



Coveme set for 20% market share in China; backsheet industry shakeoff underway

In the already matured PV module market in China, backsheet is nearly the only component which hasn't been widely localized.

PV Backsheets Business Grew significantly in China Italian back sheet specialist Coveme is investing about USD 15.74m (CNY 97.18m) on upgrading capacity to 8m square/month at Zhangjiagang factory in Jiangsu province and the new facility will be launched by the end of June.

“In back sheet business, not every supplier can survive within next two years - only those can manage big volume will do. Others would be too small to gain profit.” Fabio Menicanti, General Manager of Sales Asia at Coveme told this news service.

The Italian company considers adding new production facility a strategic move for Asian market which includes Malaysia, Singapore, Korea and Japan as well as China. In past one year, Coveme sees a 25% revenue growth which is mostly driven by China and US market.

Entered China market since 2011, Coveme has landed backsheet orders from major local PV companies Trina, Hareon, Jinko, Yingli and automaker BYD, which developed its own PV operation.

The latest record from China Photovoltaic Industry Association shows the country's PV market reached a total capacity of 15.5GW PV module in the first half of 2014 which represents USD 20.15bn (CNY 122.54bn) market size annually based on average cost of USD 0.65/w. Typically backsheet accounts for 3-5% in total cost for PV module and thereby presents up to USD 1bn market opportunity.

“We currently hold a market share of 10-15% in China's overall back sheet supply and our goal within two years is 20%,” Menicanti noted. The Italian company is a market leader in polyester film, on which it claims to hold about 40% market share in China, and it re-integrated polyvinyl fluoride film to its product range in March 2014 to meet consumer demand.

“There are about 15 big PV module manufacturers in China and they are growing bigger. We need to follow (their expansion speed) to serve those companies,” said Menicanti, who added increased volume gives Coveme better negotiation power with its own material suppliers on cost.

However it's not the price pressure but payment term described by Mr Menicanti as the biggest challenge encountered in China - "It feels like we are doing the job both as a supplier and bank." He further explained that Coveme is financially strong to offer flexible term to customers with good credit.

While Coveme tries to increase presence in China and Asia market, Chinese suppliers turn to overseas for expansion. Chinese back sheet manufacturer Jolywood (Suzhou) Sunwatt Co Ltd announced in January the acquisition of the Italian firm, Filmcutter SPA, for a consideration of USD 5.3m (CNY 33.2m).

"China's local back sheet manufacturers are stronger in their home market but less established internationally. It makes sense for them to acquire some European assets and I think it's a smart move for Jolywood to acquire Filmcutter," said Menicanti. "We are not against making some acquisition in China but at this moment we are not actively seeking a target."

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