

CHINA EV INSIGHT

THE MOST FASCINATING NEWS IN NEW ENERGY VEHICLE INDUSTRY

Brought to you by: SMM New Energy | Expertise in China New Energy

NO.001 Wednesday, November 2, 2016



1.POLICY

Key Policy to be Released

The state subsidy policy of next year have not been released yet. Although subsidy amount will decrease for sure, enterprises still have concern.

The Popularization Catalogue of Automobile Models(4th Edition) still be waited to revealed. So far, electric logistic vehicles are not listed in the issued catalogues.

The Catalogue of Batteries Standards(5th Edition) have not been published, which was intended to be released in September. Being listed in battery catalogue is no longer a mandatory standard to obtain subsidies, however, it will help enterprises to gain larger market share because quality and performance of its products have government's approval.

Government Continued to Optimize the Policy Environment

The Technology Roadmap of Energy-Efficient Vehicle and New Energy Vehicle was issued recently, formulating specific technical route and the corresponding technical parameters from 2020 to 2030.

Guide for Application of Special Projects for Pilot Projects of New Energy Vehicles focuses on improving 6 key directions of technology, power battery, BMS and intelligent vehicle included, where 1.12 billion state funds was allocated.

SMM COMMENTS:

Due to late landing of key policies, 2016 YTD sales is about 302,000 units. Annual target was 70,000 units before, however, we expect that 2016 overall sales won't exceed 50,000 units.

Chinese government show strong faith on developing technology, but increasingly strict supervision policies will cause survival pressure on small enterprises.

2.MARKET

Copper Foil is in Short Supply; Cobalt Price Keep Rising

Copper Foil market is in short supply while price keep rising fiercely.

According to copper foil manufacturers, copper foil price have risen with growth of 6 RMB/kg because of strong demand from Li-ion battery industry.

Cobalt price keep rising from July,2016, after downturn for a period of time. On the one hand, foreign cobalt price rose; On the other hand, domestic demand become stronger.

SMM COMMENTS:

We expect that copper foil price will keep rising until the end of 2017 owing to its long expansion cycle and hard demand from Li-ion battery.

Ternary material will also support cobalt demand, which is the future mainstream cathode material. Cobalt price may see fluctuating rise in the following years.

3.BUSINESS STRATEGY

M&A in the Upstream and Downstream Industry Chain Started Booming

[Anode] SDK buy out SGL global business of graphite electrode with total value of 350 million.

[EV] Jiangte Motor increased capital of 100 million to Yichun Bus, after which Jiangte's shareholding ratio changed from 95% to 98.33%.

[Separator] Victory Precision intends to acquire a 34% stake in Suzhou Jieli for 486 million RMB.

[BMS] Chuangli Group issued a notice that its shareholder China Coal Machinery Group intends to obtain 70.37% stake in Yineng Electronics by capital increase and equity acquisition.

[Lithium Ore] Qinghai Salt Lake Industry Group and BYD cooperate to establish new company, which aims to construct 30,000 tons of lithium carbonate after its establishment.

SMM COMMENTS:

In Li-ion battery industry, the stronger tends to be more stronger. They tend to extend their business to upstream and downstream industry chain. For instance, maybe we will see automakers purchase raw materials directly and just pay processing fee to their upstream manufacturers.