



Sector: Telecom, Media and Communication

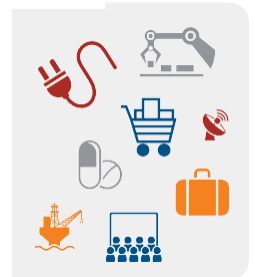


ICICI Lombard Corporate India Risk Index - Introduction

- 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

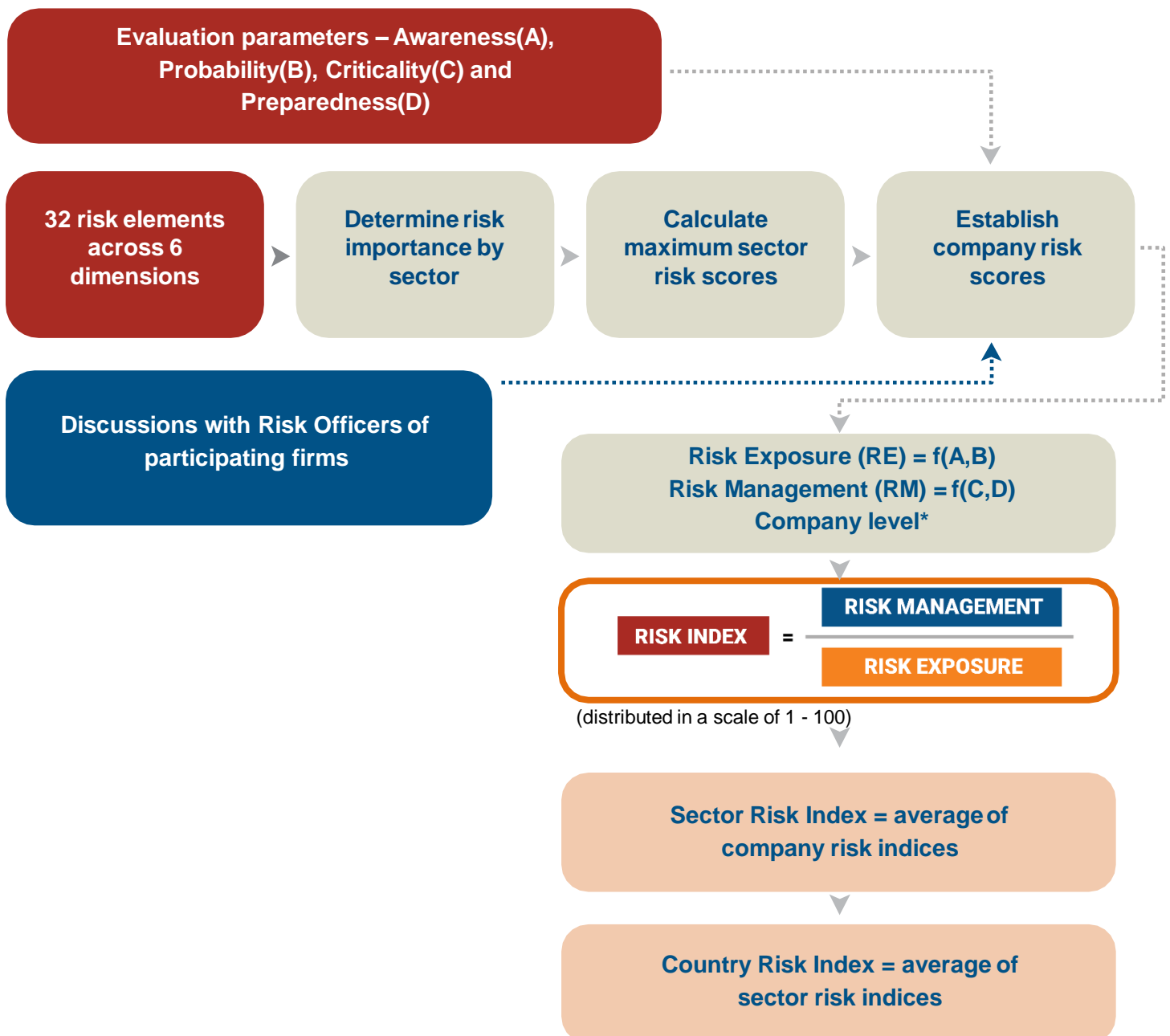
Emerging



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

Telecom, Media & Communication Sector Risk Profile

Risk Exposure Score: 64
Risk Management Score: 64

Risk Index
60

Telecom, Media & Communication Sector Risk Index - Six Risk Dimensions

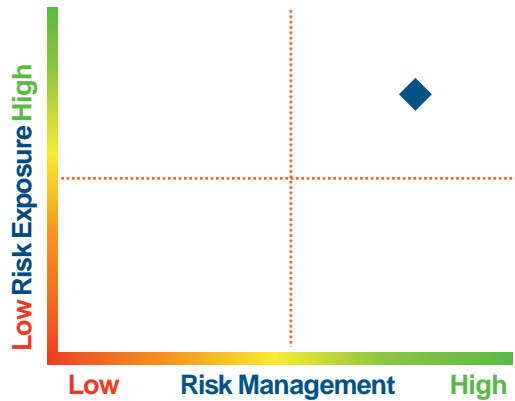


The Telecom, Media & Communication sector’s Risk Exposure score is 64 mainly due to its high exposure to Operational risk and Market & Economic conditions. While the Risk Exposure of most companies is majorly due to competition in the market, technological advancements in the industry and situation during pandemic.

The overall Risk Management score is 64; this indicates the need for companies to improve disruptive business models innovations triggered by emerging technologies, changes in the geopolitical landscape, natural disasters and pandemic situations and cyber breaches on a massive scale.

Risk Dimension Analysis: Market and Economy

Risk Exposure Score: 67.8
Risk Management Score: 73.3



Having a very competitive market and sustaining the market share is a challenge

- Inflation have a moderate risks, not affecting much and in line with the industry standard
