

ReneSola Beats Shipment Forecast, but Losses Continue

Written by Sarfaraz Khan

Sunday, 02 December 2012 22:53

The world's third-largest solar wafer manufacturer, **ReneSola Ltd. (ADR)(NYSE:SOL)**, reported better-than-expected shipments in its Q3 filings that exceeded the higher end of its own forecast by 3MW. The company shipped a total of 533MW of solar wafer and panels as opposed to the guidance of 510MW - 530MW announced earlier on the back of higher demand from Asia Pacific. This represents a 5.8% sequential and 62.2% year-on-year increase. Out of the total quarterly shipments, 72.3% were solar wafer shipments and the rest were solar module. Wafer shipments have gone up 23.6% over the previous quarter and 31.4% from the same quarter last year. On the other hand, module shipments are down 9% sequentially, but up an impressive 331.2% year-over-year. Its polysilicon production also went up by 5% from the previous quarter to 1175.7MT. ReneSola currently has a polysilicon production capacity of 4,000MT which will be increased to 10,000MT by the first quarter of 2013.

However, despite these positive numbers, the average selling prices (ASPs) have continued to slide to \$0.28 per watt for solar wafers and \$0.67 per watt for solar modules. Therefore, the company's net revenues fell by 6.4% from the previous quarter and increased by 14.2% from Q3-2011, despite the more than 60% YoY shipment increase, to \$218.2M. Like its peer **Daqo New Energy Corp (NYSE:DQ)**, ReneSola has also cut the value of its inventory due to the fall in prices. A total of \$31.6M of inventory write-downs has pushed the company from a gross profit of \$1.3M in the previous quarter and a gross loss of \$7.7M in Q3-2011 to a gross loss of \$39.2M.

Total solar module production cost was \$0.65/W, which will be reduced to \$0.57/W in Q4. The business has already touched its polysilicon processing cost objective of \$0.15/W in Q3-2012. Its polysilicon production cost by the end of the third quarter had reached \$23.57/kg, which ReneSola has aimed to reduce further to \$18/kg by Q1-2013.

Commenting on the results, Mr. Xianshou Li, ReneSola's chief executive officer, said, "While we delivered record shipments in the third quarter, declining selling prices and the substantial supply-demand imbalance continued to have a large impact on our margins."

Bottom line, the company widened its net loss significantly from \$34.8M in Q2-2012 and \$8.2M in Q3-2011 to \$78.6M in Q3-2012, which translated into a loss per share and ADS of \$0.46 and \$0.91 respectively.

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For the fourth quarter, ReneSola expects to improve its shipment numbers sequentially to 635MW - 675MW, which will take the annual shipment numbers to 2.2GW, in line with its estimate of 2.2GW - 2.4GW. The higher shipments will enable the company to generate positive margins in the fourth quarter and its revenues are going to be in the range of \$240M - \$260M, which is lower than analysts' estimate of \$288M. ReneSola is one of the few Chinese solar companies who source their products from outside of China, and have therefore escaped the U.S. AD/CVD. It currently has 40MW and 6MW of under-construction projects in China and Romania.