MDL’s Acquistion of Colombo Dockyard amid Transitioning India-Sri Lanka Ties

July 4, 2025



The Acquisition and Strategic Context

On June 27, Mazagon Dock Shipbuilders Ltd. (MDL), a leading defense public sector undertaking, announced its acquisition of a controlling 51% stake in Sri Lanka’s Colombo Dockyard PLC (CDPLC), the country’s largest port facility. MDL’s board approved an investment of USD 52.96 million, combining primary subscription and secondary share acquisitions from existing shareholders. The deal, expected to complete within six months, will make the Colombo-based shipyard an MDL subsidiary.

This strategic acquisition marks MDL’s first international expansion, providing a crucial foothold in the Indian Ocean Region—the first major port after the Suez Canal. The move as per Chairman and Managing Director, Capt Jagmohan, represents MDL’s “transformation from a domestic shipbuilder into a

regional maritime player with global ambitions", even as India's builds on its regional maritime presence. MDL intends to position itself as a "key player in South Asia" for the eventual goal of becoming a global yard. The acquisition aligns with MDL's stated visionof maritime self-reliance, regional cooperation promotion, and creating a multi-location shipbuilding enterprise, serving as a stepping stone for India's emergence as a regional logistics hub through regional integration and enhanced industrial capabilities.

Meanwhile, four days later, Quad Foreign Ministers announced the launch of the Quad Ports of the Future Partnership to facilitate and enhance dialogue, capacity building, and investments on advanced port and logistics infrastructure. Relatedly, in 2002, India refused Colombo's offer to build the Hambantota port project, allowing Beijing to step in and undertake the USD 1.5 billion initiative. China's subsequent involvement in building and operating Hambantota Port and perceived strategic advantages has drawn serious concerns in India, while generating strategic lament over passed-on opportunities. MDL's acquisition raises questions about whether India's earlier missed opportunity influenced MDL's recent step.

Geopolitical Implications and Maritime Dynamics

On a strategic level, MDL's acquisition reflects ongoing shift in India-Sri Lanka ties towards investment-based partnership, and India's economic interests. Notably, while it reflects MDL's financial strength and shipbuilding record, it also warrants Delhi's serious reckoning in its maritime periphery amid China's predominant position in Colombo's port sector.

At the bilateral level, MDL's step crystallizes the ongoing shift in India-Sri Lanka relations from crisis-driven aid back to long-term investment-led partnership, while continuing diversification in ties. MDL's acquisition represents India's second investment in the port sector—three months after Adani

ports and SEZ Ltd commenced operations to jointly develop Colombo West International Terminal (CWIT) with the Sri Lanka Ports Authority (SLPA) and John Keells Holdings.

Sri Lankan President Anura Kumara Dissanayake's (AKD) state visit to India (December 2024) resulted in the joint vision "Fostering Partnerships for a Shared Future"—shifting emphasis to investment-led growth and connectivity in economic partnership. Both AKD and PM Modi affirmed of the centrality of investment in ties, while prioritizing grants over loans to reduce Sri Lanka's debt burden. Prime Minister Modi's return visit to Colombo from April 4-6 operationalized this joint vision through several investment-based MoUs and decisions. This involved joint investments (USD 1.2 billion) in an HVDC cross-bord er transmission system, establishing a Trincomalee energy hub with the UAE, and constructing the Sampur Solar Power Plant in Trincomalee—by India's NTPC Limited and Ceylon Electricity Board.

In tandem to its economic interests, India feels a pressing need for a foothold in Colombo port. Colombo port handles 60% of India's transshipment cargo, while India-linked cargo accounts for 70% of Colombo port's total transshipment volume.

For Delhi's regional maritime cooperation, the acquisition is particularly significant considering CDPLC's nearly USD 8 billion debt, notwithstanding its decades of shipbuilding experience, in-house design expertise, and global clients. Grappling with persisting losses, CDPLC owes both short and long-term debt to Ceylon Shipping Agency (Pte) Ltd., Dockyard General Engineering Services (Pvt) Ltd., Dockyard Total Solutions (Pvt) Ltd., and Onomichi Dockyard Company Ltd. CDPLC Chairman Lalith Ganlath recently described last financial year as one of the "most challenging and traumatic years" in its history, suggesting severe headwinds. Naturally, before MDL's acquisition, CDPLC desperately needed access to credit lines to continue its shipbuilding and repair business.

After CDPLC reported losses of LKR 2.48 billion in 2024, Onomichi Dockyard, majority shareholder, initially sought relief from Tokyo and Colombo. However, neither government provided financial relief. Thereafter in December 2024, Onomichi Dockyard divested its 51% stake,[1] following which Colombo urgently requested Delhi to "encourage Indian investors" to consider investing in CDPLC.

MDL's acquisition assumes particular significance considering a CDPLC default could have caused serious financial distress to the country—with debt approximately 2.6 times the 2023 IMF bailout package for Colombo. Moreover, Colombo's stakes are evident as most of CDPLC's 49% shareholding comprises governmental entities. With MDL's support, particularly in technology sharing, supply chain access, and its domestic and international clients, CDPLC can potentially hope for financial turnaround. CDPLC can benefit from MDL's strong financial capabilities (annual turnover over USD 1 billion) and resource base including design capabilities for augmenting CDPLC operations and its subsidiaries in other ports based on future opportunities. CDPLC is expected to secure contracts it missed earlier due to poor financial health.

Meanwhile, China's dominant position in Colombo's port sector affects India's strategic interests, not only through the potential utilization of facilities by Chinese vessels, including the PLAN over the long term, but through establishment of a monopolistic supplier scenario in a strategic sector. India's total port investments in Sri Lanka (approximately 21% of China's), with entities such as China Merchants Ports Holdings Company maintaining investment levels—double of India's total investment requires India's urgent strategic reassessment of its maritime periphery. This consideration becomes especially critical given China's intensifying efforts to establish itself as a pivotal force in South Asia, including through trilateral arrangements. (DIPTEL #131).

Future Prospects and Regional Positioning

MDL's proposed acquisition would likely enable the company to strengthen its position in the shipbuilding and repair industry by unlocking operational synergies, enhancing research development capacities, and expanding market reach. Moreover, as per one MDL official, number of orders for which potential clients are approaching MDL, can be diverted to CDPLC, helping ease its debt. MDL's controlling stake could serve as a "force multiplier for CDPLC", however, it is surely unlikely to be smooth sailing considering tremendous debt level.

Overall, the acquisition builds on the decent momentum generated in bilateral ties by PM Modi's visit to Colombo. MDL's move potentially helps in actualizing a promising outlook for bilateral relations that appear grounded in mutual desire at the highest level to strengthen the partnership. Notably, MDL's stake also represents India's potential leverage over Sri Lanka in the long term, considering the 3000-plus workforce at CDPLC—the country's highest. MDL's investment can also be considered as a strategic down-payment for operationalizing summit-level ambitions. Amid the fragile nature of ties with the neighborhood, the move matters—both as an immediate confidence-builder and as a cornerstone for a resilient, investment-centered bilateral relationship.