



**Sector: Tourism & Hospitality**

# 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 2<sup>nd</sup> 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.

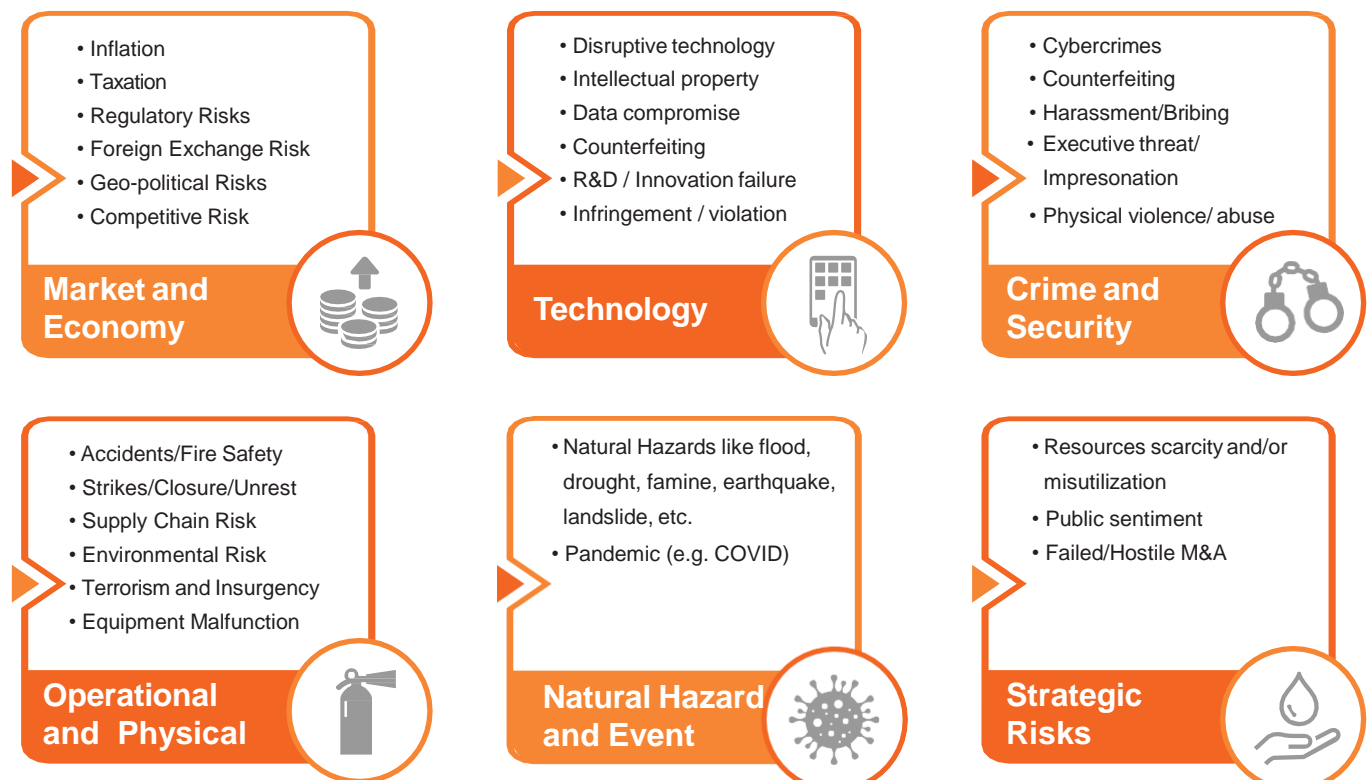
## Comprehensive Sector Coverage

- 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

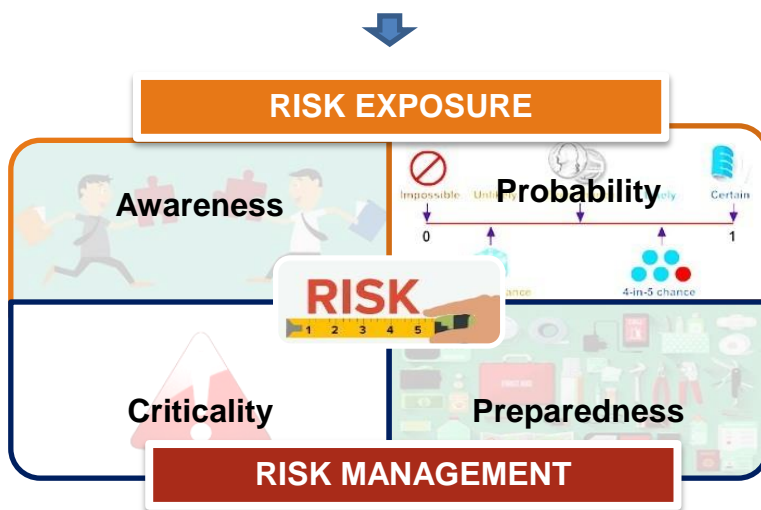
The ICICI Lombard Corporate India Risk Index Framework comprises of 32 risk elements across 6 broad dimensions:



