

GENCO SHIPPING & TRADING LTD
Form 10-K
February 09, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

**ý Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2006

**o Transition Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

for the transition period from to

Commission file number 000-51442

GENCO SHIPPING & TRADING LIMITED
(Exact name of registrant as specified in its charter)

Republic of the Marshall Islands
(State or other jurisdiction of
incorporation or organization)

98-043-9758
(I.R.S. Employer
Identification No.)

**299 Park Avenue, 20th Floor, New York, New
York**

(Address of principal executive office)

10171

(Zip Code)

Registrant's telephone number, including area code: **(646) 443-8550**

Securities of the Registrant registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$.01 per share

Securities of the Registrant registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicated by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the registrant's voting common equity held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the last sale price of such stock of \$17.36 per share as of June 30, 2006 on the NASDAQ Global Select Market, was approximately \$223,518,871. The registrant has no non-voting common equity issued and outstanding. The determination of affiliate status for purposes of this paragraph is not necessarily a conclusive determination for any other purpose.

The number of shares outstanding of the registrant's common stock as of February 8, 2007 was 25,502,275 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement for the 2007 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2006, are incorporated by reference in Part III herein.

PART I

ITEM 1. BUSINESS

OVERVIEW

We are a New York City-based company, incorporated as a Marshall Islands corporation in 2004. We transport iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes. Our fleet consists of 19 drybulk carriers, excluding the Genco Glory, 15 of which we acquired from a subsidiary of The China National Cereals Oil and Foodstuffs Corp., or COFCO, a Chinese conglomerate, in December 2004 and during the first six months of 2005. The Genco Muse was acquired in October 2005 from Western Bulk Carriers, and in November 2006, we took delivery of three drybulk vessels from affiliates of Franco Compania Naviera S.A. Unless the content otherwise indicates, when we refer to the vessels in our fleet or vessels currently in our fleet, we are excluding the Genco Glory due to its pending sale. We have entered into an agreement to sell the Genco Glory to Cloud Maritime S.A. for \$13.2 million, and we expect to deliver the vessel during February 2007. All of the vessels in our fleet are on time charter contracts, with an average remaining life of approximately 7.5 months as of January 31, 2007. All of our vessels are chartered to reputable charterers, including Lauritzen Bulkcarriers A/S, or Lauritzen Bulkcarriers, Cargill International S.A., or Cargill, BHP Billiton Marketing AG, or BHP, NYK Bulkship Europe, or NYK Europe, Dampskibsselskabet "Norden" A/S, or DS Norden, Qatar Navigation QSC, Korea Line Corporation, or KLC, A/S Klaveness, Cosco Bulk Carrier Co., Ltd., and Hyundai Merchant Marine Co. Ltd., or HMM.

We intend to grow our fleet through timely and selective acquisitions of vessels in a manner that is accretive to our cash flow. In connection with this growth strategy, we negotiated an increase in our credit facility which we entered into as of July 29, 2005 (our "New Credit Facility") to a total amount of \$550 million that we expect to use to acquire additional vessels that will be employed either in the spot or time charter market. As of December 31, 2006, we had approximately \$338 million of availability under our New Credit Facility.

Our fleet currently consists of seven Panamax, seven Handymax and five Handysize drybulk carriers with an aggregate carrying capacity of approximately 988,000 deadweight tons (dwt). As of December 31, 2006, the average age of the vessels currently in our fleet was 8.9 years, as compared to the average age for the world fleet of approximately

15.6 years for the drybulk shipping segments in which we compete. All of the vessels in our fleet were built in Japanese shipyards with a reputation for constructing high-quality vessels. Our fleet contains four groups of sister ships, which are vessels of virtually identical sizes and specifications.

AVAILABLE INFORMATION

We file annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission, or the SEC, under the Securities Exchange Act of 1934, or the Exchange Act. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov.

In addition, our company website can be found on the Internet at www.gencoshipping.com. The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-Q and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. To view the reports, access www.gencoshipping.com, click on Investor, then SEC Filings.

Any of the above documents can also be obtained in print by any shareholder upon request to our Investor Relations Department at the following address:

Corporate Investor Relations
Genco Shipping & Trading Limited
299 Park Avenue, 20th Floor
New York, NY 10171

BUSINESS STRATEGY

Our strategy is to manage and expand our fleet in a manner that enables us to pay dividends to our shareholders. To accomplish this objective, we intend to:

- *Strategically expand the size of our fleet* - We intend to acquire additional modern, high-quality drybulk carriers through timely and selective acquisitions of vessels in a manner that is accretive to our cash flow. We expect to fund acquisitions of additional vessels using cash reserves set aside for this purpose and additional borrowings.
- *Continue to operate a high-quality fleet* - We intend to maintain a modern, high-quality fleet that meets or exceeds stringent industry standards and complies with charterer requirements through our technical managers' rigorous and comprehensive maintenance program. In addition, our technical managers maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea.
- *Pursue an appropriate balance of time and spot charters* - All of our vessels are under time charters with an average remaining life of approximately 7.5 months as of January 31, 2007. These charters provide us with relatively stable revenues and a high fleet utilization. We may in the future pursue other market opportunities for our vessels to capitalize on favorable market conditions, including arranging longer charter periods and entering into short-term time and voyage charters.
 - *Maintain low-cost, highly efficient operations* - We outsource technical management of our fleet to

Wallem Shipmanagement Limited (“Wallem”), Anglo-Eastern Group (“Anglo”) and Barber International Ltd. (“Barber”), third-party independent technical managers, at a cost we believe is lower than what we could achieve by performing the function in-house. Our management team actively monitors and controls vessel operating expenses incurred by the independent technical managers by overseeing their activities. Finally, we seek to maintain low-cost, highly efficient operations by capitalizing on the cost savings and economies of scale that result from operating sister ships.

