FINANCIAL PERFORMANCE OF PT TELKOM INDONESIA (PERSERO) TBK IN THE FIRST HALF OF 2026: RATIO ANALYSIS AND DUPONT DECOMPOSITION

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Abstract

Rising leverage ratios can be misread as increased financial risk when they stem from changes in the composition of liabilities. This study evaluates the financial performance of PT Telkom Indonesia (Persero) Tbk in the first half of 2026 compared with year-end 2025 and traces the sources of changes in return on equity (ROE) and the debt to equity ratio (DER). A descriptive-comparative quantitative design was applied to consolidated financial statements, using liquidity, activity, solvency, profitability, and market ratios, a sequential DuPont decomposition, and a decomposition of the change in DER. Consolidated ROE rose from 16.25% to 21.07%, of which 65.3% was attributable to a higher equity multiplier and 41.5% to net profit margin, while asset turnover contributed slightly negatively. DER increased from 0.91 to 1.25 times, mainly because of other payables that include dividends payable, whereas net interest-bearing debt fell by 35.3%. The increase in leverage is therefore largely accounting-driven rather than debt-financed. Future studies should extend the observation period and include peer companies.

Keywords : *Financial Ratio Analysis; DuPont; Leverage; Financial Performance; Dividends; Telkom Indonesia*

Abstrak

Kenaikan rasio leverage dapat disalahartikan sebagai peningkatan risiko keuangan padahal bersumber dari perubahan komposisi liabilitas. Penelitian ini bertujuan menilai kinerja keuangan PT Telkom Indonesia (Persero) Tbk pada semester I 2026 dibandingkan akhir tahun 2025 serta menelusuri sumber perubahan return on equity (ROE) dan debt to equity ratio (DER). Metode yang digunakan adalah kuantitatif deskriptif-komparatif atas laporan keuangan konsolidasian, dengan rasio likuiditas, aktivitas, solvabilitas, profitabilitas, dan pasar, dekomposisi DuPont sekuensial, serta dekomposisi perubahan DER. Hasil menunjukkan ROE konsolidasian naik dari 16,25% menjadi 21,07%, dengan 65,3% kenaikan berasal dari pengganda ekuitas dan 41,5% dari margin laba bersih, sedangkan perputaran aset berkontribusi negatif kecil. DER naik dari 0,91 menjadi 1,25 kali terutama karena utang lainnya yang memuat dividen terutang, sementara utang berbunga neto turun 35,3%. Kenaikan leverage dengan demikian lebih bersifat akuntansi daripada pembiayaan utang. Penelitian selanjutnya disarankan memperluas periode pengamatan dan menyertakan perusahaan pembanding.

Kata kunci : Analisis Rasio Keuangan; DuPont; Leverage; Kinerja Keuangan; Dividen; Telkom Indonesia

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INTRODUCTION

The telecommunications industry is capital-intensive, with fixed assets making up a large share of total assets, so firms need to monitor their capital structure and liquidity closely (Ludwiczak et al., 2024). Among telecommunications companies listed on the Indonesia Stock Exchange in 2018-2022, asset turnover even had a significant negative effect on net profit margin, indicating that asset efficiency contributes little to profitability in a capital-intensive sector (Palevi Alren et al., 2026). For Telkom itself, total asset turnover declined from 0.65 times in 2017 to 0.52 times in 2021 (Lobo et al., 2022). Telkom's balance sheet reflects the same character: at the end of 2025, inventories accounted for only about 0.3% of total assets and the current ratio was below one, at 0.84 times (PT Telkom Indonesia (Persero) Tbk, 2026).

This asset-heavy character means that judging performance against conventional ratio benchmarks risks being misleading. Kasmir (2019), for example, lists industry-average benchmarks of a 200% current ratio, 80% DER, total asset turnover of two times, and 40% ROE, which Lobo et al. (2022) cited when assessing Telkom's 2017-2021 performance as poor because its asset turnover and ROE fell below those benchmarks. Such fixed benchmarks do not distinguish asset-heavy firms from manufacturing or trading firms, even though ratios are most meaningful when compared with similar firms in the same industry (Brigham & Houston, 2019). A current ratio or asset turnover below one may therefore be read as a weakness, even though it is common in asset-heavy industries (Ludwiczak et al., 2024).

