ICICI Lombard
Nibhaye Vaade

CORPORATE INDIA RISK INDEX

2022

Intelligence partner FROST & SULLIVAN

SECTOR REPORT 2022

GAMING & MEDIA


RISK

Table of Contents

Preface....2
Executive Summary....3
1. Introduction....4
2. Bottom-Up Risk Assessment Approach....9
3. Defining the Risk Scale....10
4. India - Emerging Superpower with Optimized Corporate Risk Handling....12
5. India Showcasing an Optimized Risk Handling....14
6. Gaming & Media Sector Insights 2022....16
7. Gaming & Media Sector Risk Index 2022 Vs 2021....17
8. Key Highlights....19
9. ICICI LOMBARD: Key Solution Offerings....25
Bibliography....28

Table of Figures

Figure 1: India's Growth of manufacturing exports. 12
Figure 2: Corporate India Risk Index 2022....14
Figure 3: Corporate India Risk Index 2022 Sector Score....15
Figure 4: Detailed Comparative Analysis 2021 Vs. 2022....17

Preface

Corporate India Risk Index is primarily an academic exercise to understand the level of risk that companies are facing and also assist in developing a successful risk aversion plan, CIRI is a first-of-its-kind risk measurement tool to gauge the level of a company's risk exposure and preparedness.

This Corporate risk comprises of various aspects of the business–spanning customer, competition, regulatory environment, business operations, technology finances, environmental factors etc. The impact of unprecedented events is significantly higher now.

This Index is a comprehensive framework that draws upon global risk management best practices and comprises of 32 risk elements across 6 broad dimensions. The Risk Index is based on the principles of Lean and Six Sigma that qualify business processes by measuring effectiveness and efficiency.

ICICI Lombard's Corporate India Risk Index provides a crucial tool for assessing and addressing risks, fostering resilience and adaptability in the ever-evolving global landscape. In the current climate of increasing macroeconomic uncertainties, it is essential for corporates to prioritize robust risk management. We believe that a proactive approach to risk management not only fortifies individual businesses but also contributes significantly to India's overall economic growth and stability.

Executive Summary

The gaming and media industry in India is thriving due to the country's increasing internet penetration and young population demographic. India has a high percentage of internet users and social media users, and the OTT market is projected to grow significantly in the coming years. With the use of AI-powered chatbots, media companies in India are enhancing customer support and engagement, and virtual reality is transforming the way content is consumed.

The introduction of Web3 is expected to bring significant changes to media consumption, and India should take advantage of this new form of the internet to avoid obsolescence in its current media options. However, the rise of cybercrime is a growing concern in India, and there is a need for robust security measures to protect against data breaches and other forms of cybercrime. The use of mixers for money laundering and the emergence of VDAs and NFTs require new control mechanisms to prevent misuse and exploitation.

Therefore, the industry needs to undertake scalable and sustainable infrastructure development to manage supply chain risks and ensure customer satisfaction. Overall, the gaming and media industry in India has tremendous potential for growth, but it is crucial to address the various risks and challenges that come with it.

Introduction

ICICI Lombard Corporate India Risk Index is a one of its kind, unified, credible, standardized corporate Risk Index that spans over the country level, the industry level, and the company level. The index has a comprehensive sector coverage.

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

The impact is identified across key business risk (internal and external) under the following 'Strategic Risk Areas', The ICICI Lombard Corporate India Risk Index Framework comprises of 32 risk elements across 6 broad dimensions.

Market and Economic Risk

Corporate Risks arising due to market and economy related factors, such as internal or external political uncertainty, global slowdown, taxation-regulatory changes etc. Market and economy related risks are also identified as 'Systematic Risks', we have further classified the risks into below mentioned categories.

- **Inflation:** Inflation is the general increase in prices within the economy. The rising prices for businesses could result in bigger production spending and a fall in profitability. The companies should be attentive, acute, and responsive to changes in inflation to efficiently manage the prices of final products.

- **Taxation:** In a large democracy like India, complexity of multiple taxes (multiple taxes like GST, custom duties, central excise duty, etc.) is a major concern. The changing legislations, increased scrutiny by tax authorities and increasing public attention are together resulting in tax risks for organizations. There is, thus an increasing urgency for firms to manage their tax affairs efficiently to minimize tax risks.

- **Regulatory Risks:** Regulatory risk is the risk of changes in regulations and laws that might affect an industry or businesses. The regulatory changes can pertain to tariffs and trade policies, business laws pertaining to employment, minimum wage laws, financial regulation, Foreign Direct Investment etc.
- **Foreign Exchange Risk:** The exchange rate plays an important role for firms who export goods and import raw materials. The fluctuations in foreign exchange will have great impacts on the prices of traded goods. For example, if the currency depreciates (devaluation), the exporting firms will benefit. However, the firms importing raw materials will face higher costs on imports. The firms need to hedge their exposure to foreign exchange risks to insulate themselves from the impact from forex changes.
- **Geo-political Tension:** Geopolitical risk means the political and economic risks that are a potential threat to the financial and operational stability of companies.
- **Competitive risk:** Competitive risk is the risk associated with the fact that there are multiple companies competing in the market, each seeking to obtain the highest position and consumer ratings, to gain maximum benefits for themselves. The companies devise different strategies to garner a higher market share and acquire customers from competitors. Any failure in managing the competitive stand could lead to losses in business, thereby making marketing and competition a major risk in market.

Technology Risk

Technology risks are also identified as information technology related risks which may arise due to failure of any installed hardware or software system, spam, viruses or any malicious attack. Also delay/over/under adoption of trending disruptive technologies can lead to technology related risks. We have classified the risks in below mentioned categories.

- **Innovation Risk / Obsolete Technology**: Innovation is the key to success in all the industries. Risk of redundancy and losing out to competition on account of poor R&D is a major concern.
- **Intellectual Property risk:** Dependence on trade secrets and unpatented proprietary know-how.
- **Disruptive Technologies:** These will fundamentally alter the financial prospects of the industry.

Data Compromise: Hardware failure refers to malfunctions within the electronic circuits or electromechanical components (disks, tapes) of a computer system; Software failure refers to an operating system crash. Such failures lead to stoppage of entire computer or operating systems creating substantial losses to business.

Operational and Physical Risk

Risk of losses caused due to faulty or failed processes, systems or human resource related inefficiencies are classified as operational and physical risks. We have classified Operational & Physical risks in below mentioned categories.

- **Critical Infrastructure Failure / Machine Breakdown:** Industries with a heavy dependence on machinery consider any rise in machinery breakdowns a hindrance to their businesses operations. An untimely equipment breakdown can bring businesses to a standstill or be the root cause for fires and explosions. Mostly, human errors and deferred maintenances are the major reasons for such breakdowns. The companies should actively invest in timely maintenance of all machineries.
- **Business Continuity / Sustainability:** Non adoption of Business Continuity/ Sustainability Plans and Lack of Internal Control tools would result in: Failure of businesses, Brand Equity / Loss of reputation, Financial Loss, Business model Failure, Ineffective engagement/communication with stakeholders, Losses in productivity, Lack of opportunity monitoring.
- **Supply chain risk:** Raw Material unavailability and Heavy Dependence on Global Supply Chains / Supplier concentration risk. Unavailability of raw materials owing to disruption in the supply chain or heavy dependency on one source (company/country) which is unable to supply owing to some geo-political tensions, fires, or any other incidents. Transportation is one of the key activities for companies making it an important risk to mitigate. The loss of goods in transit and spillage is one of the major concerns as it accounts for a sizeable loss of revenue to companies.
- **Commodity Price Risk - Volatility in prices of raw materials:** The fluctuations in raw material prices creating a margin pressure / top-line pressure in the scenario of rising input costs.
- **Portfolio Risk:** Loss of key customers, Customer concentration - Key customers accounting for a larger share of revenue, Over-dependence on suppliers, Business Model Risk: Transformative changes in business model, Tail Risks: Ability to overcome or manage extreme worst-case scenarios.
- **Environmental Hazard Risk:** Any environmental hazard having the potential to affect the surrounding environment.
- **Workplace Accident:** Fire and Explosion Hazards, Containment Incidents, Workplace Injuries
- **Human Resource:** Key person risk: This risk occurs when a business or business unit becomes heavily reliant on a key individual. Talent acquisition and retention - The companies require a highly skilled labor force for R&D as well as continuous production. Accessing skilled resources and expertise on an on-going basis is one of the major challenges; moreover, retention of trained staff is imperative. Labor shortages, Union Strikes & Industrial Actions, Employee health, safety, and security (SHE/Sustainability risk).
- **Financial Risk:** Financial Reporting Risk: Material misstatement of Financial Statements, whether due to fraud or error. Interest rates and equity prices: 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. Liquidity Risk (Credit Risk / Receivables).
- **Breaches of law (local/ international):** Voluntary/ involuntary breaches of law can lead to costly lawsuits.

