SIG FY 2024 Earnings Call
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Panelists :

Mr. Andriano Hosny Panangian	: Director of Finance & Portofolio Management
Mr. Subhan	: Director of Business & Marketing
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. Rahmat Faizal	: SVP of Corporate Sales
Mr. Hasan Arifin	: SVP of Corporate Finance
Ms. Maya Savitri	: GM of Investor Relations

Angga : Good morning ladies and gentlemen. Welcome to the SIG Full Year 2024 Earnings Call. My name is Angga and I will be the moderator for today. On the line with us today we have Mr. Andriano Hosny as our Director of Finance and Portfolio Management, Mr. Subhan as our Director of Business and Marketing, all of SVPs, VPs and the IR team who joined this meeting. We also would like to thank you for all the participants joined this meeting.

We have released our Full Year result on Friday, 28th March of 2025 and the reports are available on our website under the Investor Relations menu. So, let me begin with the rundown of today's agenda. Today's call will begin with an opening presentation delivered by our GM Investor Relations, Maya Savitri, and followed by a Q&A session. For all participants, 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 Maya for the presentation. Please go ahead.

Maya : Thanks Angga. Yeah, so we would like to begin to say that the year of 2024 ended as a challenging year for the Indonesian cement industry as the domestic demand contracted by 3.5% in FY of 2024. This is excluding the recent industry M&A. The downturn was particularly significant in Q4 2024, when demand fell sharply by 7.6% YoY.

So, as a response, SIG continued to carry out price increase in Q4 2024 to sustain revenue amid the contraction, but as this initiative was not followed by others, we experienced a decline in market share. If we look at the demand trend throughout 2024, the major contributor to the demand contraction was the bag segment, which recorded a 5.5% YoY decline for the FY 2024. The decline was even steeper in Q4 2024, with a 6.6% drop compared to the same period in 2023.

On the other hand, the bulk segment showed positive growth in 2024, growing by 1.6% YoY. However, also in the 4Q of 2024, we saw a notable decline of -9.6% compared to 4Q 2023.

As a result, SIG total domestic sales volume in 2024 contracted by 5.4%, mainly driven by the bag segment by a negative 6.7%. Nevertheless, our market share remained resilient at 49.5%.

The price increase that was done in the 2H of 2024 was apparent from the increase in bag segment ASP by around 2% compared to 1H. We also attempted to maintain a higher portion of main brand, which has a more optimum margin. But with the condition of weak demand and purchasing power, we saw that the proportion of economic brand consumption in the market continues to increase.

In spite of the deep contraction in the bulk segment in Q4 2024, ASP for bulk in the second half was able to be maintained flat compared to the 1H. The export market, however, was weak due to heightened competition and demand pressures in destination markets that experienced economic slowdown.

We move on to the performance of SIG. Despite the challenges in demand and volume contraction, SIG was able to maintain positive profitability for the FY2024.

On the cost side, COGS was maintained flat YoY for FY2024, with lower variable COGS per ton resulting from lower fuel costs, in line with the decline in coal price. Fixed COGS however, increased YoY, mainly contributed by an increase in mining retribution in one of our plants and maintenance cost related to our Vietnam plant, which was impacted by the Yagi typhoon. As our non-cement related business continued to grow, we also experienced increase in COGS related to these businesses, especially in non-cement building materials, construction services, cement bags, and trading.

If we move to the OPEX side, excluding labor cost and also excluding transportation and handling cost, as we considered the transportation and handling cost as a variable cost component, the increase in OPEX was maintained below inflation. For total labor cost, the increase by 3.4% YoY was due to a one-off impact from increase in the assumption on calculating long-term service award to employees.

In line with our continued deleveraging efforts, we were able to reduce our interest-bearing debt balance throughout the year by Rp4.9 trillion, resulting in a decrease in net finance cost by 20.2% YoY.

Moving into our financial position, our financial position also remained resilient to be able to support our operations and also efforts to push cost efficiency. Our total assets were recorded at Rp77 trillion, decreasing Rp4.8 trillion mainly due to lower cash balance resulting from our debt repayments. Such efforts resulted in improved current ratio to 1.25x and healthy solvability with lower debt to equity at 0.25x and lower debt to EBITDA to now below 2x.

Cash flow generated from operational activities remained high at around Rp4.2 trillion, supported by a relatively stable cash conversion cycle.

With that, for 2025, we expect domestic demand to grow by around 2%, with the catalyst from the government programs that could improve the capabilities of the middle-income group.

For SIG, we target volume growth higher than the industry, which is in line with our effort to win back the lost market share that we experienced in 2024. As the global economy remains uncertain, we expect export to be remain flat in 2025.

ASP for domestic is expected to remain stable referring to the ASP of the 2H 2024. Moving on to cost, COGS/ton is expected to be flat or increase maximum by 1% through optimization in production to support higher volume. OPEX growth is expected to be limited with continued lower interest expense.