# 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.

$$\begin{aligned} \text{Risk Exposure (RE)} &= f(\text{Awareness, Probability}) \\ \text{Risk Management (RM)} &= f(\text{Criticality, Preparedness}) \end{aligned}$$

$$\text{COMPANY RISK INDEX} = f(\text{Risk Management, Risk Exposure})$$

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
<b>Category</b>	<b>Very Low Risk Exposure</b>	<b>Low Risk Exposure</b>	<b>Moderate Risk Exposure</b>	<b>High Risk Exposure</b>	<b>Very High Risk Exposure</b>
	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.

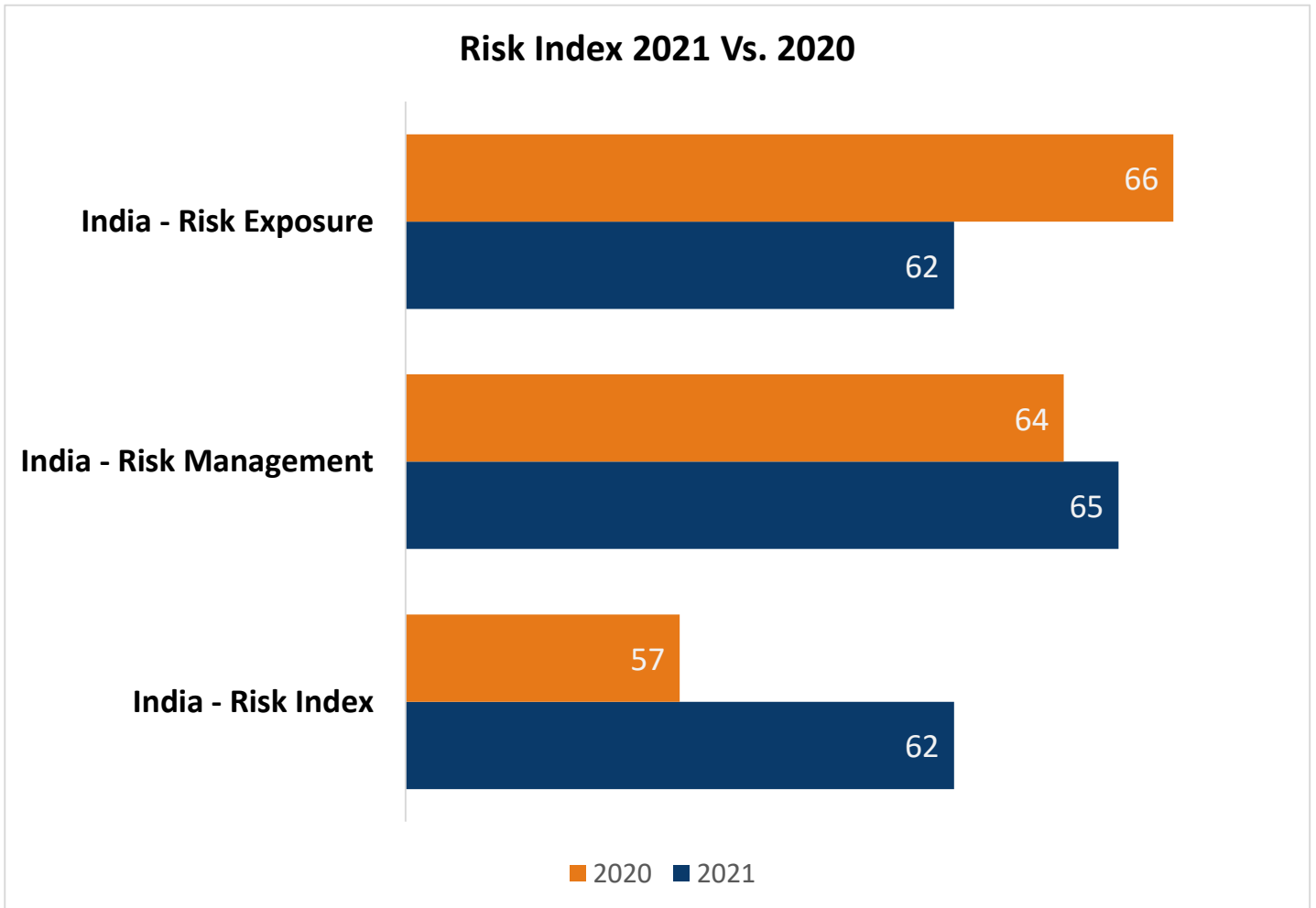
## ICICI Lombard Corporate Risk Management – Scale