Crime & Security Risk

Cybersecurity risks relate to the loss of confidentiality, integrity, or availability of information, data, or information (or control) systems and reflect the potential adverse impacts to organizational operations. These attacks can cause major financial losses, reputational harm, and a loss of client trust. Regarding cybersecurity, the BFSI industry in India has several difficulties, including difficult-to-secure legacy systems, a shortage of qualified cybersecurity personnel, and the requirement for ongoing system and network monitoring. There is a significant investment in cybersecurity tools like network monitoring, endpoint security, access control, and threat intelligence. Many organizations are also implementing cutting-edge technology like artificial intelligence and machine learning to strengthen their security posture. Around 7.4% of the attacks in the Asian region were targeted at India in 2022.

We have classified Crime & Security risks in below mentioned categories.

- **Cyber Crimes:** Data Theft, Spam, scams and phishing, Hacking, Malwares and Viruses, Piracy, Fraud, Corruption, Malicious attacks
- **Counterfeiting:** Counterfeiting of goods/services leads to loss of revenues, profits and ultimately affects the brand equity
- Threat to Women Security
- **Terrorism:** Un-lawful use of violence and intimidation, especially against civilians, in the pursuit of political aims.

Natural Hazard Risk

A natural hazard is the threat of an event that will likely have a negative impact. A natural disaster is the negative impact following an actual occurrence of natural hazard if it significantly harms a community. Due to India's geographical structure, it is one of the most disaster-prone countries in the world. Natural hazards like floods, earthquakes, landslides, and cyclones are common risks faced by India. The situation has worsened due to rise in GHG emissions, loss of biodiversity, deforestation, and degradation of environment. From Surat Gas leak to landslides in the north and cyclones in Bay of Bengal, the year 2022 was no exception. Such natural disasters hamper the day-to-day operations of corporates, and it is important for them to understand that such risks cannot go unheeded. Over the years, Indian corporates have learnt to mitigate such risks by diversifying their supply chains, having multiple logistics partners, diversified geographical presence and multiple vendors.

- **Pandemic and other global epidemic diseases:** Risk to business owing to disruptions caused by COVID-19 pandemic and similar another global epidemic.

Strategic risk

- Strategic risk is the risk that failed business decisions may pose to a company. Strategic risk is often a major factor in determining a company's worth, particularly observable if the company experiences a sharp decline in a short period of time. Several factors, such as unethical or unlawful activities, poor customer service, product recalls, data breaches, or unfavorable media coverage, can lead to strategic risk. An organization's reputation can be severely harmed by a single negative incident, such as a high- profile data breach or fraud scandal, resulting in a loss of clients, income, and market share.

- **Resource scarcity / Misutilization / Overall Utilization:** Difficulties in acquisition of land, water, fuel, or other resources for operations of business.

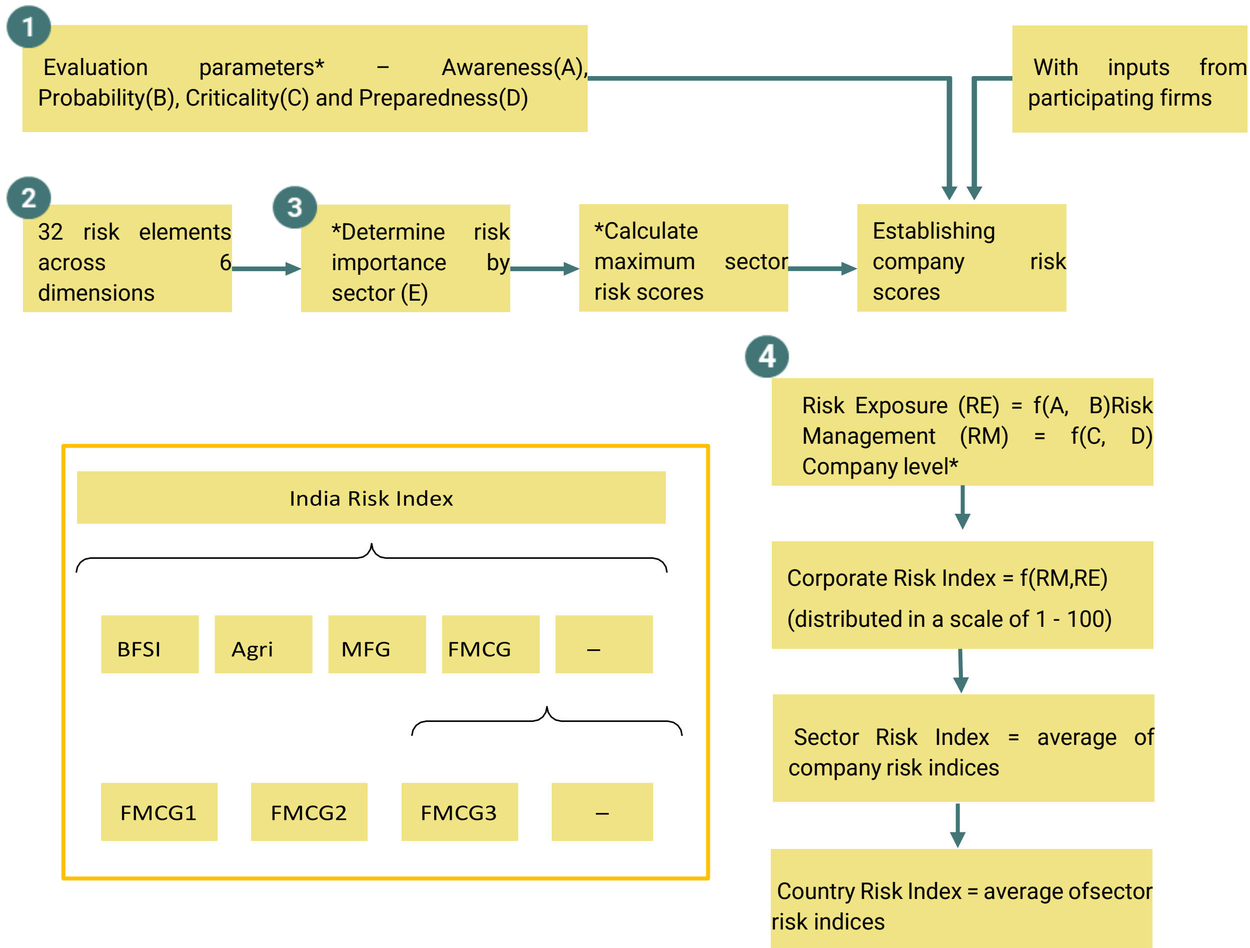
- **Public Sentiment:** Current events playing out in the public scene can change the public sentiment.

- **Delay in execution of projects:** Delays in execution of projects can surge in the capex.

