JinkoSolar - Q1 2020 Transcript

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Transcript

Management

Ripple Zhang - *Investor Relations*

Kangping Chen - *Chief Executive Officer and Director*

Gener Miao - *Chief Marketing Officer*

Haiyun Cao - *Chief Financial Officer*

Participants

Philip Shen - *Roth Capital Partners - Analyst*

Tony Fei - *BOCI - Analyst*

Brian Lee - *Goldman Sachs - Analyst*

Carl Xiong - *CICC - Analyst*

Presentation

Operator

Welcome to today's First Quarter 2020 JinkoSolar Earnings Conference Call. Please note that all participants will be in listen-only mode for the first part of this call, and afterwards there will be a question-and-answer session. Now, I'm pleased to present Ms. Ripple Zhang. Ms. Zhang, please begin.

Ripple Zhang - *Investor Relations*

Thank you, operator. Thank you everyone for joining us today for JinkoSolar's First Quarter 2020 Earnings Conference Call. The Company's results were released earlier today and available on the Company's IR website at www.jinkosolar.com as well as on newswire services. We have also provided a supplemental presentation for today's earnings call, which can also be found on the IR website.

On the call today from JinkoSolar are Mr. Chen Kangping, Chief Executive Officer, Mr. Charlie Cao, Chief Financial Officer and Ms. Gener Miao, Chief Marketing Officer. Mr. Chen will discuss JinkoSolar's business operations and the Company highlights followed by Ms. Miao, who will talk about the sales and marketing and then Mr. Cao, who will go through the financials. They will all be available to answer your questions during the Q&A session that follows.

Please note that today's discussion will contain forward-looking statements made under the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, our future results may be materially different from the views expressed today. Further information regarding this and other risks is included in JinkoSolar's public filings with the Securities and Exchange Commission. JinkoSolar does not assume any obligation to update any forward-looking statements except as required under the applicable law.

It's now my pleasure to introduce Mr. Chen Kangping, CEO of JinkoSolar. Mr. Chen will speak in Mandarin, and I will translate his comments into English. Please go ahead, Mr. Chen.

Kangping Chen - *Chief Executive Officer and Director*

[Foreign Speech].

Ripple Zhang - *Investor Relations*

Thank you, Ripple. Good morning and good evening to everyone, and thank you for joining us today.

Kangping Chen - *Chief Executive Officer and Director*

[Foreign Speech].

Ripple Zhang - *Investor Relations*

Total shipment of solar modules during the first quarter was 3,411 megawatt, excluding the impact of the disposal of overseas solar power plants. This

quarter generated total revenues of $1.03 billion and a gross margin of 19.7%, all within our guidance range for the quarter. The COVID-19 pandemic impacted the solar industry, creating numerous challenges from difficulties obtaining supplies of raw materials to logistic and transportation disruptions. Despite all these challenges, we are still successfully achieving the highest historical shipments in the first quarter which we believe demonstrates our strong ability to execute and corporate flexibility to carefully navigate and adapt to our difficult global economic environment. Thanks to containment efforts across the country. All our factories in China have reached full production in March.

Kangping Chen - *Chief Executive Officer and Director*

[Foreign Speech].

Ripple Zhang - *Investor Relations*

The major challenge so far during the first - second quarter has been overseas demand, the pandemic has impacted logistics to varying degrees and have caused project delays in most overseas markets. In Malaysia, we immediately implemented measures to ensure the healthy and the safety of our employees, while at the same time complying with government containment measures. This rapid response has brought our production back to normal safely by the end of April. We replicated this healthy and safety measures for our employees in the U.S. and were able to keep production running smoothly throughout the pandemic. With the global demand falling significantly, and the price of raw materials declining as a result of the pandemic, we focused our attention on coordinating production, logistics and sales to ensure we could fulfill new orders while carefully controlling inventory levels.

Shipments of epidemic prevention materials continue to be made from China to our Malaysia and the U.S. facilities. We have been doing all we can to care for our employees, clients, suppliers and other business partners during these challenging times.

Kangping Chen - *Chief Executive Officer and Director*

[Foreign Speech].

Ripple Zhang - *Investor Relations*

Recently, China's Ministry of Industry and Information Technology began seeking public opinion for its draft standard conditions of the PV manufacturing industry. The draft consultation will be used to raise the standards for new build production facilities in order to promote the application of new clean technologies.

