Conference Call transcript

06 May 2021

BUA CEMENT Q1 UNAUDITED RESULTS

Operator
Good day ladies and gentlemen and welcome to the BUA Cement PLCs conference call to investors and analysts for the first quarter 2021 unaudited financial statements. All participants are currently in listen-only mode and there will be an opportunity to ask questions later during the conference. Participants on the webcast may submit their questions in the textbox at the bottom of the page. Participants on the conference call, if you wish to ask a question later during the conference please press * and then 1 on your touchtone phone. If you need assistance from the operator please signal by pressing * and then 0. This event is also being recorded. I would now like to turn the conference over to the Managing Director and CEO Mr. Yusuf Binji. Please go ahead, sir.

Yusuf Binji.
Okay, good afternoon ladies and gentlemen and thank you for joining us for the first quarter 2021 conference call for investors and analysts. My name is Yusuf Binji. I'm the Managing Director CEO of BUA Cement PLC, and presenting with me on this call, Mr. Jacques Piekarski, the Chief Financial Officer, and Mr. Finn Arnoldsen, the Group COO. Now I will begin my presentation. I'm sure you have copies of the slides and we'll go page by page. I'll try to be as brief as I can since you must have gone through the slides previously. So if you will kindly turn with me to slide six. BUA Cement is one of Africa's leading cement manufactures and the largest cement producer in the northwest, southeast, and south-south regions of Nigeria. BUA Cement operates from two states using three modern production lines with an annualised capacity utilisation rate above 60%.

It is noteworthy to mention that before the end of 2021 BUA Cement will become the second largest cement producer in Nigeria with the commissioning of its 3 million metric tonne per annum, production line number three in Sokoto State. At the end of the first quarter 2021 we achieved a 3.5% rise in cement dispatched to 1.4 million tonnes from 1.3 million tonnes as at the end of the first quarter of 2020, which translates to a 13.4% growth in revenue to ₦61.2 billion from ₦54 billion as at Q1 2020. BUA Cement is listed on the Nigerian Exchange Group (NGX), formerly the Nigerian Stock Exchange, and is the fourth most capitalised company with a market cap of ₦2.5 trillion as at March 2021. We are sustainability led by the United Nations Sustainable Development Goals and currently assigned investment grade rating by foremost rating agencies, Agusto & Co and GCR. Now if we go to slide seven, we showcase our journey so far culminating in the issuance of a ₦115 billion corporate bond, which is the largest bond issue in the history of Nigeria's debt capital market.

The next slide showcases our strategic positioning across Nigeria, together with the output capacities across our plants. As you can see from that slide, we have two plants, one located in Sokoto in the northwestern part of Nigeria with a total installed capacity of 2 million metric tonnes per annum. The third line, which I mentioned earlier, will be commissioned before the end of the year will add another 3 million tonnes per annum. The second production line is located in Edo State. We have two lines with a total installed capacity of 6 million tonnes per annum. Now if you will turn with me to slide number 10. We provide you with highlights from the quarter just ended. Our sustained performance and positive outlook was underpinned by unceasing cement demand. An excellent business model ensures continued value creation and cost containment measures. EBITDA increased by 20.5% to₦29.7 billion, from ₦24.6 billion as at Q1 2020. While the EBITDA margin expanded to 48.5% from 45.6% as at Q1 2020. Similarly profit after tax rose by 13% to ₦22.4 billion with earnings per share also up by 13% to ₦0.66 from ₦0.53 for the same period last year.

We've continued to monitor market trends and yields as we plan a Series II Bond issue in support of our expansion programme. All in a bit to grow our market presence and create value, particularly given the unabated demand was made and is attendant impact on price. During the quarter, we identified an EPC contract to mobilise to site to commence the construction of 3.7 kilometre road to Afokpella, one of our host communities in Okpella Town Edo State. This is to aid the easy commute among the mostly agrarian community to and from their farms and equally allow for the effortless conveyance of their produce. If you recall during our last conference call I stated that the goal is to identify and get involved in impactful projects and we remain very committed to this course. Turning to slide 11, this is a highlight of our sustained performance and positive outlook. In view of this our revenue per tonne increased by 9.6% to ₦44,529 per tonne, from ₦40,625 per tonne, as at Q1’2020 due to some adjustments we made in the account structure. Similarly EBITDA increased by 20.5% to ₦29.7 billion, arising from increased business activity.

