SIG FY 2023 Earnings Call
Date: Thursday, March 14, 2024
Time 08:30 – 09.30 PM JKT Time Zone

Panelists :

Mr. Donny Arsal	: President Director
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
Mr. Rahmat Faizal	: SVP of Corp. Sales & Related Business

Radityo : Good morning, ladies and gentlemen, and welcome to the SIG Audited Full Year 2023 Earnings Call. My name is Radit and I will be the moderator for today. Thank you for joining the call and please stay tuned as we will begin shortly.

On the line with us today we have:
- Bapak Andriano Hosny Panangian : Director of Finance and Portfolio Management
- Bapak Subhan : Director of Business and Marketing
- Senior Vice Presidents
- and my colleagues from the IR team.

We have released our audited full year 2023 results on Sunday, 10 March 2024 and the reports are available on our website at sig.id under the Investor Relations menu. Let me begin with a short rundown for 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 and Investor Relations, Ibu Febriandita, followed by a Q&A session. If you would like to ask a question, 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 remember to click the unmute button after that before speaking. Alternatively, you can also type your question on the chat box.

Let us begin the call and I would like to give the floor to Ibu Febriandita for the presentation. Thank you.

Febriandita : Thank you, Radityo. Good morning, everyone.

We have published our audited financial statements for full year 2023 end of last week. So overall we recorded improvements despite the challenges of the market demand and competition. We were able to book a 10% YoY increase in sales volume contributed by 4.7% increase in domestic sales volume which mostly contributed by bulk volume growth and 42% increase YoY in regional sales volume which then contribute to 6.2% YoY increase in revenue 2023.

Even though in 2023 we should experience the full impact of full fuel price increase which occurred in 4Q 2022, we were still able to limited the impact on COGS per ton and total cost per ton growth. Total cost per ton were even recorded decrease almost 2% YoY, mainly as the impact of operational optimization where we recorded improved utilization rate from 65% in 2022 to 72% in 2023.

Decrease in net finance costs also provide another positive contribution to profitability as it recorded decrease by 11% YoY or around IDR 146 billion from the deleveraging carried out throughout the year and full impact of the lower interest expense from long term debt refinancing using Sustainable Link Loan (SLL) that we did on December 2022.

The decarbonization initiative are also on track as we were able to record lower emission intensity per ton cement equivalent in 2023 contributed by optimizing clinker index which can be reduced to almost 2% YoY and improved thermal substitution rate as well as the the reduction in- in energy consumption or specific thermal and specific electrical energy consumption.

So, from those initiative we were able to record 6.2% increase in sales volume- sorry, in sales revenue YoY from 10% increase in sales volume with domestic revenue increased by 3.4% and regional revenue improved by 36% YoY.

COGS increased by 10.8% in line with the 10% increase in sales volume and limited impact of the fuel price increase and inflation that happens in 2023. Operating expense net of other operating income were recorded decreased by 6.3% and we are able to record lower finance costs of around 2.6% YoY which resulting in improvement in 2023 profit before tax.

As a note, in 2022 we recorded lower deferred tax expense which was a one-off impact as a result of the company's internal group restructuring, from changing the SBI direct ownership from SIIB to SIG which has lower corporate income tax tariff. So, such one-off contributed to higher net profit in 2022. So, if the impact of the decrease in deferred tax expense is excluded in 2023, SIG will also record a 6% increase in net profit compared to 2022.

So, from the balance sheet, cash flow and ratios perspective, we were able to maintain a strong balance sheet with total assets of IDR 81.8 trillion only decreased around IDR 1.1 trillion from lower inventory due to improved inventory management as well as lower net fixed asset as the additional capex during 2023 were lower compared to the depreciation. And on cash generated from operating activity were relatively high of around IDR 5.7 trillion which was supported by improved cash conversion cycle that recorded decrease from around 20 days to 16 days. On solvability as we did some deleveraging during 2023, our net debt to equity reduced to 0.21 times, net debt to EBITDA decreased to 1.1 times, EBITDA to interest increase due to lower interest expense and current ratio is maintained above 1 time.

So, strong liquidity and solvability with a solid balance sheet and capital structure has supporting our ability to be awarded a higher credit rating from Pefindo in 2023 from idAA+/Stable to idAA+/Positive which is only one notch towards AAA ratings.

