ICICI Lombard
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CORPORATE INDIA RISK INDEX
2021

Intelligence partner FROST & SULLIVAN

Sector: Metals & Mining

ICICI Lombard Corporate India Risk Index

Introduction

- ICICI Lombard Corporate India Risk Index is a one of its kind, unified, credible, standardised corporate Risk Index that spans over the country level, the industry level and the company level
- This is the 2nd Iteration of the Corporate India Risk Index which was started in 2021. This index maps the risks to a company on the basis of awareness, preparedness, probability and criticality.
- The Corporate India Risk Index for 2021 is based on published business performance reports, assessments, insights & collaborative inputs from key executives/ officials of 220 companies in India across 20 key sectors. It will help the companies understand the level of risk exposure and current level of risk management.

Comprehensive Sector Coverage

- Aerospace & Defense
- Agriculture & Food Processing*
- Automotive & Ancillary
- BFSI
- Biotech & Life sciences*
- Chemicals & Petrochemicals
- Education Skill Development*
- Energy
- FMCG
- Healthcare Delivery
- Infra & Realty
- IT/ITES
- Manufacturing
- Media & Gaming*
- Metals & Mining
- New Age & Startup
- Pharmaceuticals
- Telecom & Communication*
- Tourism & Hospitality
- Transportation & Logistics

** New Sectors for ICICI Lombard Corporate India Risk Index 2021*

Risk Framework

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

Market and Economy
- Inflation
- Taxation
- Regulatory Risks
- Foreign Exchange Risk
- Geo-political Risks
- Competitive Risk

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

Crime and Security
- Cybercrimes
- Counterfeiting
- Harassment/Bribing
- Executive threat/ Impresonation
- Physical violence/ abuse

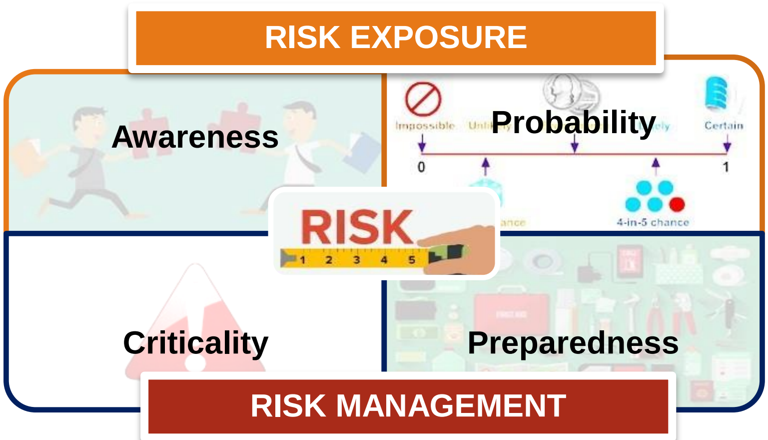
Operational and Physical
- Accidents/Fire Safety
- Strikes/Closure/Unrest
- Supply Chain Risk
- Environmental Risk
- Terrorism and Insurgency
- Equipment Malfunction

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

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

ICICI Lombard Corporate India Risk Index – Approach

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



The Risk Exposure and Risk Management is measured across 4 parameters.

The Corporate Risk Index for 2021 is based on published business performance reports, assessments, insights & collaborative inputs from key executives/ officials of 220 companies in India across 20 key sectors.

Risk Exposure (RE) = *f*(Awareness, Probability)

Risk Management (RM) = *f*(Criticality, Preparedness)

COMPANY RISK INDEX	=	*f*(Risk Management, Risk Exposure)

Sector Risk Index = average of company risk indices

Country Risk Index = average of sector risk indices

ICICI Lombard Corporate India Risk Exposure – Scale

Score	< 40	40 - 50	50 – 60	60 - 80	> 80
Category	**Very Low Risk Exposure**	**Low Risk Exposure**	**Moderate Risk Exposure**	**High Risk Exposure**	**Very High Risk Exposure**
	Has minimal exposure to overall risks and thus probability of a risk incident is very less.	Has low exposure to overall risks and its risk exposure is within acceptable tolerable limits.	The corporate is able to balance the impact of moderate exposure to overall risks up to a certain extent.	The risk exposure and its impact is very high in the industry in which the corporate operates.	Unable to foresee risk incidents, the probability of these incidents and quantified business loss may be extremely high.

