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# Case Study: Thungela Resources

Financial Strain and Investor Uncertainty Impact Thungela Resources' Stability and Credit Outlook

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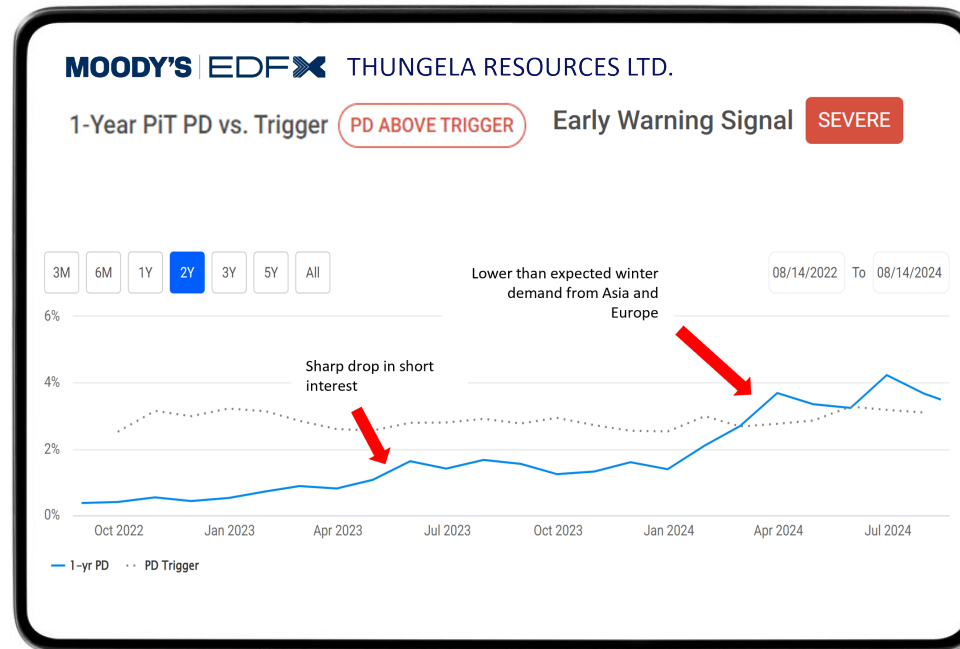
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## Analysis

Thungela Resources, that engages in the production and marketing of thermal coal reserves has faced a challenging year in 2023, marked by a significant decline in both profitability and revenue. The company reported a sharp drop in profit, with earnings attributable to equity shareholders plunging from 16.99 billion rands in 2022 to 5.16 billion rands in 2023. This drastic reduction in profit was accompanied by a decrease in earnings per share (EPS), which fell from 124.87 rands to 36.92 rands. The company's revenue also saw a substantial decrease, dropping from 50.75 billion rands to 30.63 billion rands. Additionally, the full-year dividend was reduced from 100 rands per share to 20 rands per share, reflecting the overall financial strain on the company.

Thungela has also been subject to market pressure as evidenced by a notable drop in short interest in April 2023. Short interest fell by 41.8%, from 11,000 shares on March 31st to 6,400 shares by April 15th. This reduction in short interest could indicate investor uncertainty or a decrease in bearish sentiment, but it also highlights the volatile nature of the company's stock, which might be concerning to stakeholders.



In the first half of 2024, Thungela flagged a sharp decline in earnings per share (EPS), driven by lower-than-expected winter energy demand from Europe and Asia, which depressed thermal coal prices. The company's struggles were further compounded by the ongoing underperformance of the rail line to Richards Bay, operated by Transnet Freight Rail (TFR), identified as a key constraint on their business.

Additionally, in late July 2024, Thungela experienced a significant shift in shareholder dynamics as the Public Investment Corporation SOC Limited increased its voting rights to 16.031%. This change could signal a strategic shift in the company, with potential implications for its governance and future direction.