Equity Research
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COMPANY UPDATE

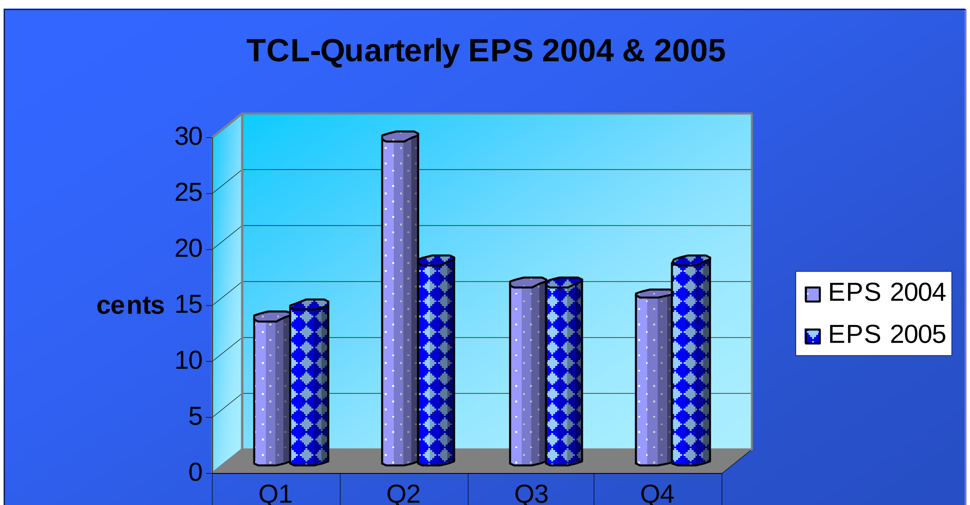
Trinidad Cement Limited

	TCL
RECOMMENDATION	**SELL**
Current Price	**$8.74**
Current Running P/E	**14.56**
Running EPS	**60 cents**
Projected EPS	**52-58 cents**
Dividend Yield (FY 2005)	**1.50%**
Return on Assets	**5.71%**
Return on Equity	**13.97%**

Year Ended December 31, 2005 & First Quarter ended March 31, 2006

After growing its earnings per share over 34 per cent from 50 cents in 2003 to 67 cents in 2004, Trinidad Cement Limited (TCL) experienced a year in which there was no consistent growth quarter on quarter (See Figure 1) and so, the Company reported flat earnings of 66 cents for the year ended December 31, 2005 down 1 cent from 2004's earnings per share of 67 cents.

Figure 1



	Q1	Q2	Q3	Q4
EPS 2004	13	29	16	15
EPS 2005	14	18	16	18

Though Revenue increased 7.51 per cent from $1,329.900 million in 2004 to $1,429.834 million in 2005, Operating Profit was down 39.52 per cent due to a shortfall in clinker production, costly interruptions caused by the passage of hurricanes in Jamaica and increased output costs. In addition, the Company's Readymix subsidiary reported a net loss of $25.2 million.

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Profit Before Taxation was down 56.46 per cent to $86.799 million while Profit After Tax was down by a much lesser margin, 16.34 per cent to $153.767 million. This was owing to the fact that the Company benefited from deferred tax credits due to the reduction of the tax rate in Trinidad & Tobago and recognition of a deferred tax asset at the Company's Barbados subsidiary. TCL's Provision for Taxation was ultimately a credit of $66.968 million in 2005 compared to a debit of $15.556 million in 2004. The tax credit made up approximately 44 per cent of TCL's Profit After Tax.

The year 2005 saw the completion of Phase one of the capacity upgrade project at the Trinidad plant. The expansion and modernization program continues at Caribbean Cement Company Limited (CCC) and is scheduled to be completed in early 2008. The Group's Guyana Bagging Plant project is due to be completed by July 2006.

The first quarter of 2006 however brought on challenges for the Company as its EPS dropped 42.86 per cent from 14 cents in 2005 to 8 cents in 2006 mainly due to the fact that the Company encountered quality control issues at CCC. The problem stemmed from sub standard cement which was sold on the market and eventually had to be recalled. The Company has made a provision of $15.5 million for claims arising out of this incident. This problem has created a great shortage of cement in Jamaica. The Jamaican Government dropped the tariff previously imposed on cement from 40 per cent to 15 per cent in March and recently completely waived it for a three month period. It is this 40 per cent tariff that allowed TCL's subsidiary Caribbean Cement Company Limited (CCC) to grow its market share from 77 per cent to over 90 per cent in 2004.

During the first quarter TCL itself was also faced with the possibility of the Government of Trinidad & Tobago establishing a price control on cement. To date, no such control has been implemented. Revenue however grew 17.41 per cent from $342.345 million in 2005 to $401.938 million in 2006. This positive growth in revenue came from increased sales volumes of 16 per cent and 34 per cent in the Trinidad and Barbados markets respectively. The Company also enjoyed higher sales volumes at its Readymix and Packaging Companies.

Stemming from the problems discussed before, Operating Profit for this period was down 45.93 per cent while Profit Before Taxation declined 86.57 per cent to $5.823 million. The Company enjoyed a tax credit of $8.850 million compared to a debit of $5.691 million in the first quarter of 2005 while Profit After Tax dropped 61.06 per cent to $14.673 million. The tax credit made up approximately 60 per cent of the first quarter's Profit After Tax.

At the current price of $8.74 and running EPS of 60 cents, TCL is currently trading at a running price/earnings ratio of 14.57 times. Given the flat 2005 performance and the uncertainty associated with the Company in the current year due to problems experienced at CCC in the first quarter, some downward pressure on the current price is expected. We are forecasting a year end EPS between 52 to 58 cents and so, we recommend a SELL on this share.

