
Slowdown signs - Lamprell delays jackup projects in UAE

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Emirates Business reported that UAE based and United Kingdom listed Lamprell is delaying a number of projects and is expecting a 26% decrease in revenue for the fiscal year 2009.

Mr Nigel McCue CEO of Lamprell said that due to the malfunctioning debt market as well as slowdown in demand of newbuild jack ups, the offshore player was now looking at USD 500 million to USD 550 million revenue this year compared to the USD 740 million in 2008.

He said that "On the jack up refurbishment side, we are seeing the same number of rigs to the yards between 25 and 30 in a year but a reduction in the value of the work. I think rig contractors are not proceeding with discretionary spending. They are just going ahead with mandatory spending."

He added that "The newbuild market slowed down mainly because it is linked to commodity prices and the fact that quite a big number of newbuild jackup rigs are going to come to the market."

Mr McCue said that about 50 newbuilds would come to the market between 2009 and 2011, worldwide while day rates have fallen by a third due to a drop in utilization rates.

He said that last year the price of premium jack ups was USD 125,000 to USD 150,000 down from USD 200,000.

He added that "The combination of a reduction in utilization and the arrival of these new builds slowed the market down. However, having said that, there is still an interest within the Middle Eastern region for new build jack up."

Some of the orders are also being delayed due to the financing squeeze. Its second jack up project for Scorpion Offshore Limited, the Offshore Mischief planned to be launched later this year will now be delivered in April 2008.

Mr McCue said that "That particular project got slowed because Scorpion had some financing difficulties, which they now have largely resolved. They slowed that project so we have a later delivery."

The newbuild jack up rig project with Riginvest GP for the construction and delivery of a LeTourneau designed, self elevating mobile offshore drilling platform is also on hold. We have halted the work on that because Riginvest is also looking at some financing opportunities.

The company has slowed the expansion of its new Hamriyah facility. The USD 50 million project originally planned to be completed this year, will be finished 2008. When completed the new facility will have a developed area of 250,000 square meters with a deepwater berthing quay wall 1,250 million in length and 9 million deep. This will enable Lamprell to work on up to 10 rigs and simultaneously construct up to three new build jackups.

Mr McCue said that "There are partly some delays to the basic civil works and we have also actually slowed it down because of parts of the business have slowed down as well."

He said that despite the tough market condition, McCue's industry and company outlook remains positive. Last year 2008 was our best year ever. This year will still be very good. We will still be seeing double digit net margins and we are still trading strongly. We are very mindful of our cost base so what we are actually doing is flexing our cost base to keep in line with our revenues. We are cutting operational cost and we are looking at savings across the board.

(Sourced from Emirates Business)

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