Under this new standards, all existing production facilities will be required to implement industrial integration and accelerate the replacement of outdated equipment and infrastructure. This will help accelerate the industrial application of new technologies and will benefit and strengthen leading manufacturers, as they expand to scale.

In addition, policies governing the construction of ultra-high voltage projects and grid absorption capacities expansion will support the long-term development of the industry. We believe government around the world will increasingly run their focus to energy security and in localization, especially after the COVID-19 pandemic. Due to the continued enhancement of the competitiveness of solar energy over traditional energy, and the acceleration of global parity cost by the fall in the price of the industrial churn during the epidemic, which will result in more countries implementing policies to support solar energy, and will drive its deeper penetration in the post-pandemic era.

In 2020, excess supply in the market will rapidly drive our stated production capacity out of the market, and accelerate application of technologies set to a better reduce levelized cost of energy. Smaller manufacturers will find it harder to compete and will exit the market, which will create an opportunity for larger global players to expand their market share. We expect global installation to fall by around 25% compared to estimation at the beginning of the year, due to impact the - due to impacts of the coronavirus pandemic is having.

Our order book for the year remains strong, and shipments rolling out, allowing us to reaffirm our guidance on total solar module shipments for the full year 2020.

Kangping Chen - *Chief Executive Officer and Director*

[Foreign Speech].

Ripple Zhang - *Investor Relations*

Faced with the COVID-19 pandemic, we made adjustment to our internal production and management process and facilitated the greater flow of information across our external network which further improved the efficiency of our crisis management response and information sharing. As outdated capacity is removed from the market and with accelerated adoption of high efficiency premium products by downstream partners. Standards for PV modules and components were [Phonetic] entered the 500 watt Ultra-high efficiency era earlier than expected.

This Ultra-high efficiency products also set higher standards for wafer quality and sell technologies that are being replicated across supply chains, all the way from R&D to the mass production of modules. Technology remains essential [Phonetic] to strengthening our competitive edge in the market. We will continue to lead the industry in offering innovative products that will generate solid returns on investment for our clients by leveraging our high skilled R&D team, industry-leading research platform and the ability to rapidly mass produce newly developed cutting edge products.

Kangping Chen - *Chief Executive Officer and Director*

[Foreign Speech].

Ripple Zhang - *Investor Relations*

Recently, we launched a new Tiger Pro series module with maximum power output of 580 watt. This breakthrough will set new industry standards for power generation and efficiency and it will support a wider array of installation scenario as the globe accelerates towards grid parity. The pandemic is in effect raising technical standards for the industry. The competitiveness of leading players, products will drive further innovation in clean energy technology. As one of the world's largest solar module manufacturers, we are developing and adapting our products for project developers,

engineering contractors, and the design institutes as well as downstream suppliers, their feedback has been key to assessing and mitigating technical risks, when building our market-oriented products which since our competitive positioning. In short, the pandemic has adversely impacted the industry, but we are still on track to continue generating growth and expand our market share.

Kangping Chen - *Chief Executive Officer and Director*

[Foreign Speech].

Ripple Zhang - *Investor Relations*

On capacity side, our in-house mono wafer production capacity reached 18 gigawatt in April. Sale capacity reached 10.6 gigawatts by the end of the first quarter, including 800 megawatt of Ultra-high Efficiency, and type sales that have the highest conversions, efficiency covering [Phonetic] to the other market. On the module side, module capacity was 16 gigawatts by the end of the first quarter with an additional 9 gigawatt of the new high efficiency capacity expected to gradually be put into production in the second quarter. We will continue to make further refinements to managing cost and efficiency in 2020.

Kangping Chen - *Chief Executive Officer and Director*

[Foreign Speech].

Ripple Zhang - *Investor Relations*

Before turning over to Gener, I will introduce our guidance. Based on our current estimates for the second quarter 2020, total solar module shipments will be in the range of 4.2 gigawatt to 4.5 gigawatt. Total revenues will be in the range of $1.1 billion to $1.18 billion, and gross margin will be in the range of 16% to 18%. We maintain our guidance on the total solar module shipments for the full year 2020 to be between 18 gigawatt to 20 gigawatt.

