

Back in the Black, but Cash Quality is Weak...

Colombo Dockyard PLC (DOCK.N0000)

Results Review – 2QFY27 (July - September 2026)

Company Summary

Colombo Dockyard PLC (DOCK) operates across ship repair, shipbuilding, heavy engineering and material sales & other services. Ship repair is the earnings engine: 65% of 2QFY27 revenue and group gross profit at a 37.2% margin, while shipbuilding revenue fell 35% and its gross loss widened to LKR 460 Mn. After a LKR 12.9 Bn share issue at LKR 40 used to repay loans, Mazagon Dock now owns 51%.

In 2QFY27 (July-September 2026), DOCK posted its second consecutive profitable quarter, with PAT of LKR 164 Mn against a LKR 565 Mn loss in 2QFY26. 1H profit was LKR 244 Mn (1HFY26: LKR 1.38 Bn loss).

Valuation Outlook

We rate DOCK a SELL with a 12-month fair value of LKR 46.00 (range LKR 30–70), implying a 59% downside from LKR 113.25. Fair value is an equal blend of 1.22x P/BV (LKR 48), 17x P/E (LKR 50) and the LKR 40 rights price.

At 2.87x P/BV, buyers pay LKR 2.90 for every LKR 1 the company owns (average share 1.32x, similar firms 1.12x), and the price is almost 3x what Mazagon paid. Even if profits jump, fair value is about LKR 70.

Financial Summary

Margin repair drove the turnaround: DOCK kept about LKR 21 of every LKR 100 of sales after direct costs for a second quarter (previously LKR 13–15), lifting gross profit 53% despite 3% lower sales. Interest costs fell 41%, but office costs of LKR 1.09 Bn still absorb about 70% of gross profit. Cash quality is weak: 92% of 1H operating cash flow came from working capital as payables rose LKR 11.3 Bn; net new loans added LKR 4.5 Bn. Pledged deposits rose to LKR 15.5 Bn, leaving free company cash of only LKR 1.5 Bn; LKR 9.0 Bn of accumulated losses rule out near-term dividends.

Business Risk

DOCK relies heavily on ship repair, which makes up 65% of sales and approximately 117% of gross profit. Shipbuilding is still loss-making, with a gross loss of LKR 460 Mn, and office costs absorb about 70% of gross profit. Cash quality is weak: 92% of 1H operating cash flow came from working capital as payables rose, pledged deposits of LKR 15.5 Bn leave only LKR 1.5 Bn of free cash, and LKR 9.0 Bn of accumulated losses rule out near-term dividends. On the upside, thin trading and buyout offer from Mazagon Dock could lift the share price.

Capital Goods : Sector

LKR 44.77 Bn : Market Cap

LKR 234.00 (Dec-25) : 1-Year High

25.9% : Free float

2.87x : P/BV

LKR 46.00 : 12 Month Target Price

-59.4% : Total Price Downside

LKR 113.25 : Current Market Price

SELL : Recommendation

19 October 2026 : Date

Source: CSE, Company Interim Financials, SenFin Research

Figure 01: Key Financial Highlights

(LKR Mn)	3QFY26	4QFY26	1QFY27	2QFY27
Revenue	7,529	7,610	5,843	7,486
Gross profit	1,135	1,023	1,211	1,557
GP Margin	15.1%	13.4%	20.7%	20.8%

Source: Company Interim Financials (unaudited, group)

Valuation	DOCK	Balance Sheet	DOCK
P/E (TTM)	N/M (loss)	NAV/share	LKR 39.40
P/E (2Qx4)	~67x	Net debt – reported	LKR 2.3 Bn
P/BV	2.87x	Net debt ex-pledged	LKR 17.7 Bn
Price YTD	-36.2%	Free company cash	LKR 1.5 Bn

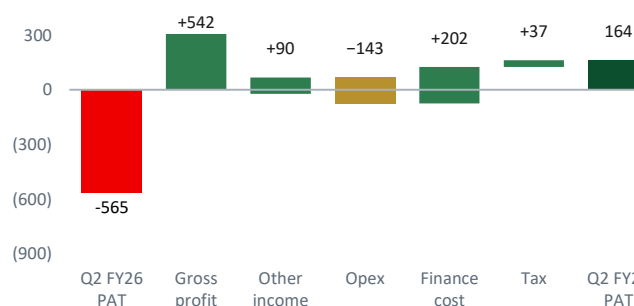
Source: CSE, Company Interim Financials, SenFin Research

Figure 02: DOCK Share Price, 1 Year (Rights-adjusted)
Share price, 1 year (Rs, rights-adjusted)



Source: CSE price data to 16 October 2026

Figure 03: 2QFY27 Profit Bridge – Loss to Profit (LKR. Mn.)(YoY)



Source: Company Interim Financials, SenFin Research