



Sector: Healthcare Delivery

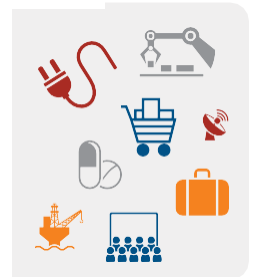


ICICI Lombard Corporate India Risk Index - Introduction

- 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


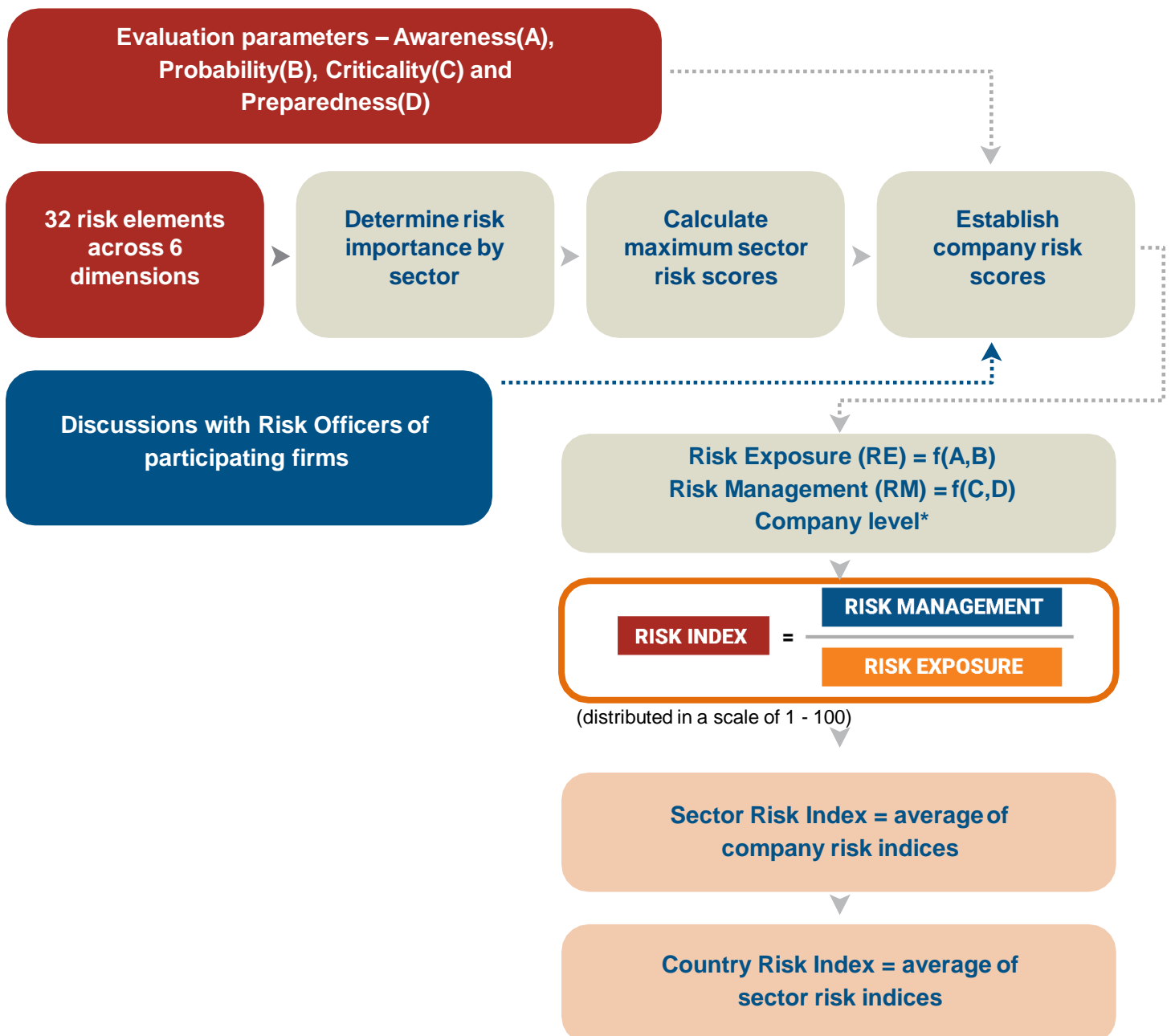
- Resources scarcity and/or misutilization
- Public sentiment
- Failed/Hostile M&A

