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EQUITY RESEARCH
ON LOCAL LISTED CEMENT COMPANIES
April 2013

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25th April 2013
EQUITY RESEARCH
Cement Sector

Tanzania Economic Growth Outlook

Strong domestic demand and foreign investment should support growth through 2013 despite a deteriorating global outlook. We are expecting domestic demand to remain the main driver of growth in 2013, despite rising food and energy prices having eroded disposable incomes over 2011–12. In addition, we anticipate public investment into energy and transport infrastructure to offset weaker momentum in the mining sector. We expect fiscal and monetary policy to remain on the accommodative side over the medium term, although the authorities have made a move towards a more balanced policy mix in fiscal years (FY) 2011/12 and FY2012/13 in order to bring down inflation.

Tanzania's economy has been resilient to shocks and is expected to remain buoyant with a GDP growth forecast of 7.1% in 2013. GDP growth in 2012 (6.9%) was driven by private consumption (growing population), exports (due to favourable gold prices) and gross fixed capital (mainly public investment). Private investment is expected to lead growth in the short and medium term. In terms of dynamic sectors, tourism and mining continue to experience high growth rate even if agriculture remains the largest sector.

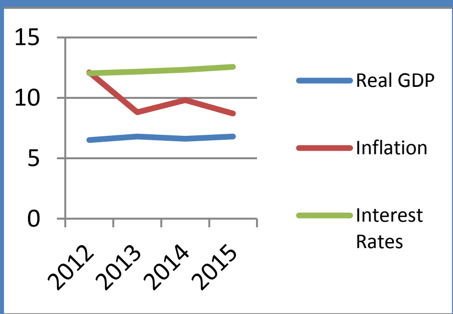
Services, industry and construction continue to be the driving forces. Export, which received a boost during the crisis as demand for gold in world markets continued to rise, are expected to perform well with forecast at 9.7% in 2013. The budget deficit, at 6.2% of the GDP has improved from 6.6% in 2011 and is expected to remain around that level for the next two years. In the second half of 2012 energy and capital goods slowed while agricultural and manufactured exports, services receipts and government transfer inflows boosted inflows.

Inflation was 9.8% in March 2013 and is expected to remain within a single digit levels throughout 2013. With the expected fall in the inflation rate, the exchange rate should stabilise in 2013 and 2014. The Tanzanian Shilling exchange rate is market determined, with only official interventions by the Central Bank to smooth out excessive volatility. As a result, the shilling has not been volatile or overvalued, although it depreciates. Its continued depreciation could translate into higher domestic prices and result in inflationary pressures on the real economy, particularly through the cost of imported fuel and other inputs.

Economic Key Indicators and Forecasts

	2012	2013	2014	2015
Real GDP	6.5	6.8	6.6	6.8
Inflation	12.1	8.8	9.8	8.7
Foreign Exchange	1,529	1,626	1,670	1,720
Interest Rates	12.03	12.15	12.33	12.55

Source: NBS, BOT & Global Insight



Source: NBS, BOT & Global Insight

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Cement Sector

Industrial Recommendation: MEDIUM TERM BUY

Investment Summary

We recommend a **MEDIUM TERM BUY** on the Tanzania Cement Industry. This view is backed by unsatisfied local capacity vs. Existing and potential demand.

Activities in the construction sector have recorded a CAGR of 8% over the past five years. In Tanzania, demand, currently at 4.0 million tonnes, has grown at a CAGR of ~10% over the past five years to 2012. We expect local demand to grow at higher than 10% if infrastructure investments are sustained at the current levels and the economic momentum stays as projected. We note that Tanzania is currently a net importer of cement, at around 500,000 tonnes per annum, 12% of the total consumption. We estimate that current sector utilization of capacity ~90%, offering minimal room for upside unless the projected new capacity is added.

Tanzania has three major cement manufacturing companies who are also members of East African Cement Producers Association (EACPA): are Tanzania Portland Cement Company Ltd (Twiga). The firm is publicly listed on Dar es Salaam Stock Exchange. Tanga Cement Company Ltd, (Simba), also listed on the Dar es Salaam Stock Exchange and the third cement company is Mbeya Cement Company Ltd which is currently not publicly listed.

