

SIG 9M2021 Earnings Call

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Panelists:

Mr. Doddy Sulasmono Diniawan - Director of Finance

Mr. Adi Munandir - Director of Marketing & Supply Chain

Mr. Andriano Hosny - SVP of Finance

Mr. Rahman Kurniawan - SVP of Sales

Ms. Ami Tantri - SVP of SMO & IR

Ms. Febriandita Kusuma - GM of Investor Relations

Mr. Radityo Widinugroho - Investor Relations Officer

Ms. Khalisha Anjani - Investor Relations Officer

Radityo: Good evening and Welcome to the SIG 9M 2021 Earnings Call. We have released our 9 months of 2021 results on Monday, November 1st 2021 and the reports are available on our website at sig.id under the Investor Relation menu. My name is Radit, and I will be the moderator for today. Let me begin with a rundown of today's agenda as well as some functions of Microsoft Teams platform. Today's call will begin with an opening statement delivered by our GM of 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 mike. Please remember to click the unmute button after that before speaking. Before we start, kindly fill the attendance list using the link provided on the chat box, thank you.

On the line with us today, we have:

Bapak Doddy Sulasmono Diniawan, Director of Finance & Risk Management

Bapak Adi Munandir, Director of Marketing & Supply Chain

Ibu Ami Tantri, SVP of Strategic Management Office and Investor Relations

Bapak Andriano Hosny, SVP of Finance

Bapak Rahman Kurniawan, SVP of Sales

Bapak Hasan Arifin, GM of Accounting

Ibu Febriandita Kusuma, GM of Investor Relations

Anindita Satria Nugroho, Investor Relations team

Nurina Pratiwi, Investor Relations team

and myself, Radityo, also from Investor Relations team.

Let us begin the call, I would like to give the floor to Ibu Febriandita for the opening statement, thank you.

Febriandita: Thanks Radityo,

Good afternoon everyone. I am Febriandita, Investor Relation of SMGR, and again thank you for joining our earnings call, and for 9M 2021 result we have published the report on Monday, November the 1st 2021 and the reports are available on our website at sig.id under the Investor Relation menu.

So allow me to briefly update you with the result summary

On sales volume, SIG recorded a 2.5% growth YoY during the 9 months of 2021, mostly from the increase in the regional sales, which grew by almost 15% YoY. Domestic sales volume was relatively flat as the small players being quite aggressive pursuing more volume. The Enforcement Restrictions on the Community Activities or PPKM in the 3rd quarter of 2021 resulted in a much lower industry demand growth, compared to the 1st semester of 2021.

In the revenue line, SMGR experienced a decrease in revenue by 1.1% YoY, mainly due to the lower domestic sales volume composition compared to the regional sales volume, in line with the Company's effort to maintain production utilization through export sales given the low volume of domestic demand.

The Cost of Revenue in 9 months of 2021 was 2.8% higher YoY, in line with the increase in total sales volume during the 9M 2021 period as well as due to the increase in price of some types of the raw materials and coal price, especially in the 3rd quarter 2021.

Despite the increasing sales volume, the Company was able to record lower other manufacturing overhead, which declined by 5.3% YoY in the 9 months of 2021, mainly from the decrease in maintenance cost and the efficiency in distribution cost.

On operating expenses. The operating expenses went down by 3.3% YoY in such period, which mainly related to the lower transportation and handling costs. General & administrative expenses, such as business trip, rental, and entertainment expenses decreased as SIG still conduct the Work from Home and mobility restrictions or PPKM imposed by the government during the 3rd quarter 2021.

Therefore on the profitability:

- Gross Profit Margin decreased by 2.7% YoY.
- EBITDA margin decreased by 2.0% YoY.
- Meanwhile, the lower interest rate and interest-bearing debt balance from the acceleration of debt repayment, has resulted in a decrease in finance cost of IDR 497 billion which provided a cushion to a decrease in net profit by only 0.5% in the 9 months of 2021.

So that was the summary of the SMGR 9 months 2021 result, and we can continue to the Q&A. Back to you Radityo

Radityo: OK thank you Bu Febri for the opening statements. Ladies and gentlemen, if you have any question please press the raise hand button then I will mention your name and give you access to unmute yourself.

Ok we have the first question from Mr. Kevin Karamoy. OK Kevin, you can unmute yourself.

Febriandita: Hello Kevin you can unmute your speaker. Hello, Kevin?

Radityo: Uh.. Ok. Maybe Kevin has technical difficulties. Maybe we will move on to the second questionnaire from Vivek Rahjwani. Vivek you can unmute yourself. Go ahead.

Vivek: Hello, can you hear me?

