

ICICI Lombard
Nibhaye Vaade

**CORPORATE INDIA
RISK INDEX**
2021

Intelligence partner

FROST & SULLIVAN



ICICI Lombard Corporate India Risk Index

Introduction

- ICICI Lombard Corporate India Risk Index is a one of its kind, unified, credible, standardised corporate Risk Index that spans over the country level, the industry level and the company level
- This is the 2nd Iteration of the Corporate India Risk Index which was started in 2021. This index maps the risks to a company on the basis of awareness, preparedness, probability and criticality.
- The Corporate India Risk Index for 2021 is based on published business performance reports, assessments, insights & collaborative inputs from key executives/ officials of 220 companies in India across 20 key sectors. It will help the companies understand the level of risk exposure and current level of risk management.

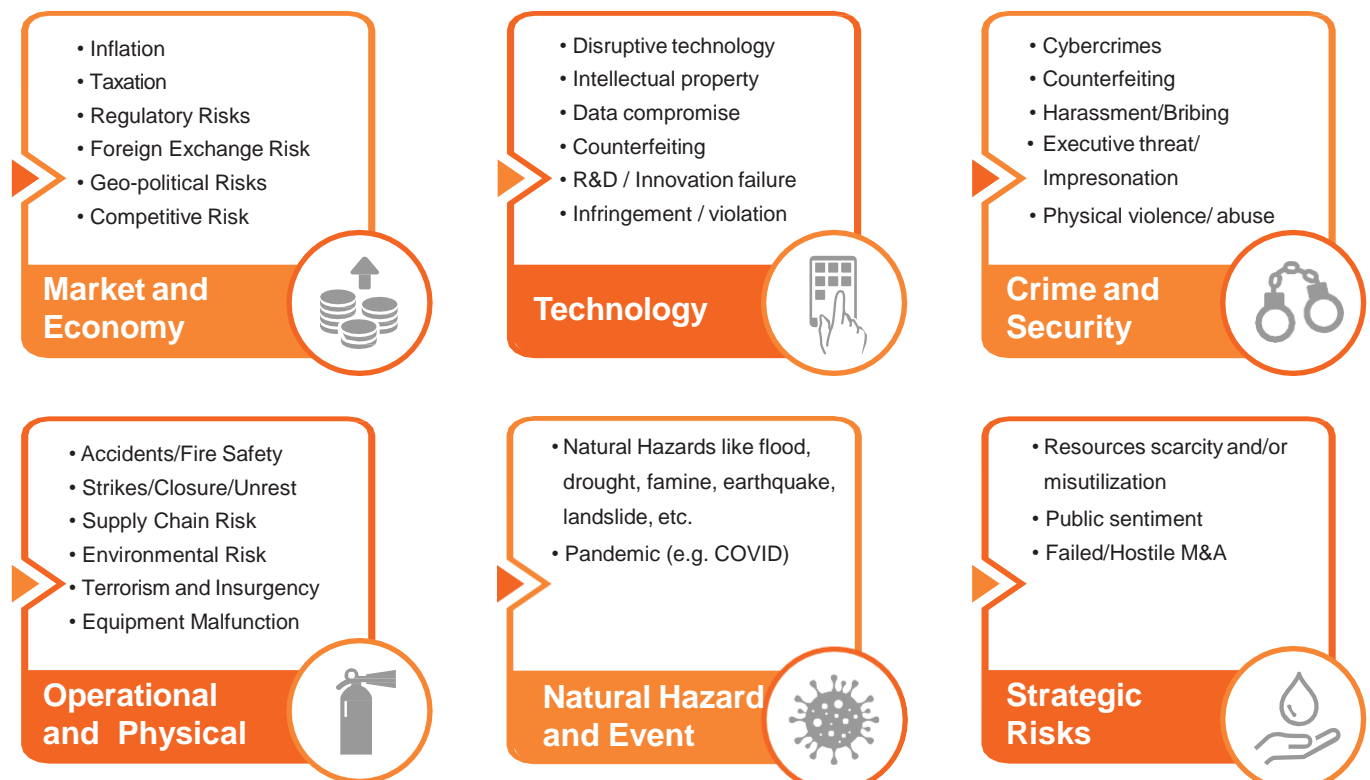
Comprehensive Sector Coverage

- Aerospace & Defense
- Agriculture & Food Processing*
- Automotive & Ancillary
- BFSI
- Biotech & Life sciences*
- Chemicals & Petrochemicals
- Education Skill Development*
- Energy
- FMCG
- Healthcare Delivery
- Infra & Realty
- IT/ITES
- Manufacturing
- Media & Gaming*
- Metals & Mining
- New Age & Startup
- Pharmaceuticals
- Telecom & Comm Tech*
- Tourism & Hospitality
- Transportation & Logistics

* New Sectors for ICICI Lombard Corporate India Risk Index 2021

Risk Framework

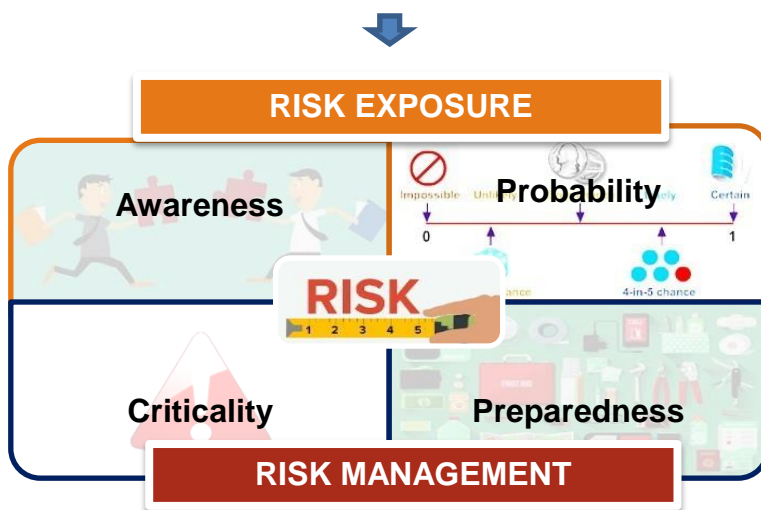
