**Financial Modelling – Connect Mauritius**

Connect Mauritius is a project company that was awarded the contract to build and operate a highway in a city in Mauritius in 2023. (Mauritius is an island country in the Indian Ocean).

India Aid supports the project, and here are some details about it:

**A. Timing of the project**

• Concession contract duration: 40 years

• Construction duration: 4 years

• Operations duration: 36 years

**B. Traffic & Project Revenues**

Project revenues come from tolls. Following traffic studies, the estimated traffic on the future road the first year of operation is:

• 3,125,000 Passenger Car (PC) per year

• 2,800,000 Heavy vehicle (HV) per year

Traffic will then evolve by 2% per year. The tariff (2023 value) applied to each vehicle is as follows:

• 356 ₹/PC

• 1,396 ₹/HV

The project company anticipates an inflation of 4% per year (starting from contract award).

**C. Maintenance Costs**

The cost of maintenance (including heavy maintenance and SPV costs during operation) has been estimated annually at ₹890 M per year (value 2023). The project company anticipates an inflation of maintenance costs of 4% per year (starting from contract award).

**D. CAPEX**

The construction cost (including SPV costs during operation) has been estimated at ₹7500M per year of construction.

**E. Project Financing**

Funding will be provided in the form of non-recourse financing, i.e., equity and senior debt. The project company has secured binding funding offers on the following basis:

**Debt:**

- Door-to-door maturity: 40 years (for the sake of this exercise)

- Gearing: 65/35

* 1. - Fixed Rate:
  2. Base Interest Rate: 1.50%
  3. Fixed Rate Margin: 5.85%
  4. Arrangement fee: 1.50%
  5. Engagement fee: 35.00% of margin

**F. Tax & Accounting assumptions**

As a simplification, it is envisaged that for:

1. - Accounting: all investments are amortized on a linear basis over the term of the concession as of the commissioning of the motorway.
2. - Tax: The only tax is the corporate tax, and the rate is equal to 30%.
3. **What should be the tariff charged to HVs to obtain an IRR of 23%?**