Radityo: Yes we can hear you Vivek.

Vivek: Uh ya good afternoon and thank you so much to management for you know, providing this call. Couple of questions from me, firstly on the ASP side. It would seem that you know that you've seen there's a bit of compression in domestic ASP this quarter. You obviously mentioned that, you know, there has been intense competition, so could you just clarify on how your domestic ASP specifically trended in 3Q and also can you elaborate on how you see your pricing actions for 4Q and beyond. So that's the first question on ASP. The second question I had was on costs, obviously you've done a great job in managing costs, particularly on the manufacturing overheads. Can I just check the savings that you've had on the maintenance and distribution, how much of these initiatives will be sustainable and how much of it will actually come through in subsequent quarters? So those are my two questions, thank you.

Radityo: OK, thank you Vivek for the question. Uh maybe for the first question regarding ASP, Pak Adi or Pak Rahman can help with the answer? Thank you

Adi Munandir: Ya thank you very much Vivek for the question regarding the ASP. For the third quarter, our domestic ASP basically- uhm you can call it we have a slight decrease, but mostly it's flattish, but if you compare to the other competitors in the market, I think our ASP is the higher compared to the others. So in this month I think-last month I think, we have some movement in the ASP due to the market dynamics that we are facing right now, due to the coal price situation, so for the fourth quarter regarding the ASP I think, due to the industrial challenge that we are facing right now regarding the increase price of coal- the spike of coal price, I think it's going to be our opportunity to have some correction on the markets since everyone is facing the same problem right now regarding the coal. It's not only about the price, but the problem that we are facing right now also in the industry also regarding the availability. So at the fourth quarter, we are looking to increase our ASP to respond on the market situation regarding on the coal prices, so I think that's my response for the first question, thank you.

Radityo: Thank you Pak Adi for the answer, and for the second question regarding the cost, maybe Pak Hosny or Pak Doddy?

Andriano Hosny: I'll take that question Radit. So basically in terms of the cost leadership initiatives that we've been taken since back in 2018 follow up by the acquisition of Holcim and the synergies of the acquisition, which impact to our ability to optimize our cost-to-serve overall across our market and also across our center of the concentrations of our market, impacted to sustainability in terms of managing this cost, and we foresee that it's going to be quite a sustainable impact going forward because basically most of the factors are within our control and I guess in terms of maintenance cost we are able to, going forward, optimize further by looking into details in terms of how we are managing our outsourcings and also resource planning overall in the group and the distribution costs definitely due to the ability to optimize further on the cost-to-serve. So I think regarding that question, yes it is something that we are trying hard to make it sustainable going forward.

Vivek: Thank you sir, I'll come back to the queue if I have any other questions. Thank you

Radityo: Ok thank you Vivek, and the panelists for the answer. Moving on to the next question we have Ricky Ho. Okay Ricky, you can unmute yourself and ask the question, thank you.

Ricky Ho: Thanks Radit, thanks for the management for the call so that we can catch up on the result. I just have couple questions on the Semen Indonesia, on the performance going forward. I understand that in October you raised about 4-5% ASP domestically, any comment on the October volume number? For

example what kind of market share should we expect out of the price increase and then on the competitors move after you raised ASP, notice that Conch has been raising ASP 3-4% as well. So can you give color on the competition on the ground, Pak? Especially in the Eastern Java. I think if you are able to provide what's going on, latest update on the Eastern Java post the new-comer into the market, then that would be great as well. Thank you!

