SIG 9M 2024 Earnings Call
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Panelists :

Mr. Donny Arsal	: President Director
Mr. Andriano Hosny Panangian	: Director of Finance & Portofolio Management
Mrs. Febriandita Kusuma	: SVP of Strategic Finance & Investor Relations
Mr. Andi Krishna A	: SVP of Business Innovation
Mr. Joni Gunawan	: SVP of Sales & Mega Distributor
Mr. Gathut Wicaksono	: SVP of Marketing
Mr. Hasan Arifin	: SVP of Corporate Finance
Ms. Maya Savitri	: GM of Investor Relations

Angga : Good morning people. Ladies and Gentlemen, welcome to the SIG 3Q24 results call. My name is Angga and I'll be the moderator today. Online with us today that we have Mr. Donny Arsal as our President Director, Mr. Andriano Hosny, our Director of Finance and Portfolio Management with all the SVPs and IR team who joined this meeting. We also would like to thank you for all the participants joined this meeting online.

We have released our 3Q results on Thursday 31st of October 2024 and the reports are available on our website under the Investor Relations menu. Let me begin with today's agenda's rundown. 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, or 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 Angga. Good morning everyone. Thank you for joining our earnings call today. So allow me to update you with summary of our 9M24 results.

Our 9M24 performance remains positive amid demand contraction, especially on retail segment that is still declining. For retail demand growth in 9M24, excluding Grobogan, was still contracted by around 5% while bulk segment still recorded growing by 7% YoY. Therefore, overall domestic demand for 9M24 contracted by around 1.4%. For SIG volume, as we lead the market to improve ASP starting end of May 2024 both for bag and bulk sales volume by around 1% QoQ, so our volume in 3Q were impacted. Therefore, SIG domestic sales volume decreased by 2.7% YoY in line with the domestic demand as well.

Meanwhile for regional market our 9M sales volume contracted by more or less 10% due to the increase in regional competition as China started to export instead of importing clinker in 2024, Vietnam which became boost more export due to the slowdown in its domestic demand, and lower demand for other destinating countries as it impacted by political and economical conditions such as Bangladesh and Sri Lanka.

So with the initiative of increasing ASP that we conducted in 3Q24, despite still challenging demand and competition especially in retail market, our fighting brand portion from total retail sales slightly increased by 2.5% YoY and 0.5% QoQ to manage our positioning in very competitive areas. With such approach we were able to increase blended ASP by around 1% QoQ even though still recorded lower compared to last year.

Bulk ASP recorded increased by 1% QoQ conducted in selective projects where we have high portion of supply in such project and capability to provide better services including terms of payment, delivery as well as continuity or certainty of supply. While for export market we are trying to boost more portion of cement which has better pricing versus clinker. However, with more competitive regional export import market, the export ASP also impacted and recorded lower YoY. So from such condition our 9M24 total revenue still recorded 5% lower compared to last year.

From the cost side we recorded relatively flat COGS YoY with increased COGS per ton YoY. On cement segment, if you see our variable COGS per ton recorded relatively flat YoY. Some increase in variable COGS component including raw material costs from increased price for explosive materials and gypsum which refer to US dollars, as well as other mixing materials such as silica sand and chemical additives that also impacted by US dollars. Distribution costs increased from increasing tariff YoY and impacted by higher shipping volume among interplant facilities on YoY basis, and then packing costs from increasing price of kraft paper and polypropylene following US dollar increase that happens in Q2 2024. For fixed COGS reported increased by 2.5% YoY still in line with the inflation mainly from labor costs as well as maintenance. While on non-cement related business we recorded 40% increase in absolute COGS in line with the increase of non-cement related business revenue of around 38 to 40% YoY and such business that supporting this increase in revenue as well as COGS mainly from first building materials, non cement distribution- distributorship especially for iron, wire, light steel, light bricks which are developed during the 2024 that being conducted by our subsidiary, SILOG. And then construction service business also improved YoY. Land selling and rental or industrial estate as well recorded increase and then logistics, service and trading business to third parties also increase YoY. For OPEX we are still able to manage the incremental of OPEX by 1.5% increase YoY which is still below inflation and net finance costs recorded still decreased around 13% YoY due to lower interest bearing debt balance of around Rp 3.4 trillion compared to last year.

And on the sustainability initiative our PCC clinker factor still recorded decrease 3.4% which is positive, therefore it can support the reduction in CO_2 emission intensity by around 3% YoY.

