

The Fourth Pillar of Shipping



Clipper Concord at Leela Ship Recycling Yard

By [Wendy Laursen](#) 2016-01-08 09:25:22

GMS is not nearly as dependent on ship recycling as it once was, but President & CEO Dr. Anil Sharma remains passionate about what he calls “the fourth pillar of shipping.”

Established in 1992 in the U.S., GMS (Global Marketing Solutions) is the world's largest and only IACS ISO 9001-certified cash buyer of ships for recycling. It is also the first and only cash buyer to develop a green ship recycling program that meets the highest standards of corporate social responsibility in the industry.

A cash buyer is an entity that purchases a vessel for cash and delivers it to a recycling yard. Cash buyers are not brokers. They are principals and traders who take delivery of vessels on both “delivered” and “as is, where is” terms. Ships are sold for recycling based on a lightweight displacement price per ton (LDT) price.

With exclusive representation in all the major ship recycling markets in the world, GMS has negotiated about 3,000 ships for recycling since its inception. “In fact, GMS does more business than the number two and three cash buyers combined, and one in three ships beached on the Indian subcontinent is a GMS vessel,” Sharma proclaims.

“I am very passionate about this industry because it is very, very important,” he adds. “I call it the fourth pillar of shipping. Shipping is not just shipbuilding; it’s not just ship ownership or chartering, but also disposal. A proper approach to waste disposal

management keeps the world functioning. In some parts of West Africa, you can see ships literally abandoned, half-sunk and polluting the sea simply because they are too small to be taken anywhere for recycling. They have no economic value, and that's a liability for a seller. I'm very much about that because I feel the lifecycle of a vessel is a balancing act that reshapes the market and makes way for more modern technology and more fuel-efficiency."

The Evolution of an Industry Leader

Sharma started out negotiating the purchase and recycling of U.S. Navy vessels and then applied his experience to the commercial market. By 1998, he had set up his first global office in Cumberland, Maryland, and the company gained ISO 9001 certification in 2005. GMS Dubai was incorporated in 2008 and GMS Shanghai in 2010, the same year that GMS and Germanischer Lloyd concluded the first vessel under a new arrangement whereby the classification society provided independent verification of the recycling process. Sharma saw this as paving the way for increased transparency and regulation of the industry.

In 2012, GMS opened its Japan office. That year the company also negotiated about 300 ships in one year – a record for the industry. In 2013, the Projects and Finance Department was launched and GMS Singapore incorporated. In 2014, GMS Germany was added.

"Growth has all been organic. I've always been trying to fill needs," says Sharma. When GMS started buying commercial ships, the owners would say they didn't want to deliver the ships to the recyclers. They wanted an "as is, where is" transaction. Sharma started hearing this more often and realized he needed his own management team to organize the ballast runs. It also didn't make sense to send certain vessels to their final destination without cargoes. So the team started loading cheaper cargoes such as fertilizer or coal and unloading them on the way.

"We started working closely with charterers, and that business started growing," he explains. "Then, from 2004 to early 2008, when shipping markets really took off, we often found ourselves with ships that were relatively good. The charterers who were fixing the cargoes on these ships were coming back and asking to extend the charter. So by default we started owning vessels for a longer period." From this it naturally followed that other shipowners saw GMS trading and began offering ships for sale.

"Over the years, our operations progressed from running end-of-life vessels for single-ballast voyages to a recycling facility to operating comparatively older tonnage on the spot market for several months before it is eventually sold for recycling," says Sharma. "From these humble origins, the team has developed a core competency in operating older tonnage and, through organic growth, has amassed a fleet of 14 vessels that regularly trade in the period time charter business to prominent owners and liner companies."

Seizing the Moment

After the financial crisis, another opportunity appeared, and Sharma added to his range of services again: "The bottom fell out of the market, and ever since there has been one crisis or another. Well-established owners were finding a shortage of capital for older ships. They would come to us with joint-venture proposals. I never saw myself as a full-fledged shipowner, never really wanted to get into shipowning *per se*. I just wanted to take what I felt was a good business opportunity."

It wasn't long before Sharma realized he had the skills in-house to run the ships without partners. By attending and speaking at numerous shipping conferences, he was mixing with analysts and shipowners and getting in tune with market trends. "That's how newbuildings came into the picture. That's how we became a fully integrated operation."

GMS's experience in shipping is now complemented by GMS Capital, a new division that specializes in corporate acquisitions, mergers, newbuildings and second-hand purchases. The team has a boutique, hands-on approach to all transactions and tends to target deals that are either too small for larger private equity funds to consider (in the \$3-20 million range) or complement the firm's core competencies within the larger shipping markets.

"We are a small shop," Sharma insists. "Our capital services do not compete with major banks or private equity. We operate in the space where most major players do not want to play – high-risk/high-reward projects, small investments, vintage tonnage, etc. We look at every deal from a practical business angle and then create a package that is fair with the intention of creating a 'win-win' scenario. As a result, each project and investment is customized to the needs of the parties involved, and we generally participate in the risk."

GMS has continued to expand its operations in Hamburg, Dubai, Singapore, Shanghai and Tokyo and this year intends to open offices in two more major shipping centers. In addition to an exclusive representative office in Romania, the company maintains exclusive representation in all major recycling locations: India, Bangladesh, Pakistan, China and Turkey.

The Value Approach

Sharma founded his company on the principles of passion, performance, integrity, professionalism and care. "At GMS, the foundation is that 'Price is what you pay, value is what you get,' and value is priceless," he says. "For every deal we do, we try our best to add value so that at the end of the day, even if the owner has sold the vessel to us at a lower price, he or she will end up with more money in their pocket. We call this the 'value approach.'"

Sharma hit the jackpot with the value approach: "For example, we recently guided an owner to cancel his potential charter and deliver the vessel for scrap promptly instead of completing the charter. The owner listened, and today we can proudly proclaim that the owner indeed made about \$1 million more on his residual price. A testament to our

customers' satisfaction is found in the countless recommendations and endorsements we have received from owners who have dealt with us. It is in those situations, above all, that the true value of GMS can be understood."

Shipowners value the company's straightforward approach. "They know what GMS stands for, and they feel business will be done on simple terms," Sharma states. "There is not going to be too much nonsense. We quickly get to the bottom line."

Sharma is proud of the company's financial stability, longstanding relations with clients, his team of highly motivated and experienced staff, his exclusive and dedicated representatives in recycling countries and his 23+ years' experience in the industry.

Staying the Course

The type of ships being recycled is directly associated with the performance of specific sectors in shipping, and Sharma sees change coming. The recent decline in global oil prices has been a key contributor to the sudden availability of numerous offshore platforms, oil rigs, pipelay and supply vessels for recycling, and this is a growing area for GMS. There is change in the recycling market too. New yards are springing up in Southeast Asia (Indonesia, the Philippines, Thailand), the Baltic region, West Africa, the Caribbean, the U.S., U.K. and Mexico.

As the market changes, Sharma continues with the same approach: "Everything has happened very organically with regard to growth to this point, and the view is to continue to identify needs where our expertise can make a difference and to adapt to address those needs. "We will further the areas we are already involved in while continuing to seek opportunities and provide comprehensive solutions for vintage vessels. We are not tied to one country. We are not committed to one sector. The principle is to think globally, act locally." – *MarEx*

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