Adi Munandir: Ok, thank you Ricky for the questions regarding the ASP competition and all. Okay uhm yes we have increased the price in October and then the result in terms of volume in domestically, we are able to achieve higher than last year, compared to October 2021 and the volume is increase around 11-12% compared to last year, I think we are waiting for the final number right now. Once we are increasing the price, the situation in the competition basically many of the other players are also participating and try to increase their prices also because the driver of the price increase is basically out of the context of competition, right? It's more like the factor that affecting all of the industries, it's a matter of increasing of the production cost because of the coal price, so everyone is facing the same problems. So, we look at the situation as an opportunity to calibrate the industry situation right now by increasing price to mitigate, to compensate on the coal price but also to try to, as an action to reset the industry situation or the market situation. Because of that perspective, I think many players looking at it as an opportunity to compensate the problem that they are also having in terms of coal. But if you look at the market, on the bargaining position side in terms of the coal acquisitions, basically SIG have a better situation compared to other players because we are the-one of- maybe the second largest coal consumption after PLN, in terms of the cement industry right, so we have a better bargaining position if compared to other players who are consuming a much more smaller amount of coal, they have a less bargaining power. So I've seen a lot of players who are struggling to get more coal and pay higher number of coal costs compared to our position. So in many areas, other competitors are also participating on that price increase. And then in terms of Eastern Java, like I mentioned about new player that coming in, I think it's a normal situation in this very competitive market and I think we have set up our strategy to cope with new players with different kind of price propositions that they are offering right now, just we are now in the phase of optimizing our multibrand strategy so I think we have found the right balance between operation and maintaining the presence of our product and brands in the market, try to leverage our strategic position for each brand because right now we have a very good chance to respond from all of those competitor in each layer. At the old days we have a big problem in responding to the competition, especially from the eco player who are offering a very low price because we only had one brand in one area, so responding to that situation, it will cost us to reset- uhm- adjusting our price and it will impact to the whole market area, to the whole volume, but right now by having a multibrand strategy, so we have a- one brand for each layer of the market, and we can respond to each situation by each brand. So I think we have also increased and refined our position in the market in terms of refining our market fundamental positions like increasing our numeric distributions along java, so we have a better grip on the market, and by having a multibrand strategy also we can- we are able to fulfil all of this store capacity, store space, and also the share of wallet in every retail point. So I think we are able to somehow refine our position in the market and hopefully we are able to respond to the situation- the competition situation much better. Uhm if you look at the price response from the competitors, not all of them are responding in the same manner, because of the different motivation from each player but like I have mentioned earlier, this situation is happening across the industry and happen to all of the players and everyone has the same intention to compensate on the coal price. So it's something that we can optimize, I think, together in the industry, because it's happening to all the players. I think that is my response Pak Ricky, if you have any further questions?

Ricky Ho: Ya, Thanks, thanks a lot Pak Adi. I just want to clarify if I heard this correctly. You were saying that the October volume is up 10-11% YoY, uhm, not month on month right?

Adi Munandir: Year on Year, correct.

Ricky Ho: So.. I guess that if it is Year on Year then Month on Month will pick up as well. Uhm.. then if the ASP is also going up by 4-5% on the aggregate level then the top line growth should be about 15, 16, 17% then *cuts off* higher energy cost in the 4th quarter? If I assume correctly.

Adi Munandir: Yeah in terms of volume we have an increase YoY of around 11-12%. The slight increase on ASP- hopefully we can give you the result on the October later on, normally when we have finalized our number then.

Ricky Ho: I see. OK thanks a lot Pak Adi for the great insight. Thanks a lot for answering the question pak.

Radityo: Okay, thank you Ricky for the question and Pak Adi for the answer. We also have questions on the chat box but first I will give the opportunity to Brijesh Siya to ask a question first. Brijesh, you may unmute yourself.

Brijesh: Thank you very much. Thank you for arranging the call. I have 2 questions as well. So the first one is on the prices. So you talked about 4-5% price increase in October, can you tell us with the current coal situation which you have right now, the pricing which you are experiencing in terms of inventory, would that 4-5% be sufficient to cover all that? Or you would need more price increase? If so, if you can quantify what's the kind of price increase required to fully cover this cost inflations which you are seeing in the system? So that's the first one, and second one on volume you helpfully provided on October insight, but looking to for the full year, would you still aim for somewhere around mid-single digit volume growth for this year? Or is that something too much to ask for? Thank you.

Febriandita: Maybe Pak Doddy or Pak Hosny can respond to the first question- for the coal situation and whether the ASP, maybe later Pak Adi can add, whether the increase in ASP would be able to pass through all the coal price increase.

Andriano Hosny: Ok Febri, so basically as you know the problem on the coal supply is not only because of the price but also because of the logistic issues and so basically what we are planning to do- what we are doing now is basically trying to carefully procure coal not absorbing aggressively and taking all the prices basically that is quoted by the vendors, but trying to get the.. you know, stability and harmonization with the market also right? because what we are planning to do is basically trying to use the coal, optimize the utilization of the coal for the higher margin products, which basically on domestic. As you know the increase of coal is now actually our composite is already hitting the 1 million ballpark figure, but I guess with the new DMO regulations by the government and also implying to the reduce in the ICI coal index now already hitting around \$100/ton is actually good news for us. So looking at that, 4-5% increase if we are able to get this trajectory of ICI price trend going down until December, I think it would be you know already a good effort for us to be able to get the profitability that we are aiming to get in this Q4. But then again it depends on the market right, I mean like I said to you, it's not only about the price, but also the logistic of getting the coal itself. Now looking at the situations, I guess this q4 for us is basically how we able to again, number 1 is maintain our cost leadership, that's number one. And then secondly we are basically focusing on doing further deleveraging, so we can reduce more- reduce in terms of our finance costs, and of course we would like to look and see very carefully in the market, so therefore the strategy of ASP increase will also not give a detrimental impact overall to our long term strategy. I think that's the plan that we are going to do. Please Pak Adi, if you have further explanation of the ASP and strategy of volume going forward. Thanks.

