



Ningbo Ocean Shipping Co Ltd

Published: 28 October 2011

Company Details

Registered Name

Ningbo Ocean Shipping Co Ltd

Registered Number

330200000036890

Company Addresses

Operating Address

5/F, Building No.2

North Bank Fortune Centre

Jiangbei District

315020

Ningbo



People's Republic of China

Phone: +86 574 87659277

Fax: +86 574 87353454

Email: xuzq@nbosco.com

Website: www.nbosco.com

Incorporation Style

Private Limited Company

Incorporation Date

14 July 1992

Place Incorporated

People's Republic of China

Share Capital

Registered and paid-up capital: Chinese Renminbi Yuan (CNY)70.0m (US\$10.9m at 28 October 2011).

Ownership

Wholly owned by Ningbo United Container Shipping Co Ltd, which in turn is controlled by Ningbo Port Stock Co Ltd.

Contacts

Managers

Mr Jianping Shen, Assistant General Manager

Mr Zongquan Xu, General Manager

Affiliate Offices

Ningbo Ocean Shipping Co International Freight Branch, and Ningbo Ningyuan International Shipping Agency Co Ltd.

Date of Last Accounts

31 December 2010

Bankers

Bank of China, Ningbo Jiangdong Sub-branch.

Bank of Communications, Ningbo Branch Renmin Road Sub-branch.

Business Summary

Ningbo Ocean Shipping Co Ltd (hereafter referred to as NOSC) is a limited liability company that was incorporated in Ningbo in July 1992. NOSC is active primarily as a feeder liner operator, deploying owned and chartered-in vessels. After a recent ownership re-organisation, the company is now wholly-owned by Ningbo United Container Shipping Co Ltd, which in turn is controlled by the state-controlled Ningbo Port Stock Co Ltd.

Operations

From our interview with NOSC in October 2011, we understand that the company presently operates five container ships including one chartered-in called Kai Ping (built 2008, 7,991 dwt). The owned ships are the Ming Zhou 22 (built 1985, 7,795 dwt), Ming Zhou 56 (built 1985, 7,823 dwt), Ming Zhou 75 (built 1985, 9,510 dwt) and Ming Zhou 77 (built 1985, 9,510 dwt).

According to a recent maritime directory, the Ming Zhou 56 is directly owned while the three ships are owned by Ningbo Marine Group Co Ltd, Ming Zhou Shipping Co Ltd and Ningbo Port Group Ltd. Details of the ships are provided in the Fleet List at the end of this report.

NOSC deploys its vessels to offer containerised liner services between Ningbo and hub ports in Japan including Kobe, Osaka, Tokyo and Nagoya using four ships. The Ming Zhou 75 trades domestically between Ningbo and Qingdao of China.

NOSC's clients are thought to include Art & Craft Import & Export in China, Itochu, Marubeni, and Mitsubishi of Japan. Major container lines such as Hanjin also use the company's feeder services.

Management in NOSC advised us that the company currently operates around 5,000 TEUs, of which some 450 TEUs are owned and the remainder are leased. In terms of business volumes, we were told that NOSC carried around 90,000 TEUs in 2010.

NOSC has two wholly-owned subsidiaries called Ningbo Ocean Shipping Co International Freight Branch, and Ningbo Ningyuan International Shipping Agency Co Ltd. The former was established in 1996 and is involved in freight forwarding business. The latter was formed in December 2003 to provide agency services for vessels calling at the port of Ningbo.

Headed by the current General Manager, Mr Zongquan Xu, NOSC has a total office staff of around 125 people (including those in the two subsidiaries). The day-to-day shipping operations are understood to be handled by Mr Jianping Shen, Assistant General Manager.

After the recent ownership alteration and re-organisation, NOSC now shares the same staff with its new parent company, Ningbo United Container Shipping Co Ltd (NUC). NUC is reported to provide domestic containerised liner services and tramp services with a current fleet of 21 ships including 18 owned.