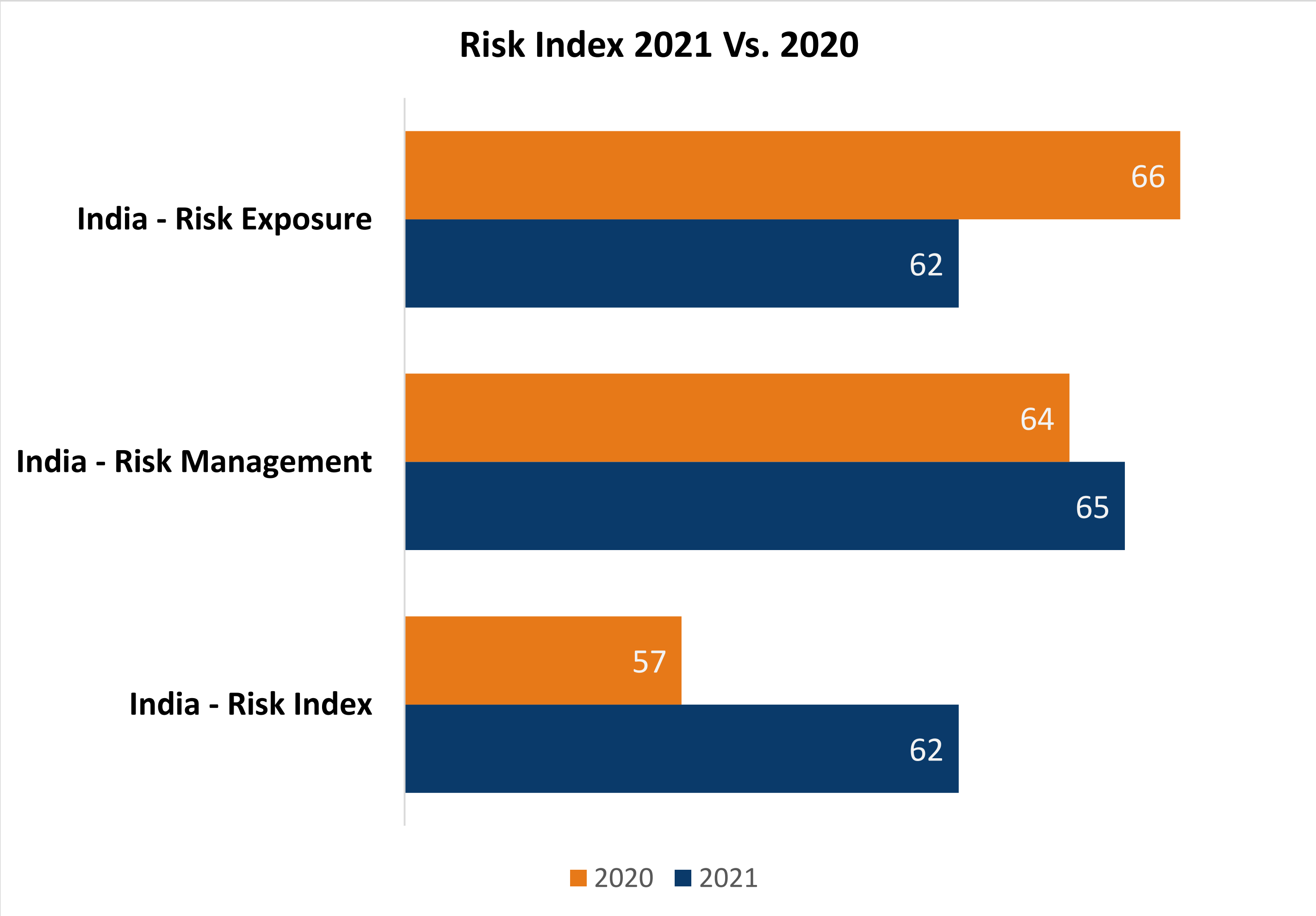
ICICI Lombard Corporate Risk Management – Scale

Score	< 40	40 - 50	50 – 70	70 - 80	> 80
Category	**Poor Risk Management**	**Below Par Risk Management**	**Acceptable Risk Management**	**Superior Risk Management**	**Exemplary Risk Management**
	Unable to understand the concept of Risk management and reactive to overall risks that affect it.	Use of inefficient or legacy risk management practices which is reactive to newer or unknown risks.	The corporate is prepared to handle known risks and the criticality of its risks are not severe.	Top class risk management practices with its ability to manage dynamic risks as well as unknown risks.	Over prepared in Risk management practices, proactive to emerging risks with high investment in risk mitigation practices

