

# INTERVIEW

## Supporting Export of Ore Carriers through Buyer's Credit for Ship Export

Maintaining and increasing international competitiveness of Japanese shipbuilders

Interview with Director Chie Wakatsuki and Kohei Takamatsu of Division 1, Marine and Aerospace Finance Department, Industry Finance Group



Director Wakatsuki



Mr. Takamatsu

### Shipbuilding industry supports the local economy and employment

With major manufacturing sites located in Japan, shipbuilding is an important industry because it supports local economies and employment.

JBIC has been contributing to the development of shipbuilding in Japan since the time of our predecessor, the Export-Import Bank of Japan. In the late 1970s, JBIC provided more than 200 loans per year. Since then, the Organisation for Economic Co-operation and Development (OECD) has revised the terms of their guidelines. The primary financing bodies have shifted to private financial institutions. However, after the economic recession triggered by the collapse of Lehman Brothers in 2008, JBIC has once again started supporting the export of ships made by Japanese shipbuilders.

TTM Group, the borrower of the loan, is a ship owner and operator that specializes in bulk carriers. Japanese shipbuilders have a competitive advantage in the field of bulk carriers that carry grain, iron ore and cement. Capitalizing on that advantage, Imabari Shipbuilding will build the ore carrier (241,000 DWT) and deliver it to TTM Group in 2019.

### Challenges in originating a bankable deal

Director Chie Wakatsuki looked back on the project. "When JBIC provides support for the export of ships, it is usually provided through the buyer's credit on a corporate finance basis. JBIC lends the funds based on the creditworthiness of the company purchasing a Japanese ship. However, for this project, it was difficult to apply a normal plan for providing financing for the ore carrier, so we took time to devise a bankable plan. TTM Group has confidence in Japanese ships in terms of their low energy consumption and environment-related technologies, and also trust that shipbuilders can observe their delivery date. In fact, all of the ships owned by the Group were manufactured in Japan. I wanted to succeed with this deal and have them engage in similar transactions in the future."

"We considered different options after we received the financing request from Citibank, N.A. in December 2015. We decided to employ PF-based financing based on our experience providing PF for a liquefied natural gas ship which provides long-term, stable operations. With PF, the loan is repaid out of the profit from the business. This was the first time to apply PF for a bulk carrier, so we made a concept to reach a bankable deal."

In recalling the process, Kohei Takamatsu explained, "With PF, we need to assess risks that span over a long-term repayment period from multiple aspects. We examined the running cost of the ship, insurance coverage for various problems that could occur during operation, TTM Group's experience in operation of similar types of ships, and the details of

The Japan Bank for International Cooperation (JBIC) signed, in January 2018, a ship export buyer's credit agreement on a project finance (PF) basis with MacLin Sunny Maritime S.A., a company in the Republic of Panama owned by Ta Tong Marine Co., Ltd. (TTM) Group of Taiwan. The agreement is for financing the purchase of an ore carrier to be manufactured by Imabari Shipbuilding Co., Ltd., which is headquartered in Imabari, Ehime, Japan. This loan is co-financed by the Tokyo Branch of Citibank, N.A., and the financing they provide is covered by insurance from Nippon Export and Investment Insurance (NEXI).



Photo: Ore carrier with nearly the same size as the one financed by JBIC

shipbuilding contracts with Imabari Shipbuilding Co., Ltd. Our internal review was also a serious challenge, as this was the first PF for a bulk carrier."

"In particular, the financial covenants required a great deal of effort. A PF deal usually requires the borrower to pool a certain amount of funds to prepare for possible future problems. However, this was the first time for TTM to receive financing from JBIC, so we worked to reach an understanding with them. We had many discussions with the Credit Department to find middle ground, and ultimately finalized the financing."

As a result, the loan details were finalized before the end of 2017, and the agreement was signed in January 2018.

### Contributing to the future of the shipbuilding industry in Japan

Chie Wakatsuki offered the following comments on JBIC's future efforts. "As a member of OECD, JBIC aims to achieve as much as possible while complying with the guidelines and providing financing within the limits of the rules. There are a number of ship owners like TTM Group who favor Japanese ships. They cite Japanese shipbuilders' commitment to meeting delivery dates, the economy and reliability of ships, and the high price of used ships. JBIC was able to coordinate a new plan to meet the expectations of those who favor Japanese ships."

"Japanese shipbuilders, as well as related industries which manufacture materials and parts for ships, are important to local economies and employment. We hope to continue providing support for the export of Japanese ships through various financial instruments."

Kohei Takamatsu also expressed his aspiration. He said, "In fact, we added 'No. 1' to the title of the agreement with TTM Group, in anticipation of providing more financing agreements to them. We hope that will happen in the near future."

As a Japanese policy-based financial institution, JBIC, in collaboration with the Shipbuilders' Association of Japan, will continue to provide support for the export of Japanese ships as well as contributing to maintaining and increasing their international competitiveness.

### Buyer's credit for ship export to TTM Group

JBIC signed, in January 2018, a ship export buyer's credit agreement on a project finance basis with MacLin Sunny Maritime S.A., a company in the Republic of Panama owned by Taiwanese company Ta Tong Marine Co., Ltd. (TTM) Group, for financing the purchase of an ore carrier (241,000 DWT).

The ore carrier will be manufactured by Imabari Shipbuilding Co., Ltd., which is headquartered in Imabari, Ehime, Japan. The ship will be delivered to TTM Group in 2019.

This loan is co-financed by the Tokyo Branch of Citibank, N.A., which is the lead arranger. The financing they provide is covered by insurance from Nippon Export and Investment Insurance (NEXI).