So, that concludes the presentation, we can move to the Q&A session. As was mentioned by Angga, you can kindly raise your hand if you would like to ask your question live or you can alternatively type in the chat box.

Angga : So audience, if you have any questions you can raise your hands or just chat us in the chat box.

Maya : Okay, so we see Arnanto raising his hand. So the first question will come from Arnanto, you can kindly unmute your mic.

Arnanto : Hi, thanks. Thanks for the opportunity. Just one question from my side for now.

Can you provide a breakdown of your other cost line item under your COGS? Umm..I do realize that in the 4Q we saw a bit of a spike on a per ton basis. So can you perhaps give us a detailed breakdown on other cost line item and perhaps it would be very helpful if you can also give us the year on year trend on the breakdown on a per item basis.

Maya : Okay. Just one question Arnanto?

Arnanto : Yeah, I think I'll start from that, that question for now.

Maya : I will pass on to Bu Febri to tackle the question.

Febriandita : Yeah, thank you Arnanto. So if we see the component ya… in the other manufacturing overhead there are rentals, maintenance, distribution and transportation. Umm… there is a packaging and also other COGS related to non-cement business. So the one that on QoQ basis that increase, first is the incremental of the non-cement related business COGS and then the significant one was actually the distribution cost.

So if you see the distribution and transportation costs on OPEX on selling expenses, selling expenses it's decreased quite significantly QoQ. Why? Because it's actually move some part, umm… were moved to COGS. That's in line with our route on how we distribute our product. So, for example if we distribute the product non directly from our plant through our packing plant so that will be recorded in COGS.

So as we deliver more toward through our packing plant that will be recorded on COGS and the COGS will be increased. But if we sell more directly, send or distribute directly then it would be recorded on the selling expenses. So if you see on the selling expenses the distribution costs were decreased QoQ as well as YoY.

But if you calculate or adding the cost in the cogs for the distribution as well as in the OPEX the incremental was relatively quite low, around 1% or less than 2%.

I think that… ya.

Arnanto : Yeah, thanks Bu Febri. Quick follow up, I mean I guess in the 4Q that other manufacturing cost was Rp3.7 trillion. Can you give us perhaps a detailed breakdown on how much rental is maintenance and such? And on your other non-cement business you mentioned costs went up QoQ. But if we look at the revenue side, actually the revenue side went down. So what happened there?

And second question, you know just a broader question, right? 4Q you hiked prices. 4Q October is supposed to be the strongest volume of the year but earnings were zero. So what do you think what went wrong in your view? Thank you.

Febriandita : I think that… I hope that… umm.. later it would be adding by Pak Hosny or Pak Subhan or Pak Gathut ya.

But what we see is that on QoQ basis demand was actually decreasing not only on bag but on bulk. We see bulk demand decreased quite significantly on QoQ basis as well as YoY in 4Q while you know that the basis of our bulk usually was quite high and then we try to increase ASP in hope that with the decreasing in the size of demand we are able to maintain revenue for the industry.

However, looking at the situation, not all players, almost all other competitors did not follow. So, we increased ASP but did not follow and then our market share were impacted. So if we see the total volume of SIG including export is flat QoQ but mostly it's supported by the export as you know that the margin is domestic far higher compared to the export. So that's impacted the blended ASP to relatively flat for the console but slightly decreased for the cement business and that also impacted the cost. I mean for the cost it's relatively should be more or less already umm... manageable.

However, if the volume is not optimum as what we expected, then the efficiency or the optimalization of the cost become impacted. And on top of that if you see as well in our notes to financial statements, we also mentioned that there's some adjustment that happens in the 4Q related to the long-term service benefit obligation. So, SIG we have long term service award given to the employees that calculated based on the price referring to the price of the gold. And as you know, gold price in 2024 has spiked quite significantly more than 30% and that's impacted the calculation of the long term employee obligation and we are supposed to record that additional expenses to the P&L.

We have, SIG have issued new policy in terms of that so that we are no longer giving the long term service award referring to the gold price but referring to fixed numbers. However, it already applied to almost all of our subsidiaries but there are two of our subsidiaries that considered by the auditor has not yet really fulfilled the requirement to be excluded or not need to be to record this additional expenses or increasing in the long term service obligation.

So because of that that we have to book additional expenses specifically in 4Q around Rp132 billion as you can see that on the notes 30b to our financial statement. So that's also really significantly impacted our net profit in the 4Q.