ICICI Lombard Corporate Risk Index – Scale

Score	< 40	40 - 55	55 – 65	65 - 75	> 75
Category	**Ineffective**	**Sub-optimal**	**Optimal**	**Superior**	**Over-prepared**
	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

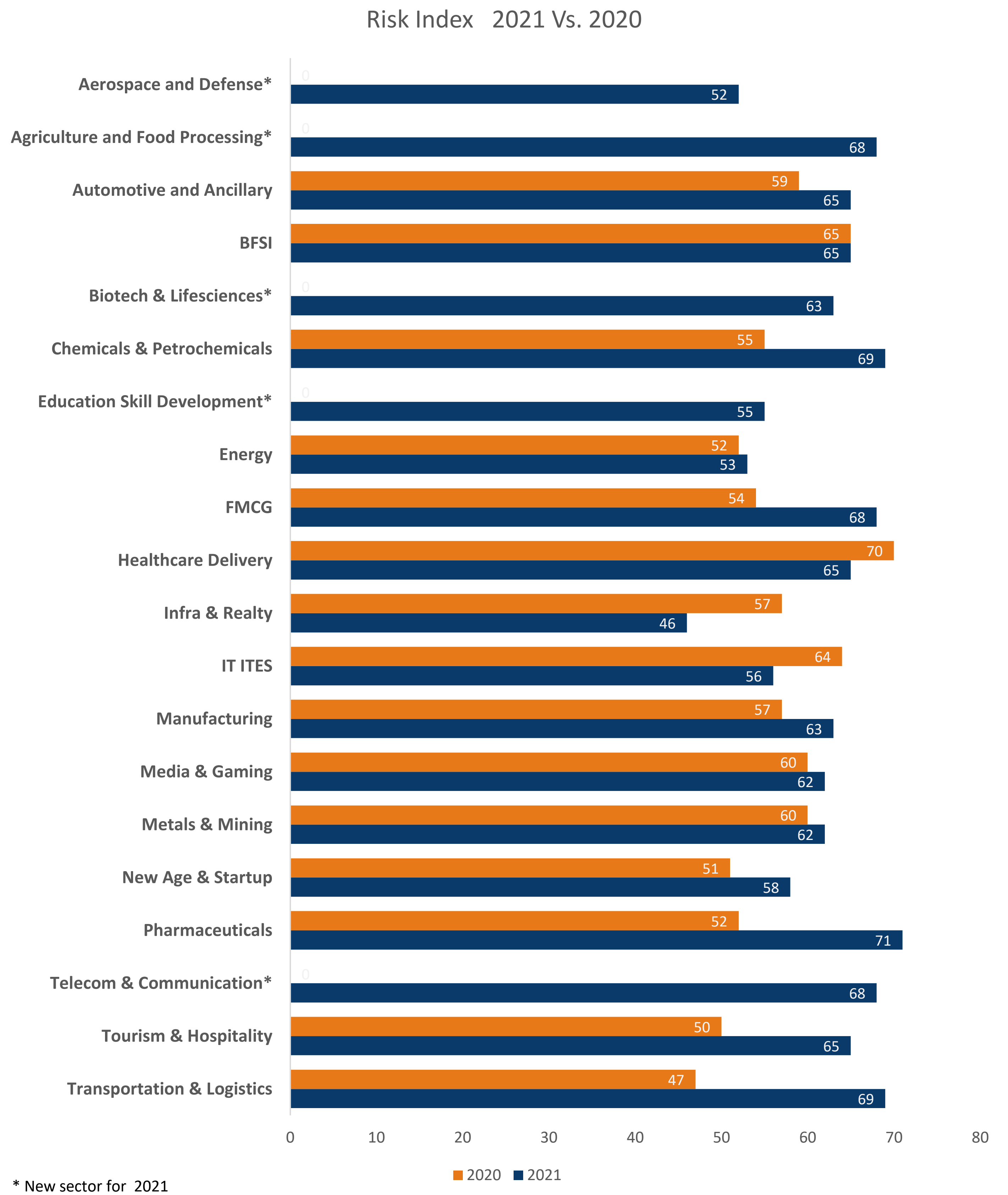
ICICI Lombard Corporate India Risk Index



India Risk Index(Optimal Risk Handling)