Adi Munandir: Yeah that's pretty much it. Because we need to have the right balance between passing through all of the cost and trying to find the right and most optimum position in the market. Like I have mentioned earlier, not all the players are going to respond on the price increase, evenly because of different kind of motivations and I think we are doing the price increase also by analyzing based on the micro market perspective, so in some areas maybe we have a very good chance because of our position in the market is much better so we are able to increase the price. Maybe in some area we are able to increase the price a little bit higher compared to other market where the competition a little bit more intense. But then again, we will find the right balance between compensating on the coal price and maintaining our strategic position in the market so we are able to have a good foundation for our long run operations, right.

So the second I think the question is regarding on the volumes for this year ya. In terms of domestically, I think we are trying our best to obtain the volumes going to be higher compared to last year, so we are trying our best to optimize our operations, optimizing our new strategies, which is the multibrand strategy also trying to keep up with the opportunity that might occur in micro perspectives- micro market perspectives, because in some area we are looking at some growth, and then some new potential projects running so I think hopefully we can optimize those opportunities. So hopefully we are able to obtain a little bit higher compared to last year in terms of volume.

Brijesh: Thank you. Can I just ask one supplementary on fuel cost inflation, if you could guide us on what kind of fuel cost inflation you are expecting for full year 2021?

Andriano Hosny: OK, as per up to September basically it has increased- composite based ya, 6% compared to last year, but this Q4 now the composite-as per now, October and last week is around 1 million already. If let's say we are locking into that assumption going forward until December so YoY it would be composite base, around 15-18% increase, because the most higher part is actually in the q4, October, November and December.

Brijesh: Got you. Thank you.

Radityo: OK, Thank you Brijesh for the question and our panelists for the answer. Before we move to the chat box maybe 1 more question from the floor, I give Mr. Madhav Mardha to unmute yourself and ask the question. Thank you.

Madhav Mardha: Ya Hi, good afternoon. Thanks again for your time. I have 2 questions. Firstly, there was some news flow regarding the government looking to cap- put a cap on coal prices for usage by different industries such as cement. Could you share any comments in terms of if that can happen? And if it does happen, at what level would they cap the coal price at?

Andriano Hosny: OK Mardha, so the government just imposed this regulation on the first November and the price cap based on the regulations is \$90 ICI. But again in order for this to be implied in the real transactions, it will not happen right away, because again you know we still haven't got any details on terms of how this regulations is actually implied in the action force by the government. How they going to, you know, make a -what do you call- a do a check in the market, how they going to you know impose this in terms of the.. whether, you know, the suppliers or the vendors is actually doing that or not. So a lot of you know- tidbits that hasn't been - that's still being - that's still a puzzle, and looking at how the transaction coal is being made, I think its still far from being able to be realized in the near future. So I would say that until end of this year I don't think it will be implied in the transactions that we're doing.

Madhav: Oh OK. And also this is what we can check on Bloomberg and other price services, coal price has declined quite a bit in the last you know about 2 weeks, I think the data that I can see, its about \$250-

\$240 but its already down to \$150 or \$140. Do you think such coal price decline can be seen in Indonesia as well? In the next few weeks or few months?

Andriano Hosny: ICI actually already go down to \$100 as per now from around \$150 ya, the highest ya. So we are hoping that this is going down further. So therefore we will be able to – easier for us to basically get a higher profitability. Ya, but again, it's a very still a dynamic market, so I still don't know how this actually end up.

Madhav: Understood. And my last question was that we also heard that from the channel check that there was another price increase that is expected in November? So are we also planning to put another round of increases in this month as well?

Febriandita: Pak Adi or Pak Rahman? Can you respond to the question regarding ASP increase on November, Pak?

Rahman Kurniawan: Ya, we just announced a price increase in the first of November- effective first of November for Java. And the rest of area will be next week, so by the second week of November we will complete the second wave of the price increase.

Madhav: Got it. So October we increased price by about 5-6% and November what is the increase that we are planning?

Rahman Kurniawan: November is.. the one that we have announced is about 6-7%.

Madhav: 6-7%.. OK. Understood. Alright, I'll come on the queue.

Radityo: OK, thank you Madhav for the question and the panelists for the answer. So I will move to the chat box questions first. We already have some questions here. The first is from Pak Stifanus Sulistyio. Can you share the bulk/bag split and their respective quarter on quarter growth. Maybe Pak Rahman can help with this? Or Bu Febri.

