



## Sector: Transportation and Logistics

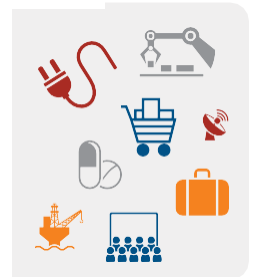


## ICICI Lombard Corporate India Risk Index - Introduction

- 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**

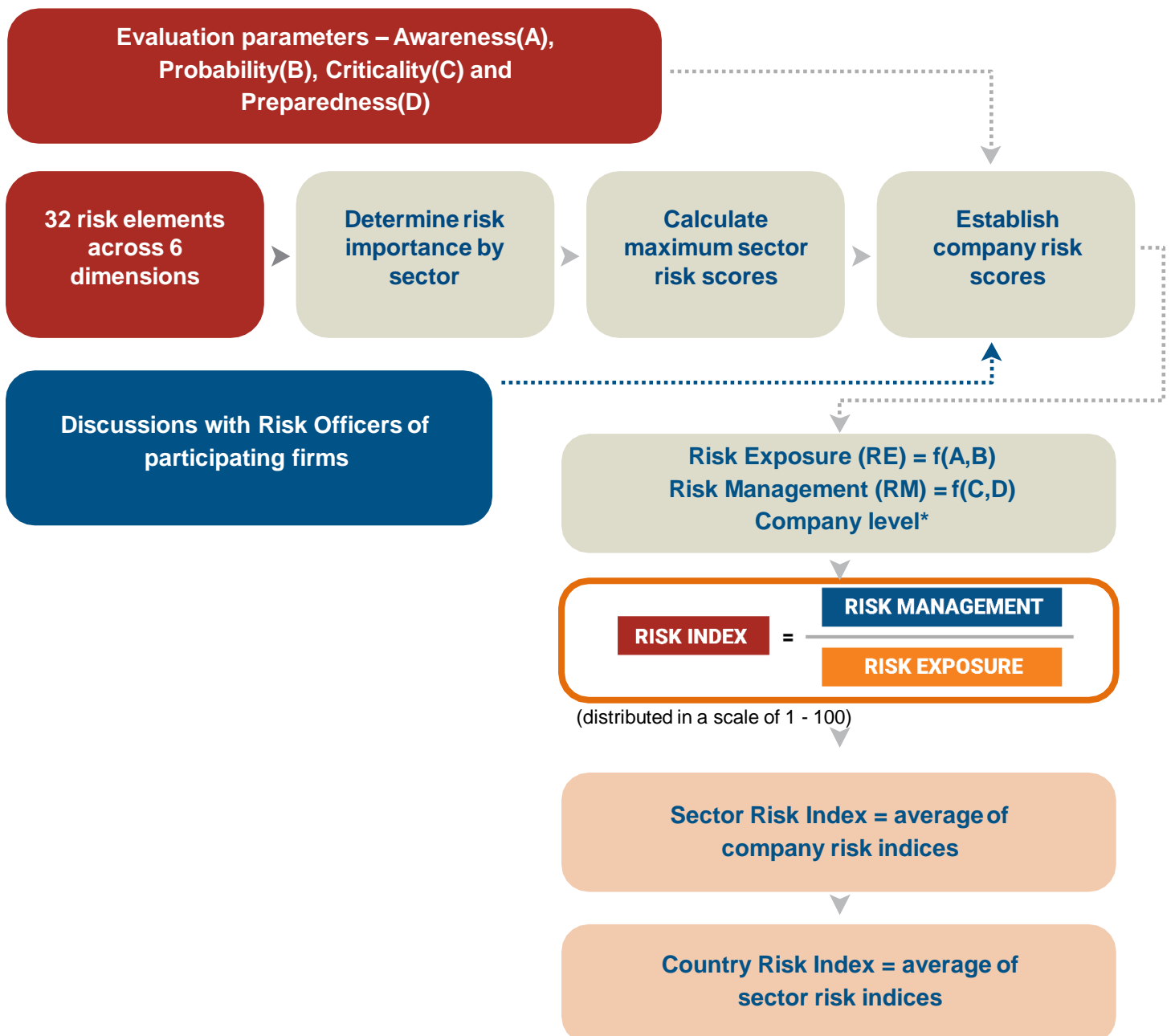
- Resources scarcity and/or misutilization
- Public sentiment
- Failed/Hostile M&A

