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Tonnage Titans - 12. National Shipping Company of Saudi Arabia (Bahri)

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Total gt 11,555,044 | 1 June 2018



Credit: John Jedrlinic

With a key role as a government-backed national maritime transportation provider, Bahri has been intent on diversifying its client base and revenue streams, improving fleet trading efficiency, and enhancing its global reach in the last three years.

Set up in 1978, some 22% of its shares are held by the Public Investment Fund, 20% by Saudi Aramco Development Company, with the rest in a public float on the Saudi stock exchange, or Tadawul. “Bahri is seeking to leverage its capabilities and assist in fulfilling its role in the Saudi Vision 2030 to expand the Saudi goal to transition itself into a critical regional hub between Africa, Asia, and Europe,” Justin Dargin, Middle East energy expert at the University of Oxford, told *Fairplay*.

When Shell chartered a Bahri very-large crude carrier (VLCC) to take oil from Louisiana, US, to China in February, it was evidence that Bahri's expansion policy was bearing fruit. Moving beyond simply providing transportation for Aramco and developing an array of international clients was always the goal of the group's modernising chief executive officer (CEO), Ibrahim Al-Omar, who was replaced by Abdullah Aldubaikhi in December 2017.

With a background as a CEO in several positions of national importance in software, agriculture, and elsewhere, Aldubaikhi faces the challenges of cementing new links of work for a growing fleet and enabling Aramco and its subsidiaries to find new market niches.

With a total fleet of 93 vessels, 46 of which are VLCCs, Bahri needs to make good on its advantage of having the largest VLCC fleet in the world. According to IHS Markit data, the Saudi group has a total tonnage of 11,555,044 gt, of which 8,478,308 gt are tankers.

Weak tanker markets are not helping. Performance has been muted of late because of lower spot rates and pressure from new tonnage coming to market. It is still unclear how far the withdrawal of the United States from the Iranian nuclear deal will drive up oil prices.

Albilad Capital analyst Turki Fedaak estimated that Bahri paid USD949 million for the 10-vessel order with Hyundai yards in 2015, adding that Bahri Dry Bulk has also ordered four bulkers for USD120 million for delivery in the first half of 2020.

He said low oil sector spot rates meant oil transportation accounted for only 57% of consolidated revenues in this year's first quarter, although IHS Markit data put the fleet tanker share at 73.4%. "Tanker spot rates were primarily dragged down by reduction of production by OPEC and... other producers, growth in the global tanker fleet, and the rapid drawdown from global oil inventory, which reduced demand for tankers, coupled with higher bunker fuel costs in tandem with higher oil prices," Fedaak said.

Bahri will hope that the diversification it enjoys through dry bulk and chemicals will add to the mix. "As part of its expansion plans, Bahri is delving into the chemical transportation sector and recently completed transport of its first chemical shipment to China," said Dargin. This was a reference to an Aramco Trading Company petrochemicals shipment marking completion of Petro Rabigh phase two.

Another diversification play to watch is Bahri's joint venture with Aramco, Lamprell, and Hyundai to set up a shipbuilding and repair yard at Ras Al Khair on the kingdom's east coast, which is planned to construct over 40 vessels a year when complete in 2022.

Tankers

Asia › Saudi Arabia

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