



*This year we had severe liquidity crisis in the market & we had to face complicated situation in implementing our orders. Moreover we had acquired credit facility at very high rate of interest which we never experienced before.*

**Engr. Md. Sakhawat Hossain**

*Managing Director, Western Marine Shipyard Limited*

**Q** Please tell us about the condition of Shipbuilding industry that you saw in 2012. We have seen in papers that many global shipbuilding companies had a tough time and buyers cut the order. Could you please elaborate?

**A** Yes 2012 was quite a difficult time for whole shipbuilding industry in the world. So many shipyards all over the worlds were out of order. Lots of people even lost their job in this crisis. In many places shipyards had to close down.

This was completely due to the European economic crisis. Even now the European Banks are having liquidity shortage and are unable to finance the ship-owners for newbuilding. That is how it made an impact in our market. Being an infant shipbuilding industry, we yet depend on the European market in major.

As per our forecast the European economy is regaining its strength but the impact of the depression will continue till the first quarter of 2013. As such we are changing our marketing strategy & trying to penetrate into the North & South American market. We are already in negotiation with certain Canadian buyer & approached some ship-owners in the Latin America & Middle East Asia. We are optimistically looking forward to have business with them in the coming years.

But if we look at the local market & domestic shipbuilding, the market was at drastic rise last year. New government policies, establishment of inland port and port's capacity build-up, overall has enhanced domestic shipbuilding. Last year we have delivered 4 ships for export market & 8 for domestic use. We have signed contract for building more than 15 ships of various types in 2012, all for domestic use. We are expecting more of this in 2013, because recently our government has taken lots of initiatives to utilize our inland channels to enhance the economy. For development of new inland port lots of container ships will be built, to upgrade port capacity more port utility vessels will be ordered, & to meet the growing production more cargo ships, tankers will be purchased.

Therefore for the year 2013 we have orders of building 19 ships for the domestic market which is worth of BDT 450 cr. Our targeted yearly turnover is 750 cr. So we have already secured 56% of our yard's capacity which has been taken by local orders. We are targeting to have some more local orders worth of 150cr, this will make us 75% occupied. Rest we have one RORO ferry & 1 MPC ship for Danish owner which is to be delivered very soon. As such 2013 will be an average year for us. We are

quite fortunate compared to other shipbuilding nations as many shipyards in different corners of the world have been reluctant for months & forced to shut down.

**Q** Export of ship boat, and floating structures in 2011-12 were USD 45.95 mn USD compared to USD 40.44 million experiencing a 13.63% growth. In 2010-11, the growth was 332%. The growth seem to have slowed. Will the growth pick up in 2013? Is the European crisis hampering the business? Is the slow growth due to order-slowdown?

Export(USD mn)	2009-10	2010-11	2011-12
	9.34	40.44	45.95

**A** Yes, definitely the growth drop was due to order slowdown. Infact if we look at the trend, the growth rate declined in last year compared to the previous. And yes as I have said earlier it has got mostly to do with the European crisis. That's because it has not only slowed down the volume of newbuilding orders but in many cases previous orders are kept halt by the ship owners which has made a very bad financial effect on the shipbuilders.

But at the same time our domestic shipbuilding is at rise & we have secured order of BDT 450 Cr & expecting to grab more 150cr orders in 2013. Besides from the 2nd quarter of 2013, our export orders will also grow.

**Q** The government has offered a 12-year tax rebate facility to the local ship building industry to help the latter flourish and earn foreign exchange in greater volume. What's your view on that?

**A** The 12 years tax exemption to the shipbuilding industry is yet under process & we are hopeful that soon it will be approved by the NBR. I must thank the government for taking such initiative during the crisis when we cannot depend on the export market at this moment. This will help us sustain in this crucial time but I am afraid it has nothing to do with government patronization promoting the shipbuilding industry for export orders. Yes it does encourage the builders to take more orders & facilitate newbuilding for foreign buyers but the government must bear the fact in mind that the market is too dull at the moment. To overcome this dark cloud we are to be promoted in other parts of the world where newbuilding trend remains unaffected unlike Europe.

The government could do this by arranging seminars and

exhibitions in the zone of American continents, certain African countries & Middle-east Asia. Our foreign missions abroad could also play a vital role in this publicity stunt, which is much required at this moment. Besides it would also be very easy to grab attention of these buyers as we have already proven our quality by delivering to the Europeans & at the same time our product is 15 percent lesser in price than those delivered by other cost effective Asian shipyards.

