

GEM is bullish on growth in coming months amid crisis

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Gulf Energy Maritime (GEM), the region's largest independent commercial product tanker operator, hopes to post stronger growth in the coming months even as the global financial crisis continues to take a major toll on the shipping industry.

The company is confident that the current crisis will help re-organise the industry and open up more opportunities although it is adopting a "wait and see" approach before resuming its expansion programmes.

GEM has taken delivery of Gulf Jumeirah, an IMO II N2 type, 47,000 dwt (dead weight tonnes) oil/chemical tanker and the second of two tankers is expected this year from Korea's Hyundai Mipo Dockyard (HMD), one of the world's largest ship makers. The \$56 million (Dh206m) vessel is the 11th in GEM's growing fleet and is expected to strengthen the company's status as the region's top chemical transportation company. "We will continue to grow organically regardless of the financial crisis. We believe the crisis will help to weed out rogue players and this will open up opportunities for established players," Ahmed Essa Hareb Al Falahi, CEO for GEM, told Emirates Business.

"We had anticipated a correction in the industry and the company has been structured to withstand them," he said.

Although the tanker spot market in the region has been volatile over the past months, GEM will balance its business by deploying the newly delivered vessel onto the spot market to cater to clients' demands.

Al Falahi said the decision to strengthen its spot market will help balance its strategies to create more business opportunities and will also address current market trends. More than half of GEM's fleet is on long-term charter contracts and this has helped the company to overcome challenges of falling demand for cargo.

Returns from the spot market for Very Large Crude Carriers (VLCCs) reached highs of \$120,000 per day in the first half of this year on voyages from the Middle East to the Far East. However, rates have more than halved in the subsequent months after a drop in oil cargo.

"Traditionally when tanker rates fall, it is the spot market that gets affected most, but it is also the most profitable when demand is high. We want to be able to balance between Time Charter and spot market operations so that one can save the other in case of a downturn," added Al Falahi.

He said the company is still insulated from the current financial crisis and during this year, its net profit on operational level increased by 35 per cent, while overall profit increased by 250 per cent due to the sale of its two old vessels. GEM has six more vessels on order from HMD, all of which are scheduled for delivery in 2009. Two of these vessels are of 47,000 dwt, while the other four are much bigger at 75,000 dwt.

However, GEM will temporarily put brakes on its acquisition plans to watch the trend that the industry will take in the coming months.

Al Falahi pointed out that the existing fleet alone was enough to stimulate positive returns for the company even during the current financial crisis. "Our new builds follow the highest safety standards and are equipped with the state of the art maritime technology which makes them more appealing to charterers. This is a step we have taken to ensure sound business practices and profitability while ensuring that all safety and quality standards, both for the benefit of the environment and for our crew, are strictly given top priority," said Al Falahi.

This month, GEM became the first Middle East-based shipping company to undergo Lloyd's Register's Human Element Gap Analysis (Hega) a review to identify gaps between what a company does and what it aims to do based on industry best practice.

Established four years ago, GEM has built an asset value now standing at \$1.3 billion. The company is a joint venture between Dubai's Emirates National Oil Company (Enoc), Abu Dhabi's International Petroleum Investment Company (Ipic), the Oman Oil Company (OOC) and Thales of France under the UAE Offsets programme.

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