- *Capitalize on our management team's reputation* - We will continue to capitalize on our management team's reputation for high standards of performance, reliability and safety, and maintain strong relationships with major international charterers, many of whom consider the reputation of a vessel owner and operator when entering into time charters. We believe that our management team's track record improves our relationships with high quality shipyards and financial institutions, many of which consider reputation to be an indicator of creditworthiness.

OUR FLEET

Our fleet consists of seven Panamax, seven Handymax and five Handysize drybulk carriers, with an aggregate carrying capacity of approximately 988,000 dwt. As of December 31, 2006 the average age of the vessels currently in our fleet was approximately 8.9 years, as compared to the average age for the world fleet of approximately 15.6 years for the drybulk shipping segments in which we compete. All of the vessels in our fleet were built in Japanese shipyards with a reputation for constructing high-quality vessels. The table below summarizes the characteristics of our vessels:

Vessel	Class	Dwt	Year Built
Genco Acheron	Panamax	72,495	1999
Genco Beauty	Panamax	73,941	1999
Genco Knight	Panamax	73,941	1999
Genco Leader	Panamax	73,941	1999
Genco Vigour	Panamax	73,941	1999
Genco Surprise	Panamax	72,495	1998
Genco Trader	Panamax	69,338	1990
Genco Muse	Handymax	48,913	2001
Genco Success	Handymax	47,186	1997
Genco Carrier	Handymax	47,180	1998
Genco Prosperity	Handymax	47,180	1997
Genco Wisdom	Handymax	47,180	1997
Genco Marine	Handymax	45,222	1996
Genco Commander	Handymax	45,518	1994
Genco Explorer	Handysize	29,952	1999
Genco Pioneer	Handysize	29,952	1999
Genco Progress	Handysize	29,952	1999
Genco Reliance	Handysize	29,952	1999
Genco Sugar	Handysize	29,952	1998

FLEET MANAGEMENT

Our management team and other employees are responsible for the commercial and strategic management of our fleet. Commercial management involves negotiating charters for vessels, managing the mix of various types of charters, such as time charters and voyage charters, and monitoring the performance of our vessels under their charters. Strategic management involves locating, purchasing, financing and selling vessels.

We utilize the services of reputable independent technical managers for the technical management of our fleet. We currently contract with Wallem, Anglo and Barber, independent technical managers, for our technical management. Technical management involves the day-to-day management of vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies. Members of our New York City-based management team oversee the activities of our independent technical managers. The head of our technical management team has over 30 years of experience in the shipping industry.

Wallem, founded in 1971, Anglo, founded in 1974, and Barber, a subsidiary of Wilh. Wilhelmsen Group which was founded in 1861, are amongst the largest ship management companies in the world. These technical managers are known worldwide for their agency networks, covering all major ports in China, Hong Kong, Japan, Vietnam, Taiwan, Thailand, Malaysia, Indonesia, the Philippines and Singapore. These technical managers provide services to approximately 700 vessels of all types, including Panamax, Handymax and Handysize drybulk carriers that meet strict quality standards.

Under our technical management agreements, our technical manager is obligated to:

- provide personnel to supervise the maintenance and general efficiency of our vessels;
- arrange and supervise the maintenance of our vessels to our standards to assure that our vessels comply with applicable national and international regulations and the requirements of our vessels' classification societies;
- select and train the crews for our vessels, including assuring that the crews have the correct certificates for the types of vessels on which they serve;
- check the compliance of the crews' licenses with the regulations of the vessels' flag states and the International Maritime Organization, or IMO;
 - arrange the supply of spares and stores for our vessels; and
- report expense transactions to us, and make its procurement and accounting systems available to us.

OUR CHARTERS

Currently we employ all of our drybulk carriers under time charters. A time charter involves the hiring of a vessel from its owner for a period of time pursuant to a contract under which the vessel owner places its ship (including its crew and equipment) at the disposal of the charterer. Under a time charter, the charterer periodically pays a fixed daily charterhire rate to Genco and bears all voyage expenses, including the cost of bunkers, port expenses, agents' fees and canal dues.

Subject to any restrictions in the contract, the charterer determines the type and quantity of cargo to be carried and the ports of loading and discharging. Our vessels operate worldwide within the trading limits imposed by our insurance terms. The technical operation and navigation of the vessel at all times remains the responsibility of the vessel owner, which is generally responsible for the vessel's operating expenses, including the cost of crewing, insuring, repairing

and maintaining the vessel, costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses.

