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Formosa Sumco taps into solar ingot production

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Formosa Sumco Technology announced it is extending its business from silicon wafer production to solar ingot production with production and shipments for Taiwan-based solar cell makers slated to begin in August. Industry players acknowleged the move, citing the substantial gross margin and the company's established advantage in polysilicon supply sufficiency. Formosa Sumco announced the plan during a recent shareholder meeting.

The company will assign 10% of its present 8-inch wafer furnace capacity for the ingot production. Under the adjustment, all furnaces will be fully utilized. Industry sources indicated that the produced ingots will be sliced as 6-inch mono-crystalline solar wafers.

Given that only Sino-American Silicon Products (SAS) and Wafer Works' China subsidiary Solargiga are able to supply 6-inch mono-crystalline solar wafers in Taiwan, and 6-inch mono-crystalline wafers can generate a higher power conversion rate than 5- and 6-inch multi-crystalline solar wafers, the segement is being regarded as a niche market, said industry players. Gross margin from this segment is estimated at 35-45%, or even approaching 50% if the secured polysilicon contract price is low enough.

Company sources noted that Formosa Sumco has strong support of polysilicon via its relationship with Sumco, since Sumco is a subsidiary of Sumitomo. Sumitomo has investments at leading polysilicon vendors including Hemlock Semiconductor and REC, the sources explained. Sources in Taiwan's solar industry noted that Formosa Sumco is likely to secure polysilicon at less than US$100 per kilogram on its long-established ties with leading polysilicon vendors.

Industry watchers are generally positive about Formosa Sumco's deployment in solar ingot production, saying that the company does indeed bear no initial start-up costs as it just has to utilize its idle equipment for such production. Despite industry watchers suggesting that Formosa Sumco is likely to suspend its scrap wafer material supply following its entry into solar ingot production, executives from Formosa Sumco said its scrap wafer material supply policy would not be affected.

By utilizing 10% of its present 8-inch wafer furnace capacity for solar ingot production, the industry watchers estimate that Formosa Sumco will generate a capacity of 5 peak megawatt (MWp) of 6-inch mono-crystalline wafer per year, which translates to a sales of NT$500 million based on a US$400 per kilogram market place for solar ingot.

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