



# Korean Shipping messenger

A collection of articles and daily news for the shipping industry with focus on the Korean shipping and shipbuilding markets.



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## Shipbuilding News

### Ordering Slowing Down

New ship ordering is on a downtrend in January-February 2013, compared with the same period in 2011 and 2012.

According to latest data from Clarksons, during the first two months of 2013, a total of 190 vessels were contracted, declined by 18% from 232 on the same period of last year, which further decreased from 536 contracted during the same months in 2011.

In January, 102 orders were contracted this year, compared to 144 in the same period of last year.

In February, a total of 88 newbuildings were booked, similar to a year ago figure.

### JMU scores Capes again

Japan Marine United (JMU), which recently booked four 180,000-dwt newly designed capesize bulkers for Greek owners, is said to have won two 200,000-dwt bulkers from China Steel Express (CSE) of Taiwan.

CSE announced on March 4 that it signed a newbuilding contract to for a pair of 200,000-dwt bulkers with Mitsubishi Corporation but refused to reveal shipyard involved. Sources predict that JMU would build the vessels.

Sources said newbuildings, valued in around \$52.5m apiece, are scheduled to be delivered in the latter half of 2014 and the first half of 2015.

Previously some reported that Mitsubishi Heavy Industries of Japan penned on the project, but it turns out to be not true.

Newly established joint-venture JMU, since its establishment in January of this year, has inked a total of six newbuildings, including three kamsarmax bulkers and six capesizes.

Particularly, it developed 180,000-dwt Dunkerquemax bulker, which won orders for four from Greek owners, Oceanbulk Marine and Carras Hellas.

### Kawasaki Won Seven

Kawasaki Heavy Industry is to achieve up to JPY 450bn (\$4.8bn) of annual revenue, on a consolidated basis, by 2020, from its ships and offshore division.

To meet the target, the Japanese conglomerate plans to promote 'GOOD Strategy', which aims substantial growths in four segments - gas carriers, offshore, overseas

business and defense. Also, it is in process of R&D in various sectors, including new LNG carrier, dual-fuel propulsion engine, LNG-propelled carrier, offshore supply vessel, etc., as well as it will seek to expand local business in foreign countries.

During April 2012-March 2013, its ship and offshore divisions are expected to win a total of seven newbuilding orders worth JPY 72bn, including two LNG carriers, two LPG carriers, two handymax bulkers and one submarine.

Kawasaki announced that currently its Sakaide Work has secured works up to early 2015, which is predicted to add up more, while Kobe Works plans to book new bulkers with delivery in 2013 and offshore vessels slated for 2014. If Kobe's schedule is empty, it would supply blocks to Sakaide.

Joint venture shipyard with COSCO, NACKS and Dalian-based JV DACKS filled up their schedules up to October 2014 and May 2015, respectively.

Also, Kawasaki revealed its plans to make specialized shipyards, for instance, Sakaide will majorly build gas carriers and Kobe will take charge in eco-design bulkers, offshore vessels, warships, etc.

### HMD enjoys PC recovery

Hyundai Mipo Dockyard of Korea is said to benefit from gradual recovery in product carrier (PC) market.

Analyst Kwak Min-Jeong at BS Investment & Securities of Korea has said, "Hyundai Mipo Dockyard announced on March 6 through a regulatory filing that it confirmed orders for four MR tankers, two options of handymax PCs." "Moreover, production capacity of oil refinery in Middle East and Asian regions is increasing with the US' oil product exports. As a gradual recovery in PC market is anticipated and thus full-fledged market recovery is likely to be seen from next year."

Analyst Kwak stressed, "Orderbook proportion of chemical tanker and PC is continuously decreasing, compared to bottoms, and also orderbook amounts contracted before 2008 are only 12%; which are main grounds for the expectation of recovery in PC market."

However, she prospected that profitability improvement will be difficult to see if ship price does not show a recovery.

Analyst Kwak prospected, "Hyundai-Vinashin in Vietnam, Hyundai Mipo's subsidiary, is expected to continue showing poor performance throughout this year with decreasing turnover and increasing fixed expenses while

having decreasing orderbook affected by a slump of merchant ship market.”