**Q** How many ships did Bangladesh ship in 2012? How many do you expect to export in 2013?

**A** **2012 status of delivered ships:**

- 2 X 5200 DWT MPC ships to Grona Shipping, Germany
- 2 X 200 pax passenger ferries to Karachi Port Trust, Pakistan
- 2 X 1250 DWT tankers for inland & coastal use to local buyer
- 1 X dredger & 1 X workboat to Mongla Port Authority
- 3 X fishing trawlers to local buyer
- 1 X luxury catamaran type cruise ship to Chittagong Boat Club.

**Confirmed orders of 2013:**

- 2 X pilot boats for Mongla Port Authority
- 1 X tugboat & 1 X water supply vessel for Chittagong Port Authority
- 2 X passenger ships for BIWTC
- 4 X oil tankers for local owner
- 9 X fishing trawlers for local owners

In 2013 from our previous orders we will be delivering 2 ships to Denmark. One is a 50M RORO ferry & the other is a 4100 DWT MPC ship. Both the ships are hi-tech having modern equipment installed.

For new export orders in 2013 as answered in one of the previous questions the European economy is regaining its strength but the impact of the depression will continue till 2nd quarter of this year. From 2013 the European orders that have been put to halt will be reopened and at the same time we are trying to penetrate into the North & South America market. We are already in negotiation with certain Canadian buyer & approached some ship-owners in the Latin America & Middle-east Asia. We are optimistically looking forward to have business with them in the coming years.

**Q** You said shipbuilding will be USD 2 bn industry in an interview with Market Pulse in February 2012. Are you going to attain the goal? If then it is when? What are the hurdles to this goal?

**A** The prediction made in my previous interview could yet be met despite of the European crisis. What I said earlier was from the growth of ship volume all over the world.

Apart from replacement of the aged ships 10,000 more ships will be required within the years to come as Western countries are

more concerned about green energy now. Further ships of various capacities are being purchased in many fast growing nations for upgradation of facilities.

This is an additional order of ships which cannot be met by the existing shipyards in the world. Though we are lacking of export order at the moment but I presume from end of 2013 all the shipyards will be over packed with orders & more shipyards in south-east Asian countries will develop to grab the increased volume at a cheaper price. Therefore being an established yard we do not need to do much to attain this goal as the ship-owners will come after us in time to come.

**Q** Please summarize, what problems did you face in 2012 and what prospects do you see in 2013 regarding the whole shipbuilding sector in details from the perspective of your company as well as industry?

**A** We all know, having a very new shipbuilding industry in Bangladesh the sector faces operational & technical problems. But this year the difficulties were more of financial. A shipbuilding industry is bigger than any other sector in the country. A single yard employs thousands of workers, hundreds of backward linkage industries depend on it & from export of only one ship the industry brings millions of US dollar into the country. But yet the return on investment is too low & it requires a time of at least 5 years, till then the industry to be nurtured so that it does not get worn off in its infancy.

This year we had severe liquidity crisis in the market & we had to face complicated situation in implementing our orders. Moreover we had acquired credit facility at very high rate of interest which we never experienced before. In many shipbuilding nations the government has made it compulsory to private banks to sanction credits to shipyards only at single digit rate of interest. This is because a shipyard adds value to the country for mass employment, foreign currency earning, development of linked industries & above all it reflects a countries image globally.

Therefore, we hope not to have the same crisis in 2013.

**Q** Proposition to the governments, if any?

**A** First of all as discussed cheaper cost of fund to be introduced which should be justified if brought in single digit rate of interest.

Secondly we have to explore in other parts of the world without only depending on the European market, and the government has major role to play through the EPB & foreign missions abroad.

Other patronization & subsidies like tax exemption, bonded warehouse facility & provision of cash incentive even in domestic shipbuilding to be provided. This is because domestic shipbuilding is equally important as export, because the ships being built locally used to be imported once spending our hard earned foreign currencies, which are being saved now for the effort of the local shipbuilders.

*Interview is taken by Md. Ashaduzzaman Riadh and Tanzina Ahmed Choudhury. All views and opinions expressed here are solely of the interviewed persons and neither represent the views of LankaBangla Securities Ltd. nor those of any of its associated institutions.*