

**ICICI Lombard**  
*Nibhaye Vaade*



**CORPORATE INDIA  
RISK INDEX**

Intelligence partner **FROST & SULLIVAN**

## Sector: Metals and Mining

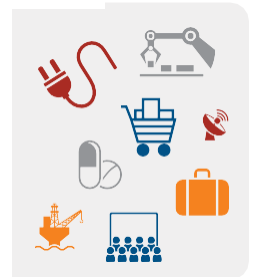


## ICICI Lombard Corporate India Risk Index - Introduction

- 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

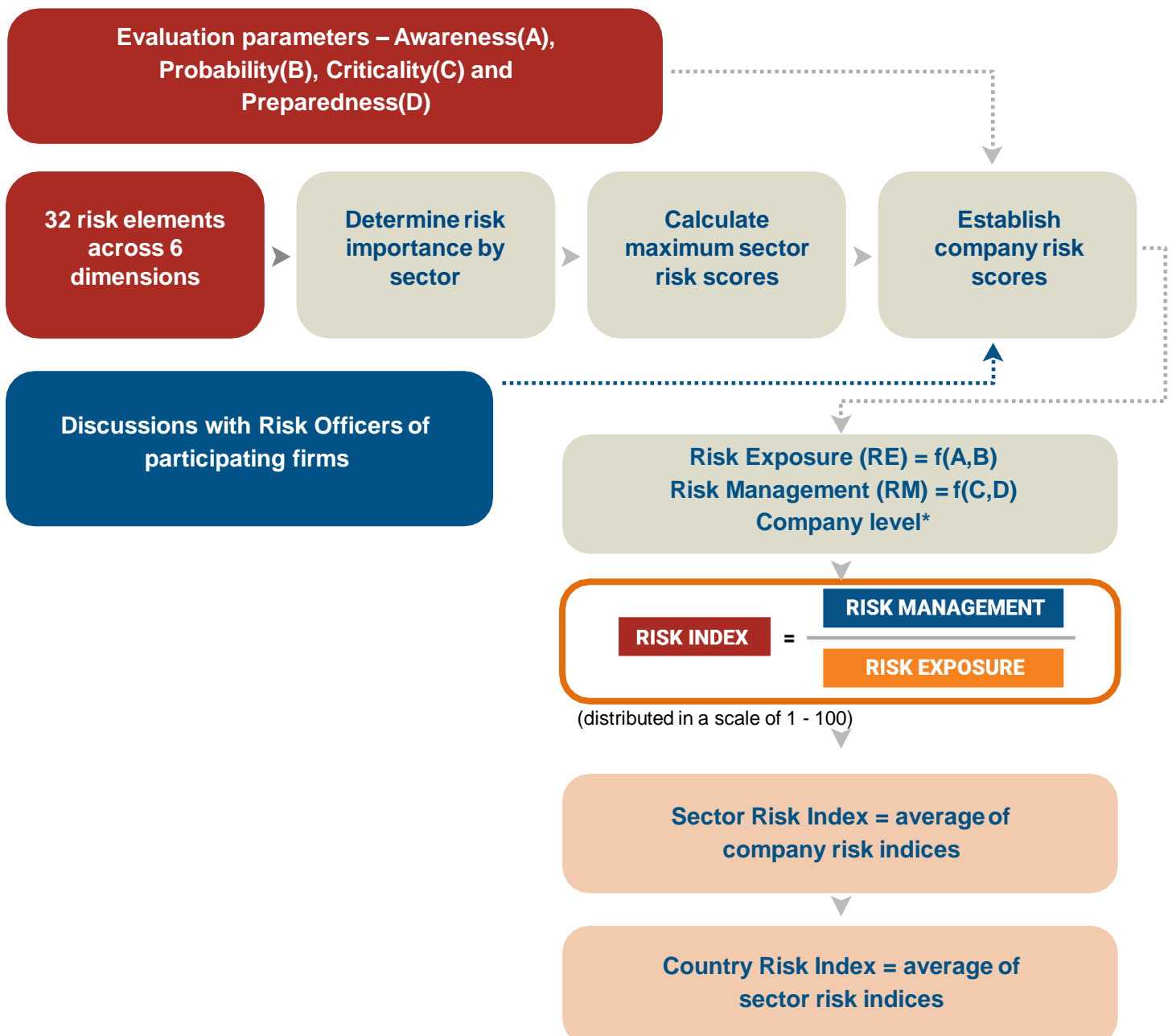
Emerging



## 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

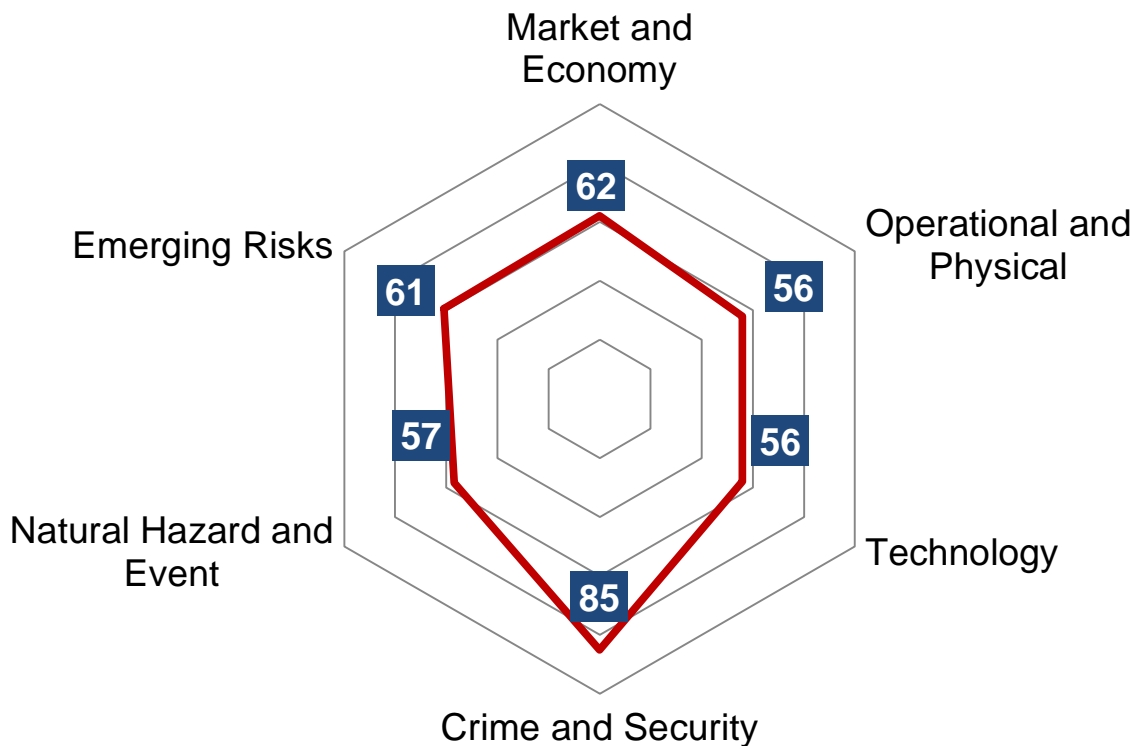
Sectors	Risk Exposure	Risk Management	Risk Index
Automotive	72	72	59
Chemicals	68	66	55
Pharma	69	65	52
New-Age	65	61	51
Energy	69	66	52
Manufacturing	65	64	57
Metals and Mining	54	54	60
Realty and Infra	63	62	57
Hospitality	68	64	50
FMCG	72	69	54
Logistics	71	65	47
Healthcare	55	59	70
IT-ITES	57	58	64
BFSI	73	76	65
Media-Telecommunication	64	64	60
<b>Overall Score</b>	<b>66</b>	<b>64</b>	<b>57</b>