- **Increased number of recalls and quality audits:** Impacts both the brand equity and increased operational expenses.

- **Failed / Hostile Mergers & Acquisitions:** High dependence on inorganic growth.

Bottom-Up Risk Assessment Approach



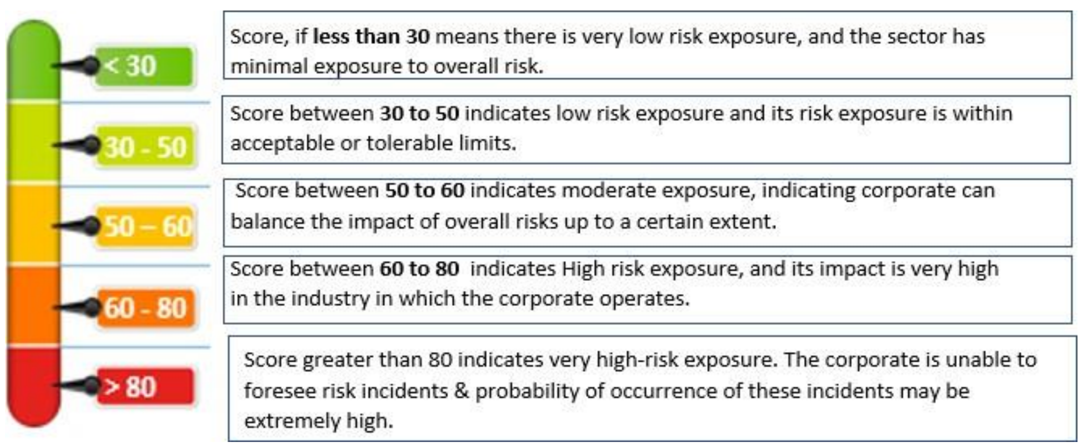
1. **Evaluation Parameters*:** The index maps the risks faced by any enterprise basis of Awareness, Probability, Criticality and Preparedness against the defined Risk elements. The evaluation Parameters are defined as: Awareness - Level of awareness of potential risk affecting the firm. - Likelihood of risk to affect the business goals of the firm adversely. Criticality - Level of impact of the identified risk on the success of business goals. Preparedness - Risk handling practices/ mechanisms already in place to handle the risk.
2. **Determining Risk Importance*:** Importance/Impact of individual risk element is established against individual sector based on the published corporate risk reports, in depth sector understanding by F&S team and SMEs.
3. **Calculating Maximum Sector Risk Score**: Weighted Sum of all risk elements based on their importance to the respective sector.
4. **Company Level*:** All the Risk Index scores for companies in a sector are averaged to represent the sector; and sectors average to India. Risk Exposure is defined as the function of corporate's Risk Awareness and Probability of risk occurrence. Risk Management is defined as the function of an enterprise risk preparedness and criticality risk impact assessment.

Defining the Risk Scale

We have selected 20 sectors to understand the current stand of our country today in terms of risk. Risk for various sectors is measured on the risk exposure scale and risk management scale.

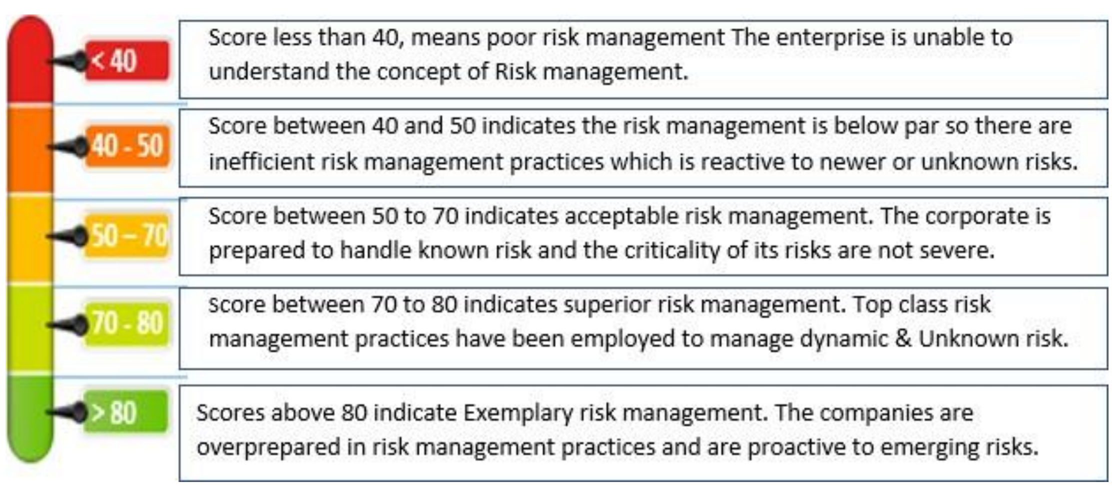
A. ICICI Lombard Corporate Risk Exposure – Scale

Risk Exposure: The impact of any internal, external or strategic occurrence on the financial performance of an organization is defined as the corporate risk exposure. Risk has traditionally been seen as something to be avoided – with the belief that if behavior is risky, it's not something a business should pursue. But the very nature of business is to take risks to attain growth. Risk can be a creator of value and can play a unique role in driving business performance. Let's look at the risk exposure scale.



B. ICICI Lombard Corporate Risk Management – Scale

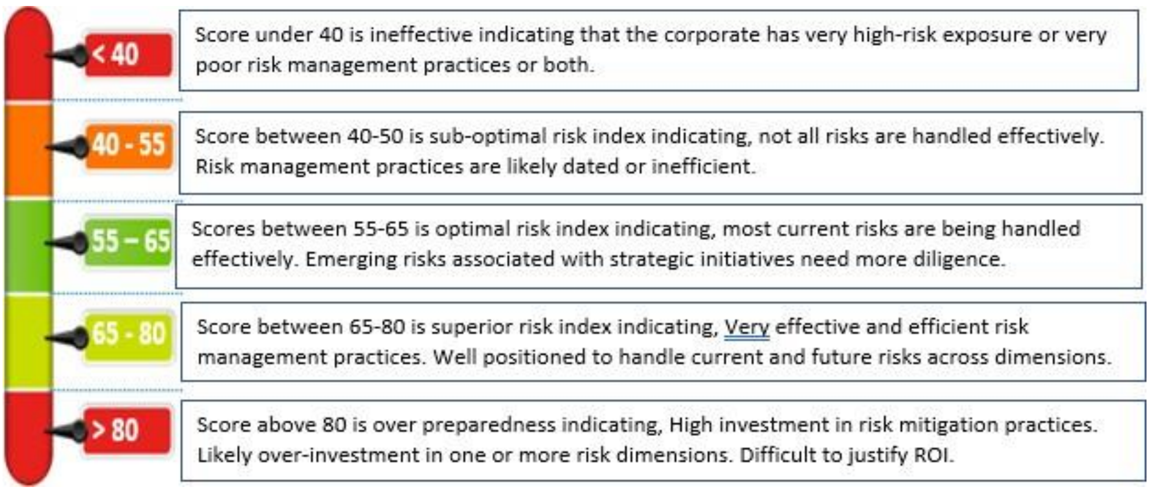
Risk Management: Identification, Evaluation and Prioritization of corporate risks followed by well-coordinated steps to minimize the occurrence of uncertainties in the foreseeable future is defined as the Corporate Risk Management. The risk management scale works in the opposite to that of the risk exposure scale. Let's look at the risk management scale.



C. ICICI Lombard Corporate Risk Index – Scale

Risk Index: Risk Index is a measurement tool to gauge the level of Risk Exposure against Risk Preparedness. The score intends to give companies/Sector/Country access to an extensive and quantifiable metrics of risk management.

Let's look at the risk Index scale.



