STEADY LEADERSHIP IN CHOPPY SEAS: AN ASIAN MARITIME PERSPECTIVE

> *Being a strong leader means that even if you are averse to certain things, you need to change your profile if that's what is best for the business.*
>
> *- Khalid Hashim*

On February 18, 2015, Khalid Hashim, Managing Director of Precious Shipping Public Company Limited (PSL) woke up, as he often does, contemplating the future of the company he has lead since its inception. "How can I plan for the succession of my top management team and for my own role in a way that sustains PSL far into the future?" he thought. After waking up, he received the news that the Baltic Dry Index (BDI) had hit an all-time low of 509 points. As an assessment of the average price to move raw materials (e.g., grain, coal, iron ore) by sea, the BDI is an accurate indicator of potential revenue for ship owners like PSL.[1] Though this was not welcome news for Hashim, it certainly was not the first time in the company's 26 years of operation that he was tasked with navigating the company through difficult times. Not only has PSL survived periods during which countless competitors went bankrupt (e.g., the Asian Financial Crisis), Hashim has managed to forge and maintain strong relationships characterized by trust and respect with various stakeholders from creditors to shareholders and employees.

PSL is a leading dry bulk tramp owner and operator in the highly fragmented, small handysize and supramax segments.[2] Though the shipping industry is cyclical, it can also be highly unpredictable with many companies exiting the industry every year. It is a capital-intensive business characterized by high leverage. The risk is especially great because vessel supply is inelastic (building a ship can take up to three years), causing the supply of ships to often be at disequilibrium with demand. There are also significant operational risks in the industry, which include mechanical malfunctions, labor strikes, piracy, and inclement weather conditions. To be successful in such a VUCA (volatile, uncertain, complex, and ambiguous) environment requires financial prudence and strong, principled leadership, which PSL has showcased over the years.

The Early Days

PSL is part of the GP group of companies, which is a 145-year old family-owned group. Originating in India, the family moved to what was then British-ruled Burma to take advantage of the burgeoning rice export industry. In 1925, the company moved operations to Thailand where it continued to trade rice. In 1978, Kirit Shah took over the company after his father, the patriarch and head of the company, had a stroke that incapacitated him. At that point, Shah shepherded a transformation of the company's core business model by expanding into the trade of other soft commodities, processed goods, and eventually into harder commodities like coal,

[1] Economists also often use the BDI as an early indicator of economic activity because it reflects what is happening early on in the global commodity supply chains.

[2] Small handysize ships carry 10,000 – 30,000 deadweight tons (DWT) and supramax ships carry 50,000 – 60,000 DWT. PSL has also recently bought a few ultramax vessels and cement carriers, which are larger in size.

This case was written by Annie Koh at Singapore Management University and Kwan Chee Wei and Michael Daniels at the Human Capital Leadership Institute. The case was prepared solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

limestone, and steel. During this period of growth, GP did not own any ships and had to charter vessels to move their commodities. This worked out well until 1983, when the BDI dropped significantly. Shah was using a shipping operator named Mondale Maritime to ship cargo on about 10 ships. However, during the voyage, the operator filed for bankruptcy and thus could not pay the ship owners to deliver the cargo. Though Shah had no legal liability to these ship owners[3], he enlisted the help of Khalid Hashim, then a shipping service provider working for the government of the Maldives, to help him resolve the problem. Hashim worked with Shah to develop a solution whereby they would gather the ship-owners together and work out a commercial deal to pay them extra to soften the burden of not being paid by Mondale Maritime. This plan worked very well and when the fiasco had finished, Shah realised that he had still made a lot of money on the deal. As a result, by the end of 1983, Shah was able to recruit Hashim to start a new shipping company within the GP group.

In 1987 they bought their first ship. They decided to buy 50% of the ship with equity (45% of which belonged to Hashim and 55% of which belonged to Shah) and 50% with a loan from Shah himself. With the profits from the first ship, they were able to buy a second ship, and quickly scaled up to a total of 7 ships. In 1989, PSL was incorporated and in 1991, the 7 ships were brought into PSL and transferred to Thailand (originally being housed in Panama and Liberia). Through two private placements and a public offering, Shah and Hashim raised enough capital to dilute their ownership to about 63% and with much optimism, they were listed on the Thai Stock Exchange in 1993. When asked about the company's name, Hashim said,

> *I chose the name "Precious Shipping" because up until 1989, shipping was thought of as a four-letter word. The industry was a mess and people were cheating to survive. This gave shippers a really bad reputation. I knew, however, that there would be a time in the future where we could turn this around and the ships would be worth their weight in gold, so I decided to name the company to represent that long-term view.*

Growth and Crisis

Financial Prudence and the Asian Financial Crisis

From 1993 to 1997, there was a shipping boom in Asia, with many economies in the region growing at a massive 6-12% annually. During this time, PSL increased the size of its fleet substantially to 48 ships, which required a considerable amount of capital. Given Hashim's natural aversion to debt, he preferred to take out short loan profiles averaging about 4 years each.

