Kepmen ESDM 365/2026 (Affiliated Contractors)

Sector Flash · Regulatory Event · 29 September 2026

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New affiliate-contractor rule reprices Indonesia's captive miners; independent contractors stand to gain

Effective 18 Sep · affiliate (same beneficial-owner) uses needs Minister approval · exemption only for govt-assigned PSN/smelter/DMO

Effective date	Exemption Approval window	BO test reach	Exemption
18 Sep 2026	14 days	sister-companies	2 conditions
immediate; revokes 2010 rule	working days, per application	common beneficial owner	govt assignment + PSN/smelter/DMO

KEY TAKEAWAYS

- **What the rule does.** Effective 18 September, Kepmen ESDM 365/2026 requires IUP/IUPK holders to prioritise local mining-service firms and **bars the use of subsidiaries or affiliates without the Minister approval (14 working days decision)**. It defines an affiliate two ways — direct shareholding, or a **shared beneficial owner** — revokes the 2010 Dirjen rule that governed the old approval regime, and applies mutatis mutandis to KK, PKP2B and IUPK-KOP holders.

- **The beneficial-owner test is the sharp edge**. The reach is not just parent-to-subsidiary: 3rd Article (b) captures **sister companies that share an ultimate beneficial owner**, even with no direct equity link. That is precisely how the conglomerate captive model is built — Adaro-SIS (controlled through ASI by the Thohir, Subianto, Rachmat and Soeryadjaja families), Bayan-IPR, and Prajogo Petrosea via CUAN. **A spin-off,** such as AADI out of AlamTri, **does not break the common-BO link**, so the test still bites.

Affiliate-rule exposure by listed contractor

Contractor	Owner / beneficial owner (BO)	BO test	Exemption	Captive use	Net read
IPR - BYAN	Bayan (Low Tuck Kwong)	Yes	Weak	High	Most exposed
PTRO - CUAN	Prajogo (via CUAN)	Yes	Weak	High	Most exposed
SIS – AADI	Adaro group (via ASI)	Yes	Partial	High	Split
PAMA – TTA	Astra (UNTR) + 3rd-party	Partial	Weak-mid	Medium	Moderate
GMA – ARCI	Rajawali / Sondakh (25%)	Yes	Weak	Low	Minor
DOID	Public / independent	No	n/a	None	Beneficiary
DEWA - BUMI	Bakrie (assoc.) + 3rd-party	Limited	n/a	Low	Beneficiary
MYOH, ABMM, KKGI	Independent, multi-client	No	n/a	None	Beneficiary

- **Exemptions are two-layered and discretionary — downstream alone is not a pass**. The relief in 4th Article is available only to a permit-holder **that is running a government assignment**, and only for national strategic projects (PSN), processing or refining facilities, or domestic-supply obligations. Owning a smelter without an underlying assignment does not qualify, **and even then, it must be applied for and granted case by case**.