Hosny : Okay. I think on top of what Mba Febri saying is that number one, we have 17 operating entities. So, based on the experience that we have, managing cost for 17 entities to be regular in line every month, every quarter is pretty difficult. That's why I would suggest …. (inaudible) …. the entities it's easier to manage. If you see on the FY basis, to be honest, fixed cost absolute exclude direct labor and other non-cement related business. To be honest, the change, to be honest from last year is only 2.2% total for only the fixed cost and variable cost per ton, we managed to decrease about 1 1.1% on a FY basis. Because some cases we can only accrue once there is a, you know, BA sign and everything and sometimes it happens during the end of the year, sometimes in certain entities, you know. We cannot control because we have like hundreds and thousands of activities and operations, you know.

That's the thing that is difficult for the team to kind of estimate the accrual basis on a quarter-to-quarter basis or a month-to-month basis. That's why I would suggest looking at it on a year, FY basis, right. That's number one.

Number two, on the end of the year. So this is the tricky part about of the accounting standard. We already estimated that there will be a spike on the estimation of liability based on the long service award of our employees, especially on the cement. Because the cement contributes almost around 85% of the workforce. We see that there will be a spike because we used to provide the long service award using gold, right. That's why we changed the, what you call, the company policy. Because long service award is not regulated under the law. Yeah, there is no regulation. So it's actually based on the company policy.

However, this is one thing again about us. We have different terms and structure under agreement with the employees with the union, especially on SBI because SBI used the agreement with the union based on the Holcim era. And even though it is already expired, there is again, a complication, because the law, the regulation of the Undang-Undang says that it's no longer active and we can basically use our own, our company's policy. But based on the ministerial degree…ministerial regulation, it says that we have to follow the expired union agreement.

We already make a legal opinion says that it's okay for us to apply it under company obligation because the.. what do you call, the higher regulation said that it's already expired. But then accounting standard, there is this tricky part called construction obligation. This construction obligation that makes the change of policy, especially on SBI, because the SBI effect is almost, almost around Rp100 billion, you know, almost around Rp100 billion. Even though we already changed the policy but we have this issue with the auditor in terms of that construction obligation. Plus, there is a dynamic in the market, in the…in the activity of our union until the DPR and you can see also, and you already know from the media, right, regarding this dispute regarding the terms and condition under this union agreement.

So if, let's say we can apply that, which basically we already apply on SIG, on Semen Gresik, on Semen Tonasa, right. We should book around an additional Rp133 billion on top of that and that happens everything in 4Q because there is this, you know, perceptions and grey area, things that we couldn't, you know, defend and that's basically the reason why our, you know, publish of the financial report get delayed because we still defend with the auditor using also legal opinion. But we couldn't get that into the middle ground with the auditor. But we can manage it under the rest of the other cement company.

So..but in this year we should be able to do that because I think we're going to go for the PHI because we have a very good positioning in this case. Anyway, the condition of the industry and the market is not supporting for us to use anyway the old policy. And again, this is a long service award, ya. This is not something that is compulsory for the company to apply based on the regulation so we have a strong positioning in this case, yeah. So I think it should not be an issue again in 2025. But that's actually one of the impact, why very low or even like limited additional earning in 4Q because of the impact of this estimation of actuarial, yeah, not real cost here, this is not real cost, just estimation on the actuarial calculation on the long service award, that's the biggest part. And we already put that under the note 30, under the note 30 to disclose it in our financial report.

I think those are the additional from that.

Arnanto : Okay, thank you. Maybe the first part of the question, Bu Febri. Cost for non-cement is up but revenue is down.

Febriandita : Yeah. In terms of revenue per ton on QoQ basis I think it's quite relatively flat actually. But again as I mentioned before, if we see the cement business only it was decreasing. Why? Because the composition of the domestic compared to export is...

Arnanto : No, no sorry Bu Febri, it's the other revenue. So non-cement business.

Febriandita : Right. So but if you see the revenue consolidation per ton it's actually relatively flat. Why? It's flat because it's supported by the non-cement business. So actually the non-cement business is increasing supporting the, the…the revenue top line but at the same time the COGS also increasing. So, that's why you see the other manufacturing overhead is increasing.

Arnanto : Okay and lastly for me before I pass it on, I think professional fees under OPEX almost doubled in 4Q. What happened there?

Febriandita : Yeah, that's what has been explained by Pak Hosny that we cannot really see the QoQ basis, cost for, for this because based on the accrual. So when we accrue the, or record the cost of professional fees, for example that's based on the BA or the completion of the projects. So when we complete one project and most of it completed, some of most of them completed in at the end of the year then we start to book or accrue the cost on the 4Q. So it is suggested that we see more on the FY basis.

As the OPEX, actually if you see in our presentation on operating expenses on total, excluding the transportation cost, it's only increasing by 1.4% a YoY basis. Also excluding the impact of the labor cost.

Arnanto : Okay, but it's still up 76% on year, on year basis, Bu. Not, not QoQ, yeah.

Febriandita : On full year basis.