Score	< 40	40 - 50	50 – 70	70 - 80	> 80
<b>Category</b>	<b>Poor Risk Management</b>	<b>Below Par Risk Management</b>	<b>Acceptable Risk Management</b>	<b>Superior Risk Management</b>	<b>Exemplary Risk Management</b>
	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
<b>Category</b>	<b>Ineffective</b>	<b>Sub-optimal</b>	<b>Optimal</b>	<b>Superior</b>	<b>Over-prepared</b>
	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

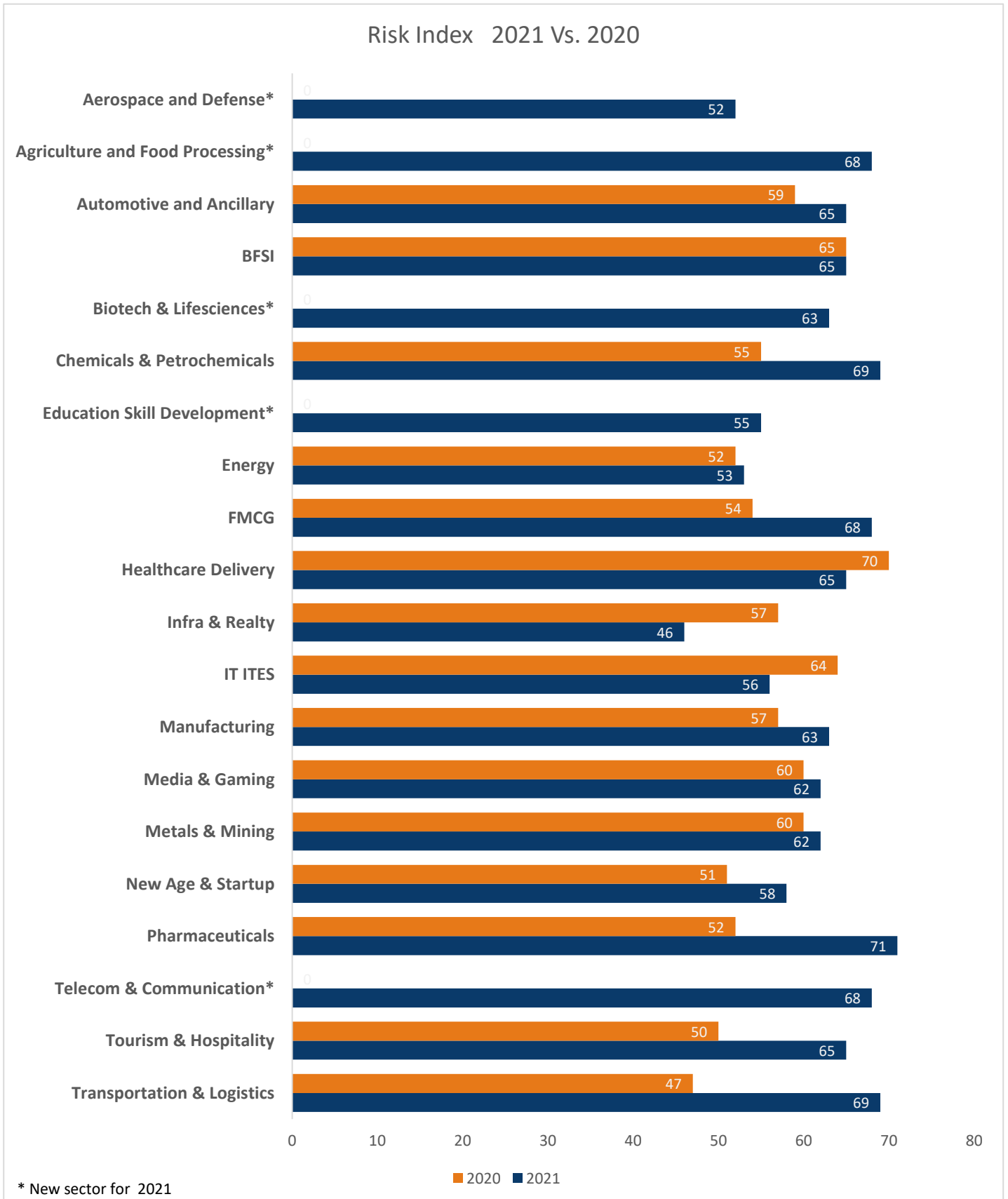
## ICICI Lombard Corporate India Risk Index