The ICICI Lombard Corporate India Risk Index Framework comprises of 32 risk elements across 6 broad dimensions:



ICICI Lombard Corporate India Risk Index – Approach



The Risk Framework comprises of 32 risk elements across 6 broad dimensions



The Corporate Risk Index for 2021 is based on published business performance reports, assessments, insights & collaborative inputs from key executives/officials of 220 companies in India across 20 key sectors.

The Risk Exposure and Risk Management is measured across 4 parameters.

$$\text{Risk Exposure (RE)} = f(\text{Awareness, Probability})$$

$$\text{Risk Management (RM)} = f(\text{Criticality, Preparedness})$$

$$\text{COMPANY RISK INDEX} = f(\text{Risk Management, Risk Exposure})$$

Sector Risk Index = average of company risk indices

Country Risk Index = average of sector risk indices

ICICI Lombard Corporate India Risk Exposure – Scale

Score	< 40	40 - 50	50 – 60	60 - 80	> 80
Category	Very Low Risk Exposure	Low Risk Exposure	Moderate Risk Exposure	High Risk Exposure	Very High Risk Exposure
	Has minimal exposure to overall risks and thus probability of a risk incident is very less.	Has low exposure to overall risks and its risk exposure is within acceptable tolerable limits.	The corporate is able to balance the impact of moderate exposure to overall risks up to a certain extent.	The risk exposure and its impact is very high in the industry in which the corporate operates.	Unable to foresee risk incidents, the probability of these incidents and quantified business loss may be extremely high.