This strategy worked well until the Asian financial crisis of 1997-1998 hit, which saw demand for shipping plummet. This type of drop in demand was unprecedented as most previous periods of depressed shipping rates happened as a result of an over-supply of ships in the market. In addition, PSL had all of its debt in USD but its accounts and bookkeeping were done in Thai Baht. Given that the Baht crashed at the onset of the Asian Financial Crisis (from a rate of 26.00 in January of 1997 to 54.92 in January of 1998), this hugely inflated PSL's debt to equity ratio (a plot of this ratio over time can be found in Exhibit 1). This was a dangerous situation because PSL had several loans coming due and projected that by around the year 2000 they would default.

Hashim chose to be proactive and transparent about this situation. The debt structure was such that they had both secured and unsecured loans. At the end of 1998, PSL initiated a

[3] After consulting a lawyer, they were reassured that they had no liability to the ship owners and the freight had to be delivered.

conversation with the secured lender who had mortgages on PSL ships. After a 15-minute meeting, they had secured a deal, which included a 6-month moratorium on repayment with that 6-months of principal added on to the end of the loan as a bullet. According to Hashim,

> *The only question they had for us was how we were able to keep paying them back on time for the past 3 years when so many other shipping companies with a similar profile had already defaulted.*

PSL also had unsecured debt during this time. They initially had some difficulty getting the lenders to the table to discuss a deal because PSL's interest payments had been on time thus far and the bank was focused on the clients who were already defaulting. However, Hashim took a proactive approach and made the case that they should discuss the problem now *before* they default in the future. When PSL got the lender to the table, they offered to pay 40% of the outstanding loan upfront (capital they would gain by mortgaging some of their debt free ships) and pay the remaining balance in 2003, effectively getting a 3-year extension. This satisfied both parties and PSL actually paid off the remainder of the debt in early 2003, before the loan had even come to term.

Emerging from this crisis virtually debt free, Hashim notes that a key learning from that period was that 4-year loan profiles are too short for the shipping industry given the unpredictable length of the market cycles. As such, Hashim notes that although he is personally averse to long-term debt, it is crucial in this industry to have loans with a 15-year profile with a minimum 8-10 year repayment term. Hashim says that this loan profile matches what was needed to get through the most difficult time – the Asian Financial Crisis – and so it should be the standard for the company's debt structure moving forward. He also notes that it is also important to have the option to prepay a loan without penalty and in direct order of the maturity (most lenders will take the prepayment and apply it in reverse order of maturity; in other words, to the end of the loan). Hashim explains,

> *Given the volatility of the market, you might be able to prepay 3 years of the loan when you are at the top of the cycle but if the market crashes, you could default on your very next loan installment even though you have a prepaid cushion of 3 years!*

PSL's leadership also made smart decisions to lock ships into long-term charters, where the charterer hires a ship at a fixed rate for a long period of time when rates are favorable. This can be contrasted with voyage charters, which charge freight per ton to ship cargo between fixed destinations. Though this strategy does open the ship owner up to counterparty risk, it provides better security in the long run. As can be seen in Exhibit 2, average PSL fleet rates have not fallen as dramatically as the BDI after the 2008 financial crisis.

A Contrarian Approach to Assets

PSL has been able to maintain a long-term focus by buying younger ships when the BDI is low and ships are cheap and selling off older ships when the BDI is high and ships are expensive (see Exhibit 3). Reading the market in 2004, Hashim then borrowed more money and started building up the fleet again, almost doubling its size from 28 to 54 ships. Though the loans had a 10-year equally amortizing profile, PSL used the cash flow from the new vessels to pay off the debt in full by the end of 2006. There was a boom in the market from 2006-2007, however, rather than scaling up further (like many companies were doing) PSL sold off many of their aging ships at a premium just before the market crashed in 2008. By 2010, the fleet was down to 19 ships with an average age of about 15 years. By buying when the market for ships was relatively low and selling when the market was high, PSL cashed in on 80 million USD in capital gains.[4] This also shielded them when the market collapsed again in 2007-2008. Additionally, this strategy helped to keep the fleet young which is important because older ships are less fuel-efficient, come with higher insurance premiums, and are more costly to maintain.