And for guidance for 2024, we are more optimistic to be able to provide improved profitability. National demand in 2024 is expected to increase around 2% to 3% mostly contributed by double digit growth in bulk demand following the completion of national strategic projects and the acceleration of the new capital city projects. While for bag demand we are expecting to record flat growth and will grow more in 2025 and beyond after the new government established in October 2024 with the clear policy to support the economic growth especially policy that focus and have impact to mid to low-income group. Our domestic sales volume is expected to grow in line with the demand growth in 2024. Export volume is expected to increase around 20% to 25% YoY to be around 8 to 8.5 million tons in 2024 since based on our export book building that we have done, we have potential market of more than 10 million tons for export. With improved sales volume, domestic and export, our utilization rate is expected to increase from around 72% in 2023 to around 75% to 76% in 2024. ASP domestic will be increased opportunistically based on micro market situation of the competition, market share and demand growth in each region, but we expect to be able to increase domestic ASP of around 1% to 1.5% YoY.

For costs, as we are predicting, inflation will be around 2.8% to 3%. Thus, our cost per ton should also expected to increase around 2.8% to 3%. However, with some operational excellence initiatives and improvements in utilization that we are going to do in 2024, we are expecting the increase in cost per ton will be far lower than the inflation. The cost efficiency initiatives including clinker factor reductions toward 58% for PCC products, which represent around 65% to 70% of the product that we produce every year. Initiative to increase thermal substitution rate, rerouting to get better cost to serve and initiative to optimize existing cargo consolidation for land transportation to get more benefit on the backhauling cargo and extending the cargo consolidation for the sea transportation, especially for the East Indonesia area which currently we're mostly used sea transportation and we still depend on 3rd party to provide the vessels. So, we are going to extend the cargo consolidation to the sea transportation.

So, with those initiatives we expect to limit the inflation impact to the cost per ton in 2024 to increase around 1% to 2% YoY. So, therefore EBITDA margin expected to be able to be maintained by 20% to 21%, but with improved absolute EBITDA in 2024 compared to 2023. While on interest expense, we expect interest expense should be reduced as we plan to repay around IDR 3.4 trillion interest-bearing debt in 2024, resulting around IDR 100 billion reduction in interest expense. Therefore, the net profit is expected to increase more YoY in 2024.

So, with this ability to generate cash from operation of around IDR 5 to 6 trillion per year, capex of less than IDR 2 trillion per year, debt repayment of around three IDR 3.4 trillion and available loan facilities that we have of up to IDR 4.7 trillion, we are planning to increase our dividend payout to be around 80% in 2024, which is quite important for us to be able to achieve more optimum cost of capital and gradually reduce the gap between our ROIC and cost of capital.

So, I think that was the brief, brief update of our full year result performance and a guidance for 2024. I get back to Radityo for the Q&A session.

Thank you.

Radityo : Okay, thank you Bu Febri for the presentation. Ladies and gentlemen, if you have any questions, feel free to press the raise hand button and then I will mention your name and give you access to unmute yourself. And alternatively, you can always type your question on the chat box.

Okay, we have our first question on the chat box from Onkar. Could you remind us what were the biggest costs in 4Q 2023 that led to a lower made EBITDA margin. Bu Febri?

Febriandita : Yes, thank you, Onkar.

So, if you see from the notes to the financial statement, yes, we record the Q4 COGS a bit higher compared to the previous quarter, mostly the incremental comes from first the raw materials. So, because in 4Q we reduced the clinker factors, some material that replacing the clinker is higher in terms of cost, but the impact is more on the on the energy costs. So, if you see our energy costs, QoQ reduced by more than 8% QoQ. And then on the manufacturing overhead, the component of manufacturing overheads are including distribution costs, interplant distribution costs, and packaging among others.

So, the manufacturing overhead in related to the distribution costs increase QoQ. Why? Because we record or we sell more bulk in 4Q, so especially in East part of Indonesia, so that impacted the transportation cost that we use because we use sea transportation. So, bulk demand growth around 10% and our bulk sales volume in 4Q increased around 11% to 12% QoQ.

And then the packaging, the packaging, it's in line with the increase of the plastic, the plastic price globally because we imported the plastics and because there is an issue that the government will restrict the import of the plastics at the end of 2023, but now it is already normalized as the regulation is cancelled in early 2024. So, we should see more normalized costs in 1Q 2024. So, hope that's answer your questions.

