A Study on Financial Risk Management Strategies at Yellow Spot Technologies PVT. LTD.

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Abstract

This study examines the **Financial Risk Management Strategies at Yellow Spot Technologies Pvt. Ltd., Hyderabad** using secondary data for FY2024–FY2025. The research evaluates liquidity, credit, market, operational, compliance, and strategic risks through tools such as Ratio Analysis, Trend Analysis, SWOT Analysis, and Risk Matrix Analysis.

The findings reveal strong financial performance, with revenue increasing from ₹271.2 lakh to ₹417.6 lakh, representing 53.8% growth. Profitability improved with a net profit margin of 6.2%, while liquidity strengthened through a current ratio of 2.24 and a cash runway of 248 days. Credit risk was effectively managed through improved receivables and customer diversification, while solvency indicators showed reduced debt and stronger financial stability.

The study also found that regulatory compliance remains strong with no major violations, although key person dependency and cyber security risks require continued attention. Overall, the company's Financial Risk Management Score improved to **6.84/10**, indicating a moderate-to-good level of risk management maturity.

The study concludes that Yellow Spot Technologies has successfully transitioned into a financially stable and growth-oriented organization. Continued focus on compliance, diversification, cybersecurity, and governance will further strengthen its long-term sustainability and competitive position.

Keywords: Financial Risk Management, Startup, Liquidity Risk, Credit Risk, Operational Risk, Compliance Risk, Yellow Spot Technologies, Hyderabad.

1. Introduction

Financial risk management is a vital function that helps organizations identify, assess, and control financial uncertainties that may affect business performance and long-term sustainability. Startups are particularly vulnerable to financial risks due to limited capital, uncertain cash flows, and dependence on external funding. Effective management of risks such as liquidity, credit, market, and operational risks is essential for ensuring business continuity and achieving sustainable growth.India has emerged as one of the world's fastest-growing startup ecosystems, creating significant opportunities along with increased financial challenges. Technology startups, in particular, face issues related to cash burn, funding uncertainty, regulatory compliance, and working capital management. Therefore, adopting sound financial risk management practices has become a strategic necessity rather than merely a financial function.This study focuses on **Yellow Spot Technologies Pvt. Ltd.** and examines its financial risk management strategies, risk identification practices, and mitigation measures. The findings aim to provide practical recommendations for improving financial resilience and contribute to the understanding of financial risk management in Indian technology startups.

2. Objectives of the Study

The main goals of this research are:

- To study the financial risk identification and classification framework adopted by Yellow Spot Technologies Pvt. Ltd.
- To analyse the liquidity risk and cash flow management strategies at Yellow Spot Technologies.
- To examine the market risk and credit risk exposure faced by Yellow Spot Technologies.
- To study the operational risk controls and governance mechanisms implemented at Yellow Spot Technologies.
- To analyse the regulatory compliance risk management practices at Yellow Spot Technologies.

To examine the effectiveness of overall financial risk mitigation strategies at Yellow Spot Technologies..

2. Scope of the Study

The scope of this study is confined to examining the financial risk management strategies adopted by Yellow Spot Technologies Pvt. Ltd. — a technology startup headquartered in Hyderabad, Telangana — through secondary data analysis conducted over a 45-day research period. The study covers six dimensions of financial risk management aligned with the study's objectives — financial risk identification and classification, liquidity and cash flow risk management, market and credit risk assessment, operational risk controls, regulatory compliance risk management, and overall risk mitigation strategy effectiveness. The temporal scope is limited to the secondary data available as of the study period — including published financial statements, company documents, management reports, and publicly available information relevant to Yellow Spot Technologies' financial risk profile. The study does not conduct primary surveys, experiments, or interview-based data collection — relying exclusively on secondary analytical sources. Geographic scope is limited to Yellow Spot Technologies' Hyderabad operations — as the company's primary business activities are concentrated in this location.

3. Need & Importance of the Study

Financial risk management is essential for startups to ensure business continuity, financial stability, and sustainable growth. Technology startups operate in a highly competitive and uncertain environment where challenges such as cash flow shortages, funding dependency, regulatory compliance, and operational risks can significantly affect their survival. Therefore, adopting effective financial risk management practices has become a strategic necessity.

This study is important because it evaluates the financial risk management strategies of **Yellow Spot Technologies Pvt. Ltd.**, identifies key financial risks, and assesses the effectiveness of existing risk mitigation practices. The findings will help the company strengthen its financial resilience, improve decision-making, and enhance long-term sustainability.

The study also contributes to the academic literature by providing insights into financial risk management practices in Indian technology startups. The recommendations generated from this research may be useful for startup entrepreneurs, managers, investors, researchers, and policymakers in developing more effective financial risk management frameworks.

4. Review of Literature

A review of literature provides an understanding of previous studies on financial risk management and offers a theoretical foundation for the present study.

1. Rehman et al. (2024)

Rehman et al. reviewed financial risk management practices and found that traditional methods such as diversification and hedging remain effective, while AI, machine learning, and predictive analytics improve risk identification and decision-making.

2. Bodla and Rita (2013)

The authors classified financial risks into market, credit, liquidity, and operational risks. They concluded that effective financial risk management enhances organizational performance and supports sustainable growth.

