FINANCE

HMM issues more bonds to fund growth

Liz Shuker London

South Korean tanker and boxship owner Hyundai Merchant Marine (HMM), which has ambitions to be among the top five shipowners in the world, has issued another batch of corporate bonds to fund its growth plans.

HMM will raise KRW 230bn ($241m) with the sale of its latest five-year offering, set to mature in April 2011. Although the company won a coupon of 5% on the bonds, it was forced to issue the debt at a near 6% discount to the par value.

HMM has made several bond offerings in the past 12 months since a ban on selling equity or debt was lifted. The company was prohibited from selling either bonds or shares for six months after financial watchdogs accused it of accounting irregularities.

Two months ago, HMM issued $156m in three-year bonds, again at 5% interest, at a near 8% discount to the par value. Last year, it also issued a three-year KRW 150bn issue at 5% and a five-year KRW 120bn bond at 5.3% in May.

It achieved better issue prices on these, however, at around 97% and 99% to the par value. The discount is the difference between the issue price and the amount that will be paid back to investors at maturity.

HMM needs a substantial amount of cash to fund its aggressive growth plans, aimed at taking the group into the top-five shipowners worldwide.

The group plans to more than double sales from last year's $4.7bn within five years, as well as boost operating profit from $450m to $1.2bn. The number of vessels in its fleet should rise to 235 by 2010, including a jump in containerships to 80 from 39.

The latest offering was handled by SK Securities.

Tide of funding ebbs in Greece

Banks are more cautious about increasing their exposure in today's booming market.

Gillian Whittaker Athens

LENDING TO GREEK SHIPPING: Banks are becoming more cautious about increasing their exposure at today's high vessel values relative to earnings. Photo: Reuters

Banks continue to shower money on the Greek shipping industry, with more than $36bn being lent in 2005, up 11.62% on the previous year.

But Athens-based researcher Petrofin found the overall increase greatly reduced from the 26.6% jump between 2003 and 2004, concluding that banks are becoming more cautious about increasing their exposure at today's high vessel values relative to earnings.

The number of banks servicing the Greek industry also decreased from 50 in 2004 to 40 in 2005 but Petrofin notes this is primarily because of mergers and some withdrawals from the Greek market by banks without a core emphasis on lending to shipping.

Royal Bank of Scotland (RBS) continues to tower above other banks in its commitment to the Greeks with a huge portfolio of $8.1bn — roughly $3bn of which is in committed but undrawn funds — an increase of 32.85% on the previous year's figure.

The shipping portfolio of the 11 international banks with a Greek presence stood at $19.54bn at the end of 2005 but, as Petrofin notes, the establishment of a presence in Greece by Deutsche Schiffsbank in 2005, meaning a change in category, brought $3.4bn into this category and led to the 40% increase over the total in 2004.

Deutsche Schiffsbank's shift also contributed to the reduction of the total portfolio held by international banks without a Greek presence, which dropped to just over $10bn in 2005. The number of banks in this category decreased from 27 to 15. However, Petrofin says overall international banks not represented in Greece are showing an ever-growing interest in the Greek shipping market.

Top lender in this category was HSH Nordbank with a total portfolio of some $3.5bn, $760m of which is in committed but undrawn loans.

The number of Greek banks involved in shipping finance remained stable at 14, with a small increase of 2.28% in their portfolio to $6.5bn. Alpha Bank, with a total portfolio of $1.5bn, snatched the pole position from traditional leader in the Greek bank category National Bank of Greece (NBG), which slipped to second place with a portfolio of $1.1bn.

The top 10 banks continued to hold the lion's share of the portfolio with 67.14%, which is similar to their position in 2004.

The research also examined the activities of the banks as lead managers of syndicated loans or club deals. Citibank was by far the most active in this area, with loans controlled totalling $2.2bn, although its own loan portfolio stood at something over $1bn.

Aegean Baltic Bank manages loans totalling $1.2bn but its own portfolio is just $107m.

The total of loans controlled by the lead manager banks was $7.24bn, up 40.3% on 2004, Petrofin says. It saw this as indicative of the banks' wishes to share risk.

For the first time since it began producing its annual bank research five years ago, Petrofin examined the facilities provided by banks to their clients in terms of hedging derivatives, interest swaps and other derivative products.

However, the researcher admits the response from banks is mixed and in a number of cases information is not available.

Petrofin says banks, despite high vessel values, are keen to lend to liquid clients seeking finance for young tonnage, relying where possible on front-loaded repayment schedules.