PT Telkom Indonesia (Persero) Tbk is a state-owned enterprise (SOE) whose shares have been listed on the Main Board of the Indonesia Stock Exchange (ticker TLKM) since 14 November 1995 and are also listed on the New York Stock Exchange (ticker TLK). Under the IDX-IC classification, Telkom belongs to the infrastructure sector, telecommunications subsector, and integrated telecommunication services sub-industry, and its main subsidiary, Telkomsel, is not separately listed on the IDX (Bursa Efek Indonesia, 2026). Telkom's financial performance has been examined through ratio analysis and the DuPont system (Lobo et al., 2022; Widarnaka et al., 2023). Its position as a large issuer, an SOE, and a leading telecommunications player makes its financial performance relevant to investors, regulators, and the controlling shareholder (PT Telkom Indonesia (Persero) Tbk, 2026).

The consolidated financial statements as of 30 June 2026 show a notable shift in balance sheet structure. Cash and cash equivalents rose from Rp34.23 trillion to Rp54.58 trillion, while total equity fell from Rp150.54 trillion to Rp134.85 trillion. At the same time, other payables, which include dividends payable, jumped from Rp0.65 trillion to Rp24.89 trillion (PT Telkom Indonesia (Persero) Tbk, 2026). A dividend obligation is recognized on the declaration date and reduces equity before cash is paid to shareholders (Brigham & Houston, 2019), so these simultaneous changes in cash, equity, and liabilities directly affect liquidity and solvency ratios. Read mechanically, the changes could give the impression that the company has become riskier. The question is whether the rise in leverage ratios reflects additional borrowing or merely a reclassification from equity to liabilities following a dividend declaration.

Prior studies of Telkom assessed its ratios against fixed benchmarks, namely the industry-average benchmarks in Kasmir (2019) (Lobo et al., 2022) and the SOE performance assessment guidelines (Widarnaka et al., 2023), together with DuPont analysis. Studies of profitability in Indonesia's telecommunications sector, meanwhile, have used aggregate ratios in panel data regressions (Palevi Alren et al., 2026). Yet aggregate ratios such as ROE and

DER can change because of several components moving in opposite directions, so tracing the drivers of change is more informative than assessing levels alone (Penman, 2013; Subramanyam, 2014). This study fills that gap with three contributions. First, it presents a comprehensive ratio analysis based on the latest interim data. Second, it decomposes the change in ROE through a sequential DuPont decomposition and the change in DER into numerator and denominator effects. Third, it separates *accounting leverage* from interest-bearing debt by computing interest-bearing debt and net debt ratios. The study addresses three questions: how Telkom's liquidity, activity, solvency, profitability, and market valuation changed at 30 June 2026 compared with 31 December 2025; which component best explains the change in ROE; and whether the increase in DER reflects higher interest-bearing debt or a change in composition caused by dividend obligations. The objective of the study is to answer these three questions, and its urgency lies in providing a basis for reading ratios of asset-heavy issuers without being misled.

LITERATURE REVIEW

Financial Ratio Analysis

Ratio analysis is a standard technique for condensing financial statement information into measures that can be compared across periods and across firms (Subramanyam, 2014; Kasmir, 2019). Its information value has long been tested. Beaver (1966) showed that financial ratios have predictive power for corporate failure, and Altman (1968) combined several ratios in a discriminant model to predict bankruptcy. Lev and Thiagarajan (1993) showed that a number of fundamental signals derived from financial statements are associated with stock returns. Penman (2013) emphasized that ratios are most useful when used to understand the drivers of profitability and growth, rather than merely to describe levels.

Liquidity ratios measure the ability to meet short-term obligations, activity ratios measure the efficiency of asset management, solvency ratios measure the financing structure and the ability to cover interest expense, profitability ratios measure the ability to generate earnings, and market ratios relate earnings and book value to the share price (Brigham & Houston, 2019; Gitman & Zutter, 2015; Harahap, 2015).

Capital Structure and Leverage

The capital structure theory of Modigliani and Miller (1958) is the starting point, with the message that in perfect markets the financing structure does not affect firm value. Later theories incorporate agency costs (Jensen & Meckling, 1976) and the pecking order of financing (Myers, 1984), which explains why firms that generate large internal cash flows tend to rely on internal funding. The implication for analysts is that the level of leverage must be read together with its funding sources. High leverage arising from interest-bearing debt carries a different financial risk from high leverage arising from temporary non-interest-bearing obligations.