Radityo : Okay, thank you Onkar for the question and Bu Febri for the answer.

I'm reminding again. Once again if you have any question, kindly press the raise hand button and I will mention your name and give you access to unmute yourself or you can always type your question on the chat box ladies and gentlemen, thank you.

Okay, another question from Onkar. Could you give some color on fighting brand mix change YoY? That is the- what is the outlook for 2024 for this fighting brand and main brand mix? Maybe Pak Suban or Pak Gathut.

Gathut : Yes, thank you for your question. As we see that in year 2023 our portion of fighting brand around 18 ya, 18% from the total cement bags. In the year 2024, we predict that the increase of fighting brand would be around 20% because it is to- to facing the increase of the eco brand. As you see that in year 2023, the increase of demand of eco brand increased to 40% that means will be- will be adding in year 2024 around 2%. So, we will face the eco brand with our fighting brands so, the portion will be around 2% increase from the year 2023. I think it's a mix portion Mba Febri.

Radityo : Okay, thank you Pak Gathut. The next question comes from Joseph Tjokrowinoto. What is your current cost of capital based on internal calculation and your ROIC target for the full year 2024 and 2025. Bu Febri?

Febriandita : Yeah. So, we expect that our cost of capital this year will be around 10% to 10.4%

while the current ROIC is around 5.8% to 6%. So, why- and our cost of capital tend to increase every year because we decrease debt every year while we are able to generate quite high net profit and it is adding every year accumulated to our equity. So, our equity portion increase while our debt portion decrease every year. So, that is mostly impacted our cost of capital while the cost of our debt is around only around 7% and cost of equity is more than 15%. So, we are focused as long as we do not have significant capex spending every year which is now we are limited to spend capex per year around IDR 2 trillion. So, we are expecting to be able to increase our dividend to shareholders. Last year we already increased to 70%. We are planning to increase to 80%. Meanwhile, if we see our capability, we are able to distribute up to 100%. I hope that's answer your question.

Radityo : Okay. Thank you, Bu Febri and Pak Joseph. Okay, we are waiting for another question from the floor.

Okay. Onkar, if you would like to ask the question directly, please feel free to unmute your mic and ask the question.

Onkar : Perfect. Hi guys. Sorry, I- I just thought it would be easier to ask directly than to type. Can you hear me?

Radityo : Yes, yes, we can hear you.

Onkar : Quick one, once again on- on annual guidance, so for 2024, what is your guidance for EBITDA margins? And do you, do you see a scenario, let's say in 2 to 3 years where you can get back to, let's say, EBITDA margins of 24%-25%, is that possible? Because the way I see it, your fighting brand mix, it is increasing and that is generally trading at what, 20% ASP discount to the main brand. So, is this a structural change? Would you ever be able to go back to like 25% EBITDA margins at all?

Hosny : Hi Onkar, so this is Hosny. I think as mentioned earlier this year, we see that the retail demand, I think it is going still to be flat. The main driver still gonna be to the projects which is bulk cement. So, we see that this year, I think EBITDA margin will probably maintained around 20% to 21% because the 70% of our sales is in the retail, right. So, it is very sensitive to the condition in the retail market. But we see a very strong guidance from the new government to provide of quite a strong fiscal policy. Yeah. Starting from the early of this new government which we will see this fiscal policy will boost the ability for the middle-income especially to consume more and have spare for their resources to do more of upgrading their living conditions ya, and of course definitely including the renovations of their houses, their small stores, and their small businesses. So, we see a strong guidance to- for the retail market to grow even further in the next two years.

While on the cost side, I think pretty much it is already settled and stable. We see that all the initiative that we do including the decarbonization, increasing the thermal substitution rate, decreasing the clinker factor, consolidating the logistic, including the sea transportation. This year, we will focus on fixing the sea transportation because this is something that has hit us in the 4Q last year ya. Because of the bulk in East part of Indonesia, we need a lot of support on the sea transportation logistics whereby this year we will focus to fix that. And therefore, I think pretty much we should be able in the next two years to increase EBITDA margins to be around

22% to 23%. But to be back in 25%, I think again it will very much dependent in terms of the, you know the cost push situation, the inflationary and also in regards to the competition in the market itself.

