



Timminco responds to short seller Asensio's questions

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by Lee M. Webb

Timminco Ltd.'s Rene Boisvert, president and chief executive officer of the hot solar player's wholly owned subsidiary Becancour Silicon Inc., has acknowledged using his influence to have short seller Manuel P. Asensio barred from attending a recent solar industry conference in Oslo, Norway.

Mr. Boisvert also provided Stockwatch with answers to six questions that Mr. Asensio says he would have asked the co-inventors of Becancour Silicon's secret proprietary process touted as a low-cost method of producing solar-grade silicon, if he had been allowed to attend their presentation at the Oslo conference.

Torpedoes away

As noted in a June 30 Stockwatch article, Timminco's Becancour Silicon reportedly pulled rank and had Dr. Harald A. Oye, chairman of the Silicon for Chemical and Solar Industry IX conference, torpedo Mr. Asensio's registration to attend the event that ran from June 23 to June 26 in Oslo.

Dr. Oye essentially informed Mr. Asensio that he had been given an ultimatum: if the short seller was allowed to attend the conference, then long-time supporters Becancour Silicon, GK Kropfmuhl and Q-Cells AG would not participate in the event. Faced with that choice, Dr. Oye cancelled Mr. Asensio's registration and offered to refund his attendance fee.

Mr. Boisvert unapologetically acknowledged to Stockwatch that Becancour Silicon had a hand in sinking Mr. Asensio's conference plans.

"It is correct that we influenced that decision, but if you go to the conference website ... you will see that the conference is by invitation only," Mr. Boisvert wrote in a June 28 e-mail, adding a two-paragraph quote about the aim and scope of the conference from the website.

As previously reported by Stockwatch, the conference included presentations regarding silicon process technology, silicon quality assessment and performance in the subsequent chemical reactions, including the production of solar silicon. The meeting attended by silicon producers, silicon users and academics was indeed billed as being by invitation only.

"It would be interesting to note how Mr. Asensio qualified to attend such a technical conference and on what basis was he invited to the conference in the first place," Mr. Boisvert remarked. "The conference organizer realized it was a gross mistake on their part to have invited Mr. Asensio and corrected it."

Questions and responses

After Dr. Oye told the short seller that he was not welcome at the conference, Mr. Asensio suggested that, in order to "thoroughly scrutinize Timminco's claims," he would gladly provide written questions or appear by teleconference.

The conference chairman did not take Mr. Asensio up on the offer, so Stockwatch asked him to provide three or four of the most significant questions that he would have put to Timminco's Becancour Silicon representatives. The short seller obliged with six questions that Stockwatch forwarded to Mr. Boisvert.

"From what we know of Mr. Asensio and his background, it is highly unlikely that he could have come up by himself with such a list of questions and appreciate the answers to those," Mr. Boisvert remarked. "A better approach would have been for him to identify who the famous 'EXPERTS' advising him are and have them come to the conference (they should have been, as this is THE technical conference on silicon).

"Those people would have received an invitation and could have asked those questions directly."

After expressing his suspicions about the short seller and possible collaborators, Mr. Boisvert turned to the questions forwarded by Stockwatch.

Mr. Asensio's first question arguably cuts to the heart of the dispute between Timminco's critics and its supporters.

"How does a rotary furnace with an oxy-fuel burner cut cost and improve purity levels?" Mr. Asensio wanted to know.

It is not likely that Mr. Boisvert's response will put that question to rest, particularly for anyone looking for something approaching a lay explanation of Timminco's proprietary process.

"This is already described in our patent application and in the paper presented at the conference that you can find on our website," Mr. Boisvert replied, providing a link to the eight-page paper presented at the Oslo conference.

"What is proprietary about such a furnace?" Mr. Asensio asked as a follow-up question.

"Those furnaces are used in many different applications but according to a very thorough patent search and our own knowledge of the silicon industry never been used before to melt and purify silicon," Mr. Boisvert offered in response. "This particular furnace has been developed exclusively for our application."

Once again, it is not clear that Mr. Boisvert's response to that question throws much more light on the subject of Timminco's black-box project.

"How will Timminco handle the boron and phosphorous contamination, if it claims that it will have no capital expenditures?" Mr. Asensio queried.

"Boron and phosphorous are concentrated in by-products of the purification process that are sold for other purposes than solar," Mr. Boisvert said in response.

Mr. Asensio had what appears to be a follow-up to his question about handling boron and phosphorous contamination.

"Is Timminco claiming that the furnace's ceramic quartz crucible will not be replaced?" the short seller wanted to know.

Mr. Boisvert was a bit dismissive in his response to that question.

"We never disclosed the kind of refractory used in the furnace and reference to a 'ceramic quartz crucible' shows a total lack of understanding of metallurgy," Mr. Boisvert replied. "Those crucibles are used in the ingoting process by our customers."

As it happened, Mr. Asensio had a question relating to ingoting, too, as well as cell efficiency.

