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The NEWSLETTER

The Institute of Chartered Shipbrokers

Singapore Branch Edition

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Commercial Shipping in Digital ERA

by Capt. Saunak Rai, FICS

Chartering, whether Tanker Chartering or Dry Bulk Chartering, remain one of the most popular subjects selected by ICS students. The subject is core to commercial shipping with its own long history of different standard contracts and ways of calculation of freight and hire revenue. A lot of these calculations are now carried out digitally through a suit of different programs and solutions available. From my experience and also from discussion with various industry connections, I have tried to put together a non-extensive list of this programs and their suitability for various users in the industry. The purpose of the article is to raise awareness about the programs and in no-way endorse or recommend any of the programs.

1. Veson Nautical (IMOS)

Veson Nautical's Integrated Maritime Operations System (IMOS) is one of the most widely used platforms for managing chartering, voyage operations, and financials in the shipping industry. It provides end-to-end solutions, from pre-fixture through post-fixture operations.

IN THIS ISSUE

Key Features:

- Voyage estimation and charter party tracking
- Freight invoicing and demurrage calculations
- Integration with bunker procurement
- Advanced analytics and reporting tools

STRENGTHS	WEAKNESSES
• Comprehensive and modular system with high customizability. • Real-time data integration across chartering, operations, and finance. • Suitable for both tankers and bulk carriers.	• Complexity of the system may require significant training and customization. • Higher upfront costs for deployment and maintenance.

2. Q88 (Q88VMS)

Q88VMS is a specialized voyage management system with a strong focus on tanker operations, providing tools for chartering, post-fixture management, and compliance with regulatory requirements like vetting.

Key Features:

- Real-time voyage monitoring and cost tracking
- Bunker consumption optimization
- Integration with regulatory vetting and port requirements
- Interactive voyage timeline and charter party management

STRENGTHS	WEAKNESSES
• Focus on tankers, making it highly specialized for this segment. • Comprehensive vetting and compliance management tools. • Simple and intuitive user interface.	• Less comprehensive for bulk carrier operations. • Limited financial and accounting functionalities compared to other platforms.

3. ShipNet

ShipNet is a robust enterprise resource planning (ERP) solution designed for shipping companies. It provides modules for voyage chartering, operations, crewing, and financial management, making it a holistic solution.

Key Features:

- Chartering and post-fixture operations for tankers and bulk carriers
- Crew and fleet management integration
- Automated voyage accounting and invoicing
- Data analytics for performance and profitability analysis

STRENGTHS	WEAKNESSES
• Comprehensive ERP solution that integrates operational, crewing, and financial data. • Suitable for both tankers and bulk carriers. • Strong support for compliance and documentation.	• May have more features than needed for smaller operators, leading to unnecessary complexity. • Implementation can be time-consuming and costly.

4. AERONAVIS (Ship Decision)

AERONAVIS's Ship Decision is a cloud-based software designed for chartering, post-fixture, and commercial operations, including bulk carriers and tankers. It emphasizes agility and ease of use.

Key Features:

- Voyage estimation, scheduling, and post-fixture tracking
- Freight invoicing, demurrage handling, and profitability analysis
- Real-time performance metrics with cloud-based access
- Simplified reporting for voyage performance

STRENGTHS	WEAKNESSES
• Cloud-based system allowing access from anywhere, ideal for smaller or mid-sized shipping companies. • User-friendly interface. • Quick implementation with lower upfront costs.	• Not as feature-rich or customizable as larger systems like Veson Nautical or ShipNet. • Limited financial and enterprise management features compared to ERP-based solutions.

5. Strategic Software International (SSI Shiptrac)

SSI Shiptrac is a focused voyage management software for both tankers and bulk carriers, with an emphasis on efficient chartering and post-fixture operations. It offers real-time operational insights and analytics for enhanced decision-making.

Key Features:

- Voyage planning, scheduling, and management
- Freight and demurrage calculation tools
- Real-time voyage monitoring with alerts and notifications
- Comprehensive financial reporting tools

STRENGTHS

- Streamlined operations and chartering interface.
- Real-time data insights with clear and actionable reports.
- Ideal for medium to large shipping operators.

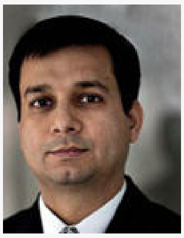
WEAKNESSES

- Less customizable compared to competitors like Veson IMOS.
- Limited third-party integrations.

Key Takeaways:

- Veson Nautical (IMOS) and ShipNet are ideal for large companies looking for end-to-end solutions with advanced features but come with high costs and complexity.
- Q88 VMS is specialized for the tanker market, excelling in vetting and regulatory compliance, making it less suitable for bulk carriers.
- AERONAVIS (Ship Decision) is an affordable, cloud-based solution best suited for smaller and mid-sized operators, offering flexibility without the complexity of larger systems.
- SSI Shiptrac provides a balance between ease of use and robust functionality for medium to large operators but offers fewer customization options.

About the Author



Mr Saunak Rai is the General Manager of "FueLNG", Chairman of the National Technical Committee for Bunkering (Cryogenic and Gaseous Fuels). He led FueLNG to win the World LNG Award 2021 for Outstanding Contribution to LNG Industry at World LNG Award in Rome in Dec 2021.

Got something to share? Let us hear it!

*If you've got an article, a poem, or a story that you'd like to share, here is your chance! Send it to us before **25 March 2025** to be included in the next edition.*

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Shipping Deserves its Due Credit

by Punit Oza, FICS

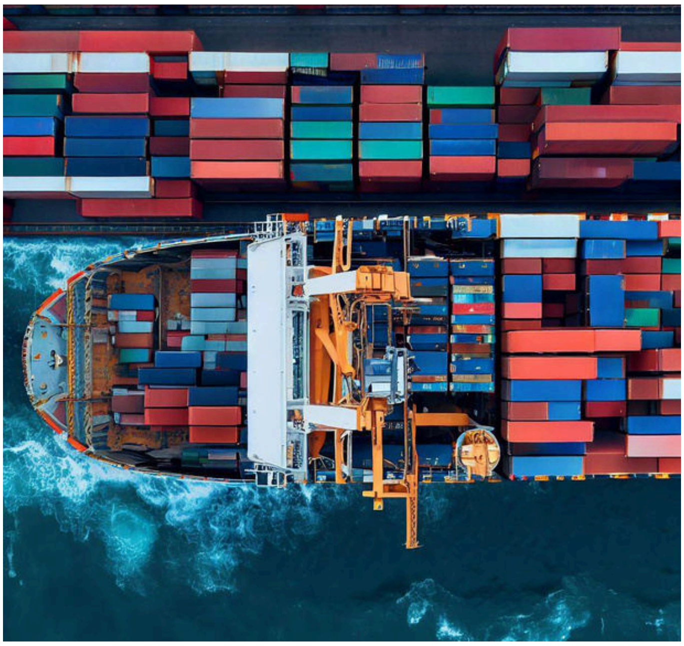
All industries are closely identified with the principal product that represents them. The steel industry is represented by the various steel products it produces, the agriculture industry by the grains, the airline industry by the planes and in the same way, the maritime industry is represented by the ships.

