

**ICICI Lombard**  
*Nibhaye Vaade*



**CORPORATE INDIA  
RISK INDEX**

Intelligence partner **FROST & SULLIVAN**

## Sector: New Age



## 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

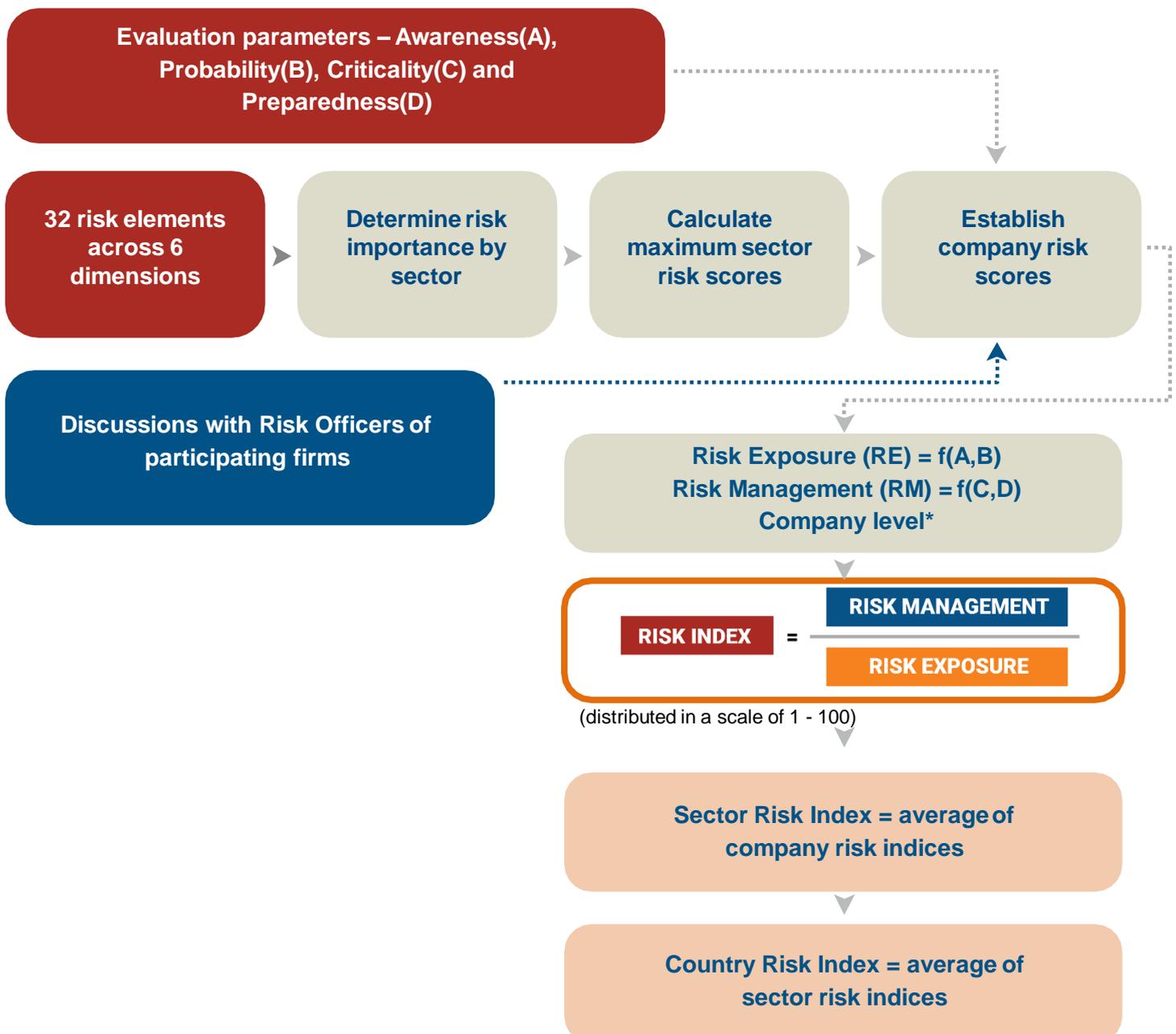
**Emerging**



## 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
<b>Overall Score</b>	<b>66</b>	<b>64</b>	<b>57</b>

## New Age Sector Risk Profile

**Risk Exposure Score: 65**  
**Risk Management Score: 62**

**Risk Index**  
**51**

### Sector Risk Index - Six Risk Dimensions



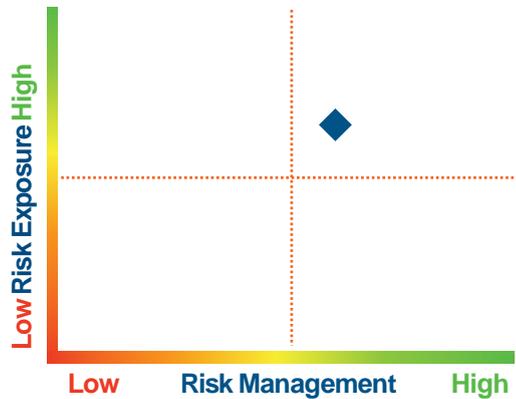
The Indian New Age sector’s Risk Exposure score is 64.8 mainly due to its high exposure to risks emanating from disruptive technologies and operational risks that these companies face.

With technological advancements coming in every day, it becomes imperative for these businesses to be on the lookout for new business models and having a sharp eye on competition to maintain competitive advantage.

The financing of these ventures depend on companies ability to scale up their user base and project a futuristic business model focusing on their core competencies.

## Risk Dimension Analysis: Market and Economy

**Risk Exposure Score: 64.2**  
**Risk Management Score: 56.8**



### Rapidly evolving and intense competition

- Companies across the sector faces intense competition from both niche and players with large pockets of cash to fund their aggressive expansions
- Foreign portfolio investors have taken interest in many of the companies and many strategic alliances have taken shape in the ecosystem