- Regulatory risks is high, any change sin the regulations and policies directly affecting the working of the sector
- Foreign exchange fluctuation is having a huge impact as large amount of business is directly or indirectly dependent on it
- Geo political tension have a major impact on market and economy

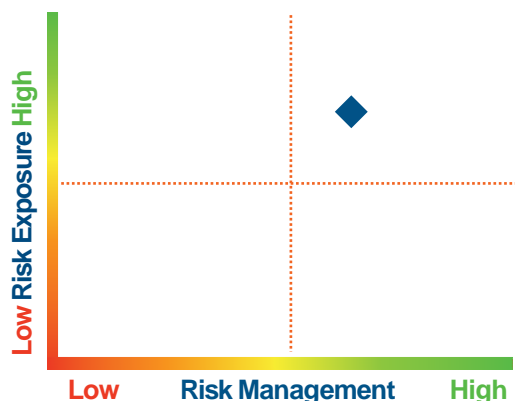


Recommendation:

Companies can focus on mitigating the regulatory risk, most important risk to be considered is foreign exchange risk.

Risk Dimension Analysis: Technology

Risk Exposure Score: 64.5
Risk Management Score: 60.1



Adaptation of advance technology and innovation is the need of the industry

- Innovation plays a very vital role in sustaining and improving in the industry whereby mitigating the risk
- Companies relying on Artificial intelligence, Big data, Virtual and Augmented reality, Cloud computing, etc.
- The rapid speed of disruptive innovations remains the top risk for the industries
- Rapid transition in the digital transformation across all the telecom and media sector making it one of the most accepted sector for technological advancement

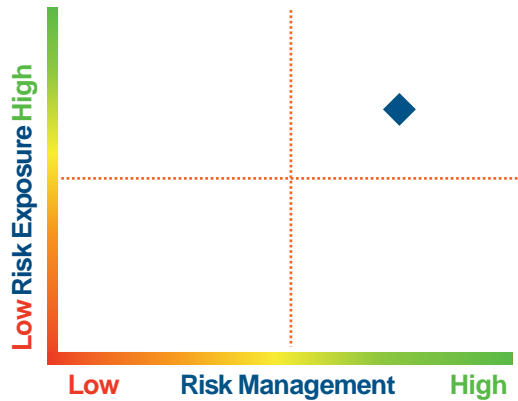


Recommendation:

The companies could introduce various digital technologies (AI, IoT, ML, etc.) for new use cases as well as to add value to the business. The companies could adopt models of risk analytics or advanced analytics to identify trends and patterns based on risk data.

