

**Readymix (West Indies) Limited (RML)**

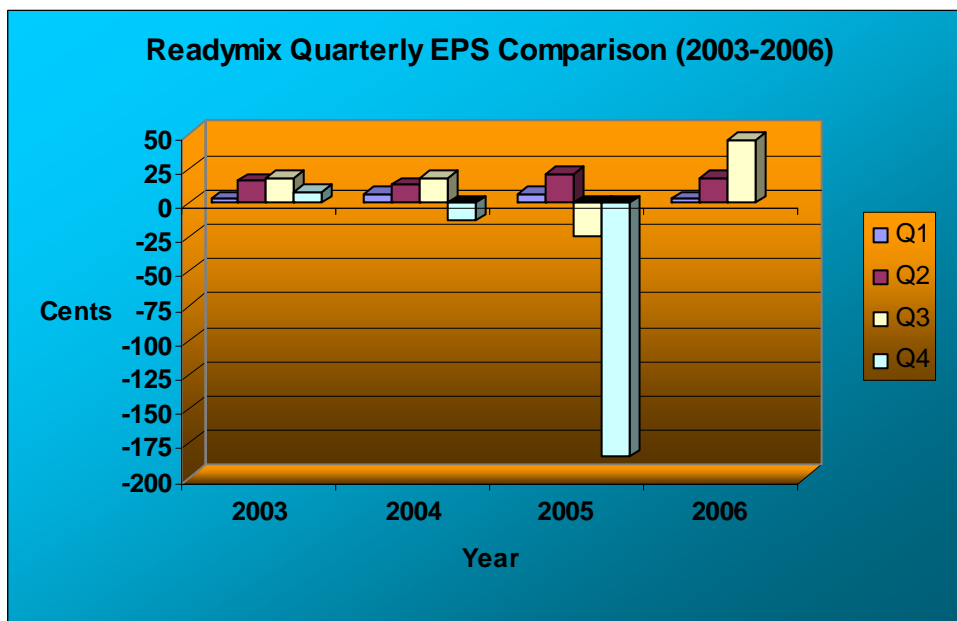
	<u>RML</u>
<b>RECOMMENDATION</b>	<b>BUY</b>
<b>Current Price</b>	<b>\$4.21</b>
<b>Projected EPS</b>	<b>\$1.00</b>
<b>P/E at Projected EPS</b>	<b>4.21 times</b>
<b>Return on Assets</b>	<b>7.96%</b>
<b>Return on Equity</b>	<b>51.95%</b>

*Results for the Nine Months Ended September 30, 2006*

***Earnings Per Share***

For the Nine Months ended September 30, 2006 Readymix (West Indies) Limited (RML) reported Earnings Per Share (EPS) of \$0.68, up by an outstanding 230.77 per cent or 120 cents on the comparable EPS in 2005 (-\$0.52). Q3 2006 on Q3 2005, the EPS increased by 158.97 per cent or 124 cents to end the three months at \$0.46. The EPS for the current nine months has been the highest that RML has seen over a nine month period; it is even higher than any year end EPS over the last four years. Additionally, the EPS for the three months ended September 30, 2006 is the highest that the Group has seen in a quarter over the period 2003-2006. (See Graph 1)

**Graph 1**





### Financials

Revenue for the period under review amounted to \$187.63 million, which represents an increase of 33.69 per cent or \$47.28 million on the corresponding period in 2005. The Chairman attributes this increase to improved performances in all territories, and in particular- the Trinidad and Tobago market. In Barbados, operations recorded significant Sales and Revenue growth during the quarter contributing \$2.1 million to the Group's Operating Profit. In St. Maarten, Revenue grew in excess of 50 per cent from that recorded for the first half of the year, resulting in a contribution of \$0.34 million to Profit Before Tax for the quarter. Total Revenue for the quarter was \$69.39 million with Trinidad Cement Limited (TCL) contributing \$55.2 million.

In addition to significant growth in Revenue, the Company also benefited from decreased costs derived from the consumption of a mix of local and imported aggregates during the quarter ended September 30, 2006. Thus, Operating Profit stood at \$16.50 million at the end of the nine months, up by 308.07 per cent on the comparable loss in the same period last year.

Net Finance Costs for the Nine Months stood at \$4.39 million, up 44.88 per cent from the corresponding period last year. Q3 2006 on Q3 2005, this figure was up by 23.52 per cent or \$0.27 million to end at \$1.42 million. The Chairman has pointed out that the higher Net Finance Costs for the period under review are the primary result of increasing interest rates over the year.

Profit Before Tax stood at \$12.12 million, representing an increase of 210.56 per cent or \$23.08 million on the comparable loss of \$10.96 million in 2005. The Effective Tax rate for the period under review was 29.50 per cent, while the Company benefited from a Tax Credit of \$4.10 million or 37.45 per cent for the Nine Months ended September 30, 2005. Profit After Tax figure increased to \$8.54 million compared to a \$6.86 million loss in 2005.

The Chairman also pointed out in his statement that the Group's overall improvement in performance has been reflected in the drastic reduction in the working capital deficit from December 2005 by \$19.0 million and the cash generated by Operating Activities of \$34 million for the nine months under review. He is optimistic about the last quarter and anticipates the high level of demand to continue across all markets, thus resulting in continued profitability for the Group to the end of 2006.