India - Emerging Superpower with Optimized Corporate Risk Handling

Manufacturing sector contribution to India's GDP in 2022 stands at 17% and is expected to grow to 25% by 2025, the expected growth is attributed to various favorable schemes initiated by Government of India like 'Make in India', 'Digital India', Improved Road Infrastructure, implementation of modern technologies of manufacturing resulting in optimized and effective production, Also the pandemic has made business realize that they cannot just rely on a single manufacturing hub; hence notion of "China+1" is making the world realize the significance of India. China is in a trade war with the USA, which is positively shaping the role India will play in the global arena.

The below chart showcases the gradual increase in India's manufacturing exports.

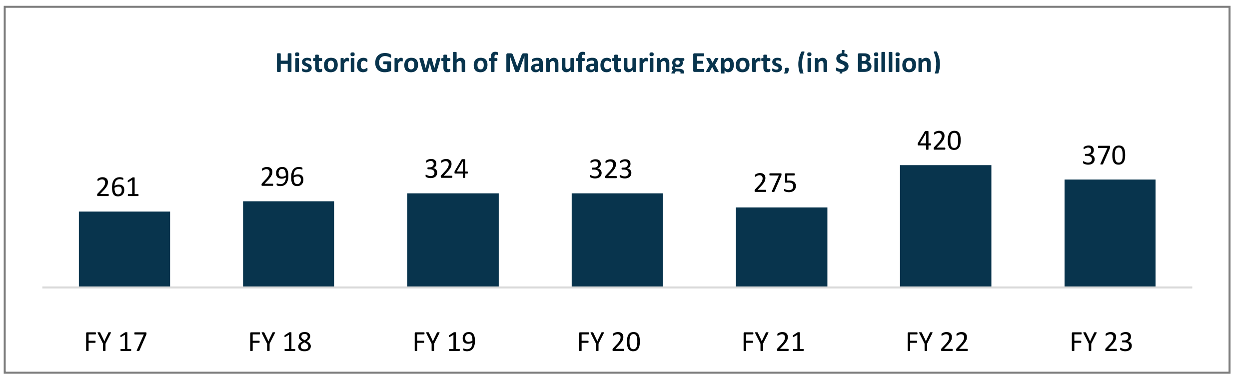


Figure 1: India's Growth of manufacturing exports. (Source: Redseer)

Indian manufacturing sector is also focusing on electronics manufacturing like mobile phones, industrial electronics consumer electronics, etc. due to government initiatives the production has doubled since 2015.

Aerospace and defense sector in India have evolved significantly, Govt. of India have identified A&D as area of focus due to the belligerent neighborhood, steps like Make in India(Atmanirbhar Bharat) is helping the overall defense sector, however India still remains the largest importer of arms and ammunition, favorable policies and ease in regulations is helping the drone industry in India and many new start-ups and big players are entering in this space.

Urbanization is another phenomenon evolving in India and it is estimated that by 2030 more than 400 million people will be living in cities, due to this megatrend huge push towards realty and infra sector is observed which is also the growth of ancillary industries like metals, cement, water availability, sanitation, mobility etc., the government along with the private sector is working on multiple initiatives to manage the huge inflow.

India has observed a steady adoption towards EVs in recent years, though India adoption still remains very low in comparison to Europe, Canada, China, however all big auto players are coming with new lines of EVs, and significant strategic investment have been made. The adoption is primarily due to lower running costs, lower maintenance, zero tailpipe emissions, tax and financial benefits by the government, convenience of charging.

BFSI sector in India is showcasing a significant robustness in the time of global crisis, there is a growing demand for financial services as there is a gradual rise in income across income brackets, with a rapid increase in mobile penetration and internet availability more than 2100 fintech companies have emerged in India, the traditional banks are also adopting the digital technologies at a required pace, investment on making the systems secured from cyber threats is utmost priority. Policy support by the government in the union budget 2021-22 is taking up shape and is helping the BFSI sector in 2022 and coming years, like government approval of 100% FDI for insurance intermediaries have increased the FDI limit to 74% from 49%.

Healthcare sector is also continuously growing healthcare has become the one of the India's largest employers, employing around 4.7 million people, though in 2021-22 India only spends 2.1% of its GDP in healthcare, in the union budget 2022-23, US$ 11.28 billion was allocated to the Ministry of Health and Family Welfare (MoHFW). there is still huge room for improvement in the overall healthcare system in India. Efforts towards having well trained medical professionals in India is top priority. There were exemplary development in the vaccine manufacturing by India, Bharat Biotech Covaxin and Oxford AstraZeneca's Covishield manufactured by SII, helped India get a protection shield against Covid. There is a plan by the government of India to infuse US $ 6 billion to boost the healthcare infrastructure in India.

The IT/ITes sector is a key engine for fueling India's economic growth and contributing to 7.5% of India's GDP in 2021-22, the Big four IT firms in India have recruited over 1 million employees, As the world is moving towards era of digital economy Indian IT-sector will be contributing significantly towards this journey, the rollout of 5G communication technologies and adoption of new age technologies across industries; like AI, Robotics, Internet of Things will further increase the size of Indian IT sector.

Indian enterprises are also concerned about the risks emerging out of the growing economy and the globalization India is heading towards, its observed that Indian enterprises are taking significant steps towards risk management and keeping budget allocated to implement best in class risk mitigation practices.

India Showcasing an Optimized Risk Handling

Figure 2: Corporate India Risk Index 2022

Corporate Risk Index Score of 63 implies that Indian enterprises are handling the risk in an optimal way but still there is scope of improvement to get into superior risk handling territory, Indian enterprises have a well-defined risk management practice in place for inherent risks, however risk management can be improved further as a potential buffer against potential risk events arising from market & economy, operational and technology related Risk events, openness towards adoption of technology and having a well-defined risk management team was observed across enterprises in India.

Sectorial categorization across above stated five categories, it was found that risk management is getting a paramount importance in the growth strategy of every organization and all the organization fell either into 'Superior Risk Management' or 'Optimal Risk Management' category.

From a risk exposure front the intensity of impact due to market and economy related risks increased due to the heightened inflation, global recession, and geopolitical tensions though from a regulation point the sector specific policies by the government helped the industries. Some of the inherent risks exposure due to the operational aspect did not see a significant change as compared to previous year, however companies are adopting diversification, technologically enabling the supply chain, and creating better hedging against financial related risks, whose results will be seen in coming years.

Below is a broader categorization of sectors in terms of risk index:

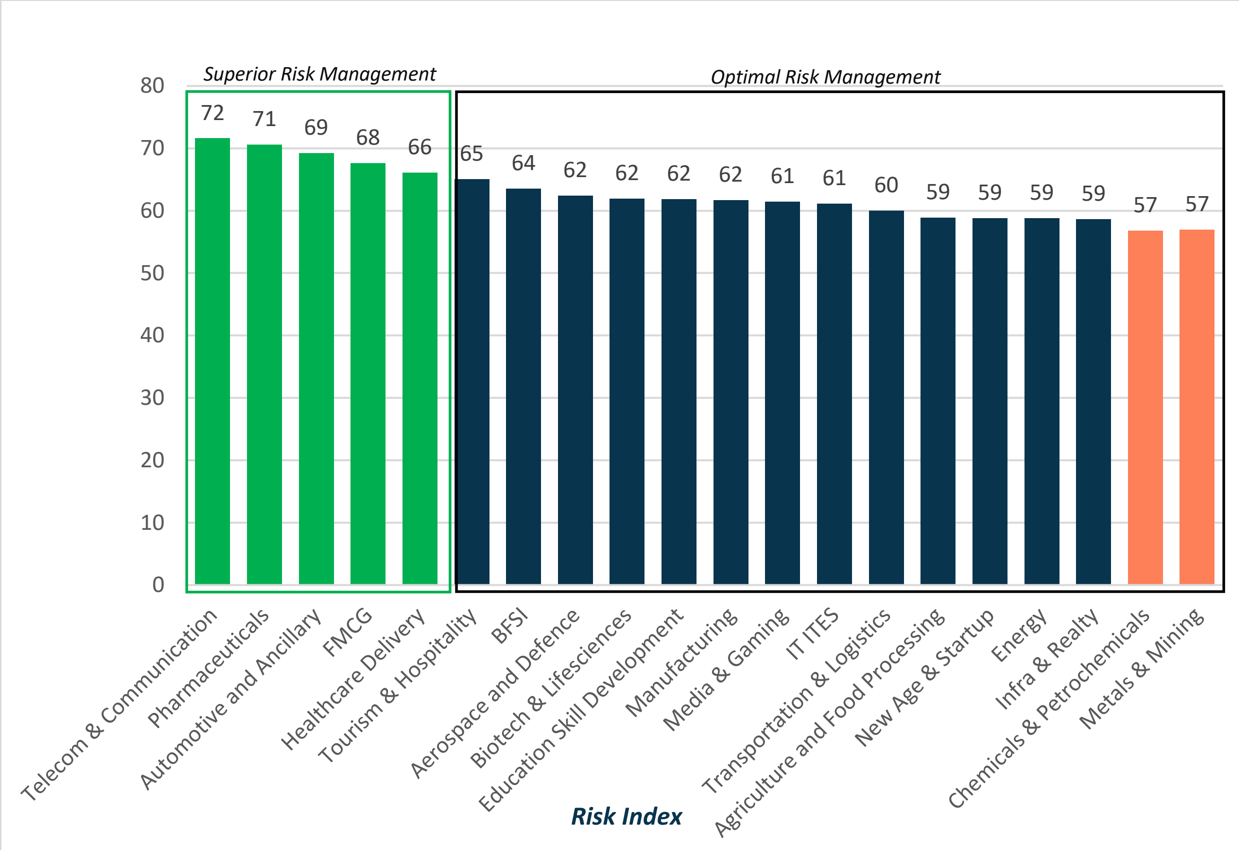


Figure 3: Corporate India Risk Index 2022 Sector Score

Superior Risk Index

Superior risk handling was found in five industrial sectors: Telecom & Communication, Pharmaceuticals, Automotive & Ancillary, FMCG, Healthcare Delivery.

Optimal Risk Index

Optimal risk handling was found in 15 industrial sectors: Tourism & Hospitality, BFSI, Aerospace & Defence, Biotech & Lifesciences, Education Skill Development, Manufacturing, Media and Gaming, IT & ITES, Transportation & Logistics, Agriculture and Food Processing, New Age & Startup, Energy, Infrastructure & Realty, Chemicals & Petrochemicals, Metals & Mining.

Gaming & Media Sector Insights 2022

Gaming and social media, as an industry, witnessed a high inflow of users accelerated by the global shutdowns, internet penetration and shift in consumer habits and preferences, making it susceptible to security and technology risks. India is the host of one of the largest gaming communities, with over 70% users in the below 34 years age group. Around 40% of the proceeds come from the advertisement mechanism across ever-evolving AI-enabled platforms for interaction and outcomes. By 2025, the industry is likely to surpass USD 182 million, with a CAGR of 18%. The adoption rate of digitised lifestyle, being 87%, is driving the enhanced market opportunities and risks for the internet of media and gaming. In 2022, employment landscape in India mapped an estimated of 40,000 people in gaming and 97,700 in media. This signifies the role of media and gaming industry in transforming the infrastructure and human capital by augmenting productivity.

From an economic point of view, the entertainment industry is undergoing a massive shift, with several sectors seeing substantial growth while others face significant challenges. The OTT video market grew by 22.8% in 2021 and is expected to continue to grow at a 7.6% CAGR through 2026, with revenue projected to reach USD 114.1 billion. The video game industry saw a growth rate of 32% between 2019 and 2021, and it is expected to rise at an 8.4% CAGR through 2026, creating a USD 321 billion industry. Meanwhile, traditional TV revenue is expected to shrink at a -0.8% CAGR from USD231 billion in 2021 to USD 222.1 billion in 2026. Although, cinemas are slowly recovering from the COVID-19 pandemic, it is projected that it will take until 2023 for them to regain their 2019 revenue total of USD 45.2 billion. The market size and growth rate of each of these sectors highlight the increasing investments by private players in curating a tech-enabled immersive experience aligning with the changing consumer needs and preferences.From an ecological point of view, the gaming and media industries have a significant environmental impact, especially in terms of energy consumption and e-waste production. A report by Greenpeace estimates that the global video game industry's energy consumption was approximately 75 billion kWh in 2020, which is equivalent to the energy consumption of around 5.6 million US households. Moreover, the production and disposal of gaming hardware, such as consoles and gaming PCs, also contribute to electronic waste. With the increasing concerns about climate change and environmental degradation, it is crucial for the gaming and media industries to continue adopting more sustainable practices to reduce their impact on the environment.

From a policy point of view, under the ambit of MeitY, the government recently drafted online gaming rules, and established social media governance guidelines to safeguard stakeholders' security interests and establish stable frameworks in place. The Government of India prohibited a number of Chinese mobile apps, including the widely used gaming application PUBG, citing security issues. Moreover, regulatory institutions such as the Telecom Regulatory Authority of India (TRAI) and the Ministry of Information and Broadcasting were established to supervise and regulate the media industry. The TRAI has introduced various policies to ensure that broadcasting services are transparent and consumer interests are safeguarded. From a macro perspective, the Indian administration is proactively engaged in regulating the gaming and media sector to ensure the protection of consumers and national security. The spirit of connectedness and collaboration among the community demands policy efforts from the government, private players and civil service organisations to manage risks and delivering sustainable growth.

Gaming & Media Sector Risk Index 2022 Vs 2021

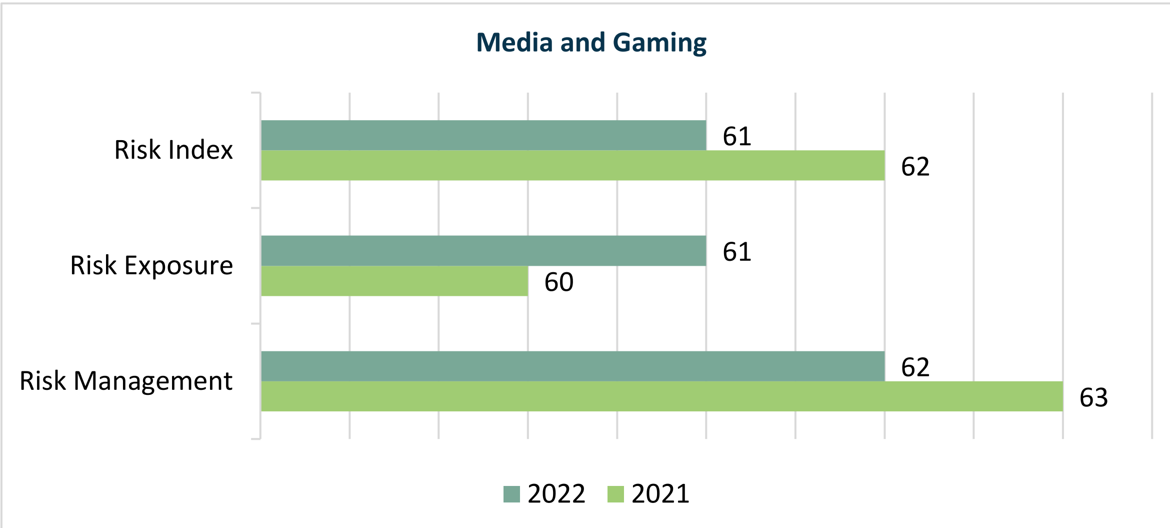


Figure 4: Detailed Comparative Analysis 2021 Vs. 2022

Gaming & Media Sector Risk Index 2022 Vs 2021

There has been no significant change in the risk index for gaming and media over 2021-22. The same can be attributed to similar trends in evolution of artificial intelligence to transform the processes, security and privacy concerns that set in with the digitisation and stirring up consumer preferences of an engaging experience encompassed in a figment of reality. The Digital Revolution 4.0 in India identified convergence of sports, media and gaming driving business opportunity, endowed with regulatory risks, security risks and technology disruptions. Sustainability and scalability of business models is the need of the new age businesses. The data suggests that risks have been relatively stable, however with the increasing market opportunity, the magnitude of implications also rises. The exposure to online predators, unverified information and concealed decryption of data is directly proportional to the frequency of market players.

