



Sector: New Age
Company: New Age Sector Report

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.

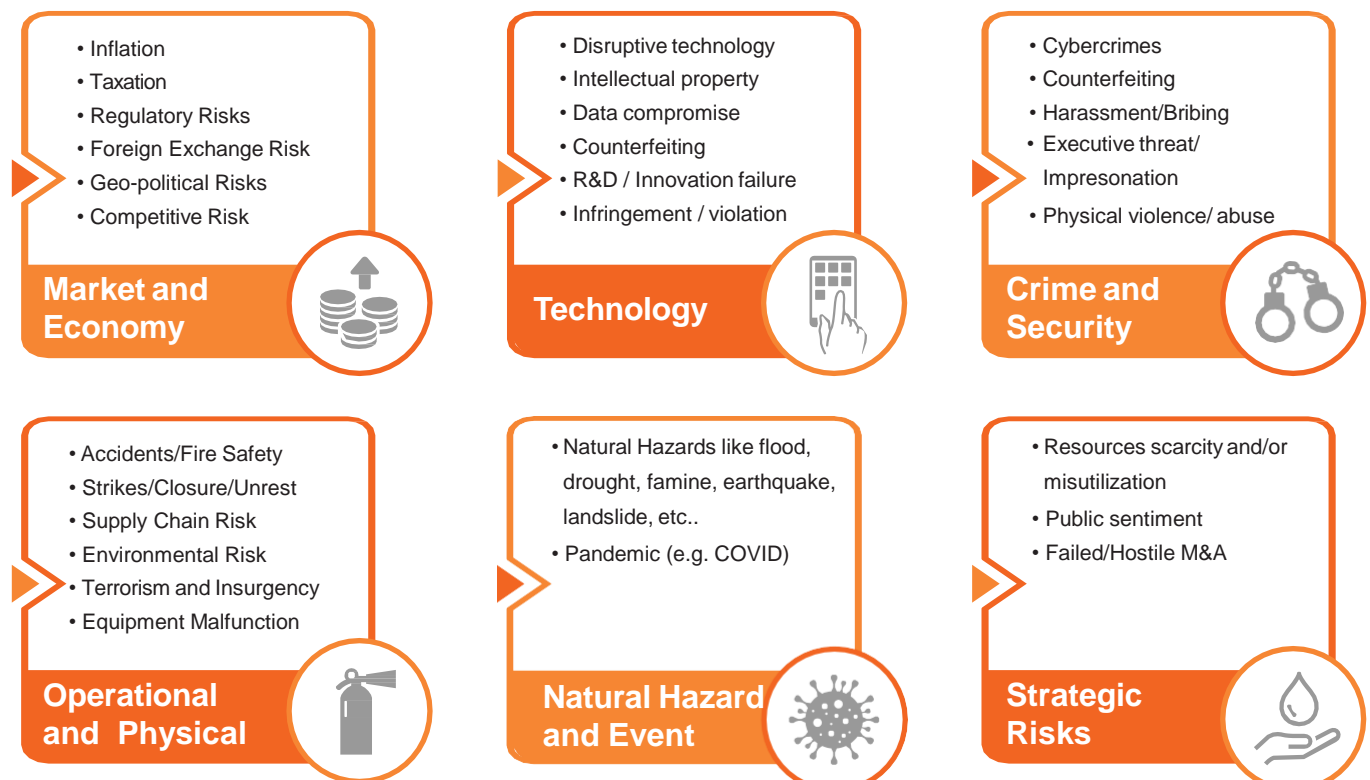
Comprehensive Sector Coverage

- 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 & Communication*
- Tourism & Hospitality
- Transportation & Logistics

