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news asia-pacific

JA forecasts large capacity increase in fourthquarter results

April, 2008: China's JA Solar Co. Ltd., traditionally a cell producer that tends toward making conservative forecasts, is now promoting a significant increase to its original 2008 capacity guidance.

In fourth-quarter and full-year results, reported on March 12, the pure monocrystalline cell manufacturer upped an earlier capacity forecast of 425 MW in 2008 to 500 MW. This would be more than twice the 2007 year-end capacity of 225 MW that JA reported to PHOTON International for the global market survey on cell production (see PI 3/2008, p. 140).

The reason for this increase is almost certainly related to a company statement that JA not only plans to install 10 new production lines in Hebei province in the first half of the year (see PI 12/2007, p. 88), but will break ground on a new facility in Yangzhou in Jiangsu province in the second half with an additional 10 lines. This means that a rise in JA's current production projection by year's end of 340 MW – which would already be a jump of more than 150 percent over its 2007 production of 132.4 MW – is probably not far behind. The result is that JA, which became the world's tenth largest cell producer in 2007 according to PHOTON International's cell survey, could conceivably climb to a fourth-place ranking in 2008.

But the question is whether JA, which now claims that it has four polysilicon suppliers and enough sourcing for its projected 2008 needs, will have the wafers to do the job. Lehman Brothers, an



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equity research company that does business with JA, certainly thinks so. Just after JA revealed its fourth quarter numbers, Lehman, which puts the polysilicon that JA has secured for 2008 at 390 MW, raised its recommendation to »overweight« – its »buy« rating – on March 13, a mere two days after advising investors to hold. The reason is that Lehman now believes, despite investor skepticism, that Shunda Semiconductor Development Co. Ltd., the largest of JA's contracted suppliers at 160 MW in 2008, will still follow through on the deal even if Shunda can't manufacture the polysilicon internally. Not wanting to displease such an important customer, Shunda would most likely choose to take a financial hit by securing polysilicon from outside sources, Lehman says.

For the fourth quarter, JA increased revenue to 1.1 billion CNY (\$155 million), a 29 percent jump over the 850 million CNY (\$119.7 million) in the third quarter. Despite this, gross margins have continued to slip, dropping from 23.5 percent in the third quarter to 21.2 percent in the fourth, no doubt a reflection of high wafer costs. JA is forecasting a gross margin above 20 percent for 2008. The company gave no guidance on efficiency increases for its 125 x 125 cm monocrystalline cells. But this lack of transparency may be about to change – while providing no timeline, JA says it plans to open a research laboratory in California's Silicon Valley.

William P. Hirshman

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