## **Hyundai Samho bags LR2**

Scorpio Tankers Inc. (NYSE: STNG) (the "Company") announced that it has reached an agreement with Hyundai Samho Heavy Industries Co., Ltd. in Korea to construct two 114,000 dwt LR2 Product Tankers for \$49.75 million per ship.

These vessels are expected to be delivered to the Company in the third quarter of 2014. This order is a continuation of the Company's existing newbuilding program for fuel-efficient vessels. These newbuildings come with fixed-price options for the construction of additional LR2 vessels.

The Company has a total of 28 newbuilding product tanker orders with Hyundai Mipo Dockyard Co., Ltd., SPP Shipbuilding Co., Ltd. and Hyundai Samho Heavy Industries Co., Ltd. of Korea which include 20 MR, six Handymax ice class-1A and two LR2 vessels.

Two of the newbuildings are expected to be delivered to the Company by April 2013 and the remaining 26 by the end of 2014. The Company also has fixed-price options to construct additional newbuilding product tankers at these yards.

## **Norden confirms MR LOI**

Norden of Denmark is said to have signed a letter of intent for four eco-friendly MR tankers.

CEO Carsten Mortensen has confirmed that Norden had awarded an order for four 50,000-dwt product tankers in order to replace its older vessels.

Now the four newbuildings are added to six firm tankers on order.

The company denied to reveal details of the LOI, such as shipyard involved, newbuilding prices, delivery, etc.

In August, 2012, China's Guangzhou Shipyard International has won an order for up to six fuel-efficient tankers from Norden.

Norden inked two firm handysize tankers at the yard with options for four more.

## **KOSCO support S&M's RG**

Shipbuilding consultant KOSCO announced that it successfully sealed the deal between Korea's small-and-medium sized shipyard SH Shipbuilding and overseas financial institution.

Foreign financial company agreed to provide refund guarantee for SH Shipbuilding for a newbuilding to be built at the yard.

The Boryung-based shipyard penned a contract to build 6,000-cbm trailing suction hopper dredger with owner STI

MS on December 6 2012 and had a groundbreaking ceremony on February 8 of this year.

An official from KOSCO said "Due to the Lehman Crisis and European financial stagnancy, domestic small-and-medium sized shipyards were having troubles getting RG issues from financial institutions," and added "Recently, we found a new way to issue RG fund, which will give a hope for Korean yards."

KOSCO president Jung Choong-Hee, who himself has been working at small-and-medium sized shipyards over the last 30 years, said "I know recent difficulties that shipbuilders are going through very well, therefore, after in-depth discussion with overseas financial institutions and developed a new method to issue RG."

He plans to concentrate on RG fund for only S&M shipyards.

## **Shipbuilding Order Dispute to the Tune of US\$300-million**

FLEX LNG (HQ in Tortola) is in continuing dispute with Samsung Heavy Industries and briefs its shareholders as follows:

"As previously announced, FLEX LNG considers the four shipbuilding contracts and the EPCIC that were entered into with SHI in 2008, to have been abandoned.

FLEX LNG has requested that SHI repays a net amount in excess of USD 300 million and appropriate actions are being taken to secure the repayment of the said funds.

In response to FLEX LNG's actions, SHI has recently maintained that it has no obligation to repay any funds and, as was expected, on 05 March 2013 SHI purported to terminate the aforementioned contracts.

The purported terminations – which cannot be effective if the Contracts have been abandoned as FLEX maintains, do not alter FLEX LNG's position, nor do they affect the actions currently being taken by FLEX LNG for the commencement of arbitration proceedings to recover its funds.

FLEX LNG will update its shareholders of the ongoing dispute as additional information becomes available"

### Two-tier market takes time

Two-tier market of fuel-efficient eco-friendly bulk carriers and older less-efficient ships will take some time before the Eco fleet is fully grown.

DVB said newbuilding eco-design bulkers will "not earn a premium for their superior fuel efficiency" but it is true that "they will command the market rate."

Ordering surge of eco-friendly vessels will keep putting pressure on existing older ships, while less-efficient ships will garner discounted rates, it said.

The leading bank prospected that when proportion of eco-design bulkers gets larger, then we will see a two-tier market.

### KEXIM directly finance Greeks

The Export-Import Bank of Korea (KEXIM) has signed an agreement for direct loan with shipowners of Greece which is the largest shipping country in the world and had discussions succeedingly with many local owners, moving actively toward winning more orders for high value vessels for Korean shipbuilders.

