

Tesla: an awesome industrial concept but a harder reality.



You don't have to wait to be introduced to Tesla automobiles - a result of the industrial prolix Elon Musk. Very attractive vehicles, fast-charging batteries, giga-factories ... Smoothly run advertising campaigns have made a definite impact on these amazing performances.

However, on the downside blue sky has given way to some clouds...Those of Tesla appear to be blackened by ominous warning signs.

Manufacturing delays for the base model.

In the fourth quarter of 2017, this American manufacturer of electric cars manufactured only 2,400 units of Model 3, being its new entry-level sedan. Once again, Tesla pushed back its main production objective by three months, even though, in early January, "significant progress" was reported. This setback fuels doubts about the capacity to maintain promises.

The "Model 3" totalled more than 400,000 pre-orders before the delivery of the first models at the end of July. Tesla's first mass-market vehicle, it must allow it to boost sales thanks to its base price of \$ 35,000 (29,000 euros), which is two times less than Model S and Model X.

The manufacturer puts this "Model 3" at the heart of its strategy and promised in 2016 to produce 500,000 cars in 2018, then one million in 2020. The reality is more bitter because it has only produced the 260 units in the third quarter in place of 1,500 expected. Tesla says it has now reached a rate of 1,000 cars a week. It plans to increase it to 2,500 in the first quarter and only 5,000 in June.

It seems that the main problem comes from the assembly of batteries, and a concern with a subcontractor.

This Tesla project is matching the production of a giant plant, which will eventually spread over more than 90 hectares and employ approximately 6,500 people.

A key investment of at least \$ 2 billion for a company that is still unprofitable and has a debt of over \$ 7 billion, for a turnover of \$ 3 billion. Tesla commits a debt of \$ 8,000 every passing minute.

In August 2017, Tesla created a bond issue worth \$1.8 billion, just five months after a \$1.2 billion capital increase. And a new contribution of fresh money will be needed in 2018, explained Mr Musk.

Mr. Rod Lache of Deutsche Bank makes it clear "Given the current cash consumption and potential new production lead times, the margin of error is again very slim".