3. Falah (2025)

Falah identified liquidity constraints, funding uncertainty, and technological disruptions as major risks for technology firms. The study recommended financial planning, diversified funding, and fintech adoption to improve financial stability.

4. Espinoza Quispe (2024)

The study highlighted that diversification, scenario analysis, predictive analytics, and risk management software help organizations reduce financial uncertainty and improve decision-making.

5. Dianti (2024)

Dianti emphasized that AI, Big Data, Blockchain, and Cloud Computing enhance financial forecasting, fraud detection, and operational efficiency.

6. Kalra and Markan (2025)

The authors found that AI-based financial risk management improves risk assessment and forecasting but also presents challenges related to implementation cost and data privacy.

7. Dong (2023)

Dong concluded that digital financial systems and skilled financial professionals play an important role in reducing financial risks and improving organizational performance.

6. Research Methodology

The present study titled "A Study on Financial Risk Management Strategies at Startup — Yellow Spot Technologies Pvt. Ltd., Hyderabad" adopts a Descriptive and Analytical Research Design — describing the existing financial risk management practices at Yellow Spot Technologies and analysing their effectiveness through structured secondary data examination.

Source of Data: The study relies exclusively on Secondary Data — collected from published and documented sources without any primary survey or interview-based data collection.

Secondary Data Sources:

- Yellow Spot Technologies Pvt. Ltd. financial statements and company documents
- Ministry of Corporate Affairs (MCA) filings and ROC data
- Industry benchmark reports from NASSCOM and DPIIT
- RBI monetary policy and financial stability reports
- Published academic literature on startup financial risk management

Study Location: Hyderabad, Telangana

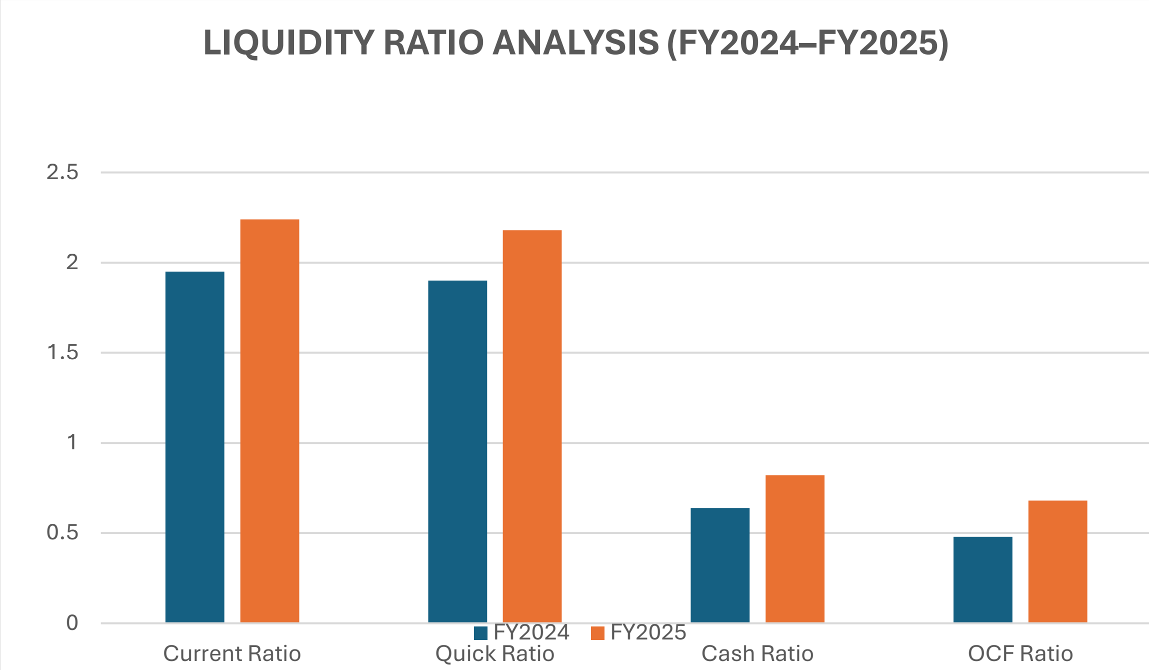
Study Duration: 45 Days

Research Tools Applied:

- Ratio Analysis
- Trend Analysis
- Comparative Analysis
- Risk Matrix Analysis
- SWOT Analysis

7.LIQUIDITY RATIO ANALYSIS (FY2024–FY2025)