In terms of the balance sheet cash flows and ratios, we also managed to maintain strong balance sheet and cash flows figure during 9M24. If you see here that our total asset recorded lower compared to December 2023 position. This lower figure mainly in line with our lower cash and cash equivalents due to payment for bond repayment and dividend payment that we did in the Q2 of this year and then lower trade receivables from third parties and then higher increase in total accumulated depreciation and depletion compared to additional fixed assets that happens in 9M24.

And in terms of cash flows, cash flows generated from operating activities remain high. We're able to generate around Rp 2.3 trillion in 9M24, current ratio improved from 1.2 times to 1.3 times with interest bearing debt recorded lower versus December 2023 position. And then solvability ratio also remains strong and improved with net debt to equity and net debt to EBITDA recorded improvement. So with this capability to manage disciplined implementation of financial policies with conservative financial profile, PEFINDO has upgraded our corporate and credit rating from idAA+ to idAAA stable in August 2024. And then in terms of initiative going forward, we are still committed to optimize our performance by focusing on improving profitability.

On QoQ basis, in Q4 we continue to optimize our top line and profitability through optimizing ASP. Improving ASP selectively around 1 until- sorry, 2 to 3% for retail and around 1 to 2% for bulk segment in selected market. And then continue to optimize cost efficiency from optimizing utilization rate, reduce index material heat and electricity consumption, improve thermal substitution rate (TSR) and more selective spending on fixed costs and other operating expenses (OPEX).

And for 2025 onwards we are going to optimize our strong presence not only in existing cement market, but also boost volume from blue ocean solution including green cement and precise interlock bricks (PIB). And then we are going to improve as well our export volume by completing the new jetty, hopefully at the end of this year, so we are able to optimize our capability starting Q1 2025.

So that was the summary of our 9M performance. We'll pass back to Angga for the Q&A session. Thank you.

Angga : Okay, thank you bu Febri for the presentations. Now ladies and gentlemen, 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, I guess for the first question we have Vivek here. Please, you can unmute yourself.

Vivek : Hi, thank you so much for the presentation Ma'am. Just one question from me. I just wanted to understand in terms of, you know, your cost profile going forward, you know, obviously going into 4Q and the early part of 2025, we'll get into a seasonally weaker period so competitive intensity is likely to increase and your ASPs will likely get some pressure. So purely from a cost perspective, just wanted to understand what levers you would have to, you know, reduce your cost from current levels so that you can kind of optimize, you know, EBITDA margins, you know, in the next, I would say 2-3 quarters?

Hosny : Hi Vivek. Ya, to answer your question, number one, we will continue the policy to optimize the energy cost by increasing the thermal substitution rate (TSR) and also trying to optimize also the usage of coal. Of course in terms of the optimizations of supply chain, this is something that we continuously doing also to make sure that we have the most optimum cost to serve on the distribution side and also for the inbound material transportation.

Second on the optimizations, also for the maintenance costs across our plants, including also the human capital in terms of the optimizations utilizing the human capital. So therefore we can increase the utilization and managing all the resources across the functions to be optimized. Going down further, we focus also on the in terms of the operational expenses (OPEX), especially on the GA side. We have already launched the program to optimize the traveling and also consumption, entertainment, consultant cost, those kind of thing. But I think it will not be quite as big impact as the COGS parts, especially on the energy side which is contributed- include the fuel, energy, electricity and also the transportation can be around contributes around 50% of the total cost of the COGS, plus also the human capital that I already mentioned to you. So those are the focus that we're going to do.

I think in terms of the Q4, there will be a slight improvement, although it's not that much to be honest with you. By increasing the price, we continue increasing the price until the end of the year. Some of the efficiency costs will come into the Q4, but I think the impact will not be seen directly. I think it will be on the next year. So that's the explanation. Thank you.

Vivek : Thank you sir. Just a couple of clarifications. In terms of the measures that you've you highlighted, would it be possible to give in terms of, you know, how much the reduction could be whether you know, on a percentage basis or how much your EBITDA margins could improve once all of these measures are implemented? You know, whether it's in 1H or you know, 2H 2025, whatever the time frame is.

And secondly the clarification just for you know, this quarter and this 9M, the “others” line item within your COGS seems to be quite high. Could you just explain goes into “others” and what is driving the cost uptick for this quarter and 9M? Thank you.