Arnanto : 4Q, only YoY basis it's up 76%.

Febriandita : Yeah. Because we have to see on the full year basis.

Arnanto : Full year basis up 35.

Hosny : You're talking only the professional fee. That's it?

Arnanto : Yeah. Yes, yes Pak Hosny.

Hosny : Yeah, of course. Okay. So basically this year for example we have a couple of things that we have to finalize.

Number one, the what's gonna happen to SBI? Right. We're going to do rights issue. We have to prepare the equity story and then that's number one, we have to prepare everything and then we have to do corporate actions on that. Because we need to do also the, what you call the initiation on the waste management business and all those kind of stuff. That's number one.

Number two, we also have the, what do you call, initiations of our TLCC and also regarding the paralysis business, those kind of thing.

And then I think on the operation side we also have a couple of activities that we have to prepare in terms of optimizing our logistics, supply chain and also the cyber security. Okay. One thing that we have to this is also a compulsory because this is a direction also from the minister. So we have to incur more costs to mitigate the risk because we operate as you know, big entities, separate entities, 17…45, 17 active, 45 including the non-active. So it's vulnerable, very vulnerable to the cyber attack. Yeah, so we have to increase that. Those kind of those I think the biggest part yeah compared to last year.

Arnanto: Okay, thank you.

Maya : Okay, Arnanto, hope that answers your question. We also have Indra Cahya with his hand up. Indra, if you'd like to unmute your mic.

Indra : Yes. Am I audible?

Indra : Yes, yes, thank you Maya, Bu Febri and Pak Hosny. Maybe I, if you don't mind, I have a bit of three questions here.

So number one, continuing from what the management was saying and also from Arnanto's questions, do you see a pivot from ASP defensive to I would say more of a market share regaining for this year?

And two, how does impact your basically your market share target and also your ASP growth for this year? Considering that I think 2% is a bit, is a bit optimism. What if, let's say volume doesn't reach 2%? How would be your strategy in terms of market share versus ASP?

And number two, relating to the costs that you elaborated before, do you see the margin, the EBITDA margin can recover back to 20% or even like say 18% to 19% this year if not next year? Because I think the FY EBITDA margin fell to about 16 plus something. Just want to see where we will stabilize this year given the market is still challenging.

And number three, I think I have four questions, sorry. Number three, regarding the recent say a tariff impact, do you see your export to the US is facing some headwinds and if that's still an ongoing progression on your part.

And number four, I think this is my last question. What would be your dividend policy given it will be like under Danantara, all that sort of stuff.

Yeah, sorry, sorry for the long questions.

Hosny : No problem, Indra. Okay, so I tried to answer your questions first and then Pak Subhan and our sales and marketing team will add. This year we will focus on again volumes, utilizations because we lesson learned is that one thing is that if we can get as much as volume with good contribution margin and make sure that we aim around minimum 70% utilization, we will get a better off based on our simulation in terms of profitability, yeah. So that's actually what we're going to aim for this year. So I think for the market share target, Pak Subhan will add after this.

Number two, in terms of the cost, I think we will further do all this because we also realize that a lot of opportunities still that we need, we can improve, yeah, we can improve. For example, number one is on the energy cost, TSR definitely this is something that we are still lagging behind even compared to INTP already above 20% we are still around 8.5 to 9%. So that's why, the reason, one of the reasons why the fuel, electricity, they can manage to make it more efficient than us. So this is something that we would like to push further, in line with the waste management business that we would like to initiate this year.

And then in terms of the margin, I think we aim to increase about 1%, yeah, so EBITDA margin, 1% improvement compared to last year. And with this strategy of having a target of good utilization rate and a focus on sell as much as we can, as long as we can get good contribution margin, we should be able to achieve that. On top of that, the export market, which is very interesting, we see from the beginning of this year actually there are quite a big demand suddenly coming from Bangladesh and South Asia. We have quite a big requirement up to around 36 million tons from this area and the price is also pretty good, around $35 per ton in terms of the clinker price.

So we're trying to push that and perhaps this is also will become the… of course, like we said, the tariff to the US will impact to the contribution margin of our cement export to the US. We are still in the discussion with Taiheiyo Cement. Basically it's now the discussion is the impact how much that we would like to push it towards the market and how much that we have to absorb. But we see around a reduction of around like what, $5 yeah? $5 reduction from the previous contribution margin that we should get. But from the $5, I think we're still in the discussion whether it's split 50-50 or 60-40 is still in the discussions. But of course there will be an impact based on this tariff. However, this year because of the we have other markets like in Bangladesh. This will also bring a good stream of revenue and plus will support the target of utilizations that we would like to get.