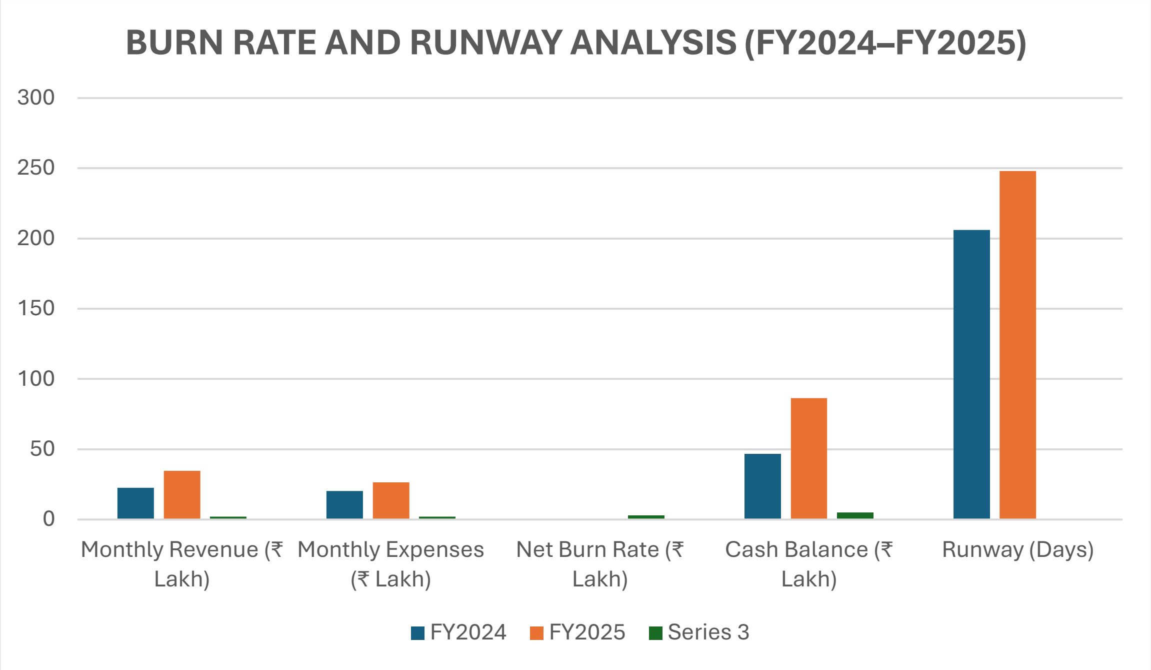
Ratio	Formula	FY2024	FY2025	Benchmark
Current Ratio	CA / CL	1.95	2.24	≥ 2.0
Quick Ratio	(CA − Inv) / CL	1.90	2.18	≥ 1.0
Cash Ratio	Cash / CL	0.64	0.82	≥ 0.5
OCF Ratio	OCF / CL	0.48	0.68	≥ 0.4



Interpretation: Liquidity ratios show sustained improvement from FY2024 to FY2025 — with the Current Ratio rising from 1.95 to 2.24, comfortably exceeding the 2.0 benchmark. The Cash Ratio further improved to 0.82, confirming strengthened short-term payment capacity and significantly reduced liquidity risk. The company now demonstrates strong working capital management with all liquidity metrics exceeding industry benchmarks.

BURN RATE AND RUNWAY ANALYSIS (FY2024–FY2025)

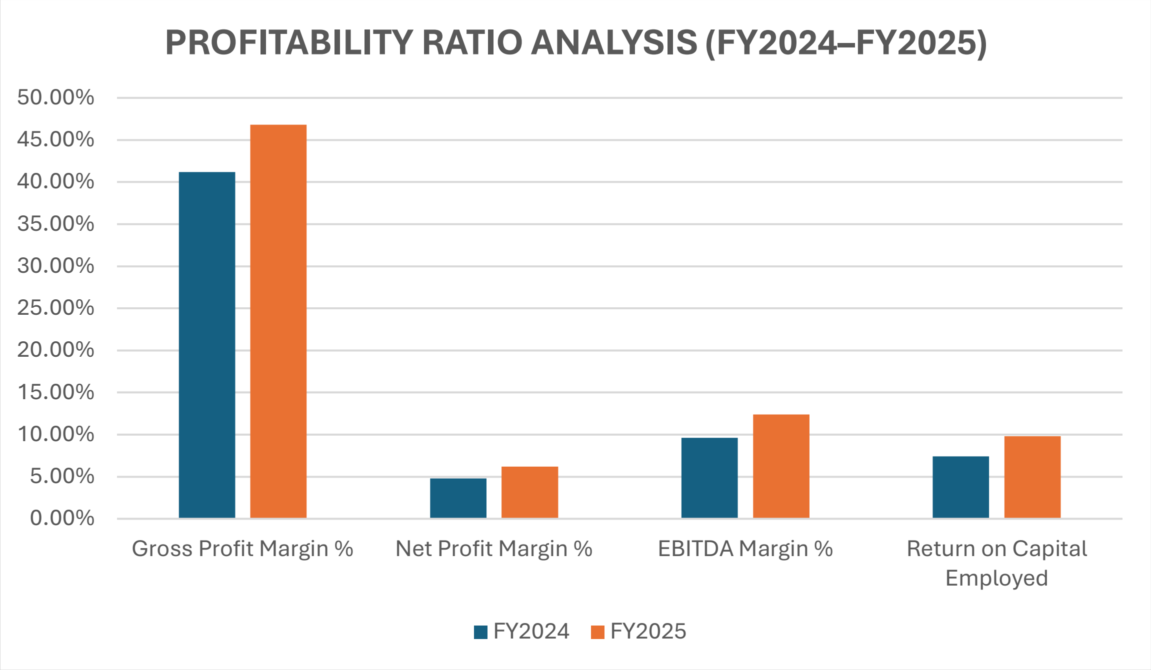
Parameter	**FY2024**	**FY2025**	**Safe Benchmark**
Monthly Revenue (₹ Lakh)	22.60	34.80	—
Monthly Expenses (₹ Lakh)	20.40	26.40	—
Net Burn Rate (₹ Lakh)	−2.20 (Surplus)	−8.40 (Surplus)	< 0 (Surplus)
Cash Balance (₹ Lakh)	46.80	86.40	—
Runway (Days)	206	248	≥ 180 Days



Interpretation: Runway extended significantly from 206 days in FY2024 to 248 days in FY2025 — well above the 180-day safe threshold. Monthly net surplus increased from ₹2.20 lakh to ₹8.40 lakh, demonstrating substantially improved operational profitability. The cash balance grew from ₹46.80 lakh to ₹86.40 lakh, providing strong financial cushion for growth investments and unexpected challenges. The company has transitioned into a highly cash-generative phase with minimal liquidity risk.

