Tomini chairman finds sweet spots in the dry market

Dry cargo specialist Imtiaz Shaikh digs into his experience to explain why he is still excited about bulk carriers and why there is more money to be made in buying low and selling high than trading

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The chairman of Tomini Group has learnt during 40 years in the dry cargo business that a long-term approach and a sensitivity to the cyclical nature of shipping can, and does, pay dividends

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MR SHAIKH: DRY BULK SHIPPING CAN PAY DIVIDENDS. *Source: Tomini Group*

MAKING a success in the dry bulk sector demands persistence, discipline, and good habits. These qualities appear to be in short supply in shipping, where quick-fire, dynamic solutions outweigh the deep-rooted value of established partnerships.

But some shipowners have learnt to unlock the secrets of the dry market. One of these alchemists, Imtiaz Shaikh, chairman of Tomini Group, is the third generation of his family to own ships. Now he is laying solid foundations for his sons to take over.

“I love shipping because it is a very difficult business,” he told Lloyd’s List. In fact, he says, it is far harder to succeed in shipping than in almost anything else.

The family fell into the business by accident. Mr Shaikh’s grandfather ran a cotton trading enterprise in West Pakistan in the late 1940s and early 1950s.

One of the major markets for Pakistani cotton was blocked when the Korean War broke out. The company could not find any shipowners willing to carry its cotton to markets in China.

“They stumbled on the idea of buying their own ships to carry their own cotton from the subcontinent to China,” he said. “The first ship was a triple decker, a Liberty type, which was extremely cheap in those days.”

It sowed the seeds of a shipowning dynasty that is still strong 70 years later.

The cotton traders-cum-shipping magnates set up a liner service linking West Pakistan (now Pakistan) with East Pakistan (now Bangladesh), under the flag of the United Oriental Steamship Company. There were seven ships in the fleet at its peak.

Mr Shaikh remembers West Pakistan as “an amazing place” to live in the 1960s, vibrant and forward-looking. “There were two Asian tigers at the time: Korea and Pakistan. We pioneered an industrialisation plan, which the Koreans followed — but we did not.”

The rise of Zulfikar Ali Bhutto, who founded the Pakistan People’s Party on a socialist platform in 1967, led to years of political unrest. In 1972, the Bhutto introduced reforms in the industrial sector, including nationalisation of steel, chemicals, and cement; in 1974, the banks were nationalised, followed by flour, rice, and cotton mills. Shipping was also a casualty of this nationalisation fervour.

The result was not only an abrupt halt in economic growth but also a haemorrhaging of talent.

“The market value of our fleet in 1974 was $3m; the government said it would compensate the book value or market value, whichever was lower,” he said. “The book value was minus $3m, so we were asked to put in $3m! That is the upheaval our family went through. Such is life.”

Not surprisingly, the family upped sticks and headed to London, the centre of the Commonwealth and the hub of world shipping at the time. They set up in the offices of shipbroker Eggar Forrester, an easy walk to the Baltic Exchange.

Having finished college in Pakistan, he studied for a diploma in shipmanagement at Lambeth College, London, and joined his father at the age of 19. The company had a single 14,000 dwt tweendecker.

“I was sent to each port the ship called at, to handle husbandry, and commercial and chartering matters. It was a great learning tool for me in all aspects of shipping; the best education.”

He also gained sea experience by sailing with the ship in the Far East, and between 1977 and 1980 handled all the special surveys. “In those days,” Mr Shaikh says, “we used to control everything in-house — commercial and technical; it was hands-on”.

“In that generation, we were told what to do,” he reflects. “My father is 90 but he still asks me why I have bought this and sold that, and tells me where I am going wrong. The world is now different: I sit with my sons, listen to them, discuss their opinions, try to make a rational judgement based on their advice.”

Mr Shaikh Sr wanted to expand the fleet, however personal issues meant he was obliged to hand control over to Imtiaz and his brother in 1981 or 1982. The next generation proved eager for the task: between 1984 and 1989 the fleet was increased to nine ships. The company needed a new name, and Mr Shaikh took an off-the-shelf company registered in Gibraltar. “I liked the rhythm of the name Tomini,” he explained.

Only when he wanted to set up in Dubai many years later, did he research the name’s meaning. Tomini is an island in the Indonesian archipelago with its own indigenous people.

His brother left shipping in early 1990. Mr Shaikh and his team spent the next decade upgrading from 15,000 dwt tweendeckers of the SD14 and Freedom designs to geared bulk carriers of 35,000-40,000 dwt. “This became our speciality. I have owned several tankers over the years but they were more of a financial arrangement: we bought them and fixed them on period charters.”