**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

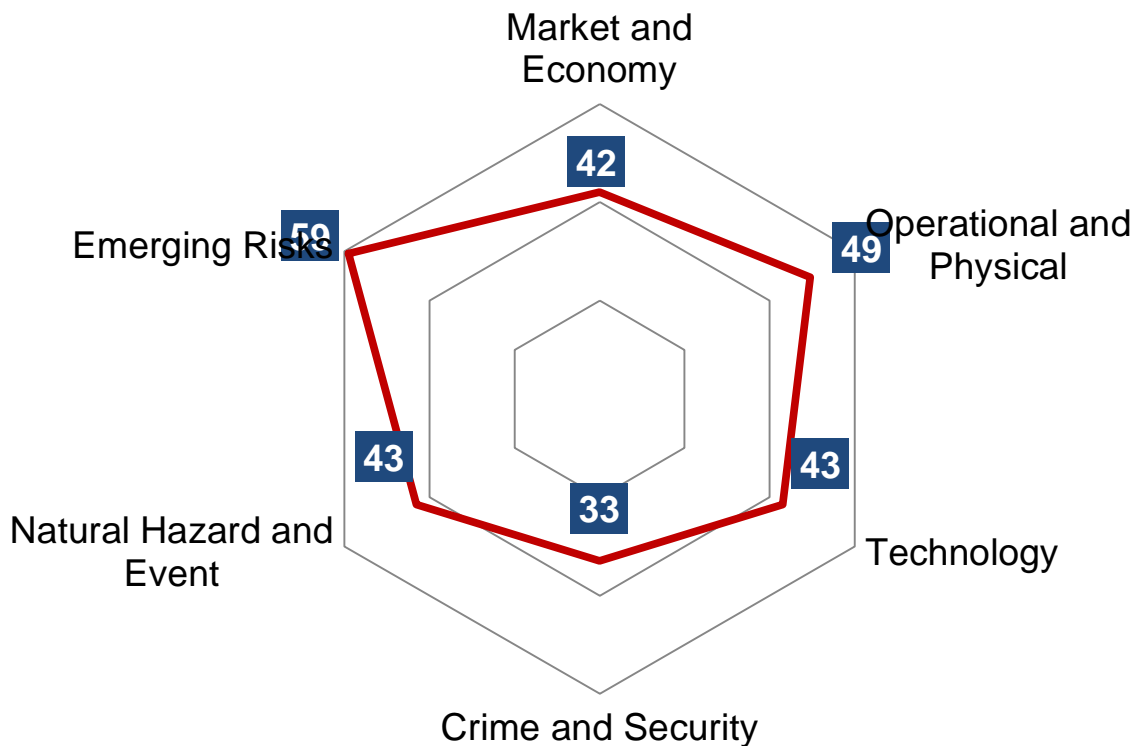
| Sectors                 | Risk Exposure | Risk Management | Risk Index |
|-------------------------|---------------|-----------------|------------|
| Automotive              | 72            | 72              | 59         |
| Chemicals               | 68            | 66              | 55         |
| 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>  |

## Transportation and Logistics Sector Risk Profile

**Risk Exposure Score: 71**  
**Risk Management Score: 65**

**Risk Index**  
**47**

### Sector Risk Index - Six Risk Dimensions

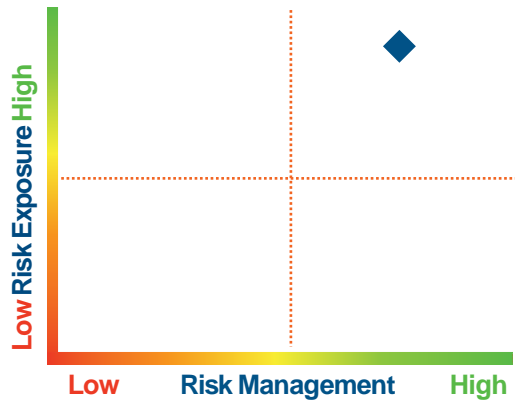


The Indian Logistics and Transportation sector’s Risk Exposure score is 71 mainly due to its high exposure to Operational risk and Market & Economic conditions. While the Risk Exposure of most companies is majorly due to internal factors, the external factors have a limited impact on the business performance.