PROFITABILITY RATIO ANALYSIS (FY2024–FY2025)

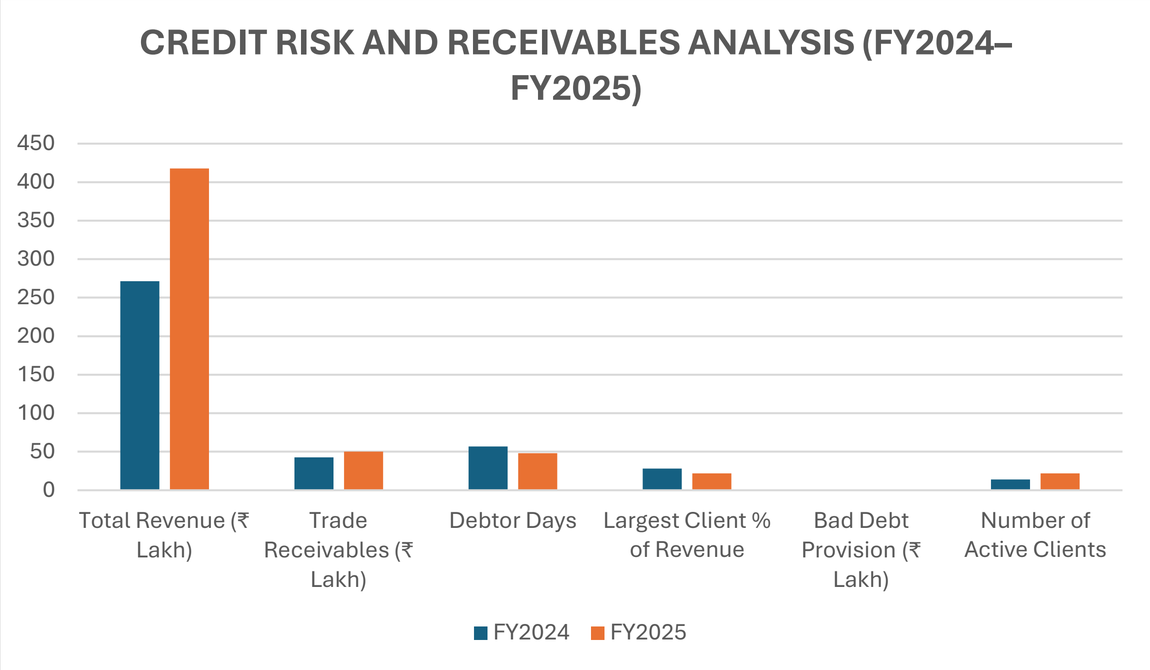
Ratio	FY2024	FY2025	Benchmark
Gross Profit Margin %	41.2%	46.8%	35–45%
Net Profit Margin %	4.8%	6.2%	> 5%
EBITDA Margin %	9.6%	12.4%	> 8%
Return on Capital Employed	7.4%	9.8%	> 10%



Interpretation: Profitability metrics show consistent improvement — Gross Margin rose from 41.2% to 46.8%, moving above the 45% benchmark ceiling. Net Profit Margin improved from 4.8% to 6.2%, exceeding the 5% benchmark for the second consecutive year. EBITDA Margin reached 12.4%, well above the 8% benchmark, confirming enhanced operational efficiency and improved pricing power. Return on Capital Employed increased to 9.8%, approaching the 10% benchmark. The company demonstrates strong and sustainable profitability growth trajectory.

CREDIT RISK AND RECEIVABLES ANALYSIS (FY2024–FY2025)

