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Local
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Trinidad Cement Ltd. (TCL) upgraded to 'B-' from 'CCC' by S&P.

- On 19 August, 2015, S&P raised TCL's corporate credit rating to 'B-' from 'CCC' and removed it from CreditWatch with positive implications. The outlook is stable.

- TCL successfully completed the refinancing of its USD245 million bridge loan due in February 2016, thereby improving the company's debt maturity and liquidity profile.

- The company refinanced the bridge loan with a USD200 million senior secured term loan, which was assigned a 'B-' issue level rating by S&P, composed of two tranches : USD148.3 million and TTD329.6 (about USD52 million at an exchange rate of 6.34). The remaining USD45 million was prepaid from cash generated from TCL's operations during the January – July 2015.

- The stable outlook reflects S&P's view that TCL will post low single digit revenue growth and will improve EBITDA margins over the next two years, supported by various targeted operating efficiencies and cost savings as part of the technical agreement with Cemex.

- According to S&P, TCL's financial risk profile is classified as aggressive, because it is expected that TCL would deleverage in the next two years using free operating cash flow. However, the high volatility of the company's cash flow and leverage ratios during the period stress limits the financial risk assessment.

TCL financial performance indicators:

Indicator	HY 30 June 2015	FY 2014	FY 2013
Return on Equity (%)	10.07	-51.14	8.50
Basic EPS	0.04	-0.87	0.24
Return on Assets (%)	2.33	-6.69	1.62
Return on Capital (%)	24.60	-2.20	9.15
Profit Margin (%)	3.62	-10.19	3.01
Operating Margin (%)	18.87	13.16	14.58
Current Ratio (%)	0.61	0.36	1.21
Last Price (TTD)	2.90	2.50	2.20

S&P Assumptions:

- GDP growth in T&T, Jamaica, Barbados and other key export markets of about 1.5% and 2.1% on average for 2015 and 2016 respectively.
- TCL sales growth of 2.3% in 2015 and 2.5% in 2016 due to inflation-adjusted prices and several housing and public-sector projects (especially in T&T, Jamaica and Barbados);
- Reduction in operating expenses mainly from workforce reductions and improved operating efficiencies.
- Working capital inflows of about TTD17.5 million in 2015 and TTD 21.9 million in 2016;
- Capex requirements of about 5.5% of revenues in 2015 and 5.0% in 2016 for stabilizing operations and optimizing plants to reach operating efficiencies;
- No dividend payments for the next two years.

Credit measures based on assumptions and an annual debt amortization of about TTD188 million:

- EBITDA margin of about 22.0% in 2015 and 24.0% in 2016;
- Consolidated debt to EBITDA of 2.7x and 2.0x;
- Funds from operations to debt of about 24% And 39%: and
- EBITDA interest coverage ratio of 3.3x and 7.3x

However, a negative rating action is possible if TCL does not achieve its expected operating efficiencies and cost savings, resulting in lower than expected operating and financial performance, and/or if its liquidity deteriorates in the next 12 to 18 months, or if TCL generates negative free operating cash flow.

Risk:

- TCL's business risk profile is rated as vulnerable, reflecting the small scale of both the company and its end markets relative to its rated peers.
- TCL's aging operating plants require significant capital expenditures to maintain.
- Weakness from asset and production capacity concentration and its limited product diversity.

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