

TTA aims to double fleet size

US\$320m outlay to ready for rebound

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Thoresen Thai Agencies (TTA), the country's largest dry-bulk shipper, is likely to witness a slight decline in revenue and net profit in the second half of this year compared to the same period last year in line with a sluggish global economy.

However, it is confident that next year will see an improvement with the rise of offshore drilling services as its new key income growth, as well as a turnaround in the shipping business, said president and CEO M.L. Chandchutha Chandratat.

TTA is a holding company that invests in three major businesses: dry-bulk shipping, energy with offshore oil and gas drilling, and logistics and coal distribution business.

These businesses contribute equally to the company.

However, all three businesses have been declining since the second quarter ending in June, and are expected to further decline into the fourth quarter, so he projects slow growth throughout December.

Baltic Dry Index (BDI), a measure of shipping costs for dry-bulk commodities, recently rebounded from a 25-year low of 647 during the Chinese New Year in February to around 1,150 as of last week, while energy losses on highly volatile oil prices and the coal business have faced higher-than-expected costs due to environmental management.

However, he reassured that TTA's financial status remains healthy, with cash on hand of around 5 billion baht. Cash from operations in the first half was around 900 million baht.

"We took the opportunity during the

global crisis to buy cheap vessels. If the price is below US\$20 million for a five-year-old vessel, it will be considered. At that level, it is much cheaper than what we saw in the past 2-3 years, at around \$34-35 million," he said.



Claxton: Supply and demand against us

TTA aims to nearly double its fleet to 30 ships from currently 16 by 2015, said Ian C. Claxton, managing director of TTA's Singapore unit, Thoresen & Co (Bangkok) and Thoresen Shipping Singapore Pte.

Total cost is US\$320 million to serve a projected recovery of the global shipping industry next year.

The cost of newly built ships has come down significantly after orders made during the industry's boom since 2007 and shipyards in China are nearly empty.

For the fleet expansion, some \$160 million will be raised by bank loans and the rest coming from capital injection, the details of which have not yet finalised, said Mr Claxton.

"The supply and demand equation in 2012 is working against us and the fleet is still coming but will be less in 2013," said Mr Claxton.

The significant rebound could prompt TSS to report a time-charter (TC) rate of \$12,000 to \$13,000 for the whole fiscal year 2012 starting in October. To date, TC rate has improved from the low point of \$6,700 per ship to the current \$13,500, resulting in additional profitability of \$38 million, he added.

Despite the ongoing European debt crisis, Mr Claxton said the world's gross domestic product is expected to expand by 3.7% this year, which will drive international trade by 6-8% this year and in 2013. Greece accounts for only 3-4% of the GDP of the EU.

Dry-bulk commodities, which TSS carries, have continued to surge in demand. Grains, for example, have seen an increase of 4-5% a year.

Shares of TTA closed unchanged yesterday on the SET at 16.20 baht in trade worth 50 million baht.