

Readymix (West Indies) Limited

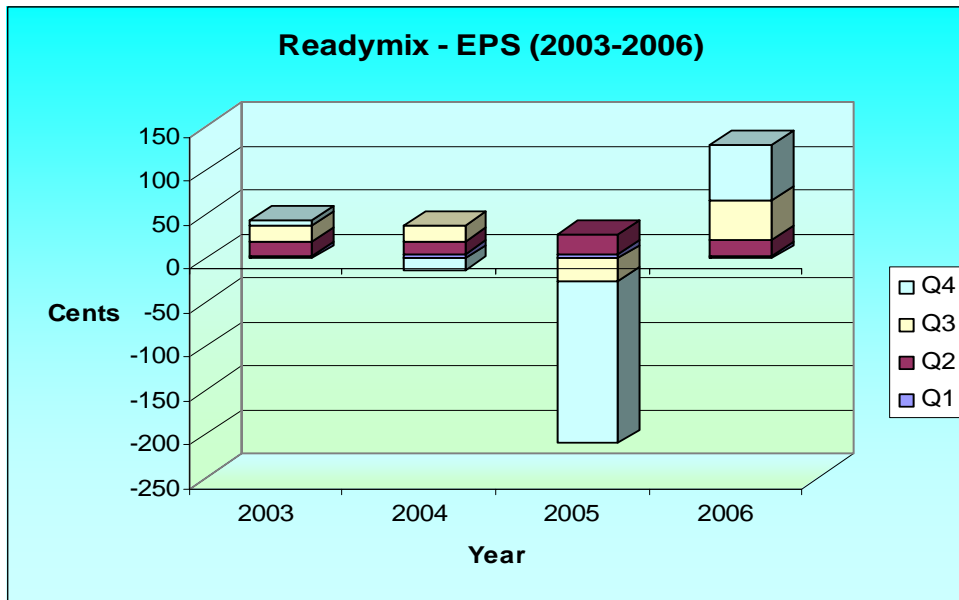
Symbol	RML
RECOMMENDATION	BUY
Current Price	\$5.11
Running EPS	\$1.29
Projected EPS	\$1.50
P/E at Projected EPS	3.41 times
Projected Dividend	\$0.03
Dividend Yield	0.59 per cent
Return on Assets	11.02 per cent
Return on Equity	87.17 per cent

Results for the Year Ended December 31, 2006

Earnings Per Share

Readymix (West Indies) Limited (RML) reported Earnings Per Share (EPS) of \$1.29 for the year ended December 31, 2006, which was a complete turnaround from its loss of \$2.14 for the year ended 2005. This was also the best year the Group has had over the past four years (See Figure 1). The significant improvement in profitability was attributable to the parent company, Readymix (WI) Limited and to a lesser extent, Premix and Precast Concrete Incorporated, its Barbados subsidiary.

Figure 1





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Financials

The Group had a strong top line performance as Revenue increased 40.59 per cent to \$258.611 million. This was driven by buoyant demand in Trinidad & Tobago and Barbados. Direct costs however were higher than the prior year mainly due to increased volumes coupled with the high cost of imported aggregates into St Maarten and Trinidad. The Group also incurred higher labour costs arising from the settlement of Union agreements in Trinidad and Barbados. Operating Profit therefore stood at \$27.933 million compared to a loss of \$26.982 million in 2005. The Group's Operating Profit Margin was 10.80 per cent. Finance Costs rose 4.96 per cent to \$4.933 million.

Profit Before Tax rose 172.60 per cent from a loss of \$31.682 million to a gain of \$23.000 million. Taxes moved from a credit of \$5.224 million to a charge of \$6.826 million making the Effective Tax Rate for this year 29.68 per cent. Profit After Tax was ultimately up 161.13 per cent to \$16.174 million.

Premix and Precast's Performance

The enhancement of the distribution fleet at Premix and Precast enabled this Company to grow sales volume by 23 per cent and save on distribution costs. The Company's performance resulted in Profit After Tax of \$1.6 million from a recorded loss of \$1.8 million in 2005.

St Maarten Subsidiary's Performance

The performance of the St Maarten subsidiary however was below expectations. The Company continued to face challenges in securing raw materials in the first half of the year along with significantly reduced sales in the last quarter. The fall in sales was as a result of the lack of steel on the island which impacted negatively on the construction industry.

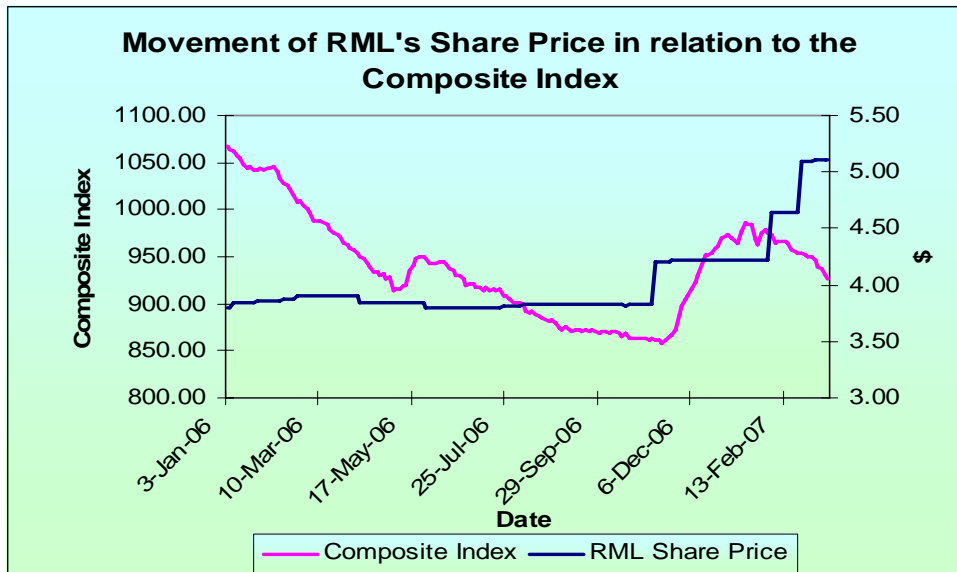
Restatement of Financials

In accordance with IAS 8, the prior year's financial statements were restated for 'excess' depreciation charged in the past years. Consequently, retained earnings was increased by a net of \$3.2 million but depreciation expense in respect of the year 2005 increased by \$0.9 million.

