



SIG 3Q 2023 Earnings Call

Date: Thursday, November 2, 2023

Time 03:00 – 04.00 PM JKT Time Zone

Panelists :

Mr. Andriano Hosny Panangian	: Director of Finance & Portofolio Management
Mr. Subhan	: Director of Business & Marketing
Mr. Hasan Arifin	: SVP of Corporate Finance
Mrs. Febriandita Kusuma	: SVP of Strategic Finance & Investor Relations
Mr. Joni Gunawan	: SVP of Sales & Mega Distributor
Mr. Gathut Wicaksono	: SVP of Marketing and my colleagues

Radityo : Good mor..Good afternoon ladies and gentlemen.

Good afternoon ladies and gentlemen and welcome to the SIG 9M of 2023 earnings call. My name is Radit and I will be the moderator for today. Thank you for joining this call, we will begin shortly.

On the line with us today, we have:

- Bapak Andriano Hosny Panangian : Director of Finance & Portfolio Management
- Bapak Subhan : Director of Business and Marketing
- Bapak Hasan Arifin : SVP of Corporate Finance
- Ibu Febriandita Kusuma : SVP of Strategic Finance & Investor Relations
- Bapak Joni Gunawan : SVP of Sales & Mega Distributor
- Bapak Gathut Wicaksono : SVP of Marketing
- and my colleagues from the IR team.

We have released our 9M of 2023 result on Tuesday, 31 October 2023 and the reports are available on our website at sig.id under the Investor Relations menu. Let me begin with a rundown of today's agenda, as well as some functions of Microsoft Teams platform. Today's call will begin with an opening presentation delivered by our SVP of Strategic Finance & Investor Relations, Ibu Febriandita, and followed by a Q&A session. If you would like to ask a question as usual, please press the raise hand button on the top right of your screen. When your name is called upon, I will proceed by giving you access to unmute your mic. Please also remember to click the unmute button after that before speaking, alternatively, you can also type your question in the chat box. Without further ado, I would like to give the floor to Ibu Febriandita for the presentation. Please go ahead. Thank you.

Febriandita : Thank you Radityo. Aaa..good afternoon everyone, so allow me to briefly update you with our 9M of 2023 achievement. In terms of the industry situation, we saw improvement on the 3Q 2023 where industry recorded 6.6% growth in terms of demand with bag recorded grew by 3.7% and bulk grew by 14.3% in the 3Q of 2023. Therefore, it is resulting in almost flat YTD demand. For bulk demand, aa..it grow..the growth was in line with the increasing infrastructure budget releases and for bag demand the growth in line with the stable interest rate, the improvement in consumer confidence index as well as the impact of the infrastructure growth that also believe the impact to the incremental of the bag demand. We saw the growth still continue in October for our domestic volume which is still increasing on MOM as well as YOY basis. So, for full year demand we are still expecting the positive growth of around 2%. In

terms of achieving our sustainable profitability, we keep focus on the 4 main strategy. In red ocean market, we successfully increase our sales volume by 5.9% mainly supported by growth in bulk and export sales volume which increase by 15% for bulk sales volume and 52% for export volume in the 9M of 2023.

