

A. Stotz



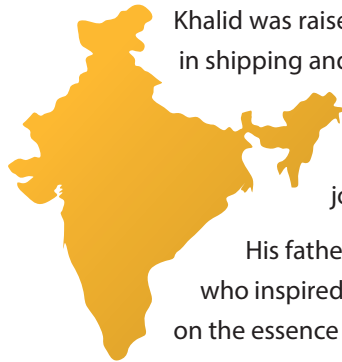
BUSINESS  **DNA**
WITH ANDREW STOTZ



Interview with
Khalid M. Hashim

Managing director and shareholder
of the Stock Exchange of Thailand-listed Precious Shipping PCL

LEADER DNA



Khalid was raised in Calcutta and Bombay in India by a middle-class family with a long tradition in shipping and trading, but he represents the first generation to actually own such a business.

Khalid wanted early on to go into shipping, but his father insisted that he gain a university degree and explore all areas of the industry through internships and jobs before he committed to sea transport.

His father was his first important mentor, the second was a ninth-grade dropout “genius” who inspired with his extensive hands-on knowledge of the ocean trade, and the third passed on the essence of how to become an entrepreneur.

The future of PSL. Objectives:

- 1 take the fleet from an average age of 10.5 years to 3.5 years by 2015;
- 2 fill the experience gap of the successors for key positions; and,
- 3 make the company debt free

Learn from the experts

To become successful, find the right mentors who will share their experience with you and train you

Manage your risks

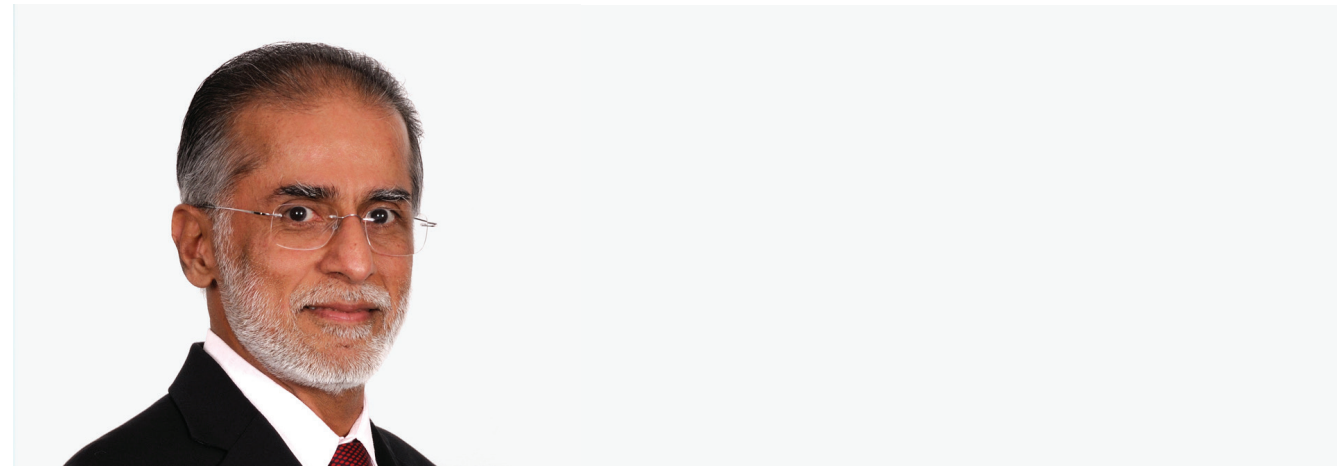
PSL has no common ports, meaning it has no geographical concentration risk. Its fleet is spread 50:50 between the Pacific and the Atlantic oceans, which is how PSL diversifies away risk.

Find an unserved niche

Khalid realized early on that no other shipping companies could provide reliable service in the smaller-size sector, so that became the niche for PSL. Today, the company has “become like a brand name within the smaller sector”. To stay in the smaller sizes and never venture into larger sizes has become the DNA of PSL’s business

Work with integrity and accountability

Khalid’s motto is that “your word is your bond”. Another core value for him is, “when you make a mistake, acknowledge it” and take full responsibility, even if you are not the sole cause of the problem, and your problem will almost vanish



Khalid M. Hashim

Title: Managing Director,
Precious Shipping Public Company Limited (PSL)

Education:

Bachelor of Science (Physics and Chemistry), University of Bombay (since 1996, University of Mumbai); Masters in Management Studies, Jamnalal Bajaj Institute of Management Studies; Director Certification Program, Thai Institute of Directors

About the company:

Since 1989, PSL has been engaged in the shipment of small Handysize and Supramax tramp freight. It was listed on the Stock Exchange of Thailand in 1993. In Khalid describes his business: “In a very simple way, we connect cargoes between exporting countries and importing nations – as simple as that. That’s what we do – carry it safely, correctly, and without any problems.”