We basically see that if let's say the demand on the retail can increase around 3% to 4%, we should be able to increase the ASP around that percentage also. But again depending in the market situation, so base case wise, I think that is pretty much the situations that we foresee in the next two years.

Onkar : Got it. But- but if the retail demand improves, are you sure it is not going to be the fighting brand that will grow more than the main brand? I mean, I am- I am just saying. I understand if the coal costs come down, electricity costs come down, you can probably improve the margins but just on this mix is this structural or not?

Hosny : I think the important part is how we also increase both the premium brand and also the fighting brand ASP ya. Volume- volume wise, I think pretty much even if let's say the demand is not flat, even we can increase the volume, unlikely we are able to increase the price, hence profitability will be crashed down. But then if the demand increase both this fighting brand and main brand will increase pretty much in line and in that situation, it is easy for us to play around in terms of how we manage the price increase because the demand is there, right?

Onkar : Got it. Can, can I ask a couple of housekeeping questions please? Sorry. So, for coal cost and electricity cost, what were those in 2023 and what are you expecting for 2024, is it still around 900,000 per ton for coal and what, what are the electricity costs that you are expecting in 2024 versus 2023?

Hosny : Yeah. So, basically on a year or full year, fuel and electricity cost per ton, I think we- we are able to decrease around 0.3%. But again, because in terms of the clinker factor reduction, we have to add up other raw materials like gypsum, materials like for example bottom ash and fly ash so that will impact to the increase in the raw material use. But the nett actually we should be able to see a bit of a- So, I would say in terms of the coal you should be able to get to around 908,000 ish cost per ton.

Onkar : And this includes transport.

Hosny : Exactly, include transport.

Onkar : Okay, and- and what about electricity?

Hosny : Electricity, I think it should be also the same because I think for this year we see that there- the government has not decided yet to increase the electricity price. I think it should be okay. The main problem is actually on the logistics, still. This is basically a logistic for the interplant and also distribution because again I think there will be another policy from the government in regards to the usage of the subsidized fuel, but I guess it has not been decided yet. But the problem for us is basically in terms of the sea transportation to support the bulk transport just in the Eastern Indonesia whereby it is the central gravity of the projects, big projects. Pretty much the logistic is land-sea-land unlike the Java and Sumatra, Java basically pretty much land transportation. So, land transportation because we already have a facility in

Sumatra and Java also full rounded, so we don't pretty much need too much of sea transportation, which is okay, those are mostly retail. But the projects which basically driven as a main driver of the volume in Eastern part of Indonesia, we need the sea transportation.

That is the part that hit pretty much in terms of the logistic cost in Q4 because the volume increase around 11% QoQ while if we don't, you know, deliver, we miss the opportunity to get the revenue and the market shares and also utilization. So, we decided okay we just do on a spot basis charter and because of, you know, we have to fight also to get the ship and the vessels with the nickel and also other the smelters projects, yeah, I mean we have to pay to be able to deliver the goods, you know, that is the issue. But this year, we are going to do a- we want to fix this issue. First, we are going to consolidate one of our affiliate, Tonasa Lines, to our group and also expand the capability on the sea transportation.

Onkar : Okay, got it. Thank you. I'll get back in the queue.

Radityo : Okay. Thank you, Onkar for the question and Pak Hosny for the answer. Umm…we have another question from the chat box, it is from Christian.

Could you repeat the 2024 guidance since I didn't catch that part earlier? Maybe Bu Febri if you can give some summary?

Febriandita : Yeah. So, in 2024 in terms of demand, domestic demand, we expect demand will grow around 2% to 3%, mostly contributed by growth in bulk while bag we expect that still a bit flat in 2024, bulk can grow double digit in 2024. But we expect bag will grow more in 2025 and beyond, in line with the guidance from the new government that will be supported more on the mid to low-income groups. So, in terms of domestic demand will increase around similar to demand growth. While for the export as we have got, we have got the building for export market of more than 10 million tons. We have the capability to export up to 8.5 million tons. Last year we only exported around 6.8 million tons so we are going to optimize our capability in export market of around 8 to 8.5 million tons. It's around 20% to 25% increase YoY. So, with this volume we expect to be able to increase our utilization from 72% to 75%-76% utilization rate in 2024.

