

**CORPORATE INDIA  
RISK INDEX**  
Intelligence partner **FROST & SULLIVAN**



**Sector: FMCG**

# 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.

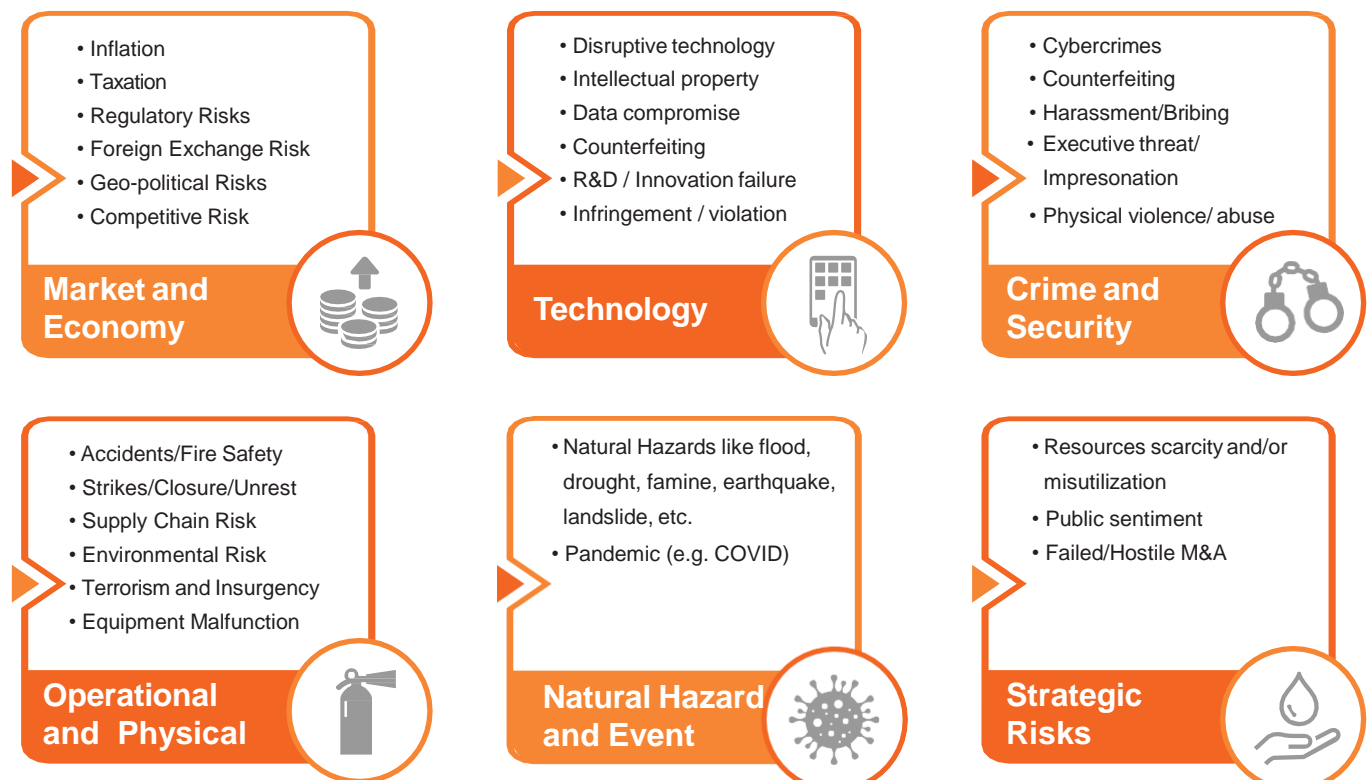
## Comprehensive Sector Coverage

- 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

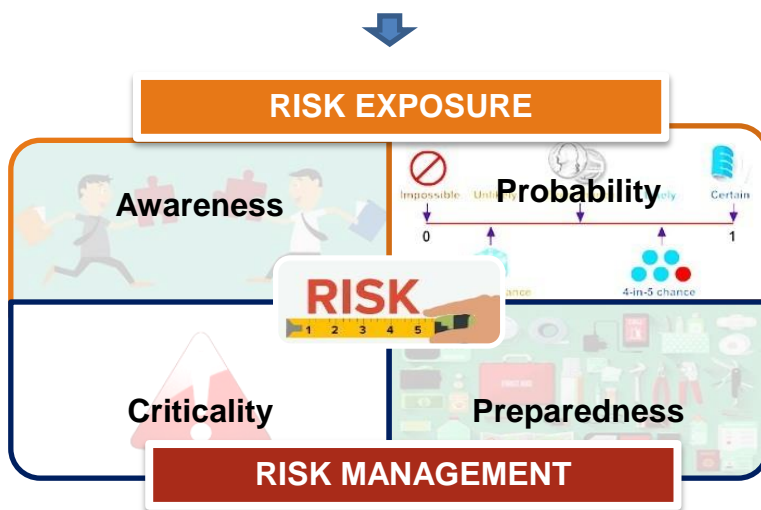
The ICICI Lombard Corporate India Risk Index Framework comprises of 32 risk elements across 6 broad dimensions:



# ICICI Lombard Corporate India Risk Index – Approach



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



