



Country Report: India

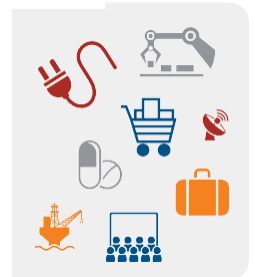


ICICI Lombard Corporate India Risk Index - Introduction

- ICICI Lombard Corporate India Risk Index is the first ever unified, credible, standardised corporate Risk Index that spans over the country level, the industry level and the company level
- This index maps the risk to a company on the basis of awareness, preparedness, probability and criticality across 15 sectors in India
- It will help the companies understand the level of risk that their business is facing and assist them in developing a successful risk aversion plan

ICICI Lombard Corporate India Risk Index - Sector List

- | | | |
|-----------------------------|---------------------------|------------------------------|
| • IT/ITeS | • Automotive & ancillary | • Metals & Mining |
| • BFSI | • Hospitality/Tourism | • Transportation & Logistics |
| • Healthcare | • Manufacturing | • Media & Telecommunications |
| • Pharmaceuticals & Biotech | • FMCG/Retail | • Chemicals & Petrochemicals |
| • Energy | • Infrastructure & Realty | • E-commerce/New-age |




ICICI Lombard Corporate India Risk Index - Risk Framework

The ICICI Lombard Corporate India Risk Framework comprises of 32 risk elements across 6 broad dimensions:

- Inflation
- Taxation
- Regulatory Risks
- Foreign Exchange Risk
- Geo-political Risks
- Competitive Risk

Market and Economy


- Disruptive technology
- Intellectual property
- Data compromise
- Counterfeiting
- R&D / Innovation failure
- Infringement / violation

Technology



- Cybercrimes
- Counterfeiting
- Harassment/Bribing
- Executive threat/ Impersonation
- Physical violence/ abuse

Crime and Security



- Accidents/Fire Safety
- Strikes/Closure/Unrest
- Supply Chain Risk
- Environmental Risk
- Terrorism and Insurgency
- Equipment Malfunction

Operational and Physical


- Natural Hazards like flood, drought, famine, earthquake, landslide, etc.
- Pandemic (e.g. COVID)

Natural Hazard and Event


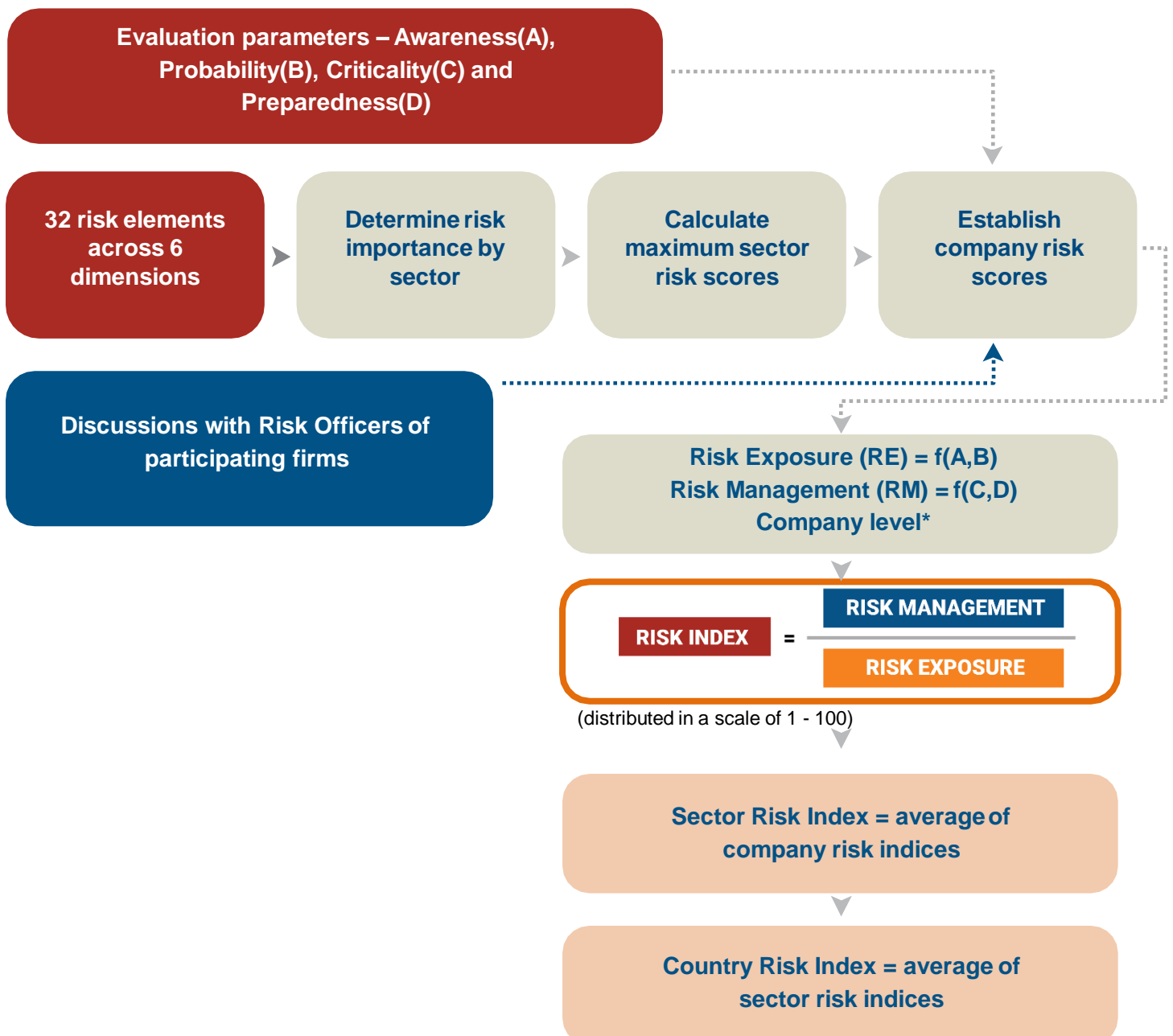
- Resources scarcity and/or misutilization
- Public sentiment
- Failed/Hostile M&A

