Lloyd’s List

GMS forecasts ‘repercussions’ as glut of scrap tonnage waits at India

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- by Hal Brown
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Cash buyers said 40 vessels, which they bought to sell to breakers, are arriving in India for demolition each month, but only 20 Indian buyers are able to take the vessels for demolition at the yards, resulting in the vessels waiting at anchor.

US cash buyer GMS said last week was “fraught with falls and further repercussions ahead”.

GMS, a market leader in the buying of vessels for the demolition sector, acknowledged there were positives on the horizon, with the possible reopening of Bangladeshi yards and China’s continued resurgence in the demolition industry.

Demolition rates for dry bulk carriers in India have fallen from $500 per ldt to around $480 per ldt, according to shipbroker Galbraith’s, with broker reports showing that the 1984-built, 20,967 ldt bulk carrier Santa Esperanza, was sold by Singapore Star Shipping to Indian breakers for $480 per ldt, or $10m.

The 1990-built, 15,369 ldt tanker Faisal sold to Indian breakers for $515 per ldt ($7.9m), and the 1986-built, 11,128 ldt ro-ro vessel Campania Express sold to India for $518 per ldt ($5.7m).

Although prices have dropped, India is still leading the pack in the demolition business, with one Greek broker reporting 12 vessels of all types, out of a total of 14, scrapped in India last week.

China’s prices paid for vessels are now matching India’s level. A Chinese breaker paid $510 per ldt for the 1981-built, 9,855 ldt combined chemical and oil tanker Champion Adriatic sold by Norway’s Champion Tankers, netting $5m.

GMS hailed China as the “market of the moment”, with many owners considering whether they should be repositioning their vessels to take advantage of rising Chinese scrap prices.

The adjustment in Indian prices led one London broker to conclude that India’s previously escalating demolition rates were driven by speculative cash buyers and not by fundamental economics.

India needs time to digest the high number of vessels already taken and waiting, before bidding high once again, said GMS. However, the re-opening of Bangladeshi yards would reduce some of that oversupply and go some way to improving Indian and Pakistani rates.

Shipbreaking yards have been closed in Bangladesh for nearly a year, after a series of serious accidents.

Although Indian scrap prices have weakened, there has been a 16% week-on-week increase in the reported number of transactions, said one Greek broker.

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