Free Cash Flow, Dividends, and Share Buybacks

Jensen (1986) argued that large free cash flows encourage agency conflicts and that distributing cash to shareholders can mitigate this problem. Fama and French (2001) showed that large, profitable firms are more likely to pay dividends. For a firm that declares a dividend, the dividend liability is recorded at the declaration date and shifts value from equity to liabilities before cash actually leaves the firm. As a result, accounting leverage ratios can rise while the firm's capacity to pay its obligations remains unchanged.

The DuPont Model

The DuPont model breaks ROE down into three components: net profit margin (operating efficiency), total asset turnover

(asset efficiency), and the equity multiplier (leverage) (Brigham & Houston, 2019). This decomposition allows analysts to determine whether an increase in ROE is of good quality, that is, driven by margins and efficiency, or merely by additional leverage.

Industry Characteristics and Lease Accounting Standards

The adoption of PSAK 73 on leases, which follows the IFRS 16 approach, requires operating leases to be recognized on the balance sheet as right-of-use assets and lease liabilities (Ikatan Akuntan Indonesia, 2017). For Telkom, which leases tower sites and infrastructure on a large scale, these items inflate total assets and liabilities and affect DAR and DER. As of 30 June 2026, right-of-use assets amounted to Rp28.86 trillion and total lease liabilities to Rp23.98 trillion.

RESEARCH METHOD

This study uses a descriptive-comparative quantitative approach. The research object is PT Telkom Indonesia (Persero) Tbk. Secondary data were obtained from the consolidated financial statements as of 30 June 2026 (unaudited) and 31 December 2025 (audited), covering the statement of financial position, the income statement, and supporting data on shares outstanding and the closing share price. All figures are in billions of rupiah unless stated otherwise.

Because the income statement for the first half of 2026 covers only six months, income statement items were annualized by a factor of two (12 months divided by 6 months) to make them comparable with the 2025 income statement. Ratios relating income statement items to balance sheet items use period-end balances. A year is taken as 365 days. Inventory and receivables turnover are computed with revenue as the numerator because cost of goods sold and credit sales data are not separately available. The same closing share price, Rp2,240, is used for both periods, so differences in PER and PBV reflect only changes in earnings per share and book value per share.

Ratio formulas follow the standard literature (Brigham & Houston, 2019; Kasmir, 2019). The current ratio is current assets divided by current liabilities, the quick ratio is current assets less inventories divided by current liabilities, and the cash ratio is cash and cash equivalents divided by current liabilities. Inventory turnover and receivables turnover are revenue divided by the inventory and trade receivables balances, while days inventory outstanding (DIO) and days sales outstanding (DSO) are computed using 365 days. FATO and TATO are revenue divided by net fixed assets and by total assets. DAR is total liabilities divided by total assets, DER is total liabilities divided by total equity, and TIE is operating profit (EBIT) divided by finance costs. OPM is operating profit divided by revenue; NPM, ROA, and ROE are profit for the period divided by revenue, total assets, and total equity, respectively; parent ROE is profit attributable to owners of the parent divided by equity attributable to owners of the parent. EPS and BVPS are profit and equity attributable to owners of the parent divided by shares outstanding, PER is the share price divided by EPS, and PBV is the share price divided by BVPS.

In addition to the standard ratios, the study adds three analyses. First, a sequential DuPont decomposition: ROE = NPM x TATO x EM, where EM (*equity multiplier*) = Total assets / Total equity. The change in ROE is decomposed by replacing the components one at a time from their 2025 values to their 2026 values in sequence (NPM, TATO, then EM). The results of a sequential decomposition depend on the order of replacement, so the contribution of each component is indicative. Second, the change in DER is decomposed into a liability effect (the change in liabilities divided by 2025 equity) and an equity effect (the remainder). Third, interest-bearing debt (short-term bank loans, long-term loans including the current portion, and lease

liabilities) and net debt (interest-bearing debt less cash and cash equivalents) are computed.

RESULTS AND DISCUSSION

Overview of the Financial Statements

Table 1 summarizes the main items of Telkom's consolidated financial statements for both observation periods.

Table 1. Summary of the Consolidated Financial Statements (Rp Billion)

Item	30 Jun 2026	31 Dec 2025	Change
Cash and cash equivalents	54,579	34,228	+59.5%
Current assets	80,932	61,766	+31.0%
Net fixed assets	161,643	165,453	-2.3%
Total assets	303,087	287,759	+5.3%
Current liabilities	102,358	73,948	+38.4%
Other payables (including dividends payable)	24,886	648	+24,238
Total liabilities	168,239	137,222	+22.6%
Total equity	134,848	150,537	-10.4%
Revenue (annualized)	151,756	146,742	+3.4%
Operating profit/EBIT (annualized)	40,266	34,648	+16.2%
Profit for the period (annualized)	28,412	24,458	+16.2%

Note: 2026 income statement items are first-half figures annualized (multiplied by two).

