

China Capital Goods

Impact of power suspension on factory production

While the actual impact on different supply chains as a result of the widespread power suspension in China is hard to evaluate at this stage, our discussion with the major heavy industrial companies indicates that majority of them do not encounter power outage issue at present. For the companies that are affected by power outage, the impact on production is still manageable so far.

- **What is controllable now?** Among the 12 companies we talked to, **Weichai Power (2338 HK / 000338 CH)**, **SANYI (631 HK, BUY)** and **Zoomlion (1157 HK / 000157 CH)** encountered certain level of power shortage. That said, the actual impact on production is limited for all the three companies. The remaining 9 companies mentioned that production is normal with no power suspension (details in the table below).
- **Who are located in the “double red” regions?** Under the dual control system, China set three levels of alert on both (1) the energy consumption and (2) energy intensity. Red alert refers to 1st level of alert (most severe). Among the companies we talked to, **Jiangsu Hengli (601100 CH, HOLD)**, **L.K. Technology (558 HK, NR)**, **Xinyi Glass (868 HK, NR)** and **Lee & Man Chemical (746 HK, NR)** have relatively high exposure to the regions with “double red”. We have prepared a detailed breakdown of the factories’ location on page two (figure 1).
- **What may go worse?** A prolonged power suspension will potentially create choke points in supply chains (i.e. suppliers and customers of the aforementioned companies). This will result in disruption of the production process along the supply chain in a worse-case scenario.

Impact of power outage to major companies

Company	Ticker	Impact of power shortage
Weichai Power	2338 HK / 000338 CH	Production slightly affected but manageable on the back of government support
SANY International	631 HK	Staggering electricity usage applied but actual impact limited; Electricity quota is negotiable
Zoomlion	1157 HK / 000157 CH	Small scale power outage but factory production level is enough to satisfy customers’ orders
Xinyi Glass	868 HK	Production as usual; Even if power suspension happens, the Company can maintain smooth operation on the back of in-house solar power supply, residual heat system and uninterruptible power supply (UPS)
SANY Heavy	600031 CH	No actual impact due to power shortage
China Glass	3300 HK	No power suspension; Production as usual
Jiangsu Hengli Hydraulic	601100 CH	No power suspension; Production as usual
L.K. Technology	558 HK	No power suspension; Production as usual
Zhejiang Dingli	603338 CH	No power suspension; Production as usual
Sinotruk	3808 HK	No power suspension; Production as usual
Zhejiang Jingsheng	300316 CH	No power suspension; Production as usual
Lee & Man Chemical	746 HK	No power suspension; Production as usual

Note: Staggering electricity usage = 错峰用电

Source: Company data, CMBIS

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Figure 1: Location of factories for major heavy industrial companies