## Metals & Mining Sector Risk Profile

**Risk Exposure Score: 54**  
**Risk Management Score: 54**

**Risk Index**  
**60**

### Sector Risk Index - Six Risk Dimensions

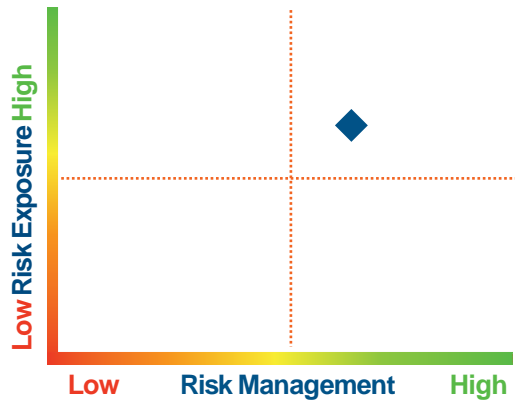


The Indian Metals & Mining sector’s Risk Exposure score is 54 mainly due to its high exposure to Operational risk and Market & Economic conditions. While the Risk Exposure of most companies is majorly due to internal factors, the external factors have a limited impact on the business performance.

The overall Risk Management score is 54 this indicates that the companies recognize the impact of Risk Management and are currently working towards improvising Risk Mitigation practices especially the risks associated with Regulation, Machinery breakdown & accidents, Supply chain risk, & environmental hazards.

## Risk Dimension Analysis: Market and Economy

**Risk Exposure Score: 58.6**  
**Risk Management Score: 59.3**



**Metals & Mining sector is highly exposed to foreign exchange risk & Regulatory risks**

- Heavy dependence on trade resulting in forex fluctuation risk; this can be managed through hedging which has been undertaken by only a few companies with others depending on natural hedges
- Geo-political tension has a low impact as business continuity is indirectly dependent on political issues
- Due to high levels of regulations in India with regards disposal of waste & environmental hazards linked to the Metals & Mining sector, regulatory risk management is a crucial area

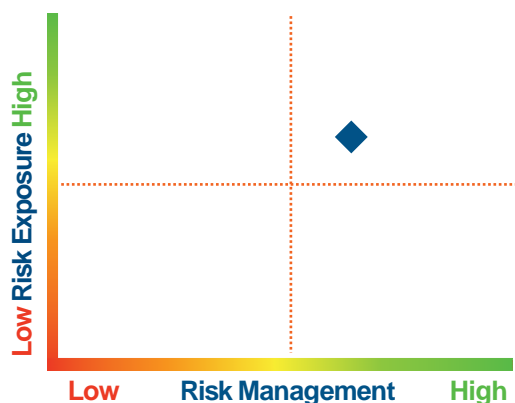


### Recommendation:

The companies could incorporate a targeted foreign exchange hedging strategies involving Futures, Currency swaps, Options as well as commodity hedging techniques. Further having a sustainable view point towards waste disposal in line with the regulatory framework.

## Risk Dimension Analysis: Technology

**Risk Exposure Score: 56.3**  
**Risk Management Score: 55.1**



**Investing in various research & development to advance their current production & utilization to the optimal extent possible. Digitalization driven by knowledge intensive products can limit innovation risk**

- Unique and patented technologies/ processes reduce the chances of technology obsolescence and limit the risk exposure
- Technological Advancement to such an extent such that incorporating energy and environment management including increased use of renewable energy in the plants can help sustainable technology driven focus

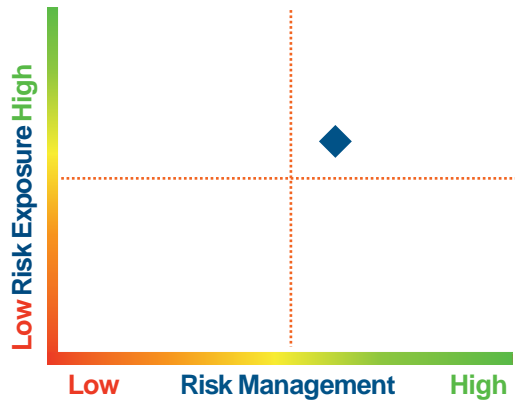


### Recommendation:

The company could hire external experts to evaluate the current positioning & industry trends to heighten the level of digital transformation. The companies could introduce various digital technologies (AI, IoT, ML, etc.) in line with sustainable environmental framework as well as better machinery utilization to reduce redundancies.

## Risk Dimension Analysis: Operational and Physical

**Risk Exposure Score: 59.4**  
**Risk Management Score: 58.1**



The sector is exposed to high amounts of Operational risk, with environmental Hazard & workplace accidents being key drivers of risk.