The 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.

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

$$\text{Risk Exposure (RE)} = f(\text{Awareness, Probability})$$

$$\text{Risk Management (RM)} = f(\text{Criticality, Preparedness})$$

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

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.

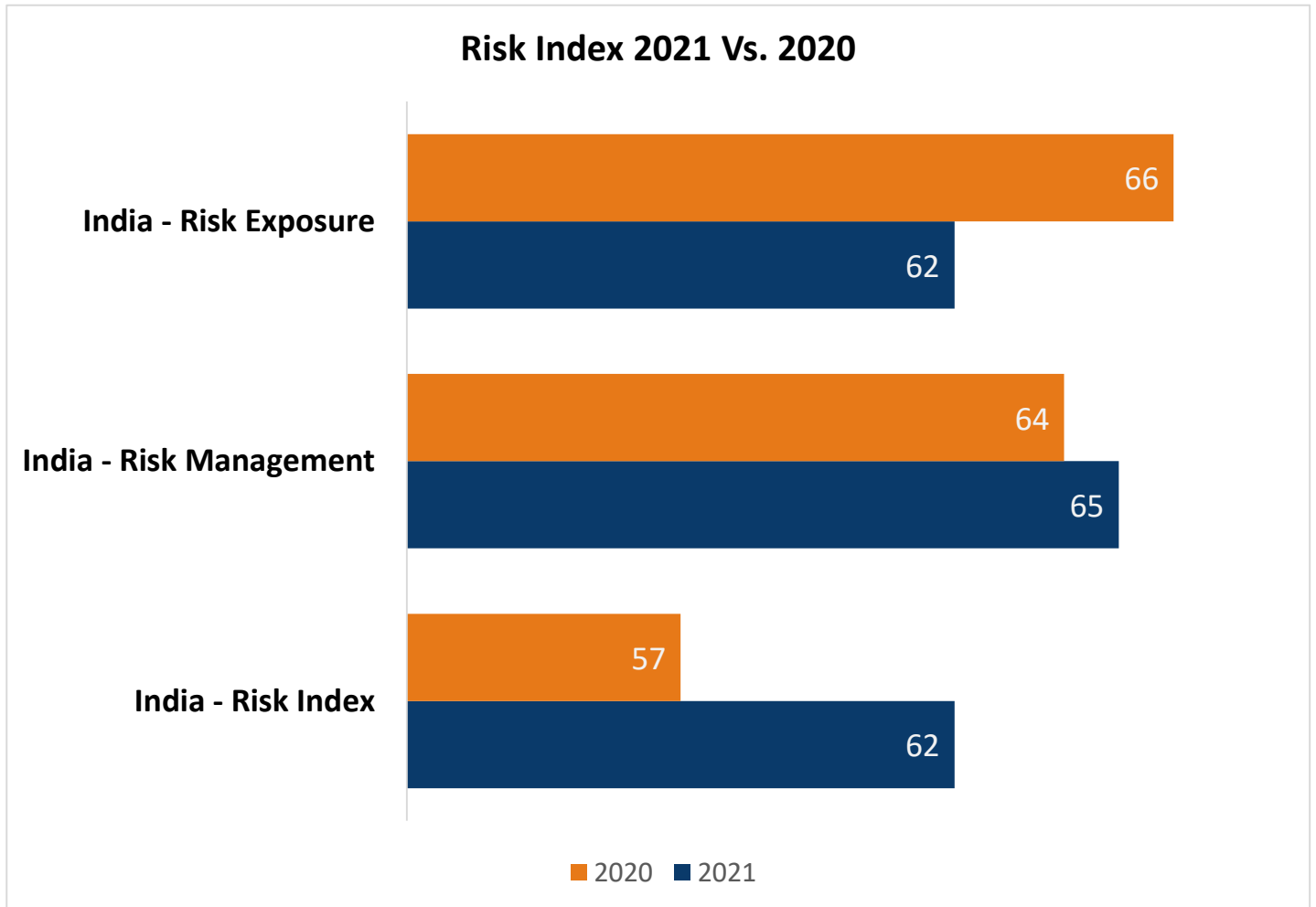
## ICICI Lombard Corporate Risk Management – Scale

