

Corporate Rating Overview of State-Owned Enterprises (SOEs) in 2025

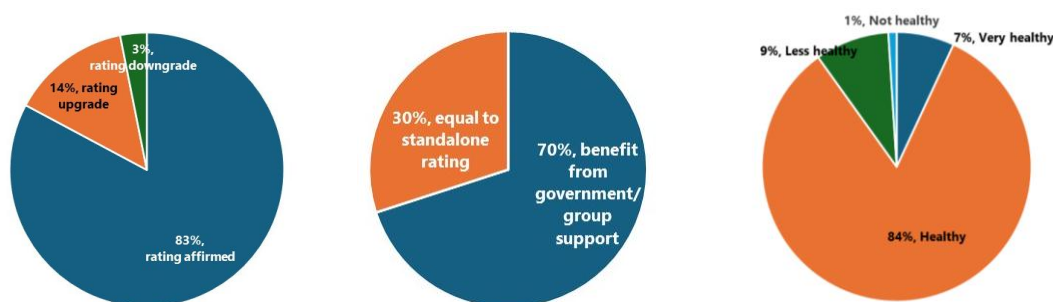
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Corporate rating has emerged as a fundamental component in evaluating the creditworthiness of SOEs under Peraturan Menteri BUMN No. PER-2/MBU/03/2023. These ratings provide a standardized framework for assessing a company's business and financial performance, reflecting its long-term viability and risk profile, and enabling comparison across various SOEs. The results serve as key indicators in evaluating corporate health and function as an accountability tool for stakeholders.

Our analysis of 164 rated SOEs and their subsidiaries in 2025 highlights the following key observations:

1. 83% of the re-rated entities had their standalone ratings affirmed, while 14% experienced rating upgrades and 3% were subject to rating downgrades. Overall, the rating distribution reflects resilient corporate operating performance despite persistent macroeconomic and industry headwinds.
2. 70% of the rated entities benefit from either government or group support, resulting in higher final ratings compared to standalone ratings and indicating enhanced capacity to meet long-term financial obligations. Government support is expected to be extended more selectively, considering the strategic importance and functional role of the respective SOEs. Meanwhile, the extent of group support remains contingent upon the parent group's financial strength and its demonstrated capacity and willingness to provide timely support to the rated entities.
3. On a standalone basis, the ratings are primarily driven by each entity's business and financial risk profiles, with distribution largely concentrated in the adequate to strong capacity categories (BBB and A rating categories). Under the regulatory classification framework, 84% of the rated entities in 2025 are assessed at a healthy level, followed by 9% categorized as less healthy, 7% as very healthy, and 1% as not healthy. Overall, the distribution indicates that the majority of rated entities maintain sound financial and operational profiles under the applicable regulatory benchmarks.

Chart 1. Rating changes of standalone rating in 2025 (left), Government or group support to final rating (centered), Healthiness level (right)



Source: PEFINDO rating database

Economic policies have a direct impact on SOEs

PEFINDO observes that most economic policies under the Prabowo-Gibran administration reflect continuity in many key aspects. In our view, this signals policy sustainability and provides a supportive environment for SOEs.

In the agribusiness sector, the government has placed greater emphasis on achieving food and water self-sufficiency, with flagship initiatives centered on national food security. SOEs most directly impacted include Pupuk Indonesia group, BULOG, ID FOOD group, and Perkebunan Nusantara group. This

commitment is evidenced by higher subsidy allocations, a more supportive and streamlined regulatory framework, and facilitated financial supports such as working capital assistance for BULOG and accelerated subsidy disbursement to Pupuk Indonesia. We view these policies as domestically oriented and supportive of reduced import dependency. The policy direction is expected to strengthen the credit quality of most of our rated SOEs in the agribusiness sector.

In the energy sector, policies throughout 2025 remain relatively consistent, with a continued focus on renewable energy targets, the export ban on raw minerals, and the advancement of downstream commodity development, particularly in nickel and bauxite. The SOEs most directly affected include MIND ID group, Pertamina group, and PLN group. We anticipate that most of key commodity prices will remain under pressure in response to softer global demand. However, CPO and copper prices are expected to remain relatively favorable in 2026, supported by the strong domestic demand driven by biofuels programs and the development of electric vehicles battery industries.

In the telecommunications sector, we view affordable internet access, digital transformation, and technology advancement as key priority programs, based on the belief that higher internet penetration will contribute to sustained economic growth. SOEs such as Telkom group, along with private sector players, are actively involved in advancing these initiatives.

In the infrastructure sector, we understand that the state budget has been materially reallocated toward non-infrastructure and efficiency-oriented initiatives, resulting in a notable decline in infrastructure spending. This represents a policy shift from prior administrations, which placed greater emphasis on large-scale infrastructure development. Under the current environment, infrastructure SOEs are prioritizing the optimization of existing assets and strengthening the management of their financial obligations, rather than pursuing aggressive expansion. We view this policy shift as credit positive for the sector, as it is expected to moderate capital expenditure requirements, reduce financial leverage, and support improvements in liquidity and funding access over the medium term.