In terms of domestic ASP, we expect to opportunistically increase the ASP depends on the situation on every micro market in terms of competition, market share and growth of demand. So, we expect to be able to increase around 1% to maximum 1.5%. And for the export market, for the export flattish ASP. And for the cost we see that inflation expected to be around 2.8% to 3% in 2024 so the impact should be similar to our cost per ton. However, we have some initiatives that we have mentioned, that the first one is to reduce clinker factors. So in November last year, the government already reduced the minimum standard for the clinker factors for the PCC product. So, PCC product we produced, around 65% to 70% of our production is PCC product, and government already reduced the standard from around 62% to 58%. So, if we can reduce our clinker factors to 58% that will contribute to lower COGS per ton. And then on the energy costs, we are planning to gradually, continuously to increase the percentage of the thermal substitution rate. And on the logistic cost, we are going to do rerouting to get a better cost to serve and to overcome the challenge that we have done on- that we have foreseen in the sea transportation as we mentioned earlier. So, with those initiatives, we expected to record around 1% to 2% increase in total cost per ton. So, that would be far lower compared to the impact of the inflation. That is for the cost.

And with that, we expected to be able to record growth in absolute EBITDA of a high single digit with EBITDA margin of around 20% to 21%. And on the interest expense as we plan to repay IDR 3.4 trillion of debt this year, because we have local bonds that will due in May this year, so that will contribute to the interest expense reduction of around IDR 100 billion in this year in 2024. So, with that, we are expecting to have even higher increase in net profit, and that is for the profitability.

And from cash flow, because we are able to generate cash from operation around IDR 5 trillion to IDR 6 trillion every year. Capex would be maintained of around IDR 2 trillion and with counting on the IDR 3.4 trillion debt repayment this year and we still have a debt- loan facility of around IDR 4.7 trillion, meaning that we are able to repay more- to share more dividend. Last year we pay 70% dividend payout, this year we expected to distribute 80% dividend payout. So, that is to be able to reduce our costs of capital this year. Yeah, that is the update on the guidance.

Radityo : Okay, thank you Bu Febri.

The next questions from Felicia and Andreas is more or less the same. So, can you give us some color on the pricing in the competition situation, especially in the Central Java post Grobogan acquisition by Indocement and how- how is February and March sales volume looking? Thank you. Pak Gathut?

Gathut : OK, Andreas, thank you for your question. I think the market is still stable as we see that in 4Q on the year 2023, we see that we initiative to increase the price and it happened in market. So, in the Central Java are more controllable. Well, we are also so careful with Bima and Singa Merah, but with the Indocement and Grobogan I think right now still easier to us to control the market. Yeah, that is it for the Central Java ya.

Radityo : And about the sales volume in February and March, maybe some guidance. Sales volume, overall.

Gathut : Yes, as we see that in February we increase our- our markets increase from January, so it's mean that our situation is better than January. As we see there right now, the increase of eco brand becoming our first thing that we have to facing ya. So, that is why our strategy right now is while we are trying to increase the competition of- the competitiveness of the main brand, we also put competitiveness in fighting brand. So, I think the February the volume is still flat with last year because I see we are struggling for the decreasing of demand because you see after general election the demand quite decreased, the demand decrease around 1.8%. So, I think we tried to flattish the sales volume in quarter- 1Q.

Radityo: Okay. Thank you, Pak Gathut. The next question is from Aurelia.

Congrats SIG team for the FY2023 results and thank you for the presentation. May I ask regarding the transportation cost, with the bulk demand will still be the main volume driver and cargo consolidation, what kind of transportation cost should we expect to see in 2024? Can I also check on the ASP increase guidance of 1%-1.5%, is that for bag cement only or for the blended ASP? Lastly, is there any domestic market share target for 2024?

Okay, Bu Febri?

Febriandita : Ya, so for the transportation costs, as there might be the impact of the inflation, it should be increased around 3%. But we expect that with the initiative of the cargo consolidation, we are going to maintain the limited impact on the transportation cost increase of not more than 2% YoY. And if you see that our- this year actually for the full year numbers, our transportation cost per ton relatively flat or a bit decrease ya YoY. We are expecting to do the cargo consolidation and we have seen, at up until February, our transportation cost in COGS relatively improved actually, January to February. And then for the ASP, that is for the blended ASP, bag and bulk.

