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

Shipbuilding Still "Clouded"

Depressed shipbuilding and shipping industry would unlikely get through the crisis this year.

In a report 'Recent market and credit forecast on shipbuilding and shipping industries' released on February 29, NICE Investors Ratings of South Korea projected that shipping market would still be weak due to larger supply than demand in almost every ship type/size.

Team manager Seo Chan-Yong analyzed, "Financial capacity of shipping companies have been weaken by stagnant market in 2011, moreover, over-investment on vessels makes them hard to recover financial problems."

He prospected, "There has been a competition between major shipping companies for lower freight charges from last year and bulker market, in particular, would continue to be under depression, since inter-company cooperation would be hardly expected."

In case of shipbuilding industry, shipbuilders are projected to keep having decreasing profits and increasing working capital pressure by low orders in commercial ship sector.

Hyundai denies 13,000TEU delay

Hyundai Heavy Industries said today morning that it has already delivered the 13,000-teu MSC Altair.

The ship was to be delivered to Norwegian boxship owner SinOceanic (Sino) backed by a 15-year charter to MSC.

It was earlier reported that the Chinese-backed owner had not yet been able to arrange final delivery payment and delivery was temporarily delayed accordingly.

But it turned out that the vessel was delivered on March 1st as originally scheduled.

Hyundai inks 82K VLGC

Hyundai Heavy Industries has booked an 82,000-cbm very large gas carrier (VLGC) for delivery at the end of 2013 from SK Shipping.

The South Korean shipbuilder has upped its tally of VLGCon order to three from the Korean shipping company, among which the earlier newbuildings were contracted separately in November 2010 and March 2011, both to be delivered in the first half of next year, according to a source close to the company.

The source says all three ships will be chartered-out to SK Shipping's sister company SK Gas on a long-term basis.

The contract value of the latest vessel has been unrevealed, he just saying that the deal was "done at a market level," which cost around mid-$70m, told by newbuilding brokers.

One suggests the deal for the third ship is an option priced at $75m that is now being declared.

STX inks 155K shuttle tanker

STX Offshore & Shipbuilding has reportedly booked a 155,000-dwt shuttle tanker from the greek owner European Navigation (Elka Shipping), bringing its suezmax tally from Elka to three.

The two earlier vessels were inked last year on the back of a long-term charter with energy major Petrobras. Elka was said at the time to be holding two options.

The price of the latest tanker has not been disclosed. But sources suggest yards are seeking in excess of $90m for suezmax shuttle tankers, while Elka is understood to have paid over $93m each for its two earlier vessels.

The triplets will be built at Jinhae yard with the first two pair slated for delivery next year and the third in 2014.

However, Director Anthony Vlassakis confirms that Elka holds an option but still has time to make a decision.

Meanwhile, the South Korean shipbuilder is known to have secured a total of 15 vessels, totalling about $900m year to date, including the recently ordered 155,000-dwt shuttle tanker.

Mitsubishi-Sinopacific for 82K BC

Japan's Mitsubishi Heavy Industries is finalising a technology transfer agreement with China's Sinopacific Shipbuilding Group to develop energy-efficient kamsarmax bulk carriers.

The Japanese yard is seeking ties with shipbuilders in strategic countries; last year, it signed a three-year technology and licensing agreement to support India's Larsen & Toubro Shipbuilding with ship design, construction, quality control and material procurement.

Sinopacific Shipbuilding said on its website that it “intends to co-operate with MHI for jointly optimising the design of the 82,000 dwt kamsarmax bulk carrier”.

It said: “Co-operation with the bulk carrier expert will maintain Sinopacific’s leading position in the niche market of bulk carriers.”

According to agreement, to be finalised on March 12, MHI will sell its expertise building energy-efficient 82,000 dwt bulkers to Sinopacific Shipbuilding. They will then launch a joint brand for this vessel type.

Delivery delays hit JES Int'l

Singapore-listed Chinese shipbuilder JES International has asked the Singapore Exchange (SGX) for more time to release its annual results as delivery delays bite.

