GMS Inc's Anil Sharma Advocates for New Limits and Flexibility, ETInfra

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Anil Sharma, GMS Inc

MUMBAI: Indian-born Dr Anil Sharma, the boss of GMS Inc— the world's top cash buyer of ships for recycling with a record of delivering nearly 5,000 vessels to dismanteling destinations worldwide — said that India has taken a "visionary step" with the credit notes for ship recycling which can be redeemed while constructing a ship at an Indian yard. Warding off possibilities that the scheme could be prone to "misuse," Sharma, however, noted that the "real challenge" lies in the "structural limitations" of the framework being drafted by the Ministry of Ports, Shipping and Waterways to implement the scheme, which he says, "may prevent the scheme from reaching its full potential".

"First, the 5 per cent cap on newbuilding value significantly restricts utilisation. Although a ship recycled in India can generate credit equivalent to 40 per cent of its scrap value, only 5 per cent of the newbuild cost can be offset. This effectively traps a large portion of the credit note's economic value," he told *ET Infra* in an interview, while offering suggestions to "unlock its true potential and deliver maximum impact." Excerpts from the interview: **As the world's top cash**

buyer of ships for recycling, what are your thoughts on the guidelines being drafted by the government to implement the [Ship Recycling Credit Note Scheme] to ensure that it meets the purpose of spurring both recycling and shipbuilding in India?
If the goal is to strengthen both ship recycling and shipbuilding in India, then this policy is not only suitable but also vital. Countries that lead in global shipbuilding today did not reach that status naturally. They achieved it because their governments stepped in at the right moments.For instance, China launched a highly successful ship recycling and shipbuilding incentive programme in the early 2010s. Their subsidy plan boosted domestic shipbuilding and made China the world's leading shipbuilding nation. Japan and South Korea have traditionally used government support mechanisms to enhance capacity, generate employment, and achieve long-term maritime dominance.

Today, the United States is preparing significant maritime industrial support packages to revive American shipyards under the new "Build American Ships" initiative in Washington.Several Western European nations employed similar targeted subsidy models during their industrialisation periods. No country at an early stage of shipbuilding can compete with established ecosystems without similar government support. Subsidies and credit note schemes are normal tools for developing maritime industries, not distortions. India should follow this proven approach. At the same time, India faces a significant challenge in ship recycling. Although India remains the world's largest and most advanced green recycling destination, its market share has recently come under pressure due to intense competition from Bangladesh, Europe is increasingly attempting to keep EU-flag vessels within the EU and Turkey, and some renewed competition from Pakistan. **How will the [Ship Recycling Credit Note Scheme] help India become a global force in shipbuilding?** The Ship Recycling Credit Note Scheme solves several structural issues at once. First, it re-establishes India as the preferred recycling option because cash buyers like us will naturally send more ships there to earn credit notes. These credit notes then serve as a strategic currency to boost Indian shipbuilding. Second, by linking recycling to newbuilding, the government is creating a circular maritime economy. The Chinese example demonstrates that this model works: once shipowners receive value from domestic recycling, they are much more likely to place shipbuilding orders in the same country. India will experience a similar positive cycle. Finally, GMS is uniquely positioned to make this a success. Over the past 30 years, we have delivered nearly 5,000 ships to shipyards and recycling destinations worldwide, more than any other company in the world ever has. Additionally, as far as we know, we are the only cash buyer to have built brand-new ships, including our 'Ultramax' new buildings delivered in 2017. This combination – deep global ship owner relationships, unmatched recycling track record, and first-hand shipbuilding experience – makes GMS the ideal partner for the government to support this scheme worldwide. India has made the right move. With proper execution, this can transform India's maritime industry in the future. **Unlike GMS, not many cash buyers have a ship-owning arm. What safeguards do you suggest for preventing possible misuse of the scheme?** The concern is not misuse. In fact, the risk of misuse is negligible because ship recycling in India is already subject to strict oversight by Customs, Gujarat Maritime Board, and the Directorate General of Shipping. Every transaction is documented and audited, often by international classification societies, global shipbrokers, ship owners and the media. Cash buyers are legally responsible and, therefore, traceable. With reputed and audited cash buyers acting as the nodal point, accountability is already established. The real challenge isn't misuse but the structural limitations of the current framework, which may prevent the scheme from reaching its full potential. **Could you elaborate on this?** First, the 5 per cent cap on newbuilding value significantly restricts utilisation. Although a ship recycled in India can generate credit equivalent to 40 per cent of its scrap value, only 5 per cent of the newbuild cost can be offset. This effectively traps a large portion of the credit note's economic value. Second, the notes are indivisible. Any partial use results in the forfeiture of the remaining balance. This discourages efficient use, limits deal-making flexibility and can make the scheme less appealing to global shipowners. Third, the three-year validity period may be too short for many shipowners, especially those whose vessel-ordering decisions depend on long investment cycles, board approvals, or market timing. Many shipowners need four to six years between recycling decisions and newbuilding commitments. **To overcome these shortcomings in implementation as drafted by the Ministry of Ports, Shipping and Waterways, what are your prescriptions to make it workable?** To unlock the true potential of the scheme, GMS recommends several improvements. Reconsider the 5 per cent limit. For initial orders – which are the most important for catalysing momentum—the cap should be increased to 10 per cent. Introduce tiered caps: Higher limits of 15 per cent should apply to green, low-emission ships, LNG/LPG carriers, offshore vessels, and technologically complex new buildings. Allow partial utilisation of credit notes and enable splitting credits across multiple new buildings, while staying within the overall cap. Extend validity to at least five years, with the option to extend to seven years, to better align with real-world investment timelines. These refinements will create a more flexible, commercially meaningful system that encourages shipowners to recycle more ships in India and place more newbuilding orders in Indian yards. India has taken a visionary step. Ensuring the scheme is flexible, practical, and globally competitive will allow it to deliver maximum impact for the country's ship recycling and shipbuilding ambitions. **Should the government treat cash buyers as owners, or should the fleet owner continue to be treated as owner for two to three years after sale to the cash buyer to ensure the success of the scheme?** The government should clearly identify cash buyers as the legal owners for all aspects of this scheme. This position is supported by global maritime practices, international law, and even by the International Maritime Organization (IMO). When the IMO drafted the 'Hong Kong Convention on Safe and Environmentally Sound Recycling of Ships,' it conducted extensive legal studies. The IMO concluded that when a ship is sold for recycling, the cash buyer becomes the true and responsible owner. Cash buyers assume all risks, liabilities, environmental obligations, and commercial responsibilities. This ownership is not symbolic; it is absolute. Cash buyers pay the full consideration for the vessel, all taxes, duties, and port charges, all statutory obligations under Indian law, and all liabilities associated with delivery and recycling. Meanwhile, the original fleet owner has no jurisdictional presence, no statutory responsibility, and no financial exposure once the ship is sold. For the scheme to stay aligned with international standards, market realities, and the IMO's own research, the government must recognise cash buyers as the exclusive legal owners for the purpose of credit note accumulation, credit note transferability, regulatory filings, and policy enforcement. Anything else could cause confusion, legal issues, and administrative inefficiency. Cash buyers are the legitimate owners—financially, commercially, and legally.