

10th October 2008

Sell Dockyard

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Recommendation **SELL**

Ticker
DOCK

Share Price
Rs65

ASPI*
2,013.10

MPI*
2,231.09

*CSE DATA
9th October 2008

- We are downgrading Dockyard to a Sell given that the outlook for the global ship repair and ship building industry would clearly have worsened on the back of global financial turmoil.
- The sharp appreciation of the Sri Lanka rupee against competitor currencies in recent weeks also does not help an export driven businesses such as Dockyard.
- While historic valuations are extremely attractive, forecasts going forward will have to be cut deeply to reflect the deteriorating global environment and will lead to valuations based on forecasts no longer being very attractive.
- Despite the fall in the share price, investors who bought into the counter with our Buy recommendation are holding onto big gains and they have sharply outperformed the benchmark indices.
- We recommend that Investor Sell the counter aggressively even into weakness in the market, and reallocate fund to the liquid big caps counters we like which have exposure to the domestic economy whose valuations continued to improve.



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