The SHIP is a "Simple but Highly Innovative Product." Carrying over 80% of the global trade, the ships are the most cost-efficient and sustainable way to transport goods across the globe. Emitting less than 3 percent of global carbon emissions, ships are also the most environmentally friendly mode of transport. This is an amazing achievement.

The ship is a symbol of resilience, perseverance, and strength. Facing rough weather, unforeseen circumstances, insecure passages, and visible and invisible threats, the ship continues to work its way to carry goods all over the world, to service the global population & economies.

Have you ever thought about it? Nearly every single positive aspect of life, which is associated with resilience, perseverance, and strength, has a "ship" attached to it – Friendship, Relationship, Kinship, Stewardship and even Spaceship. No one can imagine using a word such as "Friendplane" or "Friendtruck" to depict that aspect.

That is what a ship is and the industry that owns, operates, manages, hires & trades these ships is no different from the ship itself. Seeing through cycles and pandemics, adapting to geopolitical, regulatory & economic changes, serving the global good 24/7- the industry deserves as much credit as the workhorse which represents it.



COVID CASE STUDY

Let us take the recent example of the COVID pandemic. As we faced one lockdown after another across the globe, did we stop eating? Did we stop buying essential goods? Did we stop ordering our favourite products online?

We did not. Who do you think was bringing all the food and products from all over the world to your home and supermarkets? The land borders were sealed shut and the airlines were grounded. It was ships and the industry that continued to work from home to secure deals to ensure that the flow of goods continued.

Even more important was the contribution of the seafarers, the superheroes who ran these ships, sometimes having to stay on board the ship for over two years at a stretch, well past their normal contract tenure of 6-9 months. Facing the same restrictions as all of us, they continued to work tirelessly in adverse circumstances to keep the goods moving.

Lacking the designation of frontline essential workers, they were not given the exemptions that other frontline workers such as medical workers were given. Taking nothing away from the medical and other frontline workers, the seafarers never got either the appreciation or accreditation to which they were entitled.

Despite this, shipping's image among the masses is one of the oil spills, polluters of environment, cause of global inflation and greedy and rich ship owners. This needs to change.

These real positive stories and countless instances of the industry stepping up to help the world must be highlighted & brought to the attention of the masses.

With this very intention, the controlling council of the Institute of Chartered Shipbrokers (ICS), in its last meeting, gave the green light to launch the "Shipping For Good Collective."

> *"Seeing through cycles and pandemics, adapting to geopolitical, regulatory and economic changes, and serving the global good 24/7 - the industry deserves as much credit as the workhorse which represents it"*

This Collective will initially look at highlighting the stories of Institute Fellows and Members, who in the course of their jobs, are making a direct or indirect positive impact on the lives of common people across the globe. They are putting in "uncommon efforts for the common good." This is important to highlight.

Whether they are doing deals to ensure that grain gets to hard-to-reach countries or ensuring that the energy is transported to countries to avoid power cuts or supplying raw materials to build batteries, cars, or homes, they are the lifeline for the world & its people.

EXTENDING OUR REACH

The ambition of the Shipping for Good Collective is to not only build a collaboration platform for Institute Members, but also with the wider industry, be it organisations, companies, or individuals.

Initially, we will feature these human stories in the Institute's own publication, *Shipping Network*, as well as through various Institute social media platforms. At the same time, we will also urge the maritime and mainstream media outlets to feature these stories and reach out to regional media outlets through our 27 branches. The Institute will also reach out to various stakeholders with collaboration ideas.

Eventually, we believe that we will have enough stories and content to launch an independent "Shipping for Good Newsletter."

Such true positive stories will go a long way in giving the industry its well-deserved positive reputation and image.

We urge all stakeholders to help the Institute with this initiative through either providing content or by disseminating it to the wider audience and masses.

At the Institute, we are proud and privileged to launch the Shipping for Good Collective. So, watch out for these stories as we strive to impress upon the world that shipping is here and here for good!

About the Author

Mr Punit Oza FICS is International President of the Institute of Chartered Shipbrokers.

Salvage and General Average - Excessive Security

by Jagannath / NAU

1. Recently, we came across a container casualty in which the security demanded was for 80% of the value of the property (50% Salvage and 30% GA)[i]. While the request for security may indeed be valid, our thoughts are that seeking such high amounts may be counterproductive given that some cargo and container interests may simply abandon their property due to the high security sought!
2. High/excessive security: For the purpose of this article, we would suggest that any security for more than 75% of its landed value may be considered as excessive security. The reason why we peg the figure to 75% is that it may be possible under some insurance policies to trigger a Constructive Total Loss ("CTL") at 75%[ii] of the insured value of the ship or cargo. The risk of seeking such excessive security may result in the cargo interests, if insured, to abandon their property and seek a CTL claim from their Insurers (Insurers may however refuse to accept the CTL given that the request for security does not mean that the actual payouts would be the same). If uninsured (we believe that a significant portion of cargo interests would be uninsured), the cargo interests would consider whether they would wish to provide such excessive security considering the potential opportunity from the use of the security demanded (which would be by way of a cash deposit).
3. A container GA generally would take a few years to be adjusted and with the cash deposit being retained with the Average Adjuster during this period. While the YAR 1994/2016[iii] do provide for these cash deposits to earn interests, our understanding is that this is not strictly followed, or if followed, the interests are invariably much lesser than the interests allowed under the YAR[iv] for the parties with respect to sacrificial damages or expenditure. This would mean that the provider of cash deposits incur a greater loss than the party who incurred either a sacrificial damage or expenditure[v].
4. Given the time involved in the process (which would result in the award of interests to the parties who have incurred sacrificial damage or expenditure) and the potential for some parties refusing to provide security, Average Adjusters/Owners may have factored this in their calculation and sought a higher percentage of security.
5. If valid security is not provided by cargo interests, the Salvors/ Owners will, on the basis of the prevailing law, proceed to conduct a salvage sale to realise the inherent value of the property. Unfortunately, any such sale will realise lower values than the landed/CNF values (which was the basis of the calculation for the contributions due).
6. Due to the reduction in values, there may a short fall such that it would have to be borne by the other parties (who have provided security for the full value of their interests). If the other parties have also capped their exposure, this shortfall would necessarily fall on the father of the voyage, the Owners. Fortunately, Owners under English Law[vi] are entitled to recover any sacrificial damage from their Insurers without having first recovered this from other parties. While Owners and their subrogated Hull Insurers can certainly try and pursue the other parties for the shortfall, the costs involved may make this exercise unworkable. With respect to expenditure, English Hull Insurance policies[vii] generally provide for Insurers liability to be restricted to the Owners pro-rata share together with any reduction for under insurance. Accordingly, with respect to GA expenditures, the shortfalls would have to be borne by the Owners.
7. Conclusion:
    a. Owners and their Insurers must be aware of the potential risks of abandonment should excessive security be demanded from the cargo interests, particularly, if they are uninsured.
    b. Owners may consider seeking additional/top up GA cover to cater to this eventuality.