Business DNA is a chance for us to dig down into the essential make-up of business leaders and how that's represented in their organizations. In this interview you will familiarize yourself with Khalid M. Hashim who is the Managing Director and a shareholder of the Stock Exchange of Thailand-listed Precious Shipping Public Company Limited (PSL).

by Andrew Stotz

Since 1989, Precious Shipping has been engaged in the shipment of small Handysize and Supramax tramp freight, which basically means irregular shipping routes without fixed schedules or itineraries. Unlike many in the sector operating with only a few ships, PSL currently operates about 40 vessels. What is the average age of your fleet?

Ten and a half years.

Ten and a half ... and a total deadweight tonnes of about 1.4 million. Before we get into the details of your business, please take a moment to just introduce yourself. We want to hear your story. Let's hear about the experiences of the people that have shaped your life so that we can understand your personal DNA and the way that you think.

I was born and brought up in Calcutta and Bombay. I come from a very middle-class family. My father and my mother's DNA is all in shipping and trading; my family has been in this business for five generations. But, this is the first generation that has ever owned anything.

Now, in terms of education, I did my bachelor's in chemistry and physics at Bombay University. Then, of course, I was eager to get started in shipping. My dad was very wise, and he insisted that I first dabble in all the various aspects of shipping, sort of internships, until I really decided and accepted that this was going to be my future.

Once that was agreed upon, I did short stints of about six months in a brokerage house and an agency house and understood what this business was all about. Once that was clear, I was happy with the business and I was prepared to take this as a long-term career option, then, my father said: "You need to get educated." And, he insisted that I do my MBA at the best school in

the country at that time, which was in Bombay and under the Bombay University sponsorship; so I went and did my MMS or Masters in Management Studies, from an institute known as Jamnalal Bajaj (Institute of Management Studies), where I got a distinction in finance.

Once that was done, again, searching for a job in shipping was impossible because shipping companies don't want fancy-titled MBA guys to come into their organization. Once again, I had to go back to Dad. At that time, he used to be the head of the Indian National Shipowners' Association body in India. He, of course, knew all the shipowners. So with one phone call, I got a job at Tolani Shipping in Mumbai.

The first question asked of me by the owner and the chairman of the company, Dr. Tolani, was: "How long will you stay with us?" And, my answer was: "If you promise me that within five to 10 years' time you're going to make me the number one person in this company, then I'll stay with you forever. But if you can't promise me that, then, I guess, I will move on."

Did he laugh or did he appreciate that?

He was very amused with it. He did have a chuckle and said: "Listen, I know you and I know your family very well. I know that you're going to be moving on. And so, no matter what I promise, you're going to make tracks." So, that was it.

Then, I got to work under some very good, skilled people and I learned the shipping trade. Once I was done that, the family calling came up. The family had a unit in Singapore and a unit in Dubai, where we were engaged in the ownership structure of shipping.

So, based on that, I was allocated the job in Singapore. After about 18 months of training at Tolani, I went to Singapore.

This was where I really met my first real mentor in shipping, Ali Umar Maniku. He used to be the Minister of Shipping for the Maldives, a ninth-grade dropout, but a man whose genius was so inspiring that he actually ran almost every aspect within the Maldivian government by sitting in Singapore.

"If you promise me that within five to 10 years' time you're going to make me the number one person in this company, then I'll stay with you forever. But if you can't promise me that, then, I guess, I will move on."

He sat in Singapore because communications is a lifeline for shipping and he ran the shipping portfolio for the country, so he had to be in a place where communications were easy and quick, which they were in Singapore, but were not in the Maldives.

Under him, I think, for four years, I learned every aspect that there was to learn in shipping. By the time I finished those four years, I could really run a shipping company and I understood every aspect of it. And so, I must say that I was very lucky to have that type of mentor to guide me.

