
Slowdown signs - Taskforce for builders and shipyards

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The Korea Federation of Banks has announced that by the end of 2008 a taskforce will be formed of bank and accounting firm officials. It will categorize the 300 builders and 50 shipyards which have loans worth over KRW 5 billion in four grades and offer them different levels of fiscal support. Companies will be categorized from A to D depending on standard business conditions such as builders' debt percentage or how much return guarantee shipbuilders receive per order.

Companies relegated to the bottom 2 tiers face an uncertain future. Grade C will have to go through a debt workout program and D file for bankruptcy. Experts project that at least 1 out of every 10 builders and 80% of the shipyards will be forced to restructure.

The KFB says restructuring the sectors is necessary to weed out ailing enterprises and strengthen both industries.

The decision comes as the number of cash-strapped companies in the construction sector has increased, mainly due to unsold apartments. New ship orders have slowed drastically, due in large part to foreign exchange losses, while the increasing number of small shipbuilders has oversaturated the market.

(Sourced from Arirang News)

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