Febriandita: Ya, I will answer that. So for Semen Indonesia, in the second quarter the portion for bag was 78%, bulk 22%. And for the third quarter slightly increase for the bulk, from 22% to 24%. So there is an increase in bulk demand during the third quarter.

Radityo: OK thank you Bu Febri, so the second question come from Pak Benyamin Michael. Pak Benyamin asked around 6 questions and I noticed some of these questions are already answered but maybe I will mention all the question first and please the panelist- the relevant panelist can help with the answers. So the first question,

1. As the ASP raised by 2-5% since Oct 21 in particular area. Any color how wide is the implementation , how many % of the SMGR's covered area which already raised the ASP.
2. And the second question, are all of the competitor already raising the ASP?
3. Any update on the cap of coal price, when we could expect this regulation could be impose?
4. How much is the market share decline as of 9M21 ytd, giving the domestic sales is slightly decline on yoy basis, while national cement demand is grew >5.5% in the same period? and
5. Any guidance on the top line and EBITDA for 2021?
6. And the last question, assuming newcastle coal is at US\$150/tonne in 2022, how many coal cost would increase in yoy basis for 2022?

Perhaps, for the first question regarding the ASP condition?

Febriandita: I think we already answered the first until the third question ya. So maybe we can jump into the 4th question, how much the market share that SMGR has been lost during the YTD 9M21.

Rahman Kurniawan: 9 months year to date market share we are dropped by -1.8, but if you look at from the other perspective, quarter to quarter, we started q1 with -3.4% market share compared to the previous year of q1. Then second quarter we improving our market share, narrowing the gap is -2.7% in the second quarter compared to the second quarter previous year which is 2020. Now in the third quarter is only -1.8% compared to 9M of last year. So its quite improving- its improving quite significant from the first quarter if we look from that perspective. Our market share trend in the last 5 months is raising thanks to the multibrand strategy that we have implemented in the second quarter. And.. I think that's it right?

Febriandita; Ya Pak, Thank you. And for the next question regarding the guidance on the topline and EBITDA for FY2021, if Pak Doddy or Pak Hosny can respond to the question pak.

Doddy Sulasmono Diniawan: OK thank you, Febri. Maybe Pak Hosny will complete my answer. I think its very difficult to estimate our EBITDA for the full year, because we're facing a very dynamic market, not only in the cement market but also coal market. Coal is not only- we face problem from price increase but also the availability of supply of coal. But we're targeting to achieve maybe EBITDA margin between 20-21% but of course the absolute number is depend on how the- our sales in the next 2 months in 2021. Maybe Pak Hosny you can add something about the EBITDA?

Andriano Hosny: Yes Pak, thank you Pak. So yes, echoing Pak Doddy's explanation, still in a difficult situation to be able to project the EBITDA guidance but I guess in terms of the effort that we've done- we're doing right now is actually, we're going to the right direction. Hopefully we are hoping this ICI price and the implementation of the DMO regulations by the government can be implemented so therefore the pressure in the coal price is actually ease up a bit so Pak Adi and team can manage the market easily going forward. But again, the EBITDA guidance in terms of margin, I guess that's what Pak Doddy is saying is actually something that we're targeting, of course it can get higher if lets say the items that I've said- that I've explained before is actually happening. So I think, that's actually from me. Thank you.

Doddy Sulasmono Diniawan: Top line maybe Pak Adi? Pak Adi atau Pak Rahman?

Rahman Kurniawan: OK the topline in terms of volume, we, as Pak Adi mentioned in the previous session that we are aiming to slightly above last year. Up to September we already at par with last year. Yes, we started much behind in the first quarter this year but its improving quarter by quarter, so by 9M year-to-date we already par compared to last year.

Febriandita: OK, thank you Pak Doddy, Pak Rahman, Pak Hosny. Maybe moving on to the next question from Benjamin as well as from Bhavesh, its quite similar the question. At current prices of Coal, how much price hike is required by SIG to achieve 4th quarter EBITDA margins quite similar to last year? Maybe Pak Hosny can answer? Or Pak Adi?

Andriano Hosny: OK, its quite an aggressive target to be honest, if we want to achieve last year's margin. That means based on the current price that we get, actually we need to increase around 12% price. If let's say essentially coming only from the price. So in order to do that I think its quite tough- you know- objective, to be able to do that. But again, I think it looks like the price of coal is actually ease up a bit so.. I think if lets say the \$100 ICI can be stabled up, or even trending down until the end of the year, I don't think we need to increase the price hike up to 12%.

Febriandita: Ya, thank you Pak Hosny. Radit can we move to next question.