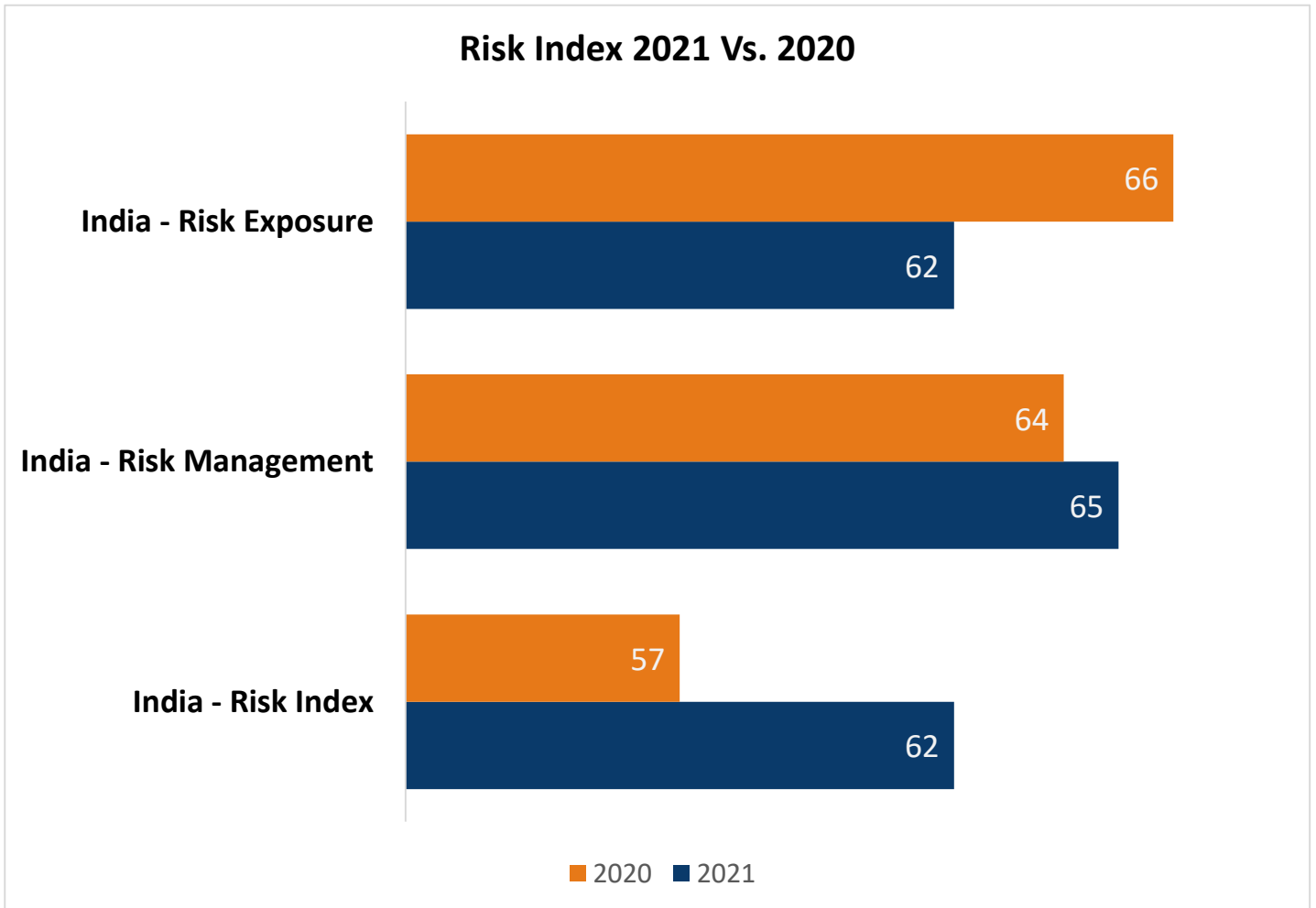
ICICI Lombard Corporate Risk Management – Scale

