

# Bond investors give Tesla a \$1.8b endorsement

REUTERS, New York

Bond investors on Friday gave a \$1.8 billion boost to Tesla Inc's balance sheet by snapping up the electric car maker's first foray into the US junk bond market, where yield-hungry investors have raced to lock in relatively higher returns.

Those robust returns, however, have shrunk as a strong reservoir of cash ready to deploy in the riskiest areas of the high-yield fixed income market has pushed them to near their lowest levels in three years. That has given junk-rated issuers such as Elon Musk's US car company the opportunity to raise cash cheaply.

Tesla sold \$1.8 billion of eight-year unsecured bonds at a yield of 5.30 percent, the Palo Alto, California-based company said in a filing with the Securities and Exchange Commission.

The bond was sold at par, according to a source familiar with the transaction, who requested anonymity because the detail was not publicly disclosed.

Tesla initially wanted to sell \$1.5 billion worth of debt but enlarged the offering because of overwhelming demand, according to IFR, a Thomson Reuters unit. The yield was slightly higher than the 5.25 percent

cited at the initial launch.

Cash proceeds will help finance production of Tesla's Model 3, which it is banking on to hit the mass market bullseye and finally help the company turn a profit. Tesla aims to boost production to 500,000 cars next year, about six times its 2016 output.

"It's a milestone for a company from a relative unknown to what it is today," said David Knutson, head of credit research at Schroders Investment Management.

The company, founded by Musk in 2003, has plowed revenues back into its businesses, which now include energy storage.

At the launch of the Model 3, with a base price of \$35,000, Musk warned that Tesla would face months of "manufacturing hell" as it increases production of the sedan.

The ability of the high-yield sector, which some analysts and investors consider pricey, to absorb debt supply from a first-time issuer such as Tesla suggests its resilience, at least for now.

"I won't call it a bubble," said Andrew Feltus, co-head of high yield and bank loans at Amundi Pioneer Asset Management in Boston. "The (market) fundamentals are pretty good."

Standard & Poor's assigned a B-minus on Tesla's junk bond issue, while

Moody's Investors Service rated it B3.

While the ability of Tesla to raise so much cash with such a low rating might revive memories of market bubbles such as the dot-com boom, strategists said that analogy did not apply.

"Tesla is not one of these companies," said Stan Shipley, a strategist at Evercore ISI in New York.

Investor appetite has driven the average yield on US B-rated corporate bonds to 5.72 percent late this week, down 0.37 percentage point since the end of 2016 and below its recent peak of 10.18 percent in February 2016, according to Bank of America Merrill Lynch.

The benchmark 10-year Treasury yield, in contrast, was 2.19 percent after hitting a six-week low earlier Friday.

Despite lingering skepticism, there has been no shortage of funds to fuel Tesla's ambition to popularize electric cars. Investors who jumped on the bandwagon have been rewarded. Tesla has raised \$3.3 billion in convertible bonds, which have performed well, in step with its stock.

The stock ended up 0.7 percent at \$357.72 on Friday, a near-1,400 percent increase since its debut in June 2010 at \$17 a share. Tesla might have picked just the right time to become a junk bond issuer.



Christoph Voegeli, general manager of Radisson Blu Dhaka Water Garden, inaugurates Cantonese food festival titled "A test of canton", at the hotel on Thursday.

## Consumer credit jumps 31pc

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Banks may lend more if the loan is backed by liquid securities. But the loan cannot exceed Tk 20 lakh under any circumstances, according to the central bank.

The loan to credit cards, another component of consumer financing, stood at Tk 3,440 crore in 2016.

In April, the credit card limit was increased to Tk 10 lakh from Tk 5 lakh earlier to support the spending habit among consumers.

Banks can provide an additional Tk 10 lakh limit but cannot exceed Tk 25 lakh. The excess debt will have to be backed by liquid securities such as fixed deposits and foreign currency accounts

maintained with the respective bank.

The rising demand for credit cards prompted the central bank to issue a guideline on the payment method in May this year and put a cap on the lending rate to protect customers.

As a result, the interest rate on outstanding amount of credit card will not exceed 5 percent of the highest interest rate charged for any debts by a bank, according to a central bank guideline.

