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Jinhai Heavy Industry sparks talk of listing with move to smart manufacturing

by Cichen Shen

HNA-owned shipbuilder says it wants to switch into industrial robots, smart cars and photovoltaic power generation

Jinhai's new brand reflects the company's attempt to advance into new business areas as the shipbuilding industry struggles.

Source: Jinhai

JINHAI Heavy Industry, a shipyard owned by China's HNA Group, has changed its name to Jinhai Intelligent Manufacturing — a new brand that reflects the company's attempt to advance into new business areas amid a struggling shipbuilding industry.

But industry observers in China suggested the expansion plan could serve yet another marketing drive for Jinhai to seek a listing status in Shanghai or Shenzhen, an attempt revealed by the shipbuilder in a road show last year.

Apart from turning Jinhai into a smart shipbuilder, the new sectors unveiled in a statement on Monday include manufacturing of "marine intelligent systems, industrial robots, smart cars, aircraft & aerospace planes, and photovoltaic power generation".

When approached by Lloyd's List, an NHA official said part of the expansion would be supported by existing businesses of the parent conglomerate, which also controls Hainan Airline and has been promoting its newly-established technology sector — HNA Technology — following a recent restructuring.

But some areas, such as car making, still seem quite unfamiliar even for HNA, whose vast portfolios span across logistics, tourism, real estate, banking and media.

Shipbuilding and analyst sources in China said the concept of smart manufacturing could paint a nicer picture for investors amid a widely-reported shipbuilding downturn, as Jinhai is known to have been mulling over a stock listing — either via initial public offerings or back-door listing — for a while.

Also, HNA will probably choose to inject some of its quality assets into the subsidiary to boost the latter's profitability, in order to meet China's listing requirements, said one Shanghai-based analyst.

While as a private company Jinhai does not publish its financial results, the harsh market conditions in recent years can have done little to bolster its performance.

Jinhai was said to be planning a stock listing earlier this year, when the shipyard was trying to build up its backlog by contracting new orders at lower-than-average prices.

For example, in February the company inked two 208,000 dwt dry bulkers for less than $40m apiece with Greek owner Chartworld Shipping. Brokers also said that it signed a letter of intent with South Korean owner Sinokor Merchant Marine for four capesizes plus options for 16 more in March, with each ship priced at about $38m, but no firm order has been subsequently reported.

A Jinhai official declined to comment on the listing talks, saying details of the expansion were still being planned. But the official added that the “smart shipyard” project alone required an investment of Yuan3bn ($450m).

As part of the smart shipbuilding efforts, in June HNA Technology teamed up with several partners, including the American Bureau of Shipping, China Classification Society, Hudong Zhonghua Shipbuilding and Wärtsilä China, to establish the Unmanned Cargo Ship Development Alliance in Shanghai.

“Transformation and industrial upgrade is the main purpose [of our business expansion].” said the Jinhai official.

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V.Group takes over Graig's shipmanagement arm

by Wei Zhe Tan

@ShipShape2003 | WeiZhe.Tan@informa.com

Move aims to strengthen shipmanagement capabilities for dry bulk vessels

From left: Alasdair Evitt, V.Group's group director, ship management east, with the Graig chief executive Hugh Williams.

V.GROUP has announced the acquisition of Graig Ship Management from Graig Shipping as the Norway-based ship management firm seeks to ramp up its vessel management capabilities in the dry bulk segment.

Graig Shipping decided on the move in order to concentrate on its core business of establishing, funding and implementing shipping investment opportunities and arrangements either on its own or via partnerships.

As part of the deal, V.Group will continue to have Graig Ship Management operating with autonomy within its portfolio of assets, and tap on the its network of western shipowners, banks and institutional investors to provide boutique and risk-managed vessel services.

Both V.Group and Graig Shipping will then jointly offer shipping services which include investment, ownership, vessel management and supervision.

V.Group appointments have a distinct taste of Danish blue

By Richard Clayton
Former Maersk executives take lead roles at shipmanager
Read the full article here

“As the industry continues to develop, scale will be critical to underpin ever more efficient service delivery for customers and to enable the technology investments required to drive a step change in outcomes for our customers," said V.Group interim chief executive Hanne Sorensen.

"Operating within the V.Group portfolio, we will be supported by the global footprint, the scale and investment needed to continue to provide an enhanced service to our customers while retaining our core values," said Graig Shipping chief executive Hugh Williams.

