Japanese fund targets scrap opportunities

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A Japanese shipbroker is turning its hand to demolition with a new private fund that aims to buy up to 150 ships a year for scrap.

The venture will bring an unexpected injection of fresh liquidity from Japanese private and institutional investors into the market ahead of an expected increase in scrapping next year.

Tokyo-based Seven Oceans has set up the fund under the name Seafin Pte Ltd. It will be managed by Singapore subsidiary Ocean Trust and headed by Masashi Hiruta.

The idea is to act as a cash buyer purchasing ships for resale to scrapyards.

Local cash buyers say they are aware of the new venture but have not yet seen the company do any business.

The fund has been in operation for less than a month but is said to have already purchased seven ships, including chemical tankers and bulkers. It is not restricting its business to Japanese sellers.

It is understood that Seven Oceans has been developing ties with Indian breakers through a co-operation pact with Indian-backed but Singapore-based scrap-metals trading company Ace Exim Pte, part of the Alang Auto & General Engineering shipbreaking group.

Seven Oceans is headed by former Marubeni shipmanager Tomohiro Morita. It has made its name largely as a newbuilding and project broker with a focus on the chemical sector. It has previously brokered newbuilding deals involving Zodiac Maritime Agencies and has also become involved in newbuilding funds and ship finance through its Singapore arm.

Scrap volumes break barriers

Bangladesh may have been closed but that has not stopped this year's demolition score from reaching at least 37 million dwt, maybe more.

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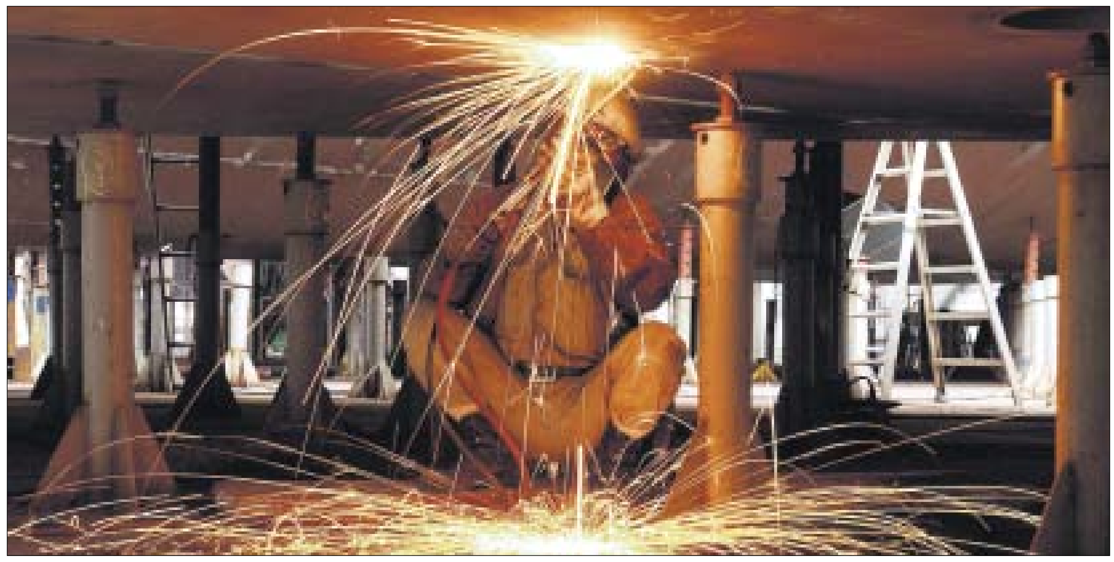

SCRAPPING: The average age of ships scrapped this year is significantly lower than in 2009.
Photo: Bloomberg News

Ship scrapping of at least 37 million dwt this year has far exceeded last year's total, despite the prolonged closure of imports to Bangladesh and more recent funding challenges facing Indian breakers.

Shipbroker Simpson, Spence & Young (SSY) is expecting global shipbreaking activity to top even the record set in 1985, when both the tanker and dry-bulk freight markets were severely depressed.

Statistics vary widely between sources with London-based Clarksons putting the running total with just a handful of working days remaining at around 39 million dwt and Allied Shipbroking of Piraeus at 37.3 million dwt.

