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China solar cos offer gloomy outlooks, shares fall

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*Suntech investors concerned about customer relationship

*Suntech shares fall 15 percent

*Renesola cuts 2009 revenue view, stock down 11.6 pct

*LDK sees thin margins until market improves

*LDK stock falls 6.2 percent in extended trade (Adds LDK results, analyst comments, concerns about Suntech relationship with customer, byline and LOS ANGELES dateline)

By Matt Daily and Nichola Groom

NEW YORK/LOS ANGELES, May 21 (Reuters) - Chinese solar companies Suntech Power Holdings Inc (STP.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), ReneSola Ltd (SOLA.L: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and LDK Solar (LDK.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) gave gloomy outlooks on Thursday as the credit crisis chokes off funding for renewable energy projects, and their shares fell sharply.

Solar manufacturers have been hit by the sharp decline in prices for photovoltaic products because the credit crunch is forcing new projects to be put on hold at the same time that new supplies are coming on the market.

Suntech, China's largest solar panel maker, reported a surprise quarterly profit but disappointed investors when it revealed that Global Solar Fund, a customer in which it has a majority stake, accounted for more than 30 percent of first-quarter sales. Its shares fell 15 percent.

Global Solar Fund invests in companies that will own or develop solar projects, Suntech said.

"Suntech selling to a company that in turn sells to related companies can result in channel stuffing/earnings 'massaging,'" Oppenheimer analyst Sam Dubinsky, who has an "underperform" rating on Suntech shares, said in a client note.

Suntech -- based in Wuxi, China -- also cut its shipment forecast for the year and said it will issue 20 million new shares, a move that will dilute its earnings per share. [ID:nBNG24881]

Renesola posted a first-quarter net loss and cut its revenue forecast for the year. Shares of the London-listed company fell 11.6 percent to 111 pence [ID:nLL951681].

LDK, which makes solar wafers, reported a wider-than-expected first-quarter loss and declined to update its revenue forecast for the year, citing limited

visibility. [ID:nN213015061]

LDK shares fell 6.2 percent in extended trade, however, after the company said margins would remain thin as prices on its products continue their fall and remain in line with its polysilicon and other costs.

"They just don't have any margin, and it's hard to see how they are going to get any margin in the next couple of quarters," said Soleil Securities analyst Paul Leming, who has a "sell" rating on LDK shares. "The external environment has to improve dramatically for you to make an argument that LDK is going to start performing substantially better."

Thursday's results from Suntech, Renesola and LDK join the raft of dour announcements from rival solar companies in the last few weeks.

On Tuesday, China's JA Solar Holdings Co Ltd (JASO.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) posted a larger-than-expected quarterly loss and said it would miss its 2009 revenue target, while earlier this month Germany's Q-Cells SE (QCEG.DE: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) cut its sales outlook for the third time since December.

Solar makers are hoping that U.S. stimulus measures approved earlier this year will allow new projects to get under way and give financial players more confidence in the sector.

Analysts, however, were split on whether there were yet any reasons for optimism.

Simmons & Co analyst Burt Chao said prices on the industry's key raw material, polysilicon, were expected to decline further than prices on solar products, allowing companies to expand their profit margins.

"For the bulk of the industry which uses silicon ... it's actually positive that raw material costs are coming down," Chao said. "I don't think you see a return to 30 percent gross margins in these businesses, but I do think you get meaningful accretion."

Soleil's Leming, however, said he saw little to get excited about.

"There is a lot of wishing and hoping out there that the second half of '09 is materially better, but in terms of hard data points saying things are getting better, I dare anybody to show me a management that really has said that," he said. (Reporting by Matt Daily and Nichola Groom; Additional reporting by Sakthi Prasad in Bangalore and Victoria Bryan in London; Editing by Anil D'Silva, Gerald E. McCormick, Gunna Dickson, Gary Hill)

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