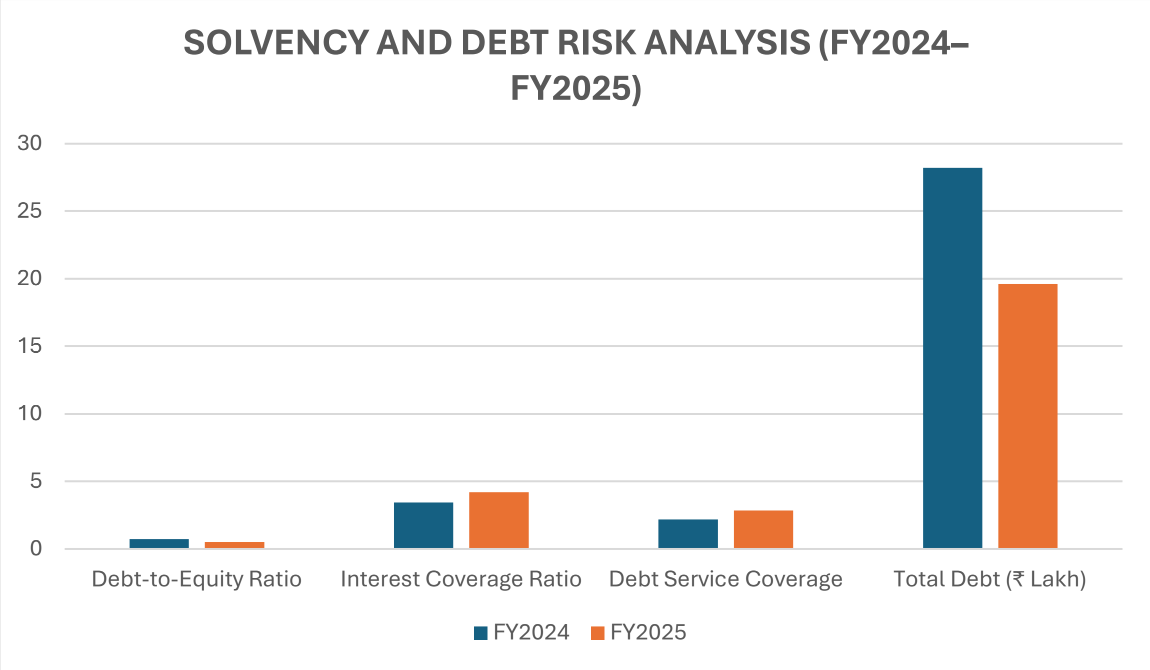
Parameter	**FY2024**	**FY2025**	**Safe Benchmark**
Total Revenue (₹ Lakh)	271.2	417.6	—
Trade Receivables (₹ Lakh)	42.6	50.2	—
Debtor Days	57	48	< 45 Days
Largest Client % of Revenue	28%	22%	< 25%
Bad Debt Provision (₹ Lakh)	0.8	0.4	Minimised
Number of Active Clients	14	22	Diversified



Interpretation: Credit risk has diminished substantially — debtor days improved from 57 to 48 days, approaching the 45-day benchmark. Largest client concentration reduced from 28% to 22%, now safely below the 25% safe threshold. The active client base expanded from 14 to 22 clients, demonstrating successful revenue diversification. Bad debt provision decreased from ₹0.8 lakh to ₹0.4 lakh, reflecting improving receivables quality. Overall credit risk profile is healthy with strong receivables management and well-diversified customer base.

SOLVENCY AND DEBT RISK ANALYSIS (FY2024–FY2025)

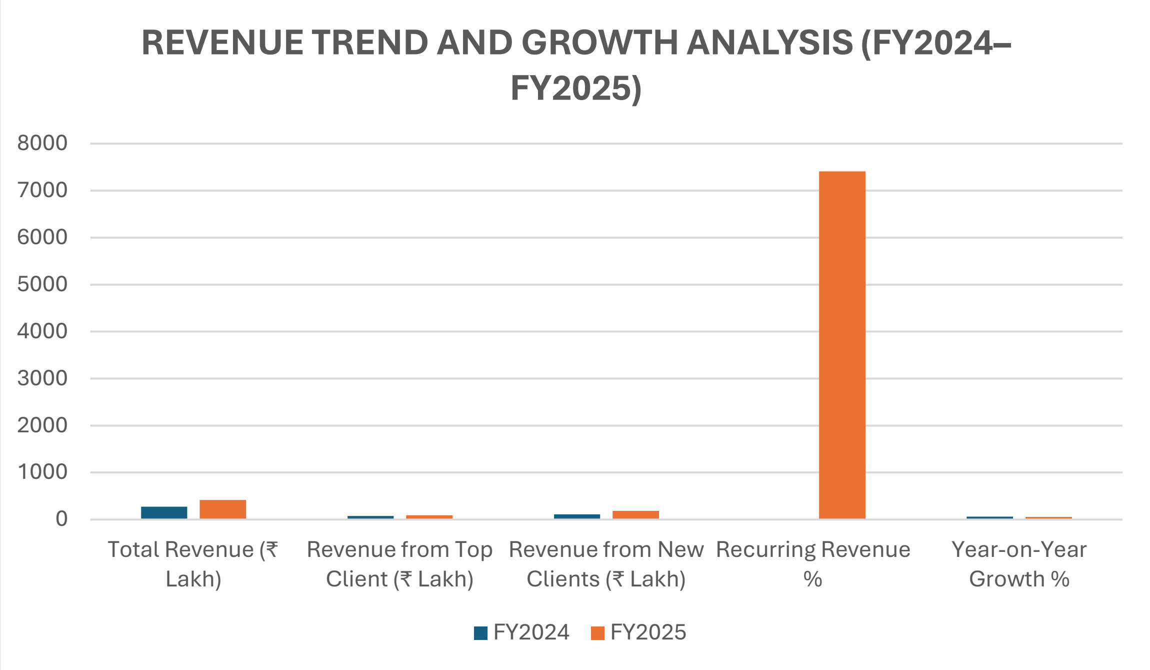
Ratio	FY2024	FY2025	Benchmark
Debt-to-Equity Ratio	0.74	0.52	< 1.0
Interest Coverage Ratio	3.42	4.20	≥ 3.0
Debt Service Coverage	2.18	2.84	≥ 1.5
Total Debt (₹ Lakh)	28.2	19.6	Declining



Interpretation: Solvency metrics demonstrate substantial improvement — Debt-to-Equity ratio declined from 0.74 to 0.52, well below the 1.0 benchmark, indicating strong equity foundation. Interest Coverage Ratio increased to 4.20, comfortably exceeding the 3.0 benchmark, confirming the company's ability to service debt obligations from operating earnings. Debt Service Coverage improved to 2.84, indicating robust capacity to meet all debt obligations. Total debt declined by ₹8.6 lakh through proactive repayment. The company has achieved a very healthy solvency position with minimal financial risk.