The overall Risk Management score is 65; this indicates the need for companies to improve their Operational Risk Management practices especially the risks associated with natural hazards, weather conditions and regulatory policies

## Risk Dimension Analysis: Market and Economy

**Risk Exposure Score: 75**  
**Risk Management Score: 68**



**High competitive intensity and regulatory risks, leading to high market risk**

- High competition between the players in a highly fragmented environment
- Risks arising out of latest rules given out by The Ministry of Road Transport & Highways in terms of restricted and dangerous good transport regulations, general regulations etc.
- Companies spread over a significant number of geographies dealing in different types of currencies and face the risk of financial losses due to unfavourable movements in currencies

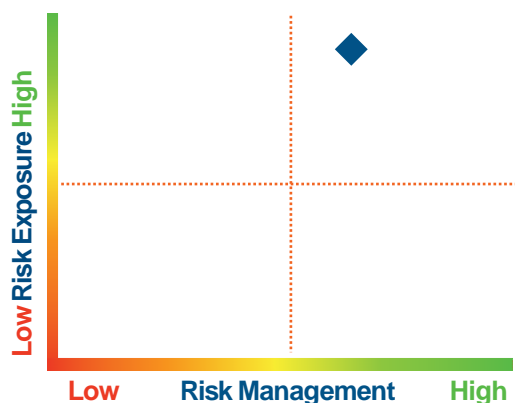


### Recommendation:

In terms of sectoral exposure, companies should strategically diversify their business offerings in order to cater to diverse sectors. As a result of prudent risk management practices, company's revenue and profitability grow in secular manner are free from volatility

## Risk Dimension Analysis: Technology

**Risk Exposure Score: 71**  
**Risk Management Score: 64**



**Changing business environment due to advancement in tech**

- Innovation is the key to success in all the industries. Risk of redundancy and losing out to competition due to poor R&D is a major concern.
- Latest technology that are disrupting the landscape with IOT, Platooning etc., which pose a risk to the industry
- Hardware failure refers to malfunctions within the electronic circuits or electromechanical components (disks, tapes) of a computer system;. Such failures lead to stoppage of entire computer or operating systems creating substantial losses to business.

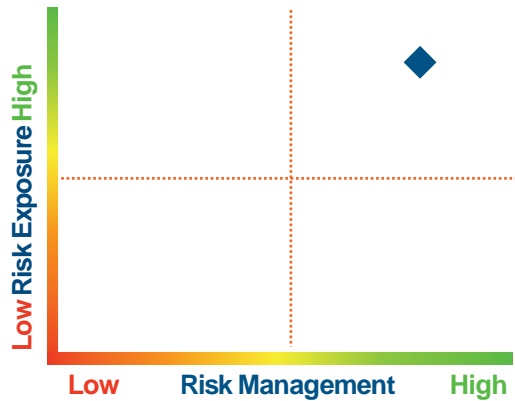


### Recommendation:

Adoption of advanced technology will aid in efficiency improvement and decrease the competitive risk for companies. With advancements in IoT adoption, artificial intelligence (AI) is expected to have significant impact on logistics operations in the long term with a shift from assisted to autonomous machine intelligence.