* New Sectors for ICICI Lombard Corporate India Risk Index 2021

Risk Framework

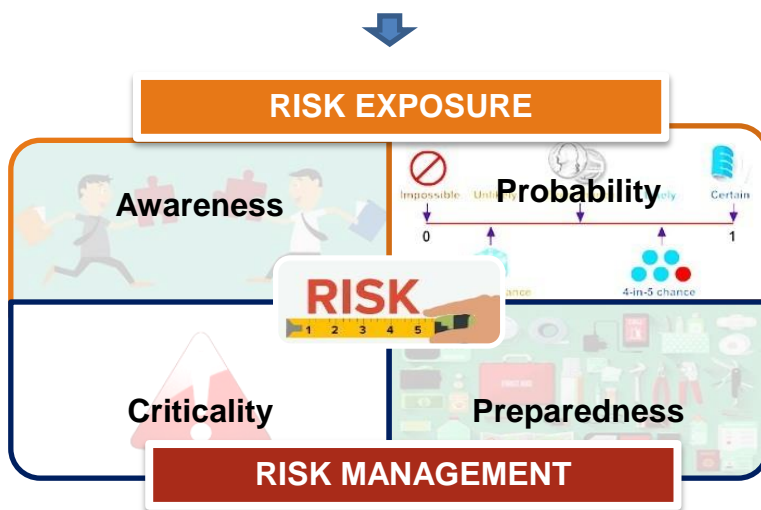
The ICICI Lombard Corporate India Risk Index Framework comprises of 32 risk elements across 6 broad dimensions:



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.

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

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

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

$$\text{Sector Risk Index} = \text{average of company risk indices}$$

$$\text{Country Risk Index} = \text{average of sector risk indices}$$

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.

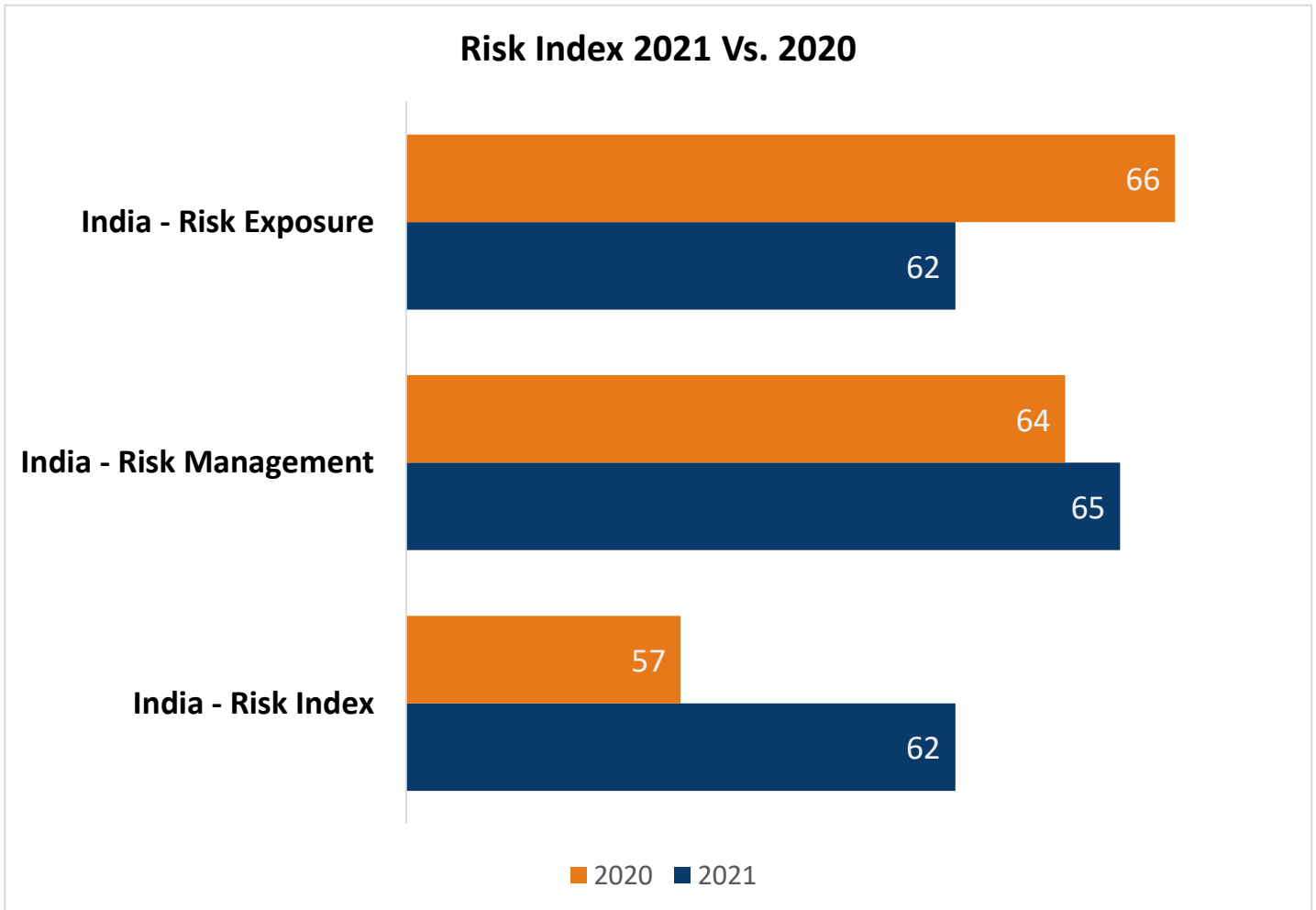
ICICI Lombard Corporate Risk Management – Scale

