

Lukewarm investors canceled IPO of Diamond S

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Renowned American investor Wilbur Ross has suffered a setback with the cancellation of a Diamond S. Shipping IPO, New York-based analyst Basil Karatzas tells ShippingWatch.

The last-minute cancellation of a Diamond S. Shipping IPO on the New York Stock Exchange is a significant setback for renowned American investor Wilbur Ross.

But it will likely only be a temporary setback, says New York-based financial consultant and shipping analyst **Basil Karatzas, of Karatzas Marine Advisors & Co.**, to ShippingWatch.

On Tuesday, in a surprise move, Wilbur Ross suspended the planned IPO of Diamond S. Shipping, aimed at raising funds to finance a series of product tankers under construction in South Korea.

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Through company WL Ross & Co Wilbur Ross controls 32.2 percent of the shares in Diamond S. Shipping, and the investor has responded by mail to several media, stating as a reason that Diamond S. does not need the funds and does not wish to issue shares in the current stock market climate, at a share price that does not correspond to the market value of the carrier's fleet.

Ships purchased at a high price

However, Basil Karatzas believes that Diamond S. Shipping acquired its vessels at a fairly elevated price: "They have bought the vessels fairly expensive as their timing for the acquisition was premature. As such, they have to obtain a very strong pricing at the IPO. At present, the investors' perception of the product tank market is lukewarm as too many vessels have been ordered in the last couple of years - and after Diamond S.'s acquisition of the Cido fleet; thus, investors are not keen to get overly bullish about the product tanker market. Also, most of the Cido tonnage is 'pump room design' and not IMO rated, which is perceived by the investment community to be less commercially desirable," says Basil Karatzas:

"I am sure it's only a temporary setback and that they will be watching the equities market as a hawk for the next window of opportunity. The question is when that window will open again and whether investors' perception of product tanker oversupply further cool down any appetite for the sector," he says.

Wilbur Ross and several other equity funds acquired 30 product tankers from from Korean Cido back in 2011.

Proceeds from the planned and now canceled IPO were earmarked to finance 10 product tankers that are being built in South Korea, planned for delivery between September 2014 and January 2016. The IPO would have diluted Ross' ownership stake to around 22 percent.

Most of the tankers in the filing have IMO III classification, explains Basil Karatzas, though he stresses that almost all of the vessels in the Cido fleet are pump room design, the general point being that the fleet is not "the latest and greatest", as opposed to - for example - Scorpio Tankers' new fleet of eco-design vessels, though there has been a perceived discount that has had an effect on the share price.

Pump room vessels usually have 3-4 pumps in one location (the pump room), and all cargo comes through the pump room. Since cargo contamination is possible, these vessels carry gasoline and petroleum products. For IMO rated vessels, such as the IMO III, each cargo tank has its own dedicated pump and lines, which ensures that cargo contamination does not take place; IMO tankers are usually more expensive, by USD 1-2 million, but can carry products *plus* certain chemical cargoes.

Diamond S. Shipping is headquartered in Greenwich, Connecticut.

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