And last questions on Danantara. I think the Danantara is a positive impact to us because then with the Danantara of course number one, in terms of the agility decision making process will be faster. Plus, we can get more collaboration in terms of the resource sharing, yeah. And then in terms of the policy streamline and then the centralizations of the.. of the policy and also on the long term strategy it will be definitely more towards the commercial and business aspect rather than the, with the, with the, rather than the political impact or aspects because there will be a segregation in terms of where the you know, political impact can intervene the decision making and strategy of the company. So I think it's a…it's a positive sign. We just met with the advisor of the Danantara on Tuesday along with Pak Rosan also in the Mandiri Club. And then I think it's pretty clear that it's going to be more business commercial governance in terms of how we operate the new era of BUMN this time.

So I think Subhan, if you would like to add specifically on the top line and also revenue side.

Gathut : Yes, thank you. Yes, I would like to answer your question. For the market share targeted flat for this coming years, yeah, 49.5%. Regarding the strategy between market share and ASP, I think Mba Febri already stated, stipulated very clearly. But right now we try to put volume as our focus, focus on to be the volume and market share. As we see that in the last 4Q in last year, we have a strong portion of main brand with the certain program that we focus on store acquisition and also in mason.

So right now, we try to focus on the two program that hopefully will be increased the portion of main brand. While we are, we are, increase the portion of fighting brand around 1% or 2% comparing this year. So, the compensation would be program in main brand. I mean main brand would be increasingly maybe maintained to 75% of portion of main brand. I mean that we try to focus on market share. But we try to penetrate fighting brand because we see that in ASI's data that the growth only happened on fighting brand. So, using the Merdeka already accepted in the market, so we do believe that we can penetrate, we can regain our market in fighting brand.

As we see in the 4Q loss of market share coming from also from the market of fighting brand. We normalizing the pricing of market fighting brand in order to put penetrate on market share of fighting brand. I think that's the strategy, Mba Febri. Thank you.

Maya : Yeah, Indra, I think you asked a question on dividend policy.

Indra : Yes, I was about to follow up on that actually. Perhaps. Yeah, maybe you can...

Hosny : Okay, so dividend policy is still the same. We are proposing 80%, yeah, 80% dividend policy and potential buyback also that we're planning to do.

Indra : Thank you Pak Hosny, Pak Subhan and the IR team. All the best for this year.

Maya : Thank you Indra. Okay, I think we'll move to the questions in the chat box. We have a question from Bob Setiadi from CGS. He asks, good morning SIG team. There's three questions.

The first one is how much growth on non-cement business do you expect in the next three years, and what is the impact to your GPM? I think this is gross profit margin, in which area? The second question is, in which area do you think you can further improve your cost structure? And the third question, I think this has been explained before by the team also, what would be the impact of Trump's tariff to SMCB plan to sell cement to the US? So, I think I would like to pass on to Pak Hosny or Bu Febri to answer the two questions.

Febriandita : Yeah. For the non-cement business, later can also be explored by Pak Andi Krishna, our Business Innovation, SVP of Business Innovation. But we are, we are aiming that we are as our tagline that we are have to develop beyond cement, and we focus on the blue ocean product as well as solutions and we expect that currently the proportion in terms of EBITDA for non-cement business is around 7% and we are aiming to increase the proportion to around 10% in the next three to four years.

And in terms of the gross profit margin ya, ya as we also try to develop the business in terms of the waste management for example, the margin for the waste management business is relatively attractive, around 20% something. But for the others, as we develop the downstream business-like mortar, precast, light bricks, the margin is not as thick as cement business, but what we are focusing is that this business will channel our cement business. Because eventually, as you know that referring to the developed countries that that the use of that will be more use of the downstream product of cement business. So we try to maintain our market share and get the extra margin from the downstream business. So that will be focused and increasing on the absolute numbers of our profitability. So I think that's for the question number one.

And in where, in where… which area for improved costs, it's in line with the strategy of the top line that we are going to optimize our volume from domestic as well as export regain back our market share that loss as we increase ASP and did not followed by the competitor. So that would provide more efficiency in terms of production index and so on. And, of course with the in terms of OPEX we are trying to more limited managing the incremental to be very limited, selective spending and then on the energy, as mentioned as well earlier by Pak Hosny, try to increase our thermal substitution rate (TSR) in line with our strategy in terms of sustainability and, of course deleveraging, we are continuing to decrease our interest-bearing debt and expect it to also decrease the net finance cost. So I think that's for the cost. Pak Hosny, you would like to add?

Hosny : Yeah. So in addition to that ya. If we break down, to be honest, like the variable cost per ton, so our variable cost consists of raw and supporting material number one, fuel and electricity number two, packaging number three, and distribution and transportation and handling. For INTP, distribution, transportation, and handling is accounted in the OPEX. But for us, two, one in COGS and one in OPEX. Because why? We have this inter-company, inter-positioning of the factory, and also other infrastructure, which basically has to be accounted in the COGS because it's not yet delivery to the end customer. The one that is to the end customer is recorded under the OPEX. But we–in this case, we put it all together as a variable cost. So, four items.