JES said it had applied for extension to issuing its 2011 financial results due to “the current business environment facing the shipbuilding industry and the operational conditions in the shipyard”.

As a result the shipbuilder said it needed more time to consider the need for provisions for liquidated damages related to the delay in the delivery of certain vessels and expected delivery delays. The company needed more time to consider the adequacy of provisions related to delayed ship deliveries that have already occurred, or are expected to occur.

The Singapore exchange has granted the company until 15 March to unveil its accounts for 2011.

Yangfan pens boxship quartet

China's Yangfan Group revealed that it contracted an order for four 1,100-teu boxships from Chinese owner Ningbo Ocean Shipping in December 2011, which only just been reported.

The ships are set for delivery next year. The price has not been disclosed yet, market players suggest the quartet will cost around $18m each.

Recently placed newbuildings will be Ningbo's largest-ever vessels to own and operate, said the Yangfan official.

Yangzijiang inks 95K BCs

Yangzijiang Shipbuilding of China has won new order from Fujian Shipping Co (Fusco) for Chinese shipowner's largest-ever two 95,000-dwt post-panamax bulkers for delivery in 2014.

No price has been disclosed but market players suggest a figure of around $34m each.

Newbuilding sources say the subsidiary of state-owned Fujian Provincial Communication Transportation Group Co (FPCT) has opted for a fuel-saving design from Yangzijiang, which is claimed to have a fuel consumption of 36 tonnes per day, lower by 20% the earlier 92,500-dwt model.

Meanwhile, market sources say Fusco’s latest order makes up two of seven newbuildings inked at Yangzijiang year-to-date - all bulkers, including four of 82,000 dwt and one of 47,500 dwt - at an aggregate value of about $206.2m being scheduled for deliveries in the period from 2013 to 2015.

Rushan be cancelled for Erria's CCs

Rushan City Shipbuilding of China has been cancelled nine chemical tankers ordered from Danish shipowner Erria and been requested for compensation.

Rushan City signed up the newbuilding contract for nine 6,500-dwt tankers with Erria in 2007 for some $15m to $16m each but so far none have been delivered.

The first should have been handed over in 2010 but were seriously delayed and Rushan reached an agreement to reduce the price of each vessel by $4.5m with the first two scheduled to be finished last July and December.

The two ships are now being cancelled because of further delays and the owner is pressing for full compensation on its outlay amounting to 20% of the contract for the pair, said managing director Henrik Andersen, Erria.

Oriental into restructuring

In a filed statement on February 29, Oriental Precision & Engineering of South Korea said that its creditor banks, etc., started to manage the firm, after announcement on Feb 22 that its main creditor bank, the Korea Development Bank (KDB) has filed for creditors-led restructuring in order to normalize Oriental.

Oriental will go into management for three months from Feb 29 to May 29 2012, during which its debt repayment would be postponed.

Also, according to notification of its main creditor bank, the period can be extended by one month.

Oriental runs businesses on offshore plant, such as accommodation work barge, etc., as well as marine structure, machinery.

It has contracted for $15.2m of offshore plant support vessel from Bharati Shipyard of India in November 2011, which is scheduled to be constructed at its affiliated company, OMI, in Dalian, China and be delivered in the end of December this year.

Yangzijiang record-high 2011

Chinese shipyard group Yangzijiang Shipbuilding that owns two major yards in China has posted another set of record results for 2011 as it continues to expand.

The Singapore-listed company said net profit last year was CNY 3.97bn ($630m), against CNY 2.95bn in 2010.

Revenue rose to CNY 15.7bn from CNY 13.55bn the year before.

Its yards delivered 14 vessels during the year and has an orderbook of 100 more worth around $4.7bn.

Executive chairman Ren Yuanlin said: “Since our listing, we have grown the group steadily and we are pleased with the performance as the group continues to post record earnings year after year."

John Wyndham, an analyst for Barclays Capital in Hong Kong said, "We see room for multiple uplift."