- Governments push towards ease of doing business and promoting private sector innovation augurs well for the sector
- Companies however need to work on improving risk management practices as newer threats emerge on the horizon

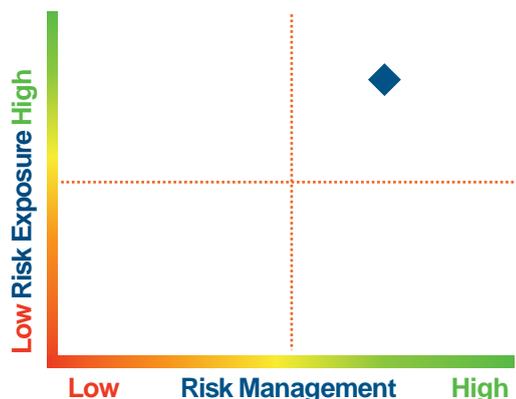


### Recommendation:

Companies could look at keeping a watch on the changes in regulatory landscape as shortcomings would attract intense scrutiny due to the competition. Market trends, customer behavior and fads should be monitored and responses tailored accordingly.

## Risk Dimension Analysis: Technology

**Risk Exposure Score: 74.2**  
**Risk Management Score: 70.6**



### Cutting edge technology and innovation is the backbone of the sector

- Machine Learning and rule-based algorithms execute most of the tasks across multiple lines of the companies, thereby reducing human intervention and employee expenses
- Customer adoption of mobile platforms remains increasingly critical as more users continue to adopt mobile platforms.
- Ease of use, look and feel and comprehensive functionality would be key
- Many of these companies depend on 3<sup>rd</sup> party infrastructure for some of their service lines

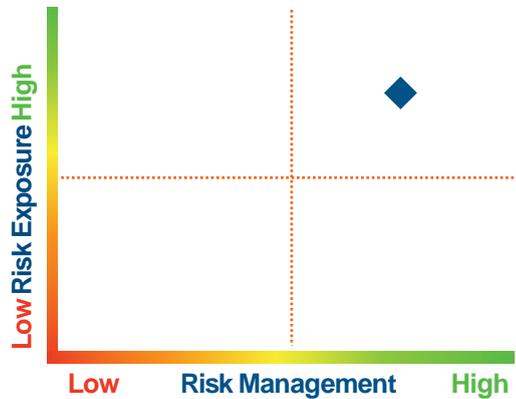


### Recommendation:

Companies should look at incurring more investments in Artificial Intelligence, Machine Learning tools and usage of cloud platforms to help in handling high transaction volumes and meeting their needs without incurring substantial costs.