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

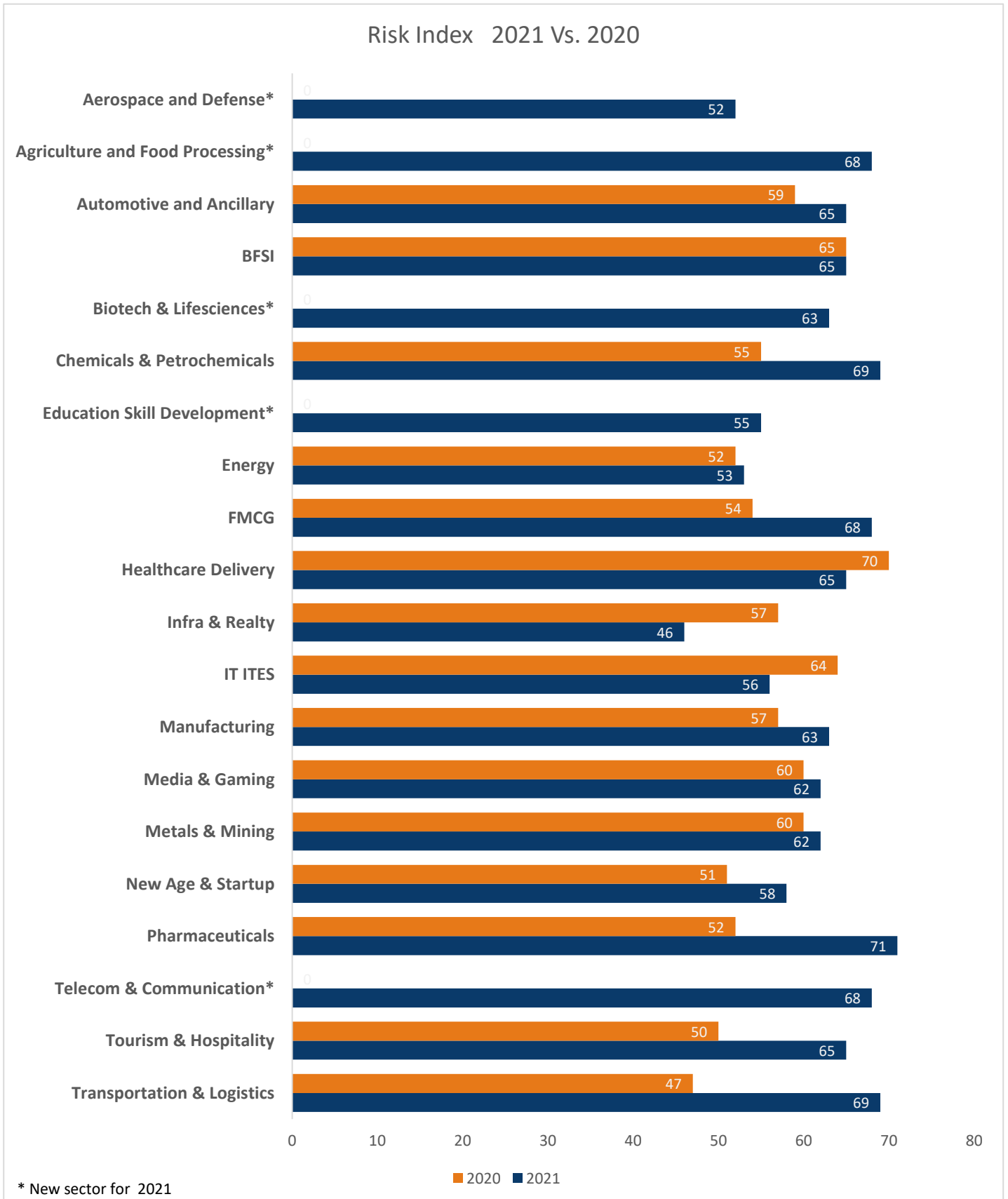
ICICI Lombard Corporate India Risk Index