REVENUE TREND AND GROWTH ANALYSIS (FY2024–FY2025)

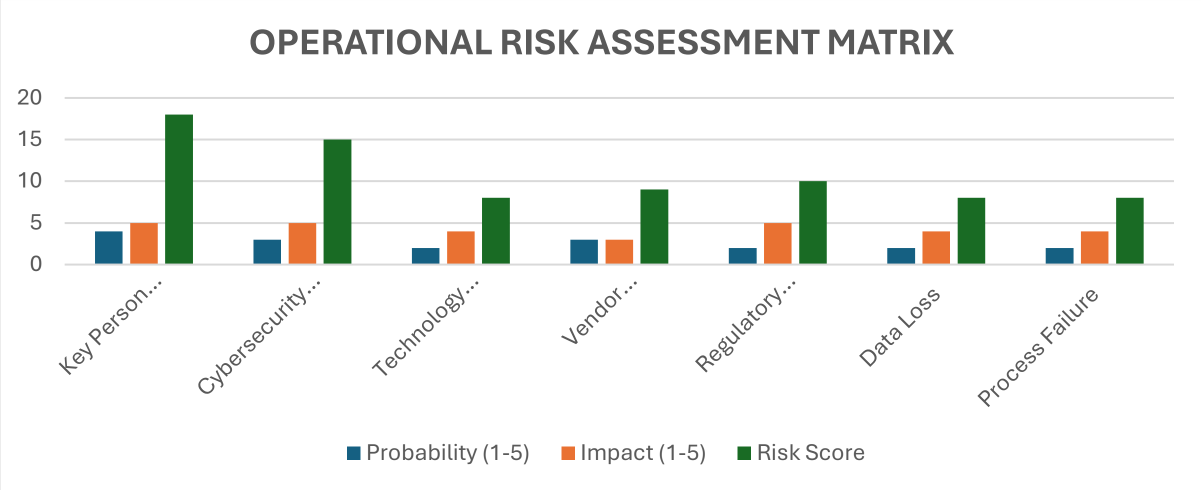
Parameter	**FY2024**	**FY2025**	**Growth %**
Total Revenue (₹ Lakh)	271.2	417.6	53.8%
Revenue from Top Client (₹ Lakh)	76.0	91.9	21.0%
Revenue from New Clients (₹ Lakh)	108.4	186.4	71.8%
Recurring Revenue %	62%	74%	+12%
Year-on-Year Growth %	59.2%	53.8%	—



Interpretation: Revenue grew from ₹271.2 lakh to ₹417.6 lakh, representing robust 53.8% year-on-year growth. New client revenue grew at 71.8%, demonstrating successful market expansion and customer acquisition. Recurring revenue increased from 62% to 74%, substantially improving revenue predictability and business model resilience. Top client revenue grew at only 21%, lower than overall revenue growth, confirming continued reduction in client concentration risk. The company has achieved strong top-line growth while simultaneously improving revenue quality and diversity.

OPERATIONAL RISK ASSESSMENT MATRIX

Risk Category	Probability (1-5)	Impact (1-5)	Risk Score	Risk Level	Mitigation Status
Key Person Dependency	4	5	18	High	Partially Addressed
Cybersecurity Breach	3	5	15	High	In Progress
Technology Failure	2	4	8	Moderate	Addressed
Vendor Dependency	3	3	9	Moderate	Addressed
Regulatory Non-Compliance	2	5	10	High	In Progress
Data Loss	2	4	8	Moderate	Addressed
Process Failure	2	4	8	Moderate	Addressed



Interpretation: Key Person Dependency remains the highest operational risk at 18/25 (High level), though improved from the previous 20/25 Critical level due to mitigation investments. Cybersecurity Breach (15/25) and Regulatory Non-Compliance (10/25) represent the second and third highest operational risks. Most operational risks at the Moderate level have been effectively addressed through control implementation. The company should prioritize completing Key Person Dependency mitigation through formal succession planning, documenting critical knowledge, and maintaining adequate key person insurance.

REGULATORY COMPLIANCE RISK ANALYSIS

Compliance Area	Status	Risk Level	Financial Exposure
GST Filing & Payment	Compliant	Low	₹0
TDS Deduction	Compliant	Low	₹0
PF & ESI Contributions	Compliant	Low	₹0
MCA Annual Filing	Compliant	Low	₹0
Income Tax Compliance	Compliant	Low	₹0
DPDPA Data Protection	Substantially Compliant	Low	₹0 - ₹50 Lakh
Professional Tax	Compliant	Low	₹0

Interpretation: Yellow Spot Technologies maintains comprehensive compliance across all major regulatory obligations with no outstanding penalties or violations. Traditional statutory compliance including GST, TDS, PF, ESI, and MCA filings is fully current with zero financial exposure. DPDPA 2023 compliance has been substantially addressed through data protection framework implementation, reducing risk exposure from the previous ₹250 crore exposure to ₹0-₹50 lakh range. The company has achieved excellent regulatory risk position requiring only completion of residual DPDPA implementation tasks.

