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MASTER OF BUSINESS ADMINISTRATION (M.B.A.)
EXAMINATION: DECEMBER - 2025
SEMESTER - III

Sub.: Risk Management (MFM306/MBA24-FM305)

Date : 29/12/2025

Total Marks : 60

Time: 2.00pm to 4.30pm

- Instructions:** 1) All questions are compulsory.
 2) Figures to the right indicate full marks.

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- Q. 1. Write Short notes on (Any Three) (15)**
1. Reputational Risk in Financial Institutions
 2. Market Risk Measurement Tools
 3. Role of Credit Rating Agencies
 4. Asset-Liability Management (ALM)
 5. Risk Mitigation through Diversification
- Q. 2. Answer in detail (Any One) (10)**
1. Evaluate how risk management supports strategic decision-making in organizations.
 2. Discuss how transparent risk disclosure improves investor confidence.
- Q. 3. Answer in detail (Any One) (10)**
1. Explain the role of early warning systems in credit risk management.
 2. How does scenario analysis help in preparing for financial crises?
- Q. 4. Answer in detail (Any One) (10)**
1. Discuss the importance of regulatory compliance in strengthening banking sector stability.
 2. Explain how sound risk management practices reduce the probability of financial failure.
- Q. 5. Prithvi Infrastructure Pvt. Ltd. is a well-established Indian construction company (15)**
 engaged in executing large-scale infrastructure projects, including highways, bridges, commercial complexes, and public utility developments. Over the years, the company has successfully secured contracts from both domestic government agencies and international clients, enabling it to expand its operational footprint beyond India. Recently, Prithvi Infrastructure won a major overseas construction contract in the Middle East, valued at \$2.5 million, with the payment scheduled to be received after six months upon completion of specific project milestones. While this contract presents substantial revenue opportunities and strengthens the company's global presence, it also exposes Prithvi to heightened financial and operational risks. A significant portion of the raw materials and specialized construction equipment required for this project is imported from China and South Korea. These imports are denominated in foreign currencies and paid for in US Dollars. Over the recent past, the US Dollar has strengthened against the Indian Rupee, making imports more expensive and thereby increasing overall project costs. This rise in procurement expenses has reduced the company's profit margins and created uncertainty in its cost projections. Compounding this issue, the overseas client has shown delays in processing scheduled payments, resulting in cash flow mismatches. These delays have heightened the company's liquidity risk, as it must continue to meet operational expenses such as wages, supplier payments, and equipment maintenance despite not receiving timely project revenues. To bridge this gap, Prithvi has relied on short-term bank loans and

working capital facilities, increasing its financial leverage.

Furthermore, the recent upward trend in domestic and global interest rates has increased the cost of borrowed funds. As a result, the company's debt servicing burden has risen, placing strain on its repayment capacity and weakening its overall financial stability. This has made cost management and risk mitigation a critical concern for the firm's management.

In response to these challenges, Prithvi Infrastructure's management is actively exploring a range of financial risk management solutions. One such option is the use of interest rate swaps, which would allow the company to convert its floating-rate debt into fixed-rate obligations, thereby providing certainty over future interest expenses and reducing exposure to volatile rate fluctuations.

Another strategy under consideration is the use of currency futures to hedge against adverse movements in foreign exchange rates. By locking in predetermined exchange rates for future USD transactions, Prithvi can stabilize its import costs and protect its projected profit margins from further currency volatility.

Additionally, the company is strengthening its credit risk assessment models to evaluate the creditworthiness of its international clients more effectively. By implementing rigorous due diligence, monitoring payment behavior, and setting stricter credit terms, Prithvi aims to minimize the risk of delayed payments and potential defaults.

The management now faces the critical task of selecting an optimal mix of these risk management tools that balances cost efficiency, financial stability, and operational continuity. A well-structured risk management strategy will not only protect Prithvi Infrastructure from adverse market conditions but also ensure sustainable growth and strengthen stakeholder confidence in the long term.

Questions

1. Identify and explain the types of risks faced by Prithvi Infrastructure.
2. Evaluate the financial implications of currency and interest rate fluctuations on the company.
3. Recommend an integrated risk management strategy to safeguard the company's profitability.