Currently, Tanzania has an estimated production capacity of ~3.5 million tonnes per annum shared mainly among big producers Twiga, Tanga and Mbeya Cement. Demand stands at ~4.0 tonnes p.a.

Company	Capacity
Twiga Cement	1,400,000
Simba Cement	1,250,000
Mbeya Cement	350,000
Athi River	750,000

Other firms that are also expected to commence production are Lake Cement Company. Banco (India) has acquired a 51% stake in Lake Cement and will invest US$12.5 million in setting up the Greenfield plant in Lindi, together with the limestone reserves has been acquired, and the plant will be fuelled by coal imported from South Africa. The project will produce 500,000 tonnes of cement annually.

Rhino Cement, which is Athi River Mining (ARM)'s flagship brand, was launched in Tanzania in October 2012 with a plant in Dar es Salaam. The construction of a 1.2 million tonnes a year clinker plant in Tanga is progressing to schedule is expected to be completed in the Q3, 2013.

Key sector concerns include the escalating energy cost, stable power supply; transportation related challenges and costs as well as competition landscape from increased market shares going to new manufacturers, along with increased imports with lower costs.

Sector Key Statistics

Company	Existing capacity	Planned Capacity	Total capacity	Completion date
Twiga Cement	1,400,000	700,000	2,100,000	2015
Simba Cement	1,250,000	500,000	1,750,000	2015
Mbeya Cement	350,000	-	350,000	-
Athi River Mining	750,000	1,200,000	1,950,000	2013
Lake Cement	-	500,000	500,000	2014*
Dangote Cement	-	2,000,000	2,000,000	2015
Lee Building Minerals	-	300,000	300,000	2015*
	3,750,000	4,900,000	8,650,000	

Source: Various, TSL Estimates, approximate*

Key Statistics	Simba	Twiga
Price (Tshs)	2,420	2,620
Issued Shares (mn)	64	180
Market cap (Tshs. mn)	153	471
Year end	12/31	12/31
Trailing P/E (annualised)	4.4x	7.6x
Historical PER	4.3X	7.1x
EV/EBITDA	2.1x	4.0x
Historical div.yield	8.8%	7.9%
Annualised EPS (Tshs)	542	342
Historical dividend payout ratio*	31%	51%
Current production (MT)	1.25mio	1.4mio
Foreign investors **	62.50%	69.25%

**five years historical data (2008-2012), **foreign investors limit is 60%*

Competitive Landscape

New Players: (Concrete Plans or pipe dreams?)

Despite capacity expansion by existing players:

- Dangote Cement, Nigeria industry conglomerate and the new entrant in the Tanzania (& East African) cement market, is planning for a 2.0 million gas fired cement plant in the country as part of their pan-African strategy to expand across the continent.
- Athi River Mining, with their 2012 commissioned plant in Dar es Salaam intends to commission a new plant in Tanga by mid-2013 which will add local production capacity by 1.2 million tonnes.
- Lake Cement with a joint venture between local investors (49%) and Banco (India, 51%) intends to commission by 2014 with a capacity of 500,000 tonnes per annum.
- Chinese firm Lee Building Minerals has started construction of a US$12.5 million cement factory in Lindi with a capacity of 300,000 tonnes per annum.
- Pakistan investors plan to invest in a cement manufacturing plant in Tanzania with the intent to reduce imports from Pakistan.

Capacity expansion by various firms, entry on new players and the increased imports are likely to cause an overcapacity in a cement production in coming years

Existing capacity is expected to more than double in the next three years

Imports

We are concern about the risk of imported cement, especially to the existing operators. It is estimated that more than 12% of the local demand is satisfied by the imported cement, i.e. ~500,000 tonnes of imported cement annually. The imported cement which are relatively cheaper as a result of subsidizes and other incentives from their local markets i.e. cement from Pakistan and cement produced in Kenya Export Processing Zones. Imported cement is sold at a retail price of Tshs.12,400 ($11.8) per 50kg bag, while locally manufactured cement sells at Tshs. 13,000 ($12.4) per 50kg bag.