On blue ocean market, we also recorded similar trend on improvement aa...revenue improvement especially for ready mix and masonry cement. While on the operational excellence strategy which were in line with the decarbonization strategy, we focus on controlling cost through production process optimization which allowing us to achieve more efficient material and energy consumption indexes. The efforts to substitute coal energy with the industrial waste and municipal waste also continue to be improved not only to support cost efficiency but also to support the achievement of SIG decarbonization targets. In addition to that, finance cost efficiency continue being carried out through refinancing and accelerated repayment of some bank loan that we have, thereby contributing to increasing net profitability. Our decarbonization target is also on track where for the 9M 2023, emission intensities scope 1 still recorded a decrease. So as a result, in 9M 2023 we recorded revenue growth by 4% contributed both from incremental in domestic and regional revenue in line with the increase in volume. For COGS, COGS recorded increase in line with the volume growth as well as the impact of fuel price increase that occurred in the 3Q of last year. However, we have recorded improvement on cost/ton basis QoQ especially on the coal cost from the ability to get lower coal price especially from inbound freight cost for the coal and the ability to get more coal from closer sourcing. For opex, it is decreased by 8% YOY contributed mainly from decrease in transportation and handling as we started to implement the first- first stage of cargo consolidation where we consolidate the operation of third-party expenditure under our subsidiary named SILOG and recorded the logistic cost that previously recorded under opex and we now record under COGS. While on the net finance cost, we still able to record 4% decrease from refinancing and accelerated repayment. So therefore, on the net profit attributable to parent entity, we are able to book a 1.8% increase. So, I think that is the brief update and for the next section, I will pass back to Radityo for Q&A. Please Radit. Thank you.

Radityo : Okay. Thank you, Bu Febri, for the presentation. Now ladies and gentleman if you have any questions, please feel free to press the raise hand button and then I will mention your name and give you access to unmute yourself or you can always use the chat box.

Okay we have our first question from Vivek. You can unmute yourself now, Vivek.

Vivek : Umm..Hello, can you hear me?

Radityo : Yes. Yes Vivek, we can hear you.

Vivek : Aa..ya. Thank you so much for the presentation. Umm..just two questions from my side. I think in this quarter you mentioned that you did see your domestic ASP's rise but I think on the blended basis you know it might have been lower because your exports are increased so much. Could you maybe just talk about what your pricing strategy is gonna be in the 4Q and also 2024? That was the first question, shall I ask the second question or..?

Radityo : Okay, please go ahead with your second question.

Vivek : Ah ya sure. Thank you and just second question was more on the industry side, you know, correct me if I am mistaken. I think the deployment of funds from the government for, you know, infrastructure and those activities have not been all that great in the first 9M, do you think you are gonna see that really pick up in the 4Q which could come true in terms of the number of infrastructure activity? Just wanna know your thought around that. Thank you so much.

Radityo : Okay. Thank you for the question, Vivek. So, maybe for the first question regarding the pricing strategy, we...

Febriandita : Aaa..ya. I will respond, later Pak Gathut maybe you can also add to the..to the answers. So, in terms of ASP strategy, we see that the market started to improve, so this is a good time actually to adjust price. But we have to be aa..carefully aa..not to significantly impact the volume, so we did a price adjustment at the end of September, maybe the impact will be seen more on October. However, it is very selective because we still, we also need to maintain a good base in terms of volume because that would be a good base for 2024. So, ASP will increase gradually in selectively pick and choose in certain area and that what we are going to continue to do until December of this year.

So, in tems of the second question, fund for infrastructure, we see that government start to release quite aa..aa..huge numbers ya for supporting, especially for the budget infrastructure in the 3Q as I mentioned before that demand for bulk grew by 14% and if we see our progress on sales volume for bulk in October is..the incremental is even higher than the 3Q. So that is also give an indication that the government infra budget will still continue to be realized on the big projects and impacted the volume for bulk demand in 4Q. So, if Pak Gathut, you want to add to the quest- to the..aa..my answer Pak.

Gathut : Yes. Thank you so much Bu Febri, let me add some points. Regarding ASP we try to make an improvement on multi brand, our multi brand strategy especially in main brand. So, in 18 areas we've already increase the price of ASP in the competition happened. This is our, our..our effort to increase or to improve our ASP. And the second question I think I agree with Pak aa..Bu Febri said that government right now still utilize around 64% of the budget so the rest of month they will try to accelerate the project maybe for PSN or IKN. So, I think demand still growing, we still optimistic that we will getting better demand on 4Q, Bu Febri.

Hosny : Until next year.

Gathut : Maybe until, come up until next year ya. That is all, Bu Febri.

Febriandita : Yes. Do you have following question, Vivek?