Radityo : Okay. For the domestic market share target for 2024, maybe Pak Gathut?

Febriandita : Market share would be maintained. Last year our market share around 50.5%, so it should be maintained around that, but we are going to focus more on how we can improve the ASP.

Radityo : Okay, thank you, Bu Febri.

Ladies and gentlemen, once again, if you would like to ask questions, feel free to raise your hand or alternatively you can type your question on the chat box. Thank you.

Umm..Onkar asked the question about the ASP question. It is, it is the 1 to 1.5%, it is for the blended ASP, Onkar.

Febriandita : That is blended ASP for the domestic ya, domestic ASP.

Radityo : Okay, once again I would like to give the opportunity to the floor to ask the question. If there is no other question, maybe we can wrap up this call.

Oh, okay. We have the next question is from Felicia. Is there additional capex need to improve sea transport to consolidate Tonasa Lines and expand the capacity?

Hosny : Yeah, of course we going to overlay capital expenditure to do this and we are still, you know, doing the detail, due diligence and valuation in terms of the right and the- the reasonable investments towards this program ya. But I think roughly it's around around IDR 400 to 500 billion, which is basically, this is also in line with the program in our prospectus for our rights issue, because one of our main program for the rights issue is to expand to our logistics in addition to the ESG investments that we are also doing. So, I think that's the plan now for this year.

Radityo : Thank you, Pak Hosny. The next question is from Vivek. Could you talk about your coal sourcing for 2024? How much is contracted and spot?

Hosny : I think pretty much for the coal, it is fully contracted for the full year. DMO price is still maintained, we haven't seen any changes in the policy in terms of the DMO. We are able to secure from the sites which is now closer to our plants, unlike in the beginning of last year whereby you know so far our sourcing is defined by the government and some of them are from the longest- longer distance. Now we are managed to be able to get from the closer sourcing, and it is also impacted to the over total energy cost per ton compared to last year and I think we should be able to manage this and also maintain at that level for this 2024. We should see even bit of efficiency because we are planning to increase the thermal substitution rate up to another 1% ya this year, should affect fuel- energy, energy costs to the in the COGS.

Radityo : Okay, thank you Pak Hosny. We have a question from the floor, it is from Kharel. Please go ahead and unmute yourself, Kharel.

Kharel : Hello. Hello. Can you hear me?

Radityo : Yes, we can.

Kharel : Thank you, thank you for the opportunity and congrats SIG Team and selamat menjalankan puasa bagi teman-teman yang menjalankan. Just one question from my side. I just want to know about the competition in the Kalimantan, because of, yeah, many cement players want to expand their production capacity in Kalimantan area. Could you give us the color of, yeah, market share of yeah, Kalimantan area? Thank you.

Radityo : Pak Gathut?

Gathut : Okay, thank you very much. Kalimantan would be contributed the higher demand in year 2023, as we see that the increasing demand is quite, quite, quite big. So that is why this is becoming everybody to come to Kalimantan. But right now in year 2023, we still keep our market share maintained to around 40% market share. We can maintain from last year. It is mean even there is Hongshi in East Kalimantan, we still keep our markets still maintained in the certain number around 40%. The competition still on, yeah, the competition in Kalimantan also we are already preparing our new strategy with- we will launch our new brand, Semen Merdeka, will facing a low price cement that will come to Kalimantan and we are also- we are already doing transition to put our new fighting brand in Kalimantan. Yeah, I think our position seems strong enough in Semen Indonesia Group because we have several packing plant and also we have our fundamental things which is market share. We still keep maintained, even there are some competition already come to Kalimantan especially for East Kalimantan. Yeah, our domination in both bag and bulk.

Kharel : Yeah, thank you Pak. I just want to reconfirm that you will launch and relaunch the Semen Merdeka in Kalimantan, is that true?

Gathut : Yes, already. We have put, but in transition. It is small, small volume in West Kalimantan and also East Kalimantan, but in a small volume, still.

Febriandita : So, Semen Merdeka is not adding another tier ya to our brand. So, because now we are- have six local brands that are premium in their respective area, but we use crossing some of those brands in other area as the second-tier brand. So, if we launch Merdeka that would be to replace the main- the main brand position as the fighting brand in certain area, so that is not to add another tier to the to our brand.

