

Self-Unloader Dry Bulk Ships Case Study & Questions

Read the SUL Company case study. For your written assignment, I want you to calculate the premium (expressed as a percentage) that the self-unloader shipowner must charge compared to the owner of a standard bulker. This premium should be evaluated for a ship that costs \$60 million to build (includes an additional \$12 million in vessel cost for the self-unloader) and has a daily operating cost (opex) of \$8,900. The premium must provide an equivalent return on capital (ROC) and return on equity (ROE) when compared to the original values for the standard bulker. (See guidelines below as to how to do this).

In class we will discuss:

- The above calculation assumes that the self-unloader spends the same time in port as a standard bulker. What impact does it have that the self-unloader has a faster unloading rate, and therefore a shorter time in port? How do you quantify this impact?
- What should SUL Co.'s pricing policy be?
- From a shipowner's viewpoint, what are the pro's and con's of being a self unloader shipowner?
- Should SUL Co. build the ship described in the case study/spreadsheet?
- How does the down market affect SUL Co.'s decision?

Guidelines for the *SUL Mendoza* Investment Model:

To modify capital costs:

Change cell F7 from a value of \$48,000,000 to \$60,000,000.

To change operating expenses:

Change cell V8 from a value of \$7,000 to \$8,900.

To change the time charter equivalent (TCE) rate:

Think of the TCE rate as the amount that the shipowner charges for the use of his ship each day. To see the impact of increasing the TCE by X%, change cell F17 from 0% to X%. Hit "Enter".

For your homework, just state the PERCENTAGE PREMIUM, plus 3 reasons why you think that SUL Co. will—or will not—be able to obtain this premium.

This assignment sheet was prepared by Nathan L Pratt and Henry S Marcus as an introduction to working with the referenced investment model. Some information in this spreadsheet (the inputs relating to TCE and interest rates in particular) has been disguised at the request of the author of the spreadsheet

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