Source: PT Telkom Indonesia (Persero) Tbk, 2026 (processed)

Three patterns stand out. First, revenue grew by only 3.4%, but operating profit and net profit grew by 16.2%. The gap between revenue and operating profit actually narrowed slightly from Rp112.09 trillion to Rp111.49 trillion (-0.5%), meaning that the increase in profit came from cost control rather than revenue growth. Second, total equity fell by Rp15.69 trillion even though the company earned a first-half profit of Rp14.21 trillion, so the reduction in equity from distributions and transactions with owners far exceeded profit for the period. Shares outstanding fell by 0.24 billion (from 99.06 billion to 98.82 billion), consistent with a share buyback. Third, the Rp24.24 trillion jump in other payables is equivalent to 85.3% of the total increase in current liabilities and 78.1% of the increase in total liabilities.

Liquidity Ratios

Liquidity and activity ratios for both periods are presented in Table 2.

Table 2. Liquidity and Activity Ratios

Ratio	30 Jun 2026	31 Dec 2025
Current ratio	0.79x	0.84x
Quick ratio	0.78x	0.82x
Cash ratio	0.53x	0.46x
Inventory turnover	192.58x	162.87x
Days inventory outstanding (DIO)	1.90 days	2.24 days
Receivables turnover	12.89x	13.08x
DSO	28.32 days	27.92 days
FATO	0.94x	0.89x
TATO	0.50x	0.51x

Source: PT Telkom Indonesia (Persero) Tbk, 2026 (processed)

The current ratio fell from 0.84 to 0.79, while the cash ratio rose from 0.46 to 0.53. These opposite movements are explained by higher cash combined with current liabilities growing faster (38.4% versus 31.0% for current assets). A current ratio below one is not an anomaly for a telecommunications operator, because part of its revenue is received in advance (postpaid and vouchers) and its operating cash flows are large and recurring. The quick ratio is almost identical to the current ratio because inventories

amount to only Rp0.79 trillion, or 1.0% of current assets.

It should be noted that part of the increase in the cash ratio is temporary. The accumulated cash sits alongside dividends payable that have not yet been paid. As an illustration, if the entire increase in other payables (Rp24.24 trillion) were dividends payable settled in cash, with other assets unchanged, the current ratio would be 0.73 times and the cash ratio 0.39 times. These illustrative figures are lower than the end-2025 position (0.84 and 0.46), so the apparent improvement in liquidity shown by the cash ratio should not be read as a structural improvement. However, cash of Rp54.58 trillion covers 1.56 times the interest-bearing current liabilities (short-term bank loans, the current portion of long-term loans, and the current portion of lease liabilities, totaling Rp34.96 trillion), up from 1.13 times at the end of 2025. Short-term refinancing risk is therefore low.

Activity Ratios

Inventory turned over 192.58 times per year, or was used up in about 1.9 days, faster than the 2.24 days at the end of 2025. This figure is typical for a service provider whose inventory is limited to SIM cards, devices, and vouchers. Receivables were collected in 28.3 days on average, almost unchanged from 27.9 days, indicating stable collection discipline. The 0.4-day increase in DSO is too small to be interpreted as a deterioration.

FATO rose from 0.89 to 0.94 times because revenue grew while net fixed assets fell by 2.3%, consistent with depreciation exceeding new capital expenditure or a change in asset composition. TATO remained around 0.50 times (0.51 in 2025). The low TATO reflects the asset-heavy nature of the industry, and its slight decline was caused by total assets rising 5.3% (driven by cash), faster than revenue, which grew 3.4%.

Solvency Ratios and DER Decomposition

Table 3 presents the solvency ratios, including interest-bearing debt and net debt measures calculated by the authors from statement of financial position items.

Table 3. Solvency Ratios

Ratio	30 Jun 2026	31 Dec 2025
DAR	55.51%	47.69%
DER	1.25x	0.91x
TIE	9.68x	6.66x
Interest-bearing debt (incl. leases), Rp billion	80,895	74,911
Interest-bearing debt / Equity	0.60x	0.50x
Net debt (interest-bearing debt - cash), Rp billion	26,316	40,683
Net debt / Equity	0.20x	0.27x
Finance costs / Period-end interest-bearing debt	5.14%	6.95%

Source: PT Telkom Indonesia (Persero) Tbk, 2026 (processed)

In aggregate, DAR rose by 7.8 percentage points to 55.51% and DER rose from 0.91 to 1.25 times, so liabilities now exceed equity. A cursory reading would conclude that solvency risk has increased. A closer reading leads to a different conclusion.