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

Healthcare Delivery Sector Risk Profile

Risk Exposure Score: 55.5
Risk Management Score: 58.7

Risk Index
70

Sector Risk Index - Six Risk Dimensions

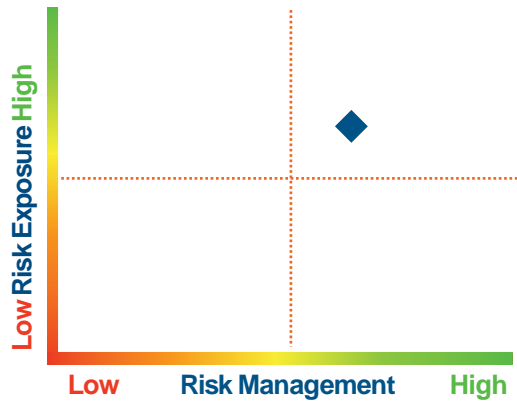


The Indian Healthcare Delivery sector’s Risk Exposure score is 55.5 mainly due to its exposure to Market & Economic conditions, Natural hazard and Event and Crime and Security. While the Risk Exposure of most companies is majorly due to internal factors, the external factors such as regulatory changes have considerable impact on the business performance.

The overall Risk Management score is 58.7 this indicates the need for companies to improve their Operational Risk Management practices especially the risks associated with hospital expansions, pricing, and sourcing of consumables.

Risk Dimension Analysis: Market and Economy

Risk Exposure Score: 57.5
Risk Management Score: 60.7



Risk due to decline in footfalls and bed occupancy in the hospitals due to COVID-19

- COVID-19 related disruptions had considerable impact on the OPD footfalls and in turn the bed occupancy of hospitals across India.
- The Hospitals business declined due to COVID-19, but is already rebounding back with increasing non-COVID patients, especially the high value specialties.
- Pricing restrictions by the government and tightening other regulations, like environment and labor laws in India may lead to increased costs for adherence.

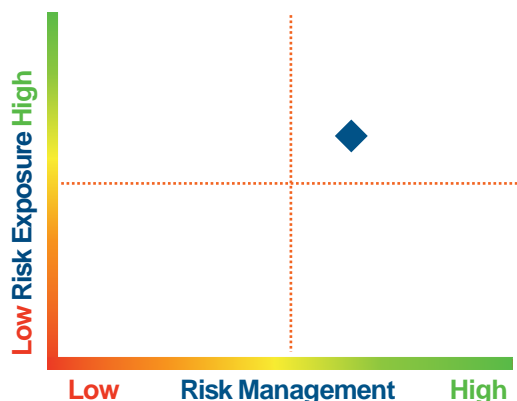


Recommendation:

The Healthcare Delivery market in India is under-penetrated, and private sector is well-positioned to provide services at a price. They should aim to expand into under-served areas, like Tier II cities, where similar services are not available presently.

Risk Dimension Analysis: Technology

Risk Exposure Score: 61.3
Risk Management Score: 61.8



Technology Investments

- Hospitals in India have been at the forefront in investing in advanced medical technologies, like robotic surgery, radiotherapy and latest medical imaging systems.
- 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
- Additionally, they have very strong, integrated digital platform across their offerings.

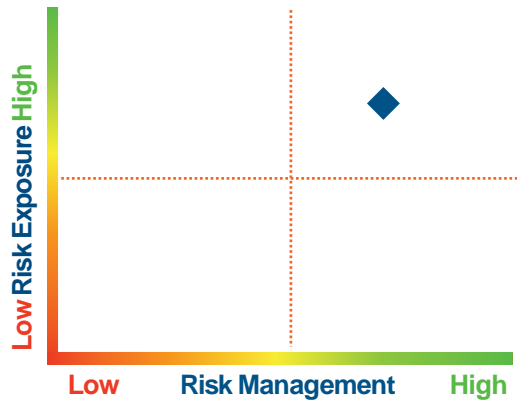


Recommendation:

One of the key elements of strategy going forward, will be to nurture and grow national Centers of Excellence (COEs) bringing advanced technologies in focus specialties —Cardiac Sciences, Neuro Sciences, Orthopedics, Oncology, Transplants, Emergency, Critical Care and Preventive Health.