The average lending rate came down to 30 percent on credit card loans in July from highest 36 percent in May.

Outstanding credit for home and car loans, two other important areas for consumer financing, stood at Tk 10,900 crore and Tk 2,000 crore respec-

tively last year. Despite the growth in consumer spending, the number of non-performing loans in the personal credit was lower compared to the industry average.

The non-performing loan in the personal loan category was 5.3 percent in 2016 against the sector's average of 9.2 percent, central bank data show.

The default rate for home loans was 8.5 percent, the highest among all segments under the consumer lending, while the rate was 5.5 percent for car loans. The default rate in the credit card segment is high because of the higher interest rate, said a senior executive of the BB.



Major General Mohammad Maksudur Rahman, area commander for 10 Infantry Division at Bangladesh Army; Brigadier General Abu Syed Mohammad Bakir, commander of 2 Infantry Brigade; Mohammed Nasir Uddin Chowdhury, managing director of LankaBangla Securities Ltd, and Khwaja Shahriar, managing director of LankaBangla Finance Ltd, open a tree plantation programme at Ramu Cantonment in Cox's Bazar. LankaBangla Foundation planted 6,000 mango saplings inside the cantonment as part of its corporate social responsibility activities.



Thomas Prinz, German ambassador to Bangladesh; M Khorshed Anwar, acting head of business at Eastern Bank; SM Anwar Hossain, president of Rotary Club of Dhaka, and Syed Mohammad Kamal, country manager for Mastercard Bangladesh, attend the launch of EBL-Rotary Mastercard Titanium Card at a programme.

## Another LNG floating terminal on cards

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Kutubdia Island has a natural harbour with good draft and a natural backwater, ideal for setting up an LNG terminal. Bangladesh is looking outside to alleviate its energy shortage, largely caused by depletion of domestic reserves and rising demand.

At present, gas supply stands at about 2,700 million cubic feet per day against the demand for 3,300 MMCFD. The shortage of gas has affected power generation as well as industries and households. HSMP has proposed to build the floating terminal 10 kilometres off Kutubdia Island and 15 km from the national gridline.

The consortium will set up the terminal within 18 to 20 months of signing the final agreement, the energy ministry official said. The fees and other charges of HSMP are almost the same as the other two companies that already got the contracts. Petrobangla will pay HSMP \$158,200 as fixed component fee and \$30,500 as port

service charge, per day. However, in case of Summit, the fixed component fee would be \$158,511. The fixed component fee and port service charge for Excelerate Energy would be \$159,186 and \$32,000 a day respectively. Summit Group and Excelerate Energy will both set up LNG terminals at Moheshkhali Island.

The government has been holding talks with various countries, including Oman and Indonesia, for importing liquefied gas. The imported gas will be brought to the terminals and then supplied to the national gridline. The finance minister has already indicated that after June next year the gas price may be hiked.

The demand for gas will stand at 8,000 MMCFD in 2041, according to an estimate of the energy division. The government is also considering setting up a land-based LNG terminal, and the energy ministry has already received proposals from more than a dozen companies for the job.

## Fines surge in crackdown on Airbnb owners in Paris

AFP, Paris

Fines imposed against owners renting their Paris apartments out on Airbnb surged more than tenfold in the first half of 2017 thanks to more rigorous monitoring, city authorities said Friday.

Thirty-one owners of 128 units were slapped with a total of 615,000 euros (\$723,000) in fines for renting them out for more than the city limit of 120 days per year, city hall official Ian Brossat told AFP.

"These numbers do not reflect an explosion in the number of rental offers but in the effectiveness of the monitoring" by a team of 25 agents deployed by the city, Brossat said. "We are pleased to see that the courts have a heavier hand than before," he added.

The maximum fine for the offence doubled in November to 50,000 euros.

Paris is one of Airbnb's top markets, with some 65,000 sites listed. Another 35,000 are available from similar online platforms.

## 68 tonnes of steel products go missing

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He also said the number of missing incidents this year has decreased compared with last year as the authority has taken strict measures. He went on to cite an incident of 14 missing containers last year as a case in point.