Thereafter, I moved to Bangkok and the rest is history. I joined the GP Group of Companies where, again, I got a fabulous mentor, somebody who was just 14 days older than I was, a college dropout, but in terms of brainpower and vision, had the ability to see stuff way into the future, Mr. Kirit Shah [the current chairman of GP] is one of a kind. So I was again very lucky to have him as a good friend and mentor to look after me, in that sense, and he guided me to become what I am today. Thanks to these three individuals, my father, Mr. Maniku, and Mr. Kirit Shah.

If you could look at those three guys and put it into a very short statement what you saw that was most valuable about those three men, what would be that one short summed-up statement?

For my father, it was that he guided me correctly and insisted on education. For Mr. Maniku, it was the fact that he made me hands-on in shipping.

He took me to the ships and actually made me understand how ships function at sea. And with Mr. Shah, I would say that he made me a true entrepreneur and pushed me in that direction.

That's great. I've given a bit of a formal description of your company, but can you take a moment just to explain your business in a clear and simple way so that the reader can really understand what this company does?

In a very simple way, we connect cargoes between exporting countries and importing nations. As simple as that. That's what we do. Carry it safely, correctly, and without any problems.

And then, when we talk about cargo, are there types that you do and types that you don't do? How would you define that "cargo" to go a step further?

As you've described in the very early part of this conversation, we are in the smaller-sized sectors of the market. Now, the smaller-sized sectors never carry iron ore. Other than that, we carry all other the cargoes. Basically, the Supramaxes will be focused in coal. All other ships will be focused in grain, steel products, fancy concentrates and ores like gold, silver, copper, zinc; dirty cargoes like gypsum, borides, cement clinker; cleaner cargoes like soda ash, including logs and fertilizers. So, everything that you can really think of that makes up the trading world would be carried by us.

If we could just look at the destinations from the importing and exporting,



where would be the most common two or three ports that you're always at?

Unfortunately, we have no common ports, and that's the good thing about our business, which means, basically, no geographical concentration risks at all. If you were to divide the world into the Pacific Ocean and the Atlantic Ocean, which is a very easy division, then, you would see that basically half our fleet is always open in the Pacific Ocean and half is always open in the Atlantic Ocean. So, we basically divide it and don't take too much risk.

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The focus of this interview is to try to understand the company's DNA. We got a little bit on you. We got a little bit of a background on the company. Now, what I want to do is just recall for a moment that DNA, the molecule that encodes the genetic instructions used in the growth of any living organism. And, one of the most significant properties is its ability to replicate itself.

So when we think about the DNA of a business, it's not about the written values of the company but it's rather the way that the values of the company come alive; or we could also think about it as the way that the employees and the customers feel the interaction with the company.

I'd like to take a moment for you to try to explain to us the DNA of PSL.

When I joined Mr. Shah at the end of 1983 or in early '84, we were basically short of ships but long on cargoes, a big trading house. And we gathered cargoes ranging in size from 15,000 tonnes to 125,000 tonnes. So, really we saw the entire spectrum of dry bulk trading from a client point of view by being the clients who chartered the ships for their cargoes, for moving their cargoes from Point A to Point B.

Now, when we did this, we realized that the smaller sizes, where there were maybe 4,500 ships in the world, yet we couldn't find a single reliable owner. Every time we fixed [booked to transport cargo] the ship, we had a problem. We went to the bigger sizes where, at that time, there were just something like about 560 to 600 ships. It took you two minutes to do the business, and there was 100% reliability.

We looked at the spectrum and said: "If you look at the larger sizes, you can be sure that everything will go smoothly. When you come to the smaller sizes, you can almost be sure that everything will go wrong." So we said: "If we're going to form an asset base in shipping, it must be in this size, in the smallest size so, so that we can provide a reliable service that most people will pay a premium for; and that's what we set out to do."

So when we went into ship owning, we started buying smaller ships though we had cargoes literally covering the entire spectrum of dry bulk. And that's what has driven the company and that's why we stayed assiduously only in the smaller sector and never venturing into the larger sizes.

Has this market condition changed? If somebody wants to book cargo in the small size, have these smaller shipping companies gotten their act together or

*In a commoditized business, **if you cannot differentiate yourself, you're dead in the water.** That's what we learned right in the beginning. That's why I said that it's part of the DNA of the company, and that's why we stay in the smaller sizes. That's why we've never ventured into the larger sizes.*

do you still have this great opportunity that you spotted back then?