Kharel : Okay, got it. Thank you. Thank you.

Radityo : Okay, thank you Pak Gathut and Bu Febri. The next question is from Khan. He would like to ask about the capex guidance for 2024, again. Maybe Bu Febri?

Febriandita : Yeah, so the capex 2024 would be around maximum IDR 2 trillion, so IDR 1 to 1.2 trillion for maintains or keep the operation and the remaining is for ESG capex to support our plan to increase thermal substitution rate and to complete the Tuban Jetty that we are planning to complete in the second-half of this year.

Radityo : Okay, I guess that is the guidance for the capex 2024. So, the next question is from Danif.

What led to the increase in the effective tax rate YoY?

Hosny : Yeah, so for the tax rate, basically it is because in 2022 we have a one time- one-off ya, one-off situation whereby we restructure the ownership of our SBI from SIIB to directly owned by SIG. So, we have to recalculate the fair value uplift at that time, for the consolidation, which impacted that we have to change the deferred tax liabilities, yeah, reducing the deferred tax liabilities because the tax rate in SIIB was 3% higher than the SIG. So, that impacted around 317 billion impact deferred tax in 2022. So, if you take that from 2022 income tax account, you will see basically pretty much the tax rates now is actually even effectively lower than last year, and we should have booked a higher earnings after tax. Yeah, if we take that one time off, you know impact on the deferred tax because of the restructuring, internal restructuring. So that is the reason.

Radityo : Okay, thank you Pak Hosny. In the interest of time, maybe I will give one opportunity for one last round of the question from the floor. Okay, we have the next question from Adhi, can you give us updates on the cooperation with Taiheiyo Cement? Thank you.

Hosny : Okay, so the cooperation with Taiheiyo Cement actually now we continue further towards expanding the product portfolio capability, within discussion to be able to expand some of their enhanced technology products towards Indonesia. Some of them are the applications products, soil stabilizers products and also the carbon-x concrete, we are in discussion with them. Last, we are also realizing the export to the US by end of this year. We have minimum of 500,000 that we have to fulfill, but we foresee additional around 1,000,000 of demand that should be able to materialize in the next one to two years. I think the cooperation is very strong and we see that they also put an emphasis to be able to expand their capability and also market also together with us in not only in Indonesia, but also in the region. And we foresee that we should be able to get additional international business, especially export their network, not only in the US, but also on other parts of world.

Radityo : Okay, thank you Pak Hosny and so I guess that is the last question we can have in this conference call. Before we wrap up this session, I would like to give opportunity, maybe Pak Donny, or Pak Hosny?

Hosny : Okay, so thank you so much for attending the earning calls. Despite the volatility in the market, the dynamic in the market, the cost push situations, I think one thing that for sure we are trying hard to be able to perform and make sure that we have a sustainability and going concern in our business.

Number one, in terms of optimizing the cash flow and also making sure that we have the optimum working capital conditions in order to be able to let the bloodstream in our business flowing pretty much very smooth. And also for us, the most important part is to be able to reduce further our carbon emissions, to get to the target of carbon emissions that we should achieve by 2030 in order to get in line with the IEA standard. This is very important, because we should be able to avoid the impact on the carbon tax ya, in the future when it's basically applied.

Operational itself, I think we already put a strong emphasis in terms of managing the both retail market and also the bulk market. In terms of the bulk market, we create a specific group to handle this business to business market and we are focusing to be able to grab further the market in the IKN projects, the toll road projects in Sumatra and other parts of Indonesia. On the retail side, we are focusing to keep on doing our micro market management, be able to consolidate further with our competitors, so we should be able to see a strong foothold ya, that we already grabbed in 2023.

I think going further with all the agenda in terms of the red ocean and blue ocean, ESG and also operational excellence and optimizations in terms of the cash operations and cash cycle- cash flow management, I think we should be able to expand the business gradually and provide good earnings and profitability in the future. I think that is all for us.

Thank you so much and we will see you soon in the next rounds of meetings and also events of equity conference.

Radityo : Okay, thank you Pak Hosny and thank you everyone. That concludes our call for today. Once again, thank you to all the panelists and participants for joining this call. It was a pleasure to have you with us. If you still have any questions, please feel free to reach us at investor.relations@sig.id. Stay safe and healthy and have a nice day everyone.

Thank you.

[Call Ended]