Risk Dimension Analysis: Operational and Physical

Risk Exposure Score: 66.9
Risk Management Score: 71.1



Niche product segment with high customer concentration would be a concern area

- Many organization in the industry focusing intently on research, development and ongoing innovation
- Most have been facing the risk of disruptive innovations for years and are proactively changing business models and adjusting long-term strategies to avoid being disrupted
- Succession challenges and the ability to attract and retain talent goes hand-in-hand with broader corporate culture issues that remain key areas of focus for organizations
- Retaining talent and skill enhancement is a focus area for the industry

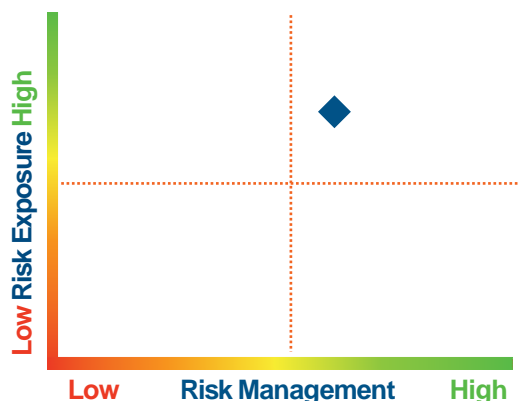


Recommendation:

The companies can focus on the areas to mitigate the risk of disruption in supply chain along with retention of talent and upgradation of skill sets as per the rapid changing and advancing technology

Risk Dimension Analysis: Crime and Security

Risk Exposure Score: 62.0
Risk Management Score: 58.3



Corruption, frauds and data theft are deterrent to the telecom, media and communication sector

- Ensuring privacy and identity management and information security/system protection remains a critical risk issue for the industry.
- As the industry is dealing with huge amount of data or information there is a high risk of Cyber crime, data theft, hacking, piracy
- Internal issues like fraud, corruption and malicious attack are also on a higher side and safeguarding them all is of paramount importance
- Counterfeiting of product / service is another major risk associated with the industry

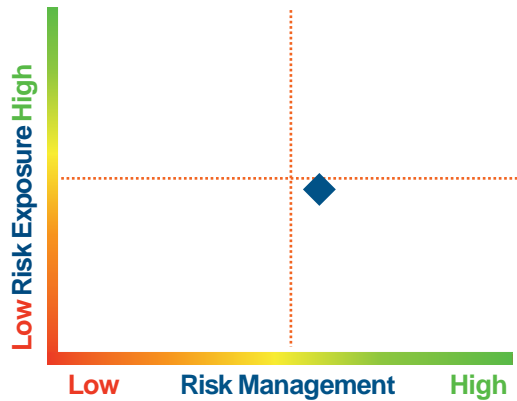


Recommendation:

The companies could implement a consistent Cyber Risk Management program; that involves periodic testing and improvement of controls through simulation.

Risk Dimension Analysis: Natural Hazard and Event

Risk Exposure Score: 49.4
Risk Management Score: 52.8



Natural hazards pose limited risks to the telecom and media industry

- The telecom, media and communication industry did experience some major losses over the past few years, and was largely spared from natural disasters in India
- Natural hazards affect the overall operations of the telecom business and leading to numerous issues to the consumers
- Pandemic has a devastating effect on all the industries and particularly to these industries wherein the entire mode of communication got disrupted

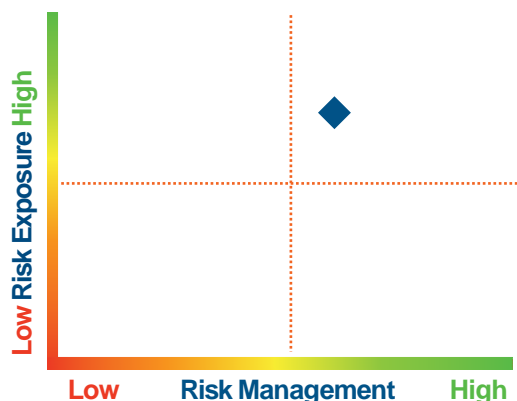


Recommendation:

The companies need to keep a track of natural hazards and risk associated with it. Infrastructure like towers and buildings can be safeguarded against the natural hazards and risk of pandemic like situation to be mitigated.