**Table 1 Shows Financial Data Comparison of RML- Nine Months 2006 on 2005; Q3 2006 on Q3 2005 and Q2 2006**

Readymix Financial Data (Nine Months 2005-2006)								
	Nine Months '06 \$'000	Nine Months % Change '05-'06	Nine Months '05 \$'000	Q3 2006 \$'000	Q3 % Change '05-'06	Q3 2005 \$'000	Q2 2006 \$'000	% Change Q2'06-Q3'06
Revenue	187,629	33.69%	140,345	69,393	33.21%	52,092	66,788	3.90%
Operating Profit/Loss	16,504	308.07%	-7,932	8,945	161.80%	-14,475	5,273	69.64%
Finance Cost	4,387	44.88%	3,028	1,418	23.52%	1,148	1,597	-11.21%
Profit/Loss Before Tax	12,117	210.56%	-10,960	7,527	148.18%	-15,623	3,676	104.76%
Provision for Tax	-3,575	187.11%	4,104	-1,650	-129.68%	5,559	-1,431	15.30%
Profit/Loss After Tax	8,542	224.59%	-6,856	5,877	158.40%	-10,064	2,245	161.78%
EPS (cents)	68	230.77%	-52	46	158.97%	-78	18	155.56%



Table 2 Shows Financial Data Comparison of PHL – Year End 2003-2006.

Table 2

Readymix Financial Data for Year End (2003-2006)					
	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000	% Change '03-'04	YE 2003 \$'000
Revenue	183,943	20.97%	152,053	9.98%	138,258
Operating Profit/Loss	-26,093	-700.67%	4,344	75.82%	17,968
Finance Cost	-4700	55.63%	-3,020	47.46%	-2,048
Profit Before Tax	-30,793	2425.76%	1,324	83.81%	8,178
Provision for Tax	4,823	4257.76%	-116	95.38%	-2,512
Profit After Tax	-25,970	2249.83%	1,208	78.68%	5,666
EPS (Cents)	-210	2433.33%	9	79.55%	44
Market Price @ Financial Year End	\$3.80	-45.32%	\$6.95	14.88%	\$6.05
P/E Ratio @ Financial Year End	***		77.22		13.75
Dividend (Cents)	3	-66.67%	9	40.00%	15
Dividend Payout Ratio	-1.43%		100.00%		34.09%
Dividend Yield	0.80%		1.29%		2.48%
Net Asset Value	\$0.66	-77.16%	\$2.89	12.42%	\$3.30
Market to Book Ratio	5.76		2.4		1.83
Return on Equity	***		0.96%		5.47%
Return on Assets	***		3.59%		15.04%
Shares Outstanding	12,000		12,000		12,000

### Share Price

The shares of RML have traded within the range of \$3.80 to \$3.90 from the beginning of 2006 to November 8<sup>th</sup> 2006. However on November 10<sup>th</sup> 2006, the next trading day after the release of the third quarter results, the share price jumped 9.92 per cent to close at \$4.21. This shows that the market has regained some confidence in this Company. (See Graph 2)

### Volumes

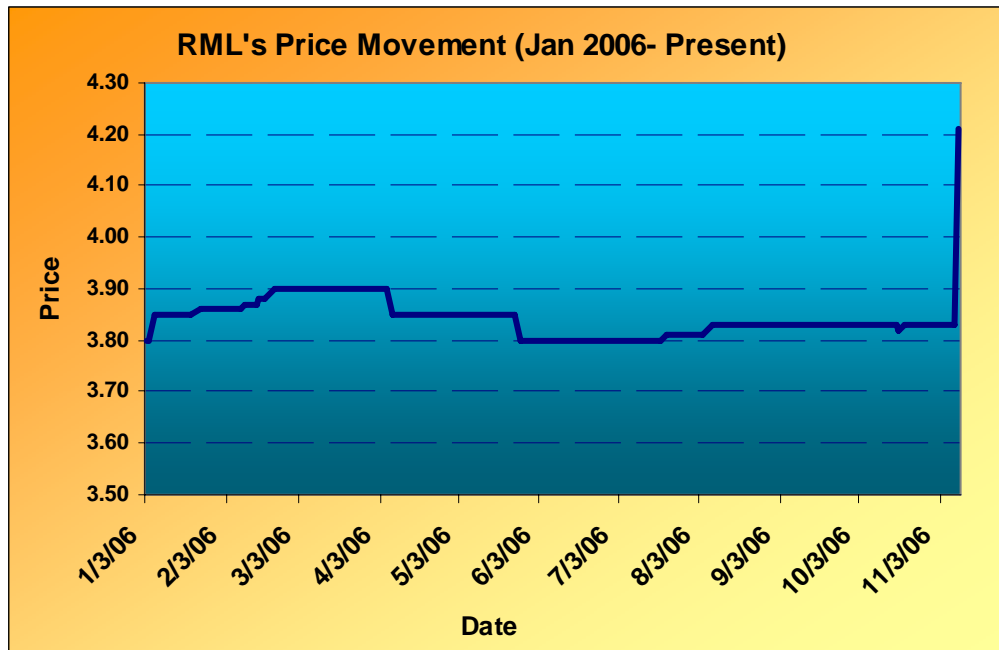
The issued share capital of RML is 12 million shares, of this, approximately 70 per cent (8.4 million) is owned by Trinidad Cement Limited, while Republic Bank Limited and CLICO each hold approximately 6 per cent. Thus, only 18 per cent of the share capital is in the hands of the public and as such the volumes traded on this share are quite light in comparison to market volumes. (See Graph 3)



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**Graph 2**



**Graph 3**





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***Recommendation***

The shares of RML are currently trading at a price of \$4.21. In light of the current results and the forward looking statements of the Chairman, we have revised our forecasted EPS upwards to \$1.00. Given the current price and our revised forecasted EPS, the shares of RML are trading at an extremely attractive multiple of 4.21 times. Based on this fundamental analysis, RML is currently trading at a bargain price and as such we recommend a **BUY** on this share.

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