Hosny : Okay, so the target is to basically landing around 16 to 17% this year. Next year we expected to increase around 1% EBITDA margin. In terms of the “others” cost on the component of the COGS, so there are two aspects. Number one is on the increase of our non-cement contribution revenue because they increase the revenue and also it will increase the COGS also. Number two, I think there was this one event in Q3 that we have to incur some cost to basically manage the impact of the what you call the catastrophe that happens in our TLCC plant. As you know there was this big typhoon there, hitting the north part of Vietnam. So we need to you know, basically continue the operations and manage all the impact aftermath of that event. So we have to you know, have this one time cost unfortunately on Q3, but I think it will stabilize already in the Q4.

Vivek : Great. Sir, sorry, just the last spread. If you could just quantify what is the impact of this one time cost?

Hosny : Sorry, it's around 30 something billion IDR.

Vivek : Got it sir. Thank you so much and all the very best. I'll rejoin the queue.

Hosny: Thank you, Vivek.

Angga : Okay, thank you Vivek for the questions. I hope it all answers your inquiries. So for others, if you have any other questions, please raise your hand and I will give you the permissions.

Okay, so we have Arnanto here. Please Arnanto, you can unmute yourself.

Arnanto : Thank you. Maybe just circling back again to the other cost line item. The “others” line item on COGS, right. I think 9M24, the absolute number is roughly around 8.5 trillion. Do you mind giving us a split on how much is transportation, how much is packaging cost, how much is repair and maintenance, out of the total absolute number?

Febri : Yeah, for the- I will give you the figure for 9M, Arnanto. So for the raw material compared to the total COGS is around 6% and then there's supporting materials that recorded under others around 2%, packaging around 6%, fuel around 23%, electricity 13%, labor costs around 8%, maintenance around 10%, depreciation around 10% as well, general administrative around 2% and then distribution around 15% and then others which is including COGS from non-cement business- non-cement related business is around 8%.

Arnanto : And Bu Febri just to be clear, this is out of the others in cost line item, right?

Febriandita : No. So the others here. Yes, it's included in other manufacturing overhead. But other than that, which is including in other manufacturing overhead also maintenance costs, supporting materials, packaging, distribution costs, tax and insurance as well as general administrative for manufacturing area.

Arnanto : Okay, and out of those cost buckets which one saw the most increase on a YoY basis?

Febriandita : The most increase is the other components from COGS for non-cement business. And then also..

Arnanto : Okay, so okay.

Febriandita : And then sorry. As well as for packaging and supporting material because it's also in line with the incremental of US dollars compared to last year as well as compared to the Q1.

Arnanto : Okay, Bu noted. And for the non-cement products, do you mind giving us more color on what kind of products are those? And if that's the argument then going forward then cost should be sustainably higher because it's a product mix shift.

Febriandita : Yes. So as I mentioned before, the such business related to non-cement related business. Yeah, it's a building material for non-cement distributorship. So, we have a subsidiary named SILOG the main business are actually two, sorry three.

The first one is transportation, mostly goes to Semen Indonesia and transportation also goes to third parties as well, which is improving. This is the related to our initiative for cargo consolidators for back hauling cargo because they pulling all the third parties expeditors under SILOG, so they are able to optimize the utilization not only for SIG but also for the third parties.

And then the second business is the building material distributors. They are becoming our Semen Indonesia distributors in terms of cement but they're also distributing, because this is under the same channel, they're also distributing other items related to building materials such as iron wires, steel, light bricks which mostly started at the end of- sorry, in 2024. So that's also increased. Because the revenue increased, the COGS also increased. The margin might not be that much, because distributors margin is, I think, 3-5%. That's why the incremental in COGS also quite in line with the incremental in non-cement business on top ya. You can see at the notes to the Financials statement point 24, number 24 if I'm not mistaken.

And then construction surface also increasing. This is the third business of SILOG. And then the other we also have subsidiaries in terms of industrial estate. They are rentaling industrial estate as well as selling properties. That's also increased.

And last time is the logistics service that I mentioned before through SILOG, and then trading business because we have Semen Indonesia International that trading- do the trade for export as well as other materials for us and also for the third parties.

So in terms of margins might be small because that's why the COGS are most similar to revenue.

Arnanto : Okay, noted Bu Febri, thank you.

Angga : Okay, thank you Arnanto for the questions and Bu Febri for the answers. I see that Pak Indra here has already raised his hand so please Pak Indra, you can unmute yourself.