Mr Wyndham said that Yangzijiang's strategy to pick up more offshore orders had improved its prospects.

The company secured an additional seven contracts worth $206.2m late last month.

Yangfan pens boxship quartet

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JFE, IHI Shipbuilding Merger to Target $6.2 Billion of Sales in Five Years

JFE Holdings Inc. (5411) and IHI Corp. (7013) will seek to increase sales of their combined shipbuilding units by about 30 percent in five years to fend off competition from South Korean and Chinese rivals.

The units, set to be merged on Oct. 1, will target annual revenue of 500 billion yen ($6.2 billion) by 2017, Shinjiro Mishima, who will be president of the new entity, said in an interview. The company will speed up development of fuel-efficient and cost-competitive ships, focusing on container vessels, bulk carriers and oil tankers, he said.

Combining JFE's Universal Shipbuilding Corp. and IHI Marine United Inc. will create Japan's biggest shipbuilder that will challenge larger rivals including Hyundai Heavy Industries Co., the world's largest. Japanese shipbuilders are struggling as slowing economies sap demand for new ships and a rising yen makes locally built ships more expensive than vessels made in South Korea and China.

"We are aiming for expansion, though we need to slim down operations when the environment is bad," Mishima, who is also the president of Universal Shipbuilding, said in the Feb. 29 interview at the company's Kawasaki headquarters, near Tokyo.

The global market share of Japanese shipyards has more than halved to 12 percent since 2005 as measured by new orders, according to data compiled by the Shipbuilders' Association of Japan. Japan lost its title as world's biggest shipbuilding country to South Korea in 2000 before falling to third place behind China in 2009.

The Japanese currency, which rose to a postwar high on Oct. 31, traded at 81.27 yen to the dollar at 9:35 a.m. in Tokyo. The yen has gained 20 percent in the past three years.

Steel Purchase

The new company will continue purchases from Nippon Steel Corp. (5401) and JFE Steel Corp., aiming to win larger price cuts by increasing orders, Mishima said. A global oversupply of ships will drive prices down until 2015, after which sales will probably revive, he said.

Japan's shipbuilding industry will need to consolidate, Kazuaki Kama, chairman of the shipbuilding association and the president of IHI, said on Feb. 21. There are "too many" shipbuilding companies in Japan, even as domestic shipping lines have combined into three large companies and steelmakers have united into two groups, he said.

Nippon Yusen K.K., Mitsui O.S.K. Line Ltd. and Kawasaki Kisen Kaisha Ltd. are the three major Japanese shipping companies, while domestic steelmakers have formed two groups -- one led by Nippon Steel and the other by JFE. Nippon Steel plans to merge with its alliance partner Sumitomo Metal Industries Ltd. in October, creating the world's second-larger steelmaker.

Size Matters

JFE and IHI will each hold 45.93 percent of the new company, while Hitachi Zosen (7004) will take 8.15 percent. The merged entity will "welcome" other Japanese shipyards should they seek to join, Mishima said. The merged group ranks fourth or fifth worldwide, he said in January.

The two units had combined sales of 382 billion yen in the financial year ended March 31. Hyundai Heavy's sales reached 25 trillion won ($22 billion) last year, of which shipbuilding accounted for 38 percent, or 948.7 billion won.

Japan needs to form a shipbuilder with annual sales of about 500 billion to pare costs and speed investment in energy- saving ships, Mishima said March 2, 2011.

South Korean shipbuilders, with combined annual sales of as much as 1 trillion yen, are the main threat to Japanese yards, Mishima told reporters on Jan. 30, when the merger was announced.

Daewoo awarded two rigs

On a regulatory filing request for the market reports regarding new order for Australian oil production facility and Norwegian drilling rig, Daewoo Shipbuilding & Marine Engineering replied, on February 29, "Daewoo is bidding for INPEX' FPSO, but nothing has been decided yet."

Also, "We received a letter of award for two semi-submersible rigs from Songa Offshore on Feb 24 and are now proceeding with negotiation of further details. When we reach agreement, we will finalize the formal contract."