Over the next quarters we expect an increase in EBITDA resulting from the commissioning of the 3 million tonnes line 3 at Sokoto, aimed at addressing the persistent demand for cement. The EBITDA margin was up 2.9% to 48.5% from 45.6%. A combination of increased volume dispatched and a focus on costs. On slide 12 we show the evolution of EBITDA driven by revenues. EBITDA was up 20.5% to ₦29.7 billion, arising from a 13.4% growth in revenue. And despite a 6.9% increase in cost of sales to ₦32.1 billion due to energy and maintenance costs. Selling, distribution and administrative costs rose by 16.5% or ₦492.6 million due to an increase in distribution cost, which was up by 40% to ₦1.6 billion from ₦1.1 billion as of Q1 2020, All these arising from higher transportation cost and salaries. Depreciation and amortisation charges were up 10.7% to ₦4 billion from ₦3.6 billion during the corresponding period ended March 2020. The increase resulting from the expansion programme. Despite the rising inflationary environment which we operate in, prioritising our cost containment measures is very important to us.

If you observe our cost profile trends well below the reported inflation rate at the end of March 2021. Against this backdrop we recorded a 3.3% rise in cost of sales per tonne, to ₦23,324 per tonne from ₦22,577 per tonne. The increase in energy prices resulted in an 8.2% rise in energy costs per tonne, to ₦8,660 per tonne from ₦8,006 per tonne as at Q1 2020. Nevertheless, we expect the commissioning of the LNG gasification plant in Sokoto is going to result in cost competitiveness, as we substitute foreign coal with liquefied natural gas. Distributions recorded during the quarter led to a 35.3% increase in selling and distribution costs per tonne, a rise to ₦1,435 per tonne from the ₦839 per tonne as at Q1 2020.

On slide 14 we show the LNG storage and the gasification plant which will become operational later this month. I will further drive energy efficiency across our operations. Turning to slide 15, we highlight the ongoing strategic priorities which we've continued to make good progress on. On slide 16 we provide an update on our expansion programme. Currently the sites have been identified, approved and the contractors have mobilised to site. Besides some ancillary contracts negotiations have been carried out. We will provide frequent updates through the course of the year on developments. On this note may I kindly ask that the lines be opened so we can respond to some of the questions that you may have? I will be supported in answering your questions by Mr. Jacques Pierkarski, who is the Chief Financial Officer, and Mr. Finn Arnoldsen, the Group COO BUA Cement. Thank you gentlemen for listening.

Operator
Thank you, sir. Ladies and gentlemen on the conference call if you wish to ask a question please press * and then 1 on your touchtone phone or on the keypad on your screen. Participants on the webcast, if you wish to submit a question please do so at the bottom of the page. Our first question is from Mr. Wahab of Chapel Hill Denham. Please go ahead.

Mustapha Wahab

Hello, can you hear me clearly?

Yusuf Binji
Yes, we can hear you.

Mustapha Wahab
All right, fantastic. I would like to first congratulate you on the fantastic resourcing. And so my question really is going to be on the energy cost perspective. I see how you mentioned the BUAs making a lot of progress on the LNG storage that has been installed. So I just want to get a sense as to how much reduction we are going to be seeing from the energy cost per tonne perspective. Now I've seen an amazing work that you guys have done as far as keeping costs in check, but I still see that energy cost per tonne for BUA is still – way above that of your major competitors. So I just want to get a sense as to what you're doing? I mean to at least reduce that sort of energy cost per tonne point of view. And secondly is on pricing outlook. I just want to get a sense as to how you guys have seen prices going to be shaping over the rest of 2021. I've seen that in Nigeria I think average price rose by roughly 9% in Q1 alone, should we be expecting something like this going forward or there's another plan as far as management is concerned? So out I would like to get report on those two questions for now.