Score	< 40	40 - 50	50 – 70	70 - 80	> 80
Category	Poor Risk Management	Below Par Risk Management	Acceptable Risk Management	Superior Risk Management	Exemplary Risk Management
	Unable to understand the concept of Risk management and reactive to overall risks that affect it.	Use of inefficient or legacy risk management practices which is reactive to newer or unknown risks.	The corporate is prepared to handle known risks and the criticality of its risks are not severe.	Top class risk management practices with its ability to manage dynamic risks as well as unknown risks.	Over prepared in Risk management practices, proactive to emerging risks with high investment in risk mitigation practices

ICICI Lombard Corporate Risk Index – Scale

Score	< 40	40 - 55	55 – 65	65 - 75	> 75
Category	Ineffective	Sub-optimal	Optimal	Superior	Over-prepared
	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

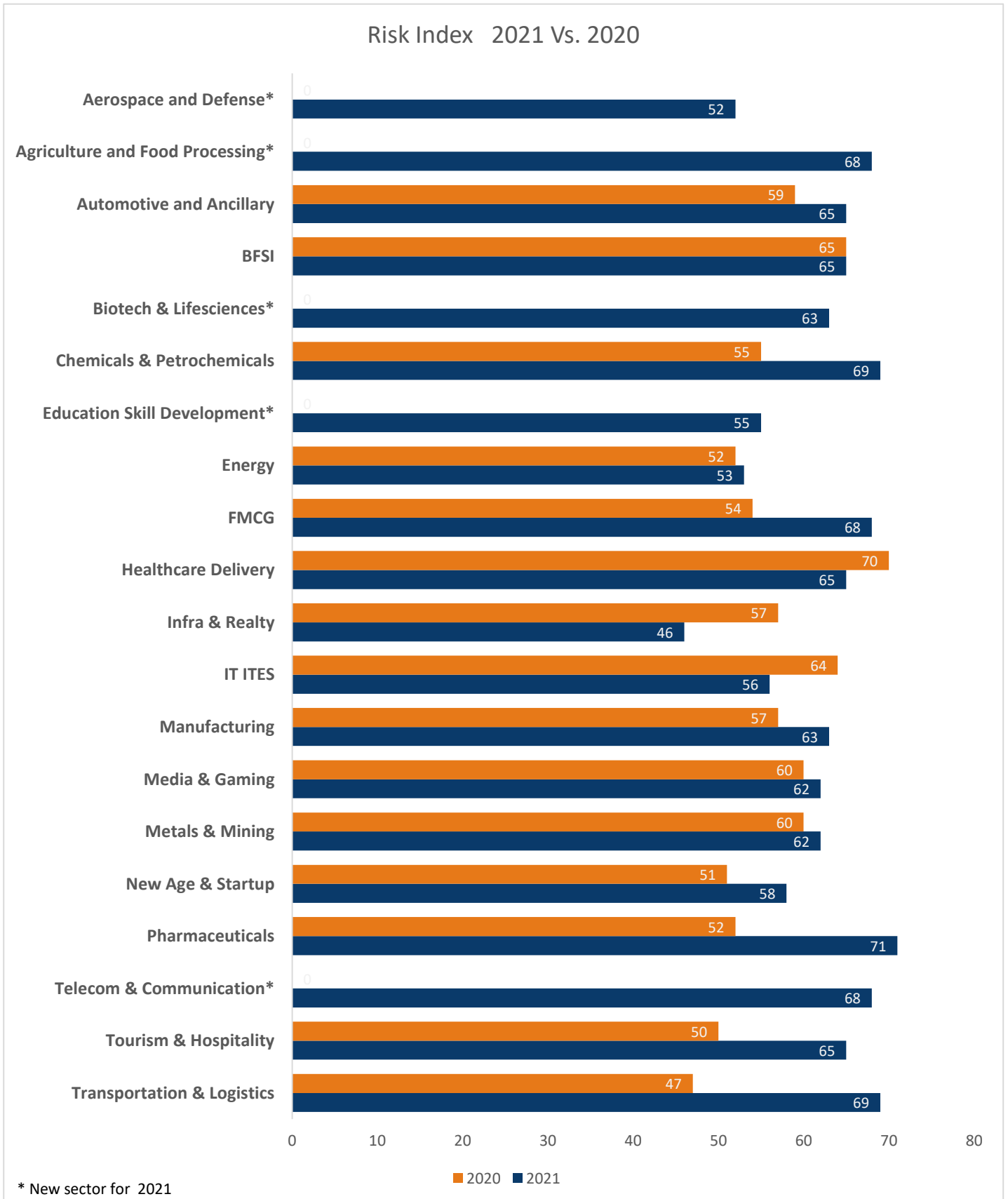
ICICI Lombard Corporate India Risk Index