Vivek : No. Thank you so much Mam and Sir for the answer. Just one clarification, are you mentioned that you have seen a pick up in the bulk cement in the 3Q, is it?

Febriandita : Yes. The release of the infrastructure budget increase in the 3Q, the impact we have seen that on the 3Q and expected to continue to the 4Q. And then government also already allocate higher infra budget for 2024 because they are committed to complete all the national strategic projects, some still on going and some even expected to be completed on

2025 even though the government committed to complete on 2024. So, I think for bulk demand, we still expect that it is still- it is gonna continue to grow on high percentage and we have seen that continue on October.

Vivek : Sure Mam. Thank you so much and let me join the queue. Thank you and all the very best.

Radityo : Okay. Thank you Vivek for the question and I also see the question on the chat box from Jason, almost same with Vivek's question with additional question about the guidance on blended ASP. Perhaps Pak Gathut can help answer on that question, if you have any, Pak.

Febriandita : I think for...on the...Pak Gathut, do you want to answer?

Gathut : Umm go ahead Bu Febri, you first, bu.

Febriandita : Ya, in terms of the blended ASP, I think we..we expected that it would increase around 1.5% YoY ya for the full year because it is more impacted by the percentage of bulk that grow beyond our expectation. So, the portion of bulk is improving and more improve in the 3Q. If we see the 3Q portion compared to the 2Q, it's increasing 2% in terms of bulk portion, so we still expected that blended ASP still increase at least of around 1.5% YoY for the full year.

Radityo : Okay, I hope that answer the question from Jason. So, the next question coming from Arnanto from JP Morgan. You can go and unmute yourself, Arnanto. Thank you.

Arnanto, can you hear us? Can you unmute yourself? Or perhaps you may type your question on the chat box if you have technical aa..Okay, so the question from Arnanto, you can see on the chat box here. What is the pricing gap between the bag cement and bulk cement currently? How does this compare to 2019 before the significant price hikes for the bag cement? Okay, perhaps Pak Gathut or Pak Joni.

Gathut : Aa..would you please repeat as it's not really clear here, Pak Radit?

Radityo : Okay, pak. What is the pricing gap, Pak between bag cement and bulk cement for now and how does this compare to 2019 before the significant price hikes for the bag cement?

Febriandita : If I may response Pak, in 2019 before the **price-** because the significant increase in 2022 mostly we did that on bag cement especially for the premium brand. So if we compare to 2019, the price gap between bag and bulk was around Rp 100,000 per ton while now it could reach around 180,000...Rp 180,000 per ton. Correct me if I am wrong, Pak..Pak Gathut.

Gathut : Correct. Correct, Bu Febri.

Radityo : Thank you, Bu Febri and Pak Gathut for the answer. Arnanto, does this..does these answer your question? And I guess we can move to our next question from Bob Setiadi, you can go unmute yourself, Bob. Thank you.

Bob : Oh, hi. Can you hear me?

Radityo : Yes, we can hear you clearly.

Bob : Okay. Thanks, Radit. I have three questions. Number one, you talk a little bit about the impact of cargo consolidation moving from OPEX to COGS, so can you please elaborate a little bit more about how we should model this going forward? And also from this cargo consolidation is there any additional CAPEX involved at the moment? Second question is regarding the Semen Grobogan, ya there is aa..Indocement has announce that they are going to acquire Semen Grobogan, so what do you think is the impact to Semen Indonesia? Umm whether you will see lesser or more intense pricing competition in Central and Eastern Java area? And last question from me is regarding the export, can you please share how's the ASP for export at the moment whether you see some improvement or a decrease in 3Q compared to the 1H? Thank you.

