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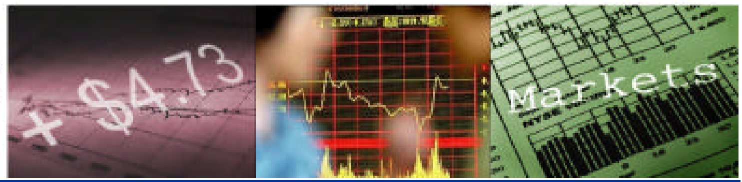

Cherelyn Elbourne, Research Analyst cherelyn.elbourne@mycmmb.com

Cement woes goes into overtime

Trinidad Cement Limited (TCL), Caricom's sole cement provider, recently released much anticipated results and those of its subsidiaries for the financial year ending December 2005 as well as financials for first quarter ending March 2006. The Group recorded an increase of 8% in revenue to TT$1.43 billion, driven mainly by strong domestic demand across its three cement companies. Operational woes continued to plague TCL, however, as the operating profit margin fell from 22.9% in 2004 to 12.9% in 2005. Several factors contributed to this outcome including higher clinker import costs and interruptions in production prompted by inclement weather conditions. One- off losses suffered by its two subsidiaries - Caribbean Cement Limited and Ready Mix Limited – weighed heavily on the Group's operating profits.

Although profits attributable to shareholders were buoyed by a deferred tax credit of TT$66.9 million this was unable to prevent a 16% year on year retreat in profits for 2005. The Group's profitability ratios dipped over the period with Return on Assets and Return on Equity falling from 6.6% and 15.3% to 5.4% and 14%, respectively. As a result, Earnings Per share (EPS) remained relatively flat at TT $0.66 in 2005.

The Group's weak financial performance continued into the first quarter of 2006, worsened by concerns about product quality. Caribbean Cement was challenged after a batch of cement (471 tonnes) was recalled due to its substandard quality, production halt and a consequential provision of TT$160 million in anticipation of settlement claims. Closer to home, Ready Mix Limited posted a net loss of 50% year on year due to higher financing costs and a weaker performance from its St. Maarten subsidiary. TCL's operating profit margin fell to 9.7% in the first quarter of 2006 from 10% in the first quarter of 2005.

Rising costs associated with cement and aggregate are major concerns for the construction industry, which prompted the government to suggest the imposition of price controls on building materials even as demand for these resources also spiral on the international scale. The building boom is not unique to the Caribbean but also evident in China, India and the US, spurring phenomenal price increases in construction material including steel. TCL is focusing on increasing its production capacity and completed the first phase of its expansion at the end of 2005. The new plant is designed to produce 1.2 million tonnes of cement per year, but is currently producing 80% of this target with full capacity expected by the third quarter of 2006. Demand, on the other hand, continues to climb surpassing 2005 levels of 52,000 to reach 62,000 per month. TCL's cement price rose in 2005 in Jamaica to help offset the increases in energy costs and seems to be comparable to prices of neighboring cement producing countries. TCL should have the capacity therefore to meet local demands once the plant is fully operational.

Production and Demand for Trinidad Cement Limited 2001- 2006

	2001	2002	2003	2004	2005	As at March 2006	Anticipated Demand for 2006
TCL Production (Tonnes '000)	697	744	765	769	691	217	
Trinidad Consumption (Tonnes '000)	229	446	510	525	566	147	600

Source: Trinidad Business Express April 2006

Government's frenetic pace of construction and high demand in Barbados in anticipation of Cricket World Cup 2007 should continue to boost the Group's revenue. However, more focused management on operational performance is needed, especially in the wake of another busy hurricane season (the main catalyst for the weak performance of Caribbean Cement), which could also face supply challenges until the expansion program is completed in 2008. The Group may also be challenged by rising input costs inclusive of volatile fuel prices and the cost of servicing its debt obligation could result in a significant financing burden. Our projected EPS for TCL is flat at TT$0.66 for the financial year ending 2006. The stock is fairly valued in the range of TT$8.23 to TT$8.39.