Decomposing the +0.34-times change in DER shows a liability effect of +0.21 (61%) and an equity effect of +0.13 (39%). In other words, the increase in DER was driven more by growing liabilities than by shrinking equity. However, 78.1% of the increase in liabilities came from other payables, which according to the data source include dividends payable. This item is non-interest-bearing and will disappear once the dividend is paid. If this effect is set aside for illustration (liabilities reduced by Rp24.24 trillion with equity unchanged), DER becomes about 1.07

times and DAR about 51.6%, both much closer to the end-2025 position.

Interest-bearing debt rose by 8.0% (Rp5.98 trillion), with short-term bank loans, the current portion of long-term loans, and long-term loans each increasing, while lease liabilities fell slightly. This increase is much smaller than the increase in cash (Rp20.35 trillion), so net debt fell by 35.3% from Rp40.68 trillion to Rp26.32 trillion, and the net debt-to-equity ratio fell from 0.27 to 0.20 times. The statement in the data source that the rise in DER did not result from a surge in debt is correct if it refers to interest-bearing debt, but the increase in liabilities is still the main cause of the rise in DER. A more precise formulation is therefore that the increase in DER stems from dividend-related non-interest-bearing liabilities, together with the reduction in equity.

TIE rose from 6.66 to 9.68 times. This increase has two simultaneous causes: EBIT rose by 16.2% and finance costs fell by 20.1% (from Rp5.21 trillion to Rp4.16 trillion, annualized). Finance costs declined while interest-bearing debt rose by 8.0%, so finance costs relative to period-end interest-bearing debt fell from 6.95% to 5.14%. This pattern may result from the repayment of high-interest loans, replacement with cheaper funding, interest capitalization, or debt added close to the end of the period. The available data do not allow the cause to be determined, so an examination of the notes to the financial statements is required.

Profitability Ratios

Table 4 presents the profitability ratios, with 2026 income statement items annualized.

Table 4. Profitability Ratios

Ratio	30 Jun 2026 (annualized)	31 Dec 2025
OPM	26.53%	23.61%
NPM	18.72%	16.67%
ROA	9.37%	8.50%
ROE (consolidated)	21.07%	16.25%
Parent ROE	17.95%	13.63%

Source: PT Telkom Indonesia (Persero) Tbk, 2026 (processed)

All profitability measures improved. OPM rose by 2.9 percentage points and NPM by 2.1 points. Because revenue grew by only 3.4%, the improvement in margins was the main driver of higher profit, consistent with the narrower gap between revenue and operating profit described earlier. The larger increase in OPM than in NPM indicates that part of the improvement was absorbed by tax expense and non-operating items, although lower finance costs helped.

Parent ROE (17.95%) is lower than consolidated ROE (21.07%). The difference arises because non-controlling interests generated annualized profit of Rp7.17 trillion on equity of Rp16.52 trillion, a return of 43.4% on book value, far above the return to owners of the parent. Non-controlling interests account for 25.2% of net profit but only 12.2% of equity, so part of the profit generated by the group flows to non-controlling shareholders. For Telkom's investors, parent ROE is the more relevant measure.

DuPont Decomposition

The results of the sequential DuPont decomposition of the change in ROE are shown in Table 5.

Table 5. Sequential DuPont Decomposition of the Change in ROE

Component	31 Dec 2025	30 Jun 2026	Difference (points)	Share
NPM	16.67%	18.72%	+2.00	41.5%
TATO	0.510x	0.501x	-0.33	-6.8%
EM	1.911x	2.248x	+3.15	65.3%
ROE	16.25%	21.07%	+4.82	100%

Source: PT Telkom Indonesia (Persero) Tbk, 2026 (processed)

The 4.82-percentage-point increase in ROE came mainly from the equity multiplier (3.15 points), followed by net profit margin (2.00 points), while asset turnover held it back by 0.33 points. Thus, less than half of the increase in ROE came from operational improvement, and more than half from the shrinking equity base relative to assets. This matters for interpretation. The increase in EM in this period does not reflect higher debt-financing risk as a conventional equity multiplier would suggest, because it stems largely from dividends payable and distributions to owners. Nevertheless, a higher ROE resulting from smaller equity is of a different quality from a higher ROE resulting from larger profit. The improvement in operating performance remains real, as net profit rose by 16.2% while revenue grew by only 3.4%.