Paris-based broker Barry Rogliano Salles (BRS) focusses on the scrapping of capesizes, highlighting that by the beginning of December some 11.6 million dwt had been recycled and another 500,000 dwt committed for sale.

The figure, already six times the amount scrapped in 2009, represents a record for the segment, says BRS.

This is despite the capesize 4TC possibly averaging in 2011 over $15,000 per day, "a modest figure but perhaps not the disastrous lows that some owners expected".

BRS adds that not surprisingly the average age of dry-bulk ships scrapped in 2011 is significantly lower than in 2009 (the post-crisis recycling peak) at 33 years for handysizes, 30 years for panamaxes and supramaxes and a "striking" 27 years for capesizes.

SSY notes that some expected scrapping activity may struggle to match the volumes seen in 2010, when, according to the broker's figures, 26.6 million dwt overall was dispatched to the torch. Last year was buoyed by the phasing out of single-hull tankers.

It attributes the high demolition figures in 2011 to several factors, including exceptionally high volumes of new vessel completions, particularly dry bulk.

The broker's own data, for example, showed that in the first 11 months of this year, new bulker deliveries totalled 89.8 million dwt, as compared with 78.5 million dwt, in the whole of 2010. Rapid net fleet growth had been a major factor in "undermining" charter earnings.

SSY also points to very firm bunker prices increasing owners' voyage costs, impacting especially older ships, as well as concerns over the cost of upgrading superannuated vessels to comply with ballast-water management and engine emissions requirements.

It says a major shift in the type of vessels being demolished this year has seen tanker scrapping, including chemical and liquefied gas carriers, falling sharply while bulkers have surged from 5.4 million dwt in 2010 to 21.9 million dwt in the year to date (almost 59% of all tonnage broken).

Cash-buyer Wirana Shipping's Shashank Agrawal says 2011's figures have been achieved despite the weakening of the Indian rupee to its lowest level against the US dollar and the subsequent problems for local breakers.

He also points to Indian recyclers struggling to meet new requirements to book dollars for up to 50% of the Indian rupee value of letters of credit (LoC) that are used to pay cash buyers.

Transmed torches 'Good Luck' as flow of big bulkers dries up

Trond Lillestolen Oslo

Transmed Shipping of Greece is said to have sold the 173,000-dwt bulker *Good Luck* (built 1984) for demolition in India for $475 per ldt or $11.9m.

The vessel must have been a very profitable investment for the dry-bulk owner, who purchased it as the *British Steel* 10 years ago for just $11.5m and traded it through the booming freight market a few years ago.

The *Good Luck* was the oldest vessel in Transmed's fleet. The company has a newbuilding programme totalling 17 bulkers from 92,000 dwt to 203,000 dwt.

The only other capesize in its fleet currently trading is the 183,000-dwt *Noni M* (built 1995), purchased as *Cape Jacaranda* for $34m last year in a deal that included a one-year charter at $33,000 per day. It is probably worth some $14m to $16m today.

The scrapping of large bulkers has almost come to a halt in the last quarter of this year. In total, 71 ships of capesize or larger have gone for demolition in 2011.

Another Greek owner, Strand Management, has sold the 64,000-dwt bulker *Silver Arrow* (built 1984) to China at $425 per ldt or $4.9m. It was acquired as the Ermis in March last year for $9m.

Tomasos of Greece has sold the 27,000-dwt bulker *Alexis* (built 1984) to China for $425 per ldt or $2.7m, while the 25,600-dwt bulker *Kalithi Sea* (built 1986) is going to India at $475 per ldt.

On the tanker side, Norna Shipping of Egypt has sold the 39,000-dwt *Norlake* (built 1982) "as is" in Suez for $405 per ldt or $4.4m. It bought the ship as *Kenwood Park* for $6.5m five years ago.

Greek owners dominated the recycling scene this week. Salmar Shipping has sold the Horten-built, 31,000-dwt tanker *Minotaur* (built 1977) to India for $505 per ldt or $4.4m. The owner paid just $3.25m for the vessel in 1999.

INDIA SALE: Transmed had traded the now sold 'Good Luck' for 10 years.
Photo: Scanpix