India Risk Index(Optimal Risk Handling)

- As the pandemic and pandemic related constraints eased up, Sectors showed varied recovery as risk related to **Resource Scarcity, Delay in Execution of projects** due to pandemic and **Financial Risks** due to **tax relaxation** pacified
- The overall Risk Index for India improved from **57** to **62** in 2020-2021 , however sectors like **Infra & Realty, Metals & Mining** and **New Age & Startup** the risk Index decreased which was primarily due to the increased **Strategic Related Risks, Crime & Security Risks, Financial Risks, Inflation** and **Technology Risks**
- Sectors like **Transportation & Logistics, BFSI, Chemicals & Petrochemicals** and **Tourism & Hospitality** showcased significant improvement in the Risk Index, because the risk exposure lessened across all the risk dimensions.
- It was also observed that the Risk Exposure came down for the **Large Businesses(67 vs. 64) , Medium Businesses(65 vs. 62)** and **Small businesses (64 vs. 63)** for 2020 vs. 2021.
- With the reduced impact of the pandemic and innovative initiatives by business leaders over the supply-chain, sectors like **Manufacturing, Automotive, FMCG** and **Chemicals & Petrochemicals** improved on the **Risk Index**.

ICICI Lombard Corporate India Risk Index – Sector Comparison



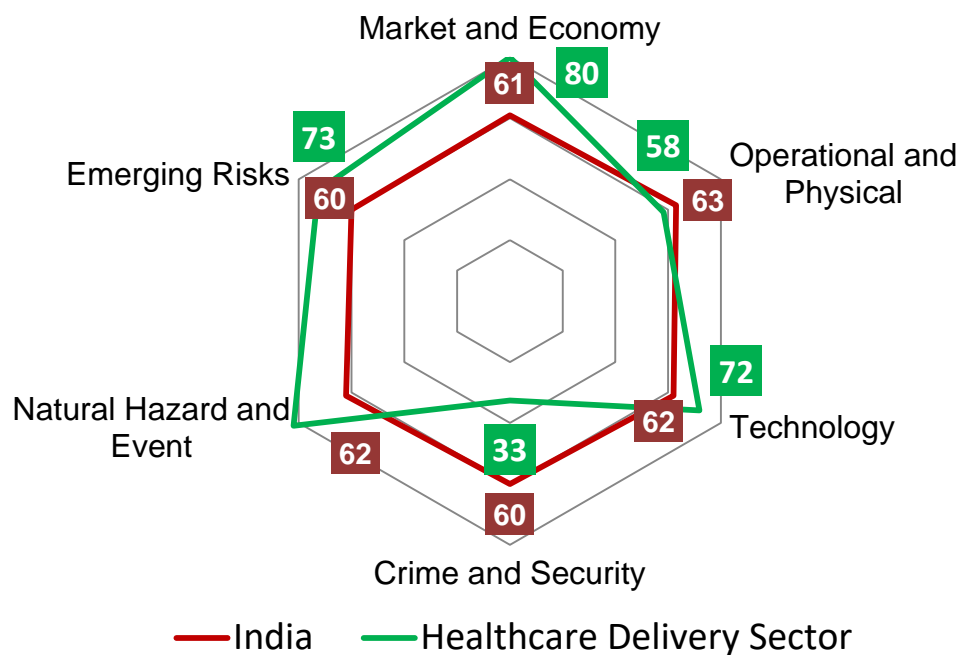
Observations:

Automotive & Ancillary, FMCG, Manufacturing and Pharmaceuticals sector have been managing their Risk in a defined, methodical and strategic manner, with continuous monitoring and containment of Risks. Transportation & Logistics, Metals & Mining, Healthcare Delivery and Biotech & Life Sciences sectors need to improve their Risk management capabilities in order to have an overall acceptable Risk measure.