NUC is reported to be owned by Ningbo Port Stock Co Ltd (NPS, formerly known as Ningbo Harbour Bureau or Ningbo Port Authority), which was established by Ningbo Port Group, jointly with China Merchants International Container Terminals and six other companies, on 18 April 2008. The company is ultimately controlled by the Chinese Government. NPS looks after the operations of Ningbo Port, which is composed of Beilun Port Area, Zhenhai Port Area, Ningbo Port Area, Daxie Port Area and Chuanshan Port Area.

History

The origins of the business date back more than 50 years when the Ningbo Municipality Government established Ningbo Maritime Transportation Co. The name was changed to Ningbo Marine (Group) Corp in 1995. Since the late-1990s, most Chinese state-owned-enterprises (SOEs) have been undergoing organisational re-structuring. Consequently, Ningbo Marine (Group) Corp was changed to a limited liability company, and renamed as Ningbo Marine Group Co Ltd (NMGC). NMGC is the parent company of a group of companies that are involved in shipping and related activities, as well as real estate business, etc.

Initially NMGC was involved in coastal and river (Yangtze River) freight transportation, until it set up Ningbo Ocean Shipping Co (the former name of the subject company, NOSC) in 1992. NOSC was previously the only international shipping arm of the group, operating both containerships and bulk carriers. As a result of a group re-organisation, the bulkers that used to be operated by NOSC have been transferred to the publicly-listed Ningbo Marine Co Ltd (NMCL), leaving NOSC dedicated to container shipping only. NOSC changed its legal style from a SOE to a limited liability company in August 2002. In June 2008, its registration number changed from the previous 3302001002085 to the current one.

There have been a number of ownership alterations. Up to April 2009, the company was 45%-owned by NMGC, with the remaining shares owned by its staff, including the senior managers. The company has since been wholly owned by Ningbo United Container Shipping Co Ltd.

In May/June 2008, the company sold the 292-TEU Ming Zhou 8 (built 1977), and re-delivered the 412-TEU Tian Rong (built 1982) to her owner. Back in March 2008, management stated that there was a plan to replace the Ming Zhou 8 with a larger and newer vessel in the near future, but this may not happen any time soon given the market downturn.

We understand that the Ming Zhou 22 had been under a long-term time charter to the company until March 2004 when it acquired the vessel from Cosco Container Lines (Coscon), and the Ming Zhou 56 was bought in end-2007/early-2008.

The subject company used to run a Ningbo-Busan-Wenzhou-Ningbo service, but this has been suspended since November 2008.

Financial Figures

	12 months ending 2010 in CNY (E1000)	12 months ending 2009 in CNY (E1000)	12 months ending 2008 in CNY (E1000)	12 months ending 2007 in CNY (E1000)
Revenue	305,751	112,554	147,594	166,214
Operating Income	13,073	51	-8,768	2,884
Net Income Before Tax	13,195	5,996	13,014	4,143
Net Income	9,781	4,109	9,811	3,170
Fixed Assets	94,496	84,915	63,525	32,466
Current Assets	154,350	52,765	52,385	53,731
Other Assets	4,492	2,717	2,145	2,251
Total Assets	253,338	140,397	118,055	88,448
Current Liabilities	168,237	96,614	53,524	47,526
Long Term Liabilities	461	754	27,843	11,872
Provisions	0	0	0	0
Minority Interest	0	0	0	0
Shareholders Equity	84,640	43,029	36,688	29,050
Total Liabilities & Equity	253,338	140,397	118,055	88,448
Working Capital	-13,887	-43,849	-1,139	6,205
Current Ratio	0.92	0.55	0.98	1.13
Capital Employed	85,101	43,783	64,531	40,922
R.O.C.E	0.16	0.14	0.2	0.1
Gearing Simple	0.01	0.02	0.76	0.41
Fixed Assets Turnover Ratio	0.31	0.75	2.32	5.12

Financial Summary

• The latest audited annual accounts for NOSC that our correspondent in China has managed to obtain from an official channel are for the year ending 31 December 2010. The results are presented in Chinese Renminbi Yuan (CNY), and we have converted the key figures into US\$ at the year-end inter-bank exchange rate. It should be noted that these are non-consolidated accounts, and therefore they may not include the results of its subsidiaries. There are no explanatory notes to the accounts.