Radityo: OK, thank you for the help Bu Febri. OK, back to the question on the floor. Maybe for the next question, I give Pak Bob Setiadi access to unmute yourself. Please go ahead Pak Bob.

Bob Setiadi: Hi, can you hear me?

Radityo: Yes, we can hear you Pak.

Bob Setiadi: OK thanks. I have three questions actually. Number one on the pricing- can I double check again, so October you increase it by 4-5% and in November you are planning to increase it again by another 6-7%? Is that correct? That's my first question. The second question is regarding the DMO. I think the government regulation cap it at \$90 ICI, how much is the impact to our current coal purchase price because I think you mentioned 1 million rupiah/ton, so that shouldn't be a big impact, right? From a small price cap by the government. And to follow up on that, can you probably share what is your coal strategy at the moment? Are you still using 3M lagging spot price for the pricing? And last question is about the carbon tax, can you share a little bit what is the impact of the carbon tax to the \$2 carbon tax implementation in Indonesia? Thank you.

Andriano Hosny: Ya so in regards to the coal price, let me answer first ya. So basically the ICI is actually- what we're using is 4200 GAR so if we compare linear to the ICI, \$90 DMO ICI is actually equal to \$47 USD FOB and around \$58 USD CIF to our stockpile right. For around 810.000/ton. That's actually the DMO cap. If we buy 4200. Because ICI is a different GAR with what we are taking. So it's still a different gap between 810.000/ton to 1 million- which we are actually now consume based on the price before this DMO is actually imposed. That's number one. Number two, even though we have this 3 months or quarterly price lag implementation based on the contract, but because the demand is actually so very active and very volatile, so suppliers actually- it's actually going to a spot situation right now. Although we have a contract based. Why? Because you know, they can get an even much higher price if they want to- from buyers outside Indonesia. And it's easy for them to even say, "You know what? I'll take the penalty rather than supplying to you." So it's actually a very - it's not an ideal situation right now, and furthermore its being complicated by the difficulties in terms of the logistics itself. So that's actually what makes the situation is not really as straightforward as we are all thinking based on the contract that we have. That's actually on the coal side.

Bob Setiadi: OK thank you.

Febriandita: Pak Rahman? Can you respond to the ASP increase in October and November Pak?

Rahman: Ya, that's correct. We have increased 5-6% nationwide in mid of October and another price increase in November that we have announced another 6-7% nationwide.

Bob Setiadi: OK, so basically your ASP will increase 10-12% compared to the 3rd quarter ASP?

Rahman Kurniawan: Correct.

Bob Setiadi: And are you increasing it on your Tier 1 and fighting brand? Or is it only for the tier 1 brand?

Rahman Kurniawan: All tier.

Bob Setiadi: All tier.

Rahman Kurniawan: We increase all tier. Including the fighting brand.

Bob Setiadi: OK, thank you.

Febriandita: And the third question regarding the impact of carbon tax? If Ibu Ami.. can respond to that? And maybe Pak Hosny if you want to add something later?

Ami Tantri: OK, its 30- sorry, 30 rupiah/kg right. If you actually just- what we're not sure is now how the government is going to charge that. Whether it's going to be like direct tax? Or is it going to be like VAT? You know, but it should be- because what - who is being taxed? Actually the user, the buyer of Co2. So obviously this would have to be passed on to our customers as well. And for us, for each ton of cement that we produce, we emit something like 607 kg of C02, so if you multiply it with our production, lets say put it last year, we produced something like 22 million tons of C02, so if you calculate that, multiply by 30, its going to be something like what 300 billion? So that's something that you know- its going to impact us. Just for you know- direct calculation for that. But again, we wait for the government to issue their implementation regulation on this.

Bob Setiadi: Is it going to be implemented in 2022? Or cement sector going to be later on?

Ami Tantri: Right, OK. The news that we hear so far for carbon tax, the government will apply first for the electricity, and then for the industries including us will be in 2025. So I think the government you know is not going to charge everybody with tax you know they would probably wait and also be prepared with the regulations and also make sure the industries also prepared with the carbon tax.

Bob Setiadi: OK, thanks. I think it's quite clear. Thanks, that's all from me.

Ami Tantri: You're welcome.

Radityo: Thank you Bob for the questions and the panelists for the answers. Moving on, we have Akshay Sugandi, I will allow you to unmute yourself. Please go on.

Akshay: Thank you very much and thanks for the opportunity. So just a couple of questions regarding the third quarter. Can you provide the breakdown of the domestic ASP versus the export ASP on the third quarter? And also for the coal price cost. What was the coal price that you paid in the third quarter on a YoY basis? And then lastly is on the fuel and power cost/tonne. I noticed that was still flattish on the third quarter. So can we expect growth to come more on the fourth quarter? Thanks.