Yusuf Binji
Thank you very much Mr. Wahab, I must also extend my congratulations to you on the detailed analysis which was released earlier in the week on our Q1 results. Thank you for that. Regarding the LNG. We certainly do expect some reduction in the cost. The LNG is going to be used in our factory in Sokoto. Sokoto is located very away from any natural cheap source of energy as is being used by the other cement plants in Nigeria. There are no gas pipelines running up to the north. So we decided to create a virtual pipeline whereby liquefied natural gas will be dropped from Port Harcourt all the way to Sokoto and stored in cryogenic tanks for regasification and use. Definitely the cost of the gas is much, much cheaper than the cost of the LPO which we have been using for our pyrochlore test and also for powering our generators. As these prices do fluctuate quite a bit and some of them are dollar denominated, I will not be able to give you a figure. The differences have changed from the time we've conceptualised this project up to today, but definitely there is a saving cost.

But most importantly for us it is a more secure, reliable form of energy for our Sokoto plant which had been relying on imported LPFO and imported AGO for both power generation and for firing the kiln. This LNG is coming from Nigeria so I think we are ruling out a lot of the uncertainties associated with importation of a various a very scarce product especially during this pandemic. Yes, it's true. Our energy cost per tonne still appears to be a bit higher than that of the competitors. I'm sure you have done your comparative analysis very well. This is mostly coming out of our factory in Sokoto and this is related to the answer I gave you for on the first part of your question. Because Sokoto, because of the distance is 1,000 kilometres away from the ports, you have to factor in this transportation cost in the hinterland. You have to factor in the fact that it is using LPFO, which is not available, which has been imported, and diesel, instead of gas which other cement plant in the south west and also our own factory in Okpella in those are using because they're pipeline gas. Pipeline gas and coal still remain the cheapest form of energy compared to the liquid fuels. So definitely it is not unexpected. It is not due to any technical deficiency or inefficiency. It is just the energy. The cement process is highly energy intensive, as most of you are aware.

So any variation in the cost of energy will actually be reflected in the ultimate cost per tonne. But definitely we are not doing badly. It is our desire and hope to bring it further down by introduction of LNG, also moving away from using imported coal which will happen sometime before the middle of this year and will substitute that by the cheaper LNG. Yes, regarding the prices I will just say a little and I will also ask Mr. Finn if he's with us to dip in a bit. The prices in real terms have not gone up much. We are not unaware of the hardship faced by Nigerians. And if you look at the inflation rate and the rising cost of so many inputs, especially this which we are using for transporting our cement, because we are not using any rail network, the devaluation of the naira and everything, we have decided to absorb all the extra costs on any price increase. We only did some slight adjustments to our discount structure, but the price of cement has not been increased between last year and this year. We are absorbing the extra cost and we are trying to be a bit more efficient so that we don't pass this on to the ultimate consumers. But Mr. Finn can also say more about the trend for the future? Finn?

Finn Arnoldsen
Yeah, MD, good afternoon to everybody. Yeah, as Mr. Yusuf is saying here. I mean the inflation we are all observing. It looks like if you compare to Q1 last year is around 18% inflation. That of course all over cost side we try to be very cautious because mainly over a cost build up is also based upon local material, the raw material cost, the energy cost, everything here is more or less based on the local supply here. And we have long-term agreements here with many suppliers. So we are very much following over cost very strictly, despite that we are observing generally the inflation here. Yeah, you can say that it should be natural to try to adjust your prices when the general cost level in the country is coming up. But as the MD is communicating, we have a kind of a strategy that we now want rather to concentrate on to stay more competitive. That means we have to trim over structure very well here, optimise both on the distribution cost, which we still have some way to go in order to optimise the consolidation between over two activities. And of course also on the energy cost as the MD is saying.

So there is no really need to start to try to compensate for whatever the surroundings are telling us on the prices here. So no intention to do this, rather stay more competitive. If you look at the prices, the ex- works prices from the suppliers today comparable to West Africa, it is low. If you go to Benin, Togo, Niger you talk about something like 20% to 30% higher cost from the producers. So still Nigeria is operating on relatively low prices compared to other countries and neighbours we are having in West Africa. So I think that's it. There's not much to say about it. We can never predict a future, but as it looks today we will try to be more competitive on the prices, improve over margin. But we will not really take out premiums on the price as it looks today. Thank you.

