

Trinidad Cement Limited (TCL)

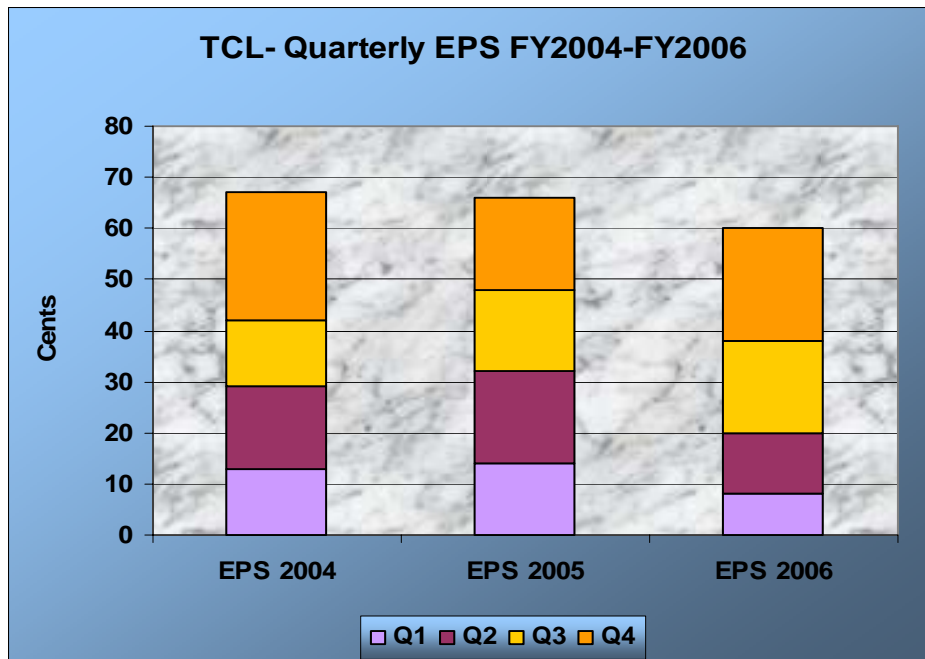
	TCL
RECOMMENDATION	BUY
Current Price	\$7.25
Running EPS	\$0.60
Projected EPS	\$0.75
P/E at Projected EPS	9.67 times
Dividend Yield	2.48%
Return on Assets	4.91%
Return on Equity	12.61%

Results for the Year Ended December 31, 2006

Earnings Per Share

Trinidad Cement Limited (TCL) has reported Earnings Per Share (EPS) of \$0.60 for the Year Ended December 31, 2006. This was spot on our forecasted EPS and represented a fall of 9.09 per cent or 6 cents on the comparable EPS of FY 2005. However, Q4 2006 on Q4 2005, the EPS was up by 22.22 per cent from \$0.18 to \$0.22, furthermore Q42006 was the best performing quarter for FY 2006. **Graph 1** below shows the quarterly EPS for TCL over the period FY2004-FY2006.

Graph 1





West Indies Stockbrokers Ltd.
1st Floor, Albion Plaza,
22-24 Victoria Avenue,
Port of Spain.
Tel: 625-9473; Fax: 627-5002

Equity Research Team
Sreshtha Tewari (Ext 2225)
sreshthat@wisett.com
Gia Singh (Ext 2264)
gias@wisett.com

Financials

Although the Group's year end EPS was down, FY2006 produced the highest Revenue in the history of TCL. This figure stood at \$1.72 billion and was up by 20.22 per cent or \$289.17 million on the previous financial year. The Directors have attributed this growth in Revenue to buoyant demand in the Caribbean domestic and export markets in addition to price adjustments.

Sales Increases:-

- Cement Sales Volume for 2006 exceeded 2005 by 120.0K tonnes or 6 per cent.
- Concrete Sales increased by 11.3 thousand cubic metres or 4 per cent.
- Packaging Sales increased by 5.2 million sacks or 5 per cent.

Operating Profit before cement claims for the period stood at \$295.11 million and was up by 60.45 per cent or \$111.18 million on the corresponding period in 2005. However, due to the cement quality issue at Caribbean Cement Company Limited (CCCL) in February 2006, the Company experienced charges of \$30.27 million for claims and an estimated total cost of \$59.6 million. Thus, Operating profit after cement claims amounted to \$264.84 million and was up by a smaller 43.99 per cent or \$80.91 on the comparable period in 2005.

