Asia Shipyards

Korean shipyard seeks bank protection

Sam Chambers • October 25, 2023 0 425 1 minute read

Shipbuilding might be enjoying record-long orderbooks and elevated prices, but margins remain wafer-thin for many as evidenced in South Korea where one of the nation's oldest shipyards has applied for a debt workout with its main creditor.

Busan-based Daesun Shipbuilding & Marine Engineering, whose history dates back to 1945, has sought debt protection from the Export-Import Bank of Korea as it fights a liquidity crisis many other mid-sized yards are struggling with thanks to inflation and a shortage of manpower.

Daesun has already warned suppliers it will be late with some payments while staff have had to take pay cuts.

Daesun's total debt in the first half of this year was KRW457.7bn ($338.9m), and its debt ratio reached 567.3%.

Daesun had previously been under state creditor protection for a decade after the global financial crisis. Two years ago it was acquired by Dongil Steel Consortium, which consists of five local companies in Busan, in 2021.

Data from VesselsValue shows the yard's orderbook, which is set for delays, is made up of 19 ships including six chemical tankers, 11 feeder boxships and two general cargo ships.

"While just one incident (with isolated balance sheet issues), it is still interesting to note how newbuilding prices at post financial crisis highs are not necessarily enough to yield good returns for the yards. Their input costs have come up a lot (on top of general inflation) and the lack of workers that has been talked about for years is now putting a true constraint on output," noted a report from Oslo-based Pareto Securities this morning.

#South Korea