The Company declared a final dividend of 5 cents to be paid on July 21, 2006 to shareholders on record at the close of business on July 7, 2006. This brings the total dividends paid for the Fiscal Year 2005 to 15 cents.

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Figure 2

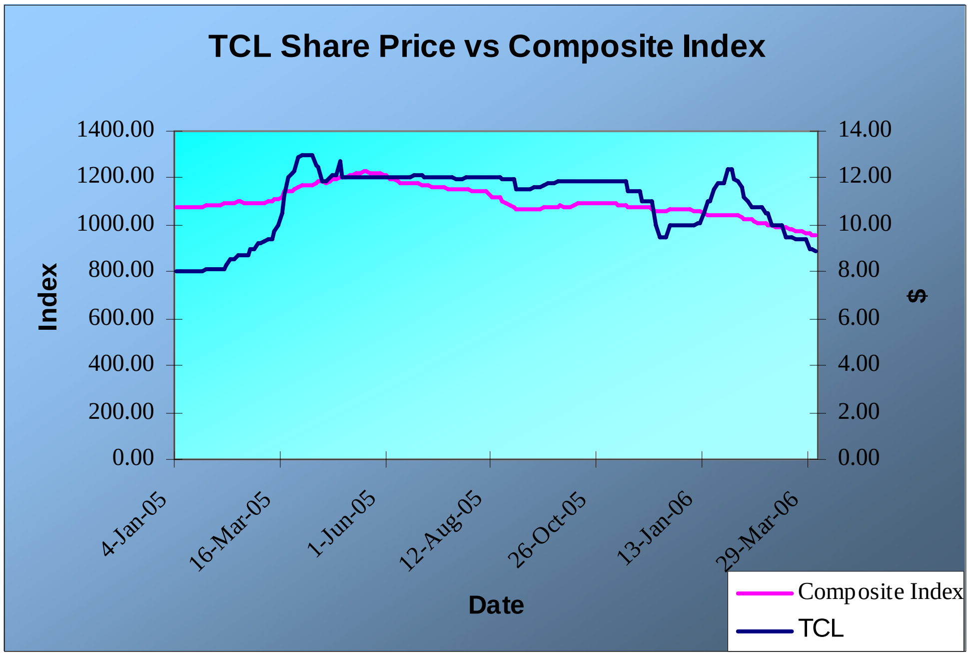
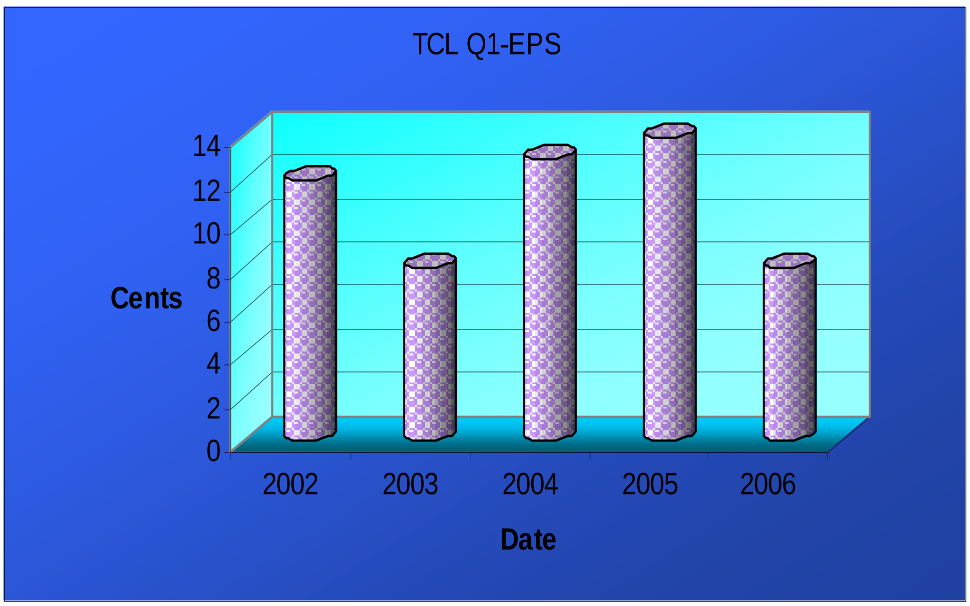


Figure 3



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First Quarter End Mar 31	**F.Y 2003**	**F.Y 2004**	**F.Y 2005**		**Q1 2006**
Revenue $000	1,155,671	1,329,900	1,429,834		401,938
% Change Per Period	2.11%	15.08%	7.51%		17.41%
Operating Profit $000	263,956	304,098	183,930		35,984
% Change Per Period	7.01%	15.21%	-39.52%		-45.93%
Profit Before Tax $000	173,247	199,348	86,799		5,823
% Change Per Period	8.05%	15.07%	-56.46%		-86.57%
Profit After Tax $000	137,186	183,792	153,767		14,673
% Change Per Period	-5.63%	33.97%	-16.34%		-61.06%
Profit Attributable to Shareholders $000	121,441	162,271	160,326		19,457
% Change Per Period	2.51%	33.62%	-1.20%		-41.87%
EPS (cents)	50	67	66		8
% Change Per Period	2.04%	34.00%	-1.49%		-42.86%
Price at Year End	$6.00	$8.05	$10.00		
Price / Earnings Multiple	12	12	15		
Dividend per Share (cents)	18	20	15		
Dividend Payout Ratio %	36.00%	29.85%	22.73%		
Dividend Yield %	3.00%	2.48%	1.50%		
Net Asset Value	$3.63	$4.25	$4.56		
Market to Book	1.65	1.89	2.19		
Shares Outstanding '000	249,765,136	249,765,136	249,765,136		

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