Emerging


ICICI Lombard Corporate India Risk Index - Methodology

- **ICICI Lombard Corporate Risk Index** is based on the principles of Lean and Six Sigma that qualify business processes by measuring Effectiveness and Efficiency
- **Corporate Risk Index score** measures the risk mitigation practices undertaken by a company relative to its Risk Exposure
- **The Corporate Risk Index for 2020** is based on published business performance reports, assessments, and insightful discussions with key executives of **150 companies in India across the key 15 sectors**

ICICI Lombard Corporate India Risk Index - Approach



ICICI Lombard Corporate Risk Index – Formulation

The Risk Framework comprises of 32 risk elements across 6 broad dimensions

Measured across 4 parameters spanning exposure and management



$$\text{RISK INDEX} = \frac{\text{RISK MANAGEMENT}}{\text{RISK EXPOSURE}}$$

ICICI Lombard Corporate Risk Index – Scale

Score	< 30	30 - 50	50 - 60	60 - 80	> 80
	Ineffective	Sub-optimal	Optimal	Superior	Over-prepared
Category	The corporate has very high exposure or very poor risk management practices or both	Not all risks are handled effectively. Risk management practices are likely dated or inefficient.	Most current risks are being handled effectively. Emerging risks associated with strategic initiatives need more diligence.	Very effective and efficient risk management practices. Well positioned to handle current and future risks across dimensions.	High investment in risk mitigation practices. Likely over-investment in one or more risk dimensions. Difficult to justify ROI

Corporate India Risk Profile

Risk Exposure Score: 66

Risk Management Score: 64

Risk Index 57

Corporate India's Risk Exposure and Risk Management scores are 66 and 64 respectively; this indicates the country's marginally inferior risk management abilities and mitigation strategies for risk aversion.

The Corporate India Risk Index for Market & Economic Risk is low owing to a high exposure to geopolitical tensions and competition faced from MNCs. Technological Risk is also a matter of concern as India predominantly uses outdated technologies which are less effective and reduce productivity and thereby profitability. Another area of concern is Crime and Security Risk due to the existence of corruption in the system along with poor government regulations.

Various sectors namely Automotive, Manufacturing, Metals & Mining, Healthcare, IT-ITES, BFSI, and Media & Telecommunication have risk indices above the country's risk index.