India Risk Profile Vs. Sector Risk Profile

Risk Profile	2021 Risk Exposure	2021 Risk Management	2021 Risk Index	2020 Risk Index
India	62	65	62	57
Healthcare Delivery	54	58	65	70

India Risk Index Vs. Healthcare Delivery Sector Risk Index



The Indian Healthcare Delivery sector's Risk Exposure score is 54 mainly due to its

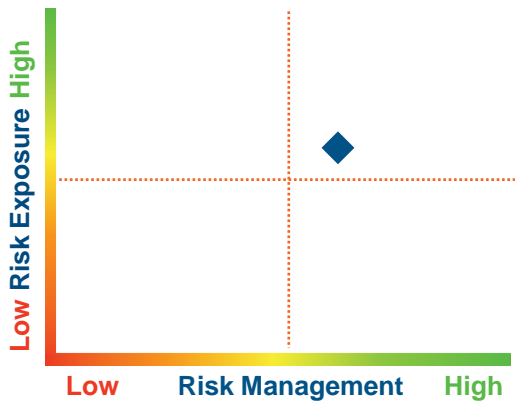
- Exposure to Market & Economic conditions, Natural hazards and events pertaining to Crime and Security.
- Most of the companies are exposed to internal factors, external factors such as regulatory changes and multiple waves of COVID-19 pandemic have considerable impact on the business performance.

The overall Risk Management score is 58 which indicates the need for companies to improve their Operational Risk Management practices especially risks associated with hospital expansions, pricing, and sourcing of consumables.

- Growing healthcare expenditure of middle income families has led to increase in health insurance coverage.
- Skilled medical workforce and increased adoption of advance medical technology, clubbed with affordability makes India a hotspot for medical tourism.
- Persistent efforts from public and private sector towards healthcare infrastructure build-up.

Risk Dimension Analysis: Market and Economy

Risk Exposure Score: 53
Risk Management Score: 60



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

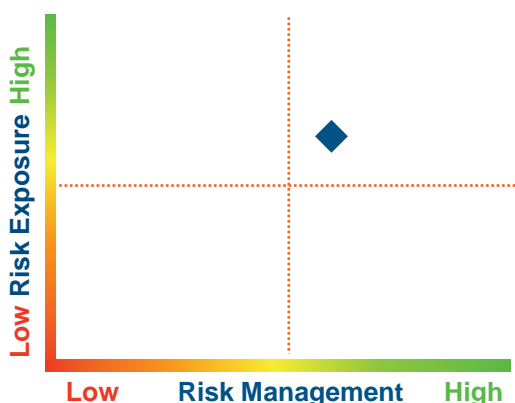
- Multiple waves of COVID-19 pandemic had considerable negative impact on the OPD footfalls and in turn the bed occupancy of hospitals across India.
- The Hospitals business declined due to COVID-19, but is already rebounding back with increasing non-COVID patients, especially the high value specialties.
- 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. Dominant private sector should aim to expand into tier 2 and tier 3 cities, where similar services are not currently available. Target should be providing quality healthcare services at affordable prices.

Risk Dimension Analysis: Technology

Risk Exposure Score: 56
Risk Management Score: 61



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.
- There have been rapid strides in the area of clinical trials being supported by hospitals to fast pace the development of critical life saving drugs.
- 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.