• In 2010, the company reported an increase of 171% in turnover to CNY305.7m (US\$46.2m) probably helped by higher volumes of cargo transported and improved freight rates during the year under review. On this, there was a net profit of CNY9.7m (US\$1.4m), up from CNY4.1m in 2009. There was a profit margin of 3.2% in 2010 compared to 3.6% the previous year.

• NOSC's balance sheet at the end of 2010 indicated a slightly weak current ratio of 0.92:1, translating into a capital deficit of CNY13.8m (US\$2.1m). Cash and bank balances of CNY101.8m (US\$15.4m) made up 66% of the total current assets.

- Fixed assets rose 11% to CNY94.4m (US\$14.3m) and these were likely to comprise one directly owned ship, office furniture, etc.
- Its long term debts of CNY461,000 (US\$69,742) were adequately covered by shareholders' funds of CNY84.6m (US\$12.8m) as at the year end 2010.
- We note that NOSC's services are focused on the trade routes between China and Japan. China expanded 10.3% in 2010, up from 9.2% in the previous year. It marked the fastest pace since the global financial crisis erupted in late 2008, adding to more inflationary pressure being faced by the country. In 2010, Japan was one of the fastest-growing major economies, expanding by 4% on the back of exports to China's booming economy. Japan's total exports expanded by 24% in 2010. However, the Japanese economy could suffer a serious setback in 2011 due to the March 11 earthquake and tsunami.
- In 2010, average daily earnings for most types of containerships remained below the US\$10,000 level, with only the larger sizes (3,500 TEU+) breaking the US\$13,000 barrier. During the first half of the current year, average earnings for all sizes have shown significant improvement, although recently in 4Q 2011 there has been a sharp decline, with all sizes falling back below the US\$9,000 level. With daily operating costs for these vessels estimated at US\$7,000 upwards (excluding debt finance impairment costs / bunkers), they will be returning marginal profits at best and in certain sectors, loss-making.

Market Feedback

- References are limited. When we spoke to NOSC in October 2011, we were advised that the company buys fuel mainly from one domestic bunker supplier. This named company was contacted and it confirmed a business relationship with NOSC where payments were received some eight days beyond 30-day terms. No further details given. We also understand that NOSC also buys from international bunker suppliers.
- In the container leasing market, the named lessor stated that it currently has around 4,000 TEUs on lease to NOSC where no major issues were reported on 60-day terms.
- Previous references obtained from NOSC's trading partners, including bunker suppliers/major oil companies/container lessors/shipowners, were positive although some slight delays were noted. NOSC has been considered one of the better pay masters amongst Chinese shipping companies.

Appraisal

NOSC is a feeder liner operator that was established in 1992. It used to form part of the Ningbo Marine group, which reports to the local government. After a recent ownership alteration, NOSC is now reportedly wholly owned by the operator of China's second largest port, Ningbo.

The latest annual accounts for NOSC relate to fiscal 2010 and these showed a profitable entity but slightly weak liquidity. Nevertheless, we take comfort from the possible backing it will enjoy from its parent group, and indeed the Chinese Government ultimately.

Based on the available information, we would continue to view NOSC as a reliable trading partner. At this time we feel that exposures of up to US\$ mid-six figures should be justifiable and present a below average risk. Dealings at higher

levels may be contemplated if a satisfactory trading experience has been established. However, given the market uncertainties, we would suggest a close monitor on its performance, with any delays addressed immediately.