Febriandita : Ya..umm..on cargo consolidation, so this is the first step basically. Before we implemented cargo consolidation aa..only 20% of our land expeditures being covered by SILOG, our subsidiary, and the idea is to consolidate in terms of the operation so not the company but the operation. So, previously Semen Indonesia doing contract with SILOG as well as the third parties, but now the contract would be under SILOG and SILOG would do the- consolidate the aa.. all the cargo and then provide the logistic for Semen Indonesia. So we are going to get the certainty in terms of truck availability and also efficiency as similar tariff for all the expeditures. And we are now focusing on land transportation in Java because mostly for land transportation happens in Java, and lesser in Sumatera and East Indonesia. So, that's what we are focusing now. So if we see that the, if we see the cost on OPEX for transportation is decreasing aa..partly because it's being recorded under COGS but if we combine the cost it's still- we can see that the incremental is- the growth is relatively flat YoY while you know that we have the impact of the fuel cost increase in September last year so we should see that the distribution cost should be increased, there's impact to the fuel cost this year, but if we combined the numbers relatively the growth is flat. So, that's the first step for the cargo consolidation. Later on, we'll see the potential for the sea transportation, to consolidate the sea transportation, that's the next step and after we consolidate trucks and logistics we also can provide services to others industries that have similar handling, getting benefit from the backhauling cargo so that will benefit us in terms of efficiency on transportation and logistics cost. So that's for the cargo consolidation.

And then let me jump into the response to export ASP ya. Export ASP, the blended one, because we export cement and clinker and the realization mostly we export clinker, and the percentage- the realization of the percentage for clinker sales volume is increasing. So blended wise, the pricing might not impacted a lot but the- because of the blended portion of clinker cement increase, the portion of clinker cement increase so it's a bit impacted the ASP for export. However, with the increasing USD later on we expect that could provide relatively flat ASP for export.

And for the impact of Semen Grobogan, I think Pak Subhan or Pak Gathut can have more- better answers for that.

Gathut : Yes, thank you Bu Febri. Let me explain about the Grobogan. You see that Semen Indonesia Group in Central Java because right now we have 42.8% of market share and we also have two integrated plant in Rembang and also Cilacap. So I think of course the competition is

getting hotter there, but we have some preparation. For example, right now we are also distribute the fighting brand: as you know that Tiga Roda or Indocement maybe will release Rajawali from Grobogan but we already know how to compete the situation. I think the two factors can make us still believe that we can still growth our sales volume on Central Java even Indocement acquisition for Grobogan. It's what it would be. These two, infrastructure and also multi brand strategy, will keep us defend in Central Java.

Febriandita : I think it would be situational looking at how..how the strategy that would be implemented by Indocement later on after their acquired Grobogan. Because if they continue to act like as present that Grobogan positioning themselves as the eco players, then we expect there is no significant changes in terms of the competition ya. But, the positive thing is we can understand more on how INTP plays in the market. And then in terms of portion of the market share portion that being own by only 4 players, currently 92% it should be increased, meaning that the market should be less fragmented and we understand more how Indocement would act in terms of their market strategy rather than the small players.

Hosny : But I think on top of that I guess the acquisition of INTP for Grobogan will ease up the competition tense a bit ya because Grobogan will become part of more efficient group- a group that have the economies of scale that can no longer actually try to push the production utilization and get, you know, the market as much as possible without- without, you know, looking to the profitability and I think that will definitely makes our positioning in Central Java is easier to manage the market because now we only... relatively only talks to one guy which is already in the market together with us for quite a long time.

Bob : Thank you. If I can ask a follow up question, do you think there will be more consolidation in the market after Grobogan? Thank you.

Hosny : I think you have to see also the capacity on the market, I guess currently we are left with Chinese players only and perhaps Cemindo. But I think Cemindo positioning in the region, geographically doesn't kind of fit with all the positioning of all the players in the market. Because for example, for Indocement I don't think they need the capacity of Cemindo because of the location, it will not bring any values and synergy because they already have Grobogan and they already have Bosowa, right? For us also, what was the reason? Because we already have Narogong, we already have Tuban, we already have Semen Baturaja. The Chinese player are they gonna buy, because the only target now is only Cemindo, if I may say, right? Because I don't think the Chinese player will sell because for them it's just another subsidiary, they don't have the pressure also to sell because I think most of their fund and the capital is funded by equity.