However, some say they believe the rate of growth may slow down even further in the next couple of years.

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Atlantic Marine L P • Richmond House, 12 Par-la-Ville Road • P.O. Box HM2089, Hamilton HM HX, Bermuda
Telephone: +1 (441) 295-0614 • Facsimile: +1 (441) 292-1549 • Email: management@amlp.bm

Go Carriers gathers to mull takeover bids

Liz Shuker London

London-listed Global Oceanic Carriers (GO Carriers) will hold an extraordinary general meeting (EGM) on 19 May to discuss various takeover approaches for the company, including that of Globus Shipping, sister company to the George Fidakis-backed Eolos Shipmanagement.

The board of the struggling company will convene in Jersey, the company confirms, after a major shareholder filed a valid requisition.

GO Carriers announced last week it was entertaining approaches from third parties wishing to "assist in developing the business", although it gave no details.

Company directors are now assessing the approaches to present the most attractive options to shareholders at the EGM.

Last week, Globus Shipping, the sister company to Eolos, led by former Stelios Haji-Ioannou right-hand man George Karageorgiou, confirmed it had approached investors in the struggling public bulker owner with a proposal to wind up the operation or pursue a new growth strategy with it as the major shareholder.

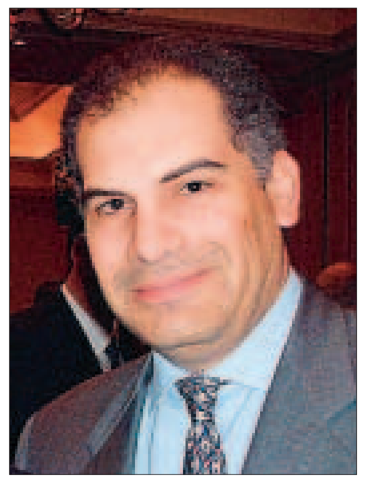
Globus says its proposal envisages the imposition of a new board at GO Carriers, followed by an independent valuation of its fleet. A shareholder vote would then be held within six weeks to decide on the future of the company.

The Greek company says it will offer investors three alternatives: liquidation of the company and the return of money to shareholders; the injection of $20m of its own money and a new growth strategy with the Greek owner as the largest shareholder; or any other "credible alternative".

Globus adds that contrary to GO Carriers's statement, the approach did not involve any form of "offer" for the company.

GO Carriers has struggled since listing on London's Alternative Investment Market (AIM) in May 2005. The company raised only half of its original target figure in the initial public offering and has seen its share price plummet by two-thirds in the eight months following. It owns one handysize and two panamax bulkers — the 35,000-dwt *GO Pride* (built 1982), 65,000-dwt *GO Faith* (built 1984), and 72,000-dwt *GO Public* (built 1993).

Globus is owned by George Fidakis, the chairman of Athens-listed FG Europe and backer of Eolos. Its chief executive officer is George Karageorgiou, well known for his long association with Stelios Haji-Ioannou at Stelmar Shipping and later his Easy Group.



'NEW STRATEGY': Globus Shipping chief executive officer George Karageorgiou Photo: Gillian Whittaker

Globus is understood to have pursued a listing in the US last year for Globus Shipping Inc but abandoned the plan after US investors soured on shipping.

Navigator bondholders still in fight for control

Liz Shuker London

IN LIMBO: The 22,000-cbm "Navigator Mars" (built 2000) Photo: www.jlm.nl

Bondholders in LPG-carrier owner Navigator Gas may have succeeded in moving management of the company to London but it seems their fight to get control of the company is still continuing at a snail's pace.

A new liquidation plan going through the Isle of Man courts last week saw investors vote on whether to approve a new proposal to swap the company's debt for equity.

This would finally hand ownership of the company to its US bondholders.

While sources say the vote has overwhelmingly gone in favour of the plan, as was expected, there will now be another opportunity for challengers to object.

Opponents now have until 25 April to file challenges to the transfer. Sources close to the company say they expect Navigator founders and equity holders Giovanni Mahler and Shaun Fergusson Cairns to challenge the move again.

"Based on past experience I think we expect the usual suspects to be involved," said one source.

Experts say challengers would again have to demonstrate that they would be unfairly treated by a debt-for-equity swap but that Mahler and Cairns would have to present new arguments following court decisions on previous complaints.

A directional hearing one day later, on 26 April, will decide whether any challenges can proceed, after which a date for a substantive hearing will be set.

US investors finally succeeded in shifting management of Navigator Gas to London last month, after the court-appointed liquidator tore up management agreements between the company and Mahler and Cairns.