In fact, we have become like a brand name within the smaller sector. I'll just give you one example. Mitsui O.S.K. Lines is owned by Mitsui Group. Now, Mitsui also trades sugar. The sugar division normally should give all their cargoes to Mitsui O.S.K. Lines to do their shipments. But, when it comes to the smaller size, they contact us directly, bypassing their own daughter company, because they said: "Anyway, in the smaller size, if we give it to Mitsui O.S.K. Lines, they're only going to come to you. So, we might as well shortcut the thing and come to you."

This just gives you an idea that even the largest clients in the world have already taken good notice of our capabilities.

So what you're saying is that your superior service is building a brand in a commodity business?

Absolutely, because in a commoditized business, if you cannot differentiate yourself, you're dead in the water. That's what we learned right in the beginning. That's why I said that it's part of the DNA of the company, and that's why we stay in the smaller sizes. That's why we've never ventured into the larger sizes.

So it's a very good entrepreneurial lesson in the sense that when you see an opportunity in an area of the market where it's not being served, there's an opportunity.

Absolutely!

And because you're seeing it, it probably means you understand it better than just walking to some area and saying: "Oh, I want to make a company in this area."

Remember, we were clients actually using those services and finding all the problems that were there; that's when we decided: "No, if we do shipowning, it is only in this sector."

Now that we've got a good background and we understand, I want to shift to talking about stories a little bit. What I want you to do, first of all, is share with us some motivational or other things that you've used in your own life that's given you inspiration in a difficult time, and tell us about that time.

Sure. There's one story that always bears repeating and I tell this to my kids also because it has a good moral lesson to it.

We had a meeting with our bankers and we needed a moratorium from them. At the meeting itself, the first thing I did was I told all of them: "Listen, guys, we made a mistake as management. Here's my resignation letter; it's signed. If you think that this will solve the problem, I'm prepared to tender it in."

When I was negotiating my terms with Mr. Shah, I was also, at the same time, looking at a shipowning company based in Geneva. It came to a point where I walked out of Mr. Shah's room having confirmed the deal with him. And I got a call to say that the job in Geneva is waiting. This was when we were in Bangkok and I was based in Singapore. They said: "The ticket is waiting in Singapore for you to go in Geneva." And that was the dream job that I was looking for.

Now, because I'd already given my word to Mr. Shah, I went back into the meeting and told him: "Listen, I have a small problem. I need your help to resolve this. You know these people in Geneva. They are my father's ex-bosses (so my dad had used his influence to get me this opening).

I don't want to join them because I'd already given you my word, but I need to talk to them and make sure that they do not feel bad about this thing because we don't want to create any issues. They're big shipowners. Tomorrow, they'll become our suppliers of ships for our own cargoes. So we need to make this good with them."

First, of course, he thought that I was trying to wiggle out of the deal and when it was clear that I wasn't, he said: "Okay, all my support. Even I know these people very well. I will speak to them and I will ask your father to speak to them, and we will solve this." And we did that.

The moral of this one is that once you have given your word for anything, you should stick by it. Now, had I not done that, had I gone to Geneva, which was what I wanted to do, I would have probably gone to jail because that company went bankrupt in a very bad way and a lot of the top leaders went into a bad condition with the law. Not that they did anything illegal, it was just a bad business thing. But the way it worked or played out, some of them did go to jail.

So it just shows you that basing decisions on being correct and right, in the long run, works out perfectly.

So, now I want to shift into the other area which is: What was your biggest mistake or challenge or difficulty throughout your career? How did you face it and what did you learn from it?

Difficulty in the sense that we had the financial crisis in '98 and '99. At that time, Precious Shipping would have folded; and to keep the company alive (I remember this quite clearly) we had a meeting with our bankers and we needed a moratorium from them. At the meeting itself, the first thing I did was I told all of them: "Listen, guys, we made a mistake as management.



Here's my resignation letter; it's signed. If you think that this will solve the problem, I'm prepared to tender it in.

I own shares in this company in a large way. Don't worry. They will remain sealed in a trust so that it's not that I'm walking away from the company and taking my shares with me. No. If I've made a mistake, I want to pay for it."