Gaming & Media sector Risk Management 2022 Vs 2021

There was no significant improvement in the India Risk Management, rather it slightly declined to 62 from 63 in 2022. With the onset of various AI tools involving sentiment analytics and data processing tools, the existing policy framework and preparedness against risks was challenged by the ever-evolving innovation. There is a shift in preference towards decentralized content management, shorter attention spans and gaming traffic dependent on simulations. This was severely impacted due to macroeconomic factors such as geopolitical tensions, unequitable integration of tech-driven tools and microeconomic factors such as rise of consumerism and conventional industrial practices.

Gaming & Media Sector Risk Exposure 2022 Vs 2021

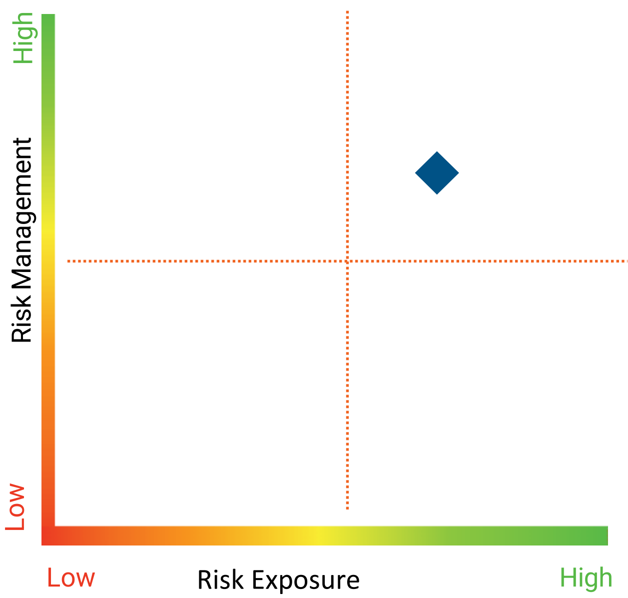
India Risk Exposure in the Media and Gaming Sector reflects an upward tendency owing to the recessionary tendencies of the economy, extremely dynamic technology frameworks, hiccups in infrastructural management and gaps in policy intervention as against the rising market opportunity. The Risk Exposure for Media and Gaming in India went up from 60 in 2021 to 61 in 2022. With an increase in market players, scope for content related and reputational risk widens. Content-related risks may include offensive or controversial material, which can lead to backlash from audiences, advertisers, or regulatory bodies. Reputation risks can arise from scandals or controversies involving key personnel or company practices, which can damage brand image and consumer trust. Legal risks can stem from intellectual property infringement, defamation, or data privacy violations, which can result in costly legal battles and fines.

Key Highlights

Risk Dimension Analysis: Market and Economy

Risk Exposure Score: 64

Risk Management Score: 65



Market Penetration

- Key drivers of gaming and media industry in India are internet penetration and population demographic. By January 2022, the number of people using the internet in India increased to 772 million, from 560.01 million in 2018.
- eMarketer has forecasted the percentage of smartphone usage in India will rise from 24% in 2018 to 39% in 2023. According to the Census of India, over half (54%) of the population of India is aged below 25 years.

Competitive Risk

- There is an evident rise in digital platforms. KPMG India predicts that India's OTT (over-the-top) market will grow from USD 3 billion in 2019 to USD 12.5 billion by 2030.
- Additionally, India is the home to the highest number of Facebook users globally with 340 million users as of January 2022, as per Statista.

Regulatory Risk

- One of the key risks in media and gaming in India is the rapidly changing regulatory environment. The Indian government has been increasingly regulating the media and gaming industries, with new rules and guidelines being introduced to protect consumer interests, ensure data privacy, and prevent harmful content.
- For example, in 2021, the Indian government announced new regulations for online content, requiring OTT platforms like Netflix, Amazon Prime, and Disney+ Hotstar to self-classify their content according to age appropriateness and content type. Additionally, the government recently drafted online gaming rules to regulate the online gaming industry, with a focus on protecting consumers from addictive and harmful content.

- These regulatory changes have created uncertainty in the industry, as companies must adapt their business models and practices to comply with new regulations. Failure to do so could result in financial penalties or reputational damage, and potentially lead to loss of market share or business opportunities.

Inflation

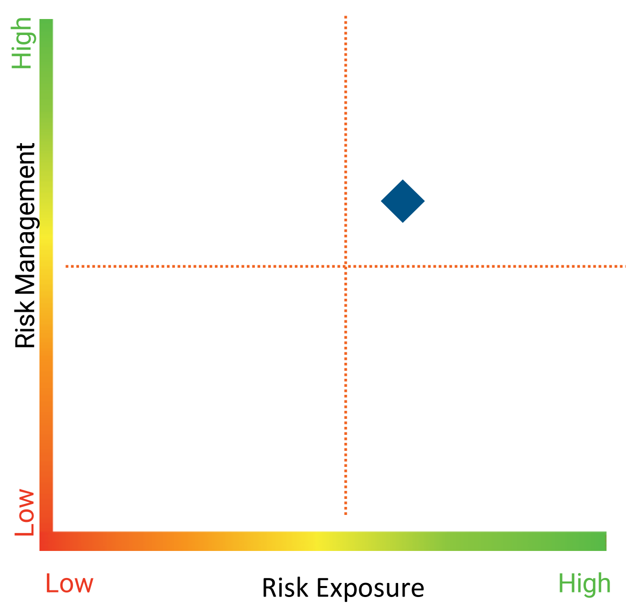
- The media and entertainment industry was estimated to be worth USD 24.8 billion in 2019, and is expected to grow to USD 30.4 billion by 2023. Meanwhile, the gaming industry was worth USD 887 million in 2020 and is expected to grow at a CAGR of 21.8% from 2020 to 2025.

- The mobile gaming segment accounts for about 85% revenue of the gaming industry in India, signifying the resource allocation and consumer preferences.

Risk Dimension Analysis: Technology

Risk Exposure Score: 60

Risk Management Score: 63



Innovation Risk

- India is inhabited by 687 million internet users and 448 million social media users. With the video streaming market growing at a CAGR of 22.6% from 2021-26, there exists a persistent need to innovate the content and exchange mechanisms to retain customers.
- With the digital advertising reaching USD 3.38 billion in India by 2023, integration of digital payment infrastructure becomes a prime concern. However, this is faced with the data security challenges, to ensure encrypted exchange of information and preventing breach of information.