Bob : Okay, thank you, Pak.

Radityo : Okay, thank you Bob for the question. If I may address the same question from Yusuf in the chat box, I guess that also answer your question. Another question from William, from Maybank: with growing bulk segment, how much can we expect bulk to contribute for FY23/24, and is there a price gap between bag and bulk, if yes, how big is the gap?

Maybe..

Febriandita : For 2023 we expected that it will contribute to the high teens percentage of demand growth for bulk. We have seen that around 14% ya in 4Q, so we still expect mid to high teens for full year numbers this year. And for 2024 I think another 10% or more for 2024 for bulk. Price gap as I mentioned before, price gap between bag and bulk is around Rp 180,000 per ton.

Radityo : Okay and the next follow-up question from Arnanto is: do you expect to revert the price gap to 2019 level? Perhaps Pak Gathut can help to answer this.

Febriandita : Hello Pak Gathut, do you want to respond to the question? Maybe you can add later on. It is quite in line with our strategy on the blue ocean ya, because we see that the growth of demand for bulk which contribute to increase more compared to the bag demand. So, we also need to maintain our profitability margin so we are focusing now to develop various types of derivative products of cement as well as bulk cement that is more suitable and become solution for each of the project, and by doing so we expected to get better margin in terms of the bulk cement demand. So, for example we currently corporate with Taiheiyo Cement Corporation not only to export our cement Type-V to US with a good and better pricing compared to the Asia Pacific price for export, but also because they are quite developed in terms of- they're quite advance in developing various type of cement and derivative product of cement that can be a solution as well for customer in Indonesia. For example, we are now currently- been developing the product for carbon ex-concrete and then the soil stabilization cement that allow the projects to be more- to be easier and can be done at any time during the year. So for example, for the big project usually when it's heavy raining and the land or the soil is more mushy, it's very hard for trucks, big trucks to bring the materials so with this soil stabilization product it's allowing the project can be done at any time and yet also provide more aa..strong support for some typical types of land that need more strength for example when we build port and similar types of project. So that's what we are currently doing in expected to be able to boost our margin for bulk demand, for bulk price and profitability.

Radityo : Okay, so our next question from the floor is from Robin. You can unmute yourself and ask the question, Robin. Thank you.

Robin : Thank you Radit, can you hear me?

Radityo : Yes, we can hear you.

Robin : Thank you. Basically a quick follow up question on the ASP, so if full year blended ASP increase is now guided at 1.5%, if I can refresh a little bit during the 2Q earnings call blended ASP growth target was 3.7% YoY this year, broken down a main brands to increase by 6.9% YoY and fighting brand by 10.5% YoY. So given the blend- on the blended basis there's quite a steep cut by 220 basis points so umm..are we sort of umm..looking at higher in fighting brand contribution or is it more of aa..lose some of the increases not happening?

Febriandita : I think the guidance that we give on the last earnings call was 2% to 3% increase blended ASP YoY and currently we are- we see that it might be 1.5% mainly as I mentioned before because of the increase of the bulk portion. Bulk portion increase quite significantly as you know that the bag demand increase on YoY basis it's only- it's still -1% for bag and, YTD ya September, and for the bulk already 19% YTD September. So the portion also increase higher

than we expected while as we mention that pricing- the pricing difference is around Rp 180,000 per ton. But we have increased the ASP for fighting brand in the 2Q last year and as well as increase the main brand, as well as the fighting brand in August and September, pick and choose at the certain area and we'll see- the impact will be seen more in October and we- we're gonna see any further opportunity to increase, of course, if the demand improve as what we expected, we might also do more later on. But we have to see the situation and how the other competitors response.

Robin : Thank you Bu Febri. Follow up to that, how much were the increases of the last round and how much the bag sales contribution for fighting brand now?