Changes in Shares Prices

Company	Current Prices	1 month ago	3 months ago	6 months ago	1 year ago
TWIGA	2,640	2,620	2,600	2,500	2,400
SIMBA	2,420	2,400	2,400	2,400	2,380

Company	Current Prices	% Change	% Change	% Change	% Change
TWIGA	2,640	0.76	1.54	5.60	10.00
SIMBA	2,420	0.83	0.83	0.83	1.68

Source: DSE & TSL Analysis

Tanga Cement Company Limited ("SIMBA")

Recommendation: Medium Term Buy

We recommend a **MEDIUM-TERM BUY** on Simba at a price of Tshs. 2,400 with up to 10% upside. The company has a P/BV valuation of 1.1x and PER of 4.4x, relatively cheaper compared to its peers in the local and regional context. Twiga is currently trading at PER of 7x and NSE listed cement companies averages at PER trailing of 15x.

Our optimistic view on the counter is further backed by relatively strong performances in its sales and revenue generation coupled with improved efficiencies resulting from reduced maintenance costs, partly responsible for relatively good margins (5-year average of 40%) and gross profit increment (5-year CAGR, 9%), 26% increase in the company's gross profit in 2012.

Simba produces 1.25 million tons per annum; Afrisam (majority shareholder) has approved the construction of a second kiln, at a factory in Tanga. The construction of the new kiln will enable Simba to have sufficient capacity to produce its own clinker requirements, eliminating the need to import clinker and thus substantially reduce production costs and increase efficiency even further. Construction of the new kiln is planned to commence in mid-2013 and projected to cost US$ 165 million with commissioning scheduled for 2015. This will increase capacity by 600,000 tons per annum – more than double the current clinker capacity.

We expect cement consumption growth potential through various construction activities in the consumer, industrial and infrastructure.

The company's costs subdued in 2012 following improved efficiencies and improved electricity supply. During the year, the company used merely 1.91% of own power generation compared to 6.9% in 2011.

In 2012, Simba marked a historic sale where the company managed to sell over one million tonnes of cement, pushing up its net profit by 52%. Sales volume grew by 21 per cent to Tshs. 258bn as a result of export sales that rose by 55%, with pre-tax profit increasing to Tshs. 56bn from Tshs. 37bn.

Clinker production is now running at a full capacity and the company' cost structure. Clinker production volumes increased by 9.6% compared to 2011 when the clinker was stopped for almost six weeks for major refurbishment work.

Relative Key Statistics	SIMBA
Price (Tshs)	2,420
Issued Shares (mn)	64
Market cap (Tshs. mn)	153
Year end	12/31
Trailing P/E (annualised)	4.4x
Historical PER	4.3X
EV/EBITDA	2.1x
Historical div.yield	8.8%
Annualised EPS (Tshs)	542
Current production (MT)	1.25mio
PER (x)	
2012A	4.4x
2013E	4.2x
2014E	4.1 x
2015E	3.9x
EPS (Tshs.)	
2012A	542
2013E	612
2014E	692
2015E	782
P/NAV (x)	
2012A	1.1x
2013E	0.9x
2014E	0.9x
2015E	0.8x
EV/EBITDA (x)	
2011A	2.1x
2012E	4.5x
2013E	3.7x
2014E	2.9x
Price Range (Tshs.)	
2012A	2,400
2013E	2,560
2014E	2,840
2015E	3,000

With the planned capacity increase in kiln and milling capacity by 600,000 MT per annum by 2015 at a cost of US$ 165 million funding of the expansion project is expected from a combination of internally generated retained earnings/cash and debt facility and therefore we expect leverage ratios to change.

The down side risk emanates from the increased current competition from both local (Twiga, Mbeya and ARM) and imports from Pakistan, India, Egypt and Kenya as well as transportation (logistical) related challenges as transportation by railway has been reduced by 50% due to declining services level available and hence increased distribution costs.