One issue with this strategy is that debt is more expensive when the market is depressed. So, PSL's strategy has been to arrange debt facilities when the market is up and debt is cheap. These facilities are agreed upon but not put in place (i.e., funds are not drawn) until needed. Then, when the market turns downward, that cash can be withdrawn at the previously agreed upon rates to buy ships which are now cheaper during the downturn. Khushroo Wadia, Director of Finance describes how PSL learned this through trial and error,

> *This was something that we learned after the Asian Financial Crisis. Back then, we borrowed unsecured funds and kept the cash on hand. However, we learned to be more contrarian in our strategy. In 2008, we instead kept the debt facilities in place that the banks had committed and waited for the best opportunity to come along before withdrawing that debt.*

Leadership in Action

Leadership Style

Hashim's leadership style can be characterized as decisive, empowering, transparent, and approachable. As the company's founder, he has the ultimate say in all decisions. However, his style has always been to very carefully hire capable people that he trusts so that he can give them the autonomy to do their jobs. In this way, all decisions can be made efficiently and quickly. This is important in the shipping industry because decisions often need to be made overnight to take advantage of changing market conditions. Although the shipping industry has a history of opaque decision making, Hashim is sure to be decisive but also to explain his decisions in a clear and transparent way.

Hashim's staff also describe him as open and approachable. Khushroo Wadia explains,

> *Although Khalid [Hashim] is the MD, he is always accessible to staff at all levels. He does not have a private office and does not have an administrative assistant. This creates an impression that he is open to chat and give advice to anyone, anytime.*

It is also clear that Hashim cares deeply for the well-being of his staff. During periods of fleet downsizing, he never once cut onshore staff (See Exhibit 3). Instead, he was more likely to cut his own salary or sell off assets before letting anyone go. For example, Hashim voluntarily took a 10% salary cut in 1998 when the crisis hit and the rest of the directors did the same in 1999. This upset the board because they thought it sent a bad message about the company's financial situation. However, Hashim thought it was exactly the right message to send because they were, in fact, in trouble. This was also something that the bankers supported as a responsible decision while PSL was going through financial restructuring. During this time Hashim also told his staff not to worry about their job security and just to work hard. He assured them that as long as he was the MD, nobody would lose their job and he stayed true to his word.

[4] This can be contrasted with Sunwise Navigation, another dry bulk ship owner. Sunwise bought 5, 17-year-old ships in Mid-2007 when the BDI was at its peak for a premium of 19 million USD each. After the Lehman Brothers crash of 2008, they were forced to resell the same ships for 6.33 million USD each.

Organizational Culture

It has been said that leaders – especially company founders – set the culture of the organization.[5] This certainly appears to be true at PSL. Fitting with Hashim's personality and leadership style, the culture at PSL has been described as open and informal and characterized by loyalty, mutual trust, and independence. In addition, although the team is performance-oriented, there is also a culture of work-life balance.

PSL maintains an onshore staff of about 125 people at the central office in Bangkok, which is divided into the following verticals: Technical, Commercial, Risk Management, IT, Safety, and Finance. It is a very flat organization with most of the staff reporting to the directors and the directors reporting to the MD.

As mentioned above, the office has an open concept, which results in a lot of communication between staff. The top management team is not exempt from this and is thus accessible to the junior members of the team. PSL employees also describe the culture as informal and even, "like a college dorm." Although the office is tight-knit and communicative, each employee is given a lot of independence and has the autonomy to make decisions. To highlight this fact, Hashim says,

I travel about 30 times a year and can be gone for 3-4 days at a time. Yet, I very rarely receive any calls on my phone while I am away because I trust my colleagues and staff enough to give them full authority to make decisions without me.

A defining feature of the culture at PSL is loyalty. Many of the PSL's employees join just after completing tertiary education and plan to stay for life, something that PSL welcomes. Hashim says that other than people deciding to retire, almost his entire team is still with him that was brought on in the 1990s. One problem associated with having such a flat organization with extremely low attrition is that it is difficult to promote high potential talent through the ranks.

Hashim believes that this is currently not a major problem for three reasons:

- Employees appreciate the autonomy to do their jobs, which they find interesting and engaging.
- Lateral moves to other teams in the company is permitted, which can satisfy intrinsic needs of employees and increase fit in some cases. However, employees need to show that they have done the homework to help fill their current role and can also show how they will benefit the company in the new role.
- PSL is committed to the health and well-being of employees and employees are encouraged to maintain good work-life balance. For example, staff often leave work at 5 pm to take a run (as Hashim often does) and then either come back to the office to finish up work or go home.

Staff Compensation

The unique culture at PSL of loyalty and employment for life also comes with some challenges. For example, annual pay increments are minimal because of the longevity of employment for most staff. Thus, the fixed pay for onshore staff is kept slightly below the market rate.

[5] Schein, E. H. (1989). The role of the founder in creating organizational culture. *Readings in managerial psychology*, 278.