Febriandita : For the contribution for the fighting brand is quite similar, there's no significant- I think only increased, if not flat, increased by only 1%, correct me if I'm wrong Pak Gathut. For the fighting brand YoY, and then what was your other question, sorry Robin.

Robin : How much were the price increases of the last round?

Febriandita : The price increase, it was around Rp 1,000 for per bag for main brand. Is that correct Pak Gathut, Rp 1,000 per ton umm..per bag for main brand?

Yes, I think that was correct.

Robin : Thank you, Bu Febri. Next if I could ask on the cost side as well, so COGS per ton, would you see this as sustainable in terms of the cost saving in raw materials per ton and overhead per ton?

Hosny : Yes, pretty much sustainable. The only thing that we may see can reduce a bit is on the composite coal price, we've seen that the coal price has decreased to around Rp 916,000 in September and we see this going down to Rp 900,000 average ya in 4Q but the rest of the cost pretty much will be flat.

Robin : Thank you Pak Hosny and last one from me, if we could have a sense of how you see 2024 growth?

Hosny : What growth? Volume or what?

Robin : Volume growth.

Hosny : Okay, I think demand will..will, despite of the political year, I think we see quite huge demand coming from the business to business infrastructure big projects, as you know in the northern part of Kalimantan there is this big project led by consortium of Sumitomo and also some other projects like The Vale Projects, The Morowali Projects, and we've seen that quite a double digit growth on the bulk side. Meanwhile on the retail side usually during the campaign and political year there will be an impact on the retail side, whereby consumptions will grow, and money flow to the retail market will kind of grow also so we see an increase around 1% to 2% from the retail side. So, I think 3% to- 3% increase on the demand average would likely to happen. And we've also preparing our blue ocean strategy, leveraging our cooperation with Taiheiyo with some of the staple project- products like stabilizer for soil and

other application products, green concrete that will be ready to be launched next year, so I think we should be able to tap-in the project market with this niche product that has..that tends to get higher profitability. So, I think next year- I think this year will definitely provide a good foundation for us with our dominant market share in the market, quite strong coming up this end of this year, which increase 2% of our market share compared to last year. Pricing definitely on the retail bag side pretty much we foresee around 1-2%, we can be able to increase next year, but the most interesting part is on how we tap-in the project market with this niche products, non-conventional bulk, so we should be able to increase minimum 10% of profitability on the project side ya..next year. So I think we should be- we should be able to- we should get good projections next year.

Robin : Thank you Pak Hosny, sorry that was actually second to last question, my..actual last one is can you confirm this 2023 revenue and EBITDA margin guidances?

Hosny : I think aa..aa..EBITDA margin we foresee around 21% to 22%, I think we'll end up around 21.5 to 21.6% with aa..I think in terms of the revenue side we have a target but I think we'll see how the retail demand will happen this coming November-December. Hopefully that our target can be still in line with the guidance that we gave you the last time.

Robin : Thank you Pak Hosny. All the best for the 4Q.

Radityo : Thank you Robin for the question. Before we move to another question from the floor, let me check on the chat box. We have another question, it's come from Fahresi from KISI. Can you please share on the plan for coal procurement in 2024? Any plan to secure 100% of required coal at DMO price from the beginning of the year? Maybe Bu Febri can you help.

Febriandita : Umm..Pak Gathut do you want to answer?

Hosny : No I think this regarding the DMO, I think pretty much on the coal price we're already secured, currently even it's kind of oversupply situation because most of the miners, they tend to sell their products domestically so I think for next year we don't have any issue in terms of our coal procurement. The price is also pretty much still manageable and I think..we see quite a stable logistic ecosystem because I think most of the supply on the tugs and barges already come to the market so we shall see next year we should be able to get the support on the logistic side for the procurement of coal. But the thing that we would like to focus is to increase on our thermal substitution rate (TSR) and the capital expenditure (CAPEX) on building the processing plant to process municipal and industrial waste can be expedited and we should be able to get the target of TSR to reach around 11% to 12% next year so therefore we can, we can leverage the efficiency ya from the increase on thermal substitution rate. Because every 1% even with DMO price we should be able to get around Rp 40 billion of efficiency, that's what we're targeting to get in terms of balancing the cost push from the inflationary impact.

