covered under IIF.

Support under the Interest Incentive Fund (IIF) shall be available for a period of 10 years, i.e., up to 31st March 2036. Initially, interest incentivisation shall be provided for loans sanctioned or renewed within three years from the date of approval of the scheme. Thereafter, support for loans sanctioned beyond the initial three-year period shall be subject to availability of funds and any extension of the scheme guidelines.

Support from IIF in the form of Interest Incentive payment to a single shipyard during the duration of the Fund for term loans and/or working capital loans shall be capped at ₹1000 crore.

The support for the loans sanctioned before 31st March 2036 shall continue even if the loan tenure exceeds the scheme period i.e. 31st March 2036, subject to availability of funds and extension of the scheme.

The applicability would include the subsidiaries and joint venture arrangements, provided that the same is maintained up to the commissioning of the asset.

Both fresh loans, incremental loans and multiple loans of the same promoter/firm sanctioned during the Scheme Period shall be considered.

6 Eligibility Criteria

6.1 Pre-conditions for Eligible Beneficiaries

- i. The benefits of IIF shall be only to shipyards located in India for loans obtained from banks/ financial institutions (Loans availed in INR/ Foreign currency) located in India and are regulated by Reserve Bank of India (RBI) or any other Indian Regulators.
- ii. Not be classified as willful defaulters.

6.2 Eligible Loans

- i. Loans obtained from banks/ financial institutions (In INR/ Foreign currency) located in India and are regulated by RBI or any other Indian Regulators.
- ii. Only loans sanctioned **after the date of** Cabinet approval of the scheme, i.e. 24 September 2025 are eligible.
- iii. Both **term loans** (capital loans) and **working capital loans** which are standard assets in the books of the lender-are admissible. Additionally, loans sanctioned for the following purposes shall be eligible for support:
 - a) Setting up of new shipyards,
 - b) Expansion of existing shipyards,
 - c) Working capital requirements specifically for building ships

- iv. Loans under refinancing (including takeover loans), restructuring, or overdue/Non-performing Asset (NPA) status are not eligible.

7 Nature of Assistance

IIF will provide **interest incentive of 3% per annum (“Interest Incentive”)** (subject to ceilings, availability of funds, and annual notifications issued by the Implementing Agency).

8 Duration of Support

- i. The corpus of IIF, i.e., ₹5,000 crore, is for a tenure of 10 years up to 31st March 2036. The same may be extended based on performance review, fund utilization, and sectoral needs.
- ii. All loans sanctioned during the above-mentioned tenure of IIF would be covered/supported during the entire tenure of the loan, or such tenure as may be determined by the Implementing Agency (even if it is beyond FY 2036 subject to availability of funds and extension of the scheme).
- iii. Incentive shall cease if the account becomes irregular beyond the permissible period (. STAGE-1 i.e. 30 days) ~~or turns into NPA~~. The incentive shall be reinstated upon regularisation of the borrower’s account, and the loan account becomes standard asset.

9 Operational Mechanism

9.1 Application Process

- i. The Borrower shall approach the Lender with a proposal for availing loan. The Lender shall conduct its internal appraisal and due diligence and sanction the loan at the interest rate found suitable.
- ii. The lender shall forward the proposal to the Implementing Agency during the same quarter of disbursement for consideration of sanction of Interest Incentive.
- iii. The Implementing Agency shall assess eligibility under the scheme and shall formally

communicate the decision of sanction to the respective lender within 30 days after receipt of all the required documents.