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i. *Maersk Fankfurt*

ii. *See What is Constructive Total Loss in Marine Insurance?*

iii. *Rule XXII of both YAR 1994 and 2016.*

iv. *Rule XXI of both YAR 1994 and 2016.*

v. *See our earlier article, Interest and Cash Deposit - York Antwerp Rules and Salvage and General Average - Security Issues.*

vi. *S 66 (4) of the English Marine Insurance Act 1906 states "Subject to any express provision in the policy, where the assured has incurred a general average expenditure, he may recover from the insurer in respect of the proportion of the loss which falls upon him; and, in the case of a general average sacrifice, he may recover from the insurer in respect of the whole loss without having enforced his right of contribution from the other parties liable to contribute" (words underlined by us for emphasis).*

vii. *See 11.1 of ITCH 1/10/83, 10.1 of ITCH 1/11/95 and 8.1 of IHC 03. The critical difference is that in IHC 03, there is no reduction in case of under insurance.*

Sea Protest – Shipowner's Protection Against Perils of Seas

by Capt. Vinod Dubey, FICS

A bulk carrier loaded with steel experienced heavy weather during her laden leg. After vessel entered the discharge port, Master made the statement before the notary public about having experienced weather but did not file any document as evidence to his statement. Later, the court concluded that a duly notarised statement by the Master cannot be considered sufficient to constitute a valid sea protest and the Shipowner had to pay the receiver to cover the cargo claim.

Sea protest or note of protest is nothing new to a seafarer. We all know that it's a declaration made under oath by the Master of the ship to cover circumstances beyond his control which may cause/ have caused loss or damage to the ship or cargo, and which may render the owners liable for legal action by another party. The case study of Gasan Mamo Insurance Limited (C-3143) v MMS Limited (C-3984), as described in the beginning of this article, shows that assumption that the form and method of sea protest is not important, so long as the statement produced is truthful and duly sworn before a notary public, can result in scuttling the Shipowner's case for lack of sufficient evidence.

Hence, in this article, we will dig deeper on Sea protest.

When to lodge a sea protest? The most common issue for which a sea protest to be lodged is: when the ship has experienced adverse weather conditions during the voyage which has or might have resulted in damage to the cargo. However, it should be a circumstance beyond the control of the Master, which means Master was taking route in his best judgment to avoid heavy weather. It's critical to know that one sea protest is applicable to one particular port of discharge, hence, in case of a vessel calling multiple ports of discharge, separate protests to be lodged at each port.

How to lodge a sea protest? The procedure & time frame is very much port specific, hence, it is best to check with P&I club, prior to calling any port. As a general practice, it is to be lodged before a notary public, magistrate, consul or as advised by the agents, within 24 hours of arriving at port. If the protest is made in relation to the cargo, the same must be made BEFORE commencement of cargo discharge. Extracts of supporting documents such as the official logbook, deck / engine logbook, weather report, etc. should be printed along with sea protest for endorsement by Notary.

What to include in a sea protest? The sea protest should include specific facts such as the place and time of sailing, the nature of the cargo onboard the vessel, the course pursued, the incident encountered, the actual or potential damage sustained mentioned as "fearing damage" without providing specific/ full details of damage to cover all likelihood; and all other relevant facts. While mentioning the cause of the incident, it is recommended that Master should extend the sea protest to cover unforeseeable circumstances and while declaring the damage, Master should prudently reserve his right to extend the protest at a time and place convenient.

Whom to send? The notarized copies are meant to be kept with vessel and the owner. However, basis owner's instructions, scanned copies may be forwarded to all concerned parties such as Charterers, receivers, etc. to make them aware.
With modern communication and evidence taking, it may not be insisted upon by underwriters (except Japanese UWs for example) or stipulated by specific flags (except such as Malta), however, when required, a sea protest may hold significant probative weight in any subsequent litigation. Hence, it's probably safer for Master to lodge a Sea protest with correct form and procedure than not to!

About the Author

Capt. Vinod Dubey, is a Master mariner, MBA from Cardiff Metropolitan, Commercial Operations Manager, Adhart Shipping Pte Ltd. He is a sailor by profession and writer at heart. He has published his novel " Indiyaapa" (a fictional love story of a sailor) followed by his recent poetry collection " Weekend Wali Kavita".

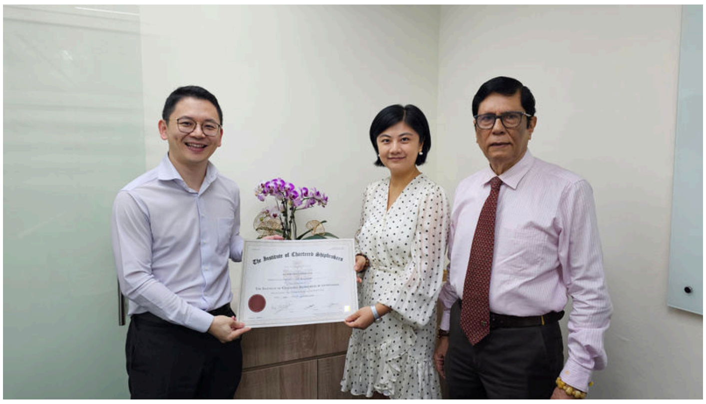
Editorial

by Sridev Mookerjea, FICS

We are pleased to bring out our last quarter newsletter of the year 2024. Here are the event highlights for this quarter

Welcoming New Members

Our one of the significant events of the last quarter is the certificate award ceremony to the following new members on the 25th of October 2024.



Mr Subramaniam also joined us for a special ceremony where we proudly awarded membership certificates to our new members — Yatish Malhotra Jordan Liew, Hetao Yin, and Victor Yang. In his address, Mr Subramaniam congratulated each new member, encouraging them to leverage the ICS network as a cornerstone of their professional journey. His inspiring words underscored the importance of collaboration and continuous learning within the ICS community as vital elements for future success in the maritime industry.

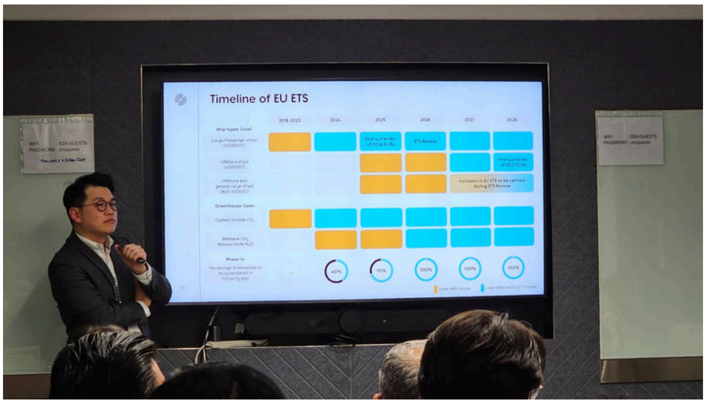
New Members Elected

The following candidates have been elected as member during this quarter:

- Kavi Diwan
- Poh Chiang Siah
- Pranay Shukla
- Sathia Prashanth Sathia Dhas

Professional Talk

On 26 Nov 2024, Mr Robbert Sijbrandij and Mr Jeff Teay from ACT Group led a seminar on the EU Emissions Trading System (EU ETS), covering key concepts, price drivers, and the Monitoring, Reporting, and Verification (MRV) process. They also discussed trading mechanisms like SPOT, FORWARDS, OPTIONS, and AUCTIONS, while offering insights into the future of the EU ETS.



