REUTERS

Timminco defends silicon plans as shares slide
04.21.08, 4:28 PM ET
CANADA - (Recasts with comments from CFO, Q-Cells, stakeholder; updates shares to close)

By Jonathan Spicer

TORONTO (Reuters) - Timminco Ltd defended its operation s and market valuation Monday after a report in the financial magazine Barron's questioned the company's low-cost plan for purifying silicon for solar cells.

Meanwhile, the Globe and Mail newspaper reported that Wall Street investor Manuel Asensio, a short-seller with a reputation for bringing down companies, has challenged Timminco's assertion that it can purify metallurgical grade silicon in a very cost-efficient way.

Shares of the specialty metals producer tumbled for a second straight session Monday, losing about 15 percent in two days. They closed down 3.5 percent, or 80 Canadian cents, at C$22.15 Monday on the Toronto Stock Exchange.

On Sunday, an article in Barron's said Timminco's shares were "far ahead of reality and vulnerable if solar silicon disappoints."

When asked about the criticisms on Monday, Timminco Chief Financial Officer Robert Dietrich said: "It's extremely difficult to punch air."

"We have the equipment, it's running, we're producing metal and shipping it to seven different customers -- and they're reporting that the product meets their specifications," he said in an interview.

Timminco has applied for a patent of its technology, in which inexpensive equipment is used to produce solar-grade silicon, the CFO said. The company's competitors typically use costlier chemical processes.

"The lower capital costs are a function of the equipment required," he said.

The company was one of the best performers on the Toronto market in 2007, soaring from 30 Canadian cents a share to more than C$22 in the year as it racked up commercial contracts and the price of silicon soared.

The Toronto-based company has said it can purify metallurgical grade silicon at about half of what it costs its competitors. Last year, it shipped 89 tonnes of solar grade silicon to customers.

In December, it began production at its solar silicon unit in Becancour, Quebec. Germany's Q-Cells AG, the world's largest solar cell maker, signed a supply contract with Timminco subsidiary Becancour Silicon Inc last month.

"We have already received the first deliveries from our contract. So far, we don't see any reason for concern," a Q-Cells spokesman said Monday. "We have tested the material beforehand and it led to the desired results."

In the Barron's article, editor Bill Alpert noted that last year, Timminco's sales fell and its operating losses rose. "(S)o far, the evidence for Timminco's breakthrough appears in PowerPoint slides, not financial reports," he wrote.

The magazine also argued the company's concentrated stock ownership makes valuing the stock problematic. Insiders and stakeholders own about 55 percent of the company, according to Reuters Data.

One of those stakeholders is Sprott Assett Management, a Toronto investment firm that owns about 17 percent of Timminco.

"Obviously there are some people with an agenda out there," Sprott analyst David Tomljenovic said of the criticisms. "I don't think that the facts of this situation are in favor of their claims."

By next year, Timminco expects to produce 14,400 tonnes of solar-grade silicon annually.

($1=$1.01 Canadian) (Additional reporting by Eva Kuehnen in Frankfurt; Editing by Peter Galloway)