Share Price

RML opened the year at \$3.80 and closed at \$4.22 resulting in a gain of 11.05 per cent. The movement of the share price has little impact on the Index as RML's capitalization value makes up a very small portion of the total market capitalization value. Due to the infrequent trading of the share, price changes are seldom and so RML tends to remain at one value for a period of time. This is exhibited by the series of plateaus on the graph.

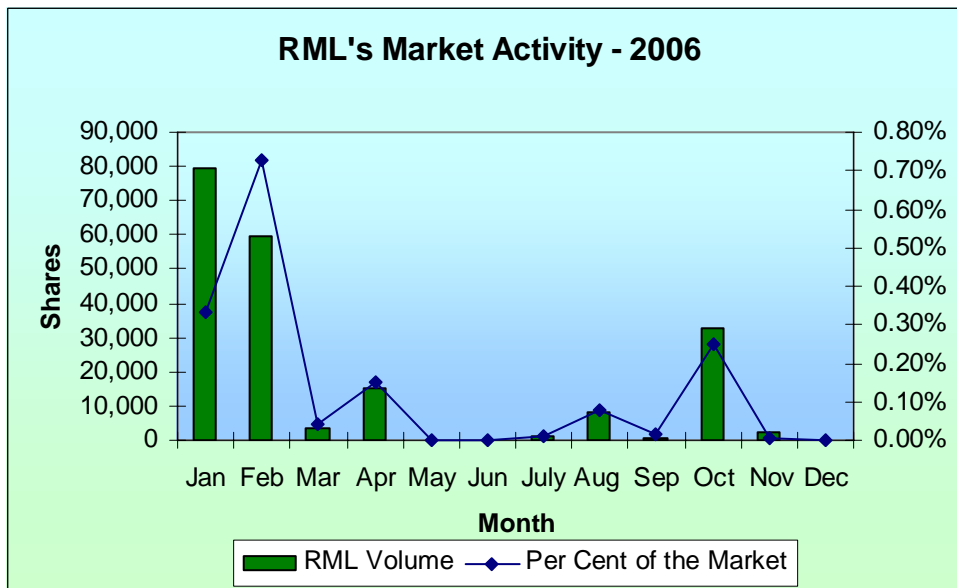
Figure 2



Market Activity

Due to RML's small issued share capital of 12,000,000 of which over 80 per cent is held by substantial interests, the volume traded on a monthly basis has been less than 1.00 per cent of the market. There were no trades in RML for the months June and December (See Figure 3).

Figure 3



Directors' Outlook

The Directors are optimistic about the Group's performance for 2007 given the continued demand for concrete across all markets. RML is also focusing on achieving greater efficiencies in all areas of the Group's operations in 2007.



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Recommendation

Given these results, WISE is forecasting EPS of \$1.50 for the year ended December 31, 2007. At this forecast and the current price of \$5.11. RML is trading at a very attractive price/earnings ratio of 3.41 times earnings. While we continue to recommend a BUY on this share, we remind clients that RML is not regularly traded due to the majority of shares being in the hands of substantial interests. Hence, trying to acquire the share would most likely be difficult.

Dividends

The Board of Directors does not consider it prudent to approve a dividend for 2006 given the existing significant negative working capital position. Thus, no dividends have been paid for RML's fiscal year 2006.

Figure 4

Readymix Financial Data for Year Ends (2003-2006)							
	YE 2006 \$'000	% Change '05-'06	YE 2005 \$'000	% Change '04-'05	YE 2004 \$'000	% Change '03-'04	YE 2003 \$'000
Revenue	258,611	40.59%	183,943	20.97%	152,053	9.98%	138,258
Operating Profit/Loss	27,933	203.52%	-26,982	-721.13%	4,344	-75.82%	17,968
Finance Cost	-4,933	4.96%	-4700	55.63%	-3,020	47.46%	-2,048
Profit Before Tax	23,000	172.60%	-31,682	-2492.90%	1,324	-83.81%	8,178
Provision for Tax	-6,826	-230.67%	5,224	4603.45%	-116	95.38%	-2,512
Profit After Tax	16,174	161.13%	-26,458	-2290.23%	1,208	-78.68%	5,666
EPS (Cents)	129	160.28%	-214	-2477.78%	9	-79.55%	44
Market Price @ Financial Year End	\$4.22	11.05%	\$3.80	-45.32%	\$6.95	14.88%	\$6.05
P/E Ratio @ Financial Year End	3.27		***		77.22		13.75
Dividend (Cents)	0	-100.00%	3	-66.67%	9	-40.00%	15
Dividend Payout Ratio	0.00%		-1.40%		100.00%		34.09%
Dividend Yield	0.00%		0.80%		1.29%		2.48%
Net Asset Value	\$2.23	237.88%	\$0.66	-77.16%	\$2.89	-12.42%	\$3.30
Market to Book Ratio	1.89		5.76		2.4		1.83
Return on Equity	87.17%		***		3.59%		14.23%
Return on Assets	11.02%		***		0.96%		5.30%
Shares Outstanding	12,000,000		12,000,000		12,000,000		12,000,000

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