FALCON VALLEY HYDRO LIMITED

CSE: Empower Board (Listing by Introduction) | Sector: Utilities – Renewable Energy

COMPANY REPORT
16 November 2026

Reference price	Market cap	Shares	P/BV	P/E (FY26)	Fair value (DCF)	Net cash/share
LKR 31.00	**LKR 496 Mn**	**16.0 Mn**	**1.36x**	**20.2x**	**LKR 24.27**	**LKR 14.23**

COMPANY OVERVIEW

FVHP owns a single 2.4 MW run-of-river mini-hydro plant on the Retiyagama Oya in Kandy District, commissioned in November 2012. It sells all its output to the National System Operator (NSO) at a fixed LKR 14.58/kWh under a 20-year SPPA that expires on 21 Nov 2032. The ultimate parent is Khen Energy Ltd (SGX Catalist), which owns 13 Sri Lankan mini hydros. The company is debt-free, holds LKR 200 Mn in fixed deposits, faces no litigation and has paid no dividend in five years. All 16 Mn shares list without raising new money and are locked in for 6 months.

KEY FINANCIALS

LKR Mn	FY22	FY23	FY24	FY25	FY26	H1 FY27
Revenue	77.8	81.0	80.8	110.8*	65.0	12.1
EBITDA margin	76.0%	74.1%	69.7%	70.7%*	59.3%	(49.7%)
Profit after tax	30.9	24.2	31.2	54.1*	24.6	(5.8)
EPS (LKR)	1.93	1.51	1.95	3.38*	1.53	(0.37)
NAV/share (LKR)	14.78	16.29	18.22	21.61	23.12	22.76
ROE	13.1%	9.3%	10.7%	15.7%	6.6%	n/m
Generation (GWh)	5.33	5.56	5.54	5.49	4.46	n/d

**Includes one-off LKR 30.7 Mn NSO late-payment interest (FY25 EBITDA margin ex one-off: 59.5%); n/d = not disclosed. Snapshot P/BV, net cash at 30 Sep 2026. Source: audited FS FY22–26, interim FS to 30 Sep 2026.*

INVESTMENT ANALYSIS

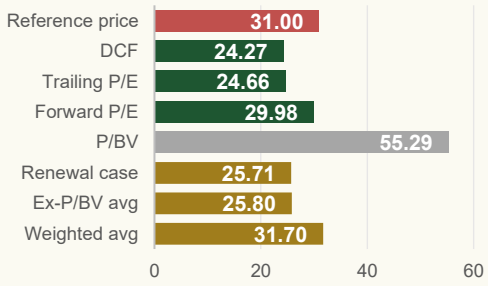
- **43% of the price is cash.** Net cash and FDs of LKR 215.7 Mn at Mar-2026 come to LKR 13.48/share (LKR 14.23 at Sep-2026), so the plant is implicitly valued at about LKR 280 Mn. That is 62% above the sponsor's own DCF enterprise value of LKR 172.7 Mn.
- **The implied return on the plant is only about 1.5% a year.** That is the IRR on the sponsor's forecast free cash flows to Nov-2032 at the implied plant price, against a 16.1% cost of equity and approx. 11.5% risk-free bond yields.
- **The price relies on the P/BV method.** Without the P/BV leg (LKR 55.29, based on multi-asset peers at approx. 2.4x book, incl. Lotus Hydro, which is excluded from the P/E set), the weighted value falls to LKR 25.80. A finite-life, single-asset plant with a declining book value does not justify a peer P/BV multiple.
- **No DCF scenario reaches LKR 31.** SPPA renewal gives LKR 25.71, renewal with a 10% higher tariff gives LKR 26.41, and plant load factor +10% gives LKR 30.04.
- **FY27 forecast at risk.** The company made a first-half loss, so H2 needs EPS of about LKR 2.53 to meet the FY27E EPS of LKR 2.17 (H2 revenue approx. LKR 65.9 Mn vs LKR 34.9 Mn in H2 FY26); TTM P/E is approx. 57x. A >90% El Niño chance (though above-average rain is forecast from Oct-2026) matters: a -5% plant load factor cuts DCF value to LKR 21.39.
- **The cash pile is the upside lever.** The LKR 200 Mn of FDs is worth approx. LKR 12.50/share and is taxed at 30% on interest, while capex needs are minimal. A special dividend or payout policy would unlock value directly.

KEY RISKS & CATALYSTS

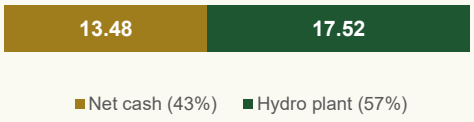
- **Risks:** single plant and single customer (NSO); hydrology and climate; SPPA renewal and tariff after 2032; access-road lease ends Apr-2031; no free float for 6 months; a 16% shareholder in the parent (Ezion) is in liquidation; inconsistent peer P/Es and cost-of-equity inputs across sponsor documents.
- **Catalysts:** dividend declaration; NSO renewal visibility; acquisition of 1–5 MW operating solar assets; H2 FY27 generation recovery.

CHARTS

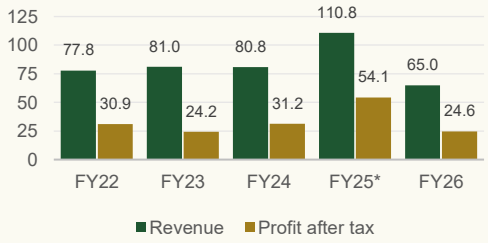
Value per share by method (LKR)



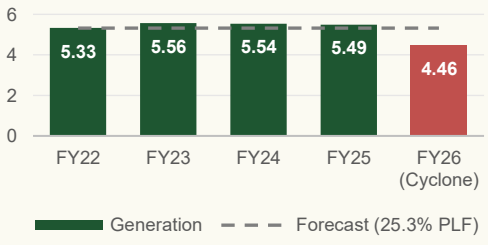
What LKR 31 buys (per share)



Revenue & PAT (LKR Mn)



Power generation (GWh)



DCF value vs PLF change (LKR)