Finance Costs for the period under review was \$104.36 million- an increase of \$7.22 million or 7.44 per cent on FY2005. According to the Director's Statement this was mainly due to loan funding of TCL's cement mill capacity expansion which came into production in 2006. Profit Before Taxation stood at \$160.49 million and was up by a significant 84.90 per cent on the same figure for FY2005. The Effective Tax Rate for FY2006 was 5.43 per cent however in FY 2005 the company benefited from a Tax Credit of \$66.97 million. As a result, the Profit After Taxation was \$151.77 million down by a minimal 1.30 per cent or \$2 million on the corresponding year in FY2005.

Net cash generated from operating activities was \$231.8 million, representing an increase of \$61.3 million over FY2005. The Group invested \$381.0 million in Property, Plant and Equipment for the period, mainly on the Expansion and Modernization Programme at CCCL and the Bagging Plant in Guyana, which was commissioned in December 2006.

Table 1 shows Year End Financial Data for TCL over the period (2004-2006)



Table 1

TCL Financial Data (2004-2006)							
	YE 2006	% Change '06-'05	YE 2005	% Change '05-'04	YE 2004	% Change '04-'03	YE 2003
Revenue	1,719,002	20.22%	1,429,834	7.51%	1,329,900	15.08%	1,155,671
Operating Profit- before Cement Claims	295,114	60.45%	183,930	-39.52%	304,098	15.21%	263,956
Cement Claims	30,271	***	-	***	-	***	-
Operating Profit- after Cement Claims	264,843	43.99%	183,930	***	304,098	***	263,956
Finance Costs	104,355	7.44%	97,131	-7.27%	104,750	15.48%	90,709
Profit Before Taxation	160,488	84.90%	86,799	-56.46%	199,348	15.07%	173,247
Provision for Taxation	-8,721	-113.02%	66,968	530.50%	-15,556	56.86%	-36061
Profit After Taxation	151,767	-1.30%	153,767	-16.34%	183,792	33.97%	137,186
EPS (cents)	60	-9.09%	66	-1.49%	67	34.00%	50
Market Price at Financial Year End	\$7.01	-29.90%	\$10.00	24.22%	\$8.05	34.17%	\$6.00
P/E Ratio	11.68		15.15		12.01		12.00
Dividend (cents)	6	-60.00%	15	-25.00%	20	11.11%	18
Dividend Payout Ratio	10.00%		22.73%		29.85%		36.00%
Dividend Yield	0.86%		1.50%		2.48%		3.00%
Net Asset Value	\$5.07	11.18%	\$4.56	7.29%	\$4.25	17.08%	\$3.63
Market to Book Ratio	1.38		2.19		1.89		1.65
Return on Assets (%)	4.91%		5.71%		7.00%		5.33%
Return on Equity (%)	12.61%		15.60%		18.61%		15.47%
Shares Outstanding	249,765,136		249,765,136		249,765,136		249,765,136

Director's Outlook

The Directors have stated that the Group is optimistic about the prospects for 2007, as demand is expected to remain strong in both the Caribbean domestic and export markets. They have also stated that the Bagging Plant in Guyana has had an immediate positive impact on the Group's ability to service the Guyana and Suriname markets. Additionally, the Expansion and Modernization Programme in Jamaica continues on schedule with the commissioning of the new kiln expected in early 2008.

Dividend

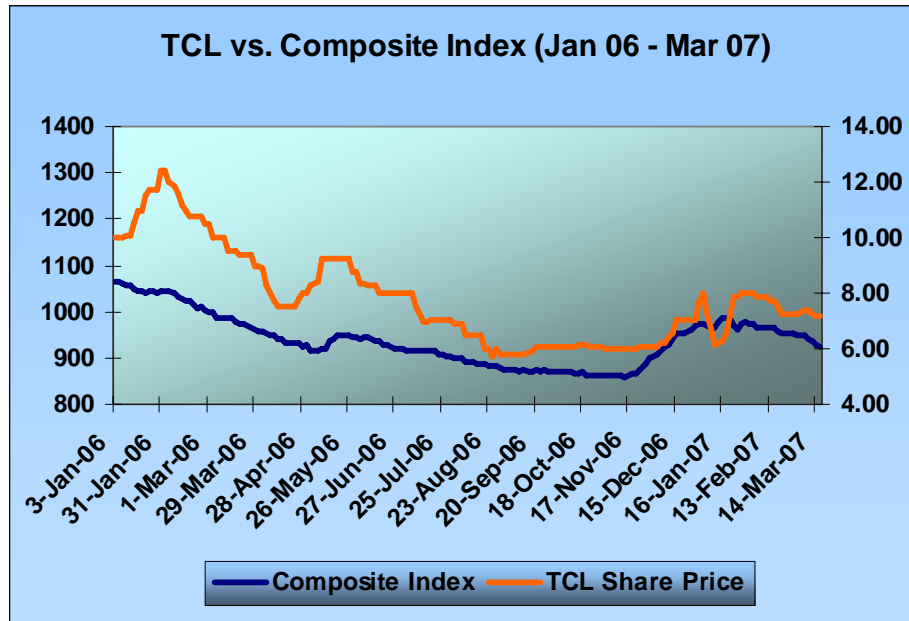
TCL will need to continue channeling all internally generated funds to its Expansion and Modernization Programme, as such, the Board of Directors have approved a dividend of 6 cents per ordinary share, compared to 15 cents in FY2005. The dividend is to be paid on May 25, 2007 to shareholders on record at the close of business on May 11, 2007. The register of members will be closed from May 11 to 15, 2007 inclusive. The Annual Meeting of shareholders will be held on May 9, 2007.