### 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



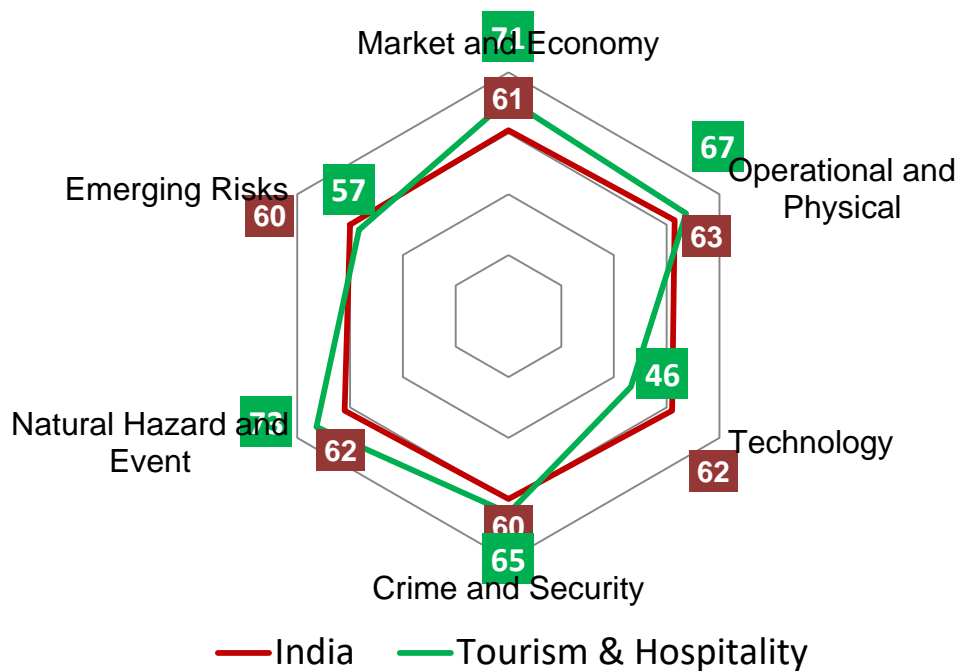
### Observations:

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
Tourism & Hospitality	60	64	65	50

### India Risk Index Vs. Tourism & Hospitality Sector Risk Index



The Indian Hospitality sector's Risk Exposure score is 60 mainly due to its high exposure to Market & Economic conditions.

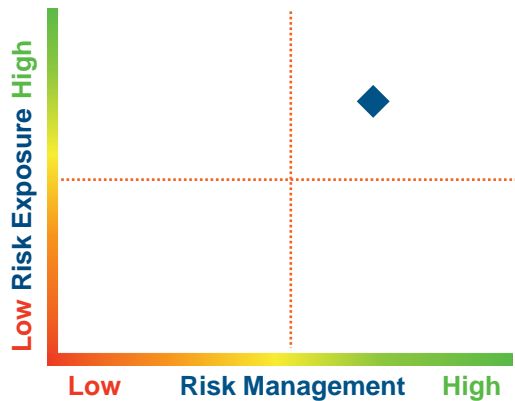
- The current instability in the world order is likely to cause high inflation situation affecting the tourism industry's demand.
- The pandemic had an unprecedented level of impact on the whole industry causing huge losses to the companies.

The overall Risk Management score is 64 which is within the acceptable risk management Level and indicating that the most companies are well prepared to handle risk posed by the industry.

- Companies have taken innovative steps to adapt their business models to the current pandemic situation to reduce the financial risk of the hotels.
- Major initiatives have been taken to build confidence in the customers in efforts to reduce fears over traveling in the current situation.