Up-Coming Events

24 - 28 Mar 2025 - Singapore Maritime Week

28 Mar 2025 - GREEN4SEA Singapore Forum

Member's Benefits

We like to once again highlight the following local benefits of renewing your membership and inspire other eligible candidates to take membership of this prestigious shipping and maritime institute.

In closing, I like to extend my special thanks to Capt. Vinod Dubey, Mr Nikhil Modak, Mr Sunil Roy, and Mr Jagannath Muthu, and Mr Punit Oza for contributing their articles to this newsletter.

Rolling into the New Year with the best wishes for all ICS Members, their families and friends.

M&A – Unlocking Value Of A Shipping Company – Handymax Owning Private Company

by Nikhil Modak, FICS, PGCSCM, EMBA (Finance)

Shipping markets. The first one was the highly anticipated US elections, and the results have far wider effects on geopolitical risks due to trade talks.

Second was the Maharashtra, India elections and with the ruling party at the center securing a comfortable win with their coalition partners focus will be now back on their ambitious project of GIFT city. With ambitious plans to add thousand plus Indian flag fleet and growth in steel sector, it just clicked my mind that Indian investors might be looking out on M&A's, (Acquisition, joint venture or investment (Stake in shipping companies)) considering in long run shipping freights and commodities would increase.

India presently sits at second spot (around 140 million metric tons) in steel production after China (around 1 billion million metric tons) and expected to grow around 8% YoY, which means reaching around 250-270 million metric tons mark by 2035 where things will start get interesting view expected supply crunch on tonnage side. Production growth of 110 to 130 million tons of steel equates to around 275 to 320 million tons growth in requirement of raw materials (iron ore, scrap, coal, limestone, quartz). India cement industry is expected to grow by around 4.9 YoY with market size projected to reach 5.09 billion tons by 2029.

Even 10%-20% increase in freight will make an enormous difference and with the present indicators (cover in my earlier article) freight markets might increase exponentially post 2032-2033 view 60% of the dry bulk fleet turning 20 plus and not many new buildings in the pipeline.

We believe the next few years would be quite interesting for M&A, acquisition or investment (in shipping companies).

Presently I am going a short finance course and got interested with the possibility of M&A and acquisitions in shipping industry and with my limited knowledge would like to work on this topic and readers feedback would be valuable as certain assumptions are required to be made when working on forward markets.

As can be seen from the diagram there are three methods for valuation each having its own pros and cons, we will see which one is more suitable for our valuation purpose.

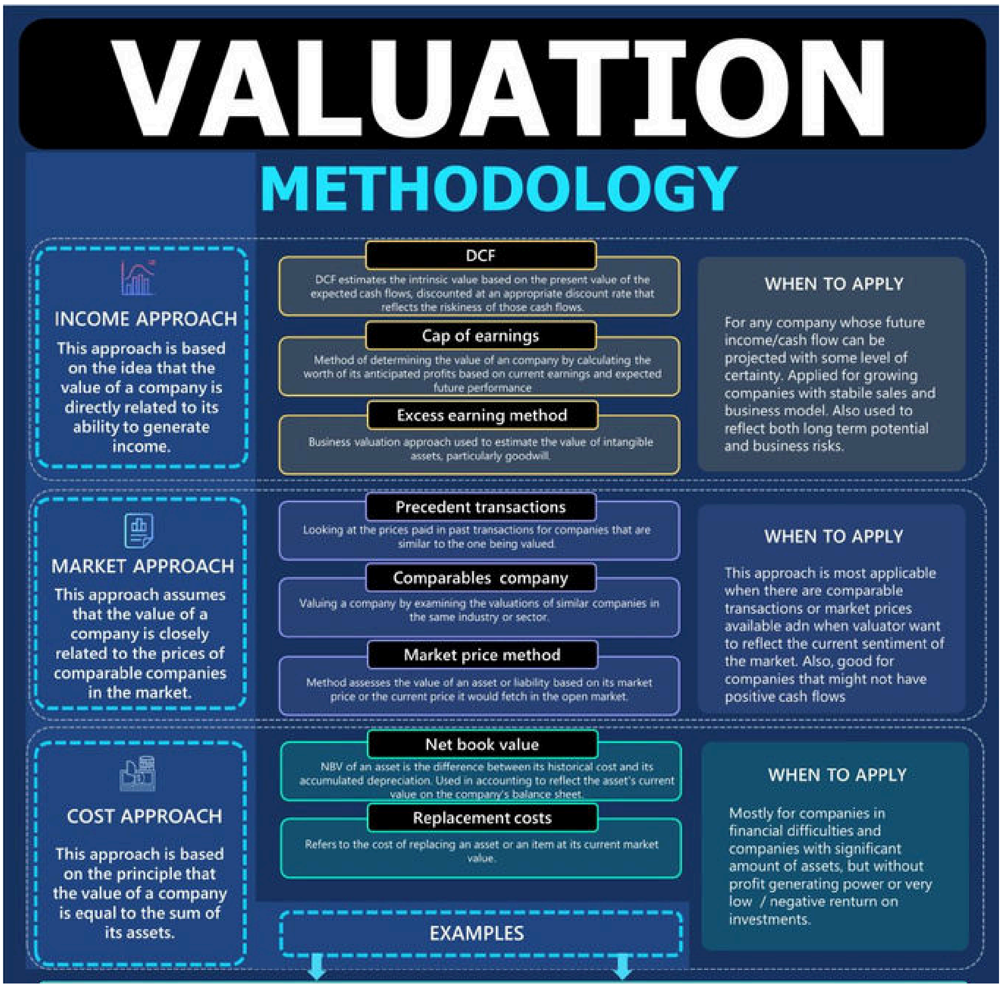


Image source: WTS Tax and Finance LLC

	Valuation method	Suitable
1	**Market Approach or Comparable Companies** Assumes value of the company is closely related to the prices of comparable companies. It is ideal for evaluating startups or growth firms that may not have positive cash flows. **Cons** Two companies are not exactly alike which is more relevant in shipping, as asset types, size, business model may be different it is difficult to use this model.	No
2	**Asset Based or Cost Approach** Based on the principle that value of a company is equal to the sum of its assets **Cons** One major drawback of this method is that it reflects value at a specific point in time and not future potential and growth. Shipping is a cyclic business and at the same time affected by black swan events. In the past two decades we have witnessed an exponential rise in freight market first due to Beijing Olympics between 2004-2008 and then in 2021 due to supply chain disruption caused due to COVID. Although black swan events cannot be foreseen nor do geopolitical risks like wars, closure of canals, trade wars there is enough data to back shipping markets may hit unprecedent heights as we start moving closer to 2050 as this time around markets would be driven due to countries moving towards zero carbon.	No
3	**Income approach or Discounted Cash flow** The value of a company is directly related to its ability to generate income. Considers all future cash flow and discounting them to present value **Cons** Shipping is a very volatile market, making forecast difficult. To have a good forecasting model minimum we need minimum past 5 years data without any anomalies however our last 5 years have been pegged with various black swan events like US-China trade wars, disruption in supply chain due to COVID 19, change in trading patterns due to Russia/Ukraine war, draught issues with Panama Canal and piracy in Red Sea affecting Suez Canal transits. Moreover, even if the above Black Swan effects were not there forecasting on a longer time horizon is difficult as the forecasting error increases in time. Forward freight agreements are there for three years and at the most valuation is feasible based on cash flows for the next three years based on the type of assets the company has as they can be hedged for three years to secure earnings.	Yes

