



Press Release
MV V AND GV HOUSING LLP (ERSTWHILE MV V AND GV HOUSING
April 24, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 200 Cr. bank loan facilities of MVV AND GV HOUSING LLP (ERSTWHILE MVV AND GV HOUSING). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account the long-standing experience and established track record of the MVV group of more than three decades in real estate business. Further, rating also draws comfort from the location advantage of the firm's current project located at Madhurawada, Vizag with healthy sales and collections from customers during FY2024. Furthermore, the project funding risk remains low as the financial tie up of Rs.200 Cr. for the project is already done. However, the rating is constrained by risks associated towards project completion as the construction is at a nascent stage and the firm's operations are also susceptible towards inherent cyclicity in the real estate industry.

About the Company

About the Company MVV And GV Housing LLP (Erstwhile MVV And GV Housing) was a partnership firm established in September 2020 which was converted into a limited liability partnership firm in 2023. The firm is engaged for execution of residential projects. The firm was started by Mr. M.V.V. Satyanarayana and Mr. G Venkateswara Rao. The registered office of the LLP is based in Visakhapatnam.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of MVV and GV Housing LLP to arrive at the rating.

Key Rating Drivers

Strengths

Established Track record of Operation

MVV group (MVVG) is a Vishakhapatnam based residential developer promoted by Mr.

M.V.V. Satyanarayana and Ms. M.N. Jyothi. MVV group started its journey as proprietary concern in 1990s and has more than three decades experience and track record in construction of residential projects in Vizag. MVV group is one of the top three player in Vizag city; group has sold over 1.07 Cr Sq.fts of saleable area spread over 81 projects in AP and TS. Promoters of the group has extensive experience in real estate industry in Vizag city for almost three decades, which has enabled them to maintain strong relation with its suppliers and good brand image among its customers.

Moderate Project risk

The ongoing project 'The Grand' has the total saleable area of 33,15,525 Sq fts, out of total saleable area firm's share is 30,73,767 Sq fts with the total project cost of Rs.976.56 Cr. The total project cost is funded through promotor's contribution of Rs.146.48 Cr., bank loan of Rs.200 Cr. and balance through collections from customer advances. The promoters are high net worth individuals and group companies being debt averse further mitigate the funding risk. The firm has incurred Rs.207.91 Cr. till 10th February 2024 against which it has already received booking of 493 units and received the customer advances of Rs.117.72 Cr. as on 10th February 2024.

Acuité believes that timely infusion of funds from promoters, timely funding of bank loan and receipt of customer advances will be a key monitorable.

Weaknesses

Completion risk

The construction of the project started on October 2022. The project is expected to get completed by October 2028. Till date firm has completed around 16 percent of the project. While there are inherent project risks as being in nascent stage of construction, the risk is mitigated to some extent as the group has established track record of completion of projects in timely manner. However, any delay in completion of the project may lead to cost and time overruns which will remain a key rating sensitivity going ahead.

Susceptibility to Real Estate Cyclicity and Regulatory Risks

The real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region-specific presence. The risks associated with real estate industry are cyclical in nature and directly linked to drop in property prices and interest rate risks, which could affect the operations. Given the high level of financial leverage, the high cost of borrowing prevents the real estate's developers' from significantly reducing prices to boost sales growth. Moreover, the industry is also exposed to certain regulatory risks linked to stamp duty and registration tax directly impacting the demand and thus the operating growth of real estate players.

Rating Sensitivities

- Timely completion of the project development
- Timely sale of unsold inventory and realisation of its customer advances
- Healthy realization of customer advances pending from sold inventory
- Any Sharp decline in cash flow due to slower customer advances or delays in project execution

Liquidity Position: Adequate

Since firm is in nascent stage of construction, liquidity is aided by infusion from promoters, disbursement of bank loan and collection from customers. Moreover, liquidity can be further strengthened by further collection from customers which stood at Rs.117.72 Cr. as on 10th February 2024. Further, liquidity is also supported by financial flexibility from the promoters. The firm is expected to have adequate liquidity over the medium term with an expected DSCR of 3.89 times in a base case scenario.

Outlook: Stable

Acuité believes that the MVVG will maintain 'Stable' business risk profile over the medium term on the back of experienced promoters and strong brand presence in the real estate industry. The outlook may be revised to 'Positive' in case of higher-than-expected advances from customers resulting in adequate cash flows for early completion of the project and prepaying the debt. Conversely, the outlook may be revised to 'Negative' in case of any undue delay in completion of the project, or less-than-expected bookings and advance leading to stretch on its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.16	0.14
PBDIT/Interest	Times	0.00	0.00

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
LIC Housing Finance Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	Simple	200.00	ACUITE BB+ Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Gnanreddy Rakesh Reddy Senior Analyst-Rating Operations Tel: 022-49294065 rakesh.reddy@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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