## Risk Dimension Analysis: Market and Economy

**Risk Exposure Score: 60**  
**Risk Management Score: 65**



### Challenging Macro economic indicators hit hospitality Industry

- Sector's revenues fell significantly last year owing to COVID-19 pandemic and FY21 Q1 will have the largest impact of up to 30-35 per cent revenue loss despite the lifting of the lockdown due to hesitation towards travel.
- To mitigate the fall out COVID-19 pandemic sector took substantial steps to preserve liquidity and cost-cutting measures like cities that had multiple hotels (of a group) were asked to limit the operations to only one hotel.

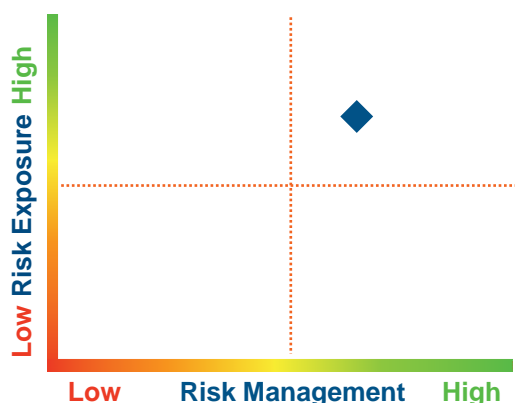


### Recommendation:

Sector could reduce capital spend to focus only on the highest priority projects, eliminated all non-essential spend to minimize the impact of COVID 19 which most of the companies in hospitality sector have started doing.

## Risk Dimension Analysis: Technology

**Risk Exposure Score: 63**  
**Risk Management Score: 61**



### Role of technology plays a important role in hospitality industry.

- Companies in the sector are focusing on technology from cloud-based, web-enabled, state-of-the-art technology platform, It's also observed that companies in the sector are adopting to emerging technologies like AI, Big Data Analytics , RPA etc. to get a better insight on customers preferences .
- Technology is influencing hotel industry from operations to guest experience to marketing there is a significant growth in online transactions in a post-COVID and company has taken lot of digital initiatives.



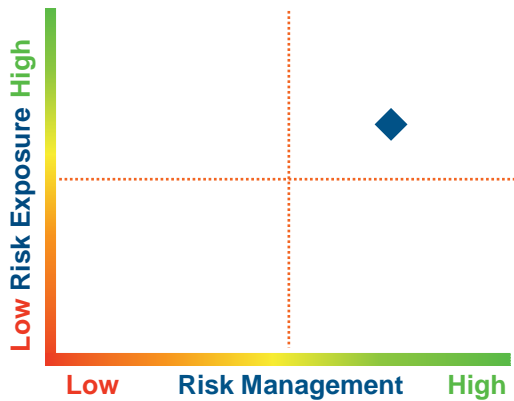
### Recommendation:

Companies could introduce various digital technologies (AI, IoT, ML, etc) across the globe for new use cases as well as to add value to the existing business. The company could also try and acquaint itself with models on risk analytics or advanced analytics to identify trends and patterns based on the current risk data.



## Risk Dimension Analysis: Operational and Physical

**Risk Exposure Score: 60**  
**Risk Management Score: 64**



### Mitigation of operational risks

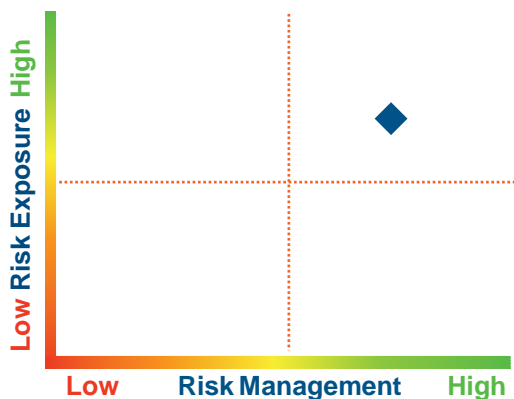
- Companies have deployed intelligent process automation tools to achieve higher operational efficiencies
- Companies are facing financial risks due to the remnant of pandemic, many small businesses of the sector suffered a serious blow, however the recovery is visible due to the wide spread vaccination drive and reduced COVID cases

### Recommendation:

Companies should adopt to new efficient ways to optimize the business processes, technology adoption, customer delight and employees satisfaction should be on priority.