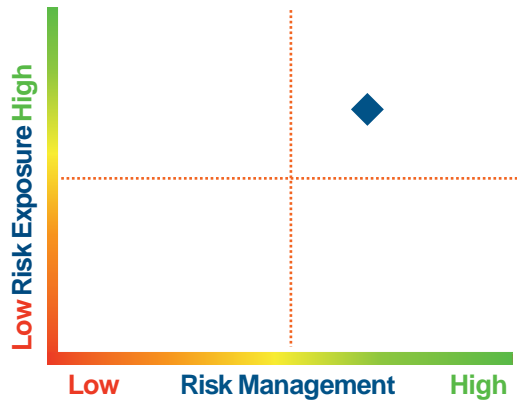
Sectors with risk indices lower than India's risk index are Chemicals, Hospitality, Pharmaceuticals, New Age, Energy, Realty & Infra., FMCG, and Logistics.

Corporate India Risk Index at Glance

Sectors	Risk Exposure	Risk Management	Risk Index
Automotive	72	72	59
Chemicals	68	66	55
Pharma	69	65	52
New-Age	65	61	51
Energy	69	66	52
Manufacturing	65	64	57
Metals and Mining	54	54	60
Realty and Infra	63	62	57
Hospitality	68	64	50
FMCG	72	69	54
Logistics	71	65	47
Healthcare	55	59	70
IT-ITES	57	58	64
BFSI	73	76	65
Media-Telecommunication	64	64	60
Overall Score	66	64	57

Risk Dimension Analysis: Market and Economy

Risk Exposure Score: 69.5
Risk Management Score: 66.7



Government push and easing of regulation could spur growth

- Union Budget and the Economic survey have called for tailored support to different sectors and in simplifying the regulatory regime to promote ease of doing Business
- In the face of increased competition and entry of new players, these will spur companies to reinvent their practices to maintain competitive advantage
- With increasing adoption of technology, changes in policies related to privacy and storage could have widespread ramifications affecting T & IT-dependent sectors more so than others

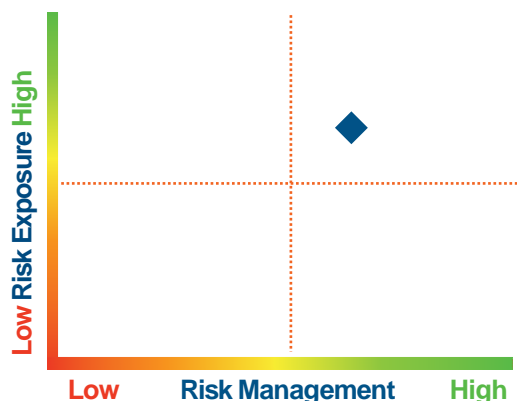


Recommendation:

The need of the hour for companies to stay abreast of changes in regulatory policies and analyzing competitor positioning to obtain first mover advantage. Risk management practices must be shored up to foresee potential opportunities and threats in the horizon

Risk Dimension Analysis: Technology

Risk Exposure Score: 63.9
Risk Management Score: 62.0



Innovation , disruptive business models and flexibility will determine success in the new era

- Technology and wide-spread adoption of Internet in rural India could be a game-changer for all sectors. Mainstreaming of rural users into Internet opens up set of customers with different needs.
- Delays in identifying use cases and failure to compete with disruptive business models could mean death knell for companies
- Head-winds blowing from other sectors could become game-changing moments for others (for example 5G technology has wide applications across every sectors)

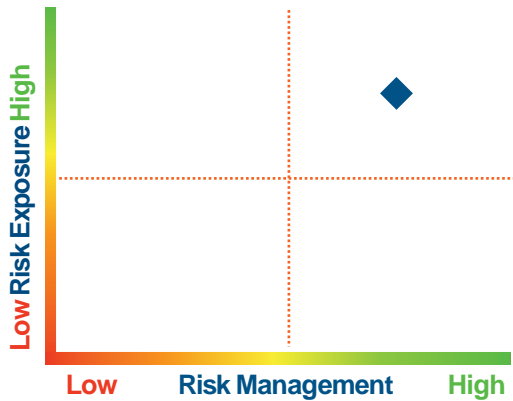


Recommendation:

Companies could look at adoption of new age technologies and use analytics to track customer insights to provide innovative products and services. Many companies in India need to look at implementing innovation culture as part of re-aligning their risk management practices.

