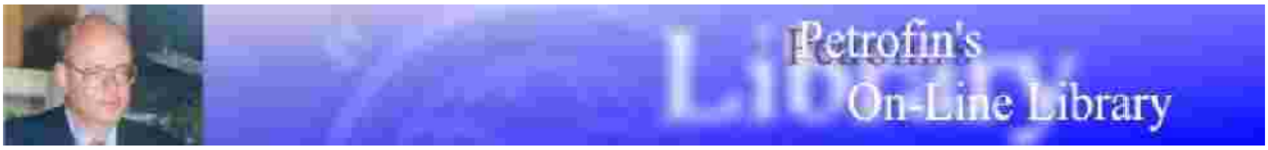
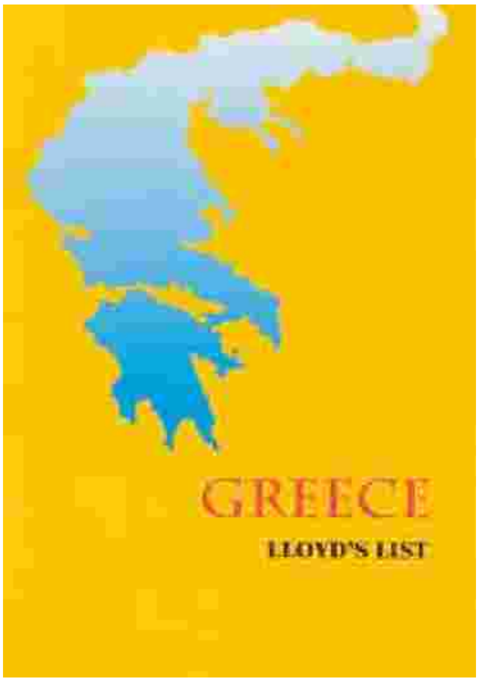


Not all owners swamped with offers of loans



Lloyd's List, July 1993 - Supplement

The rising net worth of Greek shipowners has had a hypnotic effect on the ship finance fraternity but not all owners are being swamped with loan offers.

A more professional approach rules the Piraeus market these days and for the moment at least few banks or owners have allowed t emselves to be swept away by the general climate of optimism.

One reason is that many of the major portfolios are managed by seasoned ship financiers who won their spurs in the bleak mid-1980s and they are the first to admit that shipowners also learned their lessons during the same period.

Another positive development is the pivotal role which has begun to be played by specialist financial consultants, the best example of which is probably Petrofin EPE.

Set up by former banker Ted Petropoulos in 1987, the t acts as an adviser to larger shipping companies which can pick an choose among banks but also counsels small and medium sized operato s. For such owners, Petrofin often assumes the role of a financial director, co-ordinating all financial aspects down to negotiating the loan.

‘Our presence always results in a better bank-client relationship,’ said Mr. Petropoulos of his firm’s impact.

Petrofin has about 120 clients and deals regularly wit another 45 or so on an ad hoc basis – which add up to relations with about a quarter of all shipowners in Piraeus.

‘Since we instantly know which banks are suited to which clients and which banks might do a particular transaction there’s no wasted time and it’s a discussion between professionals.

‘I would say banks usually view us with appreciation,’ said Mr. Petropoulos, but he admitted there were occasions when sistance was encountered. ‘Some banks have mistaken our role but this changes whe they get to know us.’ He felt that the existence of an experienced go-between helped the cause of fair competition.

Having the services of someone familiar with the entire spectrum of marine lenders often helped drum up better terms for owners, he argued, while banks were not bothered with clients who fell ou side their credit policies.

‘We’re anti-exclusivity and anti anything which is not transparent d properly to the lending institution,’ stressed Mr. Petropoulos.

In the past he has accused banks of sheepishly following one another in chasing the major names, leaving the huge middle groun of bankable Greek operators out in the cold. ‘that’s still true except that it’s getting worse,’ he said. ‘Whereas 80% of the banks used to go after the top 20% of clients, now it’s more like 95% of banks chasing 5% of the owners.’

Accordingly, a maximum of 40 names were being overbank while the increasing middle market faced a credit squeeze.

Furthermore, banks were wrongly tending to offer flat percentages of finance to all clients rather than rewarding good risk d good clients with better terms than offered to unproven relationships.

Mr. Petropoulos distinguished Petrofin as a consultant from the financial broker, another type of intermediary altogether, but h added: ‘If you take our strong portfolio and consider that there are other advisers and brokers, then it’s obvious that professional advice is an established part of the shipping scene.’

If there was ever any doubt that there was enough ship finance in the rice-bowl to go around at least the larger operators, the i creasing numbers of bankers treading the Akti Miaouli in the last year surely confirms it.

Lest owners grow complacent bankers put on a public squabble about exactly how healthy the situation is. The market is lectured that it will have to consolidate in larger units, embrace corporate valu d disclose more financial information to lenders. Other banks openly say that the Greeks are doing very nicely as they are, thank you, although hey also give the impression of being choosy about their clientele.

Estimating the total value of the Greek shipping industry has become a favourite pastime of one and all, though. According to Dimitris Anagnostopoulos, shipping manager of ABN-AMRO, one of the biggest lenders to the Greek market, owners’ collective worth could lay anywhere between $50bn and $75bn.

This figure derives from a conservative estimate of $4 n in reserve plus the value of the fleet, minus debt. Leverage on the fleet is at a historic low but one of the factors making it difficult to know the true picture is that many vessels are free of any mortgage.

If those numbers are accurate and you want to put them in perspective, they suggest Greek owners could buy out the entire world shipping credit portfolio, recently estimated at about $55bn. Despite the giddy mood which such calculations can easily induce, Mr. Anagnos poulos was phlegmatic about the business of providing loans. In t e 1980s he spent several years as part of the workout team dealing with reyhound's Greek portfolio, more than $100m in the red, and each year h likes to remind students on a ship finance course in London of the day when a bulk carrier could be written down not just as a worthless asset, but a liability.

Today, he stresses, both sides have learned from the bitter experience and most owners had prudent policies, always leaving 'a doomsday nestegg'.

'Yes, we're stingy,' he said of ABN-AMRO's policy which is based on providing a full range of services but being wary abou who it lends money to. Within those parameters, however, the bank is willing to fund a variety of vessels – including in select cases newbuildings and older secon and purchases.

A measure of the importance attached to Greek operators can be seen in plans for the bank to establish a shipping unit in its Moorgate branch in London. 'It's a modest expansion to be close to certain names located there,' said Mr. Anagnostopoulos.

A wide range of banks agree that owners are organising heir offices more professionally these days, one manager noting: 'Attitudes have changed – we have now financial statements form the vast majorit of clients and the number of audited accounts is increasing every year.'

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