Key Statistics

	FY08	FY09	FY10	FY11	FY12	CAGR
Number of shares	63,671,045	63,671,045	63,671,045	63,671,045	63,671,045	
Pre-tax profit (Tshs. Mn)	43,219	43,835	44,696	35,449	51,271	8%
Profit after Tax (Tshs. Mn)	30,253	30,420	32,194	21,929	34,499	8%
Dividend (Tshs. Mn)	7,641	11,397	15,727	5,476	6,367	-12%
Market Cap. (Tshs. Mn)	287,880	303,066	323,860	374,240	152,811	-6%
Net Assets value (Tshs Mn)	61,407	91,882	107,692	116,592	145,233	24%
Price per share (Tshs.)	1,860	1,740	1,900	2,380	2,400	14%
Book value per share (Tshs.)	964	1,443	1,691	1,831	2,281	24%
Earnings per share (Tshs.)	475	478	506	344	542	8%
Dividends per share (Tshs.)	120	179	247	86	100	-12%
Price Earnings Ratio (xs)	3.91	3.64	3.76	6.91	4.43	6%
Dividend Yield	6%	10%	13%	4%	4%	-23%
Dividend Payout Ratio	25%	37%	49%	25%	18%	-18%
Price book value (xs)	1.93	1.21	1.12	1.30	1.05	-7%

Source: DSE Data and TSL Analysis

We therefore continue to believe that Simba Cement is better positioned to face the coming competition from major international cement producers like Dangote and ARM. We continue to be impressed by the operating business model, its management, strategic business plan and location, and projected financial performance.

We continue to regard these factors as very key for the company's future performance. We therefore have used these factors and the overall positive outlook for the cement industry in Tanzania to recommend a **medium term buy** for SIMBA cement in the medium term.

We project a 3 year CAGR on EPS and DPS of 8% and 8% to Tshs. 677 and Tshs. 135 respectively. Our projections point is to a CAGR 6% dividend yield in three years. We also project a -18% CAGR reduction in P/B to ~0.9 – mainly due to increase in investments level relative to projected stock price movements.

	FY12A	FY13E	FY14E	FY15E	CAGR
Number of shares (Mn)	63,671,045	63,671,045	63,671,045	63,671,045	
Pre-tax profit (Tshs. Mn)	51,271	55,655	62,930	71,089	8%
Profit after Tax (Tshs. Mn)	34,499	38,959	44,051	49,762	8%
Dividend (Tshs. Mn)	6,367	13,306	15,045	16,996	8%
Market Capitalization (Tshs. Mn)	152,811	162,998	180,826	191,013	1%
Net Assets value (Tshs Mn)	145,233	167,018	192,071	220,881	24%
Price per share (Tshs.)	2,400	2,560	2,840	3,000	1%
Book value per share (Tshs.)	2,281	2,623	3,017	3,469	23%
Earnings per share (Tshs.)	542	612	692	782	8%
Dividends per share (Tshs.)	100	209	236	267	8%
Price Earnings Ratio (xs)	4.43	4.18	4.10	3.84	-6%
Dividend Yield	4.17%	8.16%	8.32%	8.90%	6%
Dividend Payout Ratio	18.45%	34.15%	34.15%	34.15%	0%
Price book value (xs)	1.05	0.98	0.94	0.86	-18%

Source: TSL Estimates

Simba Financials

Tshs. million	2007	2008	2009	2010	2011	2012	CAGR
Non-current Assets	41,327	59,286	84,990	102,141	105,401	108,961	21%
Current Assets	27,460	29,544	31,156	40,546	50,687	76,115	23%
Total Assets	68,787	88,830	116,146	142,687	156,088	185,076	22%
Capital and Reserve	50,515	61,407	91,882	107,691	116,592	145,233	24%
Total Liabilities / Debt	18,272	27,423	24,264	34,996	39,496	39,843	17%
Cash	6,553	3,804	10,170	8,183	9,761	38,756	43%
D&A	2,025	2,207	2,451	5,489	5,001	5,133	20%
Taxes	10,831	12,966	13,414	12,502	13,520	16,772	9%
Net Finance Costs	123	281	(58)	728	561	295	19%