Indra : Yeah, thank you Angga, Bu Febri and Pak Hosny. So maybe I have two questions actually.

So number one will you start increasing the price of Semen Merdeka and I think in the presentation you said that you are seeing opportunity to raise by 2 to 3% this quarter, and how do you see this impacting your market share and especially in 4Q and will this apply to both let's say your fighting brand and also the main brand?

That's question number one and question number two regarding exports, I think you mentioned that there's some increased competition from China because they started exporting clinker. How do you see the dynamic between you started exporting to the US, I think sometime next year, and then in addition to this threat from China export, how would you impact this overall export volume for 2025?

Maybe that's the two questions now, Pak Hosny, Bu Febri. Thank you.

Gathut : Yes Indra, I try to answer your question. We increased Semen Merdeka as of May so it is consecutive months. We increase in May, we increase in August, October and we also right now increase Merdeka in November. So I think it will be impacting the narrowing between gap main brand to fighting brand. So I see that Merdeka already known by customers, so easy for us to improve the ASP. However, we say that we not only increase the Merdeka as fighting brand, but we also increase the main brand. As we see that we try to see that we will try to show that about our market leadership by initiating price increase, and it's good result because I think the ASP increased 1 or 2% as mentioned already by Mba Febri.

Indra : And perhaps on the market share, pak? Do you expect any further decrease in market share or can you maintain at this current level? Despite the increment.

Gathut : Yes, we make a strategy, we can maintain our market share right now still maintain in relative to 50% exactly for 49.5% as I'm not mistaken. So we try to put in 50% for all ya..the market share.

Indra : So maybe may I elaborate on the Merdeka price increase a little bit more, pak? So actually basically Indocement in their earnings- in their earnings call also mentioned that, to be honest, they said that Merdeka hasn't really done any meaningful significant price increment. So that's kind of like- they kind of like appeal to us basically to- to say that they are following you guys basically. So do you think that it is something that you see there's some room to and can you elaborate probably how big of a market that you've seen this Merdeka price increases, Pak?

Gathut : Yes, I think the first launch in Semen Merdeka we put the pricing level nearby with near best our competition. So we are not only related to Indocement but also for the other eco player. But we see that following the maturity and acceptability market with Merdeka, so gradually we increase the price. So as I said that we already increased three times for Semen Merdeka we initiate to increase this Semen Merdeka. I think we are not only focused on Indocement but also we focus on the other. Because I think the separate market influenced by other eco brand. And we see that there is still opportunity for us to improve the ASP for Merdeka. For example, right now Semen Merdeka already occupying almost 90% in Central Java and around 80% in East Java replace Semen Padang. So it means that market already accept about the Semen Merdeka. So that's why we try to put improvement in ASP and it's already conducted and the result with a good value of ASP for increase in 2% of our fighting brand and the portion of the main brand still get maintained in 75%.

Indra : Noted pak, thank you. Perhaps a bit of color on the export, pak?

Gathut : We see, I think we try to improve export in year 2025 as we see that there is another supporting facility in Tuban and also we have opportunity as well, we open a new market from the Latin America, from Philippines and also from Taiwan. As I see that improvement also we try to put on loading rate. As we see that our loading rate is as I know is best in along the Indonesian port because right now our loading rate is almost 29,000 per day. It means the highest loading rate that comparing to the other company in Indonesia. So we try to put higher target in year 2025.

Indra : So maybe just to clarify, do you think that the increment by this increasing in loading rate new market in the US and also Latin America will be enough to offset the decline from the heightened competition from China pak?

Febriandita : The competition in China already happens this year. So I think we already factoring the impact of China to our export volume this year. As you might see that our export volume YtD is decreasing compared to last year. But we expect that next year we are able to increase export volume to around 6 to 6.5 million tons by improving on how we can support the volume availability of the shipment or the capability of our ports. That's also impacting our volume in 2024. And then the impact of China to our export to US, it should not be impacted, first, because we already have the offtake agreement minimum 500,000 tons per year and then why we are able to send to US for export? It's because our partners want to shift. They do not want to import from China and prefer to import from our facilities because they have investment as well within our subsidiary, Solusi Bangun Indonsia. So we expect that will not impact our volume next year for export.

Indra : Okay, thank you Bu Febri.