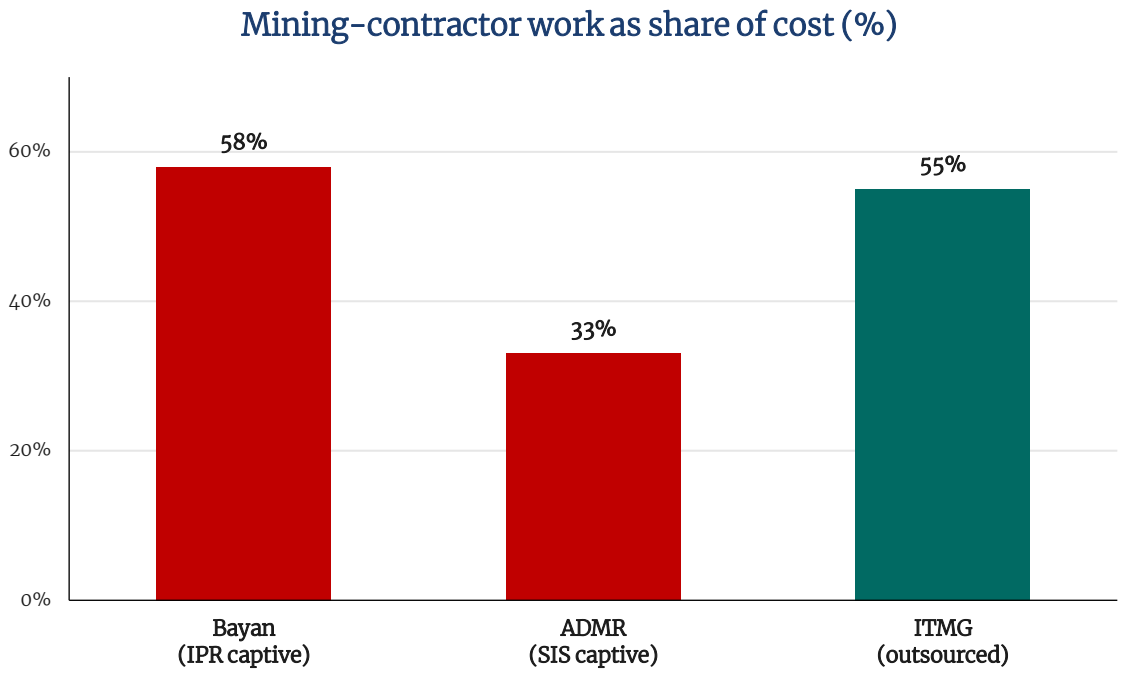
- **The financial impact is margin capture, not just cost**. Miners run captive contractors to **consolidate the contractor margin back into the group**, not merely to save on price. Mining-contractor work is roughly 55 to 60% of cash cost — Bayan 1H26 cash cost is 39% overburden-and-mining plus 19% hauling, and ADMR mining cost alone is a third of COGS — on a contractor margin of about 10 to 15%. Losing the captive means **that margin leaks out of the group**, plus **possible cost inflation from smaller local contractors**. The counter-intuitive result: **the most vertically integrated names are the most exposed**, while a fully outsourced miner like **ITMG is largely neutral**.

- **Grandfathering: gradual in the base case, re-approval risk in the tail**. Our base case is that running captive contracts continue, with the new approval obligation **triggered only at renewal points** — when the affiliate IUJP expires, or on a contract amendment or new work package — supported by the non-retroactivity principle and by 7th Article (b), under which an approval once granted is valid for the life of the affiliate IUJP. The risk case is real, though: **the decree contains no explicit transition clause**, and 10th Article reaches existing KK/PKP2B/IUPK-KOP contracts, so ESDM could require re-approval of live captive contracts absent a clarifying circular.

- **Positioning, and the key watch. Most exposed are** the pure captives with no assignment cover — **IPR (Bayan) and Petrosea (CUAN)**. Partly hedged is SIS, whose work for Maruwai/ADMR sits behind the aluminium smelter PSN. Moderate is PAMA (UNTR), cushioned by third-party clients; GMA (ARCI) is minor. The **clear beneficiaries are the independent, arm-length contractors that can absorb work shed by captives** — BUMA (DOID), the largest independent fleet, alongside multi-client names like Darma Henwa (DEWA), MYOH, ABMM and IBP/KKGI. **On balance, we are structurally positive on the independent contractors and cautious on the pure captives near contract-renewal points.**

For informational purposes only. Aldiracita Equity Research.

The more a miner insources, the more margin is exposed to the rule



Source: Kepmen ESDM 365/2026 (full decree); company interim financials 1H26 (BYAN, AADI/ADMR, CUAN, BUMI); Aldiracita Research.

PT Aldiracita Sekuritas Indonesia
Menara Tekno Lt. 9,
Jl. H. Fachrudin No.19, Kampung Bali, Tanah Abang,
Jakarta Pusat, 10250
Indonesia
Phone: +61 21 39705858

Contact
Research: research@aldiracita.com
Phone: +62 21 39705860

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