Each of our current time charters expires within a range of dates (for example, a minimum of 11 and maximum of 13 months following delivery), with the exact end of the time charter left unspecified to account for the uncertainty of when a vessel will complete its final voyage under the time charter. The charterer may extend the charter period by any time that the vessel is off-hire. If a vessel remains off-hire for more than 30 consecutive days, the time charter may be cancelled at the charterer's option.

In connection with the charter of each of our vessels, we pay commissions ranging from 1.25% to 5% of the total daily charterhire rate of each charter to third parties, depending on the number of brokers involved with arranging the relevant charter.

We monitor developments in the drybulk shipping industry on a regular basis and strategically adjust the charterhire periods for our vessels according to market conditions as they become available for charter.

The following table sets forth information about the current employment of the vessels currently in our fleet:

Vessel	Time Charter Rate (1)	Charterer	Charter Expiration (2)
<i>Panamax Vessels</i>			
Genco Beauty	\$29,000	Cargill	March 2007
Genco Knight	29,000	BHP	March 2007
Genco Leader	25,650(3)	AS Klaveness	December 2008
Genco Trader	25,750(3)	Baumarine AS	October 2007
Genco Vigour	29,000	BHP	March 2007
Genco Acheron	28,500	Global Maritime Investments	March 2007
	30,000 (4)	Ltd.	January 2008
		STX Pan Ocean	
Genco Surprise	25,000	Cosco Bulk Carrier Co., Ltd.	November 2007
<i>Handymax Vessels</i>			
Genco Success	24,000	KLC	January 2008
Genco Commander	19,750	A/S Klaveness	October 2007
Genco Carrier	24,000	DBCN Corporation	March 2007
	24,000(5)	Pacific Basin Chartering Ltd.	January 2008
Genco Prosperity	23,000	DS Norden	March 2007
Genco Wisdom	24,000	HMMC	November 2007
Genco Marine	18,000(6)	NYK Europe	March 2007
	24,000		February 2008
Genco Muse	26,500(7)	Qatar Navigation QSC	September 2007
<i>Handysize Vessels</i>			
Genco Explorer	13,500	Lauritzen Bulkera	July 2007
Genco Pioneer	13,500	Lauritzen Bulkera	August 2007
Genco Progress	13,500	Lauritzen Bulkera	August 2007
Genco Reliance	13,500	Lauritzen Bulkera	July 2007
Genco Sugar	13,500	Lauritzen Bulkera	July 2007

(1) Time charter rates presented are the gross daily charterhire rates before the payments of brokerage commissions ranging from 1.25% to 5% to third parties, except as indicated for the Genco Trader and the Genco Leader in note 3 below. In a time charter, the charterer is responsible for voyage expenses such as bunkers, port expenses, agents' fees

and canal dues.

(2) The charter expiration dates presented represent the earliest dates that our charters may be terminated in the ordinary course. Under the terms of each contract, the charterer is entitled to extend time charters from two to four months in order to complete the vessel's final voyage plus any time the vessel has been off-hire.

(3) The Genco Leader and the Genco Trader were delivered to the charterer for the commencement of the time charter on January 15, 2007 and December 24, 2006, respectively. For each of these vessels, the time charter rate presented is the net daily charterhire rate. There are no payments of brokerage commissions associated with these time charters.

(4) We have reached an agreement to commence a time charter for 11 to 13 months at a rate of \$30,000 per day, less a 5% third-party brokerage commission. The estimated charter expiration is based on the time charter beginning in March 2007, the earliest possible termination of the previous charter.

(5) The estimated charter expiration is based on the time charter beginning in March 2007, the earliest possible termination of the previous charter.

(6) The time charter rate was \$26,000 until March 2006 and \$18,000 thereafter until March 2007. For purposes of revenue recognition, the time charter contract through March 2007 is reflected on a straight-line basis in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. Additionally, we have reached an agreement with the current charterer for an additional 11 to 13 months at a rate of \$24,000 per day, less a 5% third-party brokerage commission.

(7) Since this vessel was acquired with an existing time charter at an above-market rate, we allocated the purchase price between the vessel and an intangible asset for the value assigned to the above-market charterhire. This intangible asset is amortized as a reduction to voyage revenues over the remaining term of the charter, resulting in a daily rate of approximately \$22,000 recognized as revenues. For cash flow purposes, we will continue to receive \$26,500 per day until the charter expires.

CLASSIFICATION AND INSPECTION

All of our vessels have been certified as being "in class" by the American Bureau of Shipping (ABS) or Lloyd's Register of Shipping. Each of these classification societies is a member of the International Association of Classification Societies. Every commercial vessel's hull and machinery is evaluated by a classification society authorized by its country of registry. The classification society certifies that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. Each vessel is inspected by a surveyor of the classification society in three surveys of varying frequency and thoroughness: every year for the annual survey, every two to three years for the intermediate survey and every four to five years for special surveys. Special surveys always require drydocking. Vessels that are 15 years old or older are required, as part of the intermediate survey process, to be drydocked every 24 to 30 months for inspection of the underwater portions of the vessel and for necessary repairs stemming from the inspection.