Pakistan breakers buy third VLCC

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Chittagong yard takes Titan VLCC as Indian and Bangladeshi demand remains sluggish

Pakistan has become the destination of choice for large tankers.

PAKISTAN has secured the third very large crude carrier to be sold for demolition in as many weeks, despite softening demand across all markets in the face of a relentless supply of vintage tonnage.

The sale came as well-stocked Indian yards eased off from their frenetic buying spree of recent weeks and rivals in Bangladesh awaited formal notification from the High Court allowing them to renew scrap vessel imports.

Rates remain above the $500-per-Idt level for both dry and wet vessels across the Indian subcontinent, but there are signs that they may drift southward in the coming days.

Pakistan has now become the destination of choice for large tankers, largely because of less restrictive requirements in place there compared to India and Bangladesh.

"[The reason] is fairly elementary given the fact that incoming vessels only need a gas-free for man entry certificate as opposed to the hot works requirement now prevalent in both India and Bangladesh," said US-based cash buyer GMS in its weekly demolition report.

Reports emerged last week that Titan Maritime's 1986-built, 36,305 Idt VLCC Titan Scorpio had been sold to a Pakistani buyer for $520 per Idt, or nearly $18.9m.

It followed the sale of two other VLCCs — Tulin and D Elephant — for demolition in Gadani in the last few weeks.

Two bulk carriers were also reported sold for delivery to Pakistan at decent prices.

The 1977-built, 6,684 Idt Island Star, operated by Reemerge Maritime, was reported sold for $507 per Idt, or nearly $3.4m, while Seabrans' 1977-built, 10,883 Idt Mchalek's was reported sold for $530 per Idt, or nearly $5.8m.

In India, which has led the demolition market for over a year, demand was slower than in previous weeks.

"The first cracks started to appear this week as some softening in prices and a dulling of demand became apparent in a market that has been recently stretched to the breaking point, with a huge number of deals concluded at phenomenal levels," GMS said.

Part of the reason for this is that Indian yards have stacked up on significant tonnage and are now facing stiffer competition from Bangladesh and Pakistan.

The onset of the monsoon rains has also dampened interest in new purchases, with most buyers now content to cherry pick the choicest vessels touted for scrap.

"The volume of tonnage being circulated into the market is virtually non-stop and is reaching the point at which breakers can now pick and choose their preferred unit," said London-based Clarkson Research Services.

"This obviously will not benefit owners in the long term as current rates are likely to face pressure.

"The cautious approach now being adopted for Bangladesh may encourage some price correction southwards in the near term.

"However, it is not expected to be anything too substantial."

None of this has so far translated into a significant drop in Alang prices, however, as recent sales indicate.

They include the 1983-built, 6,929 Idt general cargo ship Elenora, operated by G Bulk and reported sold to an Indian buyer for $545 per Idt, or just over $3.7m. In another sale, the Shipping Corporation of Saudi Arabia's 1979-built, 7,911 Idt cargo ship Mazin Arad was reported sold to a buyer in Alang for $532 per Idt, or $4.2m.

Fedcom shipping was also reported to have sold its 1979-built, 11,708 Idt bulk carrier Agios Verholomeos for demolition in India at the rate of $509 per Idt, or just over $5.9m.

The top rate of the week was paid for a specialist vessel of the type that has long attracted the interest of Indian breakers.

Norgas Carriers was reported to have sold its 1981-built, 4,703 Idt liquefied petroleum gas carrier Norgas Trader for $700 per Idt, or $3.3m. The vessel, sold on an 'as is' basis in Singapore, fetched a premium price because of a quantity of nickel on board.

Over in Bangladesh, buyers appear in no rush to go on a buying spree and have yet to collect the court order allowing them to resume vessel imports. Having already secured a number of ships since the Chittagong market reopened, they now have until July to stock up on tonnage.

In the only recent sale reported for Bangladesh, the 1987-built, 22,978 Idt bulk carrier Apollo Star, operated by Sea Star Ships, was said to have been sold on an 'as is' basis in Singapore for $500 per Idt, or just under $11.5m. The ship is likely destined for delivery to Chittagong for demolition.

Yards in China followed the same trend of recent months and picked at tonnage opening up in the region, securing new vessels despite rates that are $50 per Idt below those on offer in the Indian subcontinent.

In a recent such sale, SMT Shipmanagements's 1974-built, 10,803 Idt handysize bulk carrier Hato was reported sold for $462 per Idt, or just under $5m.