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

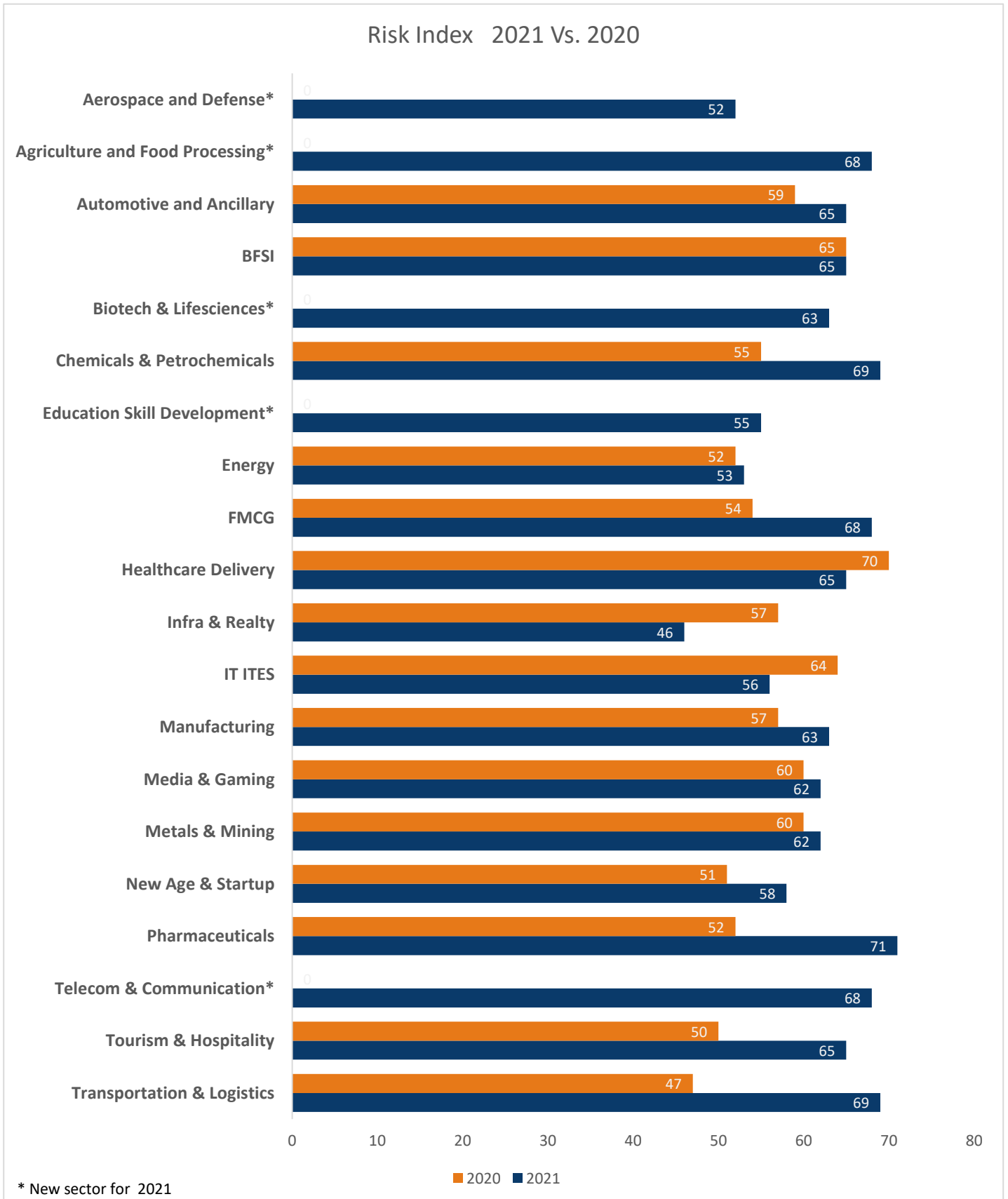
## ICICI Lombard Corporate India Risk Index