The South Korean shipbuilder revealed that it would make follow-up regulatory filings on both cases in a month or when the details are determined.

Wartsila extends Hyundai license

Wärtsilä, the marine industry's leading solutions provider, and its South Korean partner Hyundai Heavy Industries, Engine and Machinery Division, have signed a ten year extension to their license agreement to build Wärtsilä low-speed engines.

The agreement was signed at a ceremony held on 28 February 2012 in Ulsan and covers the period from 2012 to 2021.

Hyundai Heavy Industries (HHI), a part of the biggest shipbuilding cluster in the world, has through its Engine and Machinery Division been a licensee of Wärtsilä since 1975.

During these 37 years, the total power volume of the Wärtsilä licensed engines built by HHI exceeds 22,800 MW. Under the terms of the newly signed agreement, HHI is licensed to manufacture and sell the full range of Wärtsilä RTA, RT-flex, and X-series low-speed marine diesel engines within its specified territory.

"We are pleased to renew our license agreement with HHI, which is the world's largest marine engine builder and our long-standing business partner in South Korea. With the renewed agreement we have a strong platform for intensifying our fruitful co-operation, and promoting our products to the future generation of ocean-going merchant ships," says Mr Martin Wernli, President, Wärtsilä Switzerland and Vice President, Product Centre 2-stroke.

"At HHI we are happy to sign the renewal of the license agreement and see the smooth continuation of the long-standing business relationship and fruitful co-operation between the two companies. During recent years, Wärtsilä and HHI have expanded their co-operation which, I am convinced, will generate mutual strengths in the coming years," says Mr JH Kim, Sr. Executive Vice President and Chief Operating Officer of HHI Engine and Machinery Division.

Shipping & Business News

Hyundai 13,000TEU delayed

Norwegian boxship owner SinOceanic (Sino) has delayed delivery of a giant boxship newbuilding from South Korea, due to a shortage of financing.

The Chinese-backed company has just raised $100m through a bond issue to part-finance the 13,000-teu MSC Altair at Hyundai Heavy Industries, which it is buying for $155m from ER Schiffahrt, backed by a 15-year charter to MSC.

It was scheduled for delivery on 1 March, but Sino was banking on $61m from a secured loan with support from major shareholder Oceanus International, part of China's HNA Group.

“Sino has not yet been able to arrange such second priority secured loan, and has consequently informed the sellers that it cannot take delivery of MSC Altair this week,” it said.

A sistership, MSC Regulus, is due for delivery from HHI at the end of April.

The first of the series of three containerships, the MSC Vega (built 2012), has been financed by an $80m senior secured loan facility arranged by Deutsche Bank and an $80m subordinated loan backed by Oceanus. It was delivered in January 2012.

Fredriksen shopping with $1bn

John Fredriksen has cashed in $1 billion of his stake in offshore driller Seadrill. Mr. Fredriksen's Hemen Holdings said the sale will allow the Fredriksen Group to have a slightly more diversified investment portfolio, and "will also create liquidity to aggressively pursue investment opportunities in the currently oversupplied market for commodity shipping.

Such opportunities include buying distressed asset companies, ordering newbuildings and seeking opportunities for consolidation."

Seadrill said that Hemen Holding has sold 24 million shares and 24 million seller put options in the company at a combined purchase price of NOK 236.3176 per share and seller put option, and had reduced its holding of shares from 28 percent to 23 percent of the company's issued and outstanding share capital.

Seadrill says Mr. Fredriksen will remain Chairman of Seadrill and is committed to the successful development of Seadrill over the long term.

India cancels Iran oil shipment due to sanctions

India's largest shipping company was forced to cancel an Iranian crude oil shipment last month because its European insurers refused to provide coverage for the vessel because of tightening sanctions against the OPEC member, industry sources said.

The suezmax tanker, Maharaja Agrasen, owned by state-run Shipping Corp of India, was initially booked by refiner Indian Oil Corp. to load Iranian crude oil in mid-February, but could not get the necessary insurance coverage.