Disruptive Technology

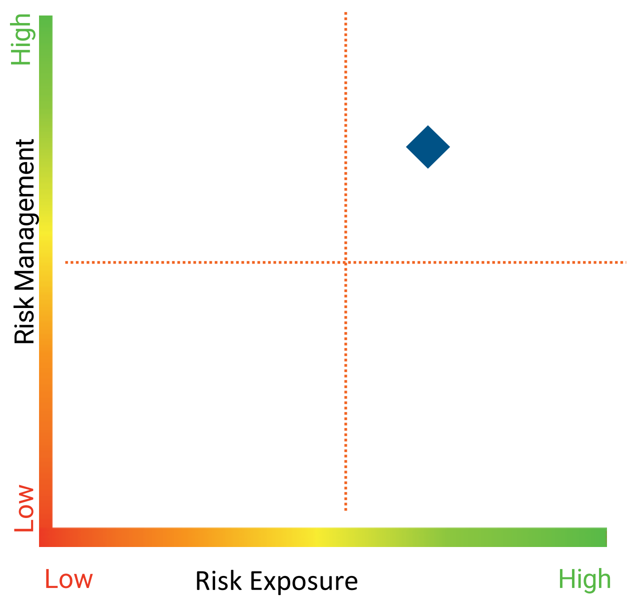
- Constant disruption in substantiating virtual reality, endowed with an enriching user experience, has transformed the way content is flowing across media platforms. Ludo King, a popular mobile game in India, uses AI to provide users with a challenging gaming experience. Additionally, Indian media companies like Zee Entertainment and Sony Pictures Networks India are utilizing AI-powered chatbots to improve customer support and engagement.

- A report from Accenture suggests that AI technologies could increase India's economy by USD 957 billion by 2035, with media and entertainment industry being a key beneficiary.
- Web3 is a new form of internet, transferring ownership rights from platform regulators to the creator. Therefore, it is bound to create a breakthrough in media consumption. India should identify this as a first mover advantage, to prevent obsolescence in its current media options.

Risk Dimension Analysis: Operational and Physical

Risk Exposure Score: 64

Risk Management Score: 66



Critical Infrastructure Failure

- The media and gaming sector is highly reliant on robust infrastructure management, as evident from the outages experienced by major gaming platforms such as Playstation, Steam, and Twitch in 2021.
- These outages led to customer attrition and declining revenues, highlighting the importance of reliable infrastructure to retain customers and generate revenue.

Business Sustainability Risk

- Reliability is a key driver for users when choosing products across gaming platforms, with 55% of users reporting it as their primary concern.
- Reliable infrastructure management is critical to the success of the media and gaming sector. With a high cost associated with data breaches and customer attrition resulting from outages, the industry needs to undertake scalable and sustainable infrastructure development to manage supply chain risks and ensure customer satisfaction.

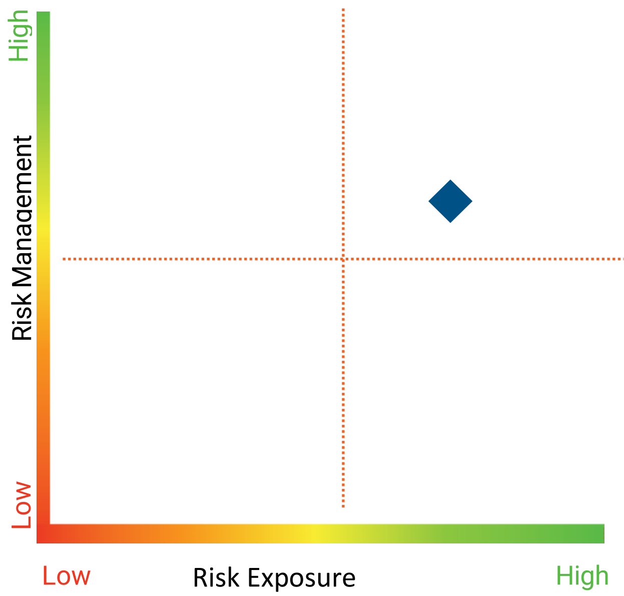
Supply Chain Risk

- The average cost of data breaches in the media industry is USD 5.86 million, underscoring the need for sustainable and scalable infrastructure development to manage supply chain risks.

Risk Dimension Analysis: Crime and Security

Risk Exposure Score: 60

Risk Management Score: 60



Cyber Crimes

- Cybercrime has become a growing concern globally, with a lack of recent data highlighting the severity of the issue. In India, cybercrime has increased by 63% in 2019 compared to the previous year.
- The rise in cybercrime incidents has put India in second place for global threats across the globe, indicating the need for stringent security measures. 1 out of every 4 internet users in India is subject to cybercrime, highlighting the severity of the issue.

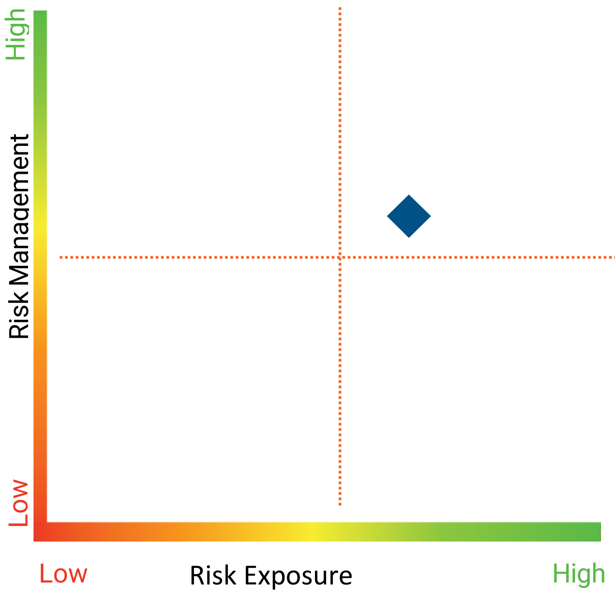
Money Laundering And Terrorism

- One of the most concerning aspects of cybercrime is the use of mixers to facilitate money laundering. In 2020, there were over 50,000 cases of money laundering, indicating the need for robust security frameworks.
- These frameworks should focus on regulating the use of mixers and implementing other control mechanisms that prevent the facilitation of illicit activities.
- The introduction of Virtual Digital Assets (VDAs) and Non-Fungible Tokens (NFTs) has brought significant change to the media and gaming sector. However, these new assets come with unique challenges that require attention.
- The lack of government validation, authenticity, ownership, and security are key concerns that need to be addressed to prevent misuse and exploitation. Flag points and control mechanisms must be established before creating media and gaming options revolving around digitized assets and unregulated investments.
- The lack of recent data and the increase in cybercrime incidents in India highlight the need for robust security measures. Similarly, the use of mixers for money laundering and the emergence of VDAs and NFTs require new control mechanisms to prevent misuse and exploitation.

Risk Dimension Analysis: Natural Hazard and Event

Risk Exposure Score: 59

Risk Management Score: 63



Natural Hazards:

- The media and communication infrastructure in India is vulnerable to natural hazards, particularly to flooding, cyclones, and earthquakes. In 2019, India witnessed 111 flood events that affected 3.9 million people and caused economic losses of INR 10,211 crore (approximately USD 1.4 billion).
- Floods can damage communication networks, such as cell towers and fiber-optic cables, and disrupt broadcasting services, internet connectivity, and emergency communication systems.
- Cyclones are a significant hazard in the coastal regions of India, particularly in the Bay of Bengal and the Arabian Sea. In 2019, India experienced five severe cyclonic storms, including Cyclone Fani, which caused extensive damage to infrastructure and communication networks in Odisha state. The NDMA report notes that telecommunication networks, including satellite phones and radio communication, can be vital during cyclones for disseminating early warning messages and coordinating relief efforts.
- Earthquakes pose a threat to the media and communication infrastructure in India, especially in the Himalayan region, which is seismically active. According to the NDMA report, there have been 41 major earthquakes in India since 2000, which have caused significant damage to buildings and infrastructure, including communication networks. The report highlights the need for earthquake-resistant infrastructure and backup communication systems to ensure continuity of media and emergency communication services.