And, of course, the reply from the bankers was just the opposite. They said that they were very pleased with my offer. They said: "We decline this offer. We want you to continue to stay. In fact, it will be only be in the event of default that either of you will leave the company."

Having got that done, what I then did was tell them: "I'm prepared and will take a 10% haircut on my own personal salary," which I did. The rest of my executive team didn't follow suit, which sort of disappointed me; but the next year, they all realized that by my having taken the haircut, the bankers began extremely supportive. All of them also took a 10% haircut the next year.

When we did that, the bankers just fell in love with the company and said: "These guys are willing to take the pain."

Our board of directors, of course, got quite upset with the whole thing, and they said: "Listen, this is not correct. You are the guys working on this company. You're working really hard. You're trying to make this thing work. The situation where we're at has been completely outside your control. It's a crisis that has enveloped all

these nine, 10 countries in this region, and it's not your fault."

They said: "Fine. Since you've already put all this down in writing to the bankers, we won't disturb this. But the day we start making profit, we will give you back pay for all the things that you have not taken."

This was such a big challenge for us to overcome. By doing this simple thing, being transparent ... first of all, acknowledging that it's our fault and taking responsibility for it and then taking a haircut in terms of salary made such a huge difference that the rest of the process was a breeze.

So, start with the right principles ... and then, things will work out.

Absolutely! Like I've said, even in the first story, once you've given your word, don't go back on it. Similarly, like this one, when you make a mistake, acknowledge it. Work from there onwards. Become a partner with the people involved. Tell the stakeholders: "It's not us and them but it's all of us together."

This is a good lesson for all business people and people in general that we do make mistakes. A lot of people get scared, and then they run and don't address it. And, you've given a great example of it, that you just stand up and address it, and the mistake and the problem can go away.

Absolutely! It just vanishes.

Now, let's talk about after all these years of building this great company and all that you've done, what was your proudest moment in your career?

I guess, the proudest moment was when I was given the 'Lifetime Achievement Award' (2012 Seatrade Asia Lifetime Achievement Award) in shipping. Generally, they do that when people have retired. I was still very active. I got this award, I think, the year before last. It just tells you that if you do the right things for the right reasons, even your entire community will recognize you for your efforts. For me, that was really the crowning moment.

When did you receive that?

I think it was April last year or the year before last.

Those are great stories that we can learn from. From all that you've learned over the years, if we could just bring it down to one short statement that our readers or the readers can take away, what would that statement be?

I would say "your word is your bond", which is the motto in shipping. It's absolutely paramount in your lives. If you do that, generally speaking, you will be successful.

The next question would be: what's one personal trait or habit in your daily life that's helped you to achieve success?

I think Thomas Jefferson said it best. He said: "The harder I work, the luckier I get." And, I would say that I've been born under a lucky star, and it also means that I work exceedingly hard at what I do.

So hard work, up early, work late, do what it takes. Outside of the three men that you've just described very well, are there any books you would recommend someone to read or other people that have given you influence?

