

SECOND HAND SHIP PROCUREMENT PROCESS & PROCEDURE

Procurement Process:

#	Item	Description
1	Object	Second Hand Ships
2	Buyer	PNSC for the companies under its management
3	Special Features	a. Different designs, make, origin, size, tonnage and machinery within the respective category. b. Variation of condition of the ships due to usage, age and standard of maintenance. c. Absence of formal market. d. Acquisition process extends over a long period of time to locate the best available ship. e. Multi-stage screening necessary. f. Procedure - standard international industry practices using NSF 1993/2012, NIPPON Sale 1993/1999 logically amended.
4	Method	Procurement through Baltic Exchange enlisted shipbrokers.

Procurement Procedure:

#	Activity	Process	Document
1	Requirement	Commercial Division raises requirement giving Commercial / Operational details of the vessel(s)	Minute sheet – Approval by Chairman
2	Technical vetting	Technical details / parameters of the vessel(s) are laid down by SM Division	Minute sheet
3	Approval by Board	PNSC management to seek sanction for inducting a particular type of vessel and allocation of capital budget from Board of Directors of PNSC.	Working Paper/ Minutes of the BOD meeting(s)
4	Invitation for Offers	PNSC management to advertise in the print and electronic media the broad parameters of the ship and invite offers from owners through Baltic Exchange enlisted brokers.	News Papers Ad + PNSC & PPRA websites

#	Activity	Process	Document
5	Short Listing / Scrutiny	PNSC Purchase Committee (comprising Chairman, all Executive Directors and relevant officers) to scrutinize offers and identify suitable ship(s) for technical evaluation by the Technical Evaluation Team (comprising ED (SM), G.M. MR&S and Vessel Supdt(s).	Minutes of the Purchase Committee meeting(s)
6	Technical Evaluation	Technical Evaluation Team is to present the results of following inspections before the Purchase Committee: (a) <u>Class Records</u> : Ship's history since inception from the records of the Classification Society to which the ship belongs. (b) <u>3rd Party Inspection</u> : Physical inspection of the ship by a Classification Society belonging to International Association of Classification Societies other than the Society to which ship belongs . (c) <u>PNSC Inspection</u> : Physical inspection by PNSC own inspection team unless circumstances require a waiver by the Board.	Reports/ Noting Minute(s)
7	Negotiations of Terms & Conditions	The Purchase Committee to settle Price and Terms & Conditions with appropriate conditionality which shall always include Board's approval for the final conclusion of the deal.	Minutes of the meeting(s)
8	Information to Board	PNSC's management to keep Board informed from time to time the progress made in the acquisition process.	Working / Information Paper
9	Re-Capping	The Sale and Purchase Committee to re-cap the terms and conditions at the point where final deal can be made and submit the matter to the Board of Subsidiary Company and PNSC BoD along with Draft Memorandum of Agreement (MoA).	Draft MoA/ Working Paper
10	Approval by Subsidiary	The Board of relevant subsidiary company to approve the deal after consideration of the case.	Working paper and Minutes of BoD meeting
11	Final Approval PNSC BOD	The PNSC BoD, after considering BOD Approval of relevant subsidiary, accords final approval.	Draft MoA/ Working Paper
12	Deal	PNSC's management to confirm the deal after the final approval of the Board. PNSC Board kept informed through out.	Various / Information paper
13	Acquisition	PNSC to undertake necessary steps for formalization/execution of MoA, payments, delivery, registration etc. for acquisition of vessel.	Various

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