Regional Market Review

The first trading week of June ended with negative returns as the TTSE closed at 942.15 points and a year to date return of -11.7%. Noteworthy was the positive return on the All Trinidad Index which rose 0.3% and a month on month return of 6.2%, suggesting that TT listed stocks had a better showing than their cross- listed counterparts. Trading activity fell in the review period by 41%, with 3.7 million shares traded. NFM emerged as the most popular stock among investors, ending with 35% of the total trades. In close pursuit was RBL which accounted for 31% of shares traded. Trinidad Publishing recorded an increase of 8.5%; the most significant price appreciation followed by Unilever (6.3%) and Capital and Credit Merchant Bank (3.2%). TCL's results weighed on its stock price which ended at $8.34 on June 6th, 2006, a fall of 4.3%. National Flour Mills and NCBJ also retreated by 4.2% and 3.6% respectively. In other news, a bonus issue was approved by Scotiabank shareholders who are expected to receive one ordinary share for every two shares held in the stock.

In Jamaica, the JSE closed with 87, 828.99 points, growing 0.8% for the period and inching past its' peers. The ALL JA and JSE select fell marginally by 1.4% and 1.2%, respectively. Trading volumes improved by 26% over the prior week; 11 shares advanced while 18 retreated and 11 remained unchanged. Stocks gaining the most value in terms of price appreciation were Ciboney (20%), Guardian Holdings (13.8%), and Grace Kennedy (3%). Poor first quarter results for the Caribbean Cement Company led to a sharp decline to a low of J$3.70 and ended this review period with the biggest decline of 24%. Montego Freeport also retreated by 13% and Supreme Ventures fell by 8%.

The much anticipated listing on the BSE of new comer Duty Free Caribbean has been deferred. The new listing was expected to inject new life and boost market activity. However the lacklustre performance of regional markets and slowdown in tourist arrivals forced the company to postpone the initial public offering. This performance was also evidenced by a fall in volumes traded by some 64%, with 24 shares remaining unchanged, while one stock retreated. Year to date the Barbados Stock Exchange has recorded flat growth of -1.2%, closing with 3,881.50 points on 6 June 2006.
Sagicor accounted for the bulk of trading (41%) while Cave Shepherd lost 3% of its value. Cave Shepherd's half year performance posted reduced net operating profits with a weak outlook for the remainder of the year.

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	942.15	-0.09	2.91	-11.68	-28.76
All Trinidad	1,189.00	0.28	6.22	-10.10	-21.42
JSE Index	87,828.99	0.84	-0.39	-15.35	-23.11
All Jamaica	84,765.75	-1.39	-4.24	-17.99	-27.19
JSE Select	2,340.36	-1.17	-3.55	-17.81	-23.82
BSE Local	3,881.50	-0.21	-0.22	-1.24	-0.94

Current Happenings

- T&T may dip into savings by 2008, warns IMF
- T&T Government looks to diversify; several new energy complexes on the horizon
- Duty Free Caribbean defers BSE listing
- Jamaica's foreign exchange savings surpasses US$2 billion
- Lee Chin buys into Jamaica cable Industry

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,263.85	-0.49	-4.67	-0.39	5.54
Nasdaq Composite	2,162.78	-0.74	-7.67	-3.61	4.19
Dow Jones	11,002.14	-1.49	-4.97	1.43	5.11
German Dax	5,502.81	-3.34	-9.99	0.77	22.36
FTSE 100	5,669.80	-0.94	-6.93	-0.21	13.84
Nikkei 225	15,384.86	-0.53	-11.03	-4.51	36.50

International Market Review

Fear that further interest rate increases may slow economic growth weighed heavily on international stock markets. Interest rate hikes are expected to dampen consumption in the U.S. The Standard and Poor's 500 Index fell by 0.5% as well as Nasdaq (-0.7%) and Dow Jones (-1.5%). The German Dax lost 3.3% of its value; FTSE also fell marginally while the Euro Stoxx Index dropped 3% to 3,529.10 points. The Asian Equity Indices Nikkei and Hang Seng also recorded marginal losses.