Hyundai shipbuilding stocks plunge on grim earnings forecast

SEOUL, South Korea: Shares in Hyundai Heavy Industries plunged by nearly a third on Wednesday after the world's largest shipbuilder by sales announced a plan to issue new stocks in a bid to shore up its ailing finances.

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The South Korean firm has struggled amid an industry-wide slump in recent years, as global demand slowed and competition from China intensified while overcapacity slashed prices.

Hyundai announced on Tuesday they plan to raise 1.3 trillion won ($1.2 billion) by issuing new shares - a move that would dilute share values - and to list Hyundai Oilbank, its refining unit, on a local stock market next year.

It also released on Tuesday a grim earnings forecast for this year, in which its sales would be more than halved to 15.3 trillion won from 39.3 trillion won a year earlier.

The forecast also flagged operating profit of 46.9 billion won for 2017 - a significant decrease from 1.6 trillion won a year ago - sparking concerns over its overall finances.

The news sent Hyundai shares plummeting by the daily limit of 30% to 97,000 won in mid-afternoon, while the share price of its subsidiary Hyundai Mipo Dockyard also fell by 19 percent.

Hyundai Heavy Industries said the capital raised by the share increase and the initial public offering of the refinery unit would be used to cover operating costs as well as for research and development.

South Korea's so-called "Big Three" shipbuilders including Hyundai, Daewoo and Samsung Heavy Industries were once hailed as a major driver of the country's export-reliant economy - the world's 11th largest.

But they have been forced to shed thousands of jobs and sell assets in recent years as a slump in oil prices and global economic slowdown sapped demand for tankers and container ships.

Overcapacity, regional rivalry and the emergence of cheaper Chinese shipbuilders have also squeezed profit margins.

Source: AFP