Share Price

TCL started 2006 at a price of \$10.00, reached as high as \$12.40 on January 31, 2006 and then dropped to a low of \$5.70 on August 25, 2006 before ending 2006 at \$7.01. The drop in share price was mainly due to poor first and second quarter results as a result of the problems in its CCCL subsidiary in Jamaica. The current year has seen this share trade as high as \$8.01 and as low as \$6.11. (See Graph 2)

Graph 2



Volumes

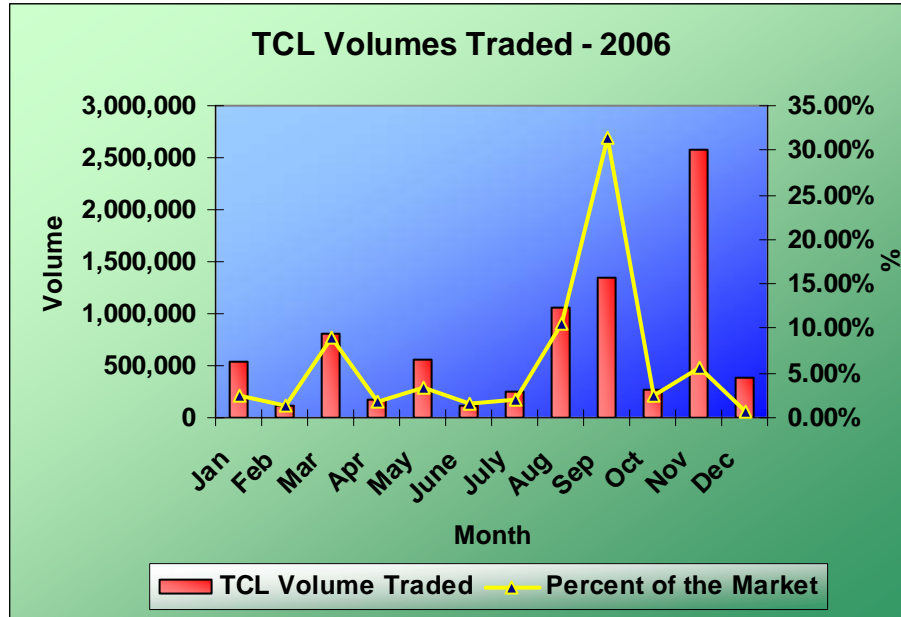
The largest volume of TCL shares traded for 2006 was 2.58 million shares in the month of November, which accounted for 5.72 per cent of the market. While the market saw the lowest volume for these shares in February, a total of 0.11 million shares traded or 1.33 per cent of the market. Although the month of September saw the second highest volume traded, it was the largest percentage traded in relation to the market (31.46 percent). (See Graph 3)



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Graph 3



Recommendation

TCL is currently trading at a price of \$7.25 on the local market. Based on the current results and the forward looking statements of the Directors, we are forecasting an EPS of \$0.75. At this forecasted EPS and the current price, TCL is trading at a price to earnings multiple of 9.67 times which is attractive for a share that typically trades in the band of 9 to 15 times. Also, using a multiple of 12 times and based on WISE's forecasted EPS of \$0.75, we have estimated a 12 month return on this share of approximately 24 per cent or a target price of \$9.00. Thus, we strongly recommend a **BUY** on TCL.

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West Indies Stockbrokers Limited, 1st Floor Albion Plaza, 22-24 Victoria Avenue, Port of Spain, Trinidad (868) 623-4861 Fax (868)-627-5002 e-mail: info@wisett.com Member of the Trinidad and Tobago Stock Exchange Ltd.