
CAPEX cuts - Essar Shipping defers bulk carrier buy

Monday, 03 Nov, 2008

Essar Shipping Ports & Logistics Limited has deferred acquisition of three bulk carriers due to a slump in charter hire rates but was on track to deliver projects announced earlier. Tighter trade finance and the global economic slowdown curbed demand for raw material, stranding cargoes and sending shipping rates plunging to a 6 year low.

Mr Sanjay Mehta MD of Essar Shipping said that "We have deferred this in view of the current fluctuation in freight rates. He said that we'll decide later what we can do with the money."

Mr Mehta said that the firm, which has a CAPEX of USD 2.5 billion over the next 3 years had planned to buy 5 dry bulk carriers in 2008-09 of which it has already taken delivery of 2 vessels in August.

Mr Mehta said that Essar Shipping was insulated against a global turmoil in financial markets as 80% of its total fleet was on firm contracts.

He said that "We might see, in the next two quarters, some slip in throughput but margins will not be affected. We are on track to achieving an earning before interest, depreciation, taxes and amortization of INR 800 crore to INR 900 in 2008."

Globally, some shippers have declared bankruptcy while others are looking at mothballing ships and cutting jobs if a slowdown in global trade gets worse.

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