

# Good morning Vietnam

Graig Group's Chris Williams tells **Tony Gray** why it plans to venture into a market with the same hallmarks as China

**T**EN years of 'privatisation' has provided a new lease on life for the Graig Group. In the early 1990s, Graig was limping along as a small, publicly-quoted tramp shipowner with just a couple of bulk carriers to its name and trading losses in the accounts.

Although financially sound, the company lacked scale in both shipping and stock market terms.

Against this background, Idwal Williams & Co, the family firm which owned more than half of Graig's shares, decided to take the company private.

Since then, Graig has demonstrated a refreshed sense of purpose, exemplified by this week's order for up to 15 handy-max bulk carriers with the Vietnam Shipbuilding Industry Corp — a potential expenditure of \$322.5m

Vietnam's shipbuilding industry is a place where many owners might fear to tread. But Graig has been emboldened by the success of its earlier, equally courageous initiative in the Chinese shipbuilding market.

Graig's current approach to business is a reminder of why the group gained the soubriquet 'the Cardiff Greeks' in the 1960s and 1970s: it had always adopted an opportunistic and venture-some style akin to the Greek rather than British tradition.

Today, Graig owns four "Confidence class" multi-purpose vessels, and has firm orders in place for seven 53,000 dwt bulk carriers — two in China and five in Vietnam. It has options on 10 more of these "Diamond 53" bulkers in Vietnam.

But, under the leadership of chief executive Hugh Williams, Graig has evolved into much more than a mere owner of tonnage: it is now a "global marine service provider".

The group has interests in newbuilding supervision, ship management, ship design, shipowning, shiprepair, IT support and ship finance.

As well as owning ships, Graig manages 20 vessels, mainly operating in the heavy lift and container-feeder sectors.

In common with many other marine companies, Graig owes much of its good fortune to China.

Unlike most shipowners, however, this is not because of the enormous growth in China's cargo generation.

Graig was one of the first marine groups from outside China to realise the potential of that country's yards. The company has now been contracted to supervise approximately 50 newbuildings there on behalf of itself and major global shipowning groups, such as Greece's Thenamaris.

Graig hopes to repeat this trick in Vietnam by leveraging the strong reputation it has gained in China.

"We were one of the first Western shipowners into China," says Graig director Chris Williams, "and to really grasp the situation and get good value out. It is a logical extension of the business to move to Vietnam, where we see the same hallmarks."

**B**ut if Graig has ventured into shipbuilding territory that many others have shunned, it has done so as a member of a strong team.

"You have to work as a team otherwise you won't get quality," Chris Williams observes.

With the Diamond 53 double-hull bulker project Graig brought together the strengths of a number of players from different sectors, such as the

Danish design firm Carl Bro, the class society Det Norske Veritas, as well as owners, and yards. Finance and newbuilding supervision packages were then added.

"The first benefit was that we got an owner-friendly design, rather than something a yard has come up with to simplify their work," Hugh Williams has previously explained.

"We were able to offer a package with excellent finance terms and attractive delivery slots.

"Then we involved a major broker, and we had a project which was much bigger than we could have managed alone." Similarly, in Vietnam, Graig will help the yards with design, procurement, finance, and "all important quality control".

The company adds: "Our experience of working with yards in China to build series of ships means we can help the yards to develop, and give confidence to our partners that Vietnam can provide them with high quality tonnage."

Chris Williams stresses that Graig has "not left China, which is still very important to us".

While the company has no options outstanding with Chinese yards, he says it does have "positions" if berths are not taken up by other owners.

The strength of demand for the Diamond 53 bulker has resulted in much of the company's energy being focused on this project.

But he says Graig's project for a panamax bulker is "on the blocks and ready to go" when required.

Graig has traditionally been associated solely with the dry cargo market, but this could soon change. "We have a number of projects under consideration," he points out, "some of which are outside the bulk carrier field".

The company is, for example, studying the small tanker sector. This project could involve a ship of 5,000 dwt-25,000 dwt, either in the crude or product trades. "We are very aware of the oil

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majors and would most likely team up with someone more readily acceptable to them," he says, acknowledging Graig's lack of experience in the tanker market.

This approach to tankers echoes Graig's strategy in global project cargo shipping, in which it works in partnership with the Danish Clipper Elite Group.


None of Graig's existing newbuildings have been ordered with period employment in place. But Chris Williams notes that the company has a "close relationship with charterers" and on the bulkers has had "a close liaison with BHP".

Even without employment in place, raising finance should not pose a problem for the group.

Chris Williams spent seven years working for Fortis, the European financial services giant which houses one of the world's largest ship finance operations. He headed Fortis' London ship finance operation and also worked in Hong Kong and Singapore for the group.

"We have a strong relationship with a small group of well known shipping banks," he observes. These include Fortis and Nordea.

Graig was founded in 1919 on the Cardiff Stock Exchange.



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**Chris Williams**

In common with other tramp shipping companies, it has experienced many ups and downs in its 85-year history. Graig probably came closest to the brink in the second-half of the 1970s when the depression in the tanker market infected the dry bulk too.

During the low point of the slump — between 1976 and the middle of 1978 — the problems of inadequate freight rates were cruelly compounded for Graig by the seemingly inexorable rise of the yen.

In 1976, the company had ordered two 28,000 dwt bulk carriers at Hakodate Dockyard in Japan at a combined price of ¥6bn, with post-delivery finance to be provided through the Japanese Eximbank.

A deterioration in trading conditions was accompanied by an appreciation of the yen from ¥525 to the pound when the ships were ordered to ¥365 in September, 1978.

In the event, Graig took delivery of only one vessel and, like many other tramp companies, was rescued by a strong improvement in dry bulk freight rates in the autumn of that year.

During most of the next decade or so, Graig remained financially sound thanks to judicious use of the sale and purchase markets.

It also diversified through investments in oil exploration and at one stage attracted the attentions of Cluff Oil.

In shipping terms, however, these

years were generally uneventful and Graig's fleet remained small.

By the time the group's de-listing from the London Stock Exchange was complete, its fleet was down to a single vessel.

Now, apparently thriving, would Graig consider going public again?

Chris Williams comments: “The problem with listed companies is that shipping stocks do not have a strong following and therefore very rarely have traded at a premium to net asset value.

“The fundamental reason for listing is not there.”

He adds: “We have achieved quite a lot more in the past 10 years than we had previously.”



A warm welcome from Ho Chi Minh City this week's order for 15 handymax bulk carriers with Vietnam yard will cost the enterprising Cardiff-headquartered company around \$322.5m



Signing the deal: left to right; vice-minister Tho, Ministry of Transport; Hugh Williams, chairman and chief executive, Graig Shipping Group; and Mr Binh, chairman and chief executive, Vietnam Shipbuilding Industry Corporation. Others behind include Vietnamese government officials and senior shipyard personnel.