Cash buyers bank on pick up in Bangladesh shipbreaking activity

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- by Brian Reyes
- Back to Lloyd's List Asia

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Chittagong demolition yards have until October 12 to import vessels before regulations are reviewed

Chittagong yards have so far remained subdued. Picture: Bloomberg

CASH buyers purchased a brace of ships at bullish rates well above local prices last week, prompting further speculation of a sharp recovery in the demolition market in the short term.

The buyers appear to be banking that Bangladeshi breakers will renew activity and push rates north across the Indian subcontinent.

But Chittagong yards have so far remained subdued, preferring instead to clear the backlog of earlier purchases despite the end of the holiday period and the monsoon.

Brokers in Bangladesh have a green light to import ships until October 12, the deadline when the court-imposed ban will be reviewed.

With only two beaching tidies available between now and then, some cash buyers are betting on a flurry of activity and prompt purchases.

US-based cash buyer GMS said that in the absence of Bangladesh, benchmark demolition rates that eased in the middle of the summer had yet to recover.

Tankers were fetching around $530 per ldt for delivery to Chittagong, while prices for dry tonnage were in the region of $505 per ldt. Rates in India and Pakistan lagged behind by $5 and $15 per ldt respectively.

Recent sales show however that some owners of choice vessels can obtain a premium, particularly given the expectation of improved sentiment in the coming weeks. Such is the case for owners of well-kept ships with a high steel content, or those carrying bunkers or spares.

**BANGLADESH DEMOLITION RATES**

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<th>Price per ldt</th>
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<th>Feb</th>
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**CHINA DEMOLITION RATES**

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Sources: Global Marketing Systems
Two recent sales illustrate the point.

The 1981-built, 5,747 ldt bulk carrier *Hong Shun Men*, operated by Josco Yuansheng Shipping, was reported sold for delivery to India at the rate of $517 per ldt, or just under $3m, while the 1978-built, 5,185 ldt general cargo ship *Union Carrie*, operated by Tranglory Shipping, was reported sold for delivery to an Indian breaker at the rate of $530 per ldt, or just over $2.7m.

"Both prices in fact seem to indicate speculative cash buyer moves since...there was a definite disconnect between cash buyer offers and local market prices," said GMS.

"Nevertheless, if Bangladesh moves positively ahead of its impending market closure, expect Indian prices to follow closely, especially given the end of the monsoon season and the relative fullness that has been evident in market prices and deals over August."

London-based Clarkson Research Services offered a similar analysis on the gap between cash buyer offers and rates on offer from breakers. It cautioned though that there was a risk that deals could fall through or prices renegotiated down on arrival.

"India remains the most pro-active recycling destination but there seems to be some conflict between the price levels on offer from some cash buyers and those from the breakers, proving that some buyers are still willing to gamble and speculate on the future Indian market," Clarkson said.

"Time will tell if those brave intermediary buyers are making the right decision, as we do understand several vessels previously concluded at the higher rates remain unsold."

Pakistani breakers remained off the radar for yet another week, offering rates that struggled to compete with those available in rival countries in the Indian subcontinent.

The looming import deadline in Bangladesh could result in some tonnage heading that way in the coming weeks, however, particularly large tankers of the sort highly prized by Gadani breakers.

"With Ramadan now over and the Bangladeshi market set to close again mid October, Pakistan buyers may be expecting more tonnage to arrive on their plate in the near future," GMS said.

"But with numbers and sentiment currently as they are, it is not worth taking anything for granted."

In the Far East, rates continued to drag well below prices in the Indian subcontinent, with wet tonnage fetching in the region of $485 per ldt, some $65 per ldt behind Bangladesh prices.

That means only locally-placed vessels are likely to be sold for demolition in Chinese yards.

Such was the case of the 1977-built, 6,718 ldt bulk carrier *Fu Jin*, operated by Pacific King Shipmanagement and reported sold to a North China yard for $460 per ldt, or $3m.

The 1983-built, 10,291 ldt bulker *Kadmos*, operated by Nikator Navigation, was also reported sold for demolition, though trading was still a possibility. The ship fetched a higher rate of $498 per ldt, or $5.1m, as is Liaoyangang, partly due to 500 tonnes of bunkers on board.

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