However, there is an attractive variable-rate bonus scheme in place based on company profit. For example, if the company makes 100 million USD profits in a year, onshore employees all receive a minimum 12-month salary bonus. Owing to the flat nature of the organization, the bonuses are given to all onshore staff as a percentage of their salary. When Hashim first considered implementing this scheme, he was concerned that the employees would change their lifestyles in terms of spending and that it could be problematic if the bonus was much smaller the following year (something that often happens in the cyclical shipping industry). This was especially problematic because the Thais tend to live in the moment and do not always think about and save for the future. He was also concerned that by giving large lump sums, it might incentivize employees to leave PSL. So, he decided to pay out each year’s bonus in 3 installments, each year for 3 years.

Operating costs at PSL are also relatively lean which offers a strong competitive advantage, particularly during low points in the shipping cycles (see Exhibit 4). Despite this, PSL is still able to recruit and retain top quality talent, likely because of the degree of care given to them. They are recruited directly from Universities (often giving scholarships for talented yet poor students) and bypass manning agents so that there is more loyalty directly to the company. After graduating, cadets are put through a sophisticated internal training program, which covers everything from written and spoken English to accident prevention. Once they are employed, PSL actively engages their family members and keeps them up to date on what the ships are doing. Commenting on this “personal touch,” Koka Sudhakar, Vice President of Fleet Management said,

I tell [the seafaring staff] all the time that if they support PSL now, this will be a company that will be around to employ their children one day. That’s the kind of commitment we have to our employees and their families.

Relationship with External Stakeholders

Apart from a strong internal culture, PSL is recognised as an open and transparent company with strong relationships with external stakeholders. This is fairly unique because the shipping industry is historically very opaque and companies try to withhold as much information as possible. It should be noted that PSL won several awards in 2014 alone, such as the Overall Best Company in Thailand for Corporate Governance, Best for Disclosure and Transparency in Thailand, and a finalist for the Ship Owner/Operator Award from Seatrade Asia.[6] These accolades are likely due to Hashim’s pragmatic, transparent, approach to running a publicly listed shipping company.

When asking the banks to restructure their loans during the Asian Financial Crisis, Hashim took full responsibility for the company’s situation and even offered to resign. Though the banks declined his offer, this humble act set the tone for that negotiation and likely for the relationship he would maintain with the banks long after the crisis.

In terms of relationship with stockholders, Hashim also behaves pragmatically and fairly, maintaining a long-term view. When highly leveraged, like PSL was during the Asian Financial Crisis, Hashim prefers to keep dividends to a minimum so that enough cash is on hand to make debt payments, particularly when the market cycles downward. Thus, from 1997 to 2002, PSL did not pay any dividends while it was working to get cash flow positive. However, when there were profits and leverage was low, PSL has paid out handsomely (e.g., 286% of earnings per share was paid in 2012).[7]

[6] See http://www.preciousshipping.com/about-us/certification-awards-honors for a full list of awards and honors.
[7] PSL’s policy is to pay out a minimum of 25% of net profit.

Present Conditions and Looking Ahead

Current Unprecedented Lows

Most analysts (including PSL's leadership) were bullish about 2014, predicting it to be the year the industry would spike again. However, the market collapsed even further at the end of the year. By the beginning of 2015, the BDI hit an all-time low of 509 points. The previous all-time low was 544 in 1986, which, in today's terms, would equal about 711 points. Thus, this is an unprecedented low and it is clear that all of the predictions for 2014-2015 were completely wrong (see Exhibits 5 and 6 for PSL's recent financials). There are three primary reasons for the state of the market:

1. Brazil's Iron Ore output dramatically underperformed. In 2014, China imported almost 115 million tons of additional iron ore jumping to 933 million tons from 820 million tons. Normally, Brazil would export about half of the additional iron ore needed and Australia would export the other half. However, Australia exported an additional 120 million tons of ore. This caused a massive oversupply of ships because of the relative proximity of Australia (versus Brazil) to China. In fact, it is 3.5 times/ton mile more intensive to ship cargo from Brazil to China than Australia to China. Brazilian companies are planning for a resurgence in 2015, which would greatly improve conditions for the shipping industry if it happens. China is likely to increase iron ore imports to almost 1 billion tons during 2015, which will require a lot of ships, particularly if that ore comes from Brazil.
2. There was a lack of seasonality in 2014 (see Exhibit 7). Normally, there are spikes in demand at certain parts of the year, which results in congestion of shipping at certain ports. This congestion removes supply from the market, thus increasing shipping rates. In 2014, the grain movement from Brazil and Argentina did not follow its normal seasonal pattern. To illustrate, in June 2013, the port of Paranagua in Brazil had more than 100 ships waiting to load grain. In June, 2014, there were no ships waiting. This is primarily because early in the year, China defaulted on 2 million tons of soy beans (which are used as animal feed) because of the bird flu epidemic. Secondly, the currencies in Brazil and Argentina also sharply declined that year. Grain exporters in those countries decided to hold on to their grain and not ship it because the cost of storing the grain was much lower than the depreciation of the currency, which made them richer by just holding on to that grain.
3. Indonesia put a ban on the export of raw materials like nickel ore and aluminum. This was expected and known about for 3 years. However, China normally imported about 80 million tons a year of these metals from Indonesia and this ended in 2014.