"Graig Ship Management’s fleets already benefit from V.Group’s class-leading vessel management system, Shipsure, and there is good alignment on values and culture between the two companies, which will ensure continuity of service for our existing and new clients. The transaction also offers significant long term potential for Graig Shipping PLC to co-operate in a mutually beneficial partnership under the new ownership and strategy being formulated at V.Group and Advent International.”

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BHP books first online coal cargo

by Inderpreet Walia

@w_inderpreet | Inderpreet.walia@informa.com

The move would complement its earlier web-based freight portal for transporting iron ore

BHP Billiton conducted its inaugural online coal charter auction last week to carry a freight from Australia to China.

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Alliance reshuffles benefit Hamburg

by James Baker

@JamesBakerCI | james.baker@informa.com

Improving Asia and Baltic trade boosts bottom line

HHLA says Hamburg's popularity as a destination has helped first-half revenues rise nearly 9%.

HAMBURG terminal and intermodal operator Hamburg Hafen und Logistics says it has been one of the winners in the shake-up of container line alliance reshuffles and that Hamburg's popularity as a destination has helped revenues grow nearly 9% in the first half of the year.

The group saw its earnings before interest and tax rise nearly 50% to €98.8m ($166.7m) on revenues of €622.8m as throughput rose 12% to 3.6m teu.

"Following the reorganisation of the alliances of the shipping companies, HHLA managed to maintain its strong position in contested market environments," said HHLA chairwoman Angela Titzrath. "We are not just benefiting from ongoing positive economic developments in the world and in Germany; we are also profiting from our own service capability. HHLA took timely steps to prepare for this upswing by making targeted investments in our facilities."

Growth was primarily driven by a recovery on Asian routes, which rose 16.1% and significant increase in feeder traffic with the Baltic Sea ports, up 22.4%. Container throughput at the company's terminal in Odessa also developed positively in the first half of 2017 to 145,000 teu.

HHLA's intermodal companies also reported growth, increasing transport volumes to more than 744,000 teu. Rail transport rose by 5.9% to more than 568,000 teu while road transport also developed, growing 11.8% to more than 176,000 teu as a result of strong freight volumes in the metropolitan area of Hamburg.

HHLA's executive board has updated its forecast for the 2017 financial year in view of the positive developments in the container segment and the "persistently upbeat" economic outlook. It expects a group operating result within a range between €150m and €170m is now anticipated, while the ebit of the port logistics subgroup is expected to be within a range between €135m and €155m, both including possible one-off expenses of up to €15m for reorganisation in the container segment.

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Clarksons' first-half profit rises 25%

by Nidaa Bakhsh

@LloydsListNidaa | nidaa.bakhsh@informa.com

One of the major brokers says it has solid cash position to invest in future growth

Chief executive Andi Case says he is optimistic about capitalising on an upturn in markets.

CLARKSONS reported first-half net profit 25% higher than in the same period a year earlier, at £16.3m ($21m), driven by increased broking activity due in part to a recovery in the dry bulk market.

The dry bulk and container markets saw an increase in rates after a severely depressed rate environment in 2016, the London-based brokerage said in an earnings statement. The crude tankers space saw a softening due to strong fleet growth and oil production cuts, with rates down between 30% and 46%, while product tankers also experienced softer levels.

Revenues rose 6.5% to £156.8m while net cash and available funds amounted to £71.4m, according to the statement.

The company has increased its interim dividend by £0.01, to £0.23 per share.

"We are pleased with our performance so far in 2017, increasing revenue and volumes in difficult shipping and offshore markets," said chief executive Andi Case.

"As we see signs of a rebalancing across some of the shipping markets, we are optimistic in our ability to capitalise on the upturn in the markets when it occurs, whilst maintaining the strength of the underlying business," he said.

"Our solid cash position means that irrespective of market conditions, we are able to invest in the business for future growth, deliver increasing returns to shareholders and take advantage of strategic opportunities as they arise," he added

In the short term, however, "low activity in the newbuilding market and a predominance of spot over longer-term period business continues to limit forward visibility of revenues", Mr Case said.

Clarksons is hiring new employees to join its investment banking, equity and credit sales teams.

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Softer trend in handysize market looks set to continue

by Inderpreet Walia

@w_inderpreet | Inderpreet.walia@informa.com

Overtonnage put a damper on handysize bulker rates

SOFTER freight rates continued in the handysize bulker market over the past week as trading activity remained tepid amid expectations of a further decline in rates in the coming week.

Sentiment in the Pacific region was weak as new enquiries dried up while in the Atlantic, surplus tonnage continued to push levels down, brokers reported.