## Risk Dimension Analysis: Operational and Physical

**Risk Exposure Score: 72**  
**Risk Management Score: 67**



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

- Maintaining operational efficiency across verticals is a challenge in the logistics sector. Steady fluctuations in demand can interfere with functioning of business operations and disrupt growth.
- Many risks like goods in transit risk, threat of damage, pilferage / shrinkage or loss of cargo due to normal transit hazards and accidents or hijacking of trucks or force majeure are the prevalent issues

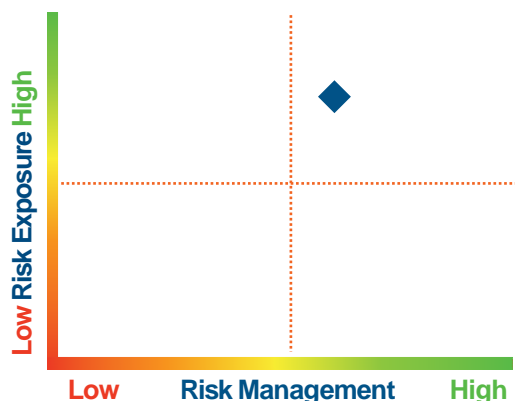


### Recommendation:

Despite utilization of the most economical means of transport available, if high costs persist, the emphasis should be on reducing the costs by improving the system's performance and usage. Companies must focus on improving overall productivity in the provision of supply chain services

## Risk Dimension Analysis: Crime and Security

**Risk Exposure Score: 68**  
**Risk Management Score: 57**



**Sector is vulnerable to a range of cyber risks including thefts, misuse of personal data**

- Cyber attacks pose a threat. This is largely due to the technological advancements that link the internet of things (IoT) to supply chains and automation. The risk is spread across partners in the industry
- Most companies have strong Whistleblower Policies in place
- Non-compliance with legislation on bribery and corruption may lead to legal and reputational risks, extra costs, inefficiencies in the business and ultimately debarment from markets.



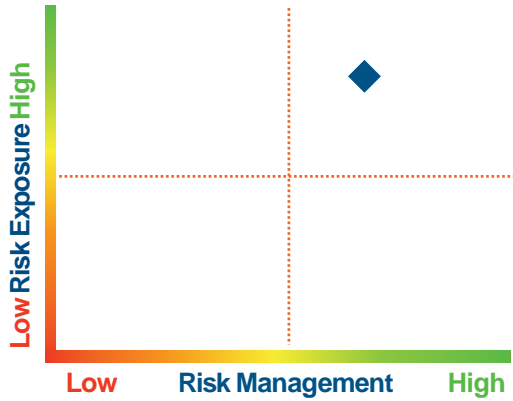
### Recommendation:

The companies should maintain a detailed Quality Audit program to ensure Compliance and Safety Standards are of the highest order. They should also have CCTV surveillance in all sorting centers and main pickup and delivery locations



## Risk Dimension Analysis: Natural Hazard and Event

**Risk Exposure Score: 74**  
**Risk Management Score: 67**



**Natural hazards pose extreme risks to the logistics industry**

- Physical impact of extreme weather events may cause temporary disruption to the operations as well as may affect the value of assets. Depletion of natural resources might impact the cost of acquisition of resources such as water and energy
- Risk to business owing to disruptions caused by COVID-19 pandemic and similar other global epidemic diseases also poses a significant threat to logistics sector

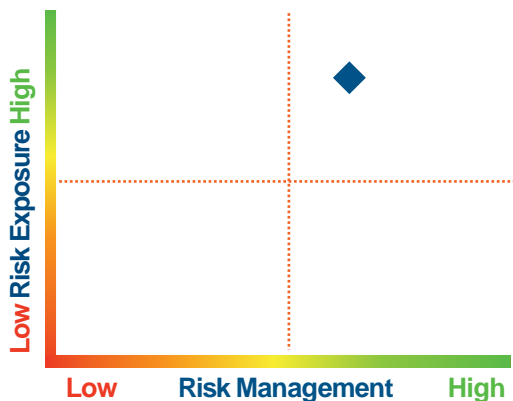


### Recommendation:

The companies need to keep a track of mandatory constructions recommended by the government at their infrastructure facilities and deploy a disaster management team along with a disaster relief program.