### 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



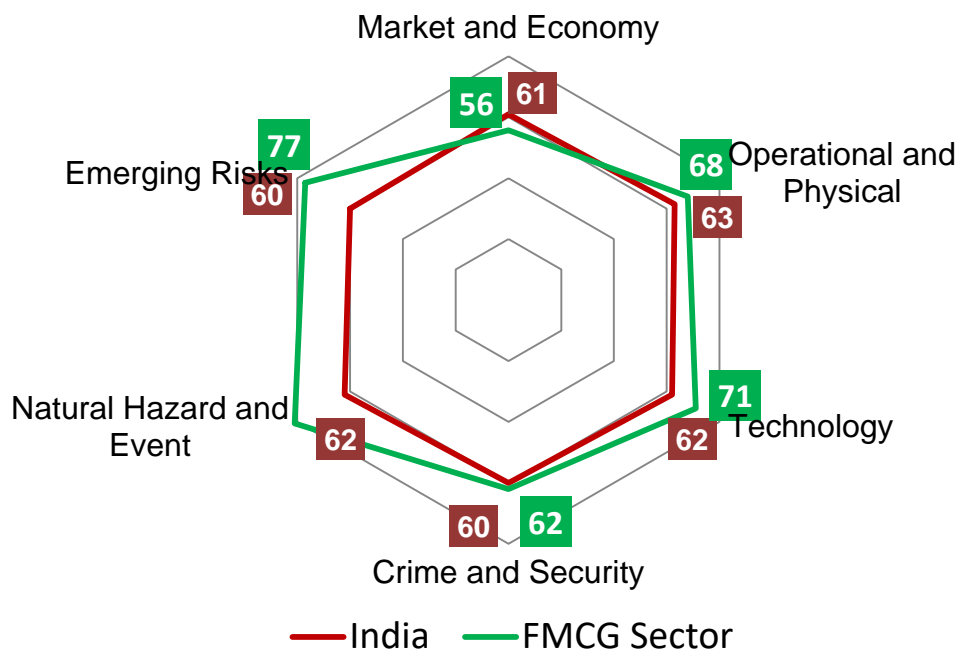
### Observations:

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	2022 Risk Exposure	2022 Risk Management	2022 Risk Index	2021 Risk Index
India	62	65	62	57
FMCG	68	74	68	54

### India Risk Index Vs. FMCG Sector Risk Index



**The Indian FMCG Sector's Risk Exposure score is 68 indicating an high risk exposure level due to its exposure Market & Economic conditions and Operational Risks.**

The main elements attributing to the Risk Exposure score of all the companies in the sector are mainly due to the impact by external factors associated with the industry.

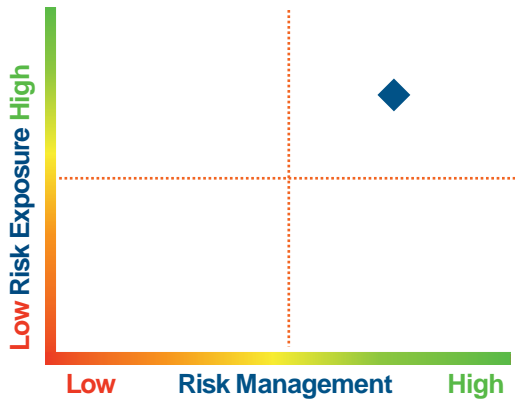
- The pandemic has caused an unprecedented stress in the supply chain of the industry leading to imbalances between supply and demand.
- Inflation has forced many companies to rise the prices of their products to pass on the rise in the cost of raw materials to the consumers.
- The current geopolitical scenario between Russia and Ukraine is expected to further rise the raw material cost by 3-5% on average due to the rising crude oil prices and supply of commodities like wheat and sunflower oil are going to be affected.