The average weighted time charter on the Baltic Exchange had dropped from $7,006 on August 4 to settle on Friday at $6,821 per day, while the index declined by 2.5% over the week to close at 466 points on August 11.

In the Pacific region, owners' earlier hopes that rates would revive failed to shake them out of their stupor, and although there was upward movement in a few trade lanes, South East Asia coal trades moved sideways, said a broker in Singapore.

"Unfortunately, the market kept following a downward trend, with a big supply of tonnage and a flow of cargo far from enough to absorb the same," the broker added.

"The situation has become extremely difficult in China. Some activity in Indonesia was finally dragged by the long list of available tonnage in the area."

There is also further possibility that handysize ships available in the Pacific would target Atlantic cargoes as competition for business heats up.

With a surplus of unused handies now looking to fix cargoes in the Atlantic region particularly in East Coast South America and US Gulf, as large vessels pile up, Braemar ACM believes freight rates could face extra pressure this week.

"There does not seem to be any encouragement that the US Gulf market will get any better throughout August, with a lot of mid-August cargoes in the market already, it seems this negative trend will stick around," the brokerage said.

Spot activity was limited, with only five trades reported by Clarksons, ranging from $7,250 per day from China to West Coast India, to $11,750 per day from Brazil to Japan.

No period activity was noted last week.

In the demolition market, a 31-year-old handysize was sold for recycling to Bangladeshi yards at $360 per light displacement tonne by China-based Hubei Qin Tai Shipping.

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Evergreen and Wan Hai report substantial improvements

by Cichen Shen

Evergreen unveils share offering scheme, while Wan Hai plans to buy new containers

Evergreen said revenue increased 22.6% year on year, while Wan Hai reported revenue grew 2.7% and operating profit climbed 51.2%.

THE Taiwanese carriers Evergreen Marine and Wan Hai Lines have both seen their bottom lines improve substantially in the second quarter of this year, amid a gradual recovery in liner shipping.

Evergreen, a member of the Ocean Alliance, posted $T2.8bn ($91.6m) in net profit attributable to shareholders of the parent company for the three months, reversing the $T556.9m net loss seen during the same period a year ago.

Revenue increased 22.6% year on year to $T71.5bn, while operating profit stood at $T2.9bn, significantly improving on the $T5.2bn operating losses in the second quarter of last year.

The company also recorded positive operating cash flow of $T5.5bn, against the year-ago $T105m negative cash flow from operating activities.

For the first half, Evergreen's net profit was $T3.1bn versus a net loss of $T4.4bn between January and June of 2016.

Last week, the Taipei-listed company announced a plan to issue 500m new shares — 80% to existing shareholders, 10% to employees and 10% to public investors — to repay debts and improve its financial structure.

Although the issuance price has yet to be settled on, Evergreen's share price surged nearly 10% on Monday morning and closed at $T17.75, after reaching its daily fluctuation limit.

At the same time, Wan Hai, an intra-Asia focused carrier, reported $T877.9m in net profit attributable to shareholders of the parent company for the second quarter, up from the $T254.2m net profit in the same period last year.

Revenue grew 2.7% to $T29.2bn, while operating profit climbed 51.2% to $T1bn.

Cash inflow from operating activities increased to $T2.2bn from $T2.1bn.

For the first six months, Wan Hai's net profit jumped 127% year on year to $T675m.

Last Friday Wan Hai unveiled a plan to buy 38,000 teu of containers worth $75.1m in total in the second half of this year owing to operational demand.

Between January 16 and August 14, it bought 12,050 new containers from Dong Fang International Container (Hong Kong) for $38.6m in total.

The improvement in the two companies' bottom lines came as Yang Ming, another major Taiwanese carrier, posted a net loss of $T445m in the second quarter, considerably narrower than the $T4.5bn loss seen during same period last year.

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Busier West African market fails to stem VLCC losses

by Eric Yep

@ericyep | eric.yep@informa.com

Baltic very large crude carrier benchmark rates lowest since October 2014

AN UPTICK in chartering activity in West Africa has failed to stem losses for very large crude carriers, especially with weak Middle East markets pulling spot rates even lower in the past week.

The benchmark VLCC time charter equivalent on the Baltic Exchange fell to $2,109 per day on Friday's close, from $3,389 per day a week earlier. It has fallen as low as $2,031 per day in the middle of last week, before paring some losses.

