

March 28, 2023

MVV And GV Housing: [ICRA]BB- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Proposed Term Loans	150.00	[ICRA]BB- (Stable); Assigned
Total	150.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned rating for MVV and GV Housing factors in the promoter's extensive experience spanning more than two decades in the real estate industry in and around Visakhapatnam, in Andhra Pradesh. The Group has developed ~6.0 million square feet (msf) of residential space over the last two decades. ICRA notes the favourable location of MVV GV The Grand project in Madhurawada, Visakhapatnam, near NH-16. It is well connected to the city centre, which enhances the marketability of the project.

The rating is, however, constrained by the execution, market and funding risks associated with the project. At present, the project is in the initial stages of construction and is expected to be completed within four years, thereby exposing the company to high execution risks. The project is proposed to be funded by Rs. 543.9 crore of customer advances, which are highly dependent on incremental sales and Rs. 150.0-crore term loan, which is yet to be tied, thereby exposing it to high market and funding risks. The rating is constrained by the high geographical concentration risk as the ongoing project is in Visakhapatnam. Being a cyclical industry, the real estate business is highly dependent on macro-economic factors, which renders the company's sales vulnerable to any downturn in demand.

The Stable outlook on MVV and GV Housing rating reflects ICRA's opinion that the company will benefit from the favourable location of the project and extensive experience of the promoter in the real estate industry.

Key rating drivers and their description

Credit strengths

Extensive experience of promoter in real estate industry – MVV and GV Housing is promoted and managed by Mr. M.V.V. Satyanarana. The promoter has extensive experience spanning more than two decades in the real estate industry, in and around Visakhapatnam, Andhra Pradesh. The Group has developed ~6.0 msf of residential space over the last two decades.

Favourable location of ongoing major project, MVV GV The Grand – MVV and GV Housing is currently undertaking a major project called MVV GV The Grand, which consists of 1,896 three-BHKs in total. The project is situated in Madhurawada, Visakhapatnam, near NH-16. It is well connected to the city centre, which enhances the marketability of the project.

Credit challenges

Exposed to high execution, market and funding risks – MVV GV The Grand is currently in the initial stages of construction. It is expected to be completed within four years, thereby exposing the company to high execution risks. The project is proposed to be funded by Rs. 543.9 crore customer advances, which are highly dependent on incremental sales and Rs. 150.0-crore term loan, which is yet to be tied, thereby exposing it to high market and funding risks.

Exposure to cyclicity in the real estate industry – Being a cyclical industry, the real estate business is highly dependent on macro-economic factors, which renders the company's sales vulnerable to any downturn in demand.

Geographical concentration risks arising from presence only in Visakhapatnam – The ongoing project is limited to the real estate market in Visakhapatnam, which exposes the company to high geographical concentration risk. Any adverse development in the region can impact the execution and sales of its projects.

Liquidity position: Stretched

The liquidity profile is stretched with high dependence on customer advances and low cash flow adequacy ratio. Improving the sales velocity and collection, along with adequate funding tie-up, would be critical for improving the liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if there is a significant and sustained increase in the sales and collections, along with improvement in the liquidity position and debt protection metrics.

Negative factors – Negative pressure on the rating could emerge in case of delays in project execution, slower-than-expected sales and collections or significant unbudgeted debt-funded investment leading to deterioration in the liquidity and leverage position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Real Estate
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the company's standalone financial statements

About the company

MVV & GV Housing is a registered partnership firm established in September 2020 for execution of residential projects. The firm was started by Mr. M.V.V. Satyanarayana and Mr. G Venkateswara Rao.

At present, the company is executing one major project called MVV GV The Grand in Madhurawada, Visakhapatnam. MVV GV The Grand is a gated community spread over 9.16 acres of land, which was taken under the joint development agreement (JDA) for construction of 1,896 flats spread across five blocks at an estimated construction cost of Rs. 898.7 crore. The project is expected to be funded by Rs. 204.8 crore of equity, Rs. 150.0 crore of debt and the balance of Rs. 543.9 crore through customer advances.

Key financial indicators

Not Applicable as it is a project stage company.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Feb 28, 2023 (Rs. crore)	Date & rating in FY2023 Mar 28, 2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
¹ Proposed Term Loans	Long term	150.0	--	[ICRA]BB-(Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Proposed Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Proposed Term Loans*	NA	NA	NA	150.0	[ICRA]BB- (Stable)

Source: Company; *yet to be sanctioned

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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