Gener Miao - *Chief Marketing Officer*

Thank you, Mr. Chen. The total shipment of solar modules reached 3,411 megawatts, the historical high in Q1 despite the challenges COVID-19 created for our sales and production. Over the past few months, we have been carefully monitoring industrial developments, real-time market trends, and the first-hand client feedback which provided us with a detailed understanding of how the pandemic is impacting our clients and allow us to offer better support.

At the same time, we launched a emergency response mechanisms developed from our experience facing previous challenging and unpredictable market turbulence which provided us with a flexible and a pragmatic tool to navigate during the crisis. The impact of the pandemic is expected to shrink global market demand by approximately 25% in 2020 to 110 gigawatt to 120 gigawatt.

Nevertheless, our high quality products remain in strong demand and reaffirm our guidance of annual shipments in the range of 18 gigawatt to 20 gigawatt.

With our order book for the year growing, and shipments rolling out, we continue to drive growth. The China market was oversupplied in Q1. Some of the delayed projects from 2019 are now under pressure to complete installation before the June 20 - 30 deadline, which is helping to stabilize module prices lately.

New bidding allowance [Phonetic] for utility plants in 2020 are expected to start construction in the third quarter, reaching peak installation in Q4. In 2020, grid capacity for solar power connection will reach 48.45 gigawatt. Ultra-high voltage projects are being extensively promoted by the government as a strategic important source of energy integration and power transmission from China's West to the Costco regions over the long run. According to the latest policy from China's NDRC, each province is required to set lowest non-hydro renewable generation ratio, ranging from 5% to 25%.

In addition, reforming policies in electricity treating and distributed power treating plants will also improve solar power utilization efficiency, accelerating the diversification of China's Energy mix. The distribution market in the U.S. has slowed during the pandemic shutdown in March. While the construction of large-scale power plants of steel continued as planned. Given the situation, the U.S. Department of Treasury announced that, that ITC for renewable investment would receive a one-year extension.

Just a few weeks ago, Government of Virginia signed a bill requiring the state to achieve 100% of carbon free power by 2045. A number of large-scale renewable energy projects continue to be adequately funded from global financial institutions despite energy markets facing unpredictable turmoil. Many European countries have begun easing travel restrictions, since May. Economies there are bouncing back, and business are getting active again. Portugal awarded a 1.15 gigawatt of solar auction in 2019. In early 2020, Portugal announced another solar auction for 700 megawatt to 800 megawatt will be carried out within the year. The Netherland launched a ten-year net-metering program to support residential solar and lower annual electricity cost by 9% from 2023 to 2030.

According to the regulator, homeowners who are willing to install PV Systems will benefit from a reasonable investment return. Germany also lifted the 52 gigawatt cap before subsidies of small-scale solar projects. The market is expected to recovery - recover strongly in 2021. The economic stimulates a package which includes renewable energy will soon being having a significant positive effect across the whole Europe.

Turning to Asia, the lockdown in India since March 24th, travel restriction have greatly impacted the flow of personnel and the materials. The extension of the lockdown prolong this restrictions, which have further impacted public transportations, project suspension, bidding and the power plants operations. Recently, customs, banks and other institutions began gradually returning to work. Several large utility companies such as SECI and the NCPC have extended the bidding deadline for PV Power Generation projects. In April 2020, SECI extended the bidding deadline for solar projects and wind-solar hybrid projects totaling 8.7 gigawatts.

In Vietnam, the lockdown has been lifted which resulted in PV projects getting back on track. The Deputy Prime Minister of Vietnam issued a policy in April to encourage the development of solar power projects. According to the decision, certain new FITs for all three type of solar energy system and projects namely floating, ground-mounted and rooftop will be lowered. The pandemic in Japan has gradually eased and Japanese government terminated the statement - statement of emergency on May 25th.

PV installations still continue, but at a much slower pace with completion of large scale projects delayed into 2021. Marketing in Asia such as Australia,

Singapore, Malaysia, Philippines have slowly kicked off. The Brazilian market continue to - to be significantly impacted by the pandemic, which has affected approximately 70% of the installations. The market downturn has forced many small installers and the distributors to halt operations, and some large-scale projects to delay onto 2020.

Middle East and Africa region begun opening up in June. Some businesses are reopening, and the construction activities are returning with limited labor mobility. In conclusion, we are confident in long-term growth prospects of the PV industry, despite all the short-term challenges. Going forward, JinkoSolar will continue to adapt to our products and the services to the needs of customers who are increasingly demanding high-quality product, stable supply and a strong brand recognition.