Finance people / valuators will prefer asset based or cost approach, however as a shipping professional and CEO of a shipping company who have experienced previous super cycles (Chinese Olympic boom and supply chain disruption boom) it would be difficult to accept valuation based on asset based or cost approach as it doesn't take into consideration future markets (cash flows), and shipping being a highly volatile business needs business acumen to foresee future markets/super cycles. There are good reasons to believe dry bulk shipping would see a major supply crunch over the next 15/20 years which can lead a golden run for ship owners.

Considering Chinese economy not at its best presently securing cash flows for next 18-24 months is re-commended and it would make sense to have 50%-60% of assets hedged via FFA or long-term period deals as if company outlook may be good in a long run but if it starts struggling with its working capital company might end up in selling some of its assets in desperate sale (or in worst case end up in hostile takeover).

Securing cash flows and keeping their working capital healthy also puts companies in a position to stick to its grounds and decline undervalue reports or bids.

As shipping professionals, we have tried to backup our predictions based on present data available to us by making certain assumptions.

Further, I request readers to share their insights to fix@templarshippingservices.com, modak.nikhil@gmail.com (skype id : nikhilmodak@hotmail.com)

Assumptions

Drivers to consider	**Expected Market trend**
Supply and Demand - Demand Dry bulk trade volume shows marginal increase until 2027 (source Platt's) and trade would be driven further by economies like India, Philippines, Vietnam. Region having potential growth which should not be overlooked: Africa, Brazil - **There is marginal increase in Demand over next decade**	↑
Supply and Demand - Supply 60% of dry bulk fleet is crossing 20 years by 2035, approx. 8500 vessels however new building order book is close to 1500 vessels up to 2029. View BASEL 4 and stringent ESG requirements, most European banks have become selective in financing shipping projects. Due to no clarity on alternate fuel (although some suggest biofuel) owners are reluctant to order new buildings. Most yards are busy with LNG / container vessels and coaster vessels and some reports suggest there is surge in demand for small chemical tankers. Considering biofuel as an alternate fuel there will be a need to increase the supply of vessels carrying this fuel for distributing same to various bunkering ports. View same space for dry bulk vessels would be minimal. source: please refer BRS charts below. - **Based on present information available there may be supply crunch**	↑
Slower steaming trends to reduce carbon emissions. Shipping companies are expected to run the ships on eco speed to meet the carbon emission commitment	↑
Ton-Miles Growth Surpasses Trade Volume Increases (source Platt's) Last couple of years market growth has largely due to Panama Canal closure, effects of piracy in Red Sea, Russia-Ukraine conflicts (which has resulted in shift in trade patterns) because of which ton-miles have increase as vessels have been forced to take a longer route. Geopolitical issues, trade wars and seasonal changes affect shipping, and it is difficult or impossible to predict how they will shape out on long term basis.	↔
North-West Passage With glaciers melting, once NWP opens for shipping it will be a game changer. China-Japan-South Korea would come more closer to USEC, Europe resulting in shrinkage of Ton-Miles (for example - savings of 20 days for China-Antwerp via NWP compared to present passage. On one hand view shrinkage of Ton-Miles is not good for shipping, the route would also open doors for growth in certain regions thus increasing raw material flow. WAFR to USWC, USWC to USEC, USWC to Baltic/Europe note: Trump has levied 60% tariff on Chinese products, as USA is part of Arctic treaty we must wait and see their policies on vessels transiting NWP.	↔

Cabotage tonnage hitting market. Chinese economy is not in the best of the shape and received half of the stimulus of what it should have received to revive the housing market and infra projects. This would have a negative effect on the bigger fleet and if it continues like this there are concerns that vessels engaged in cabotage trade (approx. 800 million tons) will hit the market and these vessels will start eating into the handy trade. Although people are worried about this, believe Supramax won't be able to cut into most of the handies trade due to: Port restrictions Bunker consumptions Maintenance (vessels running into coastal trades are not up to the mark) and won't be accepted everywhere. But still there would be a slight negative effect on the handy market. Note: Chinese stimulus package is expected in December and lot depends on same	↓
Reconstruction in Europe If the Ukraine war ends in next few months we can see reconstruction in Europe. Europe might start building its own capacities and spend more on defense	↑

In short run with Russia-Ukraine war end in sight and Israel-Hezbollah conflict end in situation is expected to improve in Red Sea and with 11% addition in tonnage in 2025 market for the bigger segment (Capes, Panamax) would be heading south unless China comes out with a stimulus package in December later this year.

This short-term drop-in market will also act as a detrimental factor in placing new building orders as banks won't typically forecast future cash flows based on present earnings which are below daily running cost (refer Annexure 1) and any vessel hitting the water post 2030 won't be able to trade world-wide post 2050.

It would be worth doing cost benefit analysis to see whether investing an additional $10 million on methanol/ammonia ready vessels really makes sense especially when there is no clarity on alternate fuel and its availability. Unless Arctic nations make it compulsory to have vessel running on alternative fuel while transiting Northwest passage, most owners won't place orders on such vessels as of now.

Conclusion

Overall, based on present data and information available, in the long run post 2032 shipping market would repeat its cycle of 2004-2008 as the supply side will be same as it was during 2004-2008 period.

