

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 26th April 2013 (Week 17, Report No: 17/13)

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Month of April ends with continued downside risks on freight markets from slower economic growths in main economic engines, eurozone, US and China, and existing vessels' oversupply with financial institutions facing serious threats. According to Fitch Ratings, impaired loans and losses from bank's shipping portfolios are likely to remain high and shipping crisis is likely to last further putting great pressure on the asset quality of banks with large exposure to the shipping sector.

Shipping players are holding their confidence for better returns in vessel earnings and keep their strategy on renewing their fleet either through secondhand purchases or newbuilding orders. The fourth week of April highlights firm investments on bulk carriers' newbuilding arena amid the downward incline of the BDI at the current month, while ongoing interest is hot for secondhand investments. The important of this week that surprised the ship financing scene and investors' strategy was the announcement from HSH Nordbank and the listed Greek player Navios Maritime for a 10 ship purchasing deal. HSH said had cut its exposure to bad shipping loans by persuading struggling debtors to transfer ownership of some vessels to U.S.-listed shipping company Navios and holds plans for similar shipping loans' restructurings.

At the current week, 41 transactions reported worldwide in the secondhand and demolition market, down by 16.3% week-on-week with 13.7% decrease in secondhand purchases and 20% lower scrapping volumes. At similar week in 2012, the total S&P activity was standing 25.45% higher than the current levels, when 55 transactions had been reported and secondhand ship purchasing was 25% higher than the volume of newbuilding orders. This week the highest activity has been recorded in the newbuilding market due to strong volume of bulk carrier and offshore orders. The **weekly number of 83 for newbuilding orders** astonishes as we haven't seen such record highs from the end of 2008. The last record of such firm newbuilding business was reported in mid June for week ending June 15th with 111 new orders reported, 45 for bulkers, 12 for tankers, and 38 for containers.

SECONDHAND MARKET

Navios Maritime announced this morning that it has acquired two secondhand bulkers, a 2006-built Kamsarmax and a 2005-built Panamax, delivering in Q4 2013, and two newbuildings, a Capesize and Supramax, delivering in Q4 2013 and Q1 2014, respectively. The total purchase price was \$108 million and is expected to be funded with 50% debt. In the tanker segment, Oaktree Capital has agreed to purchase five of TORM's MR tankers for about \$135mil. The sale is the result of a commercial lender's option to dispose of the ships in connection with the restructuring agreement.

The fourth week of April ends with tankers grasping the lion share of secondhand purchasing activity due to strong purchases for small tankers, with still no reported activity for crude carriers. In the bulk carrier segment, the S&P activity was low with interesting S&P deals for modern and resale newbuildings with an upward momentum in asset prices. In the kamsarmax segment, 83,000dwt vessel built 2013 China reported sold for about \$25mil, while in December 2012, a Chinese kamsarmax resale had been reported sold for about \$22,5mil.

Overall, 25 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 197.7 mil, while 7 deals reported on private terms. Bulk carriers lost their leading position from tankers holding 20% share of this week's S&P activity against 48% share from tankers. Comparable with previous year, this week's S&P activity is down by 16.6% year-on-year, when 30 vessels induced buyers' interest at a total invested capital of about \$229,71mil with 12 S&P deals in the bulk carrier segment, 6 in the tanker, 2 in the liner and 5 in the container. In terms of invested capital, tanker segment appears as the most overweight



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segment by attracting about 58.4% of the total amount of money invested with an invested capital of about \$115.5mil for 12 total vessel purchases.

NEWBUILDING MARKET

In the **newbuilding market**, April ends with ordering bonanza and strong presence of Chinese yards in the construction of bulk carriers, containers and special projects. Chinese yards reported to have won 13 new contracts for bulk carriers, one small LNG carrier with 30,000cum gas capacity, one general cargo, 2 for post panamax and 3 sub-panamax containers, 3 anchor handling tugs and 10 platform supply vessels. South Korean yards continued strong in the tanker contracting business, 1 aframax, 2 MR products and 2 handysize vessels.

Overall, the week closed with 83 fresh orders reported worldwide at a total deadweight of 1,849,400 tons, posting 207% week-on-week increase from previous week, with bulk carriers holding 24% share of the total volume of new orders, tankers 14%, containers 16% and special projects 43%. This week's total newbuilding business is 71% down from similar week's closing in 2012, when 24 fresh orders had been reported, 3 for bulkers, 4 for tankers, 10 for containers, 1 car carrier and 6 for special projects. In terms of invested capital, it is difficult to estimate with accuracy the total amount of money invested as 61 newbuilding contracts reported at an undisclosed contract price. A hefty amount of money is invested in the bulk carrier and offshore segments with 20 and 36 new orders respectively.

In the **bulk carrier** segment, Chinese shipbuilder Jiangsu Hantong Ship HI has signed newbuilding contracts with Germany's Peter Dohle for three 38,800dwt bulkers, with options for another two, for delivery in the second quarter of 2015. In addition, Navarone S.A. of Greece ordered two 35,000dwt vessels at Yangfan Group of China at a price undisclosed for delivery in 2014.

Chinese yards won also significant business for very large ore capesizes. CSSC Guangzhou Longxue Shipbuilding and CSIC Bohai Shipbuilding HI have reportedly signed a letter of intent with Singapore's Berge Bulk for up to eight very large ore carriers of 250,000dwt with two options each for delivery in 2014-2015 at a newbuilding cost of about \$57-\$58mil each. In addition, Chinese player Henghou Industrial Investment signed a letter of intent for the construction of a 250,000dwt vessel at Guangzhou Longxue Shipbuilding for delivery in 2015.

