

ABG Shipyard to source design from US firm for building rigs

Friede & Goldman will be paid a royalty each time the Indian company takes a design from them

By P.MANOJ
p.manoj@livemint.com

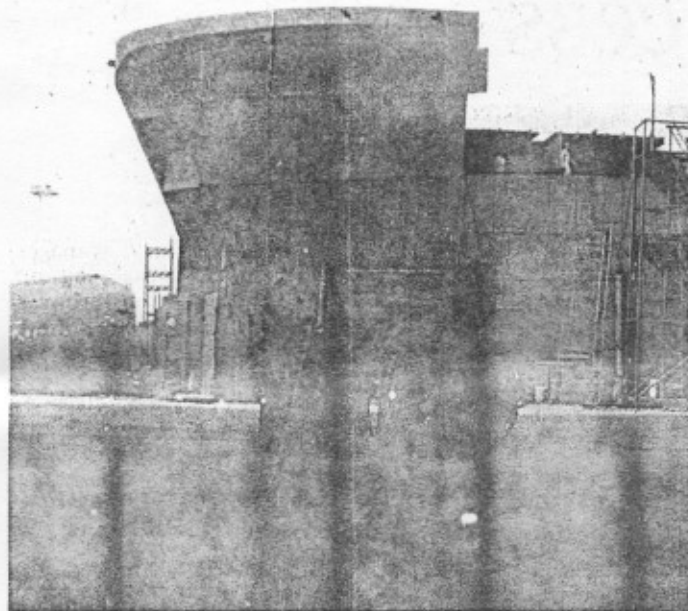
MUMBAI

ABG Shipyard Ltd, the flagship company of the ABG Group, will build rigs at its upcoming Dahej facility in Gujarat with the help of designs provided by Friede & Goldman, Inc.

The Houston, Texas-based Friede & Goldman is considered the world's top designer of offshore drilling rigs. It is part of Russia's MNP Group that also designs and constructs offshore vessels such as drill ships, jack-up rigs and semi-submersible drilling rigs for the offshore oil exploration and production industry.

"We have a royalty agreement with Friede & Goldman. For taking their designs each time, we will pay them a royalty," said an ABG Group executive, who did not want to be named. He declined to give further details of the deal.

ABG is setting up a new Rs550 crore rig-building yard at its Dahej facility which will start operations by December 2008. "The yard will have the capacity to build four rigs at a time," the official said. Each



Rigging up: A ship being built at the ABG Shipyard Ltd in Surat. The firm is setting up a Rs550 crore rig-building yard at Dahej, Gujarat.

rig takes about 24 months to build. Global bankers such as Citibank and Deutsche Bank are keen on funding the rig-building unit, he added.

That's not surprising, given the huge unmet demand for rigs. The exploration and production plans of some companies in India such as Reliance Industries and Oil and Natural Gas Corp. have in fact been affected by the short supply and high prices.

Worldwide, drilling contractors are investing in drill ships

to meet the rising demand from oil and gas firms that are pumping money into exploration and production activities following a surge in oil prices.

Rig building yards such as Hyundai, Samsung, Daewoo, Yanti Raffles and Keppel FELS are sitting on huge orders.

"If you order a jack-up rig now, you can expect delivery only in 2010," said an official with Chennai-based offshore vessel owner Aban Offshore Ltd. It is this backlog of orders that ABG hopes to tap.

RAMPING UP ABG Ltd looks at acquiring Alcock Ashdown

ABG has already started accepting new building orders for its Rs400 crore shipyard coming up at Dahej where it can build and repair ships up to 1.2 lakh tonnes. ABG had won a Rs1,030.5 crore order earlier this year from Singapore-based Pacific First Shipping Pte Ltd for building 12 vessels comprising nine anchor handling tug-cum-supply vessels (AHTS) and three dry bulk carriers of 54,000 tonnes each.

The new yard, which is slated to become operational in April 2008, will boost the company's ship-building capacity. It currently operates a yard at Surat in Gujarat.

ABG would also bid for the Gujarat government-owned shipyard Alcock Ashdown (Gujarat) Ltd which has been put up for sale by the state.

"We are interested in bidding for Alcock Ashdown," the official said. "Even after the Dahej facility becomes operational, we will have to ramp up our ship-building capacity after another two-three years. It makes sense to have another yard in Gujarat which currently houses both our facilities rather than have a new yard on the country's east coast," he added.

AMIT BHARSAYA/BLOOMBERG