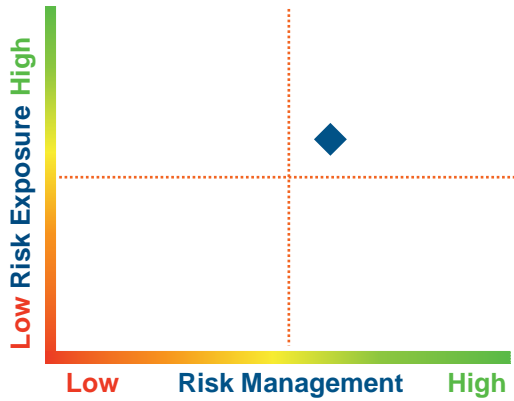
Recommendation:

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: 57

Risk Management Score: 59



Expansion of operations, with improving operational costs with scale

- Large number of hospitals witnessed increased operational costs due to multiple waves of COVID-19 pandemic. However, through structural initiatives and proactive efforts taken by hospital management has helped in bringing 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).



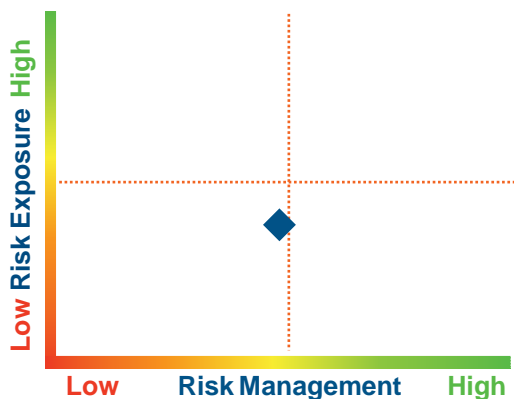
Recommendation:

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: 53

Risk Management Score: 48



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.

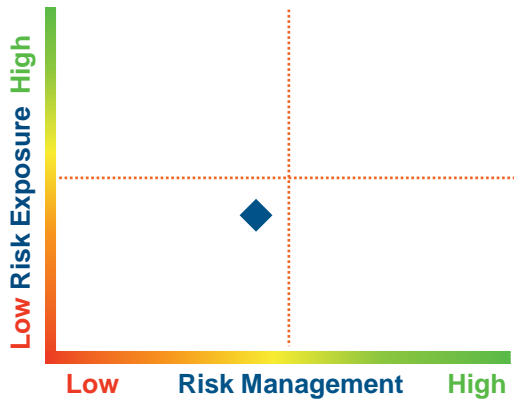


Recommendation:

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. These methods gain more importance for standalone healthcare facilities as they may lack well structured approach of corporate hospital in the country.

Risk Dimension Analysis: Natural Hazard and Event

Risk Exposure Score: 49
Risk Management Score: 56



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. However, COVID-19 pandemic has reinforced the need of proper risk planning in order to avoid overwhelming of healthcare delivery network.
- Apart from COVID-19 pandemic, healthcare delivery system in the country does not possess high risk from other types of natural hazard and events at this point of time.

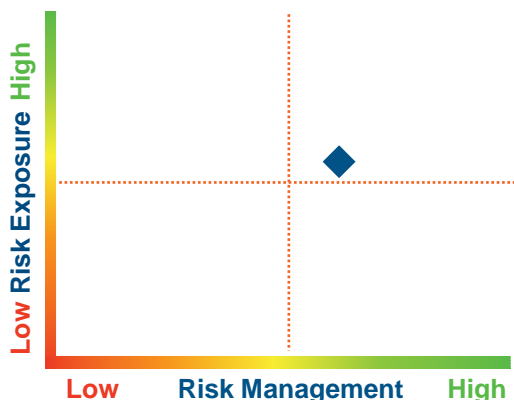


Recommendation:

The company could mandate all of its units to undertake rigorous testing of probability of Natural hazards, Physical hazards, Bio-hazards, Electrical hazards, etc. Priority of such measures become more critical in case hospitals are tackling with high patient load due to pandemic.

Risk Dimension Analysis: Strategic Risk

Risk Exposure Score: 53
Risk Management Score: 58



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

- The healthcare sector faces high project risk, risk related to volatility in commodity prices and supply chain disruptions cause due to varied reasons.
- 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. Strong economic health of the sector should be the focal point for sustained growth.



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