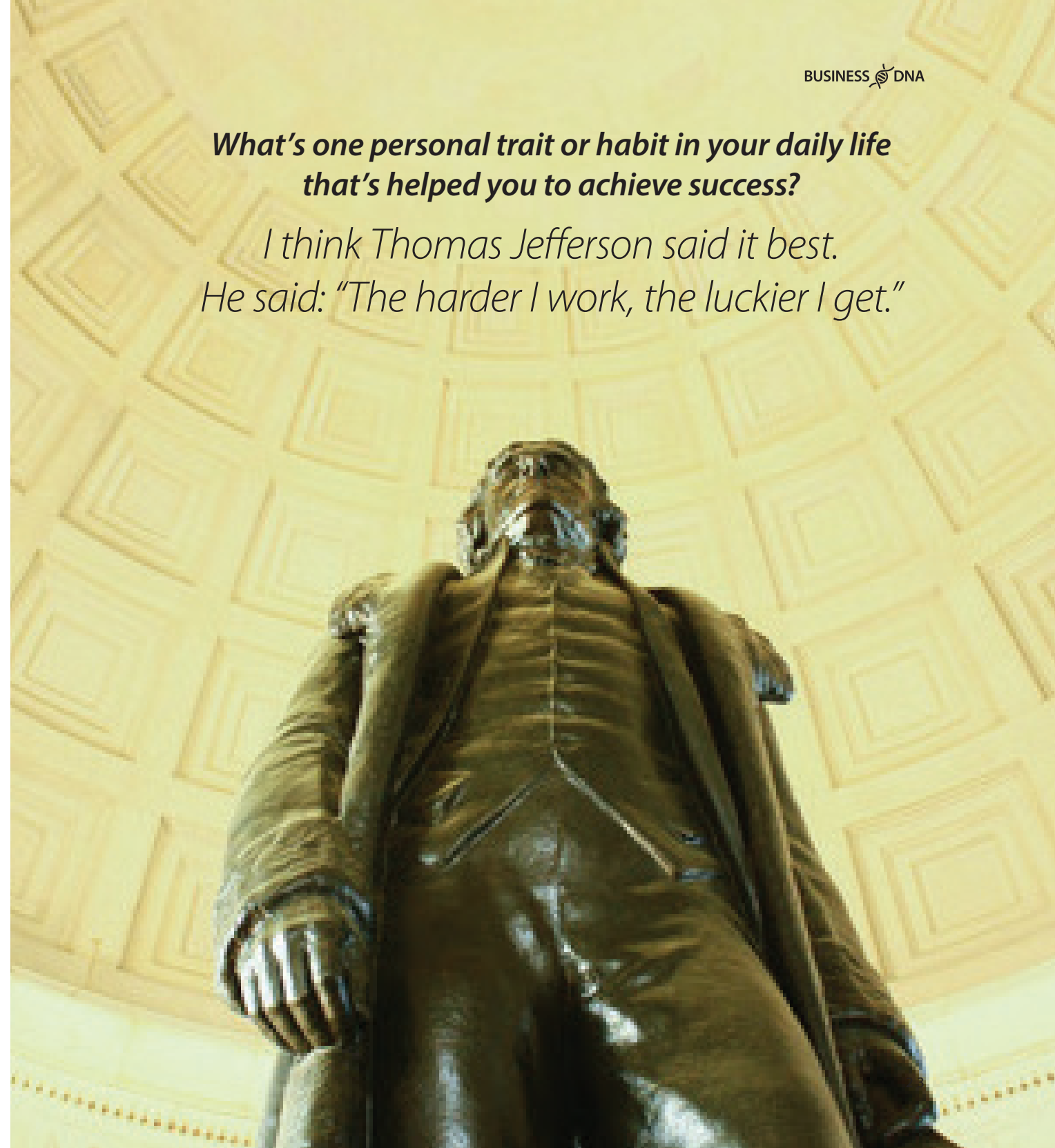
In terms of books, I would rather give you the names of certain authors, people like Jim Rohn and Denis Waitley. These are all mainly inspirational people. They inspire you to greater things. So these are important people to keep constantly in touch with. I would say that my wife has been a rock in my life. As they always say: "Behind every successful man, there is a woman," and in my case, it's been my wife. She's been exceedingly supportive of what I have done.

Fantastic! Let's now shift to the end of the interview and we're going to wrap up. What I would like to ask you is, what's something about your business that has you really excited right now, something you're looking at forward into the future that you're working on, something that's coming together?

There are three personal objectives that I have. The first one is, more or less, done. That is to transform the asset base of the company. As we

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began this interview, we said that we have a fleet of 40 ships in the water and the average age is 10-and-a-half years old and the average size is 34,000. Now, in human analogy terms, that's like a 55-year-old guy with a bit of a belly and who can barely walk five kilometers, at the end of which he's got his tongue hanging out of his mouth.

Now, what I want to do and which I've already put in place and in motion is to take delivery of 29 brand-new ships, which will arrive as follows: five more this year; 17 more next year, that's in 2015; and seven more in the very early part of 2016. That's another 29 ships. If I go with 40 plus 29, I would be at 69 ships. But that's not my goal.

My goal is to, in the second half of 2015, to sell between 18 and 20 of my existing older and not-so-economical ships. If I do that, then I'll be left with roughly 50 ships. But those 50 ships, first of all, in shipping terms, have become three-and-a-half years old, average age; they would be an average size of 48,000 tonnes. And, in terms of economical consumption of oil, they would be like champions.

In human analogy terms, that would be like an 18-year-old with a six pack who can run a marathon in under two-and-a-half hours. Now, that's what I want to achieve as my first objective.

