

LOGISTICS

With ship prices sinking, Apeejay Shipping eyes buys

Company bought two bulk carriers, looking at Panamax vessels

Amit Mitra

Hyderabad, Dec. 5

Apeejay Shipping is on an acquisition spree, as ship prices have sunk in the wake of the persisting slump in the global freight market.

Last few months have seen shipping companies the world over place orders for new and second-hand ships, with asset prices just beginning to claw up from their record lows. Though prices in the second-hand market have inched up from their earlier lows, ship owners are still finding them attractive.

Part of the Apeejay Surrendra Group, the company has just bought two 75,000 DWT bulk carriers from the Japanese and Chinese markets for about \$20 million, the second one joining its fleet this month.

It is now looking for another Panamax carrier.

"We will pick up a Panamax carrier as soon as we see a good buy. I think it is still a great time to buy (ships)," Karan Paul, Chairman, told *Business Line*.

With the two acquisitions, its fleet strength stands at eight, with an average age of 11 years, all carrying dry bulk cargoes such as coal and iron ore.

SECOND-HAND MARKET

Paul agrees that ship prices in the second-hand market have risen by about 50 per cent from their lows in the first quarter, while the rise in the new building sector is about 10-15 per cent.

Today, prices of a new-build panamax are hovering at



Karan Paul

less than \$30 million, while a five- and ten-year-old asset of the same class could be got for \$23 million and \$17 million respectively.

Indian companies, including Great Eastern, Mercator

and Aegis, have bought at least four bulk carriers and five tankers in the last 10-11 months, with the lowest prices ranging from \$7.5 million for a bulk carrier (Apeejay) and \$10 for a tanker (Arya

Voyagers). Encouraged by these trends, Apeejay is now eyeing an entry into the tanker and dredging markets.

ENTERING TANKERS

"We see particularly bright opportunities in the domestic dredging market, with the older ports needing to deepen their drafts to accommodate larger vessels. We will first make a small entry and then scale up," Paul said.

He sees the bulk freight rates, which plumbed lows of 700-800 index levels in the first half of the fiscal, rising further in the second half.

"The bulk index is currently at 2000 levels. I feel the worst is over and next fiscal should get us better rates in this segment," he said.

amitmitra@thehindu.co.in