Immersive activity

The business of dry cargo owning, operating, and chartering is his first love. It is an all-day, all-year activity. "We always beat the market, back in the 1980s," he says with pride. "Today, it is much more index-based. It is a numbers game. It is no longer necessary to have that personal touch. As an investor, you buy a ship, hand it to a pool to run, give management to a third party."

The nearest Tomini gets to outsourcing is contracting the chartering of its ships to Alpina, a company in the beautiful Danish town of Roskilde. Even this has become part of the Shaikh 'family'. "We started working with Per Kampmann, who was of a similar age to me, in 1979 or 1980. He was a broker and fixed our ships for voyages from the Continent to Iran. They paid well. That partnership continues today, 40 years later."

Mr Kampmann took a 10% stake in Tomini in the early 1980s, a stake that remains in place 40 years on. "The joke is, I have never been to Denmark," Mr Shaikh smiles. "Perhaps I will go one day."

The dry bulk market has changed dramatically since the 1980s. From an in-house, hands-on, long-term approach that resembled the family businesses of a century ago to an out-sourced, sector-specific, index-based activity that seems to be driven by numbers. Mr Shaikh loves the "sense and feel and touch" of the business; he hopes his sons will carry that on.

"In the old days, you had every type of tweekdecker, with every kind of derrick, crane, and boom, some with engines midships, other with engines aft. Today, it has become standardised. There are 900 ultramaxes and they are all very similar."

That makes life simpler for charterers, traders, and owners. Tomini currently has a fleet of 10 ships, with an average age of two years.

"We think long term," he confirms. "I have learned that from a financial perspective, there is more money to be made in buying and selling ships than in owning them. We buy at the low point in the cycle and sell at the high point.

"Over the past five years, because of my age and wanting to establish a long-term institution, I have gone into modern tonnage; ships ordered and built under our supervision, and now being run under our own management."

It has taken many long years to achieve that understanding. "We bought ships in 1984 and sold them in 1989; we bought others in 1990 and sold out in 1994. More recently, beside other vessels, we bought seven supramaxes in 2016 and 2017 at the low end of the market; we sold all of them out last year. We are now sitting on the cash, waiting to buy again. Ironically," he adds, "the ships we sold last year, we could now buy back for 30% or 40% less."

There are three new ships, all kamsarmaxes ordered in the low market of 2017-18. They were meant to have been delivered but they are delayed. The first will arrive at the end of this month. If the option were available, Mr Shaikh would delay the others even further, however the second is likely to be delivered in the third quarter of the year, the third won't be delivered until 2021.

The vessels are of optimum size: the 64,000 dwt ultramax is a charterer's favourite, showing good performance and consumption, and excellent carrying capacity; it is superior to the supramax. The kamsarmax, of 82,000 dwt, offers flexibility, efficiency and size — it has taken over the role once played by the panamax, the mid-size workhorse.

Shipyard ties

Tomini's preferred long-term partnership is now being created with shipbuilders. "I have bought second-hand all my life, and had no relations with shipyards, however we now have excellent relations with CSI Jiangsu. There is excellent rapport on the building side, the quality of ships is up to standard we expect. If I were to order again I would expect to go back there."

Such relationships are everything for Mr Shaikh. “We have benefited from our co-operation with this yard. At no further cost, the yard delayed delivery of ships from October or November until January: there is a real difference in market value.”

Relationships and partnerships are the foundation of Tomini’s growth — with Alpina, with London shipbrokers, Chinese shipyards, Asian charterers. Even at a time of coronavirus pandemic, Mr Shaikh is looking for ways to retain hardworking crews.

“For us,” he says, “the mental health of the seafarer is good for the owner as well as good for the individual, and it is good from the moral perspective.

“We do what we can. A ship on ballast from Karachi to South Africa was recently diverted to Mumbai to drop off crew who had completed their contract period. It was the third time in 30 days, at our own cost, but I believe it pays in the long run. We want people who are happy with the company, who see their work as a permanent job. They will take good care of our ships.”

Tomini’s staff have spent long hours on the phone to the marine department in the Indian government, explaining the problem of crew repatriation. They believe a better grasp of the facts has brought a degree of leniency. Mumbai has become an allocated port for crew change.

Mr Shaikh relocated Tomini to Dubai in 2004 and has watched this astonishing, ever-changing hub thrive. He loves “the excellent logistics, the modern standard of living, safety, stability, connectivity, and the tax-free environment.”

He describes the move as a “key ingredient” in Tomini’s success. Dubai is home, a home that lies midway between Europe and Asia, the two centres of his business.

“Good habits die hard,” he concludes. The habit of finding that sweet spot in a low dry cargo market for buying and in the high point in the cycle for selling; the habit of respecting long-term partnerships; and the habit of hard work.

Good habits have paid dividends. He expects his sons to carry on in a similar vein.

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