Risk Dimension Analysis: Operational and Physical

Risk Exposure Score: 61.0
Risk Management Score: 62.2



Expansion of operations, with improving operational costs with scale

- The operational costs increased due to COVID-19 pandemic, but the sector has brought in some structural initiatives to bring down the operational costs, thereby improving efficiencies, which will also play out in the long-term.
- The patient volumes and bed occupancy decreased due to the pandemic, but is ramping back up. However, the average revenue per occupied bed (ARPOB) per day continues to increase due to higher realizations, better case mix with more specialty cases, and decreasing average length of stay (ALOS).

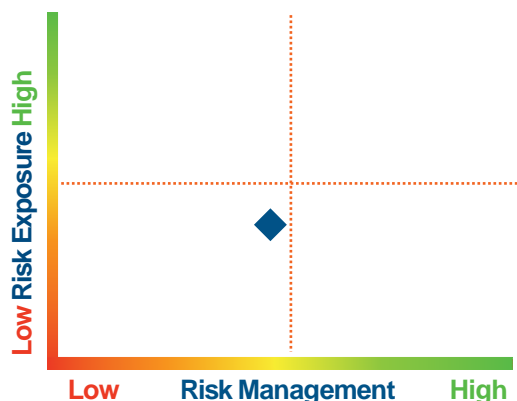


Recommendation:

The focus on COEs is expected to lead to enhanced case mix, and thereby a superior margin profile. As occupancy levels improve to optimal levels, such case mix changes and improvements will ensure that top-line growth and quality of revenue are fully protected

Risk Dimension Analysis: Crime and Security

Risk Exposure Score: 42.0
Risk Management Score: 49.6



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

- Healthcare delivery sector has a robust risk management framework to identify, monitor and minimize risks.
- The managements reviews risks and mitigation including scrutinizing cyber and workforce security on regular basis.
- They also have a strong grievance redressal system for child labour, forced labor, involuntary labour and sexual harassment.

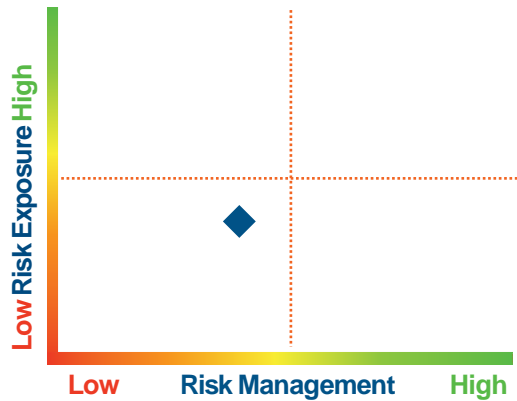


Recommendation:

The companies could invest more in cybercrime and women security to display an emphasis on prevention of such incidents and strategically focus the cybercrime and women security training on appropriate personnel

Risk Dimension Analysis: Natural Hazard and Event

Risk Exposure Score: 41.2
Risk Management Score: 44.4



Natural hazards pose limited risks to the chemical industry

- The healthcare industry did not experience any major losses over the past few years, and was largely spared from natural disasters in India
- The potential impact of natural disasters on healthcare operations and the supply chain would be limited

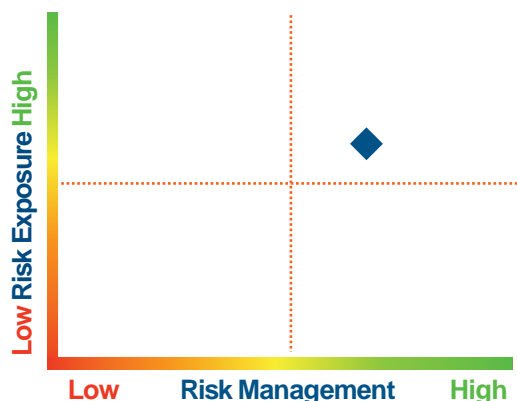


Recommendation:

The company could mandate all of its units to undertake rigorous testing of probability of Natural hazards, Physical hazards, Bio-hazards, Electrical hazards, etc.