Angga : Okay, thank you Pak Indra and Bu Febri and Pak Gathut for the answers. Everyone if you- Okay, we have Felicia here. Please Felicia, you can unmute yourself.

Felicia, I think you're still in the mute.

Felicia : Sorry, can you hear me?

Angga : Yes, loud and clear.

Felicia : Okay. Hi everyone, so I have a few questions. First of all, I just want to clarify what Pak Gathut mentioned earlier that main brand portion right now is 75%, so does that mean that the economic brand right now is 25% of bag sales? And maybe, and after that can I also just check what is your guidance for 2025 in terms of sales volume? And also I just want to double check also on the breakdown of the cost that Mba Febri mentioned earlier because when I add up it doesn't seem to be 100%. So maybe can you repeat the breakdown again? Thank you.

Gathut : Okay, Felicia, for the first question regarding the portion of the fighting brand in main brand, as I said, that has happened in October ya. October we put on our record the main brand would be 74.5 so related with 75 and the main brand 23.5 and I see that because we have already some program to empowering main brand while we are so penetrating several market with the fighting brand. So we try to keep priority on increasing portion of the main brand. For the volume for the next year, we try to put on demand increase on- for around 3 to 4% increase.

Febriandita : Yeah, and then for the breakdown ya, COGS breakdown before, you have to add the inventory difference Mba Felicia so the difference between what I mentioned with the 100% would be the inventory difference. And then for the-

Felicia : Umm sorry, I think I lost the connection just now. So, I didn't hear what Pak Gathut said, you expect the volume to grow by 3 to 4%? Just want to clarify that.

Gathut : Yes, correct.

Felicia : Okay. Okay and Mba Febri said that I need to add the inventory difference, right?

Febriandita : Yes, correct.

Felicia : Okay.

Febriandita : And then for the guidance 2025. For 2025, the government, we see that the government will be focused on improving capability of the mid to low income groups, including the policies related to housing that support the mid to low income groups as well. You see that they are really focusing on how they can realize the 3 million housing program. And also we see that the VAT discount most likely going to continue plus the fee of tax on land and building rights as well as their commitment to continue the new capital city. So, we are more positive towards more positive growth for cement demand in 2025. So, we see that there's opportunity for domestic demand to grow around 2 to 3% next year. Bag might grow around 0.5 to 1% next year as the government need process, we believe to really realize the 3 million housing programs so the impact would be more on 2026. So next year around 0.5 to 1% for some bag cement segment. And for bulk growth around 6% for next year. So total 2 to 3%. For our volume we expect to grow, for domestic ya, to grow around 3 to 4% as you see that we are in this year focusing on how we can improve the ASP so that would be a strong basis to start next year with quite high base of ASP even though our volume a bit impacted this year. So we are going to focus on how we can provide- achieve better positioning next year with better ASP.

And then for regional volume will grow around 10%, regional including the TLCC as well as export. So for ASP, we expected to be able to grow around 1% with domestic grow around 2% and regional at least we expect it to be flat YoY, COGS per ton would be maintained flat or decreased up to 1% with the initiative that has been mentioned earlier by Pak Hosny. And if we are able to increase the volume, we expected that the COGS per ton can decrease to 1% YoY. And then supported as well by the fuel consumption index, increasing the TSR, optimizing the distribution cost through optimizing the sourcing and then labor costs as well.

And then for the OPEX expected to be in line with the inflation, the transportation costs within OPEX might increase in line with the assumption of increasing volume YoY. And then with such figure, we expect that the absolute EBITDA next year as mentioned earlier by Pak Hosny expected to increase around 1 to 1.5% compared to this year. I think that's the guidance Mba Felicia, for next year.

Felicia : Okay, thank you Mba Febri and I just want to circle back to the breakdown between fighting brand and main brand. So Pak Gathut mentioned earlier that in October the breakdown is 74.5%. Can I just get a comparison, how is the breakdown in Q2 or 1H as well as last year, is it increasing or decreasing or stable?

Gathut : We try to put stable ya what we see that next year will be our prediction, the fighting brand or economic trend will be grow 2% so we try to put for next year around 2% increase in fighting brand. But for this year we try to maintain from the Q4 still remain in 75% for main brand and the other is the fighting brand. We try to put mix stronger in main brand.

Felicia : Okay pak , but if compared to last year it's increasing?

Febriandita : Yeah, as I mentioned earlier Felicia, YoY for 9M increase around 2.5% on QoQ basis increase around 0.5%.

