

Thoresen dry bulk arm builds for future

Supramax dry bulk player took delivery of its 24th ship this week, with the \$22.1m acquisition the latest in a long line of purchases as it prepares for a potential market upturn

Jonathan Boonzaier **Singapore**

Thoresen Shipping, the dry-bulk arm of Bangkok-based shipowner Thoresen Thai Agencies, has been on something of a buying binge lately.

Less than a decade ago, the company was best known for its fleet of elderly tweendeckers that operated semi-liner services with a strong Asian focus.

Since then, it has sold off the tweendeckers and reinvented itself as a global dry bulk player specialising in supramaxes.

TradeWinds sat down with Thoresen managing director Ian Claxton in Singapore this week, moments after concluding its latest purchase deal — the 56,000-dwt supramax *Orient Rose* (built 2006). The ship, which will trade in the Thoresen fleet under the name *Thor Monadic*, is by no means the last ship he hopes to acquire before the year is out.

This week, the company also conducted an inspection of the Grace Ocean Investment-owned

supramax *Bright Moon* (built 2007). Suggestions in broking reports this week indicating that Thoresen had already purchased the 56,000-dwt ship for \$20m appeared to amuse Claxton. “We only inspected the ship this week. I have yet to receive the inspection report. The ship is not even open for bids yet, so no, we have not bought it. But, if it is available for \$20m, as brokers suggest, I will be very happy,” he said.

Since moving into supramaxes, Thoresen has rapidly built its owned fleet to 24 units and has another 20 chartered in. The company is keen to get its hands on more ships before a market upturn, which Claxton believes will be on the cards sooner rather than later.

While Thoresen’s owned ships might not be raking in huge amounts of cash at the low rates supramaxes are currently earning, he says he is quite happy with that because the low earnings mean a cap on asset values. This is good for an owner with a voracious appetite for more ships.



► **IAN CLAXTON:** Thoresen Shipping managing director.

Photo: JONATHAN BOONZAIER

“The low market is keeping the buying window open for a bit longer,” said Claxton.

The company is wasting no time taking advantage of that window. With the *Orient Rose* deal done and dusted, Thoresen is already inspecting more ships such as the *Bright Moon*.

He shows a preference for supramaxes of around eight years of age. Claxton explains that it is difficult to get financing for anything built over 10 years ago, despite there being a large amount of older tonnage being circulated for sale.

Potential purchases should

ideally have been built in Japan, South Korea and the Philippines, as he is not interested in Chinese-built ships.

“I had an open mind about Chinese-built ships three years ago but after inspecting a few I decided not to bother with them,” Claxton said. He adds that inspections revealed the Chinese-built supramaxes had not aged well.

As an example of the problems when inspecting seven-year-old Chinese-built bulkers, he says the condition of the coatings in the ballast tanks bore no resemblance to the coatings on Japanese, Ko-

rean and Philippines-built ships. Claxton says these ships may be available at a discount but owners’ expenses on them are between \$300 and \$500 more per day on the technical side alone.

He is not willing to disclose the exact number of vessels Thoresen intends to acquire over the course of the year. Claxton says it depends on the availability of good quality ships at an appropriate price.

He says Thoresen has the financial ability to bring its owned fleet up to 30 vessels before the year is out, should it find appropriate ships at a suitable price.

Growing global network with MidEast likely

A move into the Atlantic basin spurred the creation of the Copenhagen office, while new trades to and from West Africa pushed the company into Cape Town

Since reinventing itself as a supramax dry bulk player, Thoresen Shipping has expanded from its traditional Asian backyard to become a global player.

The bulk of its fleet is more likely to be found outside of Asia, with the company rushing to open new offices around the world in order to keep in close contact with its clients.

When TradeWinds last sat down with Thoresen three years ago, the company was in the process of shifting ships into the Atlantic basin, where it believed there was more market potential.

Managing director Ian Claxton says the decision has proven to be a good one, and today at least half of its ships are trading there.

“There is a perception in the market that it is more expensive to operate in the Atlantic but this really isn’t the case. Any higher operating costs are offset by the savings on bunker fuel. Bunkers cost a lot less in Rotterdam than they do in Singapore,” he said.

Overall, Claxton notes that vessel earnings in the Atlantic are between 7% and 17% higher than in the Asia/Pacific region.