Total, if we compare, actually our variable cost is already lower than INTP, around 484,000. If we compare it apple to apple. Their… theirs is like 590,000. But they managed to decrease it 6.3%, we decrease it only 1.1%. One of the key items that I think big opportunity for us to reduce further is on the fuel and electricity. Because I think, in this case the thermal substitution rate (TSR), like I said that will be–have an additional of 15 billion per 1% of TSR. That's actually one thing that is big items on top of optimizing also the mix of the energy sources plus the electricity in terms of substituting it with the–with the renewable and renewable source of electricity.

That's number one.

Number two, of course, on the distribution and transportation handling they managed to only the cost is around 121,000 per ton. Ours is around 144. So still, we have additional opportunity. Although, because of the landscape of operations that we are doing is larger. Of course, managing it is not comparable with the lower proximity of the activity. But again, I think in this case we should have ample of opportunities to be able to reduce further.

Second, is on the fixed cost. The fixed cost depreciation and amortization. That's one of the biggest parts. Why? Because as for us, we are a union of companies that’s been integrated several times and couple of assets, to be honest, we have duplicacy for example, like our packing plants, grinding plans in certain area. After we acquired Holcim, after the integration of SMGR. What we going to do? We're going to do a partial shutdown in terms of the assets that we are no longer, you know, needed. Yeah. So therefore, we can lower the fixed cost, which is basically related to the maintenance, GA and also the other supporting activities in terms of that. That's actually from the fixed cost. Tax and insurance, I don't think it's controllable because depending on the regulations by the government, you know, on the mining levies and also tariffs. So that's actually something that is not really on our controllable side.

Second is on the labor. Yeah, labor. Labor, this is also one thing that we already try to do last year ya, trying to change the policy that we can do in order to reduce the estimated liability in terms of our obligations especially on the long term. What do you call? service award, ya. We're going to standardize this across the cement business and also the non-cement business. So hopefully there will be a couple of, for example, the 133 billion, definitely, it's something that will be impacted directly in 2025. We will also do standardizations to other non-cement business also non-cement companies. And the other parts of the labor, we're not going to do a massive, you know, what do you call? Downsizing? Of course no. But we're going to adjust a couple of policy in terms of the human capital that is basically still we are able to do and not against the regulations. That's number–that’s the one thing.

And then the next part is actually managing the promotion cost ya, Pak Subhan ya? Because we see also this is a good, we have a, this is, there is a lot of opportunity for us also that we can do to manage the promotion costs compared to the effectiveness of how we going to gain the volumes and get the revenue. So this is the thing that we're going to do. How? We're going to do it with the strategy to utilize the resources that have impact directly to the end customer ya. Impact directly to the end customer. That's the keyword ya. Because we see couple of promotion activities that we do sometimes not impact directly to the end customers. End customer, who are they? In terms of the retail, of course the masons and also the, you know, household holders that they're trying to do their improvement–house improvement. And then for business to business, of course, we're going to do different promotional activities, which is, directly impacting to the end customers to the projects, to the industrial companies ya rather than providing promotions to our distributors or stores, which is, basically some of them is not efficient. So I think that's more from the operational side.

From the non-operational side, of course, we will do further deleveraging. We planning to deleverage around 1.5 trillion this year. So we'll see further reductions in terms of the finance cost. And I think that's one of the thing that we're going to do also to support the cost management.

Maya : Okay, thank you Bob. I hope those answers your question. Oh yes, sorry. Pak Andi would like to add regarding the non-cement business

Andi : All right, thank you. I would like to add some strategy regarding our non-cement business approach. So as we already know, we already have a current portfolio of non-cement business with if we look at the last…the last three years is on the right trajectory of growing the business. But if we are talking about the next three years as the questions I think there are two clusters that we are focusing in. The first cluster is regarding the downstream business of cement. So we are developing three products. We are focusing on three products here, beside our current two products of mortar Indonesia, and our beton, our ready mix. In terms of mortar and ready mix, we are increasing our growth. But regarding the new product, we developing cement-based brick that in 2024, we already developed our initial plan in five locations and we are planning to increase the capacity in several locations utilizing our facility in batching plants. So that will be our strength point going to the market of cement based brick product.

And then the other cluster is related products and services around our ecosystem. Such as, we are planning to develop a paralysis plan which is this is waste management plan who convert waste material into a product that we utilize for substituting the coal and the oil as well for our heating plan. And then we are planning to also introduce this product into the market. And then we also developing some other product like aggregate, aggregate business. We are trying to consolidate the aggregate that we use internally and then trying to sell this product into the market in our ecosystem of ready mix players.