Tshs. million	2007	2008	2009	2010	2011	2012	CAGR
Revenue	93,784	121,349	119,898	149,181	161,436	195,603	16%
Cost of sales	51,058	68,872	63,828	89,466	109,401	129,895	21%
Gross Profit	42,726	52,477	56,070	59,715	52,035	65,708	9%
Operating Cost	8,347	9,678	10,921	15,656	17,705	16,529	15%
Operating Profit	34,379	42,799	45,149	44,059	34,330	49,179	7%
Net Profit Before Taxation	34,422	43,219	43,835	43,997	35,449	51,271	8%

Tshs. million	2012A	2013E	2014E	2015E	CAGR
Revenue	195,603	226,582	262,467	304,035	16%
Cost of sales	129,895	151,977	177,813	208,042	17%
Gross Profit	65,708	74,605	84,653	95,993	13%
Operating Cost	16,529	18,949	21,724	24,904	15%
Operating Profit	49,179	55,655	62,930	71,089	13%
Net Profit Before Taxation	51,271	38,959	44,051	49,762	13%

Improving economies of neighbour countries of Rwanda and Burundi (and subsequent increase in demand for cement) will, if utilized well by Simba Cement, provide a major alternative to the soon to be relatively about a saturated cement market in Tanzania.

Valuation and Ratios

Valuation/Ratio	**2012A**	**2013F**	**2014F**	**2015F**
Gross Margin	34%	33%	32%	32%
Operating Margin	25%	25%	24%	23%
Net Margin	26%	17%	17%	16%
EV/Sales	0.6x	1.3x	1.0x	0.8x
EV/EBITDA	2.1x	4.5x	3.7x	2.9x
Market Cap / Sales	0.8x	0.7x	0.7x	0.6x
PER	4.4x	4.2x	4.1x	3.9x
Div Yield	4.0%	8.1%	8.3%	8.9%
P/B	1.1x	0.9x	0.9x	0.8x

Tanzania Portland Cement Company Ltd (TWIGA)

Recommendation: Medium-Term Buy

We recommend a **MEDIUM TERM BUY** on TWIGA at a price of Tshs. 2,600 with upside of 10%. The company has a P/Bs valuation of 2.2x and PER of 7.6x, a cheaper valuation compared to its peers in the NSE which currently trade at PER trailing of 15xs.

Twiga is going for next expansion that intends to increase its production capacity to 2 million Metric Tons per annum once commissioned in 2015. The expansion will be internally financed at Tshs. 50 billion and will allow Twiga 700,000 tons of more production capacity.

The company intends to commence aggregate production from mid-2013 and it has aligned EUR 2.7 million (Tshs. 5 billion) from its internal cash to finance the project. Production of aggregates will be commissioned at Lugoba, Bagamoyo (100 km from Dar es Salaam). The company targets a volume of 500,000 tons a year, although the commencement will be at 350,000 tons per annum. The project will be a compliment into the total constructions value chain and will be executive at minimal overheads as will mainly utilize existing human and other logistical support.

Twiga intends to embark into the concrete business in 2-3 years period.

Despite competition from traditional competitors (Tanga Cement and Mbeya Cement), new competitors (Athi River Mining) and increased importers from Pakistan and Kenya, the company's product quality and tailor-made delivery solution prevailed a strong product demand that saw revenue increased by 15% in 2012 (and a CAGR of 16% over the past five years).

TPCC improved its net profit by 22% from Tshs. 51bn in 2011 to Tshs.62bn 2012; this was due to improved power supply, utilization of the rehabilitated Kiln-3 that ended dependency on clinker imports by producing 250,000 tons per annum. This has contributed to improved production performance of the company that sells about 95 percent of its cement in the local market with the remaining amount exported to EAC countries.