Ratings

Review Period: 9 Months

Rating	Rate Code	Rate Description	Additional Factors
Sales Level (1-6)	4	\$US 20-50m	
Condition (1-6)	3	Satisfactory	
Performance (1-6)	3	Satisfactory	
Credit Guidance (AAA-J)	D	Mid six figures	Member of large group
Overall Rating (1-10)	4	Below average risk	State controlled

How do I interpret an Lloyd's List Intelligence Credit Rating?

Annual Sales (Size) Scale (1-6)	Company Financial Condition Rating (1-6)	Company Payment Performance Rating (1-6)
1 - \$500 million+	1 - First Rate	1 - First Rate
2 - \$100 - 500m	2 - Good	2 - Good
3 - \$50 - 100m	3 - Satisfactory	3 - Satisfactory
4 - \$20-50m	4 - Some Concern	4 - Some Concern
5 - \$5 -20m	5 - Weak/ Strained	5 - Weak
6 - Under \$5m	6 - Severe	6 - Poor
	Z - In Liquidation, Receivership, Chapter XI	

Credit Guidance Rating

	Exposure Range (US\$)	Normal Limit
AAA	Low eight figures and above	Above \$10m
AA	Mid to high seven figures	Below \$10m
A	Low to mid seven figures	Below \$5m
B	Low seven figures	\$1.25m
C	High six figures	\$750,000
D	Mid six figures	\$400,000
E	Low six figures	\$200,000
F	High five figures	\$100,000
G	Mid five figures	\$50,000
H	Low five figures	\$25,000
I	Credit a matter of trust in principal	See text
J	Secured or cash terms only	

Overall Risk Rating (Fifth Rating) (1-10)

	Risk of dealing with the company	Typical company performance in market
1	Negligible risk	Extremely strong
2	Very Low risk	Strong
3	Low risk	Firm
4	Below average risk	Satisfactory
5	Average risk	Adequate
6	Moderate risk	Vulnerable
7	Moderate to high risk	Weakened
8	High risk	Under pressure
9	Very high risk	Severe duress
10	Extreme risk	On the verge of collapse / bankruptcy

Additional Factors

MLG - Member of Large Group
SC - State Controlled
ID - Insufficient Data
NC - New Company
PG - Parental Guarantee Advised
RE - Refer to Your Experience
SS - Special Situation, see report text
EST - Estimated

Important Note: Ratings and guidelines are valid at the date of issue of the report only.

They are provided under our published terms of business and made in good faith. Under no circumstance are they intended to be definitive judgements of the standing or worth of the company in question, nor are they to be used as sole basis or in substitution for the exercise of your own judgement in deciding whether and in which way to trade with the subject.

This rating guideline was last updated on 16 February 2006.

Fleet List

Vessel	IMO	Flag	Built	Registered Owner	Type	Gross	DWT
Ming Zhou 22	8321955	St. Vincent & Grenadines	1985	Ming Zhou Shipping Company Limited	fully cellular containership	6,362	7,795
Ming Zhou 56	8321979	People's Republic of China	1985	Ningbo Ocean Shipping Company Limited	fully cellular containership	6,367	7,823
Ming Zhou 75	8321840	People's Republic of China	1985	Ningbo Marine Group Company Limited	fully cellular containership	8,282	9,510
Ming Zhou 77	8321852	People's Republic of China	1985	Ningbo Port Group Limited	fully cellular containership	8,282	9,510

Directly and indirectly owned.

Lloyd's List Intelligence

Telephone House
69-77 Paul Street
London EC2A 4LQ
United Kingdom

Tel: +44 (0) 20 7017 4482

Fax: +44 (0) 20 7017 5007

69-77 Paul Street

Email: lli.enquiries@informa.com

www.loydslistintelligence.com

Copyright 2010 Informa plc, All rights reserved

Lloyd's is the registered trademark of the Society incorporated by the Lloyd's Act 1871 by the name of Lloyd's

Lloyd's List Intelligence is a part of Informa plc ("Informa") whose registered office is Mortimer House, 37-41 Mortimer Street, London, W1T 3JH.

Registered in England and Wales Number 3099067