- Most of the companies have a well defined health & safety management processes in place
- Companies focus needs to be on a risk management framework considering identifying environmental vulnerabilities related to climate change , water availability, waste disposal & extreme weather events. With plans to minimize impacts on the environment and mitigate environmental risks
- In the event of adverse commodity price movements, the companies are exposed to adverse market circumstances and price volatility risk

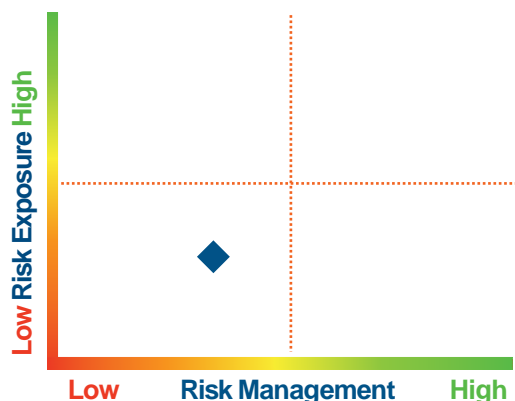


### Recommendation:

The companies could focus on including a comprehensive crisis management program with guidance from expert agencies, could be implemented at each of the operational locations to avoid any fatal incidents.

## Risk Dimension Analysis: Crime and Security

**Risk Exposure Score: 29.9**  
**Risk Management Score: 34.2**



Corruption & frauds not a major deterrent to the metals & mining sector.

- The sector experiences low levels of corruption and security concerns
- Most companies have strong Whistleblower Policies & vigil mechanism for employees to report actual or suspected fraud or violation. Adequate safeguards are provided against victimization in place
- Metals & Mining are more of B2B products with lower presence of middle-men, thereby limiting the cases of Counterfeiting and posing a lower risk to the business



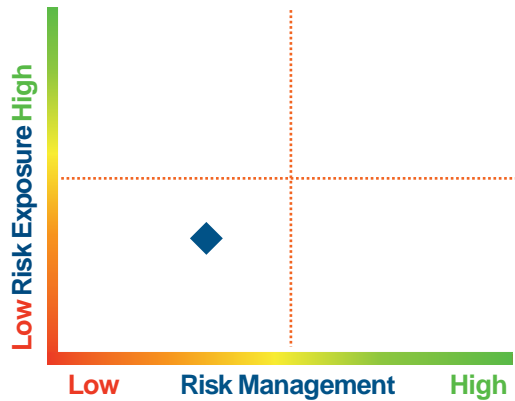
### Recommendation:

The companies could implement a consistent Cyber Risk Management programs. They could incorporate an implementation committee to overlook the selection and application of appropriate accounting policies & maintenance of adequate internal financial controls.



## Risk Dimension Analysis: Natural Hazard and Event

**Risk Exposure Score: 39.4**  
**Risk Management Score: 38.8**



Natural hazards pose limited risks to the metals & mining industry, however unprecedented events like the COVID-19 pandemic effected industry wide margins & liquidity

- The metals & mining industry in India did not experience any major losses over the past few years, and was largely spared from natural disasters
- The potential impact of natural disasters on manufacturing operations and the supply chain would be limited
- Small sized companies having weak infrastructure could have some level of liquidity impact & cash flow management issues.

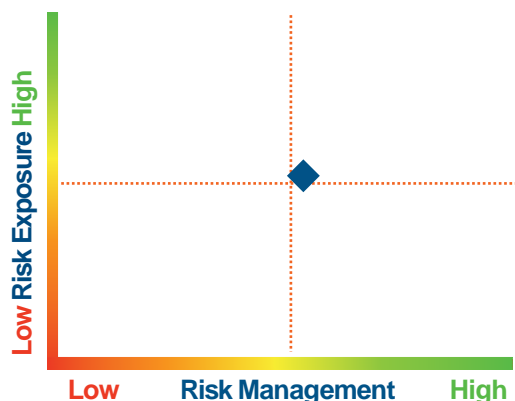


### Recommendation:

The companies could incorporate a crisis management program in association with the National Disaster Response Force (NDRF). Also allocate a contingency funds for emergency & unprecedented events to meet obligations & to ensure the availability of cash or collateral to fulfill those needs at the appropriate time.