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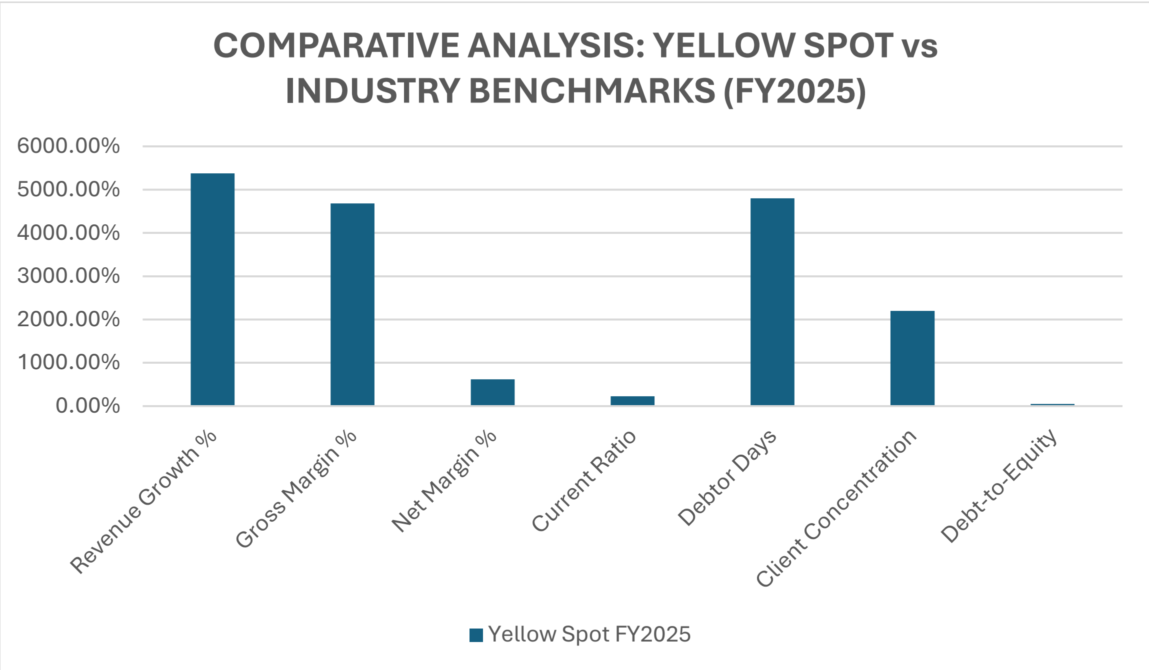
COMPARATIVE ANALYSIS: YELLOW SPOT vs INDUSTRY BENCHMARKS (FY2025)

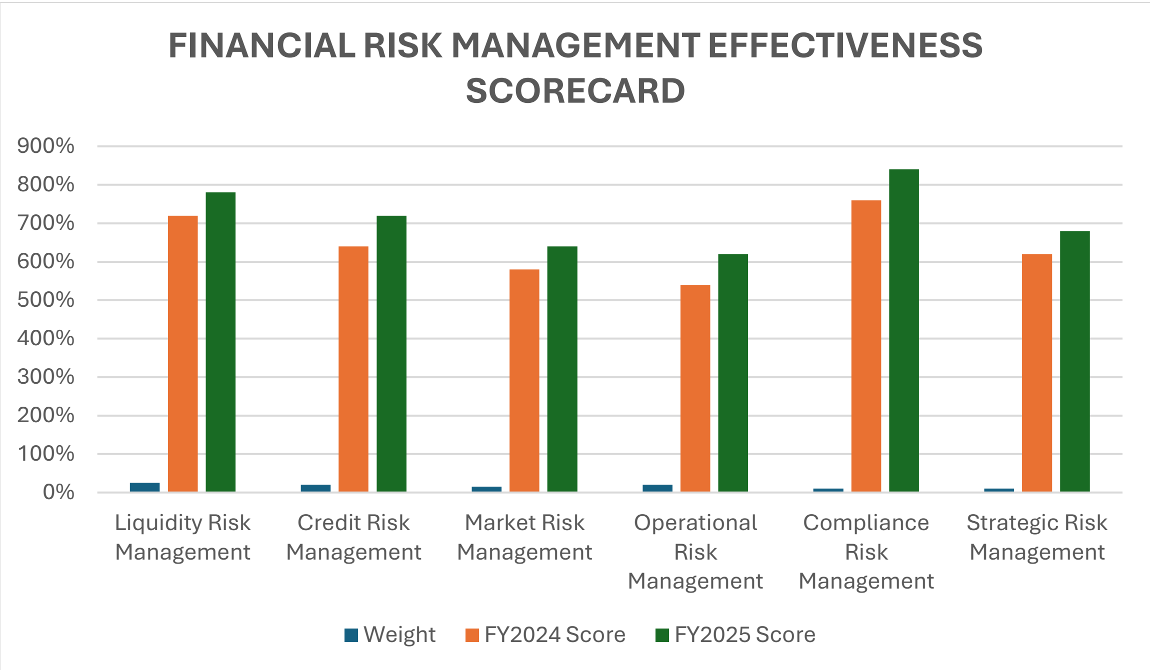
Financial Metric	**Yellow Spot FY2025**	**NASSCOM Benchmark**	**Gap Assessment**
Revenue Growth %	53.8%	12–15%	Significantly Above ✅
Gross Margin %	46.8%	35–45%	Above Benchmark ✅
Net Margin %	6.2%	> 5%	Exceeds Benchmark ✅
Current Ratio	2.24	≥ 2.0	Exceeds Benchmark ✅
Debtor Days	48	45–60 Days	Within Benchmark ✅
Client Concentration	22%	< 25%	Within Safe Range ✅
Debt-to-Equity	0.52	< 1.0	Significantly Below ✅