"The containers were taken away from the port through signature forgery. This was a case of huge mismanagement of the port's customs department."

However, Alam could not give a figure of the missing incidents so far this year. The Chittagong port handled 2.41 million TEUs last year, while it has the capacity to take care of 2.64 million TEUs, according to the CPA.

## Unwanted offers irk mobile phone users

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The meeting gave responsibility to BTRC's systems and services division, which gives permission to the operators for packages, tariffs and service messages, and asked the division to follow proper guideline for the language used by the operators.

But there has been no progress in implementing the decision even though one year has passed, since the operators are still offering unwanted package deals. Now the existing laws allow the BTRC to take action against any offending operator.

If an operator does not take permission beforehand from the systems and services division, it could be fined, be made to compensate complainants, or in the worst case scenario could see their licence cancelled, according to the Directive on

Service and Tariff 2015.

Ghulam Rahman, president of the Consumers Association of Bangladesh, said they have also observed that the mobile operators are involved in fraudulent offers.

"But we can't carry out any study on it, as our capacity is limited. We have received lots of complaints about such offers," said Rahman, also a former chairman of the Anti-Corruption Commission.

Rahman thanked the DNCRP for playing an active role and asked the telecom regulator to be proactive and pro-people.

He also requested the regulator take initiative to ensure that the offers are simple and to reduce the number of packages.

There are 13.5 crore active mobile connections in Bangladesh. Of them, 7.19 crore have access to internet as of May this year, according to the BTRC.

## Slow demand to cause huge potato surplus

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In fiscal 2015-16, potato output was 94.74 lakh tonnes, according to BBS. With demand for the vegetable remaining low, 45,000 tonnes of potato were exported in the first seven months of 2017, BCSEA said.

"Under the circumstances, we want the government to take initiatives to boost the export and consumption of potatoes domestically," Hossain said.

The BCSEA even wrote to the Prime

Minister's Office, food, disaster management, agriculture and commerce ministries last month for distributing potato as relief among flood-affected people as well for social safety net programmes.

"This will be helpful in clearing stored potato in cold storages. Farmers will be benefitted, while cold storage owners will be able to repay bank loans. Otherwise, the production of potato will go down next year," the BCSEA said.

## Survey begins to measure broadband service quality

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He said they often come to know about some service providers who charge higher than the market rate; the ISPAB can address such complaints through the survey.

"If any ISP really charges higher than the market rate, we will take necessary action against it."

The government cut wholesale bandwidth prices in the last few years but that had little impact on the end users. Customers also raised complaints about different other issues.

To encourage customer into taking part in the survey, ISPAB has also decided to provide gifts to 20 selective participants of the survey.

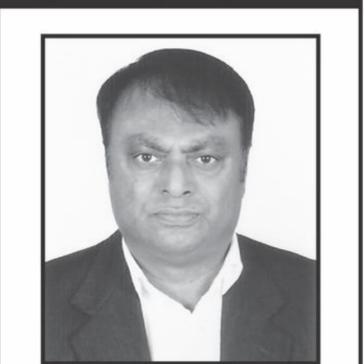
As of June, there are 46.22 million active broadband connections in the country, according to Bangladesh Telecommunications Regulatory Commission.

ISPAB leaders say the actual number of data consumers is about two crore.

## Change in Top Management of Social Marketing Company



Mr. Md. Ali Reza Khan has taken the charge of Social Marketing Company (SMC), as its Managing Director & CEO on August 1, 2017. Prior to the new position, he was the Managing Director of SMC Enterprise Limited. Starting his career in Squibb (BD), he served in various important positions in EDCL under the Ministry of Health and in the Ministry of Health, KSA.



Mr. Abdul Haque has been appointed as the Managing Director of SMC Enterprise Ltd, a subsidiary of Social Marketing Company (SMC), from August 1, 2017. He was the CEO of various local and multinational companies including Reckitt Benckiser. He has more than 30 years of work experience.



Muhammed Ali, chairman of Social Marketing Company and SMC Enterprise Ltd, launches SMC Enterprise's prescription pharmaceutical products at a programme. Md Ali Reza Khan, managing director of SMC, and Abdul Haque, managing director of SMC EL, were also present.