## Risk Dimension Analysis: Emerging Risk

**Risk Exposure Score: 52.1**  
**Risk Management Score: 52.3**



This sector is exposed to high levels of public sentiment risk, Resource scarcity, overall capacity utilization & delay in project execution

- Delay in project implementation can impact revenue and profit greatly, hence the companies have emergency & contingency plans in place
- Risks like soaring commodity prices, unfavorable tax structure, infrastructure bottle-necks, retaining talent & unprecedented natural and man-made disasters & political/social turmoil which may affect the business still remain industry wide.



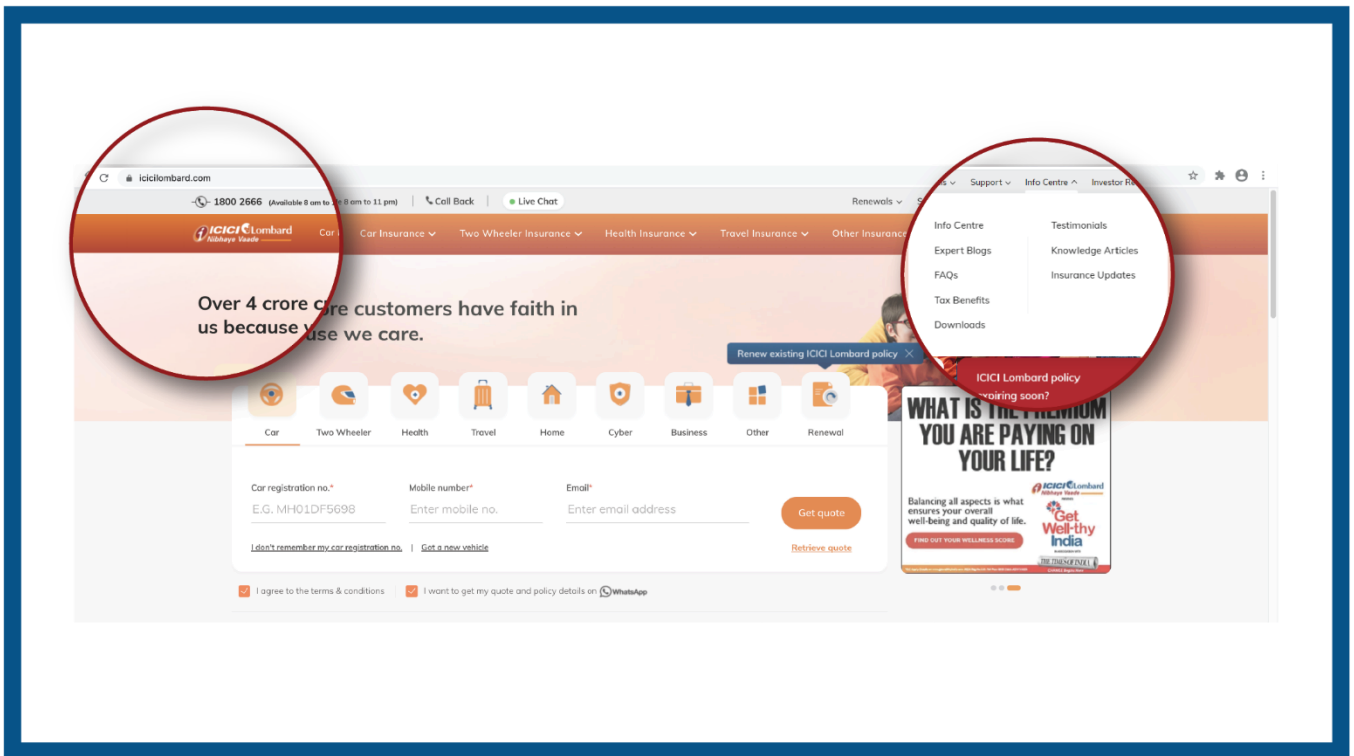
### Recommendation:

The companies could set up a process of risk identification and management at overall & unit levels. Planning for worst case scenarios & monitoring the action plans. Critical risks are escalated through existing reporting lines. They could implement Six Sigma principals & Total Quality Management as per Industry best practices.



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