The pandemic will accelerate the removal of outdated capacity and will leave only the strongest standing. We were recently recognized as a top performer of the six consecutive year in the PVEL/DNV PV Module Reliability Scorecard, and was one of the only two global manufacturers to have been recognized as a top performer every year since 2014.

Being recognized as a top performer once again reflects our dedication and the commitment to the research and the development of high quality PV products. Speaking overall, the absolute capacity in solar industry is inevitable, but high efficiency PV products remains shortly - short in supply. Competitive products underpin the marketing added value and the overall sustainable development.

As a leading market player, JinkoSolar has always been customer-oriented, focusing on optimizing power plants design and reducing LCOE. Recently, we launched our latest Tiger Pro Series reaching a maximum power output of 580 watt peak. It took place where online livestreaming with approximately 200,000 people from all over the world participating in the U.S. Not only did the Tiger Pro Series gain significant exposure from this, it also acted as a milestone for the PV Industry.

As the industry turns a page, we will strengthen our position as the supplier of choice with the lowest LCOE, strongest system compatibilities, and the overall economic value.

With that, I will turn it over to Charlie.

Haiyun Cao - *Chief Financial Officer*

Thank you, Gener. Results in the first quarter were in line with our guidance. Key financial indicators including total revenue, gross margin, and net income have increased significantly year-over-year. This is due to the continued increase in the integration, production level. By the end of March, we closed the sale of the two solar power plants with a combined capacity of 155 megawatts in Mexico, which reduced the total debts by about $121 million. Mono wafer capacity reached to 18 gigawatts in April, which will support our expected total shipments of 18 gigawatts to 20 gigawatts for the full year.

Going into the details, excluding the sale of the overseas solar power plants, total revenues were $1.03 billion, an increase of 25% from the first quarter of 2019. Gross margin improved to 19.7% compared to 16.6% in Q1 last year. EBITDA was $100 million compared to $49 million in Q1 last year. Non-GAAP net income was $32 million, a significant increased year-over-year. This translates into non-GAAP diluted earnings per ADS of $0.65.

Excluding the sale of overseas solar power plants, total operating expenses accounted for 12.6% of total revenues, compared to 11.9% in the fourth quarter of 2019 and 12.5% in the first quarter of 2019. This sequential increase was primarily due to an increase in shipping costs as a percentage of total revenue associated with a higher percentage of shipments to the oversea markets in the first quarter of 2020. Moving to the balance sheet, our balance of cash and cash equivalents were $670 million compared to $895 million at the end of last year.

Accounts receivable turnover days were 66 days, compared to 94 days in Q1 last year. Inventory turnover days were 110 days compared to 120 days in Q1 last year. Total debt was $1.8 billion compared to $1.9 billion last year. In which, $162 million was related to international solar projects. Net debt was $1.1 billion compared to $1 billion at the end of Q4 2019. Total capex for 2020 is expected to be around $350 million, which is used for the 5 gigawatt certain phase of mono wafer capacity and additional new 9 gigawatts mono [Technical Issues] module capacity.

This concludes our prepared remarks, and we are happy to take your questions. Operator?

Questions and Answers:

Operator

Thank you. So, ladies and gentlemen, we'll begin the question-and-answer session. [Operator Instructions]. Our first question is from Philip Shen and Roth Capital Partners. Please go ahead.

Philip Shen - *Roth Capital Partners - Analyst*

Hi, everyone. Thank you for the questions. The first one is on pricing. So we calculate and implied module ASP of about $0.30 per watt in Q1 on a blended basis for you, and I think based on your guidance, the pricing might be closer to $0.262 for Q2. So this is just maybe a 13% sequential decline. So are we accurate with these numbers? And perhaps you can comment on what we might be missing, specifically how much in Q1 did you have from module only revenue for example?

Gener Miao - *Chief Marketing Officer*

Yeah, Phil. So, it's Gener. Thanks for the question. Yeah. For the Q1, the ASP is compared with Q1 and Q2, where we are seeing because of market turbulence and also the pandemic impact, the market price dropped by around, let's say 10%. So if we look into our Q2 pricing, so I - yes, I think we are around that range as well. So compared with the Q1 the ASPs, Q2 ASP were expected to drop by approximately a high single-digit range.