Given, these factors, plus an oversupply of ships in the water, 2014 was not a good year for PSL. In 2014, PSL posted a loss of 2.54 million dollars which includes a one-time gain of .83 million USD due to the sale of an older ship as well as a contract cancellation that brought in another 1.23 million USD. So, the operational loss in 2014 was about 4.59 million USD. However, this loss is mild compared to many of PSL's competitors, many of which are in the process of filing for bankruptcy protection.

Future Expectations

What is the outlook for 2015 and beyond? Economically, there is some promise. For example, the U.S. is finally experiencing a strong economic recovery. It is a 17.4 trillion USD market and 70% of its GDP is consumer-led. This coupled with the fact that the dollar is strong, should lead to a lot of finished goods being imported into the U.S. This will drive up dry bulk demand in manufacturing hubs like India, China, and Japan, which manufacture such finished goods.

Another bright spot for 2015 is the role of India. With its new government in place, it looks like it is poised to grow considerably. For example, in 2014, China slowed down its imports of coal to 290 million tons (from 322 million tons in 2013), however, India made up that difference by importing an additional 30 million tons of coal.

China is still a large player in the dry bulk market (see Exhibit 8), accounting for about 40-50% of global dry bulk demand. However, the heavy rains that China experienced in 2014 increased its hydropower by 40%, thus reducing the demand for coal. Secondly, China is seeking to clean up its environmental act and imposed hefty import duties on “dirty” coal, which reduced overall coal imports as well.

Overall, dry bulk demand for China is expected to increase. China has brought down interest rates twice now and has also announced a 1.1 trillion USD stimulus plan for infrastructure development. This should increase demand for raw materials.

Finally, additional regulations have recently been implemented in the US and Europe that require companies to use cleaner fuel and there are regulations coming soon that will likely require better ballast treatment. These will undoubtedly be costly changes for the shipping industry.

The Role of Innovation

In 2013, shipyards, in an effort to stave off bankruptcy of their own, introduced eco-friendly ships into the market which help to save on fuel costs. PSL recently purchased several of these ships on re-sale contracts after the companies that initially ordered them went bankrupt or realised that they could not pay for them. Thus, by 2016, PSL will have purchased 24 brand new eco-friendly ships and sold off 21 older or less eco-friendly ships, leaving the fleet with 48 vessels. In 2016, the fleet will be extremely young at an average of just 3.54 years and will have the highest average capacity it has ever had (48,224 DWT).

In an effort to stay ahead of the innovation curve, Hashim has asked two high potential leaders in each vertical to write a comprehensive report on innovations that are happening in a different industry that could be applied to the shipping industry, many of which are driven by technological disruptions.

Succession Planning and Development

One of the top priorities for PSL right now is succession planning. The top tier staff are all older than 60 years and likely to retire in the next 3 years. In addition, Hashim feels a sense of responsibility to the next tier of emerging leaders, who have also been with the company since the beginning but have not held the top leadership positions at PSL. Most of them are also nearing retirement age in the next 6-7 years. Thus, PSL is heavily engaged in succession planning and looking for high potential talent that will be able to take over the company in about 7 years. They do not hire mid to senior talent from outside of the company; rather, all promotions happen internally. In fact, it is often the case that seafaring staff are brought onto the management team. Hashim notes,

> *It takes 10 years or more to move from cadet to captain so we get to watch and assess their capabilities for a long time before deciding to bring them into the office. We are very selective at the early hiring stages and are constantly looking for strong cultural fit and exceptional competence.*

Given that the large majority of seafaring staff are Thai, this should result in a greater proportion of Thai rather than Indian onshore staff in the next 7-10 years.