**The overall Risk Management score is 74, indicating that the industry is following superior risk management practices to tackle the risk associated with the industry.**

Companies are continuously improving the risk management capabilities by accelerating the digitalization of their complete value chain to get insights into various risk associated with the industry and make a well informed decision to mitigate these risks.

## Risk Dimension Analysis: Market and Economy

**Risk Exposure Score: 74**  
**Risk Management Score: 75**



### Geo-Political Tensions accelerating inflation

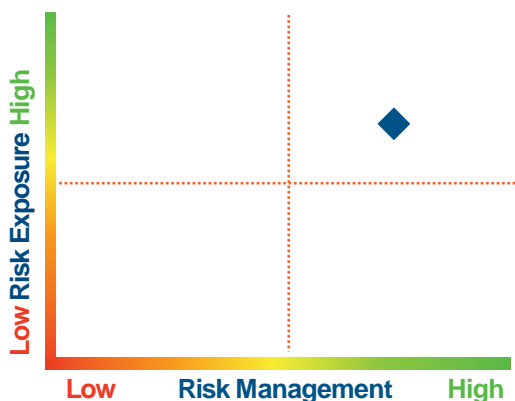
- India's FMCG market is witnessing a very high inflation period due to the pandemic causing all the raw material price to shoot up dramatically and forcing companies to rise the prices of their product.
- The current geo-political tensions between Russia and Ukraine is expected to further rise prices of raw materials as the crude oil prices are on the rise due to the conflict.
- There has been a major consumer behavior shift towards healthier products and purchasing convenience due the effects of the pandemic.
- Recently there has been steep rise in D2C players with very focused market positioning eating away market share of tradition players.

### Recommendation:

The Industry needs to conduct extensive consumer research on a regular basis to identify latest consumer tastes, brand demand, pricing , to ensure they stay ahead of competition and in line with consumer requirements.

## Risk Dimension Analysis: Technology

**Risk Exposure Score: 67**  
**Risk Management Score: 73**



### Pandemic has propelled technological investments in the Industry

- Companies are extensively investing in technologies like Big Data Analytics, Artificial Intelligence to enhance their understanding of the consumer and thus giving an edge of the competitors.
- Players in the industry have focused on creating an omnichannel presence to entice the next generation consumer.
- Investment in digitalization of the complete value chain has been the priority of the industry to help them tackle crucial efficiency problem in the industry such as Inventory issues, Distribution issues etc.

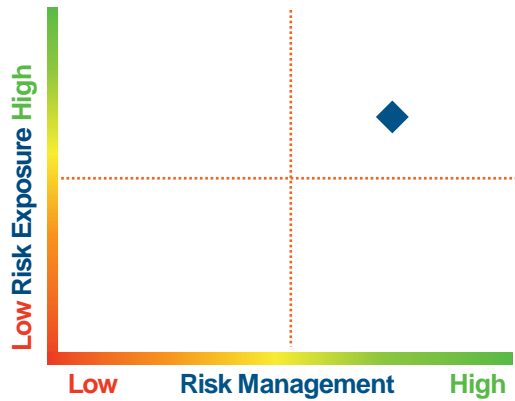
### Recommendation:

The Industry should continue investing in digitalizing the complete value chain to reduce their inefficiencies and create higher value to the consumers.



## Risk Dimension Analysis: Operational and Physical

**Risk Exposure Score: 69**  
**Risk Management Score: 74**



### Supply Chain had seen the ultimate stress test during the pandemic

- Supply chain of companies has show resilience to the pandemic but still have a lot to improve in terms of further meeting the dynamic change in demand in short period.
- Volatility in the commodity prices have reduced the operating profits of the companies.
- There has been a steep rise in online shopping due to the change in consumer behavior towards convenience and safety.