Felicia : Okay, thank you Mba, thank you Pak.

Angga : Okay, Felicia, does that answer your questions all? Thank you. Anyone, if you guys have other questions, you can just raise your hands and I will give you the floor.

Okay, we have Aurellia here. So Aurelia, you can unmute yourself.

Aurellia : Okay, thank you Mas Angga, Mba Febry, Pak Donny, Pak Hosny, Pak Gathut, thank you for the opportunity. Can I please ask Pak Donny for his remarks on the 9M performance for SIG and then also what should we expect going forward ya pak? You know, like in the terms of the competitiveness, we see that the profitability is still challenging in the 9M pak. So how would you see the performance going forward maybe in the next year also?

And also, I would like to check on with regards to the 3 million houses program that the government has announced. Have you talked or have any discussion with the government regarding this program? And maybe what were, you know, the expectations from government for SIG to participate in the program ya pak?

Thank you.

Donny : Okay, thank you Aurel. So this is several things that I wanna address in this meeting. The first one is regarding the 2024, it's the toughest years for cement industry actually. We start from the general election on the early years and continued by fasting months and also Idul Fitri (Eid Al Fitr), and then transition period and then, you know, that wait and see situation that make the demand is below our expectation so make the competition become more fierce for all of the players. Not only impact for us, also impact for our competitor as well. So this is the toughest year actually.

And we already have made some efficiency on the operation but it cannot cover all the decreasing on the revenue. But this our first issue. But on the next year especially under two new initiatives on the green cement that were already certified and proven. We are working together with the Ministry of Public Work how to make all the new project that will be initiated by government will use the what so called the green cement that already have the standard by the Ministry of Industrial. So the green cement is not only what's called the "Himbauan", but it's the mandatory now. So you hope the green cement will increase our participating on the government project in the future.

And the second one on the development of the housing. This is a new game changer as well because we are the largest player, we already have intense communication with the government from the working level to the highest level of decision making how to support the housing development next year. So we come up with what's so called the conventional cement that we could support because we still have enough capacity to support. So the mechanism, we are going to deliver through what so called direct selling, so we cut intermediary so we could increase our volume without reduction our margin. We're going to make a special package and also a special bag for that purpose so we have increase our volume on the conventional. Beside that one, we also introduced the interlock brick ready present to the analysts as well. So it's gonna be the game changer ya. In this week, we continue to promote using interlock brick that could make the housing construction to become easier and fasting and also competitive in terms of pricing. And we already duplicate the facility that origination from the Semen Padang to all the facility that we have around Indonesia. We already start on making six line of production and by the end of this November one facility in Batang will be ready to support Java's needs for that kind of method of housing development. So there's a new additional value increase that you could hope beside from the conventional one that already mentioned by Pak Hosny and Pak Gathut and the team. How much is the magnitude? So we still finalize ya from the 3 million planning- plan from the government how many in from of the landed house and also what's it called the "Rumah Susun" also the renovation one. We still don't get the exact number. Ya, still also the Ministry of Housing still finalized and mapping the needs for that one, so in our position we're ready to support because we have the capacity and the method we- like I said before, we are going to do with the mechanism of direct selling to the developer or the owner. That's all Aurel.

Aurellia : Thank you, Pak Donny. And also if I may ask one more question with regards to the guidance that was mentioned earlier. So SIG is targeting domestic growth- domestic volume growth of 3 to 4% versus the industry of only 2 to 3%, so the higher number for SIG domestic volume growth is it coming from this particular 3 million housing program or from somewhere else? If you can, if you can share with us. Thank you.

Donny : Well, maybe we'll explain but we, we haven't put this new initiative and leave it as the potential upside because still don't have the exact grand planning from the government that could be executed by next year. But the potential is there. We still finalize with government and we're ready to support so that's the condition.

Aurellia : So the additional, you know, the higher volume growth expectation is coming from where ya Pak?

Donny : Febri, please.

Febriandita : Ya, so we are starting to increase ASP in Q3 and then planning to increase again in Q4. As you know that every time we increase ASP, it's followed by others, but there's lagging of time. And then when we increase, for example, we increase 1% maybe they only increase half of what we increase. So we expect that that will be impacted our market share. However, we are trying to optimize this year and we expect that demand for Q4 on trend basis slightly higher compared to the Q3. So this would provide good basis in terms of ASP, but maybe our volume a bit impacted in Q4 and already impacted in Q3 as well. So on YoY basis, as we already settled with better ASP, next year we are focusing on how we can gain back in terms of market share that we lost this year. That's one of the source of the incremental slightly above the industry.