The owner of the five ethylene carriers shifts from its previous headquarters in Lugano, Switzerland. A spokesman from the company says the decision had been taken for commercial reasons and had long been an aim of Navigator's noteholders.

Germans back Estonian

German banks HSH Nordbank and KfW will provide finance for Estonian ferry company Tallink's purchase of three superfast ferries from Greece's Attica Holdings.

A EUR 280m ($340m) loan was signed this week with the company to fund the purchase of the 30,300-gt *Superfast IX* (built 2002), *Superfast VII* and *Superfast VIII* (both built 2001). The loan represents 90% of the EUR 310m being paid by Tallink to Greece's Attica Holdings for the ships.

The company says the loan will be drawn down proportionally at the time of the delivery of each ship. It will be taken out by Cypriot subsidiary companies of the Tallink Group, Baltic SF VII Ltd, Baltic SF VIII Ltd and Baltic SF IX Ltd.

Tallink will structure the loan in two tranches: a long-term element equal to EUR 240m, maturing in 10 years, and a short-term element equal to EUR 40m in place for just two years.

Loan repayments on the 2005/06 financial year will total EUR 6m. The loan will be syndicated out by the two banks.

The ships will start running between Estonia and Finland and Estonia and Germany. They are currently serving the Finland-to-Germany route for Attica Holdings.

If regulatory hurdles are cleared, the sale will go through this month.

Dalian Port gears up for offering

Dalian Port Co (PDA) is the latest Chinese port to throw its hat into the initial public offering (IPO) ring, with a likely $240m listing on the Hong Kong Stock Exchange this month.

PDA's offering could see it sell 840 million shares at between HK 1.81 ($0.23) and HK 2.23 a share, with a 15% over-allotment provision should it prove attractive.

The deal, which could be put to investors as early as next week and could see PDA list in Hong Kong before the end of April, is seen to be offering a discount on rival Chinese port companies' listings in the city.

Xiamen International Port Co raised $151.8m when it listed in Hong Kong in December, while Tianjin Port Development Holdings is looking to go back to the market in May, having been knocked back by the Hong Kong exchange in January.

Tianjin's expected new offer of $150m is a sizeable increase on the $70m to $80m it failed to achieve in its earlier attempt. But land has been added to the updated offering, which has significantly raised the pricing of the deal.

Scorecard is based on the Winners, Losers and Most Active tables on the next page.

SCORECARD

Guangzhou share price keeps up rally

Adam Corbett London

Guangzhou Shipyard International (GSI) has been ringing up healthy sales, helping the shipbuilder's share price continue its recent rally.

GSI is up 36% on the Hong Kong Stock Exchange over the week, following the announcement of further orders from Overseas Maritime Carriers for two 38,000-dwt products tankers valued at $37m each.

The order comes hot on the heels of an earlier contract for a total of four 42,000-dwt crude tankers from China Shipping Development Co.

GSI has been on a bull run since the end of February last year, when a debt reorganisation had investors flocking to its stock. Two weeks ago, the company said it intended to announce further "reforms" in the share structure of its Shanghai listing. The details of the reforms are still being decided by China State Shipbuilding Corp.

South Korean companies stole the show among listed shipping outfits last week and their good run continued for another seven days.

The Seoul Stock Exchange has been boosted by analysts' predictions that the Korea Composite Stock Price Index (Kospi) will hit 1,650 points this year from its current value of 1,386 points and the Korean won will fall against the US dollar, helping exporters.

Among South Korean-listed shipping companies to benefit were Heung-A Shipping, up 29%, Seyang Shipping, up 18%, and Korea Line, up 15%.

In an interesting development, London-listed Global Oceanic Carriers (GO Carriers) was up 23%, despite questions over its future.

Marshall Islands shipping company Globus Shipping Inc, headed by George Karageorgiou, has approached GO Carriers investors and asked them to consider replacing the current board and pursue a new growth strategy.

GO Carriers was not the only London-listed company to do well. Newly listed Goldenport was up 15% after HSBC Bank, which led Goldenport's initial public offering (IPO), said it would exercise options on 2,553,191 shares.

The move will bring in a net £6m ($10.4m) for Goldenport, taking the value of its London IPO to £66m.

Share-price falls have been largely limited to less than 10%. Some of the biggest falls were recorded by Indian companies Essar Shipping, down 9%, and Shreyas Shipping, down 7%.

Oslo-listed Golden Ocean Group was also down by 4%.