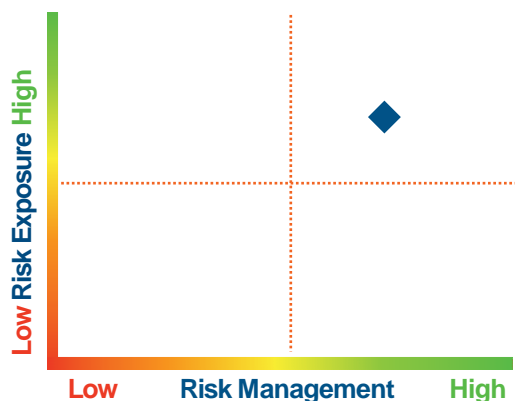


### Recommendation:

The Industry needs to analysis the pitfall faced during this pandemic to improve the resilience of the Industries supply chain and also need to take appropriate measure to make the complete value chain environmentally efficient.

## Risk Dimension Analysis: Crime and Security

**Risk Exposure Score: 68**  
**Risk Management Score: 71**



### Cybercrime is key concerns for the sector

- As FMCG companies are moving towards digitalization there are high risk of compromising the system.
- Data breach is of high concerns as FMCG companies are possess a lot of sensitive data of their customers.
- Counterfeiting of products have been a huge problem in the industry and there has been sudden surge in counterfeiting during the pandemic especially products like hand sanitizer, PPE kit etc.
- It is estimated that about 30% of FMCG products sold are counterfeits.

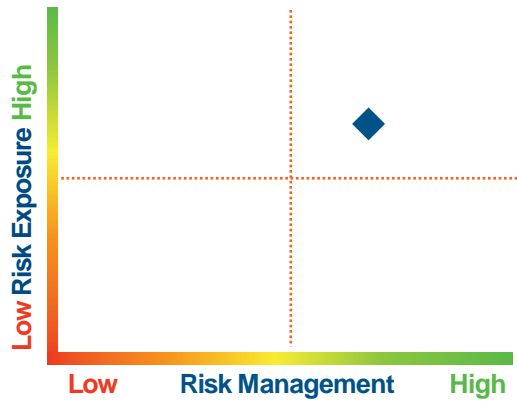


### Recommendation:

The FMCG Companies should leverage the digitalized supply chain to track and monitor their whole value chain and analyze to find out the level of counterfeiting and its origins to take appropriate actions.

## Risk Dimension Analysis: Natural Hazard and Event

**Risk Exposure Score: 64**  
**Risk Management Score: 73**



**The Pandemic caused huge stress to the supply chain of the industry.**

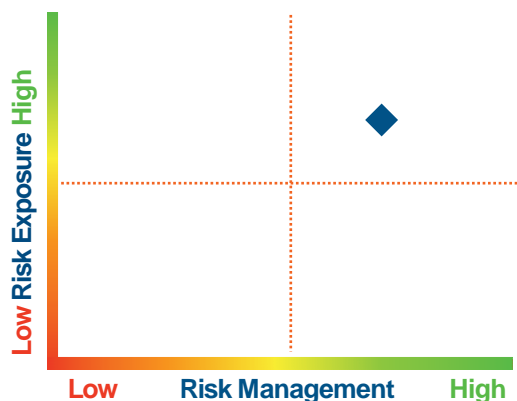
- Natural hazards most often causes huge imbalance in supply and demand of products this is mainly caused due to panic buying behavior of the consumers and supply constraints.
- Natural hazards may also cause rapid stock shortage, due to panic buying which would also lead to prices of essential commodities to skyrocket.

### **Recommendation:**

Companies needs to use the purchase data collected during natural hazards to build forecast system which could be used for similar events in the future, thus reducing the imbalance and having a more efficient supply chain.