## Risk Dimension Analysis: Emerging Risk

**Risk Exposure Score: 65**  
**Risk Management Score: 64**



**Labour shortage and financial risk posing the industry**

- Driver shortages continue to plague the transportation industry. Shortages have come about due to an aging population, increased demand from e-commerce growth and challenges acquiring new recruits
- Interest rate risk arising out of working capital borrowings at variable rates. Equity price fluctuations affect the Company's income or the value of its holdings of financial instruments



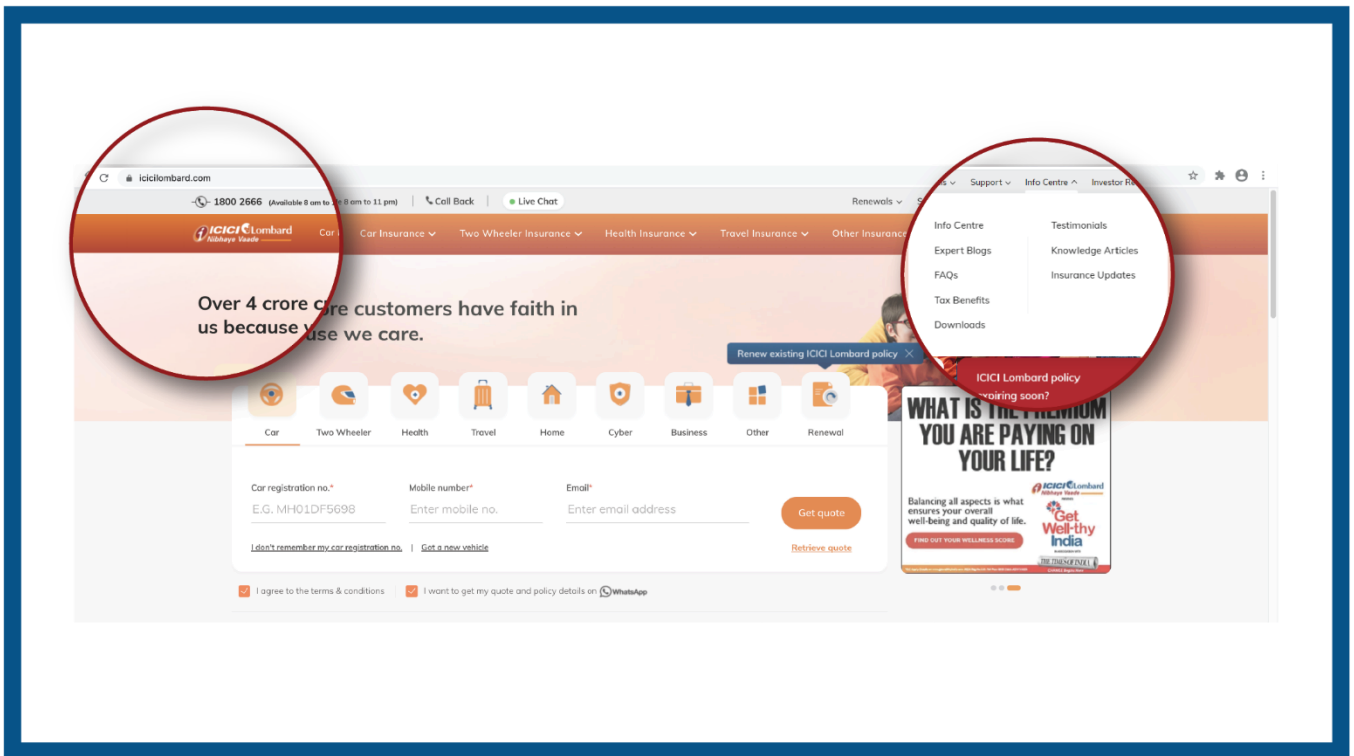
### Recommendation:

The companies should establish a chain of command that engages all functions and planning teams, and is directly responsible for creating a business continuity plan. This person or group can identify all possible disruptions to the company's operations, and determine how to quickly address these concerns



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