

# Testing times for owners as finance freeze

## continuation

Good relationships  
vital for unlocking  
capital



D'Amico: despite the turbulence, good relationships still exist between banks and Italian owners.



NICOLA CAPUZZO — GENOA

ITALIAN shipping companies are taking the strain as banks continue to turn their backs on shipping loans.

"Times are hard worldwide and Italy is no exception," says **PAOLO D'AMICO**, chairman of Italian shipowners association **Confitarma**.

In Italy as much as 80% of outstanding loans to shipowners are held by domestic banks, notably Unicredit, Intesa Sanpaolo, Monte dei Paschi di Siena, Banco Popolare, Banca Carige, Meliorbanca and Centrobanca.

The role of banks in ship finance is

substantial. According to Confitarma, between 2007-2010 Italian shipowners ordered 300 newbuildings worth \$18bn. The average financial leverage ranges between 70%-80% and banks' exposure in the Italian shipping sector exceeds €10bn (\$13bn).

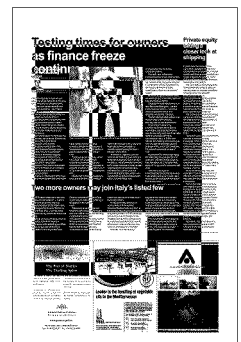
Since the onset of the financial crisis in 2008, many Italian shipowners have had to renegotiate the terms of ship finance contracts and some have been forced to restructure debts.

Evidence of the tough market was clearly demonstrated last week when Italian family-owned shipping company Deileumar Compagnia di Navigazione was declared bankrupt, amid crippling debt of more than \$1bn.

The 40-year-old company, which

has a fleet of five bulk carriers comprising capesizes and post-panamax, had tried to negotiate a deal with creditors, but the High Court of Torre Annunziata flatly rejected the plan.

Deileumar had been struggling to reduce its debt due to poor freight rates in the dry bulk sector, caused in large part by the oversupply of



vessels ordered during the boom between 2007-2009.

"Nowadays, capital is a scarce resource for banks and we sell it at a higher price applying higher spread conditions. Yet shipowners know that we're close to them and ready to start negotiating for a shared solution," says Massimo Zanieri, head of Unicredit shipping desk, which was separated from global shipping unit within UniCredit Bank and amalgamated into the Italian corporate division.

Unicredit, one of the most important lenders in the national ship finance market, says that "the bank has redefined the corporate network in compliance with its industrial plan aiming at a slimmer and faster organisation, closer to companies' needs".

Mr **d'Amico** agrees that the banks are working hard to meet the needs of their ship finance clients.

"Despite the market turbulence, in Italy there are still a good — and in some cases excellent — business relations between banks and shipping companies," he says.

These enduring relationships may also be down to the shipping industry's track record with banks.

According to research by **Conifarma** and the Italian Banks Association, the shipping industry may be less risky and more financially reliable compared with other businesses in Italy. In 2009, bad debts in the shipping sector were just over 2% against an Italian general average of 9%, and in 2010 less than 5% against a general average of 10%.

At present 66% of the ships flying the Italian flag are younger than 10 years old, and 46% of them are less than five years old. The Italian fleet totals 18.7m gt, up 8% compared with 2010.

"Italy has a young and technologically advanced fleet ready to generate money and create value as soon as the market will rise again," Mr d'Amico says. n

[www.lloydslist.com/specialreports](http://www.lloydslist.com/specialreports)