## Risk Dimension Analysis: Strategic Risk

**Risk Exposure Score: 66**  
**Risk Management Score: 74**

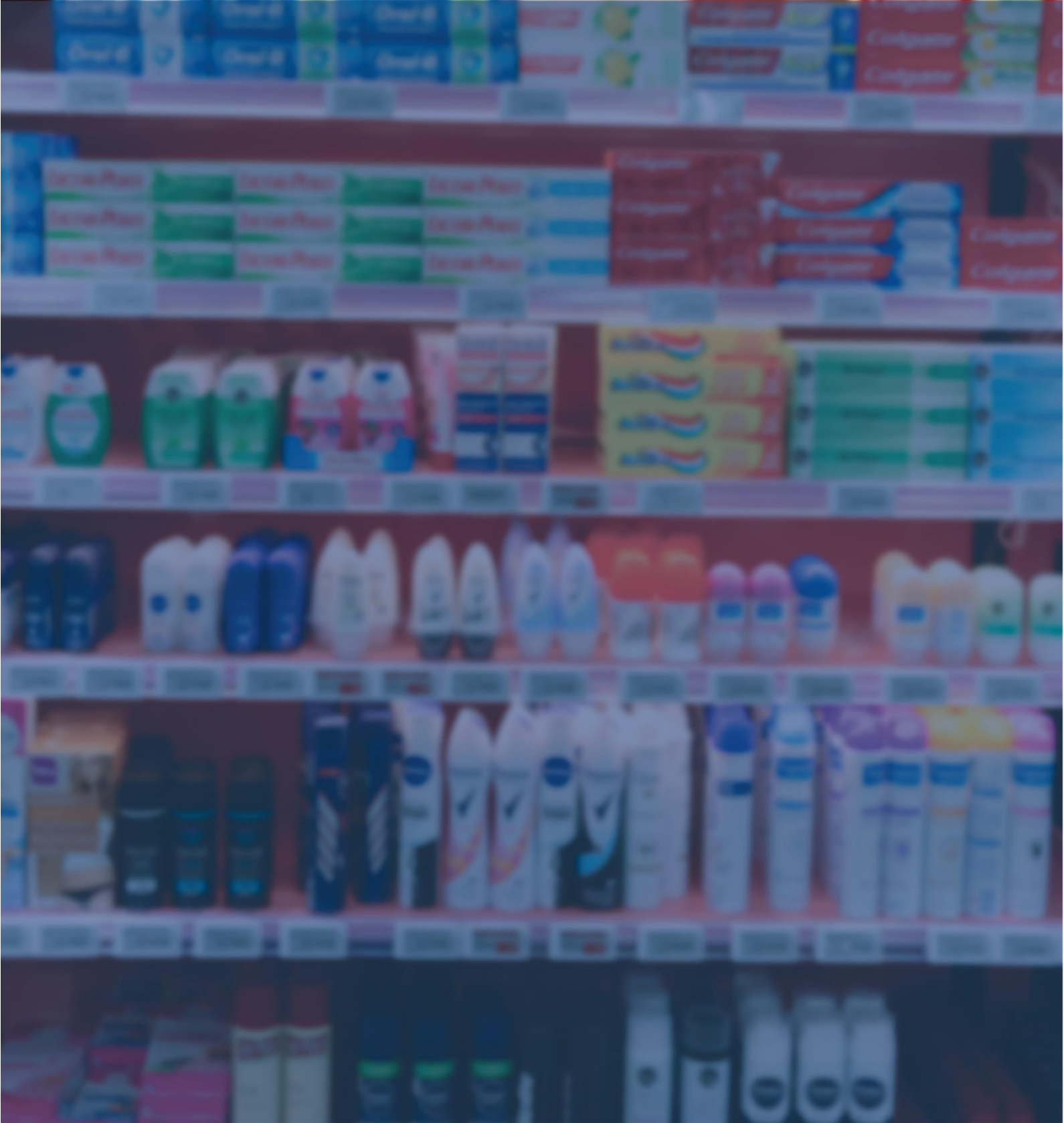


### **Rise in D2C brands**

- There has been huge rise in the number of D2C brands focusing on specific target markets.
- The rise of Online shopping could change the way the whole industry operates in the future.
- Online grocery store companies like BigBasket, amazon grocery are going to have a huge impact on consumers decision making on which brands to choose.

### **Recommendation:**

Companies should upgrade their digital initiative as its going to play a huge role in deciding the player who will thrive in the market.



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