Mustapha Wahab
Thank you very much for the insights.

Operator
Thank you very much. Ladies and gentlemen on the conference call again if you wish to ask a question please press * and then 1. Gentlemen, we have no questions in the queue – my apologies, we do have a question from Adedayo Ayeni of Renaissance Capital. Please go ahead

Adedayo Ayeni
All right, thank you very much for the opportunity. My first question really has to do with the demand environment. If we take the trend from last year, demand really started spiking in the third quarter. And we saw that in the final quarter we also seen that if we take the total numbers reported by yourself and by the other two competitors that you have, demands still remain strong. Now maybe my – the question really is, where is that demand coming from? You're selling cement in the north and you're also in the southeast. Where is the core of that demand coming from? That is the first. Secondly on government-driven projects. What is the trend that you're seeing? Anything on infrastructure, anything on bulk cement sales for you that probably points to a maybe stronger outlook for demand in the rest of the year versus sort of this slowdown that we have seen in the last couple of months. And maybe finally on pricing. You're adding 3 million this year. Your other competitor is adding another 6 million just a few kilometres from where you are in Opkella. Internally, what are you thinking about on pricing? Right? How are you thinking about pricing going out into the rest of the year? And I think that it's from my side for now. Thank you very much.

Yusuf Binji.
Okay, thank you very much. I didn't get the name clearly. Is that Ayeni from Stanbic Capital?

Adedayo Ayeni
Yes, it's Ayeni from Renaissance Capital.

Yusuf Binji
Oh, Renaissance Capital, okay. Thank you very much. Regarding the demand, obviously the demand is coming from Nigerians. Well, you see there has been an unprecedented demand for cement in the last one year and the demand is still very, very strong. Even for us as manufacturers this is unprecedented. There could be so many reasons. And it's not coming from any particular geographical region, it is all over Nigeria. All the market regions where we are, the demand has been very, very strong. Even areas where traditionally we used to have dips, especially during the rainy season. We didn't experience that during Q1 last year and it has continued unabated up to today. Of course what it means is that Nigerians are really spending more on infrastructure and they are buying a lot of our products. Now, anybody trying to use the figures for the last one year to estimate what the demand is in Nigeria will be very wrong. Because all the cement manufacturers were able to sell 100% of what they produced.

So the sales are not a true reflection of the demand, because we all believe that if we had produced more than what we did it would have been sold. And it is mostly coming from the private sector. There are so many government projects coming on and they are ongoing. But we have in the last few years we have seen a shift whereby the private sector has actually taken the lead, would be anywhere between 75% to 80%. That is where the demand is coming from. Regarding where the prices are going, I think we have answered that question in the answer provided to the last speaker with myself and Mr. Finn. And Mr. Finn, are you also add anything regarding the demand, also the consumption per tonne in Nigeria?

Finn Arnoldsen
Yeah, sure right, Yusuf. It's a bit difficult really to point out what is happening. Apart from that we see a general shift that the private consumption per tonne is gradually changing. As we have observed that even during Q1 we talk about something like 15% to 20% probably, averagely increased compared to Q1 last year. And we all know that during last year we had between 15% to 17% growth compared to 19. So we see a significant rise here and it's clearly and you can also see in all over customer portfolio that it's more and more retailers, is more and more geographically spread out to the countries. And even if we [unclear] the general public is observing that the road systems is not really improving, the infrastructure is not really improving, but as a matter of fact it has improved. Because today we can see cement moving into the far rural areas. Because it's also a little bit boost in the agriculture activities and of course all these things is driving, not really public project, but it's driving the private construction market. So I think that is the answer.

And secondly we also have to look at the overall picture in the country here. Because today we will see that the normal Nigerians way of spending is now moving towards investing into, let's say, property, housing development much more than before. Why is it so? Because these pandemic has also had different complications here in terms of forex, in terms of the availability for transferring money abroad, all these kinds of things, means that in naira is more available now and you will immediately see that they will invest inside the country and particularly to work towards building, construction, etc. So this has really been driving the market. The big question is, will this continue? And we believe, as in the business and we see this day by day, we think this will continue. Because still, the consumption in Nigeria is low compared to neighbouring countries. We still are around 120 kilo per head per capita. While Ghana, for instance, is on 270 to 280 as they were last year. So still we are behind the average West Africa. So it's no reason to believe that we will have a setback. So the big challenge for the time being is then to satisfy the market. Yeah, I think that's about it. Thank you.

