



MARITIME FINANCING IN MALAYSIA : AN OVERVIEW

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- Financial activities in the maritime industry
- Types of financing
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ELIGIBLE SECTORS

- Shipping
- Shipyard
- Ports
- Storage / warehousing
- Multimodal transport
- Logistics
- Training / consultancy
- Brokering / chartering
- Supplies (i.e. bunker)

FINANCIAL ACTIVITIES IN THE MARITIME INDUSTRY

- Financing for purchase of newbuilds and second-hand vessels
- Shipbroking
- Ship valuing
- Leasing
- Insurance
- Export credit

TYPES OF MARITIME FINANCING

- Open market
 - Bank lending
 - Capital markets
- Government sources
- Regional financial institutions

MARITIME FINANCING : OPEN MARKET FINANCING

- Debt financing
- Equity financing
- Export credit scheme
- Sale & lease-back
- IPO (Bursa Malaysia)
- Bond / securities issuance
- Private placement

MARITIME FINANCING : GOVERNMENT SOURCES

- Shipping Finance Fund
- Marine insurance aid
- Operating subsidies
- Construction subsidies
- Scrap-and-build subsidies
- Tax and depreciation allowances
- Custom duties and levies
- Guarantees

MARITIME FINANCING: REGIONAL FINANCIAL INSTITUTIONS

- Islamic Development Bank (IDB)
- Asian Development Bank (ADB)
- Japanese Bank for International Cooperation (JBIC)

METHODS OF APPRAISAL

- Net present value (NPV)
- Internal rate of return (IRR)
- Cashflow / discounted cashflow
- Discounting methods :
 - Annual capital charge
 - Growth rate of return
 - Discounted profit ratio
- Payback period
- Asset valuation
- Required freight rate

DUE DILLIGENCE ON SHIP FINANCING

- Corporate analysis
- Asset analysis
- Cashflow analysis
- Market analysis
- Company profile analysis

RISKS INVOLVED

- Credit / financial risk
- Market / business / industry risk
- Timing risk
- Sovereign / global risk
- Residual value risk
- Legal risk
- Operating risk

RISK MITIGATION INSTRUMENTS

- Ship mortgage
- Assignments – earnings / insurances / contracts / proceeds
- Guarantee / indemnity
- Pledging of assets, deposits, shares
- Debenture
- Covenants

CONSIDERATIONS FOR BORROWERS

- Access to competitive financing
- Demand & supply elasticity
- Trade pattern
- Opportunity cost of investments
- Legal infrastructure
- Shared ownership of vessels
- Nature of contract

CONSIDERATIONS FOR LENDERS

- Single customer limit
- Client / market / sovereign due-diligence
- Project finance with recourse to shareholders
- Tailoring debt service to cashflow forecast
- Flag regulations and flags of convenience
- Collateral / guarantees
- Type of registry
- Industry development

*“If you want to build a ship, do not
hire men to collect timbers,
allocate tasks or discuss details.
Only teach them the deep longing
for the endless high sea”*

*Antoine de Saint (1900-1944)
French aviator / writer*

THANK YOU

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