We have seen deals of a modern handymax fetching USD 14000 per day for next 3 years and expect rates to hold for following reason:

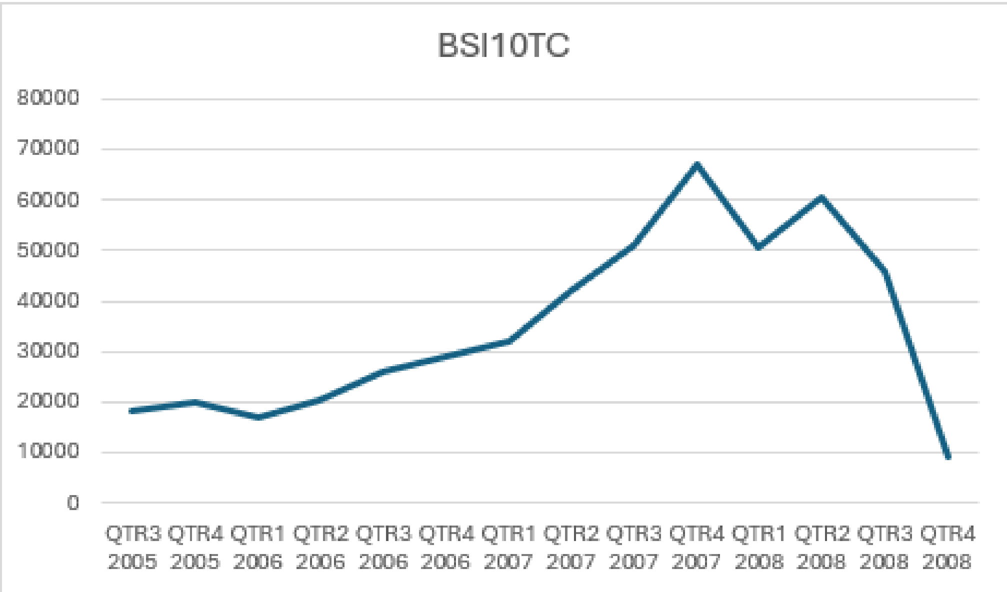
China steel exports have increased 20% YoY from around 92 million to 110 million and although analyst says sales will falter in 2025 if Chinese real estate continue to falter, China would be continuing to sell at aggressive prices thus engaging more are more handies driving the market up.

If the market repeats the cycle post 2032/2033 when the supply crunch starts hitting hard potentially vessels would start earning around/over $30,000 per day and should continue this earning until end of its life cycle.
As a Ship owner, we will value future cash flows at USD 15000 from 2025 to 2032 and thereafter USD 30000 until 2040.

It is worth making valuation based on asset method (which would typically lower compared to DCF) and discounted cash flow with above assumptions and arrive at valuation with following formula.

Ex. Assumption handy size vessel owner having a fleet of 40 new buildings with average age 0-5 years.
25% of Asset method + 75% of DCF method

(i.e. If valuation of company comes to USD 1 billion by asset method and 2 USD billion by DCF method then by above formula it works out to USD 1.75 billion).



YEAR	BSI10TC
QTR3 2005	18228
QTR4 2005	20039
QTR1 2006	16771
QTR2 2006	20195
QTR3 2006	26020
QTR4 2006	28911
QTR1 2007	31925
QTR2 2007	41871
QTR3 2007	50918
QTR4 2007	66875
QTR1 2008	50561
QTR2 2008	60544
QTR3 2008	45894
QTR4 2008	9333
average	**34863**

note: it will be worth calculating correlation coefficient between BSI58 and BSI37 and use same on the above past average earnings to give the future curve for BHSI37

Acquisition or JV or Buying Stake

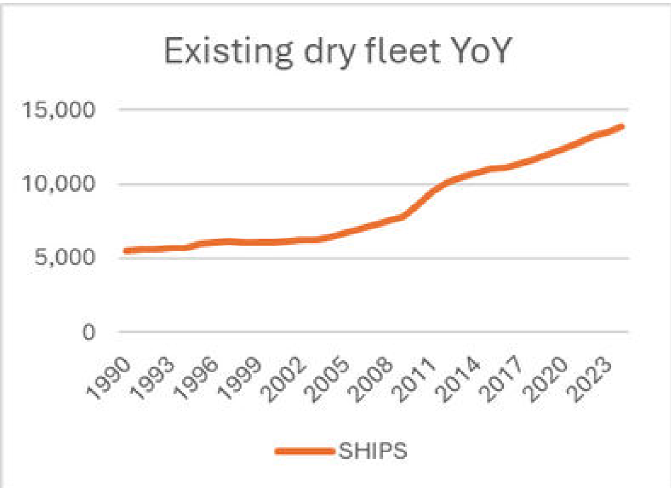
With valuation worked out the next decision involves is to whether outrightly buy the company, go for joint venture or invest in the company, each having its own pros and cons (few highlighted below).

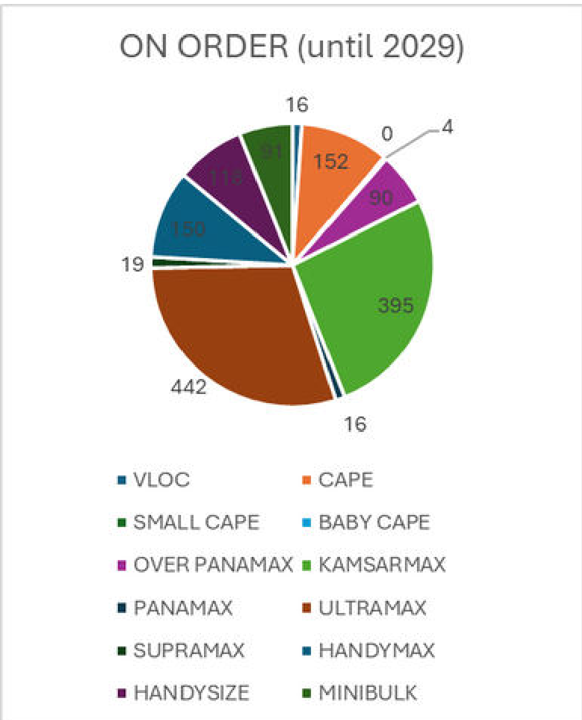
	PROS	CONS
Acquisition	Full control on how to run the company (how to position the vessels)	Lack of experience staff and presence worldwide
Joint venture	Presence worldwide due to JV partner, experience staff	Cultural differences, infighting can happen, lack of trust when things start going wrong, delays in decision making. Limited control on how to position the assets/run the company
Buying stake	Gain if market goes up	No control at all

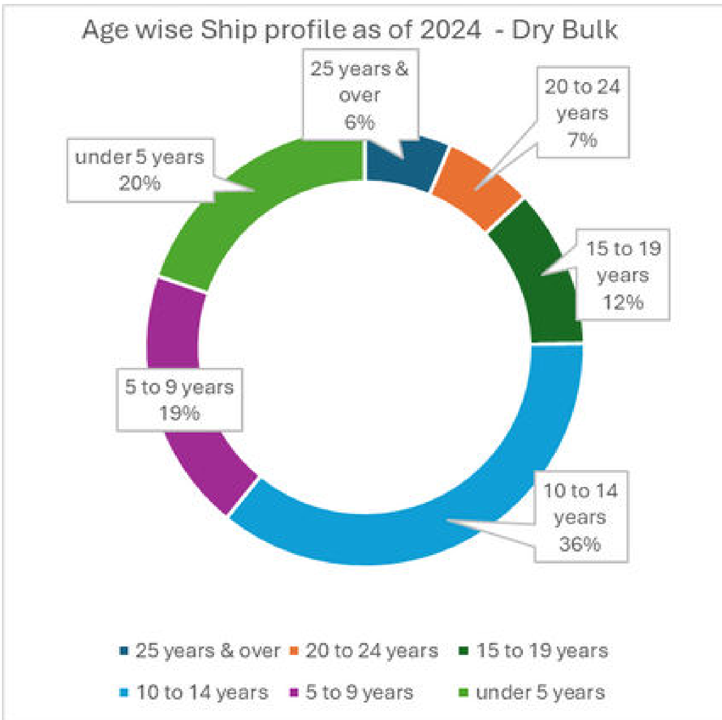
Disclaimer:
The above should not be considered as any consultant advice. Readers should not act of or rely on any content and should seek professional advice and most importantly do their own research if they want to invest in shipping assets.