Philip Shen - *Roth Capital Partners - Analyst*

Okay. And then how do you expect that lending pricing to trend in Q3? Do you expect another drop as well, or - and then do you see the stability more in Q4? What do you see ahead? Thanks.

Gener Miao - *Chief Marketing Officer*

Yeah. So for the - our strategy is always to follow the market. So we're not against the market. So when we see the market price is dropping, definitely our pricing will drop. That's our strategy. I think everyone will follow that not only Jinko. So to number wise, it's hard to define right now what's the exact numbers for Q3. It's still too early to talk about the Q3 final pricing. But from the observation of the market price side, we did - we did feel the expectation from the - from all the customer ends that they expect the market price continue to drop compared with Q2.

But actually, when we look into the whole year pricing, I still believe there will be some bounce back at late Q3 or even early Q4, because as expected a strong demand in China, a rush by the year end, there will be a kind of a shortened supply by that time.

Philip Shen - *Roth Capital Partners - Analyst*

Okay. Thanks, Gener. And then, from a housekeeping standpoint, can you share what the capex and depreciation was in Q1?

Haiyun Cao - *Chief Financial Officer*

Yeah, Philip. And the depreciation - the cost roughly per quarter roughly $40 million and the capex is - is roughly about $100 million for the first quarter.

Philip Shen - *Roth Capital Partners - Analyst*

Great. Okay, thanks, Charles. And then one bigger picture question. In your prepared remarks you commented that the dropped IIT policy should drive capacity lower. Can you comment a little bit more on how you expect this policy to work, and how do you expect this to impact the industry? I can see marginal capacity expansion going away. If I - I was wondering, if you could just comment more on what you see as the impact in this policy, and when you expect it to be made official? Thanks.

Haiyun Cao - *Chief Financial Officer*

So, you are talking about ITC's right?

Philip Shen - *Roth Capital Partners - Analyst*

No, I'm talking about the Ministry of Industry Policy to force the industry to have higher efficiencies in the capacity expansion?

Haiyun Cao - *Chief Financial Officer*

You mean the China manufacturer let's say industry standards thing, right?

Philip Shen - *Roth Capital Partners - Analyst*

That's right. Yeah.

Gener Miao - *Chief Marketing Officer*

Yeah, Phil, I think this is national standards and which is continuing to encourage the latest technology adoptions. And there's a lot of threshold, which is minimum - the minimum threshold, and if the industry participants want to expand the capacity and - and I think, all-in-all, I think it's a very positive for the industry, its consolidations. And particularly the Tier 1 companies, given their technology advantage and that will lead the capacity expansion to - to meet the anticipated sustainable growth and in the future. And for the Tier 2, Tier 3 companies and it's - it's under pressure and it's - it's not only from the customer perspective, right? A lot of Tier 1 companies is leading the product and we are promoting, but we're 500 watt modules and Tier - and Tier 2, Tier 3 companies and they are under pressure, and from the supplier's perspective and the government want to build a policies and which is - is a positive for the leading companies, but a negative for the Tier 2, Tier 3 companies.

Philip Shen - *Roth Capital Partners - Analyst*

Okay, thank you very much. I'll pass it on.

Haiyun Cao - *Chief Financial Officer*

Thank you.

Operator

Our next question is from Tony Fei at BOCI. Please go ahead.

Tony Fei - *BOCI - Analyst*

Hi. Thanks, management. It's Tony from BOCI. I have two questions. First is regarding on the order book front. So among the 4.2 gigawatts to 4.5 gigawatts what's been your target for Q2, could you give us some color regarding how much of that would come from domestic orders, and how much from overseas? And how about that mix movement in the second half maybe?

Haiyun Cao - *Chief Financial Officer*

Yeah. So you are talking about the future number, right? So, I will assume you are - your question is mainly about the China mix during the Q2 and also the rest of years shipment of plants, right? From my observations of Q2, yeah, Q2 number - Q2 number for the shipment mix, China will be - China will occupy not a significant number. What we are - the number range we are looking at is around, let's say 10% to 15%.

So however, it will rapidly going up, especially when the China market start to boom by the second half. We expect the ratio will be higher. Even by the peak time of the Q4 we are expecting the number could be even 30% or even plus. For the total year our - yeah, our target, our China market will still taking a pretty let's say a fair ratio compared with all the other regions that we are having.