Risk Dimension Analysis: Emerging Risk

Risk Exposure Score: 54.1
Risk Management Score: 60.4



M&A is a growing trend across the chemical industry to garner a higher market share

- The healthcare sector faces high project risk and risk related to volatility in commodity prices.
- 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.



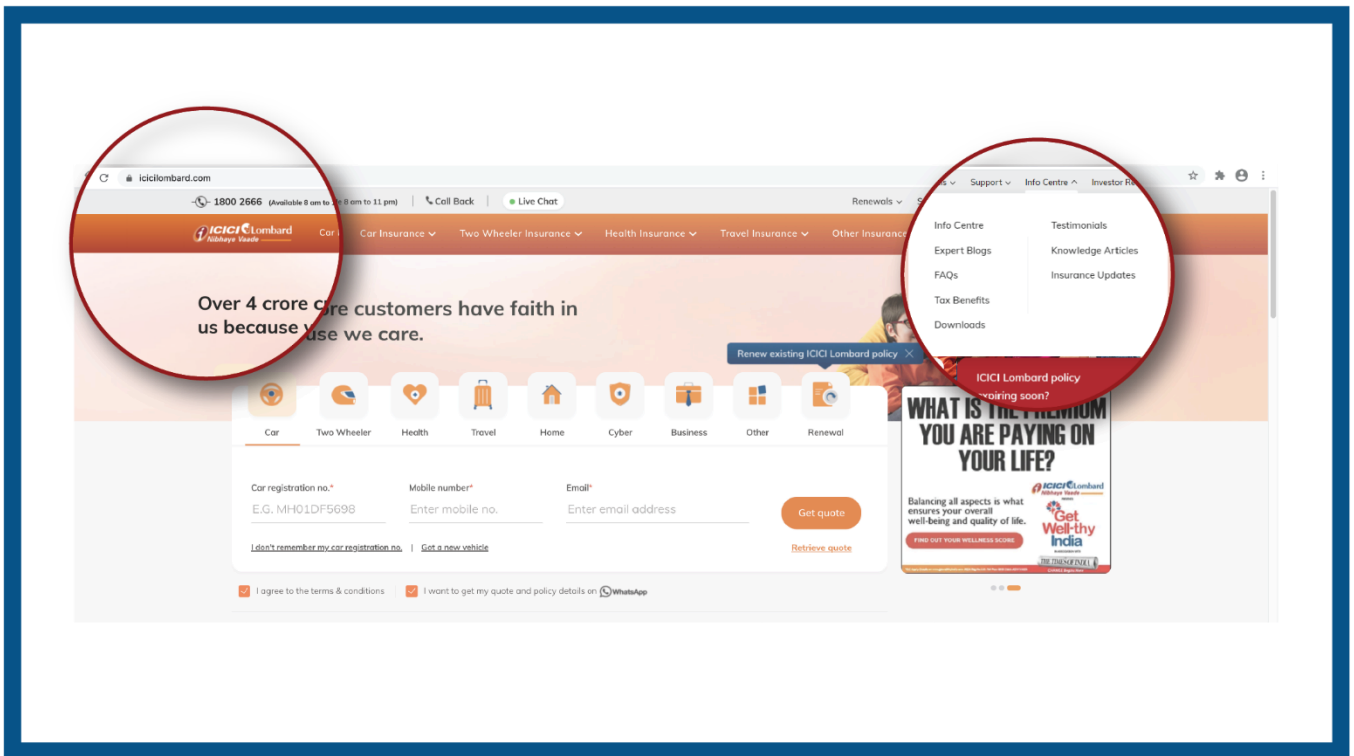
Recommendation:

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



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