Aurellia : So it's just natural normalization from the pressure in our market area we see in the 9M ya Bu ya?

Febriandita : Yeah, yeah but on top of that, not only we got the volume, but we already have a good basis in terms of ASP and then as Pak Donny mentioned, the additional demand from the 3 million houses or interlock brick would be additional to what we expect next year.

Aurellia : Yes. So that one is still not baked in into our guidance for 2025 ya Bu?

Febriandita : Yeah, not yet.

Aurellia : And also just to clarify, so the assumption of domestic volume growth which is higher than the industry is assuming that, you know, there's no changes in terms of ASP again in 2025, ceteris paribus I mean?

Febriandita : I mean, no, we still expect to be able to increase but maybe slightly increase by around 1% this year ya.

Aurellia : Okay, noted. Thank you so much. Thank you for SIG team, all the best.

Angga : Okay, so I guess due to the interest of time, we will give one last question, I guess, Mr. Aditya Sutandi, you can unmute yourself please.

Aditya : Thank you for the opportunity. Just to follow up on pak Donny's earlier remarks on the new talks with the special repackaging on 3 million housing program, pak. Do you mean to just give us a little bit of color on you know, the conversation currently just limited to the government procurement of 3 million housing program or will it be extended to the private developer involvement in the 3 million housing program? And if the later is the case, any thoughts on how you will be able to manage your receivables because you will be dealing with private directly. Is there any support from the government in managing your receivables?

And secondly, in terms of profitability, how should we think about this special segment? Would it be similar level to a fighting brand or we are looking at a better profitability than private fighting brand as we bypass, you know, a lot of this distribution network. Thank you, pak.

Donny : Okay, first of all this is a government program, so the government will push the plan to build the 3 million housing, right? So how it gonna work is by working together and coordinate together with all the related parties including the banking and financing system. So we are going to sit together how to address the issue on the financing and also the receivable, the aging or also the quality of the earning. So we going to start from already occurs right now the mechanism through the banking system, so we work together with the banking, the state owned bank that specialize in financing through the FLPP, it is for the government project, and also I work together with the developer that already a- bankable to address that issue one. So we are not doing these things bilaterally and only B2B, but we work under coordination cross border ministry to coordinate how to make it happen and sustain because we are not talking only for one year but continues for the next five years. So how to address the sustainability of the program? That's why we coordinate not only with the Ministry of Housing but work together the Ministry of State Owned as well and in the team also already include the banking system to address the issue. Because not only us that are facing the risk, but the financier also facing the risk to support the program based on the mechanism.

So the proper one, not only government of course, because the government will involve state owned and also private sector to be part of the development. So how to secure the financing and the risk, that's why we have to coordinate all the other parties together and make the mechanism that workable and sustained best to address that issue.

Aditya : Okay, thank you and do you mean to just give a little bit comment on the profitability, or is it too early to say?

Donny : That's why I don't want to promise something that we don't certain the amount, even though we know that it's going to be the big potential program because we are talking about the 3 million housing. But we have to be conservative as well ya, until we see the exact number they could delivery and then we'll deliver the information to you guys ya. So, I don't want to promise something, but it's not a dream. It's going to our future revenue. The issue right now we still work together with the government how to make it as the, what's so called, quick win that could be delivered first and also involve all the other parties to make it happen. If we already have the information and sign, or so called, general agreement of the MoU with the related party we will announce to the public. So until now we still on the intensive discussion, how to make it sustain and to become our future revenue not only potential but our future revenue. We hope also to increase our volume and also market share, not- that come from not the conventional one because a new project that we gonna involve is directly to support the government program. And as a public company, we also maintain the good term in order to make it sustain for us as well. So this is not an assignment, but commercially also should be addressed to make it we could support for the long time on the program, not only the hit and run and for the news only ya.

Aditya : Okay ya, thank you Pak Donny and I wish you and the team the best of luck.

Angga : Okay. Thank you Aditya. I guess that was our last questions that can concludes our call today. So everyone 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- remember if you still have any questions please feel free to reach us from our official email.

So stay safe and healthy everyone and have a nice day everyone. See you again in the next call.

All : Thank you.

[Call Ended]