## Risk Dimension Analysis: Operational and Physical

**Risk Exposure Score: 64.8**  
**Risk Management Score: 67.8**



**Content and availability of choices remains key to long term success**

- Scalability of offerings across different domains of the consumer segments has been key for most of the players
- Very short downtimes in system can become recipe for losses and reputational damage
- Security, functionality and stability of online order platform remain vital for operations. Customers prefer to use these companies as online delivery for services has become more convenient

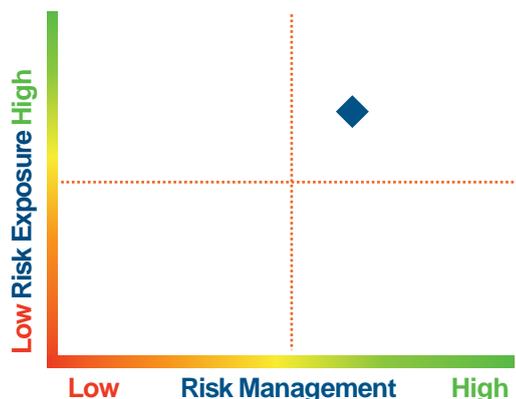


### Recommendation:

Driving future growth would mean entering new regions and introduction of new concepts and product capabilities for the companies. The key area to watch would be companies ability to obtain fresh funding from investors and attract top talent into its fold as talent retention would be key.

## Risk Dimension Analysis: Crime and Security

**Risk Exposure Score: 60.3**  
**Risk Management Score: 57.3**



**Corruption & frauds a major deterrent in the sector**

- E-commerce companies have been increasingly facing the issues of online scams and frauds
- Suspicious promotional messages in the form of discounts/offers have exposed the customers to fraudsters
- Leaking of confidential user data in the dark web has raised concerns about the security systems and apprehensions about collection of user data among the user base

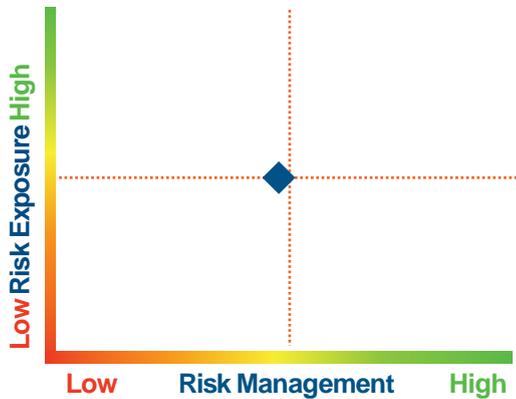


### Recommendation:

Companies should focus on working in close partnerships with governments and regulatory authorities to plug gaps in data collection and storage policies. Internal control systems should be continuously optimized to identify and mitigate risks.

## Risk Dimension Analysis: Natural Hazard and Event

**Risk Exposure Score: 50.8**  
**Risk Management Score: 49.8**



### Operations susceptible to natural hazards

- Disruptions from natural hazards and pandemics pose indirect threat to companies business operations
- The pandemic saw several companies facing issues like stock-outs and low bandwidths in the initial days of the lockdown
- In future, buyers may not prefer to visit the platform owing to lack of choices further aggravating the negative cycle
- Companies have improved their engagements with suppliers and 3rd party providers, which will hold them in good stead for the future

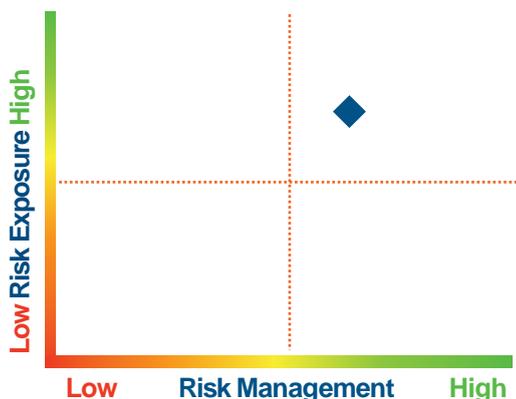


### Recommendation:

To mitigate the impact of pandemics such as COVID, insurance policy must be updated to assess the likelihood of other rare disasters. Mapping of areas prone to disasters must be co-ordinated with service partners to mitigate risks. Environment sustainability practices could be shored up by companies