Shipbrokers said the brief surge in volumes in West Africa was not enough to offset declines in the Middle East. Even long-haul cargoes of Forties crude from Europe to Asia have been falling from 18-month highs seen in June, further denting VLCC demand, traders said.

"It turns out that the bottom of the market is even deeper than we thought in the VLCC market. Spot earnings have continued to fall this past week, bringing earnings down to well below opex levels," Affinity Research remarked in its weekly tanker report.

It said very little was happening in the market, with too many vessels accommodating the few cargoes out there, and charterers had succeeded in pressuring owners into yielding to lower rates.

"Another six VLCCs entered the fleet during July, taking the total during the first seven months of the year up to 35 vessels," Affinity Research added.

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Mercator to explore feasibility of separating its businesses

by Wei Zhe Tan

@ShipShape2003 | WeiZhe.Tan@informa.com

Move comes as the group aimed to streamline management's operational focus

Mercator's board of directors has recommended bringing in a consultant to evaluate its business restructuring.

INDIA-based shipping firm Mercator has announced it is eyeing up the feasibility of separating its current businesses to help management take a more focused approach amid the slow recovery in shipping.

As a result, its board of directors has formed a committee to study the options for a business demerger. It has recommended a key consultant be appointed to research and draw up a plan outlining the possibility of restructuring the group's businesses.

However, "no decision has yet been taken on a potential demerger". The board will make its decision based on the recommendation of the advisers and the constituted committee members.

Revenue for the three months ended June 30, 2017 fell to Rs3.0bn ($47.5m) compared with Rs5.9bn in the year ago, while the group swung to a loss after tax of Rs287m, compared with a Rs221m profit after tax.
The group's dredging business has been affected by the drydocking of two of vessels, scheduled to come back into service in July. It was also hampered by a transitional phase after the completion of the Kandla Port project in April. During Kandla's shift into operation, it decided to explore higher margin opportunities instead of renewing existing contracts at depressed rates.
In the shipping division, the tanker fleet was hit by lower volumes owing to production cuts announced by the Organisation of Petroleum Exporting Countries, with charter rates for very large crude carriers falling sharply.
The shipping division reported its fleet of tankers have for the most part been deployed on time charters or the spot market, with more than 90% utilisation.
"Charter rates are expected to improve as the bottom of the cycle is reached. Significant supply is coming off as scrapping of ships is expected on account of capital expenditure requirements for ballast water management (regulations)," said Mercator in a statement.
In its coal mining operations, the group is trying to maximise operational efficiency even as production and costs were hit by the heavy monsoon rains during the period.
The oil and gas business segment was involved in the Sagar Samrat Project in which the group received a $4m advance as well as $500,000 in insurance claims and tax refunds. It expects to complete the project by the third quarter of its 2018 fiscal year.
It added that it was continuing with efforts to deleverage by slashing long-term debt.
Net debt for the first quarter of its 2018 fiscal year was at Rs17.5bn compared with Rs25.1bn in the first quarter of its 2017 fiscal year.
"Further debt reduction will be achieved through working capital released from the Sagar Samrat project of Rs1.2bn, debt repayment of Rs2.8bn from internal resources and the sale of non-core assets," said Mercator.
The group had been substantially affected by massive losses incurred by its former Singapore-listed dry bulk subsidiary Mercator Lines over the past few years amid the industry downturn. It has since offloaded the loss-making unit.

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Large boxship aground restricts Antwerp access

by Kuganiga Kuganeswaran

Attempts to refloat the vessel will be made at high tide late on Monday

The River Scheldt in the Netherlands is being blocked by boxship CSCL Jupiter, which has run aground.

COSCO-owned boxship *CSCL Jupiter* has run aground at a bend in the River Scheldt near the village of Bath, southwest of the Netherlands, after running into the dike, according to Lloyd's Agents Beeckman de Nos.

Eight tugs are at the scene and have been unable to move the vessel. A salvage master is to be appointed.

The 14,074 teu capacity, Hong-Kong flagged vessel was on its way from Antwerp to Hamburg. It has an overall length of 366m, with a 15.5m draught, according to Lloyd's List Intelligence. According to an official at the Port of Antwerp, the first attempt to refloat the ship failed. Another attempt will be made between 200 hrs and 2100 hrs during high tide. It is thought there was a technical problem in the machinery leading to the vessel being unable to manoeuvre at a curve in the river.

The official told Lloyd's List that vessels up to 200 m are still permitted to pass through the area, and that no damage to *CSCL Jupiter* has been reported.

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Raff Fernandes
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