Radityo : Okay, so the next question also from the chat box from Linny Halim, how much volume do you expect coming from IKN the new capital city project for 2023 and 2024? And also which projects are you supplying to? Perhaps Feb-

Febriandita : For 2023 we expect around 400,000 to 500,000, expected to exponentially increase in the 4Q of this year, we've seen that since August. And for 2024 we expect around

1.4 million tons and that's come from the government project ongoing.

Radityo : Okay, so the next question also from the chat box is from Giovanni, would you mind to disclose regarding current competition especially from the second tier players like Hongshi? Have they increased their ASP during unconducive fuel price like we're now experiencing? Perhaps Pak Gathut can help with this.

Gathut : Thank you Pak Radit. As I see that the eco tiers will not increase the price ya but they're maintaining the price because of- I think all the players right now having competition on the fighting brand, so I think everybody will take a look even if the demand is getting better but I think everybody would like to have bigger portion in their fighting brand, so I think- I will not see that they will increase the pricing.

Radityo : Okay, so I guess currently we have no more question on the chat box and the floor. Once again, I remind you ladies and gentleman if you have any question, please feel free to press the raise hand button and then we'll unmute you or you can ask on the chat box. So, another question coming up in the chat box from Robin: how was October 2023 sales volume? Maybe Pak Gathut or Febri?

Febriandita : As we've said before that we still see positive growth on MoM as well as YoY basis growth for bag and bulk for October. That's for our sales volume.

Hosny : Mid single digit.

Radityo : Okay, ladies and gentleman do you have another question? Please feel free. Okay, another question from Jason, you give guidance of 400,000 to 500,000 ton for New Capital City (IKN) in the FY23, how much is realized YTD?

Febriandita : Pak Gathut, I think it's 1/3 aa..or 40% until September ya?

Gathut : Yes, our share of wallet in IKN around 80% ya, 80% share of wallet in IKN, right now is aa...

Febriandita : The realization until YTD pak, from the total 400,000 to 500,000 ton, how much the realization? If I'm not mistaken 40% from the total full year until September?

Gathut : Around 300 thousand and will be increase extremely because right now preparing for airport VVIP ya that will consume a lot of cement, that will be happened maybe next in the.. starting the last of this year.

Radityo : Okay, the next question is from Ryan Santoso: with stronger currency rate of USD-IDR do you expect energy cost to be impacted in the 4Q?

Hosny : No, because we already- the way that we close our pricing is wha- three months prior to the contract, so all the 4Q pricing already finalized using the average September currency of USD-IDR, so we don't have any impact for the coal price in 4Q.

Radityo : Okay, ladies and gentleman if you have any other questions please feel free to type

in the chat box or ask your question.

Okay, we have another question from the floor, it's from Aurelia Setiabudi, you can go and unmute yourself, Aurelia. Thank you. Hi Aurelia, can you hear us? Oh okay, the mic is not working, maybe you can type your question on the chat box, Aurelia. And while Aurelia is typing the question, okay aa...she wants to know about the realization from the rights issue proceeds YTD, Pak.

Hosny : Feb.

Febriandita : I think for the- this is for the cash that we received ya? For this year we're aiming to realize in terms of the CAPEX for the ESG around Rp 100 to 200 billion and expected to be realized more on next year mostly- because Rp 1.9 trillion out of Rp 2.3 trillion that we've received is for the ESG CAPEX, so it's expected to be realized within 3 years and expected mostly happens in year 2 and year 3.

Radityo : Okay, so another question from the floor is from Felicia, so I guess Felicia you can go and unmute yourself.