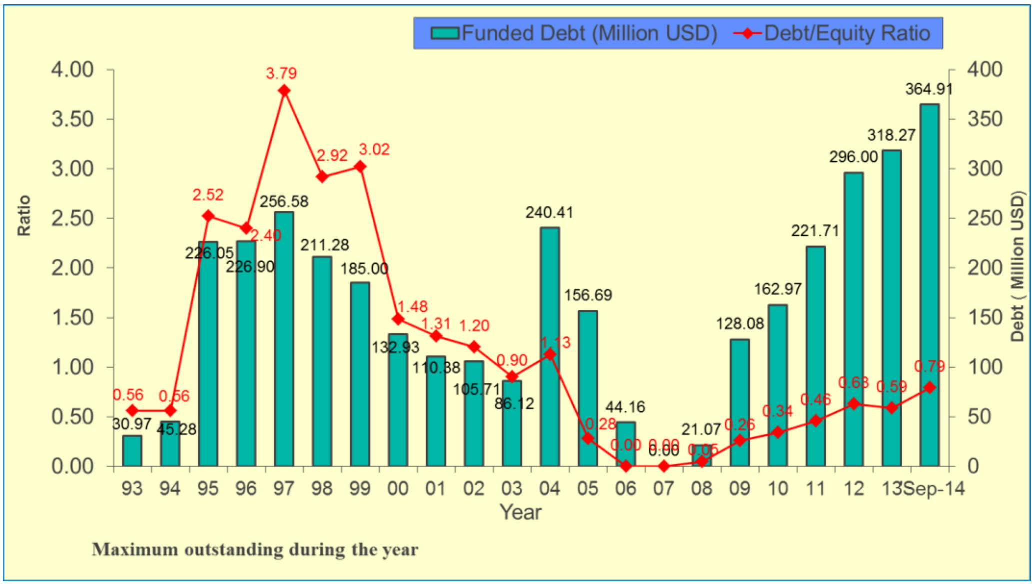
As part of his plan to develop young leaders, Hashim is going to implement a job rotation program whereby young high potential leaders will rotate through every vertical and spend one or two months learning that function. The purpose of this is to help groom talent that will someday need to oversee and integrate all of the verticals.

In addition, Hashim is rolling out a 360-degree feedback program. Each direct report (including Hashim's) will be asked to write down four strengths of their leader and one area for improvement and the leader will do the same for every direct report. This information will be presented to the leader along with his/her job description and an assessment of his/her leadership gaps.

Reflecting on the future of PSL, Hashim says,

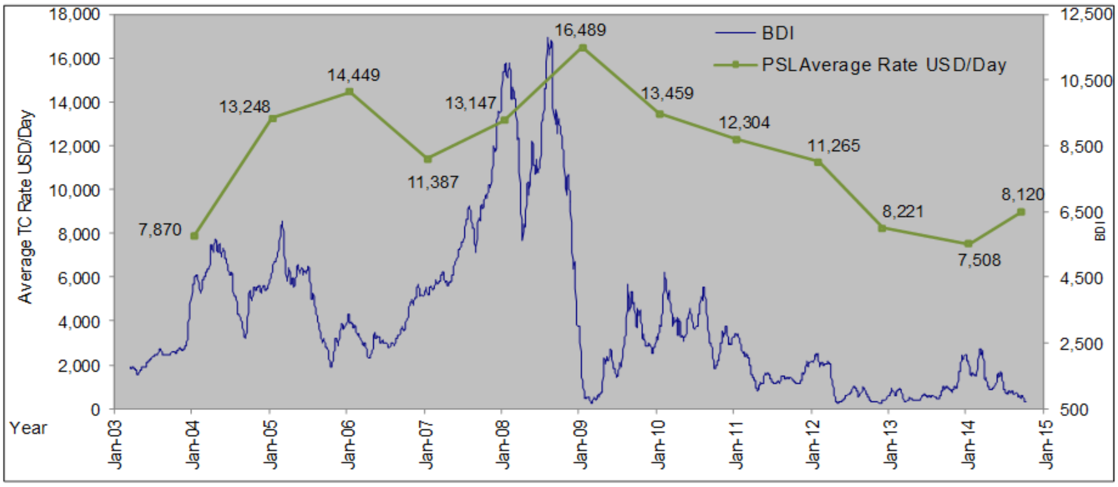
> *What keeps me awake at night is the future of the company that I worked hard to build with my colleagues. Through careful planning, I'm confident that we can put in place a succession and development plan that will be sustainable and one that will drive the growth of this company through the cyclicality and volatility of this industry into the future.*

