

15 December 2022

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road, Karachi

Material Information
Upgradation/Assignment of Ratings
Waves Home Appliances Limited (WHALE or the Company)

Dear Sir,

In accordance with Section 96 and 131 of the Securities Act, 2015 (the Act) read with clause 5.6.1(a) of the Rule Book of Pakistan Stock Exchange Limited (PSX), we hereby disseminate the following information.

We are pleased to convey that after the transfer of home appliances business from Waves Corporation Limited (**WAVES**) to Waves Home Appliances Limited (**WHALE or the Company**) under the Scheme of Arrangement by and between WHALE and WAVES, sanctioned by the Lahore High Court, Lahore on 27 May 2022, VIS Credit Rating Company Limited (**Rating Agency**) has upgraded/assigned the **long-term entity rating** of Company from '**A-**' (**A Minus**) to '**A**' (**Single A**), whereas the **short-term entity rating** has been kept the same to '**A-2**' (**A Two**). Additionally, the Rating Agency has assigned a '**Stable**' Outlook on the assigned ratings of the Company.

The long-term rating of '**A**' signifies good credit quality with adequate protection factors, whereas the short-term rating of '**A-2**' denotes good certainty of timely payments coupled with sound liquidity and Company fundamentals. The Press Release of the Rating Agency is attached for information.

You may please inform the TRE Certificate Holder of PSX accordingly.

For Waves Home Appliances Limited

Tariq Majeed
Company Secretary

Enclosed: As above



Copy to:

The Executive Director/HOD, Offsite-II Department – Supervision Division, SECP, Islamabad

Press Release

VIS Assigns Initial Entity Ratings to Waves Home Appliances Limited (formerly Samin Textiles Limited)

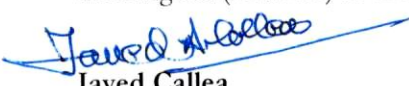
Karachi, December 14, 2022: VIS Credit Rating Company Limited (VIS) has assigned initial entity ratings of 'A/A-2' (Single A/A-Two) to Waves Home Appliances Limited (WHALE), formerly Samin Textiles Limited. Outlook on the assigned ratings is 'Stable'. Medium to long-term rating of 'A' signifies good credit quality with adequate protection factors. Moreover, risk factors may vary with possible changes in economy. Short-term rating of 'A-2' denotes good certainty of timely payments coupled with sound liquidity and company fundamentals.

WHALE, a subsidiary of Waves Corporation Limited (WCL), is engaged in manufacturing, assembly and wholesale of domestic consumer appliances and other light engineering products. WCL recently underwent restructuring/scheme of arrangement (effective from Aug'21) wherein the home appliances business was demerged and merged into WHALE while real estate business and retail shop network for consumer appliances and other consumer goods were retained (with formation of two separate wholly-owned subsidiaries i.e. Waves Market Place Limited and Waves Builders & Developers Limited).

Assigned ratings incorporate sound sponsor strength, extensive operating history and outreach, well-established brand name 'Waves' with dominant market share in deep freezer segment and considerable market penetration in other high-valued home appliances. Ratings further take into account the consistent sales revenue growth baring the pandemic year and healthy profitability margins. Capitalization is supported by sponsor loan and projected low leveraged capital structure; however, stretched working capital cycle due to elevated debtor days and sizeable receivables constraints liquidity. Projected cash flow generation is considered sufficient against outstanding debt repayments. Ratings also take note of capex plans regarding relocation of manufacturing facility, which would result in complete integration of production processes, debottlenecking and cost savings associated with transportation. The phase wise relocation from existing to the new factory will begin in Jan'23 to ensure business continuity.

In terms of product mix, deep freezers and refrigerators generate around 87% of revenues on last three years average basis, with remainder coming from water heaters, washing machines, microwave ovens and sewing machines. Management intends to introduce air conditioners and expand on washing machine and microwave segments, which will aid in product revenue diversification while risk of client-specific sales concentration is deemed low. Furthermore, plans for key product localization are in place, which would reduce input costs. Demand for high-valued household appliances is directly related to disposable income and consumer lifestyle, and a few major players dominate the industry. Given economic slowdown amid global inflation and recessionary trend, demand slowdown is expected going forward. Major business risk factors include economic contraction, brand/reputation risk, and high level of competition. Hence, achievement of projected revenue growth targets and maintaining financial risk profile will be important for ratings.

For further information on this rating announcement, please contact Mr. Muhammad Tabish (Ext: 206) or the undersigned (Ext. 201) at 021-35311861-70 or email at info@vis.com.pk


Javed Callea
Advisor

Applicable Rating Criteria: Industrial Corporates (August 2021)

<https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf>

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