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. 61)** 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



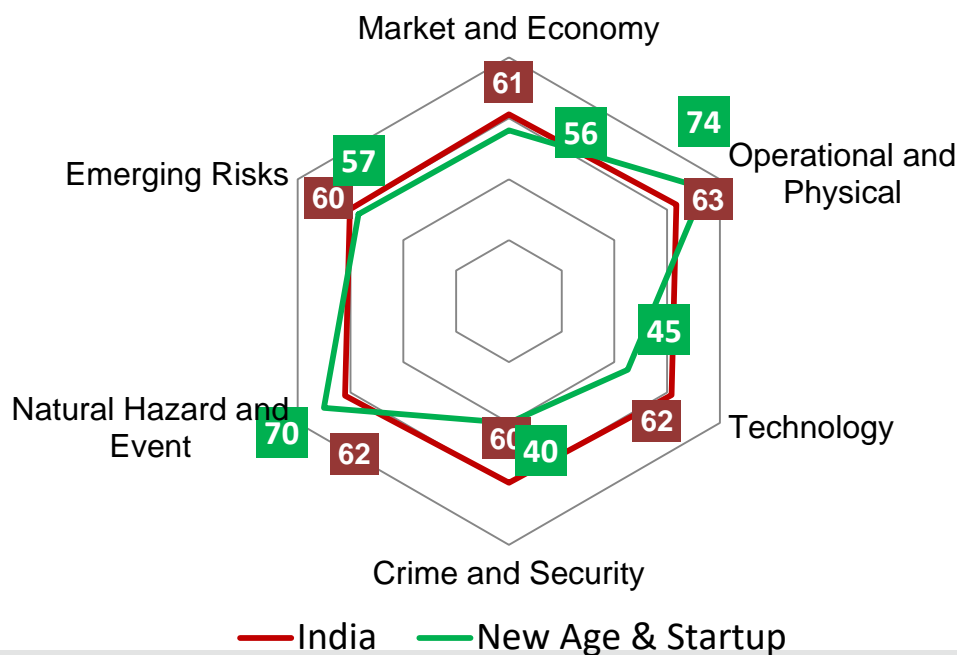
Observations:

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 Risk	62	65	62	57
New Age & Startup Risk Profile	61	63	58	51

India Risk Index Vs. New Age & Start-up Sector Risk Index



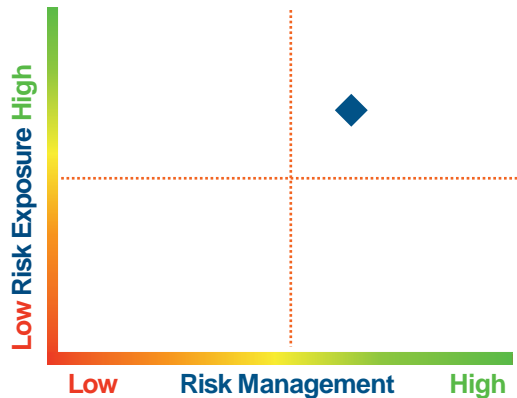
The New Age Sector has obtained a Risk Index Score of 65, while India's Risk Index Score is 51, showing a much better Risk Management Score than the national average.

The New Age and Startup sector has tremendously grown over the last 7 years with support available in all dimensions :- in terms of number of ideas, companies, incubators, accelerators and Venture Capitalists. India being the poster child of Emerging Markets, with its GDP growth, demographic composition and a much more friendlier regulatory environment is capable of bestowing unlimited opportunities for New Age and Startup Companies

- The sector relies on new age technologies such as Blockchain, Robotic Process Automation(RPA), Virtual Reality & Augmented Reality, IOT, Quantum computing, AI and machine learning etc., all of which are the future based on which the world is going to run.
- Ability to retain the mojo, provide attractive ideas to Investors and ability to attract and retain funding and sustain in the long run will be the key challenges.
- Scaling up operations, improving return on investments, reducing cash burn, hiring and retaining quality talent and dealing with India's complex regulatory environment will be areas requiring deep intelligent thinking.