The bank announced an agreement of \$200m worth of ship finance with Thenamaris in Athens, Greece, signed on February 7.

Chairman Kim Yong-Hwan of KEXIM met Constantinos Martinos, chairman of Thenamaris, and signed himself on a loan contract at Thenamaris' head office; the contract contains the support of credit facility for vessels placed at Samsung Heavy Industries of Korea.

Thenamaris placed an order for \$600m worth of three LNG carriers in July, 2011, at Samsung Heavy Industries. Established in 1970, the company, as the largest shipping company in Greece, is operating 152 vessels of its fleet.

Direct loan is a type of loan which KEXIM provides to foreign customers who import products from domestic corporations. The Export-Import Bank of Korea explained that domestic shipbuilders are able to keep financial solvency through the direct loan since debt ratio does not expand.

Moreover, while European banks which have been playing a leading role in ship finance market is decreasing loan, KEXIM has created opportunities for the world's No.1 shipping country, Greece, to place further orders at Korean shipbuilders through the financial support.

Chairman Kim Yong-Hwan has said, "To provide supports to the nation's shipbuilders struggling due to decreasing orders and reducing ship prices, the bank will promote financial marketing more actively for outstanding shipping companies abroad." "We will expand a range of the direct loan for high value vessel types, such as LNG carrier, promoting the quality differentiation of Korean shipbuilding industry."

Meanwhile, apart from the contract, Kim visited four major shipping companies of Greece including Dynacom and had relay talks with chief executive officers.

At the talks, Kim promised to provide active financial supports, asking for placing further orders at Korean shipbuilders.

The KEXIM is planning to provide a total of \$2.5bn worth of financial support, 25% up from last year's, in the form of direct loan to foreign shipowners, having high value vessels in center, such as drillships and LNG carriers.

### US Fund eyes boxship acquisition

MC Seamax Shipping Opportunities Fund is to raise \$750m for the acquisition of containerships with a huge chance of exploiting the recent decline in vessel values.

The US-based fledgling fund plans to purchase and manage up to 35 boxships, which will be leased to operators.

Mitsubishi Corporation-affiliated MC Asset Management Holdings will back the fund, sources said.

According to an early draft of a prospectus, Mitsubishi has agreed to invest \$50m into the venture in addition to a \$50m debt facility while the group is raising capital.

Whether to fund newbuildings or second-hand vessels has not been revealed yet.

### Damen re-delivers seven

In October 2012 Damen Shiprepair Rotterdam (DSR) won the contract for installing the first Becker Twisted Fin® on 7 container vessels of the fleet of Hamburg (Germany) based liner shipping company Hamburg Süd.

To complete the project in time, the vessels were routed in such a way that they could each be dry-docked for a maximum of 6 days every consecutive week. All ships have now been re-delivered.

The first vessel starting the cycle, MV SANTA CATHARINA, was expected the 30th of December 2012. However, this vessel was operationally delayed, which reduced the available time with three days. Due to an intense work preparation, with a good and smooth cooperation between the owners and makers, and an efficient method of fitting each prefabricated Becker Twisted Fin to its vessel, DSR managed to re-deliver each vessel just before the next vessel was ready for docking. The last vessel, the MV SANTA ROSA, was re-delivered in the last week of February.

The Becker Twisted Fin is developed in order to improve the performance of the vessel in combination with the propeller and the aft body of the vessel. After testing in the Hamburg Ship Model Basin HSVA it showed an improvement of reducing the fuel consumption for this type of vessels up close to 4%. With the Becker Twisted Fins installed, both Hamburg Süd and Damen Shiprepair contribute in a small, but significant way to environmental protection.

With this project DSR also contributed to the accreditation of the ISO 14001-2004. Damen Shiprepair Rotterdam is one of the 12 repair yards of Damen Shiprepair & Conversion in North West Europe, the latest members being ARNO Dunkerque (France), Shipdock Amsterdam and Shipdock Harlingen (NL). Some of the larger yards are Damen Shiprepair Götaverken (Sweden), Damen Shiprepair Vlissingen (NL) and Damen Shiprepair Brest (France). In Germany Damen Shiprepair & Conversion is represented by Zoepffel & Schneider GmbH.