About the Author
Nikhil Modak is a shipping professional with 25 years of experience, starting in ship management and later transitioning into shipbroking. He contributed to the management of K-Line vessels with K-Steamship and shifted focus to commercial roles over the past 20 years. His expertise includes working with commodity traders and dry bulk ship owners, serving as GM of Chartering, and acting as a competitive shipbroker. He has experience with Handy-size to Panamax vessels, most recently managing part cargoes and parcels with the Clipper Group, specializing in steel, pipes, fertilizers, and agricultural products in the Red Sea, Persian Gulf, and Indian Ocean regions.

Source: BRS



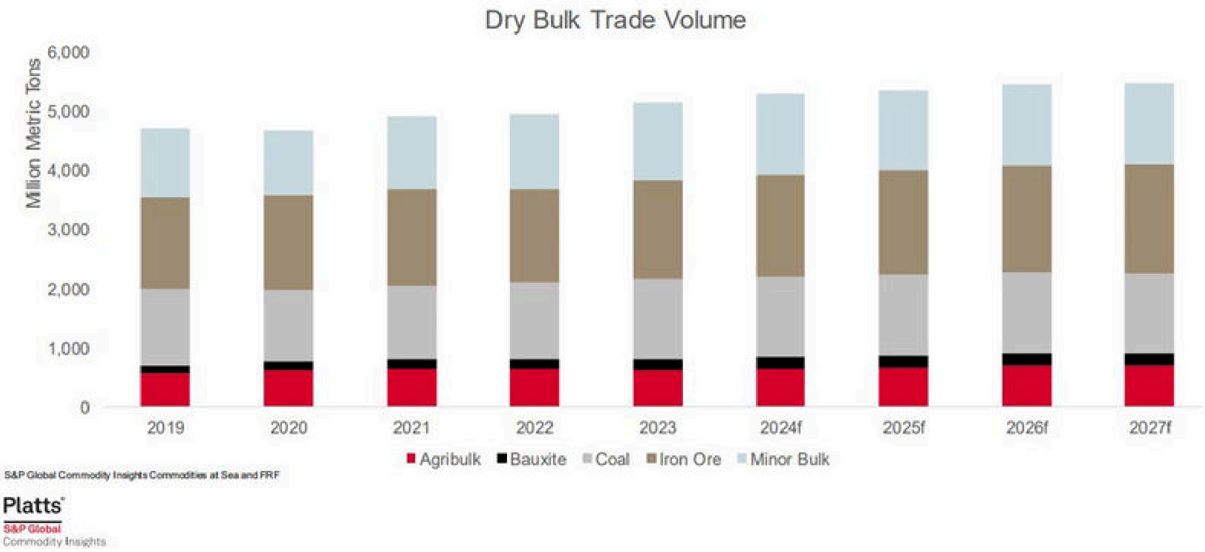




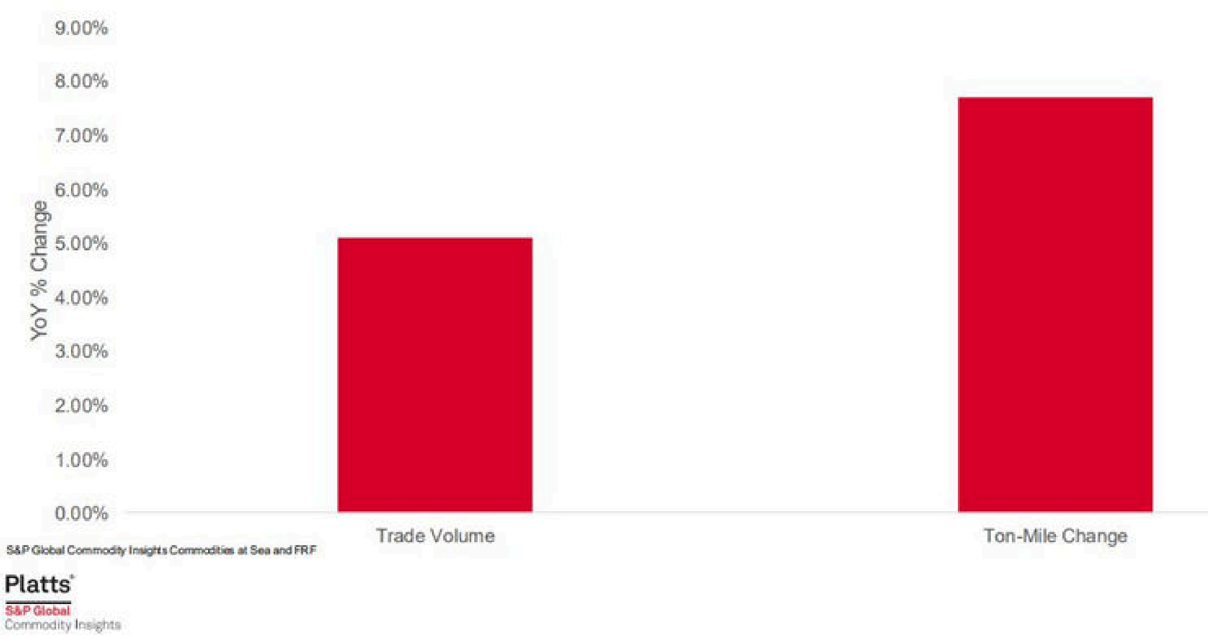
Number Of Ships	Delivered	On Order for delivery in:							Reaching 20 years by 2029
	2024	2024	2025	2026	2027	2028	2029...	ON ORDER	
VLOC	0	0	0	5	8	3	0	16	175
CAPE	32	11	36	46	24	30	5	152	760
SMALL CAPE	0	0	0	0	0	0	0	0	10
BABY CAPE	0	0	0	4	0	0	0	4	107

Source: Platts

Moderating Trade Growth: Dry Bulk Demand Nears Saturation



Dry Bulk Demand: Ton-Miles Growth Surpasses Trade Volume Increase



Appendix 1

We have considered the cost of debt at 6%, which might be achieved in the London market where LIBOR is going on around 4.5%. With a debt of 6%, daily returns need to be more than USD 12000 per day assuming market will improve 4% YoY for the IRR to be more than cost of debt.

Indian banks don't finance shipping projects (SBI and ICICI does it via their London branch at better rates) but finance working capital at 8.5% to AAA companies and at 10.5% to BBB companies.