Ticker	Company	Location of Production Plant	Description	Energy intensity targets	Total consumption cap
746 HK	Lee & Man Chemical	Changshu, Jiangsu (江苏常熟) Ruichang, Jiangxi (江西瑞昌) Zhuhai, Guangdong (广东珠海)	Chlorochemicals, fluorochemicals and polymers Chlorochemicals, fluorochemicals and polymers Lithium-ion battery electrolyte additives		
868 HK	Xinyi Glass	Shenzhen, Guangdong (广东深圳) Dongguan, Guangdong (广东东莞) Jiangmen, Guangdong (广东江门) Wuhu, Anhui (安徽芜湖) Wuhu, Anhui (安徽芜湖)	Automobile glass, Plastic products Float glass, Architectural glass Float glass, Special glass Float glass, Automobile glass, Electronic glass Automatic machines for solar glass and other glass related industry		
		Tianjin (天津) Deyang, Sichuan (四川德阳) Suzhou, Jiangsu (江苏苏州张家港) Beihai, Guangxi (广西北海) Yingkou, Liaoning (辽宁营口)	Float glass, Architectural glass, Automobile glass Float glass, Architectural glass, Automobile glass Float glass Float glass, silica sand mine and processing factory Float glass, Architectural glass, Automobile glass		
3300 HK	China Glass	Weihai, Shandong (山东威海) Linxi, Shandong (山东临沂) Suqian, Zhejiang (浙江宿迁) Dongtai, Zhejiang (浙江东台) Longyan, Fujian (福建龙岩) Wuhai, Inner Mongolia (内蒙古乌海) Shaanxi (陕西西成)	3 production lines with total capacity of 1500T/D 1 production line with total capacity of 500T/D 2 production lines with total capacity of 1000T/D 2 production lines with total capacity of 1200T/D 1 production line with total capacity of 700T/D 1 production line with total capacity of 600T/D 2 production lines with total capacity of 900T/D		
1157 HK	Zoomlion	Xiangjiang, Hunan (湖南湘江)	4 components production centres with 200 newly-built intelligent production lines		
		Changsha, Hunan (Lugu Industrial Park) (湖南长沙) Changsha, Hunan (Wangcheng Industrial Park) (湖南长沙) Changsha, Hunan (Quantang Industrial Park) (湖南长沙) Changsha, Hunan (Changde Tower Crane Intelligent Industry) Hanshou, Hunan (Hanshou Industrial Park) (湖南汉寿) Changde, Hunan (Deshan Industrial Park) (湖南常德) Jinshi, Hunan (Jinshi Industrial Park) (湖南津市) Yiyang, Hunan (Huanjiang Industrial Park) (湖南益阳) Weinan, Shaanxi (Weinan Industrial Park) (陕西渭南) Shanghai (Shanghai (Songjiang) Industrial Park) (上海松江) Huayin, Shaanxi (Huayin Industrial Park) (陕西华阴) Anhui (安徽) Wuhu, Anhui (安徽芜湖) Kaifeng, Henan (河南开封) Linhai, Zhejiang (浙江临海)	Concrete machines and crawler crane AWP, firefighting, earthmoving equipments Tower crane and mobile crane Tower crane Mobile crane and concrete equipments Components production Mobile crane and concrete equipments Concrete machines Excavator and other earthmoving equipments Drilling Rig and other foundation equipments Bulldozer and other earthmoving equipments Industrial vehicle and relevant components High-end equipments, Grain dryer Agricultural equipments Agricultural equipments		
631 HK	SANY International	Shenyang, Liaoning (辽宁沈阳) Zhuhai, Guangdong (广东珠海) Changsha, Hunan (湖南长沙)	Mining equipment Large and small port machinery Small port equipment		
558 HK	L.K. Technology	Shenzhen, Guangdong (广东深圳) Zhongshan, Guangdong (广东中山) Ningbo, Zhejiang (浙江宁波) Shanghai (上海)	Die-casting machines Plastic injection molding machines Die-casting machines, Plastic injection molding machines Production plant for CIMOS and IMPRESS Series die-casting machines		
		Kunshan, Jiangsu (江苏昆山) Fuxin, Liaoning (辽宁阜新)	CNC machines Foundry, supplying casting parts		
2338 HK	Weichai Power	Weifang, Shandong (山东潍坊)	Main production plant: engines and relevant components, material forming and manufacturing, etc. Diesel engines		
		Yangzhou, Jiangsu (江苏扬州) Shanghai (上海) Shaanxi (陕西) Zhuzhou, Hunan (湖南株洲)	N/A Heavy-duty motors, gear Axel, gear, spark plugs		
3808 HK	Sinotruk	Jinan, Shandong (山东济南) Hangzhou, Zhejiang (浙江杭州)	Heavy and light-duty trucks, engines segment Engines segment		
300316 CH	Zhejiang Jingsheng	Inner Mongolia (内蒙古) Shangyu, Zhejiang (浙江上虞) Linping, Zhejiang (浙江临平区)	Crystal growing Mechanical manufacturing Semiconductor material manufacturing equipments, CVD equipments		
		Hangzhou, Zhejiang (浙江杭州)	Electro-hydraulic technology, electrooptical technology		
600031 CH	SANY Heavy	Changsha, Hunan (湖南长沙星沙) Huzhou, Hunan (湖南湖州) Huzhou, Zhejiang (浙江湖州) Beijing (北京) Nankou, Beijing (北京南口)	Earthmoving equipments Crawler crane, crane, pump truck Mechanical manufacturing Drilling Rig and other foundation equipments Rotary drilling rig, Electro-hydraulic pile frame and other foundation equipments		
		Kunshan, Jiangsu (江苏昆山) Ningxiang, Hunan (湖南宁乡)	Excavator Wheel crane		
603338 CH	Zhejiang Dingli	Dedong, Zhejiang (浙江德清)	Phase 1-4 Production Plants		
601100 CH	Jiangsu Hengli	Changzhou, Jiangsu (江苏常州)	Hydraulic cylinder, hydraulic components e.g. high-pressure piston pumps, motors, valves, castings for high-pressure oil cylinders and hydraulic pumps and valves		
		Shanghai (上海)	Hydraulic component and system		

Notes:

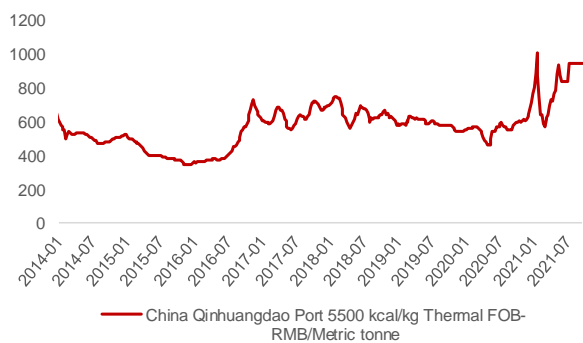
(1) "Energy intensity targets": 能耗强度降低进度目标预警等级

(2) "Total consumption cap": 能耗消费总量控制目标预警等级

Red refers to 1st-level Alert, representing an extremely-severe situation; Yellow refers to 2nd-level Alert, representing a comparatively severe situation; Green refers to 3rd-level Alert, representing a smooth progress in overall.

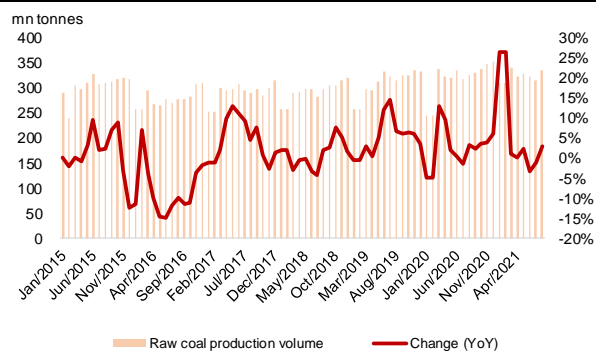
Source: Company data, NDRC, CMBIS

Figure 2: China Qinhuangdao Port 5,500kcal/kg Thermal FOB price



Source: Bloomberg, CMBIS

Figure 3: China raw coal production volume



Source: Wind, CMBIS

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