- As the pandemic and pandemic related constraints eased up, Sectors showed varied recovery as risk related to **Resource Scarcity**, **Delay in Execution of projects** due to pandemic and **Financial Risks** due to **tax relaxation** pacified
- The overall Risk Index for India improved from **57** to **62** in 2020-2021 , however sectors like **Infra & Realty, Metals & Mining** and **New Age & Startup** the risk Index decreased which was primarily due to the increased **Strategic Related Risks, Crime & Security Risks, Financial Risks, Inflation** and **Technology Risks**
- Sectors like **Transportation & Logistics, BFSI, Chemicals & Petrochemicals and Tourism & Hospitality** showcased significant improvement in the Risk Index, because the risk exposure lessened across all the risk dimensions.
- It was also observed that the Risk Exposure came down for the **Large Businesses(67 vs. 64) , Medium Businesses(65 vs. 61)** and **Small businesses (64 vs. 63)** for 2020 vs. 2021.
- With the reduced impact of the pandemic and innovative initiatives by business leaders over the supply-chain, sectors like **Manufacturing, Automotive, FMCG and Chemicals & Petrochemicals** improved on the **Risk Index**.

ICICI Lombard Corporate India Risk Index – Sector Comparison



* New sector for 2021

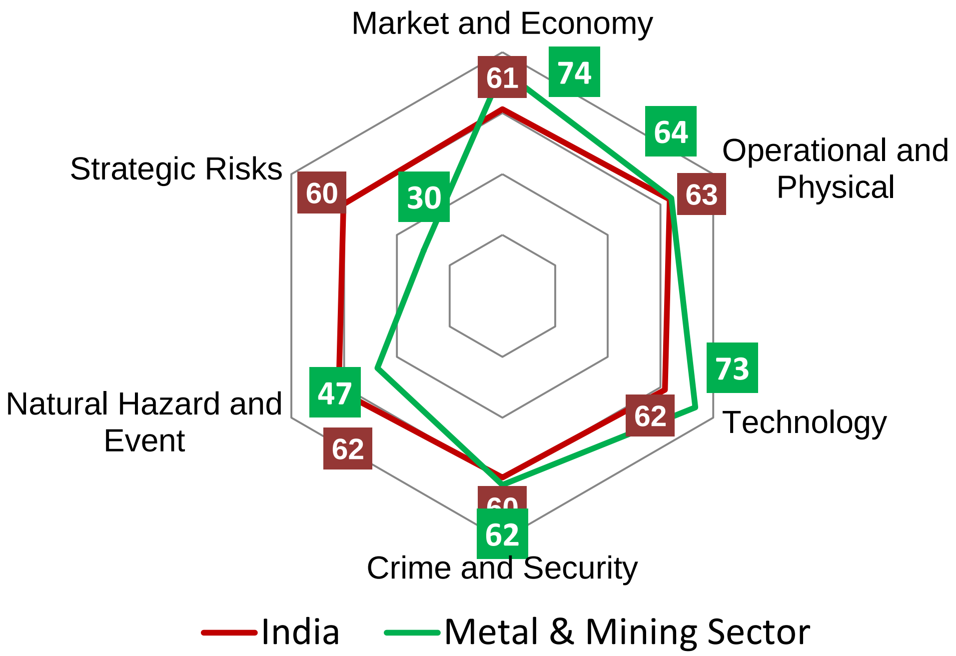
Observations:

Automotive & Ancillary, FMCG, Manufacturing and Pharmaceuticals sector have been managing their Risk in a defined, methodical and strategic manner, with continuous monitoring and containment of Risks. Transportation & Logistics, Metals & Mining, Healthcare Delivery and Biotech & Life Sciences sectors need to improve their Risk management capabilities in order to have an overall acceptable Risk measure.

India Risk Profile Vs. Sector Risk Profile

Risk Profile	2021 Risk Exposure	2021 Risk Management	2021 Risk Index	2020 Risk Index
India	62	65	62	57
Metal and Mining	58	60	62	60

India Risk Index Vs. Metal & Mining Sector Risk Index



The Indian Metal and Mining sector's Risk Exposure score is 58 mainly due to the exposure from Operational & physical risks and Technological risks.

The main challenges for this sector are lack of interconnected infrastructure and logistics, high excesses taxes and duties, some of which cannot be availed as input, pollution control and raw material shortages. Also,

- Rising domestic demand which directly puts pressure on supply of iron and steel
- Growth is being driven by an increase in infrastructure development and automotive production. The power and cement industries are also contributing to the sector's growth. Given the strong growth expectations for the residential and commercial building industries, demand for iron and steel is expected to continue..