Adedayo Ayeni
Thank you very much.

Operator
Thank you. The next question is from Oluwaseun Sangosanya of Stanbic. Please go ahead.

Oluwaseun Sangosanya
Thank you, good morning. And thanks on your results. I hope you can hear me?

Operator
You can go ahead. We can hear you.

Oluwaseun Sangosanya
Okay. I think most of my questions have been asked. What I would truly like to ask on sustainability. In your reports you major more on social and economic part of your sustainability plan. So I would like to ask if there any plans for your environmental, to ensure that environmental is still more in a sustainable manner in terms of what are you doing with your emission rate. Do you have any specific targets to achieve going forward? And how is that being factored into the business as a whole? And also just to add on it, second is, was there any exports in Q1 and should we expect more of your products have been exported after the completion of your new facility? Thank you.

Yusuf Binji
Thank you very much, Mr. Sangosanya. Because this is just a quarterly report we did not put so much of the initial figures, but we provided this a month ago when we had the annual conference call for the 2020 results. We will try to provide more concrete figures when we do the half year. But definitely we are paying a lot of attention on our factories are state of the art, they are standard with very minimal emissions. The stringent requirement of EN 197-1 from Europe is being met by our three modern production lines. We are emitting less than 10 milligrams of dust per normal metre cube of air relative to the atmosphere. And the regulations in Nigeria are three or four times higher than that. So I think we meet even be more stringent European emission requirements. We have done quite a lot on sustainability and other issues and we will report more on them. We just mention those that we have done during the first quarter, especially at our plant in Okpella.

In Sokoto we are doing to scholarships. We are doing empowerment. We have distributed drugs to some clinics and health facilities. And also we are doing quite a lot in terms of electrification in Okpella. Also the scholarship has just off we are in the initial stages, we are providing 100 scholarships every year to deserving indigenes, to study graduate courses and post graduate courses The same as we are doing in Sokoto 50 scholarships every year. So these are some of the things we really doing. Regarding export, we didn't do much. I have to clarify more on export strategy. We only export what we call our excess capacity. If the Nigerian market is not able to take up the volumes we are producing, then we export the excess, the surplus that we have. Our priority is Nigeria. So this is being reviewed from time to time and as we have all mentioned since the beginning of this call, the demand has been extremely strong in the last one year. So I think the export that we did was far below 1% of our production. And we have even stopped that to ensure that we satisfy the Nigerian market first. But we will resume whenever the opportunity arises. Thank you.

Oluwaseun Sangosanya
Okay. Thank you.

Operator

Thank you, sir. The next question is from Tony Hadley of THAA. Please go ahead. Tony, your line is open if you would like to ask a question. We seem to be having a technical problem there. The next question is from Janet Ogunkoya of Tellimer Capital. Please go ahead.

Janet Ogunkoya
Hello, good afternoon. Thank you for taking my question and congrats on a good result. Just to clarify something. I think you've already alluded to it already for, I wanted to clarify – so we saw your competition grow volumes by as much as 14%, would it be right to say that the reason they grew is smaller volume was because of limited operational capacity per se? Just what you've been saying about how you're selling out all you are producing. And then are there any plans or – in that light, does that mean we should only expect any radical increase in volume after you add your new plant? And when exactly should we expect the, please pardon me if you mentioned this, so when is the new 3mmt capacity plant coming on this year? Like is it in Q3? Or should we expect debottlenecking exercises that would increase operating capacity before then? And then my last question would be on, yeah, so when you were giving your overview of entire market for Nigeria, the Nigerian cement market. One of the notions I had, and if you could please correct me, but one of the notions I had was the reason we had high volumes in Q2 was because we saw very light rain last year. So that's more or less propelled construction activities. So do you think perhaps if there's any strong rainfall, going forward this year that could maybe upset the extent of growth or the excess of demand that we seem to find in the market? That will be all. Thank you.

