

# ABG Shipyard bags sub-sea vessels deal

\$137m order marks company's entry into the segment

Archana Shukla, Mumbai

ABG Shipyard, India's largest private sector shipyard, has entered into the construction of sub-sea vessels with its first order worth \$137 million. The order would help the shipyard expand and strengthen its offshore vessel construction business.

ABG has received orders to build three sub-sea multipurpose platform supply vessels (PSVs), each costing \$45.55 million, from UK-based Toisa, which operates its vessels through its arm Sealion Shipping.

Sealion owns and operates 24 offshore vessels and has 10 vessels on order in various shipyards worldwide.

On April 24, 2008, *DNA Money* had first reported ABG Ship-

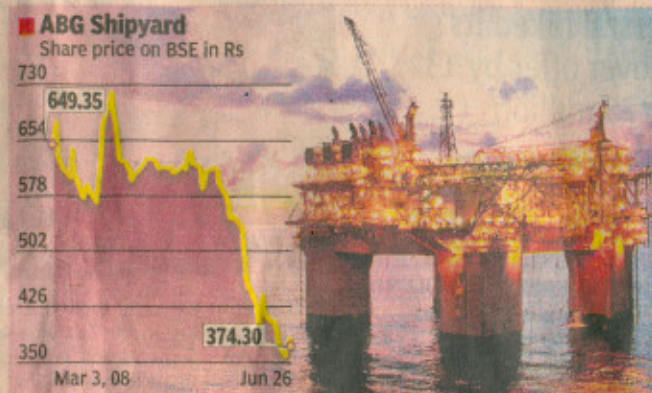
yard's plans to enter this segment.

Sub-sea multipurpose PSVs are technical vessels employed underwater for construction and repair work during exploration and production activities. Currently, most of these vessels are constructed at specialised European yards.

No Indian firm has entered this segment besides Bharati Shipyard, which has earlier built a PSV. ABG, however, had built an offshore construction vessel CCC Pioneer for a Greek company five years ago.

ABG's chief financial officer Dhananjay Datar said, "This is our first entry into PSVs, which are higher value vessels, following our decision to increase our presence in the lucrative offshore segment. We are slowly capturing the market share of European yards in offshore vessel segment, like we did in anchor handling tug supply (AHTS) vessels."

ABG now has the second



largest order book in AHTS vessels globally.

The yard is currently negotiating specs and deliveries for more sub-sea vessel orders with foreign companies.

ABG's full fledged entry into this segment comes at the right time. Oil and gas exploration and production (E&P) activities have got a boost from crude prices touching \$135 a barrel. This has led to an increased de-

mand for offshore support and repair vessels like these.

"There is a huge demand-supply gap for PSVs. Demand has increased because of larger E&P work and the fact that almost 61% of the current fleet of PSVs are up for replacement. This creates a great opportunity for us," Datar said.

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## High seas

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two and a half years to build. The three new orders would be executed by March 2012, September 2012 and March 2013.

The recent deal has taken ABG's order book to \$2.43 billion, the largest in the country. Its overall capacity is booked till 2012 and for bulk vessels till 2013.

Increased demand for vessels due to a boom in shipping and aging fleets has made shipyards consider capacity expansion and entry into newer segments. With many new players entering shipbuilding, companies such as Bharati Shipyard, Pipavav Shipyard, state-owned Cochin Shipyard, Good Earth Maritime and Larsen & Toubro have also lined up expansion.

Also on the cards for ABG is a ramp-up in capacity at its Surat yard. This company hopes to double production at this yard by next year.

Shares of ABG Shipyard closed at Rs 374.30 on Thursday.

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