Greek finance support endures

Greasing the wheels of the world's biggest merchant fleet calls for plent of cash but whether it comes through traditional shipping financing from banks, the public markets or private equity, there seems little shortage of suppor for Greek owners.

Financial analysts reckon that Greek companies, excluding those backed by Greek Americans, have to date raised anywhere from $4bn to $4.5bn from initial public offerings and secondary offerings in the US markets since they started in earnest tapping public funds in 2005.

Private-equity placements are beginning to take on a rosy appeal to Greek owners, too, it appears. But by their very nature, it is not possible to estimate how much money has been raised in that way.

Last month, representatives of Germany's KG (limited partnership) shipping funds were in town to woo Greek owners to a meeting organised by classification society Germanischer Lloyd. Information about the meeting was sketchy but the KG representatives reportedly said the funds can handle deals of between $300m and $500m with 60% to 70% financing for 15 years.

A number of Greeks have also already done deals with Norwegian KS (limited partnership) companies, which have bought ships and chartered them back.

But the majority of Greek financing is still raised in the traditional way and market players do not see this changing, even though shrinking margins, the growing size of loans and the long-awaited impact of the Basle II capital requirements are perhaps altering lending policies to some extent.

Banks chipped a record $46.4bn into the pot for Greek owners last year, increasing their total portfolios by 28.5% on 2005, according to the latest study released by Athens analyst Petrofin.

The portfolios of foreign banks, both those with a physical presence in Greece and those without, totalled more than $39bn.

Ted Petropoulos-headed Petrofin says that during 2006, bank cautiousness saw front-loaded payments becoming the norm, "to the extent that all available cash flow is occasionally demanded for the first one to two years in order to reduce residual exposure".

Often, the analyst adds, a secure one to two-year time charter is cited as a requirement.

Bankers themselves maintain that they are a taking a cautious approach to lending because of red-hot ship prices, despite the expanding portfolios they control. According to Petrofin, since 2001 there has been an annual average growth of 23% in lending to Greek shipping and Petropoulos believes volumes will continue to grow, partly as the result of continuing newbuilding orders.

"The switch to public companies is also helping volumes go up," he m intained.

When Greek companies went public they occasionally pai off their bank lending, Petropoulos notes, but as they expanded they returned tobanks for more finance. Another factor in the growing volumes is the rising value of the fleet being financed.

Banks complain of shrinking margins in shipping-lending but have increased the other types of business they do with owners, most noticeably in deri tives and hedging. In this segment, Royal Bank of Scotland surges ahead of other banks serving the Greek shipping community with $11.5bn in limits/lines pproved.

Petrofin notes that there are differences in what are considered derivative products across banks, making comparisons difficult to verify, but second in the analyst's listing is Fortis Bank with $1.2bn.

What has become increasingly evident over the past years, however, is that it is more difficult for start-up operations to get into the business.

Small loans to first-time owners with no track record are dwindling, bankers say.

By Gillian Whittaker, Athens

Published: 12:37 GMT, 16 May 2007 | last updated: 12:39 GMT, 16 May 2007