## Risk Dimension Analysis: Emerging Risk

**Risk Exposure Score: 66.8**  
**Risk Management Score: 58.6**



### Acquisitions and strategic partnerships key to growth momentum

- Companies in the sector faces risks in terms of its scale of their strategies as user base expansions happens with increasing Internet penetration
- Companies will need to invest in technologies and make strategic acquisitions and partnerships to stay ahead of the curve.
- Companies could look at leveraging sister companies from their investors' company portfolio to devise future strategies and tap into new markets for growth



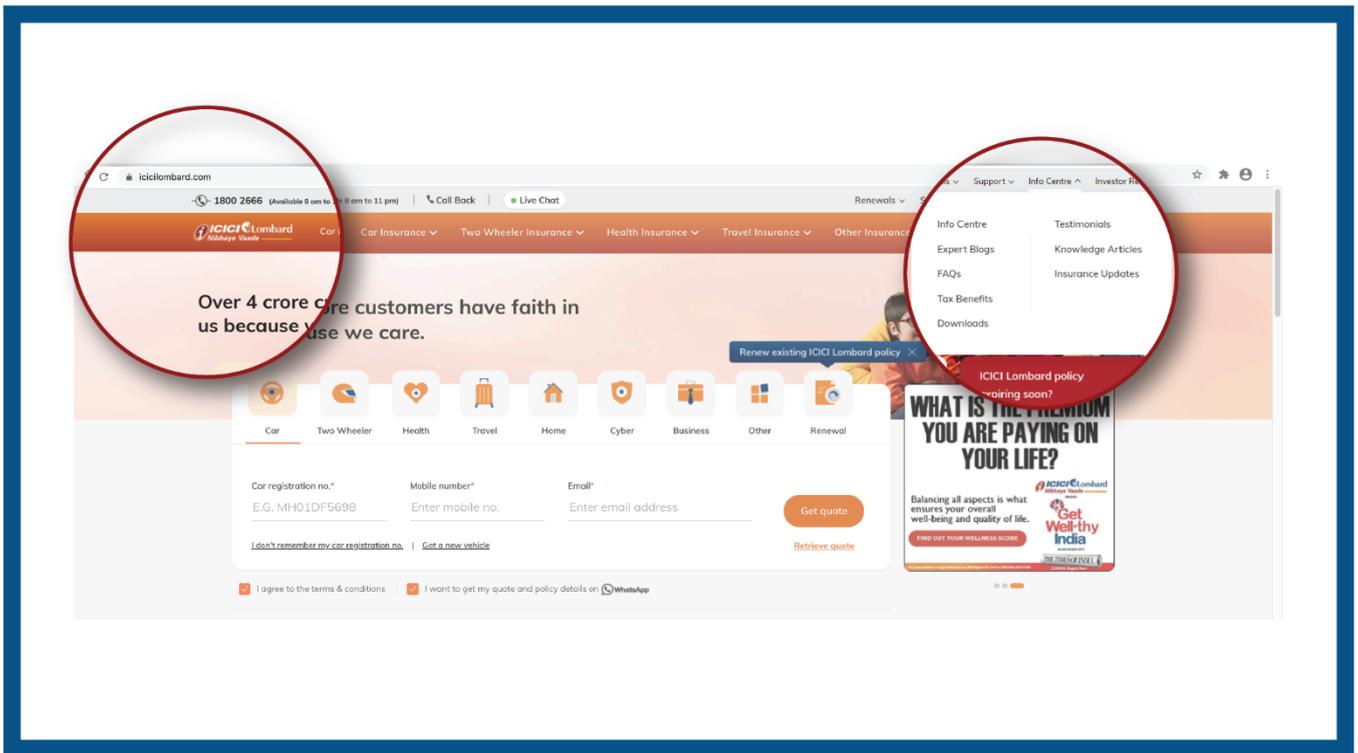
### Recommendation:

Companies could look at setting performance standards for 3rd party service providers and conduct reviews periodically. Effective Search Engine Optimization tools could be employed to improve brand recognition and online visibility.



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**Please send a mail to [riskindex@icicilombard.com](mailto:riskindex@icicilombard.com) to know more about ICICI Lombard Corporate India Risk Index**



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