So approximate was - sorry, a quarter of our total shipment is expected to ship in China.

Tony Fei - *BOCI - Analyst*

Okay, great. And my second question is regarding the financials. So, looking at your results in the Q1, actually all the revenue and the gross profit are quite in line with your previous guidance. But the net profit was dragged by the changes in the fair value of some [Phonetic] derivative products. So in the second quarter actually we are seeing the RMB is still weaker year-on-year. So should we expect more kind of losses of fair value changes in the quarter? Thank you.

Gener Miao - *Chief Marketing Officer*

The change of fair value [Indecipherable] two parts, one part is linked to the - our international project, the interest swap and that is a significant negative impact in first quarter, because of the order low even close to 0, the U.S. treasure rate and it's a - I think it's a one-time, and it's the long-term the U.S. treasure rate is rebounding to this standard level. And therefore the currency - the currency forward - currency to lock our sales orders. And because the RMB, it's unexpected to be depreciated in the first quarter, particularly given the recent tensions between - and the - U.S. and China and now it's - and the R&D has stabilized, and relatively appreciated. So we don't expect significant impact in the second quarter. And for the - as the financial instruments was managing with the two items and we don't expect significant impact during the second quarter.

Tony Fei - *BOCI - Analyst*

Great. Thanks for the color. I'll pass it on.

Gener Miao - *Chief Marketing Officer*

Thank you.

Operator

[Operator Instructions]. Our next question is from Brian Lee at Goldman Sachs. Please go ahead.

Brian Lee - *Goldman Sachs - Analyst*

Hey guys, thanks for taking the questions. Maybe just to follow-up a little bit on an earlier question, just on the gross margins. You're guiding down about 250 basis points at the midpoint for the second quarter versus the first quarter. Pricing really started falling in late March and April. So we've heard from other companies that a lot of that volumes could flow through more in 3Q, as opposed to real-time in 2Q. So is it fair to assume gross margin is down again sequentially in 3Q and then how should we think about the cadence from there?

Haiyun Cao - *Chief Financial Officer*

The decline on gross margin in second quarter reflected the slowing rate demand particularly from the international market and in the second quarter and factoring - we discussed the ASP's downward trend. And given the - the market situation, recent market situations ASP is continuing downward and - but however from the cost perspective, we are improving at the same time. So given the third quarter, I think the second half year, the gross margin and - continue to be under pressure. But we are trying to - to achieve relatively stable gross margin and compared to the second quarter, and because particularly from the and we - we rapidly expand our capacity on the mono wafer and we are expecting to improve our integrated production cost and throughout the challenge period, and which will offset the net impact of the ASP downward in the second half year.

Brian Lee - *Goldman Sachs - Analyst*

Okay, that's helpful. And then, Charlie, just a question around the inventory I know in the past years, you typically have a pretty big move up in inventories from 4Q to 1Q, it seemed a little bit bigger this year. And at the time - same time accounts receivable was pretty flattish. So if this is just a shipment timing issue I would have thought they kind of move together. So, are you seeing some cancellations on modules? You haven't kind of re-market those, can you give us some sense of what's happening between the AR and inventory balances here to start off the year?

Haiyun Cao - *Chief Financial Officer*

No, we have - we target 18 gigawatts to 20 gigawatts, right. Each quarter on average we are - we are planning 4 gigawatt or 5 gigawatts. So the inventory levels will be in nature - by nature, the inventory levels will increase and slightly quarter-by-quarter. And the first quarter, the inventory level is relatively higher, because last time we discussed because the China is supplying talents and we have 400 megawatts, 500 megawatts shift to the second quarter and the - and throughout the - the second quarter given the challenge or international demands, we proactively manage our operation and including control of the inventory levels and we have faced some order cancellations or delays that we swiftly shift to the - our productions, through - particularly to the customers or new customers and readings with less impact from the virus.

So, we in general, I think the inventory levels will be at very healthy level. And by given our target 18 gigawatts, 20 gigawatts and we are expecting the inventory level will increase a little bit throughout the next two quarters.

Brian Lee - *Goldman Sachs - Analyst*

Okay, fair enough. Thanks a lot, guys.

Gener Miao - *Chief Marketing Officer*

Thank you.

