

*Answer any FIVE Questions One Question from Each Unit**Question No.11 is Compulsory***UNIT-I**

1. a Discuss the components and structure of the Indian financial system. 6M
- b Examine the differences between the capital market and the money market. 6M

**OR**

2. a Discuss the functions and role of SEBI in regulating the capital market. 6M
- b Analyze the recent reforms and challenges in the Indian financial services sector. 6M

**UNIT-II**

3. a Explain the concept, nature, and scope of financial services. 6M
- b Define merchant banking and explain its types and functions. 6M

**OR**

4. a Compare and contrast leasing and borrowing as financing options. 6M
- b Evaluate the importance and challenges of financial innovation in India. 6M

**UNIT-III**

5. a Define venture capital and explain its significance in entrepreneurship development. 6M
- b Trace the growth and evolution of venture capital in India. 6M

**OR**

6. a Describe the legal aspects and guidelines governing venture capital in India. 6M
- b Explain the concept and functions of factoring. 6M

**UNIT-IV**

7. a Define credit rating and explain its meaning and functions. 6M
- b Analyze the importance of credit rating for investors and companies. 6M

**OR**

8. a Explain the organization and management of mutual funds in India. 6M
- b What is the depository system and the role of NSDL and CDSL? 6M

**UNIT-V**

9. a Define microfinance and discuss its significance in rural financial inclusion. 6M
- b Explain the role of SHG, Grameen, and cooperative models in microfinance. 6M

**OR**

10. a Examine the challenges and risks associated with microfinance institutions. 6M
- b Evaluate the regulatory and operational framework of microfinance in India. 6M

**CASE STUDY**

- 11 **Credit Rating and Investor Confidence – The Case of XYZ Textiles Ltd.** 15M

XYZ Textiles Ltd., a mid-sized garment manufacturer based in Tirupur, was seeking to expand its operations by setting up a new dyeing and finishing unit. To finance this expansion, the company planned to issue ₹100 crores worth of debentures to institutional investors. As part of regulatory requirements and investor expectations, the management approached a leading credit rating agency, CRISIL, to obtain a credit rating for its proposed issue.

During the evaluation process, CRISIL analysts examined XYZ Textiles' financial statements, debt structure, profitability, market position, and governance practices. The analysis revealed that although the company had a steady market presence and

consistent revenue growth, it also carried a high level of short-term debt and faced fluctuating raw material prices. In addition, its dependency on a few large export clients increased its business risk.

Based on these findings, CRISIL assigned a **BBB+ (stable)** rating, indicating moderate safety regarding timely servicing of financial obligations. While this rating was acceptable, it fell short of the company's expectation of an **A** category rating. The management was initially disappointed, fearing that a moderate rating might increase borrowing costs and reduce investor interest.

To improve its rating in future, XYZ Textiles adopted several corrective measures. It diversified its client base by entering the domestic retail market, reduced its debt-equity ratio, and implemented stricter financial controls. Within two years, its financial performance improved significantly, prompting CRISIL to upgrade the rating to A- (positive). This upgrade restored investor confidence and enabled the company to issue new debentures at a lower interest rate, thereby reducing its cost of capital.

This case highlights the crucial role that credit rating agencies play in enhancing transparency, promoting investor trust, and guiding corporate financial discipline. A good credit rating not only helps companies access funds at lower costs but also signals their financial health and governance standards to the market.

## Questions

1. What factors did CRISIL consider while assigning the credit rating to XYZ Textiles Ltd.?
2. How did the credit rating affect XYZ Textiles' ability to raise funds?
3. What measures did the company take to improve its credit rating?