## Risk Dimension Analysis: Crime and Security

**Risk Exposure Score: 59**  
**Risk Management Score: 63**



### Hospitality industry is prone to Cyber attacks

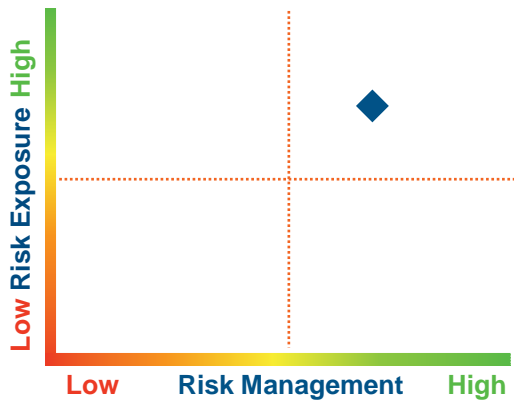
- The sector is always prone to cyber attack and frauds, in the past it's observed that multiple cases of data breach and fraudulent activities came up
- It's observed that companies in the sector are emphasizing on their IT strategy, technology solutions, information management initiatives and policies to support the company's business requirements

### Recommendation:

Companies could keep evolving its risk management framework utilizing risk assessments to identify priorities for enhancements like implementing technologies such as payment card tokenization and point-to-point encryption, advanced endpoint detection, network segmentation, authenticated web and email gateways.

## Risk Dimension Analysis: Natural Hazard and Event

**Risk Exposure Score: 59**  
**Risk Management Score: 65**



**Natural hazards and pandemic pose existential threat**

- The sector has provisions for threat intelligence capability, supplemented by third-party expertise and methodology, supports development, hotel operations and customer-facing sales teams with planning and response to macro factors, for example concerns relating to extreme weather events.
- Natural hazards like earthquakes, windstorms and floods pose significant risks to the Hospitality industry

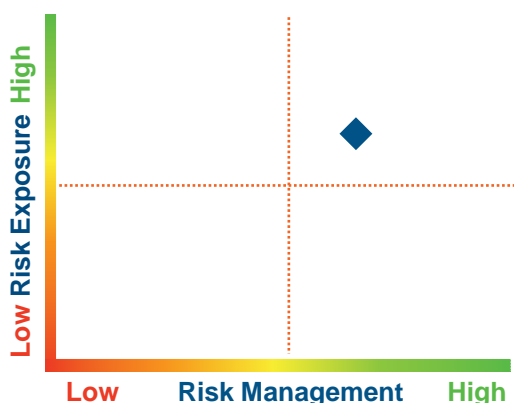


### Recommendation:

Companies could leverage technology in India to map its properties and categorize them by hazard zone and insured value.

## Risk Dimension Analysis: Strategic Risk

**Risk Exposure Score: 59**  
**Risk Management Score: 61**



**Protecting the brand and its reputation**

- With the rising digital quotient and use of social media companies in the sector are facing issues with any bad publicity a small issue can snowball impacting the brand equity significantly



### Recommendation:

Companies could reduce business cycle risks through brand diversity, geographic diversification and by increasing the proportion of managed and franchised contracts in the portfolio.



"Risk parameter & the resultant index mentioned herein are as per the assessment and survey conducted by third party vendor" Frost & Sullivan across various industries on a pan-India level. The outcome of the survey and risk analysis is reproduced in a risk report which is intended to raise general awareness about the need for a better management and mitigation of corporate risks. The content of the risk report is a proprietary of ICICI Lombard cannot be copied and/or distributed without permission of ICICI Lombard. This report has been prepared for the exclusive use and benefit of the intended recipients and solely for the purpose for which it is provided. The content provided is for general informational purposes only and ICICI Lombard is not responsible for any issues or liability arising out of the use of the said information. ICICI Lombard does not make representations or warranties, either express or implied, of any kind with respect to the third party, its actions, content, information or data. ICICI Lombard does not represent or endorse the accuracy or reliability of any advice, opinion, statement, or other information provided for the purpose of rendering services hereunder. Users acknowledge that any reliance upon such opinion, advice, statement, memorandum, or information shall be at his/her sole risk. Any such person or entity should seek advice based on the particular circumstances from the experts of the respective filed arenas. ICICI trade logo displayed above belongs to ICICI Bank and is used by ICICI Lombard GIC Ltd. under license and Lombard logo belongs to ICICI Lombard GIC Ltd. ICICI Lombard General Insurance Company Limited, ICICI Lombard House, 414, Veer Savarkar Marg, Prabhadevi, Mumbai – 400025. IRDA Reg.No.115. Toll Free 1800 2666. Fax No – 022 61961323. CIN (L67200MH2000PLC129408). customersupport@icicilombard.com. www.icicilombard.com"