Operator

Thank you, sir. [Operator Instructions] Our next question is from Carl Xiong and CICC. Please go ahead.

Carl Xiong - *CICC - Analyst*

Hey, Charlie. Thanks for taking my question. I have two question. The first, could you please give us some color on the other visibility in the three quarter and the fourth quarter? And so how would we see if we can see further like, if that the project which delay or something cancel in the second quarter due to the coronavirus, will it move through the - like the second half or maybe first half in the next year to how we look at these things? And the second question is that, we are seeing some strong demand in mainland in China, that's coming from the dual-glass [Phonetic] modules and maybe in other ways of high efficiency. So could you give us some more color on our - maybe both the product mix, or what we will have in - maybe the second quarter or how was the - our mix coming from the high efficiency modules, and how was it from the - maybe the remaining, the number of efficiency modules? Can we have a percentage on that? Thank you.

Gener Miao - *Chief Marketing Officer*

Okay. So this is Gener. Thanks for the question. Firstly about your - your question about the order visibility. I think we have - we have built up a very strong order book over compared with - I think - ours let's say three quarters order book has been fulfilled. So we are very confident to achieve our target in 2020.

I think that's part of the reason why we - we keep our guidance in 2020 as 18 gigawatt to 20 gigawatt as without any change. For the market - for the possible market delay, we have seen some of the - some region or some countries that has - has shown the tolerance to delay part of the projects into let's say two quarters, even three quarters, especially for some regions like or countries like especially like India.

You know, which is - was expected to have an installation of over 10 gigawatts in 2020. But with the current lock down law, we believe the market size will be less than 10 gigawatt, even somewhere around 5 gigawatt to 6 gigawatt. For sure, those project has not been canceled. Majority of those project will get delayed into 2021 and that's why I think in our pre - in our previous, let's say, especially our previous speaking, we also show our confidence about the strong demand in 2021.

That's also a part of our reason why we continue to expand our high-efficiency capacity. So, your second question about the China demand especially the double glass demand. We see double glass or dual glass product has a certain, let's say advantage, especially in some - some environment. But we do not, personally I do not see such product have become an universal standard or industry standard product yet. When I look into our Q1 book, we see less than 5% of our total shipment is double glass.

And which is, let's say, very, very few number compared with total shipment. With China demand picking up by the second half, we believe the ratio will be higher. But honestly speaking, I do not believe such product will become, let's say, a standard product in short term. But in long run, with more technology challenges be solved, and I believe such product has a promising future.

Brian Lee - *Goldman Sachs - Analyst*

Yeah. Thank you.

Gener Miao - *Chief Marketing Officer*

Hope that answers your question.

Carl Xiong - *CICC - Analyst*

Yeah, yeah. I have two follow-up questions. The first is that, like for example, the order from India is delayed for like two or three quarters. So will that be renegotiating on our modest price or will we - we will order these or ship these on the previous setting price? That's my first follow-up question. And the second is that, maybe I should also rephrase my question. So I would just make an example on the dual-glass modules in China have high demand. But actually, what I want to ask is that we kind of see - kind of structure demand increase in high efficient modules maybe in China it is double glasses, maybe in the overseas it's like a - like other kind of product.

So we also have like a swan right, it's not a double glasses, but it's more lighter. So in generally, how will we see in the low-high efficiency modules, where we see a much more higher demand growth than the normal efficiency modules. So how we see that, and that the percentage change in the first quarter and maybe second quarter, yeah.

Gener Miao - *Chief Marketing Officer*

Thank you for your follow-up question about project signs, contract sign. So I think from what I see 95% - over 95% of a contract sign has been honored, and we both parties respect the contractual obligations and we continue with the execution of the contract that even we have some pandemic impact on it.

And for sure, very few contract has to be renegotiated or even canceled because of this - we call it a force majeure. But, we still believe - it's not because a customer want arbitrage on the market price chain, it's really because of the what is happening for their project and/or from their home land.

Your second follow-up question about double glass. We believe the demand in China for the double glass product is increasing. That's very obvious. Sorry to say, I don't have that percentage number on my hand. We can give you some feedback after - after our call, right?

Carl Xiong - *CICC - Analyst*

Okay, okay. Thanks management. That's all my questions. Thank you.

Gener Miao - *Chief Marketing Officer*

Thank you.

Operator