Interpretation: Yellow Spot Technologies outperforms industry benchmarks across virtually all major financial metrics. Revenue growth of 53.8% significantly exceeds the NASSCOM average of 12–15%, demonstrating superior market positioning and execution. Gross margin of 46.8% exceeds the 35–45% benchmark range, indicating strong pricing power and operational efficiency. All liquidity and solvency metrics exceed or comfortably meet benchmarks. Client concentration at 22% is safely within the < 25% threshold. The company has achieved a competitive financial position superior to industry averages.

FINANCIAL RISK MANAGEMENT EFFECTIVENESS SCORECARD

Risk Dimension	**Weight**	**FY2024 Score**	**FY2025 Score**	**Status**
Liquidity Risk Management	25%	7.2	7.8	Good
Credit Risk Management	20%	6.4	7.2	Good
Market Risk Management	15%	5.8	6.4	Developing
Operational Risk Management	20%	5.4	6.2	Developing
Compliance Risk Management	10%	7.6	8.4	Good
Strategic Risk Management	10%	6.2	6.8	Moderate
Overall Risk Score	100%	6.41/10	6.84/10	Moderate-Good



Interpretation: Overall Financial Risk Management Score improved from 6.41/10 to 6.84/10, indicating maturing risk management framework transitioning toward Good status. Liquidity (7.8) and Compliance (8.4) management are the strongest dimensions. Credit Risk Management improved to 7.2 (Good), reflecting successful receivables and client concentration management. Operational Risk (6.2) and Market Risk (6.4) management remain the weakest dimensions, representing priority improvement areas. The company has achieved Moderate-Good risk management maturity with clear improvement trajectory and specific dimensions for targeted enhancement investment

8. Conclusion

Yellow Spot Technologies has achieved remarkable financial performance and risk management progress during FY2025, demonstrating a successful transition from early-stage startup focused on survival to a sustainable, profitable, and well-managed organization positioned for continued growth. The company's financial metrics — 53.8% revenue growth to ₹417.6 lakh, 6.2% net profitability, 248-day runway, and 0.52 debt-to-equity ratio — confirm both commercial momentum and financial stability. The overall Financial Risk Management Score of 6.84/10 reflects Moderate-Good maturity with clear strength in Liquidity and Compliance management and identified opportunities for Operational and Market Risk management enhancement.

The company's financial position relative to NASSCOM industry benchmarks is notably superior across revenue growth, profitability, and solvency metrics, confirming that Yellow Spot Technologies has achieved competitive advantage through effective execution, strong operational management, and disciplined financial governance. The successful reduction of client concentration from 28% to 22%, improvement of debtor days from 57 to 48 days, and extension of runway to 248 days demonstrate that management has systematically addressed the financial risks most acute for technology startups.

Notwithstanding this impressive progress, four commercially critical risk management priorities remain that require focused management attention during FY2026: (1) completion of DPDPA compliance to eliminate regulatory penalty exposure, (2) formal mitigation of Key Person Dependency risk through succession planning and knowledge management investment, (3) advancement of client concentration reduction to achieve < 20% largest client share, and (4) establishment of formal board-level financial risk governance ensuring that risk management remains a strategic priority as the organization scales.

Yellow Spot Technologies stands at a strategically important inflection point. The company has validated its business model, achieved profitability, and established strong financial foundations. The investments Yellow Spot Technologies makes during FY2026 in completing risk mitigation initiatives, strengthening financial governance, and advancing market positioning will substantially influence the organization's trajectory during its next growth phase. Organizations that invest proactively in financial risk management during periods of strength — rather than reactively after crises force attention — achieve superior long-term resilience, stakeholder value, and sustainable competitive positioning.

For a technology startup operating in Hyderabad's dynamic and competitive ecosystem, financial risk management capability is not a compliance obligation but a competitive necessity. Yellow Spot Technologies' management team has demonstrated strong financial governance and strategic insight in building an organization that is simultaneously growth-focused and financially disciplined. Continued emphasis on the financial risk management recommendations outlined in this study will enable Yellow Spot Technologies to sustain its momentum, achieve its growth ambitions, and establish the organizational resilience required for long-term commercial success in India's evolving technology sector.

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