The data source includes a check that DuPont ROE equals directly computed ROE. The difference is zero when rounded to three decimal places, so the decomposition above is arithmetically consistent.

Market Ratios

Market ratios for both periods are presented in Table 6.

Table 6. Market Ratios (Price of Rp2,240 in Both Periods)

Ratio	30 Jun 2026	31 Dec 2025
EPS (Rp, annualized)	215.00	179.83
BVPS (Rp)	1,197.46	1,319.25
PER	10.42x	12.46x
PBV	1.87x	1.70x
Earnings yield (EPS/price)	9.60%	8.03%

Source: PT Telkom Indonesia (Persero) Tbk, 2026 (processed)

EPS increased by 19.6%, in line with a 19.3% increase in profit attributable to owners of the parent and a slight decrease in the number of shares, while BVPS fell by 9.2% because parent equity shrank by 9.5%. At the same price, PER fell from 12.46 to 10.42 times and PBV rose from 1.70 to 1.87 times. The two ratios moved in opposite directions because their causes differ: earnings per share rose, while book value per share fell. Earnings-based valuation appears cheaper, whereas book-value-based valuation appears more expensive. Because the price is held constant, the market ratios here reflect only fundamental changes and should not be interpreted as the market's assessment of first-half 2026 performance. Comparison with industry averages and peer issuers is needed before concluding whether the shares are cheap or expensive.

Integrated Discussion and Implications

Overall, Telkom's financial position at 30 June 2026 can be described as that of a company with strengthening profitability, declining net debt, and a balance sheet currently affected by distribution obligations to shareholders. This finding is consistent with Jensen's (1986) free cash flow argument: firms that generate large cash flows and have limited additional investment opportunities tend to distribute cash, and the accounting effects are smaller equity, temporary dividend liabilities, and a higher equity multiplier. The finding is also consistent with the notion that leverage must be read according to its source (Myers, 1984; Modigliani & Miller, 1958).

The implication for analysts is that conventional ratio thresholds are insufficient. A current ratio below one and a DER above one do not automatically signal financial distress for a telecommunications company with large operating cash flows and temporary non-interest-bearing liabilities. For management, the results point to the need for clear communication about the nature of liability spikes in interim reporting so that ratios are not misinterpreted. For investors, parent ROE and net debt are more informative than consolidated ROE and raw DER. For regulators and the controlling shareholder, namely the government, the

results show that large cash distributions are still accompanied by strong interest-servicing capacity (TIE of 9.68 times) and declining net debt.

CONCLUSIONS AND SUGGESTIONS

Telkom's financial performance in the first half of 2026 improved on almost all profitability measures, at the operating level, the net profit level, and in returns on assets and equity. The improvement came mainly from cost control, as revenue growth was relatively small. Activity ratios remained stable and healthy, a current ratio below one is reasonable for the telecommunications industry, and the increase in the cash ratio is partly temporary because the accumulated cash sits alongside dividends payable. The increase in ROE came from a combination of higher margins and a larger equity multiplier, with the equity multiplier contributing more, so its quality is mixed. The increase in DER stemmed mainly from non-interest-bearing liabilities related to dividends payable and the reduction in equity, not from additional interest-bearing debt, while net debt actually declined. Solvency risk has therefore not increased as much as raw DAR and DER suggest.

Theoretically, these findings confirm that leverage needs to be read according to its source and that DuPont and DER decompositions provide information not visible in aggregate ratios. Practically, analysts and investors are advised to use parent ROE and net debt alongside conventional ratios, while management should explain the temporary nature of liability spikes in interim reporting.

This study has several limitations. First, the analysis compares only two observation points, so it cannot draw conclusions about long-term trends. Second, annualizing first-half profit by a factor of two ignores seasonality. Third, the ratios use period-end balances rather than averages. Fourth, using the same share price for both periods limits the interpretation of market ratios. Fifth, details of declared dividends, share buybacks, and the cost structure are not available, so the interpretation that other payables represent dividends follows the data source and needs to be confirmed in the notes to the financial statements. Future research is advised to extend the observation period to several years, compare Telkom with other telecommunications issuers, use average balances, and relate the ratios to share prices and stock returns.

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