Radityo: OK so maybe the first question regarding export and domestic ASP, Pak Rahman can help with that?

Rahman Kurniawan: Ya, first please put in mind that the one that we export is not cement, its clinker. So it's not actually apple-to-apple to compare the price, because the price of the clinker itself is only 60 or 70% of the cement. Thus, the comparison of the ASP between domestic and export because we compare cement and clinker.

Akshay: Ya, so just wanted to get a sense to compare because the regional sales were up by something like 15%? So just wanted to know, from that, how much was the export ASP growth, and then also can I get an idea of the domestic ASP for cement, the growth in the third quarter?

Rahman Kurniawan: In the third quarter its about flat for the ASP.

Akshay: Got it. And then now what about for the coal price? In the third quarter, the YoY growth.

Andriano Hosny: Yes, OK. So up to September, basically our coal price has increased around 6%- up to September. Only q3 actually it has increased solely from July, August, September composite, 3 months compared to July September October last year has increased around 15%. September only has increased 24% because the highest is actually starting in September because that's the inventory that we get using the higher price of coal. Going forward like I already mentioned before, we are expecting our, you know, increase in terms of the coal YoY is around 15-18%, basically depending on you know how this ICI price is going forward and also the implementation of the DMO regulations. Implying to the total overall fuel price because we also have to- we are trying to lower our index. Index usage of the coal utilizations. That's why you see 6% up to September but if you see in our book is only increase about 4.8% because there is this index component that basically put up together the total overall fuel price and also the electricity price, which actually there is no increase. So overall I think would be around 13-14% impact to the overall fuel price YoY 2021 vs 2020.

Akshay: Thanks. So that means because we saw that the year-to-date 9M the fuel and power, the fuel and energy cost per tonne was still flattish, so that means we can expect the big jump to come in the 4th quarter?

Andriano Hosny: Of course. Because actually like I said and we've explained before. Up until August, we are still mostly using our previous inventory from 3 months prior, which actually still around 500 thousand-600 thousand composite. But again, although the price has increased from q2 right, but we still get the inventory from the first quarter. So that's actually why it's actually still flattish until q3.

Akshay: Got it. And just wanted to double check, you mentioned just now that the domestic ASP in third quarter was flattish, right?

Andriano Hosny: Third quarter.. still flattish, that's right. Ya Pak Rahman, ya? Still flattish ya? The ASP.

Akshay: Got it. Thank you very much for the questions. That's all from my end. Thanks.

Radityo: OK, thank you Akshay for the questions and our panelist for the answers. Moving on, we have Felicia, I will allow you to unmute yourself. Please go ahead, Felicia.

Felicia: OK, thank you Radityo. Uhm so I just wanted to check, so I understand that the blended ASP in the 3rd quarter was slightly decline. I understand that its due to product mix of higher bulk and economic brand, so I just wanted to check, what is the percentage of your economic brand right now? Is there an increase in the 3rd quarter? Because it's usually below 5% and then secondly, if the DMO price was finally able to be implemented, since you already increase your ASP quite significantly in the fourth quarter, what will be your strategy in terms of maintaining market share, especially since it seems that the other players have not been increasing their ASP as high as yours. And lastly can I just check what is the update on the ODOL regulations? Thank you.

Radityo: OK Pak Rahman, can you help with the answer?

Rahman Kurniawan: Ya, the market share of our economical brand is nationwide less than 5%. Java is 7%. And I think that's enough, we will maintain around that level because the objective of this economical brand is not the volume but the distribution. So our target is to increase the coverage as wide as possible to acquire retailer space. We want to be dominant again in the retailer space. Thus we launch this multibrand strategy. So it's not a volume game actually for the economical brand or the fighting brand. And the other question is

Febriandita How is our strategy to- in regards to the ASP if the DMO can be implemented pak?

Rahman Kurniawan: First of all we have to recover the hol price increase as much as possible, thanks to our multibrand, we are able now to increase the price of our main brand as well as the fighting brand. But the fighting brand in some area we increase carefully looking at the response from the other fighting brands. But, so far we managed to increase the fighting brand because the others also follow despite the lagging, up to one or two weeks behind. And DMO according to the DMO that the minister of ESDM have announce the ministry regulations about the pricing, again we need to check the implementation and execution. But from the price increase strategy we try to recover all the impact of the cost price.

Felicia Barus: Noted Pak. And on ODOL?

Rahman Kurniawan: ODOL.. its been quiet so far. We haven't seen any movement about the implementation, but in parallel we still have a communication to all the stakeholders especially the ministry of transportation with the roadmap of the implementation of ODOL which is 2023.

