
Rays of recovery - Indian Shipping firms back to making profit

Saturday, 21 Nov, 2009

Shipping companies are back to making profit after a gap of almost a year as the freight rates for dry bulk carriers surge on import of iron ore and food grain by China. The Baltic Dry Index, the benchmark index for such ships touched 4,381 on Tuesday a 14 month high.

The Baltic Dry index reached a 22 year low of 663 in December 2008, sliding nearly 95% in about seven months from an all time high of 11,793 in May 2008. The rates had collapsed as steel producers cut output, with recession hitting global consumption.

The index recovered to 4291 this June, as China started building inventory for iron ore. But again fell to 2163 on August 24 on low consumption. This is the second surge in the freight rate, as consumption of steel rises in China.

Mr S Hajara CMD of Shipping Corporation of India said that “These 14 months were the worst for the shipping industry. Recession has bottomed out and there has been an uptake in import of food grain and iron ore by China, helping freight rates to surge.”

A spokesperson of Great Eastern Shipping said that “Dry bulk ships are making very good profit at this level Capesize vessel with over 150,000 tonnes deadweight tonne capacity are currently having a USD 60,000 per day rate for Atlantic delivery and USD 54000 per day for Pacific delivery.”

The break even for such ships is a maximum of USD 30000 per day, including their interest cost and depreciation. So at the current freight rate these ships are making a profit of USD 30,000 on short term contracts.

(Sourced from Business Standard)

For more news visit at www.steelguru.com