9.2 Evaluation of interest incentive rate and quantum of incentive

- i. Interest rates payable by Borrowers to the Lenders on loans eligible under the scheme shall be at the interest rate authorized by the Lenders.
- ii. Interest Incentive payment shall be released by the Implementing Agency to the Borrowers in the loan account post realization of EMI payment to Lenders on quarterly basis. For instance, even if EMIs are realized monthly, the Interest Incentive shall be credited to the loan account of the borrower on a quarterly basis.
- iii. Interest payment shall be paid to the lender, entirely by the borrower first, and then the incentive shall be transferred to loan account post relevant assessment by the Implementing Agency, subject to availability of funds.
- iv. The lender would submit the details of loan disbursement and actual interest paid along with the audited interest certificate and other relevant documents to the Implementing Agency.
- v. The Interest Incentive shall be computed separately for each tranche of loan, as per the actual disbursement and interest payment against each tranche.
- vi. The Implementing Agency would assess the proposal to ascertain the Interest Incentive.
- vii. The Implementing Agency would release the Interest Incentive amount as mentioned at 9.2 (ii) to the respective Borrowers Loan Account within 7 days of submission of claim after submission of required documents.
- viii. The Interest Incentive will be released on the frequency mentioned at clause 9.2 (ii) & (iii) to the respective Borrowers Loan Account for the loan period.
- viii. The Implementing Agency shall be responsible for creation, operation, and maintenance of a dedicated Scheme portal. The portal shall facilitate online application submission by bidders, appraisal and evaluation of proposals, computation of eligible interest incentive, MIS generation, and seamless disbursement of the incentive

amount directly into the borrower's bank account.

9.3 Conditions for availing continuous assistance under IIF in subsequent years

- i. The benefits under the IIF scheme will be ceased in following cases:
 - a. Delay of EMI payment beyond 30 days (Stage-I)
 - b. Non-Performing assets (NPA)
- ii. The interest incentive benefits shall be resumed once the borrower will meet the pre-eligibility conditions defined in the guidelines and the loan account becomes standard asset.

9.4 Procedure for Loan Tagging

- i. Lenders conducts appraisal and sanctions the loan.
- ii. Lender will submit loan details along with sanction letter and appraisal note to the **Implementing Agency** for IIF tagging.
- iii. **Implementing Agency** registers the loan as eligible under IIF.

9.5 Claim Submission

Lender is required to submit:

- i. Quarterly/bi-annual/annual claim proposals (as notified)
- ii. Loan sanction letter, repayment records
- iii. Interest computation sheets
- iv. Declaration of compliance
- v. Audited interest certificates

10 Fund Management

10.1 IIF shall be administered by the designated Implementing Agency that is Sagarmala Finance Corporation limited.

10.2 Annual budget allocations for IIF will be made under the MDF.

10.3 Funds shall be released to Borrower's loan account after verification of claims.

10.4 Unutilized balances, if any, shall be carried forward to the next financial year.

11 Monitoring

- i. The Borrower would be required to ensure timely payment of EMI for loans taken for eligible projects in line with the terms and conditions of the proposal sanctioned by the Lender.
- ii. The Borrower and Lender would be required to submit the information, but not limited to, as per the templates provided by Implementing Agency.

The Implementing Agency shall be responsible for the monitoring of the project time to time in following ways:

i. Continuous Monitoring

- Quarterly review of loan performance
- System-based monitoring through portal dashboards

ii. Annual Evaluation

- Assessment of IIF effectiveness and utilization
- Reporting to the Ministry / Governing Authority

12 Reporting

- i. The Implementing Agency shall appoint a Nodal officer 'IIF Nodal Officer' for the Ministry of Ports, Shipping and Waterways for any communication, queries, information etc.

- ii. The Implementing Agency shall develop a website for the Scheme wherein information pertaining sanction/ the scheme and contact of key officials including the IIF Nodal Officer of the Implementing Agency shall be made available.

13 Roles and Responsibility of Stakeholders.

Implementing Agency:

The Implementing Agency will act as the nodal point under this scheme and coordinate with key stakeholders such as Borrowers, Lenders, and Ministry.

The Implementing Agency would claim service charges of 0.75% of the total fund corpus (₹5,000 crore) over the duration of the fund, that is, 10 years. The Implementing Agency may claim a service charge of 0.10% of the total fund corpus in the first year of its operation. Further, the Implementing Agency may claim a service charge of 0.072% of the total fund corpus each year for the remaining nine years of the life of the fund.

The Implementing Agency would be responsible for the following functions:

- i. Verify the Interest Incentive claims made by the Borrowers post receipt of EMI payments.
- ii. Receive the Interest Incentive amount from the Government of India annually and keep the same in a separate bank account for disbursement from time to time to Borrowers, payment of service charges and other incidental costs, etc.