The second objective I have is that the people with whom I started this company have all grown old with me. We need to get rid of this top layer of management over the next two-to-three-years' time.

So, I've put down as one of the KRAs [Key Result Areas outline the tasks an employee has to perform and define the work that is expected] for each of my senior executives that: "you have to tell me who is going to be your successor" and who is going to be his successor because the next generation that comes in has also grown old with us and they may last for maybe two, three, four years beyond our time. So we need to, then, prepare the third generation also."

What I've asked them to do is to tell me the gap between themselves and the next leader whom they've quite clearly nominated and appointed within our organization and, more importantly, the gap be-



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tween the successor who will finally come in. Then, there will be a gap and that gap needs to be identified. Once we've identified that gap, we need to put more such businesses on the plate of those people so that they learn because shipping is an absolutely learned exercise. There are no real books or periodicals that you can read. You can read stories but they never will stay with you until you burn your hand yourself one time. Then, you will learn.

So we need to experiment with these people, put them in positions where they have to take some decisions, learn from that; and if they do, then, yes, they are going to be fit to become leaders.

So these are gaps in knowledge and experience.

Mainly in experience. Knowledge is not so much of a gap but it's just the experience. And once they experience it, then, they will become perfect. So, we need to do that. That's my second objective, that is, to clear out the management change that has to take place.

And the third personal objective that I have is that I want to make this company debt free. I want to do all of this before the end of 2017. And, how do I propose to do that? First of all, we're adding a lot of debt by buying all these ships because we're funding it mainly from debt and whatever excess cash flow that we have within the company. We're not raising any equity or anything like that.

Now, in selling those 18 ships, there are four very good reasons for doing that. The first good reason, of course, is that you must be contrarian to the shipping cycle. We expect the cycle to be strong in 2015. Generally, people go stupid at that time and buy ships. So, we will sell 18 to 20 ships at that time. So, follow the golden contrarian rule. Sell at the top. Secondly, when we do that, we will get capital gains, so that will help the 2015 balance sheet to grow very nicely. Profits will increase dramatically. Thirdly, it will bring in between 200 and 250 million dollars of cash into the company. That is what is going to help to repay and prepay a lot of our debt and bringing the debt down to a very low level very quickly.

And most importantly of our operational initiatives, we will release 18 to 20 absolutely seasoned and experienced officers and crew ready to take over the younger ships so that there are no accidents waiting to happen in the future by spreading our human resources too thin.

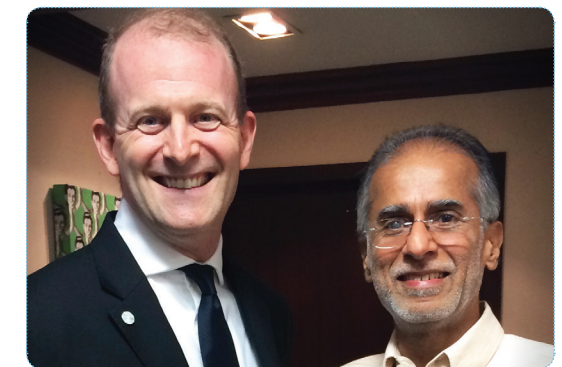
So, these are the four principal reasons, which we'll use for the change of ships but will also help me to reduce the debt level of the company. Now, by the end of 2015, I would have 43 ships in the water. I'll have seven ships that will be still to come in the early part of 2016. At which point in time, I will try and lock in the entire fleet into a long-term contract such that I would get, at least, \$15,000 dollars per day per ship on an average. That will release three million EBITDA per ship per year, which means that on a 50-ship fleet, \$150 million dollars of EBITDA.

Two years of such EBITDA, plus the \$200 to \$250 million dollars that we would get in from the sale of ships should make us debt free. That, of course, does not include the outgoings for dividends or for interest. So, I'll just leave the debt-free status, which might take a little bit longer, one or two quarters beyond 2017. But just on a pure-cash-flow basis, it should...

At that moment in time is when I would look at stepping down from my role as CEO and just staying on the board.

And by also locking in those ships at that time, you allow the new generation to come in without having to make big decisions right away.

You're future-proofing the company in asset terms, people terms, and in revenue terms.



Great! It's been a fantastic time to talk and I think we do now have the DNA of Precious Shipping. So, thanks for your time.

You're more than welcome. Thank you, Andrew.

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