Yusuf Binji
Thank you very much, Janet. I'm not sure whether I got all your questions. But I got one on the new capacity in Sokoto. That we mentioned would be end of this year. We are in the last lap. I know the last lap involves finishing up the mechanical and electrical erection doing the hot commissioning, the cold commissioning and doing the hot commissioning. So definitely to be operational before the end of the year. I also got your question on the high volumes. One thing you have to understand about a cement plant is that most of the time we are almost producing at the same capacity. When the market is taking all the product we sell everything. When the market is slow we warehouse the stock and keep it. So that when the market is high again we can add that to our existing capacity. So the production does not go up and down, except when you are down for annual maintenance probably if you have a very high inventory or when the demand is low, you may choose to use that period to carry out some overdue maintenance. But the production is usually constant. But what we have witnessed from last year to now is that the demand has been very high. I believe no manufacturer in Nigeria has been able to build up stock during the low season that could have been used during the peak season. Janet, please if you can just come back to your first and second questions, I didn't get them. I don't know whether my colleagues got those. But please repeat and speak a bit louder.

Janet Ogunkoya
Okay. So I said my first question was regarding volume growth that we saw in Q1. So in Q1 we saw your competition grow volume by about 14% domestically and we only saw a 3% increase in your volume. So my question was, is it right to assume that the reason why you had lower sales was because of your limited operational capacity and should only expect for that growth when your new plant comes on board? And then my question of the plant was when exactly should we expect it coming on board with [unclear] through maybe Q3, Q4? [Unclear] getting a specific period for the commissioning. And then the second question was the mention I had about the reason for the higher volumes last year in 2020, in Q3, it was driven by the fact that there was low rains in Q3, so that was partly what propelled the strong construction activities and improved demand last year. So my question is if we see stronger rains this year, would you expect that to affect the extent of demand, the whole high demand that we're currently seeing in the market?

Yusuf Binji
Okay, thank you very much. I cannot comment on the volume growth for my competitors, but for ourselves I can really say we're be rolling flat out. So that is why you have seen that our production has not significantly changed between last year and this year. You will only have a change in your total output if you add on more capacity, which we have not done. But by the time we add on more capacity towards the end of the year then definitely the 2022 numbers will be much higher than 2021. So I think I've answered when we are going to commission the new line in Sokoto. It will be before the end of this year. There are a lot of things you will do when you are carrying out the commissioning. There are stages, and it depends on how fast it goes. Sometimes even how lucky you are, you can conclude the commissioning much faster than the normal period. But definitely before the end of this year I would have that new line operational.

We mentioned, maybe I think it was during Q3, we actually mentioned that last year we had a very short rainy season. And that probably impacted the demand [break in audio] the high demand last year. But now we know there are also other factors that are at play. Some of those that have been mentioned by Mr. Finn, and also the movement of investment to new asset classes, especially in infrastructure, the prolonged lockdown and the pandemic [break in audio] out a lot of dollar trapped in converted to naira, people building the monetary climate, the interest rate. You see, the crash in the Treasury Bill rates last year. So all this impacted. So it still might be that even this year if we have a prolonged rainy season, the pent up demand can still sustain the present levels of demand that we are having now. Anyway, we'll get there in the next two to three months and then we will see what all indications are that the demand is going to remain strong. We have huge backlogs. Even if new people stop paying, I think those that are paid will like to collect their products and use it. They can't leave it with us. So for us I think it will be business as usual as we have in the peak season. Next question please.

Janet Ogunkoya
Thank you.

Operator
Thank you, sir. The next question is from Adedayo Ayeni of Renaissance Capital. Please go ahead.