SOEs' credit quality will vary, expected to remain stable despite headwinds

In 2025, 78% of the total rated SOEs underwent re-ratings. Of these, approximately 83% had their standalone ratings affirmed, supporting our view that most SOEs are able to maintain their credit profiles despite potential challenges ahead. Around 14% of the re-rated entities received rating upgrades, primarily driven by improvements in their financial profiles and stronger capacity to meet financial obligations. Only 3% of the re-rated entities were downgraded, mainly comprising entities undergoing debt restructuring or facing weakened debt profiles.

The credit quality of rated SOEs varies. In 2025, the majority of entities (67%) are assessed at the strong and adequate standalone rating levels, followed by 20% in the very strong category. Meanwhile, 10% fall into the weak or default categories, and only 3% are positioned at the superior level. The 2025 standalone rating distribution shows an improvement compared to 2024, with a smaller proportion of entities in the weak category and a corresponding shift toward the strong category.

The key risks facing SOEs include commodity price volatility and broader market risks, such as slower global economic growth, intense geopolitical dynamics, intensifying competition, and rapid technological developments. Operating risks remain significant, particularly in relation to productivity challenges, tariff adjustments below expectations, and rising construction material costs. In addition, project execution risks associated with debt-funded expansions may pressure financial metrics if not managed effectively. Regulatory uncertainties may also affect operating performance, including policy changes that may affect pricing, production, or capital expenditure plans. From a financial perspective,

continued reliance on debt for refinancing and working capital requirements exposes entities to refinancing and liquidity risks.

For certain rated SOEs, additional entity-specific risks include revenue concentration risk, particularly where business volumes are heavily dependent on affiliated group entities, limiting diversification and third-party revenue generation. Furthermore, execution risk related to future strategic initiatives—such as capacity expansion, diversification, or inorganic growth—may affect competitiveness and credit profiles if not implemented prudently and supported by adequate financial resources.

In terms of operating conditions, we anticipate SOEs in the agribusiness and mining sectors to face slower revenue growth and margin compression, driven by lower commodity prices and weaker productivity amid extreme weather conditions. Production volumes are also projected to decline following reductions in the Work Plan and Budget (*Rencana Kerja dan Anggaran Biaya/RKAB*), reflecting a cautious response to softer commodity prices. We anticipate lower EBITDA and rising financial leverage in the near term, as several SOEs are currently expanding capacity through debt-funded investments. While such expansions may strengthen long-term competitiveness, they may temporarily weaken credit metrics during the investment phase. From a liquidity and funding perspective, we do not expect materially different conditions for SOEs in the agribusiness and mining sectors, although refinancing needs may increase alongside higher debt levels.

Rating distribution by industry

Based on 164 rated SOE entities in 2025, we identify that several sectors generally demonstrate strong business risk profiles, characterized by strategic importance, high barriers to entry, essential service nature, relatively stable demand, or strong market positions. In several cases, the industries also benefit from supportive regulatory frameworks and prudent financial management practices, underpinning strong standalone credit quality. The industries include banking, electricity power, fertilizer, financial market infrastructure, government-related entities (GRE) public service, metal, mining, oil and gas, special financial institutions, telecommunication, telecommunication towers, and transportation infrastructure.

We also identify entities in some sectors that tend to face relatively higher exposure to cyclical demand, commodity price volatility, execution risk, or competitive pressures. As a result, their standalone credit profiles are more varied, ranging from moderate to strong capacity categories, depending on individual business scale, diversification, profitability, and financial policy discipline. These industries include aerospace & defense, animal feed & husbandry, chemicals, construction, food & beverage, heavy machinery & capital goods, information technology (IT), leisure, media, plantation, property, and trading & distribution.

Incorporating government or group support as a key rating consideration

The credit profiles of SOEs continue to benefit from explicit or implicit government support, as well as parental support for SOE subsidiaries within larger corporate groups. The incorporation of such support remains a key rating consideration in PEFINDO's assessment framework, particularly where there is a strong linkage between the entity and its supporting party.

PEFINDO's final rating distribution for SOEs in 2025 is relatively balanced across rating categories from AAA to BBB. Approximately 15% of the rated entities receive government or group support that results in a final rating equalized with the Government of Indonesia (GoI) at the AAA level. These entities typically demonstrate significant public policy roles, substantial social impact, and high default consequences, which underpin a very strong likelihood of extraordinary support and lead to a higher final rating relative to their standalone credit profiles.

Around 51% of entities benefit from rating uplift under a notching up approach from their standalone credit profiles, reflecting a strong – though not equalized - likelihood of extraordinary support. Conversely, 2% of entities are rated using the notching down approach from the Gol rating. The remaining 32% are assessed as having a neutral impact from support considerations, with final ratings aligned with their standalone credit profiles.

A limited number of SOEs are assessed as having a superior capacity and willingness to support their subsidiaries, underpinning a strong likelihood of extraordinary support. This assessment is typically supported by established financial support mechanisms, such as notional cash pooling arrangements, as well as cross-default provisions that reinforce alignment in reputational standing, branding, and management oversight across the group.

In addition, the strength of support is evaluated based on operational relevance, including the degree of business integration, the subsidiary's contribution to group earnings, its strategic importance within the value chain, historical performance, and future business prospects.

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