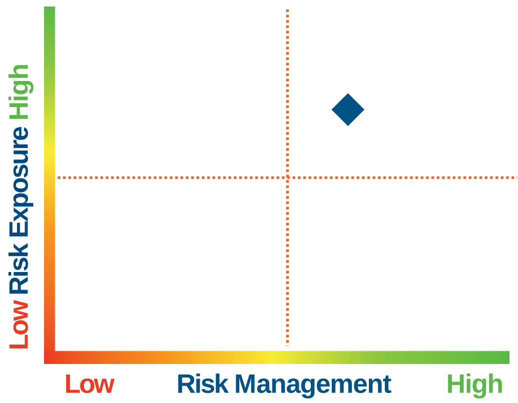
The overall Risk Management score is 60, indicating an acceptable Risk Management in this sector.

Companies must however improve their overall Risks pertaining to Natural Hazards, Crime and security and strategic risks Given the strong growth expectations for the nationwide infrastructure development, residential and commercial building industries, demand for iron and steel is expected to continue.

- Players in the industry are attempting to reduce costs in order to gain a competitive advantage. This includes optimizing input resources, operating efficiency for handling assets owned by the company, lowering overhead costs, and stabilizing newly formed operation units.

Risk Dimension Analysis: Market and Economy

Risk Exposure Score: 57
Risk Management Score: 64



Rise in infrastructure development is driving growth.

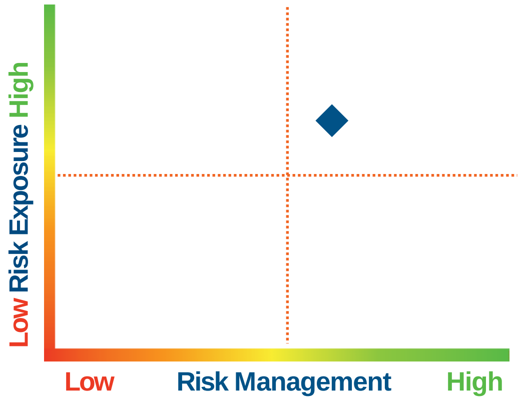
- According to the Directorate General of Commercial Intelligence and Statistics, iron ore exports reached US$ 2.23 billion in FY22 to August 2021, a 21.8 percent rise year on year.
- Rising domestic demand puts a strain on iron and steel supplies. The government of India has imposed a 30% export charge on all iron ore forms except low-grade iron ore, and a 5% export duty on iron ore pellets.
- Coal production in the country is expected to increase in the future years as the government wants to replace the country's captive mining policy in coal and iron ore with an open bidding strategy.

Recommendation:

Indian mining companies should expand worldwide in order to guarantee stable, long-term supplies of minerals, particularly coal and iron ore.

Risk Dimension Analysis: Technology

Risk Exposure Score: 54
Risk Management Score: 60



Industry participants are working on optimizing technology to boost process efficiency.

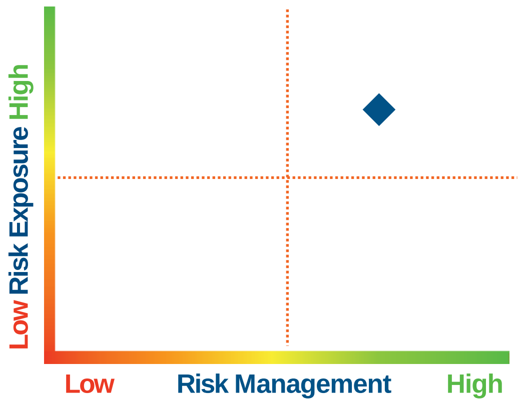
- Following the Industry 4.0 trend, Metal and Mining sector companies are making significant investments in IoT and modern technology
- Companies intend to use GPS/GPRS-based vehicle tracking systems to boost efficiency. Investing in services such as E-auction and E-procurement of products and services is also a priority.
- The sector has been carrying out a large capital expansion in terms of technology over medium term for increasing capacities in multiple value chains in-order to capture a higher market share

Recommendation:

The company could invest in Machine Learning and Data Analytics technologies to decrease redundancies, integrate the many companies, and boost value positioning.