To keep in close contact with its Atlantic customers, Thoresen opened an office in Copenhagen last year, its first outside of Asia. The office opened with two employees but business was so brisk it hired another two staff and now even charters-in tonnage to meet market requirements.

Apart from the traditional supramax playgrounds of the Atlantic and Asia/Pacific, he notes that new trades to and from West Africa are beginning to prove extremely lucrative. This is turning out to be a two-way trade that is largely being driven by China, which is investing in a lot of infrastructure while at the same time buying up as much of the region’s resources it can get its hands on.

“West African outbound cargoes can go either to Asia or into the Atlantic. This is good for us as it allows us to position Atlantic-based ships to Asia for drydocking as and when necessary,” said Claxton.

Thoresen has opened a new office in the South African city of Cape Town as a result of this



► **THE THOR BREEZE:** The 53,506-dwt bulker built in 2013.

Photo: THORESEN

growth in the West African trades.

The company plans to add more global offices, with the Middle East, which has steadily been growing cement cargo volumes, being the next likely place and South America also on the cards.

He also points out that rates in

the Asia/Pacific region have been low since Indonesia implemented its ban on unprocessed mineral ores in March. Nickel ore and bauxite cargoes have disappeared from the market and are unlikely to return until China gets through its stockpiles. But the trades in these minerals to China are ex-

RETROFITS AND MAINTENANCE KEEPING COSTS DOWN

When it comes to debating the merits of the new generation of eco-ships, Thoresen Shipping managing director Ian Claxton firmly believes they are over-rated and unproven, and that retrofitting existing tonnage can bring in nearly the same amount of fuel savings at a fraction of the cost.

Thoresen, the dry bulk division of Thoresen Thai Agencies, has

made considerable investment in retrofitting its ships with energy saving devices ranging from Becker Mewis Ducts to Alpha Lubrication systems and trim optimisation systems.

According to Claxton, these have all proven successful, especially the Alpha Lubrication System, which has resulted in big savings in lubrication oil consumption.

He notes that a secondary effect of the controlled release of lubrication oil into the main engine has been the reduction of blockage in piston rings, which has resulted in less maintenance and better speed performance.

Becker Mewis Ducts fitted to two recently acquired Vinashin new-building resales and the vessels have reduced their fuel consumption by about 6%, but Claxton

points out this system cannot be fitted to all ships due to variations in hull design.

Thoresen is described by Claxton as being a low-cost operator. Its supramax bulker operating costs of around \$3,000 per day are far lower than what he claims is the industry average of \$4,500 per day.

Claxton attributes the company's lower operating costs to constant

ongoing maintenance programmes onboard the ships, which results in big savings in work and time when it comes to drydockings.

In addition, Claxton claims that this high attention to maintenance, combined with better crew training and younger ships, has resulted in large discounts on Thoresen's insurance premiums as the company has not put in a hull claim in over three years.

TRADITIONAL FINANCING FUNDS FLEET

Funding its large fleet has at times proven challenging for Thoresen Shipping but after sounding out various popular alternatives, it chose to go the traditional route.

Managing director Ian Claxton tells TradeWinds the company explored everything from private equity to an initial public offering.

In the end, it settled on a traditional rights issue that raised THB 3.96bn (\$133m) in March.

Claxton says this has put it in a better position to get bank financing. "We can now go to the banks and say we've done our part, now it is time for you to do yours," he said.

Claxton does not hide the fact that he is unimpressed with the large-scale investments private equity has been making in shipping, and this is why the company did not turn to private equity funding.

He describes private equity investors as having no understanding of shipping and its cyclical nature. "Their thinking is very short term and they don't really understand what we are about," said Claxton.

"All they have done is given access to free cash to some irresponsible owners who have created an orderbook that is far too big".

He believes private-equity-backed owners will have a tough time running their expensive eco-ships profitably through the next down cycle.

next stop

pected to re-emerge in a very different form.

Nickel ore stockpiles are expected to be depleted by September. The Philippines, the closest potential supplier, will at that time be hit by the seasonal monsoon, which all but shuts down its nickel mining industry for the duration. Therefore, Claxton expects China will be sourcing its nickel ore in either Canada or Mozambique, which will result in substantially longer hauls for bulkers.

On the other hand, bauxite stockpiles are not expected to run low until the second quarter of next year but when they do, China is expected to look to Australia as a replacement source.

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