Risk Dimension Analysis: Operational and Physical

Risk Exposure Score: 68.8
Risk Management Score: 68.4



Strengthening supply chains and business continuity planning key takeaways post pandemic

- The pandemic and the subsequent lockdowns wreaked havoc on many of the companies that did not anticipate such measures
- Many small and medium companies have faced credit crunches and were able to tide over owing to the financial support received from governments. Sunrise sectors identified by government could play a key role in growth momentum
- Companies face challenges from business continuity planning, environmental factors and human resource risks in a reshaped world order

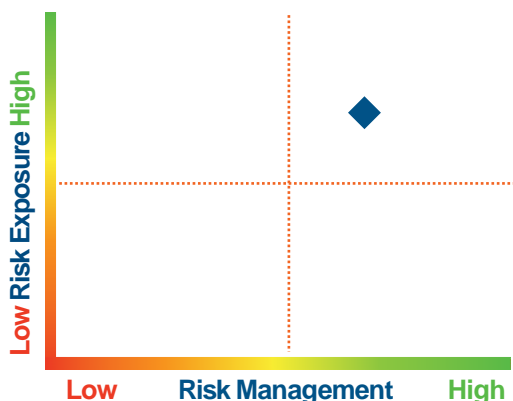


Recommendation:

As businesses evolve and use of automation and new technologies increase, employee skills may become redundant. Companies could invest more in the up-skilling and re-skilling of workforce in accordance with modern times. Employee policies may also need revisiting in the post-pandemic era

Risk Dimension Analysis: Crime and Security

Risk Exposure Score: 57.1
Risk Management Score: 56.0



Internet related crimes on the rise

- Hacking, ransom ware , counterfeiting and cyber crimes have been on the rise. Many companies have been affected by the leaking of sensitive user data
- Companies have been building up their information defenses and taking steps to prevent frauds by working closely with enforcement and regulatory authorities
- Although loopholes still exist, government and regulatory authorities have played key role in shoring up corporate governance practices in the last few years. However, current corporate governance standards still lack bite

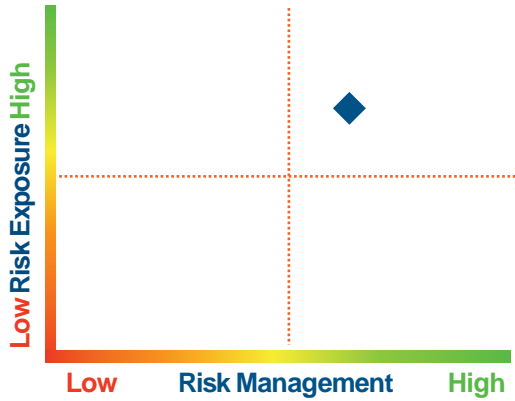


Recommendation:

Periodic workforce training, comprehensive cyber security audit and firewall implementations could be enacted by companies to mitigate these risks. Transparency in communications & decision making and ethics training could help in reinforcing best behavior among workforce

Risk Dimension Analysis: Natural Hazard and Event

Risk Exposure Score: 58.0
Risk Management Score: 58.7



Differential impact of natural hazards across sectors

- Indian companies face disproportional impact from natural hazards based on their regions of operations. Most of these companies have mitigated the risk by geographical diversification.
- The pandemic however had a telling impact on some of the touch based and manufacturing industries more so than other, nearly wiping out some of the small and medium scale businesses
- Many companies face race against time to shore up their weak links in shoring up their risk management practices and financial reserves to buffer longer shocks to demand/supply.

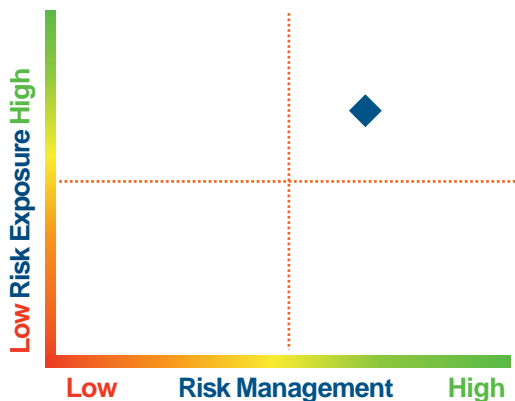


Recommendation:

Companies could mandate business units to undertake rigorous testing of probability of Natural hazards, Physical hazards, Bio-hazards, etc. Strategy planning must incorporate the business viabilities during worst possible outcomes by simulating such scenarios and tailor responses accordingly.