EXHIBIT 1: FUNDED DEBT & DEBT/EQUITY RATIO



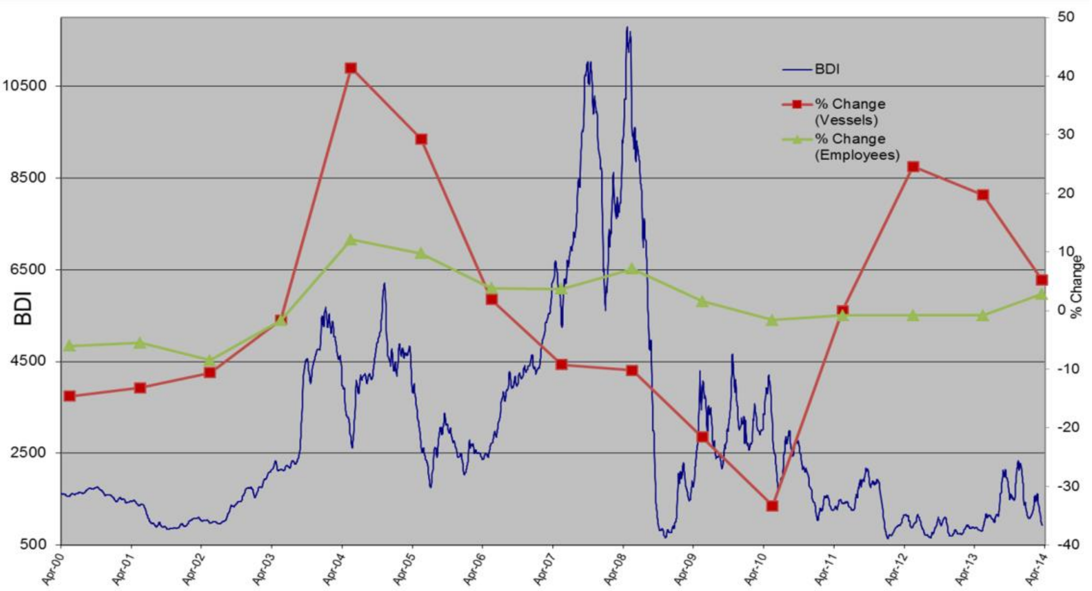
Source: Precious Shipping PCL (March 2015) "The Ten Commandment of Dry Bulk Shipping".

EXHIBIT 2: BDI VS PSL FLEET AVERAGE TIME CHARTER RATE (USD) PER DAY



Source: Precious Shipping PCL (March 2015) "SET Opportunity Day Quarter 4, 2015", http://www.preciousshipping.com/images/InvestorPresentations/SET_Opportunity_Day_QT4_2014.pdf (accessed March 26 2015).

EXHIBIT 3: BDI VS. CHANGES IN PSL FLEET SIZE AND EMPLOYEES



Source: Precious Shipping PCL (March 2015) "The Ten Commandment of Dry Bulk Shipping".

EXHIBIT 4: PSL'S OPERATING EXPENSES VS. INDUSTRY AVERAGE

For Years	2008		2009		2010		2011		2012		2013		2014
Particulars US$ (Per Day)	Industry	PSL	Industry	PSL	Industry	PSL	Industry	PSL	Industry	PSL	Industry	PSL	PSL
Crew Cost	2,224	2,030	2,280	2,117	2,387	2,145	2,422	2,145	2,539	2,311	2,569	2,413	2,648
Stores	711	539	669	500	687	453	689	530	655	496	620	491	459
Repairs & Maintenance	832	382	721	356	807	301	808	325	769	322	771	358	388
Insurance	580	417	575	521	555	397	534	432	483	359	464	397	359
Administration	792	417	870	517	842	554	889	491	825	451	798	354	371
Total Operating Costs	5,139	3,785	5,115	4,011	5,278	3,850	5,342	3,923	5,271	3,939	5,222	4,013	4,225

Source: Precious Shipping PCL (March 2015) "SET Opportunity Day Quarter 4, 2015", http://www.precioushipping.com/images/InvestorPresentations/SET_Opportunity_Day_QT4_2014.pdf (accessed March 26 2015).

EXHIBIT 5: PSL'S FINANCIAL PROFILE

	2014	2013	2012	2011	2005
Funded Debt	$361.41m	$282.59m	$296.00m	$221.71m	$80.00m
Equity	$463.67m	$476.36m	$472.85m	$484.57m	$286.84m
Funded Debt/Equity	0.78	0.59	0.63	0.46	0.28
EBITDA	$42.85m	$59.30m	$40.60m	$51.95m	$202.34m
Debt*/EBITDA	8.30	4.77	6.19	2.48	0.40
Daily Earnings	$8,096	$7,508	$8,221	$11,265	$14,449
Daily Opex	$4,695	$4,535	$4,481	$4,613	$3,055
Total Assets	$846.66m	$777.41m	$784.47m	$722.39m	$379.98m
Net Profit (Loss)	($2.54)m	$17.49m	$4.45m	$23.64m	$154.22m
Total Revenues	$143.34m	$156.72m	$123.24m	$112.19m	$277.09m