Risk Dimension Analysis: Emerging Risk

Risk Exposure Score: 60.7
Risk Management Score: 53.8



M&A is a growing trend across the telecom and media industry to garner a higher market share

- Mergers & Acquisitions have been playing a critical role in shaping the Indian telecom and media industry landscape in the past and are expected to continue doing so in the future
- Heavy dependence on due diligence and financial stability reduces the risk of failed / hostile ventures
- Growth and sustenance is majorly dependent on the strategic risk mitigation and transparency in the data along with public sentiments



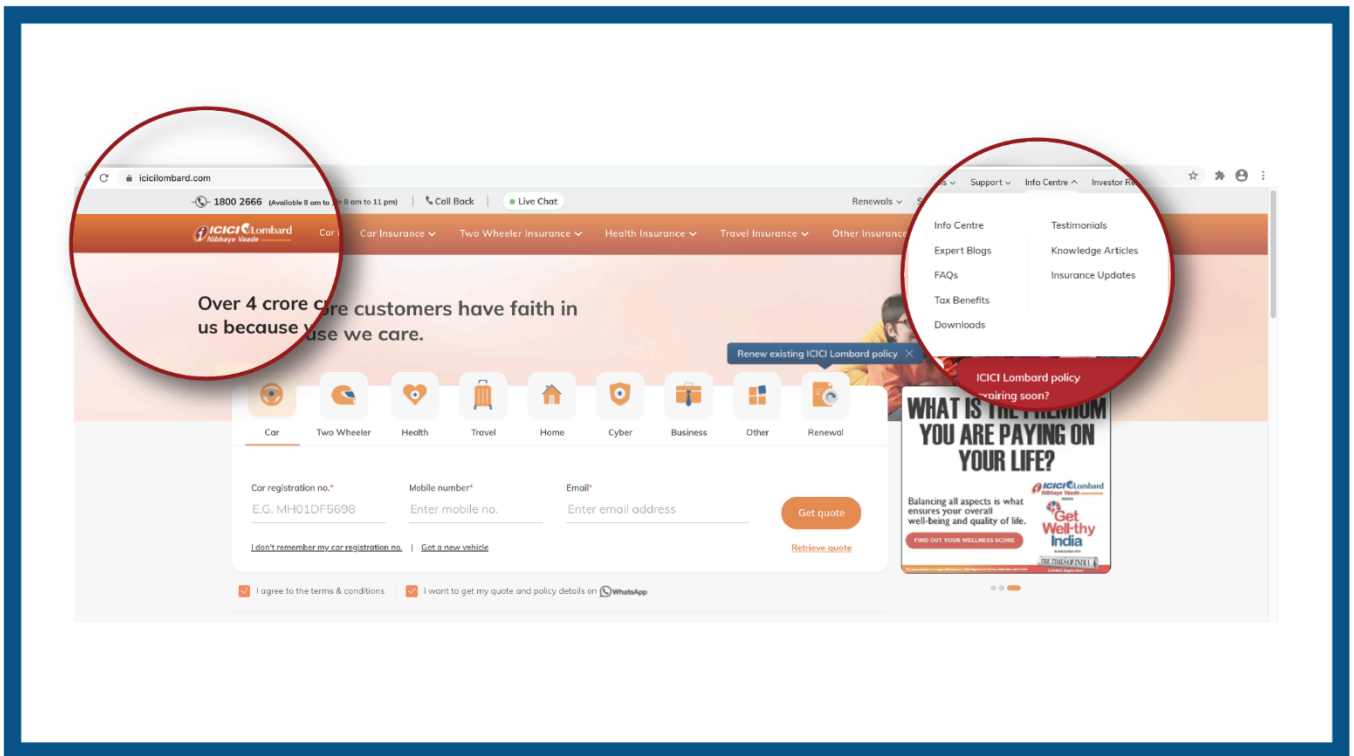
Recommendation:

The companies could evaluate the deal critically before entering into any JV or M&A. The companies could on-board an external financial organization or a consulting firm to undertake the due diligence and evaluate the financial feasibility study before the closure of any deal.



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