And the last one is regarding the logistics and distributions. Today we already have abundant resources regarding our logistic capability and as we've been trying to develop for the last three years we are trying also to do further investment regarding the non-cement logistic basis. So that's basically maybe our three-years plan for non-cement business to add. Thank you.

Maya : Okay, thank you Pak Andi. We will move on to the next question in the chat box from Richard Halim. He asks as we assess the current competitive landscape in the fighting brand segment, how does the management view the market dynamics particularly regarding pricing pressure and market share. I think some has been explained by Pak Gathut earlier. Maybe Pak Gathut would like to add something regarding the landscape in the fighting brand segment and how is the market dynamics going forward?

Gathut: Thank you. Thank you Maya. As I said before that right now the competition not only in the main brand, also in fighting brand. But we do believe that in year 2025 we can do better because we have already put some fundamental strategy in year–last year. For example, right now, we are connected to all store in nationwide with a program, and also the visibility of data from the field brought by a salesman of distributor that can be brought to our head office. And also, we connected to 12,000 of mason nationwide which is right now we also expand more to protectable market. So the dynamic– the dynamic of fighting brand we follow. For example, this year, we plan to increase the portion of fighting brand around 1% and 2% ya. Meanwhile, we are also strengthening our positioning of main brand as we see that all the program that already Pak Hosny said that focus on main brand. So I think we do both, we protect or maintain our main brand, but we also pressure and penetrate to our fighting brand. I think that's the answer.

Maya : Thank you Pak Gathut. We'll move on to Robin from Mandiri Sekuritas. He has his hand up. Robin, you can kindly unmute and ask your question.

Robin : Yeah, thank you Team. Am I audible here?

Maya : Yes, you are Robin.

Robin : Thank you Maya. So, a few questions, just very quick questions. So Pak Hosny, would you mind providing the TCC's exports to the West Coast? What was the contribution margin before the tariff announcement? And now that we're expecting a $4 to $5 cut to that, what will it be? Next up, it's on the tax benefits. So, usually, when a company books a very high effective tax rate for one quarter, there will that might result to tax benefits carry forward. Are we looking at that in this instance? Next up is on the recent point on the fighting brand mix. So, can we confirm that with a 1%-to-2%-point increase that will result in a net fighting brand contribution to bag sales of about 28% to 29%? And last point is on the buyback since Pak Hosny mentioned it earlier, do we have a sort of estimated budget for the buyback? Thank you.

Hosny : Hi Robin. I'll answer two of your questions. Number one, previous margin is around $10 before the tariff. Yeah. With the tariff we already calculated, if, let's say we absorb all impact, it's reduction of 5. But of course we are not going to do that. So that's why we are in discussion with Taiheiyo because Taiheiyo is the one who's acquiring, FOB. We are in a discussion how much that we would like to push this to the market, to them and also to us. Of course to them lah because they also make margin, right? Because they sell it in the US, they're the one who's selling it in the US. So from the $5 we are basically looking around 50-50, 60-40, 40-60, you know, those kind of the range that we are in a discussion. But it's still a go for us, it's a go, because we're still making good money, to be honest, more or less with even, let's say we got $7 and the dollars with rupiah now increase. So we get also potent additional gain even compared to curah, to bulk, we should get, you know, equal amount of contribution margin. Yeah. So it's still a good to go because they also still need the goods.

So that's the most important part. It's not that because of the tariff they can get somewhere else because we see still on the West Coast it's an over, what do you call it, oversupply? Over-demand situation, right. And we check also if even, even they get from Mexico before the tariff, they get higher price because of the, you know, goods coming from the US Cannot enter the Mexico even before the tariff. That's number one. Number two on the–you asked about the buyback, right?

Robin : Yes, I do, Pak.

Hosny : Right. And what about the buyback? The amount of what?

Robin : Yeah, any budget set aside for that?

Hosny: 300 billion. Because you know, we also have to be careful. We have–we did right issue, ya. Based on the regulation, we have to segregate the money from the right issue and then we calculate what is basically we can separate it for the buyback. Based on our calculations we should be able to, you know, do this around 300 billion maximum, yeah. And we're going to do it soon because we already got the approval from our Commissioners Board of Commissioners and we are utilizing the, what do you call, the regulations from the OJK can do this immediately without the GMS.

Maya : Okay. I just like to–

Hosny : There’s another question.

Maya : Yes, there's some questions, Pak. Yeah, so just to reconfirm about the increase in fighting brand, as Pak Gathut mentioned, we expect 2025 to be around 27% to 28%, Robin. The next question was regarding the increase, a potential increase in tax loss carryforward. Maybe Bu Febri or Pak Hosny or Pak Hasan would like to give some color.

Febriandita : Can you actually repeat the question? Robin, what do you mean by the impact on the incremental TLCF?