Felicia : Oh ya, thank you Radit. Hi SMGR Team, so I just wanna check, for your coal procurement with the declining coal price, do you still aim to secure 100% coal at DMO price for next year or would you now trying to secure more at the spot price? Thank you.

Febriandita : We fix- we fix the pricing every 3 months, every quarter. So when- so long that the ICI4 coal still higher compared to DMO then we should buy at the DMO price, and if it's lower then we will follow the market price. So we're not fixing for full year in terms of pricing but in terms of volume yes for some of the coal requirement for next year but not in terms of price. Price as Pak Hosny mentioned earlier every 3 months, we fixing this current quarter for next quarter.

Hosny : Including also the impact on the currency.

Felicia : Okay, noted. So, for the 1Q 2024 have you secured the..your coal already?

Febriandita : Yes in terms of volume but not for the pricing, we'll see in December.

Felicia : Okay, got it and I just wanna ask for demand for new capital city in 2024, you mentioned earlier that you're expecting 1.4 million tons from government project only, do you have any projections in terms of the total demand that is.. that can be.. that can come up from the IKN project which includes the private sector?

Febriandita : Maybe Pak Gathut, if you have pictures on non-government projects potential? I think it's quite hard to calculate but maybe Pak Gathut have certain numbers on that, that can be shared.

Gathut : Ya, regarding the IKN, I think there're some of the new project will come up in the end of this year, so I think maybe for the volume we can foresee that next year maybe multiplied two ya from the year 2023. Because we see some of projects will be or should be completed

before August, before Independence Day ya, because there's an inauguration in IKN so I think the first semester will be huge volume that we'll get from the IKN.

Febriandita : Pak Gathut, how about for the private sector, Pak? Maybe do you have any color on the demand from the private sector on the IKN area, Pak?

Gathut : From private sector maybe around only the housing complex ya but we'll see not really clear number for the next year. Hospital and also housing complex build by private company, will come up in next year but we don't see yet about the exact realization or upcoming volume that would begin that we can take from the IKN.

Felicia : Okay noted, Pak and can I also have a follow up on this portion of fighting brand? So you mentioned that in this 3Q the portion of fighting brand is increased by 1% QoQ so I mean usually your fighting brand is about 15% to 20% of bag cement, so for this 3Q and 4Q does it mean that it's closer to 20% of bag cement instead of the lower threshold?

Gathut : I think we keep to maintain the fighting brand just like this, around 19% to 20%, regarding the competition.

Febriandita : That portion is from the bag ya, not from the total domestic volume.

Felicia : Ya, so in the 2H it's closer to 19% to 20% of the total bag cement, right?

Febriandita : Ya.

Felicia : Okay, thank you mba.

Radityo : Okay, thank you Felicia. Another question from the chat box is from Robin: what is the situation with the new Hongshi Kalimantan plant? How much capacity is it running?

Febriandita : Pak Gathut or Pak Joni, if you have additional or latest information on that, but I think it's still not yet operate ya. Even in the first year it should not be fully operated yet because they also still currently completing the port ya. It's quite challenging for distributing the products in Kalimantan given the relatively underdeveloped land- road infrastructure in Kalimantan so port is quite important for that, and also they're still completing the building the port. Correct me if I'm wrong, Pak..Pak Gathut.

Gathut : Ya, they try to introduce their product that delivered from East Java. However they try to accelerate the construction of the port, but they try to introduce the market from they deliver the goods from the East Java. So, maybe for this year, they will deliver the volume around 10,000 ton ya during this three upcoming months, just to introduce the market.

Radityo : Okay, so I guess that's all the questions that we have up until now, perhaps in the interest of time that was our last question. So I guess thank you everyone, that concludes our call for today. Once again, thank you for all the panelists and participants for joining this call. It was a pleasure to have you with us. If you still have any question, please feel free to reach us at investor.relations@sig.id. Stay safe and healthy and have a nice day everyone. Thank you.



All : Thank you.

[Call Ended]