Risk Dimension Analysis: Market and Economy

Risk Exposure Score: 63
Risk Management Score: 64



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

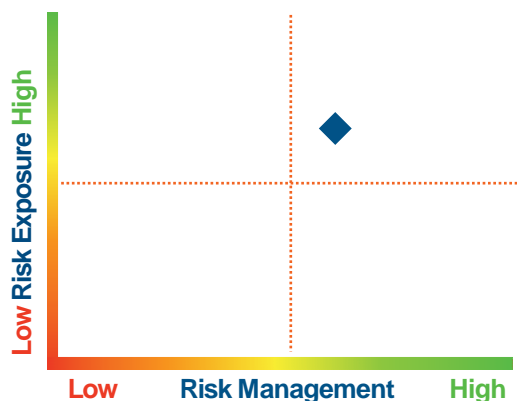


Recommendation:

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: 67
Risk Management Score: 65



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 3rd party infrastructure for some of their service lines

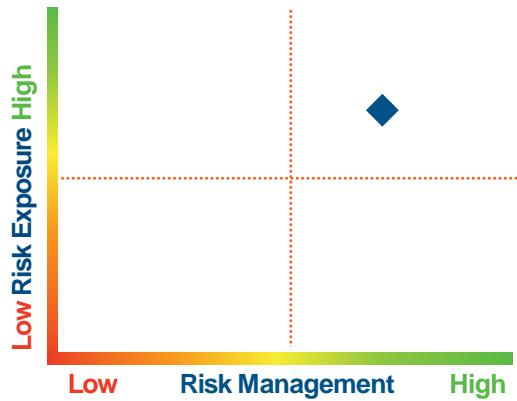


Recommendation:

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: 60
Risk Management Score: 66



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

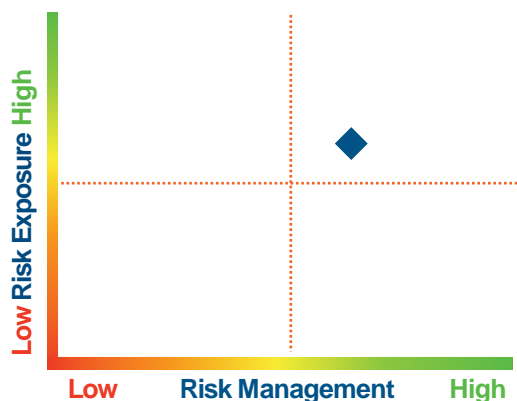


Recommendation:

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: 61
Risk Management Score: 58



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

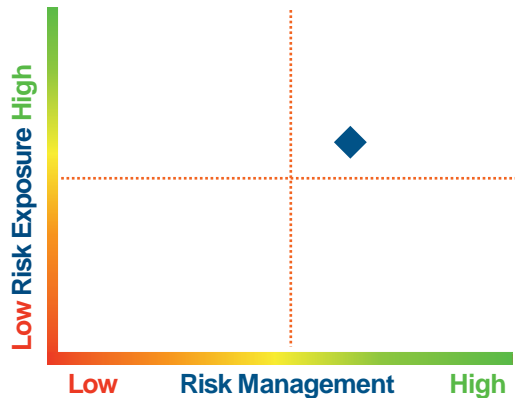


Recommendation:

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: 53
Risk Management Score: 58



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

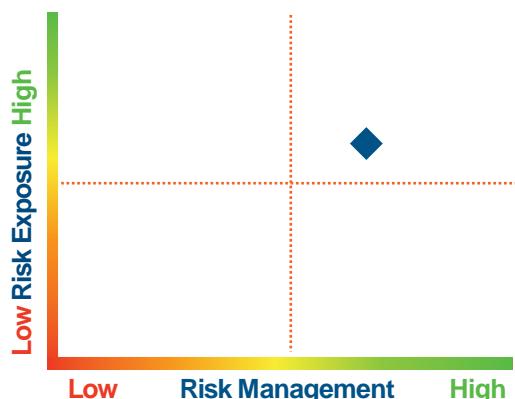


Recommendation:

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: Strategic Risk

Risk Exposure Score: 61
Risk Management Score: 63



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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