Robin : Iya, Bu, so effective tax rate was at a very high level in the 4Q. Usually when that happens that can lead to a tax benefits carryforward situation. So are we looking at that to offset future taxes in this instances?

Febriandita : Yeah. So we have booked the impact of the tax loss carryforward that we hope that we can applied that on the next five years. So it is also important for us to optimize the profitability so that we can optimize the facility of the tax loss carryforward in order to improve our effective tax rate. You're right.

Robin : Thank you, Team.

Febriandita : Okay.

Maya : Okay, thanks Robin. We just have one–there's some questions left here, but I think in the interest of time we will probably answer one more question and the other questions we may have to follow up with you guys. This is from Aurel. She asked how much is the cash on hold? On hold co level as of FY24. The second question is when is your AGM and any timeline and other details for the SMCB rights issue plan.

Febriandita : Okay. On the first question on the cash flow, so as we have applied integrated finance as the cash flow on the Opco’s or subsidiaries, we have policy that they manage minimum cash flows. So most of the cash outstanding that we have is on SIG level. So more than 80% is actually on the holding in terms of cash flows.

Hosny : Interest-bearing debt also.

Febriandita : And yeah, and as the interest-bearing debt as well, we are already centralized as well on the holding. So mostly it's also on the holding, and as most of this money as well comes from the right issue that still pending up until now around Rp2 trillion ya. And the AGM, we are planning to do the AGM on May and then on the third question timeline on and then on the timeline of the SMCB right issues, we are still under discussion on the position but based on the schedule we supposed to do that at no later than the end of next year. I think that's to answer Aurelia’s questions.

Maya : Yeah, so I think we have time for just one more question. I think this has been in the chat box for some time from Onkar. What was the trend of electricity and coal prices for 4Q24 and the FY2024? What what was the per ton coal prices? And also could you remind us the proceeds raised from the rights issue two to three years back and how that's been used so far and how much still remains. Also what is the progress on the synergies with Semen Baturaja?

Febriandita : Yeah, I think on the 4Q coal price and electricity price ya on the QoQ basis, on coal price, relatively slightly decreased actually compared to the previous quarter. But on YoY basis as well it's lower, on the full year basis ya, it's lower because we are we were able to get lower coal price and hopefully the trend will continue in 2025. In terms of electricity, actually, in terms of tariff from the PLN relatively stable compared to last year. However, as you however one of our subsidiary, Tonasa, that operate in Sulawesi there were the availability of the electricity source from the PLN was a bit distracted and that's why we have to operate using our power plant and the tariff was a bit higher compared to the previous tariffs and specific tariffs for the industry and in Sulawesi as well recorded slightly increase starting 2Q if not 3Q of last year. So that's impacted the electricity cost. But total energy cost as we are able to decrease the coal, coal price and then coal consumption. So total energy price per ton still recorded a decrease.

Maya : Okay, thank you, Bu.

Febriandita : Okay for the proceed of right issue. Yes, it has been used around 400 billion, ya, Pak? Rp400 billion proceed of right issue and so that's why we still have around 2 or 2.1 trillion remaining and mostly that used for the ESG capex and we are planning to use that within 2-3 years following and I think that we are going to update you again with the how we can, we are going to spend this fund from the right issue soon. And the progress synergy with the Semen Baturaja, I think it's quite positive as you see that Semen Baturaja record increase in profitability in the 2024 even though we have to also take into account that as we assuming that we expect that the situation with the industry demand will improve and so on. However, as you know in 2023 has been contracted, 2024 as well demand is contracted that pretty much impacted the achievement of the SMBR. But however in 2024 despite of those challenges they're still able to book incremental in terms of profitability. So hope that can answer your questions.

Maya: Okay, so Management, maybe one last quick question here from Kharel. He says any comment regarding the potential additional cement capacity by PT Sewu Surya Sejati in Wonogiri? Maybe Pak Subhan or Pak Gathut have any views on this.

Febriandita : Maybe later Pak Gathut can add, ya? It's very challenging to really know the old license that has been given to any parties before 2013 or 2014. If there is a new license that has been given before that, and it means that so long that they still own the investment license, they can build the facility. The question is after that whether they are able to get the environmental license. On that information, we cannot really comment on that because this is quite information that we also do not have the information yet up until now. But now, starting 2019 going forward, the government already have the understanding to give the moratorium. And so we are quite positive that there will be no new license that will be issued since 2019 and up until now. So I think that's the comment to answer that Kharel's question ya. Pak Gathut, if you want to add something.

Maya : Okay, so that concludes our Q&A session. I will pass back to the moderator.

Angga : Okay, thank you, Maya. Finally, we have come to the end of the sessions. 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 questions, please feel free to reach us at our official email. Stay safe and healthy and have a nice day everyone. See you again in the next call.

Thank you.

[Call Ended]