Chinese solar firm eyes $250 mln Nasdaq IPO

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By Judy Hua

HONG KONG (Reuters) - Chinese solar equipment maker Qiangsheng Photovoltaic Technology plans to raise about $250 million in a Nasdaq stock market listing to fund its breakneck pace of expansion, the latest debut there by a Chinese renewable energy firm.

The fledgling firm, one of the first to make cells and panels using emerging thin-film technology, aims to boost capacity to 500 megawatts by 2010, even though its first production line will come onstream only this month with a capacity of 25 megawatts, Chairman Sha Xiaolin told Reuters in a telephone interview.

Qiangsheng, one of a coterie of private solar technology firms seeking cash as they try to capitalize on the central government's campaign to expand renewable energy use, wants to tap markets at a time of global turmoil, as investor fears of a U.S. recession wallop bourses.

Based in Nantong city in the country's eastern province of Jiangsu, the Hong Kong-invested company is in talks with U.S. and European investment banks, including Lehman Brothers (LEH.N: Quote, Profile, Research), on underwriting its listing, Sha added without elaborating.

"A listing is the only way to fulfill our expansion ambition," Sha said on Tuesday. "We hope to list by the end of this year, or the first quarter of 2009 at the latest."

China, the world's largest energy market after the United States, aims to generate a tenth of its power from renewables by 2010. The government is encouraging Chinese firms to pursue major share floats in hopes of riding strong investor demand for alternative energy plays.

Investors, betting that global demand for renewable energy sources will take off as governments fight pollution and seek alternatives to record oil prices, pushed up solar energy stocks last year, including Chinese firms Suntech Power Holdings Co Ltd (STP.N: Quote, Profile, Research) and Yingli Green Energy Holding Co Ltd (YGE.N: Quote, Profile, Research).

LOW COST

But unlike those firms, which use mainly polysilicon as a key material to turn sunlight into electricity, one-year old Qiangsheng uses low-cost but more advanced thin-film technology.

"There's much more room to make profits for thin-film cell makers, than silicon-based ones." he said. "Low cost is the key."

Qiangsheng expects to chalk up $10 million in 2008 net profit, rising to $50 million in 2009, Sha said.

Tight supply of silicon is crimping growth and threatening profit margins as prices for the material surge to more than $300 per pound from less than $50 three years ago.

Thin-film gear makers, such as First Solar Inc (FSLR.O: Quote, Profile, Research), are particularly attractive to investors because there is no bottleneck for the raw material. Shares in First Solar rallied nine-fold in 2007 alone.

Sha believes the cost of thin-film cell-generated power, now just 30 percent that of polysilicon cells, will further drop to 1 yuan ($0.14) per kilowatt-hour in three years.

Qiangsheng expects to run four production lines by the end of this year with a total capacity of 100 megawatts and add 16 lines by 2010 to reach a capacity of 500 megawatts.

About 80 percent of its products will be exported as it may take a few years before China can become a major solar energy market.

Executives and analysts warn Beijing first needs to get its act together and come up with an over-arching blueprint for subsidies, tax incentives and other schemes -- as European governments have done -- to drive the sector.

($1=7.234 Yuan)

(Editing by Jan Dahinten)