Risk Dimension Analysis: Emerging Risk

Risk Exposure Score: 62.8
Risk Management Score: 60.9



Business strategy risk during flux & influence on public sentiment from social media usage could be key

- Companies have re-designed strategies or postponed decision-making or aggressively implemented business strategies triggered by the pandemic
- Integration of work culture and employees post merger/acquisitions remain a work in progress and need improvement as success of such venture remains low
- With increasing usage of social media and digital transformation, Traditional sectors are yet to make use of this domain effectively to tailor their marketing and sales channels



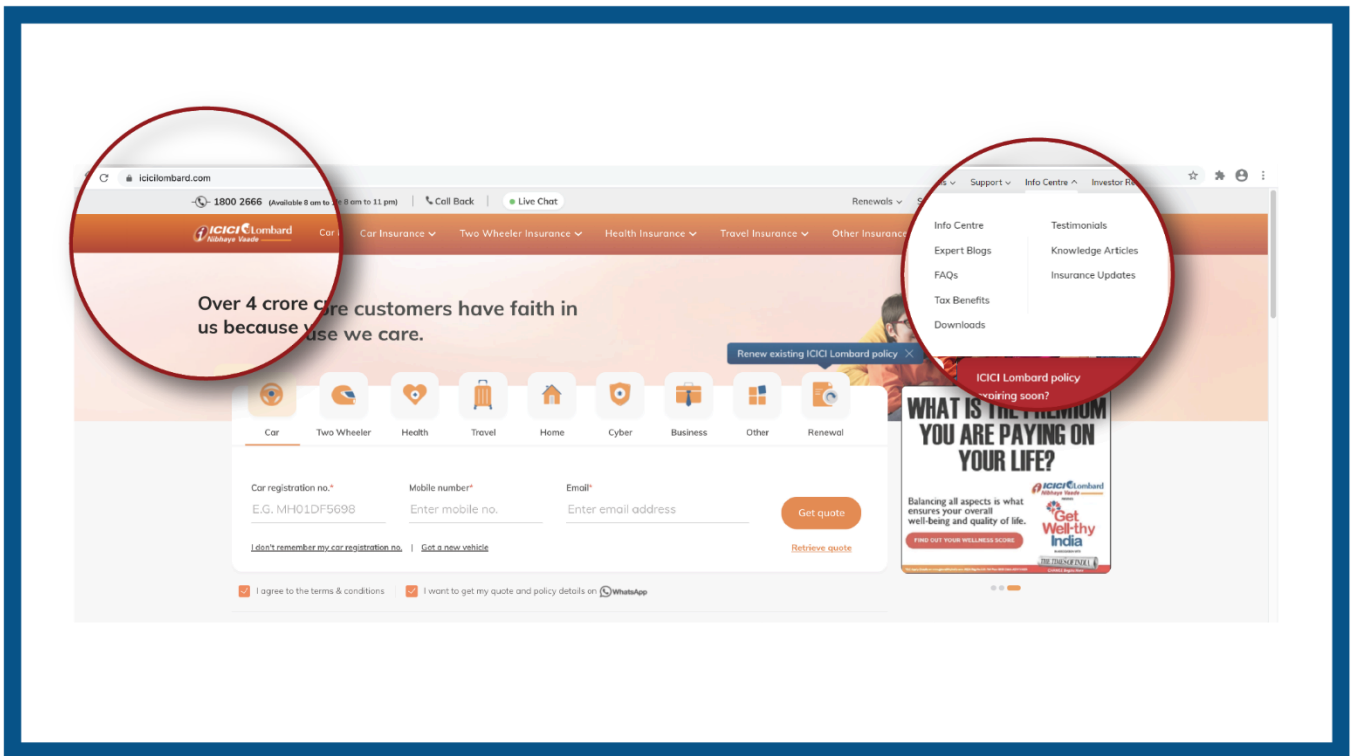
Recommendation:

Companies should use predictive analytics to provide organization with actionable insights. On-board consulting firms to help identify company risk and de-risk by benchmarking industry best practices



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Please send a mail to riskindex@icicilombard.com to know more about ICICI Lombard Corporate India Risk Index



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