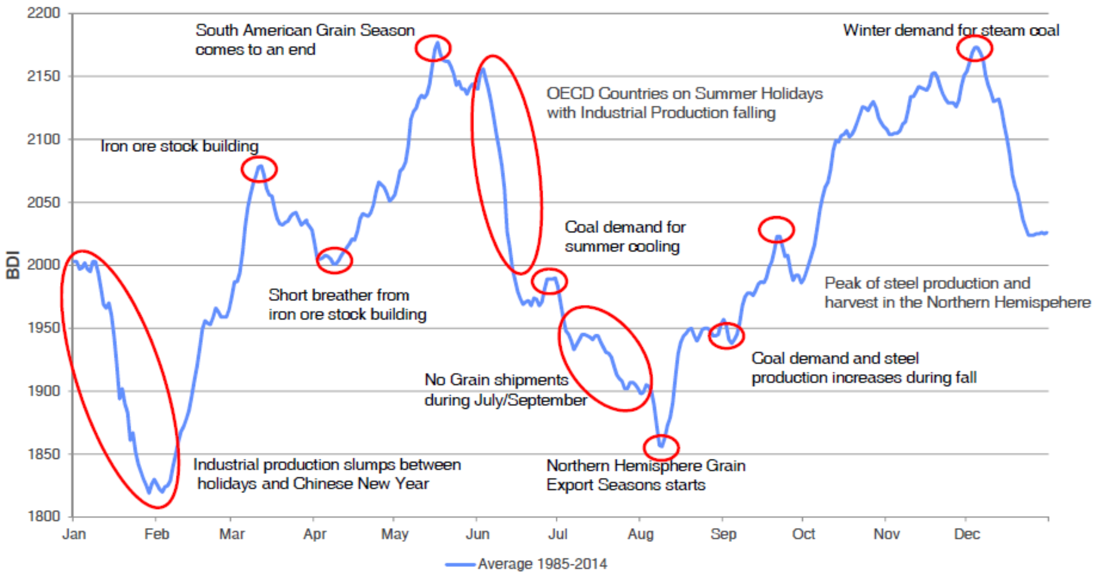
Source: Precious Shipping PCL (March 2015) "SET Opportunity Day Quarter 4, 2015", http://www.precioushipping.com/images/InvestorPresentations/SET_Opportunity_Day_QT4_2014.pdf (accessed March 26 2015).

EXHIBIT 6: PSL'S FINANCIAL HIGHLIGHTS – FINANCIAL POSITION

Particulars	2014	2013
Cash & Cash Equivalents - US$ Million	16.23	89.65
Total Current Assets - US$ Million	35.58	150.42
Advances to ABG - US$ Million	0.00	18.00
Advances to Shanhaiguan China- US$ Million	23.18	31.12
Advances to Sainty – US$ Million	55.70	8.22
Advances to Sanfu – US$ Million	38.03	1.60
Ships Net - US$ Million	668.84	568.17
Fixed Assets Net - US$ Million	669.57	568.96
Total Assets - US$ Million	846.66	777.41
Total Current Liabilities - US$ Million	13.77	9.85
Loan for New Buildings - US$ Million	5.97	0.00
Loan for Existing Ships - US$ Million	355.44	282.59
Total Long-Term Loans - US$ Million	361.41	282.59
Total Liabilities - US$ Million	383.00	301.06
Total Shareholders' Equity - US$ Million	463.67	476.36
Book Value per share (US$)	0.45	0.46
Book Value per share (THB)	14.70	15.04
Return on Equity (%)	-0.54%	3.69%
Return on Total Assets (%)	-0.31%	2.24%
Total Liabilities/Equity Ratio	0.83	0.63
Number of Ships (at the end)	44	40

Source: Precious Shipping PCL (March 2015) "SET Opportunity Day Quarter 4, 2015", http://www.precioushipping.com/images/InvestorPresentations/SET_Opportunity_Day_QT4_2014.pdf (accessed March 26 2015).

EXHIBIT 7: BDI SEASONALITY



Source: Precious Shipping PCL (March 2015) "SET Opportunity Day Quarter 4, 2015", http://www.preciousshipping.com/images/InvestorPresentations/SET_Opportunity_Day_QT4_2014.pdf (accessed March 26 2015).

EXHIBIT 8: THE ROLE OF CHINA IN THE SHIPPING INDUSTRY

	2009	2010	2011	2012	2013	2014
GDP	9.2%	10.4%	9.2%	7.8%	7.7%	7.4%
Iron Ore Imports (m MT)	628	618	686	745	820	933
Coal Imports (m MT)	145	164	182	289	322	292
Steel Production (m MT)	566	626	684	709	775	813
Steel Exports (m MT)	25	43	49	56	62	95
Steel Exports %age of Production	4.4%	6.9%	7.2%	7.9%	8.0%	11.7%

Source: Precious Shipping PCL (March 2015) "SET Opportunity Day Quarter 4, 2015", http://www.preciousshipping.com/images/InvestorPresentations/SET_Opportunity_Day_QT4_2014.pdf (accessed March 26 2015).