

## **PROJECT ABSTRACT**

Project number	BR-0272
Project name	Region Dos Lagos Toll Road
Country	Brazil
Sponsors	Andrade Gutierrez/Camargo Correa
Total project cost	US\$80 million
IDB participation	IDB A-Loan: US\$18 million IDB B-Loan: US\$19 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Date	December 10, 1997

### **I. THE PROJECT**

- 1.1 As part of the Brazilian Government's road privatization program, the Highway Department Foundation of the State of Rio de Janeiro (DER-RJ) held a national competitive bidding in 1996 for the award of a concession to expand and upgrade, that the highway system links the cities of Rio Bonito-Araruama-Sao Pedro da Aldeia. The project was awarded to a Consortium composed of Construtora Andrade Gutierrez (50%)/Construções e Comercio Camargo Correa (50%) on October 18, 1996. This consortium already operates two other toll roads, the Dutra Highway between Rio de Janeiro and São Paulo, and the Rio Niteroi Bridge in Rio de Janeiro.
- 1.2 The concession encompasses the monitoring, recovery, maintenance, conservation, operation, implementation and enlargement services of the project. The effective date of the concession contract is January 9, 1997, with a duration of 25 years.

### **II. THE COMPANY AND THE SPONSORS**

- 2.1 Andrade Gutierrez, a privately owned company founded in 1948, is Brazil's largest construction group. It is mainly involved in the construction of highways, bridges, subways, power plants, railroads, dams, irrigation systems, ports and airports. The company, headquartered in Belo Horizonte (State of Minas Gerais), has about 14,000 employees distributed throughout Brazil and abroad, and has participated in construction projects in several Latin American, Caribbean and African countries. Its reported revenues in 1995 amounted to US\$679 million and its net income, US\$93 million. The company has little long-term debt and its current ratio stands at 2.5. Its net worth amounts to US\$1.9 billion.
- 2.3 Camargo Correa was founded in 1938 and is a privately held company. It is the third largest construction company in Brazil in terms of sales (US\$550 million in 1995). Its expertise is focused on heavy construction such as airport runways, highways, bridges, tunnels, hydroelectric plants, water and sewage plants, and industrial and residential construction. The company is headquartered in the city of Sao Paulo (State of Sao Paulo) with 7,300 employees distributed mostly within offices and project sites in Brazil. Net income in 1995 amounted to US\$162 million. The company was practically debt-free as of year-end 1995. Its current ratio was about 5.4 and its net worth US\$2 billion.

### III. CHARACTERISTICS OF THE CONCESSION

- 3.1 The concession contains the following parameters: **Period of time:** 25 years. **Toll Structure and Readjustments:** the concession contract provides for annual tariff adjustment or revision. **Contract execution guarantee:** 10% of the estimated value of the forecast toll collection, during the concession period. **Payment to the state for the concession award:** 23 annual installments, being the first one made on the last day of the 25th month. **Assignment:** the concession could be assigned prior authorization and approval by the grantor. **Termination:** the concession includes several conditions by which the contract can be terminated. **Guarantee from the State:** none.

### IV. PROJECT COST AND FINANCIAL PLAN

- 4.1 Project cost for the proposed project is estimated at US\$80 million. Debt to equity ratio for this project is projected at 62.6/37.4, with proposed debt financing coming from IDB "A" loan (US\$18 million) IDB "B" loan (US\$19 million) and BNDES (US\$10 million).