Felicia Barus: OK Pak, Thank you.

Radityo: OK, thank you Felicia for the question and the panelist for the answer. And so, our next question comes from Pak Robin, you may unmute yourself Pak.

Robin: Hi, thank you Radityo and thank you to the team. Basically just very quick questions from me, basically earlier you mentioned that the total price increase would be about 11-12% this year? That is what is needed to maintain 2020's EBITDA margin which was close to 30%. And since we are trying to raise prices in the fourth quarter by 12%, so are we guiding for that level of EBITDA margin in the 4th quarter, and that translates to I think a much higher level than the 20-21% full year EBITDA margin guidance, which was also provided earlier in the call. My next question- allow me to ask this please, basically with the upcoming change in leadership, should we expect any changes in the strategic direction of the company? Thank you very much.

Febriandita: Pak Hosny or Pak Doddy, can you respond to the first question? I think we actually already touched that pretty much before ya.

Andriano Hosny: That's right Febri, but again this is the thing, the increase of coal has been absorbed until now while the increase of price has just happened, right. That's the thing. While overall until September, we have a trending down ASP. So looking at that situation, so even though the November and December- lets say November December EBITDA margin theoretically if everything smooth can go equal to last year, it will not add up overall YoY the same EBITDA margin as last year. That's why our guidance is still about 21% EBITDA margin because there is this lagging between the implementation of the ASP and the you know the increase in coal price, which we already absorbed in our costs, much way before the implementation of the ASP.

Robin: Noted Pak Hosny. So you're saying that basically to maintain last year's EBITDA margin levels, it would be, it would have to be a 12% YoY increase on the ASP on an annualized basis?

Andriano Hosny: Exactly. That's right. If you compare it apple-to-apple, the same period and the same implementation figures.

Robin: I think while we're on it also can I slip in one more question. Basically, how long can SMGR's current coal inventory last the company for?

Andriano Hosny: You mean the inventory days for the coal?

Robin: Yea, basically what we have now, how long can it reasonably last us until?

Andriano Hosny: OK. Average is around 8-10 days. Its pretty tough now. So ya that's actually what's happening.

Robin: If its 8-10 days and you were saying a lot of it is actually spot purchase now pak, so basically ..

Andriano Hosny: Exactly. Like I said before, the situation is like that. It happens anywhere. It's a spot situation right now.

Robin: OK, thank you pak.

Febriandita: And the second question regarding the change in the leadership. Maybe Pak Doddy, Pak Adi or Bu Ami can respond to this question.

Doddy Sulasmono Diniawan: Haha! I cannot answer that. But maybe I can- I think our transformation programme is in place, we still have you know the continued programme regarding the ERP or something, but the business model already in place and I think the changing in our-the leader of this company will not change so much, because the ministry of State Owned Company already mentioned that for the other holdings State Owned Company to follow our transformation programme. So I think, it's no problem. Maybe that's my answer, Bu Febri.

Ami Tantri: Can i?

Febriandita: Ya Bu Ami? You want to add something?

Ami Tantri: Obviously we are going to have an Extraordinary Shareholder Meeting to replace the CEO. And we have like 90 days to do that unless the ministry of SOE is already got the candidate for that before 90 days. So we'll hear about that later on. But like what Pak Doddy mentioned, our model for holding company for SOE is actually being followed by other SOEs to form a holding companies.

Robin: Noted. Thank you Pak Doddy and Bu Ami and Pak Hosny. That's all from me. Thanks.

Radityo: ok. Thank you Pak Robin for the questions and the panelists for the answers. And that was the last question for today's call. Maybe there are other questions from participants, you can always send us an email at investor.relations@sig.id. Before we conclude this call, maybe Pak Doddy or Pak Adi or Bu Ami can deliver some closing remarks?

Doddy Sulasmono Diniawan: Ok on behalf of SIG teams, I would like to thank the participants of this meeting, this afternoon. Hopefully all the response to questions and explanations as well as discussion at this afternoon's meeting can provide a clear picture of SIG performance. We hope that SIG performance can last even better in the next 2 months. Thank you and see you again at the next quarterly meeting. Thank you.

Radityo: Thank you very much Pak Doddy. Bu Ami, maybe you want to add something?

Ami Tantri: No, I just want to say thank you for everyone to attend this call and also for all the panelists for answering the questions.

Radityo: OK, so thank you for the remarks. That concludes our call for today. Once again thank you for all the panelists and participants for joining this call. It was a pleasure to have you with us. Stay safe and healthy. Thank you.

All: Thank you!

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