

Shipping magnate Abdul Qadir Rahman Buhari, the Managing Director of The WAM International, has sealed yet another tender floated by the Tamil Nadu Electrical Board

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Author: **West Asia Maritime International**

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August 17, 2012, 10:40 am -- [/EPR NETWORK/](#) -- Shipping magnate Abdul Qadir Rahman Buhari, the Managing Director of The West Asia Maritime International is beginning to raise a few eyebrows in the shipping corridors. In his dogged pursuit of owning ships and winning contracts, the captain of the Chennai-based Corporation has sealed yet another tender floated by the Tamil Nadu Electrical Board which, sources say is tailor-made for Mr Buhari's self-unloading bulk carrier – the Gem of Ennore, which is intended to move thermal coal from Paradip in Orissa to Ennore/Tuticorin/Karaikal.

The haulier is currently time-chartered by the Tamil Nadu State-owned Poompuhar Shipping Corporation and its 10-year charter period ends Sept/Oct, 2012.

Interestingly, the TNEB's fresh tender appears to be designed in such a way that no other ship in India has the capacity to bid for it (the tender for the contract has specifically asked for a self unloader feature on the vessel). It's a home-run for the Gem of Ennore and a smooth transition from one deal to another.

One happens to wonder how a credible agency like PSCL, hired by TNEB for its coal procurement, can be so short-sighted while selecting a vendor. In a country that depends on its coasts for a wide variety of goods, it's appalling to observe errors in judgement in significant projects with massive financial ramifications.

There is a project that is currently underway to install two gantry cranes at the Ennore port for discharging gearless vessels. The venture is expected to be completed in under 2 years' time.

The TNEB, amusingly, has brought out a 5-year charter period. The value of a self unloader becomes moot in two years (the gantry cranes are being

installed to do exactly what an unloader does). Therefore, the un-loader becomes redundant for the next three years (more of an additional burden to TNEB) and these are the years when the charter hire (around Rs. 20 lakhs plus per day) are 30% to 40% higher than the current rate.

Additionally, infrastructure (gantry cranes) built at huge costs will be under-utilised. These are the years, when having two gearless panamaxs will be financially more viable and sensible than operating the un-loader. In fact, chartering of two gearless vessels to achieve and maintain the same level of transport and supply efficiency at comparable costs would make more economic sense than a self unloader, especially since the gantry cranes are scheduled to come up within two years.

The gantry cranes are being built at the cost of the taxpayers' money and the government ought to look into it and plug the loophole. Interestingly, the Gem of Ennore was converted more than 10 years ago to suit the requirements of charter.

It was built as a gearless Panamax in 2000 at the Hitachi Zosen Shipyard in Japan. In 2001, she was converted to a self-unloader with cranes and conveyor in China, exclusively for carrying thermal coal from Paradip port in Orissa to Ennore in Tamil Nadu for the Tamil Nadu Electricity Board. One wonders if the West Asia Maritime Ltd had an idea of things to come in future.

There are zero opportunities for the other bidders for whom there is no level-playing field. Comparatively, the rate for a charter hire per day is Rs. 14.49 lakh for GoE while a gearless panamax rate is 5.35 lakhs. It is evident that the cost per ton to TNEB on the unloader is much higher than carrying the coal on gearless panamaxs.

Why not float a tender for a period of one year instead of tying it down for five years? Even if TNEB considers chartering a self un-loader, the period should be limited to one year only and reviewed for continuation in 2013, considering the fast-changing ground realities.

The vessel has to be provided within the lay days which are less than two months away. A major conversion such as this takes no less than 5 to 6 months. Therefore, there is a conflict here. The chartering negotiations were going on as of 3rd week of July and the vessel is required no later than 15th October.

One cannot help but wonder about the track record of the shipping giant. WAMSPL (Singapore) entered into two contracts with Euroceanica, UK, in 2008 for the time-charter of 2 19,800 DWT chemical tankers – namely 'LBU Onyx' and 'JBU Opal' for a period of 5 years. WAMPSL is a subsidiary of West Asia and accordingly West Asia, Chennai, provided performance guarantees for each ship.

'LBU Onyx' and 'JBU Opal' were delivered to WAMSPL by Euroceanica in September 2008 and April 2009, respectively. The charter parties for the two vessels had a balance of approximately 32 months and 39 months to be performed when things started to go wrong.

WAMPSL failed to pay hire rates on time under both the contracts, as a result of which, Euroceanica arrested MV 'Gem of Safaga' in Australia as a security for their claim in November 2009.

"Euroceanica and WAM then agreed to settle for payments in installments and charter back to Euroceanica" Buhari said however, WAM once again failed to honour their obligations under the settlement agreement and eventually both WAM and Euroceanica agreed to disagree and terminate the contracts.

The total accrued debt of approx 8 million dollars was then renegotiated to around 5.75 million dollars. As a result of further failure, the owners were forced to secure an arrest order on 'Gem of Paradip from Mumbai High Court on 21st October, 2011. 'GoP' was the only vessel wholly owned by WAM at the time and was arrested at Vizag around 25th October, 2011, where she remained under arrest and idle until her release by the Court 35 days later.

"To put an end to the whole sordid affair, both WAM and Euroceanica agreed to settle on a figure slightly over 3 million dollars" WAM quoted.

Contact Details: chennai, tamailnadu

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