Following assumptions have been made:

Assumptions	42K Handy
Opex	USD 4500 per day
Capex	USD 35,000,000
Debt	70%
Cost of Debt	6.0% pa
Depreciation Rate*	8.5% pa
SS &DD	USD 1,250,000
Scrap Value	USD 5,950,000
Age of Vessel	0 years
Life of Vessel	20 years
Debt Tenor	15 years
Construction Start Date	1-Jan-25
Revenue per day	USD 12500
Revenue generated for	350 days
Number of years for IRR	20 years
Debt	USD 24,500,000
Own Equity	USD 10,500,000
EMI/per year	-USD 2,522,588
LDWT	8500
SCRAP VAL/TONNE	700

Escalation YoY pa	
Revenue	4.0%
OPEX	4.0%

IRR illustrative table based on different interest rates and earnings.

IRR		HIRE PER DAY (1ST YEAR WITH HIRE/OPEX ESC 4%)				
	8.60%	USD 10000	USD 11250	USD 12500	USD 13750	USD 15000
INTEREST RATE	4.80% pa	0.6%	5.4%	9.9%	14.5%	19.2%
	5.40% pa	0.0%	4.8%	9.3%	13.7%	18.4%
	6.00% pa	-0.5%	4.2%	8.6%	13.0%	17.6%
	6.60% pa	-1.1%	3.6%	8.0%	12.3%	16.8%
	7.20% pa	-1.6%	3.0%	7.3%	11.6%	16.0%

Appendix 1

Counter	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Timeline	1-Jan-25	31-Jan-26	31-Jan-27	31-Jan-28	31-Jan-29	31-Jan-30	31-Jan-31	31-Jan-32	31-Jan-33	31-Jan-34	31-Jan-35	31-Jan-36	31-Jan-37	31-Jan-38	31-Jan-39	31-Jan-40	31-Jan-41	31-Jan-42	31-Jan-43	31-Jan-44	
Phasing																					
Phasing of Capital Cost	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%						
Debt Drawn	24,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Equity Drawn	10,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Debt Schedule																					
Opening Balance	24,500,000	23,447,412	22,331,669	21,148,982	19,895,333	18,566,465	17,157,865	15,664,750	14,082,047	12,404,382	10,626,057	8,741,033	6,742,907	4,624,894	2,379,800	2,379,800	2,379,800	2,379,800	2,379,800	2,379,800	2,379,800
Addition	24,500,000																				
EMI	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	2,522,588	-	-	-	-	-	
Closing Balance	23,447,412	22,331,669	21,148,982	19,895,333	18,566,465	17,157,865	15,664,750	14,082,047	12,404,382	10,626,057	8,741,033	6,742,907	4,624,894	2,379,800	-	2,379,800	2,379,800	2,379,800	2,379,800	2,379,800	
Principle amount	1,052,588	1,115,743	1,182,688	1,253,649	1,328,868	1,408,600	1,493,116	1,582,703	1,677,665	1,778,325	1,885,024	1,998,126	2,118,013	2,245,094	2,379,800	-	-	-	-	-	
Interest	1,470,000	1,406,845	1,339,900	1,268,939	1,193,720	1,113,988	1,029,472	939,885	844,923	744,263	637,563	524,462	404,574	277,494	142,788	0	0	0	0	0	
Depreciation Schedule (reducing balance method)																					
Annual depreciation charge	2,967,525	2,715,919	2,485,646	2,274,897	2,082,017	1,905,490	1,743,930	1,596,069	1,460,744	1,336,892	1,223,542	1,119,802	1,024,858	937,964	858,438	785,654	719,041	658,076	602,280	551,215	
Cost	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	35,000,000	
Accumulated Depreciation	2,967,525	5,683,445	8,169,091	10,443,988	12,526,005	14,431,495	16,175,426	17,771,494	19,232,238	20,569,130	21,792,672	22,912,475	23,937,333	24,875,297	25,733,735	26,519,388	27,238,429	27,896,505	28,498,785	29,050,000	
Net Carrying Value	32,032,475	29,316,555	26,830,909	24,556,012	22,473,995	20,568,505	18,824,574	17,228,506	15,767,762	14,430,870	13,207,328	12,087,525	11,062,667	10,124,703	9,266,265	8,480,612	7,761,571	7,103,495	6,501,215	5,950,000	
SS&DD																					
SS&DD Flag	FALSE	FALSE	TRUE	FALSE	FALSE	TRUE	FALSE	FALSE	TRUE	FALSE	FALSE	TRUE	FALSE	FALSE	TRUE	FALSE	FALSE	TRUE	FALSE	FALSE	
SS&DD	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	416,667	
Daily Expenditure																					
Interest + SS/DD	5,169	4,996	4,813	4,618	4,412	4,194	3,962	3,717	3,456	3,181	2,888	2,578	2,250	1,902	1,533	1,142	1,142	1,142	1,142	1,142	
OPEX	4,500	4,680	4,867	5,062	5,264	5,475	5,694	5,922	6,159	6,405	6,661	6,928	7,205	7,493	7,793	8,104	8,428	8,766	9,116	9,481	
Daily Depreciation	8,130	7,441	6,810	6,233	5,704	5,221	4,778	4,373	4,002	3,663	3,352	3,068	2,808	2,570	2,352	2,152	1,970	1,803	1,650	1,510	
	17,799	17,117	16,490	15,913	15,381	14,889	14,434	14,011	13,617	13,248	12,902	12,574	12,262	11,964	11,677	11,398	11,540	11,710	11,908	12,133	
Revenue Generation																					
Annual Revenue generation	4,375,000	4,550,000	4,732,000	4,921,280	5,118,131	5,322,856	5,535,771	5,757,202	5,987,490	6,226,989	6,476,069	6,735,111	7,004,516	7,284,697	7,576,084	7,879,128	8,194,293	8,522,065	8,862,947	9,217,465	
Daily revenue generation	11,986	12,466	12,964	13,483	14,022	14,583	15,166	15,773	16,404	17,060	17,743	18,452	19,190	19,958	20,756	21,587	22,450	23,348	24,282	25,253	
IRR Computation																					
Flag	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	

Capex	-10500000																			
Revenue	4375000	4550000	4732000	4921280	5118131	5322856	5535771	5757202	5987490	6226989	6476069	6735111	7004516	7284697	7576084	7879128	8194293	8522065	8862947	9217465
Expenditure	-3529167	-3531711	-3533095	-3533195	-3531879	-3529007	-3524425	-3517970	-3509464	-3498719	-3485531	-3469682	-3450937	-3429044	-3403733	-3374716	-3493038	-3616093	-3744070	-3877166
Debt Repayment	-1052588	-1115743	-1182688	-1253649	-1328868	-1408600	-1493116	-1582703	-1677665	-1778325	-1885024	-1998126	-2118013	-2245094	-2379800	0	0	0	0	0
Net Cash Flows	-10706754	-97454	16218	134436	257384	385250	518230	656529	800361	949945	1105513	1267304	1435566	1610559	1792552	4504411	4701255	4905971	5118877	5340299
EIRR	8.60%																			

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Readers are advised to do a NPV analysis on an asset running on traditional fuel and alternate fuel and then come to any conclusion. The availability of alternate fuel needs to be considered as well.