In the kamsarmax segment, U-Ming Marine Trans of Taiwan placed an order for two 83,000dwt vessels at Oshima of Japan, as an option exercised, for delivery in 2015 at a newbuilding cost of about \$33,8mil.

In the ultramax segment, Norwegian owner Grieg Star placed an order for two 63,500dwt vessels at a price slightly below \$26mil, with an option for two more and scheduled delivery in 2015.

In last, Taiwanese shipowner Wisdom Marine said it has ordered three bulkers and obtained financing from six Taiwanese banks for \$178.5M to order six more, bringing its total ships ordered to nine. The initial three orders are for a 55,000dwt bulker from Kawasaki HI and two 34,000dwt bulkers from Namura. Delivery of the vessel built at Kawasaki HI is scheduled for 2015 at a cost of about \$27M and those built at Namura are scheduled from 2016 at a newbuilding cost of about \$23M each. The remaining six bulkers for order are a panamax bulker 74,700dwt, two 82,000dwt Kamsarmaxes and three 60,000dwt Supramaxes, which will be built at Sasebo HI, Tsuneishi Shipbuilding and Oshima Shipbuilding, with delivery up to the end of 2015.

In the **tanker** segment, Scorpio Tankers exercised its option for the construction of two more 37,000dwt vessels at Hyundai Mipo Dockyard with delivery in 2014. In addition, Dong-A Tankers exercised its option for two more MR vessels 50,000dwt at Hyundai Mipo for about \$32mil each with delivery in early 2015. In the aframax segment, Densa Shipping of Turkey ordered one 106,000dwt vessel at Hyundai Heavy Industries for delivery in 2015.

In the **gas tanker** segment, Chinese yard Ningbo Xinle Shipbuilding has won an order for the first dual-fuel 30,000m³ LNG carrier in China, from domestic ship owner PetroChina with delivery in March 2015.

In the **container** segment, China Shipping Group is reportedly to have placed an order for the construction of two 10,000TEU boxships at China Shipping Ind. Corp. at an undisclosed contract price with delivery in 2015.

In the sub-panamax segment, Chinese shipbuilder Guangzhou Wenchong said it won orders from a US owner for three 2,500teu boxships. The 35,000dwt newbuildings will have a length of 195m, beam 32.2m and depth 17m. Delivery schedules and financial

details have not been disclosed. In the handy segment, Dong-A Oil Tanker of South Korea ordered two 1,300TEU vessels for delivery in 2014 at an undisclosed contract price.

In the small feeder segment, Bangladeshi shipyard Western Marine said it has clinched a newbuilding contract for two box ships at \$3.2M per vessel. The two 160teu vessels, commissioned by Neepa Paribahan and Mir & Islam Enterprise, will operate from Chittagong's port to Pangaon Inland Container Terminal.

In the **offshore** segment, the number of new orders reported this week for the construction of various types of support vessels is the highest weekly number of new orders reported since the beginning of the year. Significant volume of business came from Brazilian Petrobras signing contracts for 23 support vessels as part of its renewal plan for offshore support vessels. The Brazilian owner intends to continue its fleet renewal plan in July this year with orders for another 24 offshore support vessels, thus fulfilling the 2014 contracted target of 146 to be built in Brazil. In addition, Malaysia's Nam Cheong and Singapore's MK Marine placed an order for the construction of 10 platform supply vessels at Xiamen Shipbuilding Industry of China.

DEMOLITION MARKET

In the **demolition** market, India remains the strongest with Pakistan competing strong with Alang breakers at its levels offered, while Bangladesh has returned more aggressive in April with expectations for a firm position in ship breaking activities. Ship breakers in Pakistan and Bangladesh are expected to show more appetite before the upcoming budgets in mid-May. China remains silent after acquiring strong volume of disposals during the first two months of the year.

Benchmark prices are now \$410-\$410/ldt for dry, which is \$10-\$15/ldt more than levels offered at end-March, and \$440-\$445/ldt for wet cargo in India/Pakistan region. In Bangladesh, benchmark prices are \$405/ldt for dry, \$5/ldt more than end-March and \$430/ldt for wet cargo. In China, prices stay low at \$360/ldt for dry and \$370/ldt for wet cargo, \$5/ldt less than a week ago for dry and \$15/ldt less for wet cargo, with almost non activity in the region. Interesting demolition transactions are reported in India with a full spares bulker M/V "SAPPHIRE II" 6,598ldt built 1978 obtaining \$440/ldt and container M/V "FRANCISCA SHULTE" 7,273ldt built 1998 achieving a very firm price of \$445/ldt "asis" Salalah.

The week ended with 16 vessels reported to have been headed to the scrap yards of total deadweight 679,514 tons. In terms of the reported number of transactions, the demolition activity has been marked 20% decrease from previous week, showing 50% weekly increase in the bulk carrier segment with 20% and 80% lower vessel disposals in the tanker and container sectors respectively. In terms of deadweight sent for scrap, there has been 55% weekly decrease with India winning 5 of the 16 total demolition transactions, 6 disposals reported at an undisclosed destination.

At a similar week in 2012, demolition activity was up by 56%, in terms of the reported number of transactions, 25 vessels had been reported for scrap of total deadweight 1,384,181 tons with bulk carriers winning 48% share of the total demolition transactions. India and Bangladesh had been offering \$450-\$470/ldt for dry and \$490/ldt for wet cargo.

GREEK PRESENCE

Even the record high of newbuilding business this week, Greek owners appeared very silent with the placement of only contract in the bulk carrier segment. Navarone S.A. is reported to have placed an order for two 35,000dwt vessels at Yangfan Group of China for delivery in 2014. In the secondhand market, Greek owners showed their presence only in the bulk carrier segment with the purchase of two kamsarmax newbuilding resales for about \$25mil each.