Borrowers: The Borrowers would be responsible for the following functions:

- i. Submit detailed proposal to Lender for appraisal of loan followed by assessment by Implementing Agency to determine eligibility to avail benefits under IIF.
- ii. Provide requisite information to Lenders/Implementing Agency as per prescribed formats.

Lending Institutions/ Lenders: For sanction for Interest Incentive under IIF, the

Lending Institutions shall have to ensure following:

- i. Appraise, sanction and disburse loans as per standard norms.
- ii. Maintain detailed records for 5–7 years after closure of the loan account.

14 Process for financial transactions under IIF Scheme

Financial transactions under the IIF Scheme shall be done through the National Electronic Funds Transfer (NEFT) /RTGS. The amount of Interest Incentive to be disbursed will be given to Implementing Agency yearly once in the beginning of every FY. All funds received from Government of India shall be transferred to a separate Bank account (IIF Account) of the Implementing Agency.

The Implementing Agency shall use the IIF Account for transferring the funds for the following:

- i. Disbursement of Interest Incentive from time to time to the respective borrower's loan account.
- ii. Service charges for Implementing Agency as mentioned in clause 13.
- iii. Other incidental expenses towards media campaign, workshops, etc.

15 Grievance Redressal

A grievance cell under the Implementing Agency shall address:

- Borrower-related issues
- Lending Institution disputes
- Clarifications related to documentation and eligibility
- System or portal-related concerns

Time-bound redressal norms shall be specified in the SOP.

16 Communication philosophy under IIF Scheme

- i. The Implementing Agency shall constitute an IIF cell at their headquarters for managing and operating the IIF Scheme. The IIF cell shall be operational from the date of operationalization of the IIF Scheme. All forms of communication, queries, information etc. shall be done through email / formal letter in case necessary.

The Implementing Agency shall appoint a Nodal officer 'IIF Nodal Officer' who shall deal only with the designated Nodal Officer(s) of each Lender for any communication, queries, information etc. The Nodal Officer(s) of the Borrower should be the authorized signatories of their respective Organizations.

- ii. The Implementing Agency shall develop website/include a page in existing website of SMFCL for the scheme wherein information pertaining to the scheme and contact of key officials including the Nodal Officer of the Implementing Agency shall be made available.
- iii. All information, to be submitted by the Borrower, for sanctioning of proposal, seeking grant of Interest Incentive, continuous IIF assistance or project monitoring & evaluation in the form of proposal templates, shall be in the form of Hard and Soft Copy. The Hard Copy shall be submitted in Triplicate while the soft copy shall be submitted in form of a drive or through email.
- iv. E-mail may be used as mode of communication between the Implementing Agency and the Borrower for the following:
 - a) Queries from the Implementing Agency on any data discrepancy or additional data requirements.
 - b) Response to the queries and/or submission of additional information from Borrower to the Implementing Agency. In case the information is bulky, the same shall be required to be submitted in the form of drive.
 - c) Any other Communication as desired by the Nodal Officer of the IIF Cell or required by the Nodal Officer(s) of the Borrower.
- v. All information to be submitted by the Borrower to the Implementing Agency should be in prescribed format and legible, else will be liable to be rejected.

- vi. The Implementing Agency shall have the right to ask for any additional information, it may deem fit, for the purpose of appraisal/evaluation of the proposal and computation of interest Incentive.

17 Annexures

Detailed Documents

a. Loan Application

- Loan application to a participating lending institution contain
 - Project proposal
 - Financial statements / DPR
 - Business registration
 - Maritime-related licenses/ permits
 - KYC documents

b. Appraisal & Sanction of loan application

- Appraise project viability
- Verify that activities fall under MDF-eligible categories
- Sanction loan as per bank's credit policies
- Upload sanction details on the Portal in the "IIF Loan Tagging" section

c. Loan Tagging under IIF

- Loan sanction letter
- Disbursement details
- Project appraisal memo
- End-use certification
- Borrower compliance documents

d. Submission of Interest Incentive Claims

- Interest calculation sheet
- Borrower repayment record (installment-wise)
- Certificate of regular account status
- Undertaking on non-duplication of claims
- Audit/inspection details (if any)
- Claim summary (auto-generated by portal)