Risk Dimension Analysis: Operational and Physical

Risk Exposure Score: 62
Risk Management Score: 66



Expansion of operations, with improving operational costs with scale

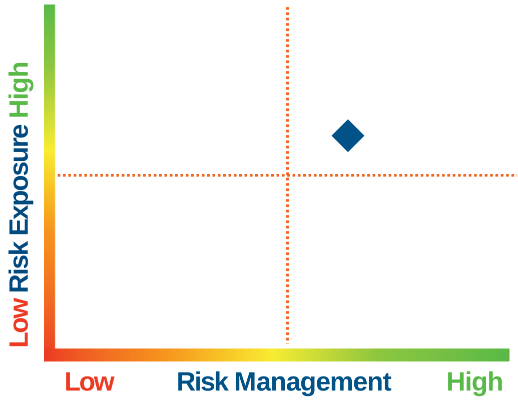
- Domestic demand for metal and metal products is increasing, with India focused on expanding domestic production and extraction.
- India has a large mining potential, with mining leases issued for a period of 50 years.
- The governments of Indian states approved major industrial projects worth Rs. 1.48 lakh crore in 2021, which are expected to expand steel production capacity by 120 million tons. As a result, steel output in India is expected to rise by 18 percent to 120 million tons (MT) by FY22.

Recommendation:

Companies should fully utilize support from the Government , such as Mineral Block allocations, and relaxed approvals. Companies should also strictly adhere to Environmental regulatory laws to avoid potential fines and penalties.

Risk Dimension Analysis: Crime and Security

Risk Exposure Score: 51
Risk Management Score: 54



Cybercrime and threat to women security are the key concerns for the sector

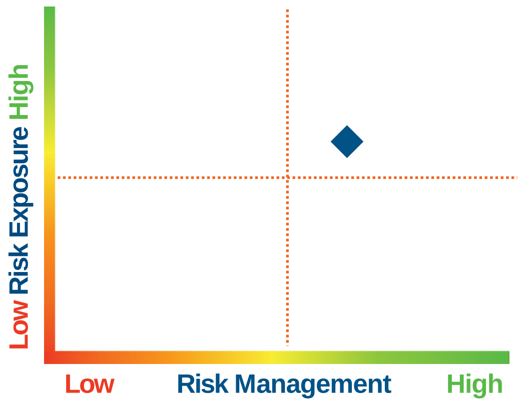
- Companies in India are investing in a wide range of cybersecurity technologies as the country's digitalization and reliance on information technology systems grows.
- Metal and Mining sector has a robust risk management framework to identify, monitor and minimize risks.
- As digitalization and reliance on information technology systems have expanded, data security has become an increasingly critical aspect of Metal and mining sector.

Recommendation:

Companies could invest more in cybercrime to demonstrate an attention on incident prevention and strategically target cybercrime training on right individuals. These strategies are especially important for standalone facilities because they may lack the well-structured approach of the country's corporate business.

Risk Dimension Analysis: Natural Hazard and Event

Risk Exposure Score: 58
Risk Management Score: 57



Natural hazards pose limited risks to the chemical industry

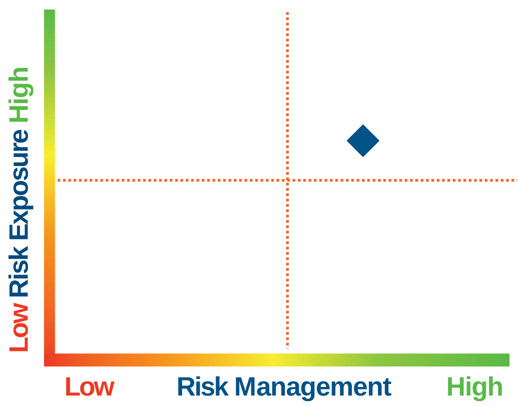
- The Metal and Mining industry did not experience any major losses over the past few years, and was largely spared from natural disasters in India
- However, COVID-19 pandemic has reinforced the need of proper risk planning in order to avoid overwhelming of Mining network.

Recommendation:

All of the companies in this industry's manufacturing units could be required to conduct rigorous testing of the likelihood of natural hazards, physical hazards, bio-dangers, electrical hazards, and so on.

Risk Dimension Analysis: Strategic Risk

Risk Exposure Score: 53
Risk Management Score: 47



Resource scarcity and delay in execution of projects

- The Metal and Mining sector faces high project risk, risk related to volatility in commodity prices and supply chain disruptions cause due to varied reasons.
- The industry is constantly expanding with a huge capital expenditures involved; Delay in project execution pose a substantial financial risk.
- However, the management teams keeps a close watch on risks and prepare themselves to meet the challenges effectively.

Recommendation:

It is vital for companies to ensure the projects are completed in stipulated time and within stipulated costs to avoid risks pertaining to cost overruns and higher interest charges on project funding. Strong economic health of the sector should be the focal point for sustained growth.

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