The company's revenue performance increased by 15% to Tshs. 249bn in 2012 compared to the Tshs. 217bn in 2011. The increase in revenue is attributed to higher sales volume. The company managed to increase dispatched volumes by 5% compared to year 2011.

Relative Key Statistics	TWIGA
Current Price (Tshs)	2,620
Issued Shares (mn)	180
Market cap (Tshs. mn)	471
Year end	12/31
Trailing P/E (annualised)	7.6x
Historical PER	7.1x
EV/EBIDA	4.0x
Historical Div. yield	7.9%
Annualised EPS (Tshs)	342
Current production (MT)	1.4mio
PER (x)	
2012A	7.6x
2013E	6.4x
2014E	5.7x
2015E	5.3x
EPS (Tshs.)	
2012A	342
2013E	423
2014E	492
2015E	572
P/NAV (x)	
2012A	2.2x
2013E	1.9x
2014E	1.6x
2015E	1.4x
EV/EBITDA (x)	
2011A	4.0x
2012E	3.4x
2013E	3.9x
2014E	3.5x
Price Range (Tshs.)	
2012A	2,600
2013E	2,700
2014E	2,820
2015E	3,000

Source: Twiga Financials, TSL Estimates

Our standpoint on the company is supported by the company's expansion efforts as it is positioned to continue its market leadership especially after completing the upgrade of one of the old kilns (Kiln-3) and the new business line (producing aggregates) which it has entered into for the growing construction sector together with cement mills expansion.

TPCC is going for the next expansion, Cement Mill-5 that will be under construction soon, which is expected to be completed by mid-2014 will make the company the biggest cement producer in the sub-region.

Total CAPEX expected for the expansion of the company's project commissioning 3Q, 2014 at WAZO is Tshs.50 billion. The source of the funding will be the retained earnings.

Factoring projected falling prices, we expect revenue growth to be largely driven by volume, riding on the expected increase in demand (internal and external) especially from neighbor countries of Rwanda, East DRC, and Burundi.

Twiga Financials

	FY08	FY09	FY10	FY11	FY12	CAGR
Number of shares	180	180	180	180	180	
Pre-tax profit (Tshs. Mn)	50,193	68,788	71,929	72,774	92,341	16%
Profit after Tax (Tshs. Mn)	34,962	47,993	50,205	50,605	61,578	15%
Dividend (Tshs. Mn)	12,595	23,390	25,101	32,386	33,286	34%
Market Capitalization (Tshs. Mn)	287,880	303,066	323,860	374,240	471,398	18%
Net Assets value (Tshs Mn)	106,116	141,514	168,329	186,876	213,030	22%
Price per share (Tshs.)	1,600	1,640	1,800	2,080	2,600	18%
Book value per share (Tshs.)	589.79	786.52	935.56	1038.64	1184.01	22%
Earnings per share (Tshs.)	194.32	266.74	279.04	281.26	342.25	15%
Dividends per share (Tshs.)	70.00	130.00	139.51	180.00	185.00	34%
Price Earnings Ratio	8.2	6.2	6.5	7.4	7.6	2%
Dividend Yield	4%	8%	8%	9%	7%	14%
Dividend Payout Ratio	36%	49%	50%	64%	54%	16%
Price book value	2.7	2.1	1.9	2.0	2.2	-3%

Source: TWIGA Financials and TSL Analysis

We project a 3 year CAGR on EPS and DPS of 16% and 27%. Our projections point to an impressive 26% dividend yield in three years (28% CAGR). We also project a CAGR reduction in P/B to less than 1.0xs in three years.