Adedayo Ayeni
Just follow up from for me. What would you say the – I mean just to help me understand, what would you say the typical downtime is for a cement plant? And the reason why we ask this, not only yourself, your peers also talk about we couldn't meet demand, demand was strong. But if we aggregate all that demand versus installed capacity. It does look like the industry is operating at somewhere between a 55% and 60% I think it will lower utilisation gross level. So what would you say the optimum sort of like utilisation level is for like a plants? And what would that one less utilisation rates tick off? What would that be? Would that be for [unclear] and if you were doing your annual maintenance work, on average – I mean these in the year does it take, right, for say relatively new plants like yours? That's the first. Maybe secondly on the FX situation, could you just help us understand in your relationship with the banks that you're trying to get your FX needs? On average how long does it take you to obtain what you would require for, say your imports? Whatever those are. Say you wanted to pay your expatriate staff, on average how long do you stay on that central bank queue to obtain your FX needs? Thank you very much.

Yusuf Binji
Okay, thank you very much. The typical downtime in a cement plant actually depends on the age of the plant, the technology you are using, the problems you have had, which could be process-related or maintenance issues. So you cannot really place a finger on it some plants are able to operate 270 days in a year out of the 360. Some plants are able to do 300 days. We've have two of our kilns run for over 330 days last year. One did 332 days. So it was just down for less than a month. And when you do your turnaround maintenance, like I say it

depends on the level of jobs that you have. It's not the maintenances you carry out every year are repetitive. No, there are some that you do after three years, some you have to do every year. Like when you are changing the refractory, especially in the burning zone of the kiln. So definitely all these are going to impact on how long you are down. The age of the plant also matters quite a lot. Plants that are older will require more level of maintenance because of the normal wear and tear. So definitely these are some of the things that I can just see. Thank you very much.

Finn Arnoldsen
Yusuf, just input or complimentary to what you're saying here. I mean when you are designing a cement plant, you always have to have surplus capacity. Because in a country like Nigeria you will always have seasonal fluctuation. Under the design factors has to be that you have to be able to meet your market expectation during the dry seasons. So that is always the factors. That means in a normal seasonal fluctuation, last year was not normal, but when you have let's say four months of rainy seasons, of course you will generally have less utilisation of your plants. So that's why you will see that when you are designing up capacities you always need to have proper surplus in order to maintain these during the season. And I also would like to say that you also have to look into the concentration of capacities. In many countries you have smaller plants, but in Nigeria the tendency here is that you are building up big concentrations. We are also building up higher concentrations. But everybody has to assess the logistic and the infrastructure challenges linked to this. The bigger the capacity concentration you have, the risk for you not to be able to run on that kind of average high percentage is there. So this is a kind of a balancing act how we will do it. If you get into five lines, for instance, as we as we know from some other competitors, of course that is a challenge to handle with 1,000 trucks in out into a plant zone [?]. You don't need to know the business very well to understand that this is a challenge. So it's a lot of factors which is built in to the efficiency and the rate what you will see in practical terms. Thank you.

Yusuf Binji
Just also your second question. Yeah, Mr. Jacques can talk on that with forex.

Jacques Pierkarski
Thanks, Yusuf. Good afternoon ladies and gentlemen. Yeah, on the FX side we are not different than anyone else. So trying to source our dollars of course from the CBN or using the I&E window and the duration is very difficult to say. But as you know, [break in audio] struggling to get these FX and it can take weeks, months even sometimes. So we're trying our best. We're using the main Nigerian banks and even smaller ones and we're trying to collect from wherever we can. But in general this is the way we proceed, so nothing different than anyone else.

Adedayo Ayeni
Right thank you very much. Thank you.

Operator
Thank you. Next question is from Ayooluwa Aseweje of United Capital PLC. Please go ahead.

Ayooluwa Aseweje
Good afternoon. Can you hear me?

Yusuf Binji
Yes we can.

Ayooluwa Aseweje
Thanks for the opportunity. I think most of my questions have been asked actually. I just want to know you mentioned that the plans to issue the Series II Bonds, the second tranche of your plant programme are underway you are monitoring the yield environment. So can you just please just shed more light on that? And also I remember you guided that the power plant that's being constructed at the moment will be finished by Q4. Is that also on track? And those are my two questions. Thank you.