The European Union in January announced new sanctions prohibiting European insurers from indemnifying ships that carry Iranian crude and oil products anywhere in the world.

"The European Mutual Protection and Indemnity Club is covering contracts concluded before January 23 on a case-by-case basis up to July 1. They have said they cannot cover contracts finalised after January 23," said a shipping source with direct knowledge of the deal.

"Shipping Corp concluded the fixtures and applied for a cover which was not extended by the European P&I Club," he added, referring to a group of maritime insurers. Two shipbrokers also confirmed the tanker cancellation.

Japan refiners eye force majeure clause for Iran contracts

Japanese buyers of Iran crude may ask Tehran to include a force majeure clause in contracts if they are unable to pay Iran or lift Iranian oil due to lack of insurance cover for tankers under European Union sanctions , industry sources said on Friday.

Some oil refiners are set to demand the clause when they start negotiations for term contracts that start from April to avoid unexpected difficulties in lifting Iranian oil, the sources said.

Japan's main shipping insurer will only be able to provide a fraction of the coverage to tankers transporting Iranian oil under new EU sanctions starting in July, and sources say that Japanese shipping firms would likely find it hard to carry crude from Iran unless the issue is resolved by then.

New Western sanctions imposed on Iran to punish it for its suspected nuclear weapons programme have hampered traders' ability to do business with Tehran.

Japan, Iran's third biggest crude oil customer, is looking to reduce its dependence on the OPEC member due to pressure from the EU and the United States.

Starting in July, European insurers and reinsurers will be prohibited from indemnifying ships carrying Iranian crude and oil products anywhere in the world in line with the sanctions on Tehran.

Although Japan's P&I Club, which provides insurance for shipping companies, does not directly fall under the sanctions regime, it is largely dependent on the European reinsurance market to hedge its risk.

"Shipping firms say it would be difficult to load oil if the insurance is not covered," a source familiar with the matter said.

"We are considering (having such a clause for contracts that start from April). It is not our intention, but it could be a grave risk if we would be forced to pay due to a buyer's fault even if we cannot accept the delivery on insurance reason."

Another source said that a Japanese oil refiner would likely convey the request to state-owned National Iranian Oil Company (NIOC) soon.

"We're thinking of a force majeure clause for not only ships, but insurance and money (payment)," the source said.

EU sanctions prohibited all new contracts to import Iran oil from Jan. 23, but it remains unclear if Japanese shippers would be affected when Japanese buyers sign the contracts for loading from April onwards.

"It's a grey zone," one of the sources said.

The second source said that Japan would approach the EU on the matter.

Although some Japanese buyers have no plans to lift cargoes in April, they have been waiting for formal instructions from the government on their imports.

Japan P&I Club will only be able to provide coverage worth a maximum $8 million per tanker, down from the current $1 billion coverage.

Any reductions would force club members who want to continue to import Iranian oil to obtain additional coverage from outside the Japan P&I Club, possibly in China, Russia or the Middle East.

Japan is in the final talks with Washington to obtain a waiver, which can be granted if there is a significant cut in trade with Iran. Tokyo had already cut its oil imports from Iran by 40 percent during 2007-2011, and is offering to make further cuts.

Japan may cut Iranian crude oil imports by a more-than-expected 20 percent as it seeks a waiver from U.S. sanctions, a newspaper reported last week, a move which would spare its banks from a major blow but also boost its rising fuel import bill.

STX executives promotion

STX Group of South Korea announced its executives promotion on February 29.

Vice President of STX Corporation, Byun Yong-Hee (pictured) has been promoted to President, Executive Director Ryu Jung-Hyung of STX Offshore & Shipbuilding and Director Lee Woong-Hyung of STX to Vice President and Executive Director, respectively.

Also, Vice President Park Sung-Woo of STX Future Institute, Executive Director Cho Won-Yong and Kim Chan of STX and Director Jang Doo-Il of STX Pan Ocean have been newly appointed.