	FY12A	FY13E	FY14E	FY15E	CAGR
Number of shares	63,671,045	63,671,045	63,671,045	63,671,045	
Pre-tax profit (Tshs. Mn)	51,271	55,655	62,930	71,089	16%
Profit after Tax (Tshs. Mn)	34,499	38,959	44,051	49,762	16%
Dividend (Tshs. Mn)	6,367	13,306	15,045	16,996	27%
Market Capitalization (Tshs. Mn)	152,811	162,998	180,826	191,013	1%
Net Assets value (Tshs. Mn)	145,233	167,018	192,071	220,881	22%
Price per share (Tshs.)	2,400	2,560	2,840	3,000	1%
Book value per share (Tshs.)	2,281	2,623	3,017	3,469	22%
Earnings per share (Tshs.)	542	612	692	782	16%
Dividends per share (Tshs.)	100	209	236	267	27%
Price Earnings Ratio	4.43	4.18	4.10	3.84	-13%

	FY12A	FY13E	FY14E	FY15E	CAGR
Dividend Yield	4.17%	8.16%	8.32%	8.90%	26%
Dividend Payout Ratio	18.45%	34.15%	34.15%	34.15%	10%
Price book value	1.05	0.98	0.94	0.86	17%

Source: TSL Analysis Estimates

High margins, underlying sales growth, strong cash flow, relatively good yields, profits reinvestment for future opportunities and dividend payouts provides a compelling case for a **medium term investment** in Twiga Cement.

Valuation and Ratios

Valuation/Ratio	FY12A	FY13E	FY14E	FY15E
Gross Margin	49%	48%	47%	47%
Operating Margin	37%	36%	36%	36%
Net Margin	25%	26%	25%	25%
EV/Sales (xs)	2.7	1.7	1.5	1.4
EV/EBITDA (xs)	4.0	3.4	3.9	3.5
Market Cap / Sales (xs)	1.9	1.7	1.5	1.4
PER (xs)	7.6	6.4	5.7	5.3
Dividend Yield (%)	7%	8 %	9%	10%
P/B (xs)	2.2	1.9	1.6	1.4

Source: TSL Estimates

Tshs. million	2007	2008	2009	2010	2011	2012	CAGR
Non-current Assets	60,201	122,153	142,383	138,879	152,495	154,752	21%
Current Assets	42,766	46,513	49,953	78,291	100,174	123,078	24%
Total Assets	102,967	168,666	192,336	217,170	252,668	277,830	22%
Capital and Reserve	78,890	106,116	141,514	168,329	186,876	213,029	22%
Total Liabilities / Debt	24,077	62,550	50,822	48,841	65,792	64,800	22%
Cash	20,653	18,882	10,141	26,865	46,245	54,567	21%
D&A	2,907	3,321	7,496	9,976	10,349	11,959	33%
Taxes	13,470	15,231	20,795	21,724	22,169	30,762	18%
Net Financial Income	356	358	666	533	199	1,181	27%

Tshs. million	2007	2008	2009	2010	2011	2012	CAGR
Revenue	119,765	148,710	178,999	199,601	217,259	249,112	16%
Cost of sales	60,648	80,049	86,555	97,774	117,211	126,706	16%
Gross Profit	59,117	68,661	92,444	101,827	100,048	122,405	16%
Operating Cost	13,877	15,501	20,461	25,945	27,276	31,244	18%
Operating Profit	45,240	53,160	71,983	75,882	72,772	91,341	15%
Net Profit Before Taxation	43,582	50,193	68,788	71,929	72,773	92,341	16%

Tshs. million	2012	2013	2014	2015	CAGR
Revenue	249,112	288,408	333,903	386,575	16%
Cost of sales	126,706	146,823	170,133	197,145	8%
Gross Profit	122,406	141,585	163,770	189,430	16%
Operating Cost	31,578	37,222	43,875	51,718	8%
Operating Profit	91,341	105,122	120,983	139,236	7%
Net Profit After Taxation	61,579	73,586	84,688	97,465	8%

The down side risk emanates from the increased current competition from both local (Simba, Mbeya and ARM) and imports from Pakistan, India, Egypt and Kenya as well as transportation (logistical) related challenges costs.

Analyst' stock ratings are defined as follows:

Buy: The stock is of good value, is currently underpriced and has strong fundamentals

Hold: The stock is correctly valued with little upside or downside pricing

Sell: The stock is currently overpriced, its total return is expected to underperform; it has weak fundamentals and challenging operating environment