Yusuf Binji
Okay. Thank you very much. Regarding the Series II Bond, we initiated a ₦200 billion bond. And in the first instance under Series I, we went to the market to get ₦100 billion. We ended up taking ₦150 billion [break in audio] definitely. We are going to do the Series II in the future. This all depends on the commitments for payment for the new projects. So that definitely is going to come on stream and we will let the public know when this is going to open. Your second question regarding the power plant in Adamawa being commissioned in Q4, I'm sure it's not from what was meant, we never said we're going to commission a power plant in Q4. Thank you.

Operator
Thank you, sir. We have no further questions from the conference call. Ladipo could you just go through the questions from the webcast?

Web operator
Okay. We have no questions. All questions have been answered on the webcast. Thank you.

Operator
Thank you. We do have Mr. Tony Hadley back online. Sir, would you like to ask your questions?

Tony Hadley
Yes, please. Thank you. Can you hear me now?

Operator
Yes, we can, sir. Thank you.

Yusuf Binji
Yes, we can, yeah.

Tony Hadley
Excellent. Good afternoon and well done for those very good results. I just like to build on a couple of points. There was the discussion on a previous speaker on the capacity utilisation. And if we look at Nigeria it's got a nominal 52 million tonnes of capacity. So whilst I can understand fully that you were in ramp up last year and hence sold out, there's very, very low performance from the other two players in the market. So perhaps you could comment on that? And linked in to that you're talking about holding your prices stable. So I guess that that means your objective is as you as you build the performance of the existing capacity, and obviously the capacity that's going to come in at some point in 2021, you're anticipating growing your market share. Do you see any consequences of that? And the last question is what will be the CO_2 impact, positive impact, for you moving from LPFO to LNG? And do you foresee a time when you will push the government for carbon taxes? Thank you.

Yusuf Binji
Thank you very much, Tony, for your very nice comments on our performance and as you have mentioned we have running flat out. And like I also mentioned we will only see an increase in our total volumes when we

commission our new plant. Now we cannot do more than what we are doing. However I will decline to comment on the low performance of our competitors, I will leave them to explain that to analyst and investors. That brings me back also to this capacity utilisation we're talking about figures of 52 million tons have been mentioned and people who will say, "Okay, why did all the manufacturers did only 27 million in 2020?" And so that people will talk about 55%, 60% capacity utilisation. Now the way capacity utilisation works is a theoretical maximum and from my own experience in the Nigerian cement industry the capacities that have been mentioned are really tied to a particular grade of cement. Now when you are producing the cement type with a lot of additives you will be able to have more capacity than somebody that is producing a different type of cement.

Let me be very specific. For example, if we have plants A and B with a clinker production capacity of 6,000 tonnes per day. But Plant A is producing 32.5 type of cement, or a different grade that you add more limestone to it. So the ultimate cement volume can go up to 9,000 tonnes per day. While Plant B, that decide to do maybe type A cement or B cement, the maximum additive is 5% or B is 20%. Then that Plant B will only be able to do like 7,500 tonnes per day. So the capacity is really dependent on the type of product that you are pushing. So if you are producing a very, very high quality cement ideally the capacity utilisation should be derated, what we keep taking one single figure. So most of these plants are operating above the 55%, 60% that has been mentioned. Of course there are some that are at that level because of their technical condition and age. But for us that is not really the case. Like I mentioned, we have a kiln that ran for 330 days non-stop. This will take us over 93% roll factor, and also in terms of capacity, it was doing like 105 above the rated capacity. So by the time you calculate the operational efficiency you would get something like 95%. Anyway, yes, Mr. Tony, I think when we have our half year results presentation we will talk more about the CO2. Now we want to see the impact as we move on to LNG in Sokoto, we'll see to what extent we can be able to push the usage of local gas in place of the imported LPFO. And then definitely then also we'll be able to talk about all these tax credits. Thank you very much.

Tony Hadley
Thank you.

Operator
Thank you very much, sir. Gentlemen we have no further questions in the queue. Mr. Binji do you have any closing comments?

Yusuf Binji
It has been a delightful time having you join us on this conference call today. We look forward to having you join us for the half year 2021 conference call sometime end of July or early August. Thank you for listening and have a very nice day. Bye.

Operator
Thank you very much, sir. Ladies and gentlemen, that concludes this event and you may now disconnect.

END OF TRANSCRIPT