"What is the ingoting yield and cell efficiency of Timminco's upgraded metallurgical silicon?" the short seller asked.

There is no doubt that Timminco receives feedback from its customers, something the company has proudly trumpeted on several occasions, but Mr. Boisvert effectively skirted the issue.

"We are not ingots and cells manufacturer and that question is better answered by our customers as disclosed by Q-Cells and Canadian Solar so far," he replied.

The last of Mr. Asensio's questions drew a longer and arguably more animated response from the head of Becancour Silicon.

"How is that Timminco managed to cut the capex for the entire plant by more than 90 per cent of the industry's technological leader when it is a low-grade, low-tech producer?" the short seller wanted to know.

"Timminco is not a low-grade, low-tech producer," Mr. Boisvert replied. "Our silicon plant and our technology are among the most advanced in the industry. This question again shows a total lack of understanding of our process."

"We are not producing 9 to 11 nines polysilicon as required by the semi-conductor industry and obtained using the standard chemical and Siemens process."

"Solar grade silicon for the solar industry can contain higher levels of impurities than material for the semiconductor industry and therefore can be produced using a more simple metallurgical process with lower CAPEX requirements."

It is not clear whether Mr. Boisvert's responses will be accepted as satisfactory answers to the questions posed by Mr. Asensio or, for that matter, whether they provide anything in the way of new information for either Timminco's supporters or skeptics of the black-box project.

The president and chief executive officer of Becancour Silicon had more to say in a subsequent telephone call.

The call

Mr. Boisvert called Stockwatch on June 30 after noting that a Timminco article published that day did not include the responses to Mr. Asensio's questions that he had supplied in a June 28 e-mail.

As it happened, the article was in the publication queue before the close of business on Friday, June 27, well before Stockwatch received Mr. Boisvert's weekend e-mail message.

"I've never actually had a problem answering technical questions that made sense," Mr. Boisvert remarked after Stockwatch explained that his responses would be included in a follow-up article.

"I don't know where those questions are coming from -- certainly not Mr. Asensio -- but if anyone at the conference had put those questions together, I would have been very happy to answer them," Mr. Boisvert said.

Stockwatch asked Mr. Boisvert about his suggestion that someone other than Mr. Asensio was behind the questions.

"He probably definitely had contact with somebody at the conference, but I think those people now realize who Mr. Asensio is, and I think they kind of decided to move away a little bit," Mr. Boisvert opined.

Later in the conversation, Mr. Boisvert suggested that the short seller might be getting advice from a university professor "who has no clue about what happens in real life outside of his lab" or possibly from a potential competitor in the upgraded metallurgical silicon market.

Mr. Boisvert says that he has never spoken with Mr. Asensio and the short seller has never tried to contact anyone at Becancour Silicon.

"But I know he has been trying to contact people with which we do have contact," Mr. Boisvert said. "So, he is moving around, but he has never asked me any questions directly."

A number of analysts, including analysts from Timminco's second-largest stakeholder, Sprott Asset Management, as well as Clarus Securities and Leeward Capital have provided bullish coverage of the company, but Mr. Boisvert says that none of them have ever visited the Becancour Silicon facility.

"We've never had any analyst except Mr. Rogol come inside the plant -- the purification plant -- and see the actual installation," Mr. Boisvert said. "We did that on purpose because we thought he was the one that had seen the most plants in his life and was a better judge of what was happening."

As previously reported by Stockwatch, Timminco paid Michael Rogol of PHOTON Consulting to do a one-day walkabout Becancour Silicon and produce a gushing operational review that was long on bullish financial projections and extremely short on details about the purification process.

Stockwatch asked Mr. Boisvert whether people who were familiar with the industry would be able to tell from the company's patent application whether the process works.

"Yes, they are and -- the people I've talked with -- all of them do understand that, really, we have found a practical way to expose silicon to water vapour and remove boron," Mr. Boisvert said.

"So, the people who know, well, they know it works," he continued. "They've seen the proof of it, they've seen the results, and they know that in some small-scale experiment it has been demonstrated that it works.

"It's just that there was no practical way to do it."

Timminco's subsidiary claims that its proprietary process solves the practical problems of commercial production of upgraded metallurgical silicon.

Mr. Boisvert affably indicated that he would be quite happy to answer further Stockwatch questions.

"Mr. Webb, as you've seen, with those kind of technical questions -- those that I can answer -- I'll certainly be able and happy to do so," he told this reporter.

"Please correct the notion that we're not answering questions," Mr. Boisvert subsequently remarked.

Mr. Boisvert offered a comment about short sellers toward the end of the conversation.

"If they're still short come the end of this year, they'll live to regret it," Mr. Boisvert remarked.

With 475,200 shares trading in the first session of the week, Timminco dropped 89 cents to close at \$27.37 on June 30.

Comments regarding this article may be sent to lwebb@stockwatch.com.

(More information regarding Timminco Ltd. is available in Stockwatch articles published on May 14, 16 and 27; and June 4, 20, 27 and 30, 2008.)