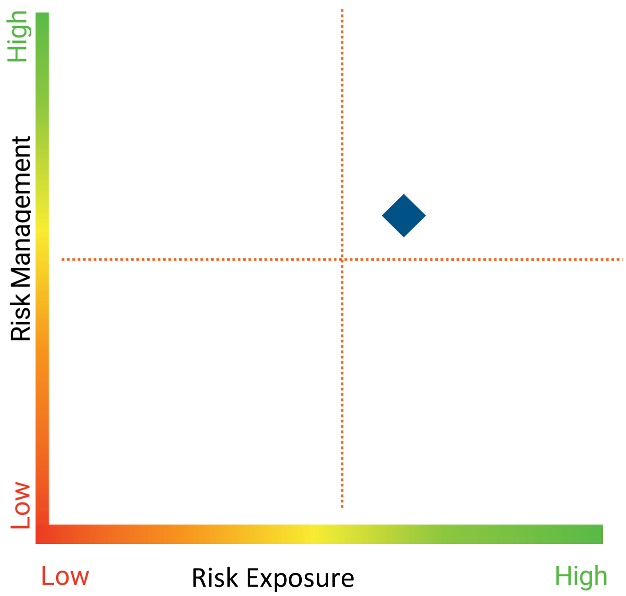
Pandemic

- Similarly, pandemics and global epidemics present a hiccup to the global trade for technology and information, driving competitive advantage for nations with robust infrastructure management.
- After the economy opened up post COVID 19 pandemic, India was faced with a risk of failure in integrating remote and physical operations across media sector for optimizing output.

Risk Dimension Analysis: Strategic Risk

Risk Exposure Score: 62

Risk Management Score: 58



Strategic Risk

- A key strategic risk is the rapidly evolving technology landscape. In India, the adoption rate of digitized lifestyle is high, with over 700 million internet users and 1.17 billion mobile phone users as of 2021. As technology continues to evolve, media and gaming companies must stay ahead of the curve to remain competitive.
- This could involve investing in new technologies, such as virtual and augmented reality, or adopting new business models, such as subscription-based services. Failure to keep up with technological advancements could lead to obsolescence and loss of market share.

Public Sentiment

- Public sentiment plays a significant role in the success or failure of the media and gaming industry in India. The industry has faced criticism and backlash from the public on various occasions, leading to reputational damage and loss of revenue.
- In 2020, the popular mobile game PUBG faced a ban in India due to concerns over its addictive nature and potential impact on the mental health of users. The ban was supported by public sentiment, with many parents and educators expressing concerns over the negative impact of the game on children and young adults. Similarly, in 2021, several celebrities faced backlash and boycotts on social media platforms due to their alleged involvement in drug abuse.

ICICI LOMBARD: Key Solution Offerings

Property

a. Businesses are always prone to risks and fire eruption and fire insurance provides a comprehensive protection against damages caused due to fire explosion and other risks. Besides fire related perils, it also protect damages caused due to any natural calamity, bursting of water tanks, theft etc. The built in covers include alterations or extensions, stocks on floater basis, temporary removal of stock, cover for specific contents, start-up expenses, professional fees, costs for removal of debris etc

b. **Solutions**

- **i.** **Property Loss Prevention exercise** - We have developed the methodology of Property Value Added Services for corporate customers which focuses on technical engagement with detail risk visit, followed by benchmarking of the risk (Industry Risk Profiling).
- **ii.** **Fire Hydrant IoT** - Fire hydrant online monitoring devices use IoT to monitor fire hydrants and assure their availability in emergencies. We've helped multiple corporate customers maintain and monitor this important fire safety component in real time.

Marine

a. We offer specially curated plans for covering the risk of theft, malicious damage, shortage, and non-delivery of goods, damages during loading and unloading, and mishandling of goods/cargo

b. Marine Cargo insurance primarily covers loss during transit caused due to fire, explosion, hijacks, accidents, collisions, and overturning

c. **Solutions**

- **i.** **GPS Device Tracking**: With the help of our advance GPS devices we can have bird eye view on the consignment and vehicle from anywhere in the world. OurSAAS allows us to track and get the visibility of the vehicle on the basis of our requirements which is fully customizable

Liability

a. Comprehensive general liability:

i. This policy is important for every small and medium sized businesses to protect the insured entity against claims arising out of legal liability where they are heldresponsible for third party bodily injury or property damage due to insured's business, premises or products. It should be taken by every new business as it covers all risk a business may face.

b. Cyber - With cyber risk steadily increasing, security/ data breaches affect millions of records a year. Cyber Risk insurance coverage is designed to help an organization mitigate its risk exposure by offsetting costs involved with recovery after a cyber-related security breach or similar event.

c. Solutions

i. **Simulated phishing tests** - Simulated real looking phishing tests andrecord employee behavior to phishing attacks along with training collateral in form of co-brandable posters, infographics and videos

ii. **Cyber maturity assessments** - Assess the security posture of your organization and identify the potential risks with our assessment based on ISO 27001 Control measures for Information security

iii. **D&O** - The need of Directors & Officers Insurance is more than ever before. Any breachor non-performance in the duties can result in claims against directors, officers and employees by reason of wrongful act and need to incur various expenses like defense costs, damages or compensation and other incidental costs. This can affect company's growth and performance.

Group Health

a. Employees are the backbone of an organization and the most valued asset. OurGroup health insurance product is designed to offer health coverage to suit employees of all business types ranging from small & medium enterprises to large organizations.

b. Solutions:

i. **IL Take Care -** AI enabled mobile app for employees

ii. **Health assistance services -** Health Assistance is a dedicated medical care service that assists you in all your health related queries for identifying specialist/hospital/fixing an appointment with doctors/nutritionist /facilitating2nd opinion

iii. **Tele Consultation** – Hello Doctor

iv. The insured is eligible to avail unlimited General Physician consultations for routine health issues over the phone by aqualified doctor

v. **Diagnostics & pharmacy services** – Book a lab test or home delivery of medicines

Bibliography

https://www.thehindubusinessline.com/data-stories/data-focus/india-proves-to-be-a-nation-of-gamers-as-numbers-spike/article65482841.ece
https://bfsi.economictimes.indiatimes.com/budget/union-budget-2023/india-has-highest-fintech-adoption-rate-gains-3rd-place-in-payments-highlights-economic-survey/97495949#:~:text=With%20the%20highest%20FinTech%20adoption,the%20economic%20survey%20pointed%20out.
https://www.statista.com/statistics/806168/india-number-of-employees-in-the-gaming-industry/
https://www.statista.com/statistics/806159/india-number-of-employees-in-the-print-media-industry/
https://www.india-briefing.com/news/everything-you-need-to-know-about-draft-rules-for-online-gaming-in-india-26830.html/#:~:text=India%20has%20published%20draft%20rules,to%20legally%20function%20in%20India.
https://www.meity.gov.in/writereaddata/files/Approved%20Social%20Media%20Framework%20and%20Guidelines%20_2_.pdf
https://www.pwc.com/gx/en/industries/tmt/media/outlook/outlook-perspectives.html
https://www.greenpeace.to/greenpeace/wp-content/uploads/2011/05/playing-dirty.pdf
https://www.statista.com/statistics/1257929/india-number-of-active-internet-users/
https://assets.kpmg.com/content/dam/kpmg/in/pdf/2019/09/ott-digital-video-market-consumer-india.pdf
https://www.statista.com/statistics/268136/top-15-countries-based-on-number-of-facebook-users/#:~:text=There%20are%20nearly%20315%20million,terms%20of%20largest%20population%20worldwide.
http://censusindia.gov.in/
https://tradingeconomics.com/india/inflation-cpi#:~:text=Inflation%20Rate%20in%20India%20is,according%20to%20our%20econometric%20models.
https://www.mordorintelligence.com/industry-reports/global-gaming-market
https://ncrb.gov.in/en/crime-india-2019
https://www.trai.gov.in/sites/default/files/QPIR_05052022.pdf

https://www.researchandmarkets.com/reports/4700903/video-streaming-market-size-share-and-trends

https://newsroom.accenture.com/news/artificial-intelligence-could-add-957-billion-to-indian-economy-according-to-new-research-by-accenture.htm

https://ncrb.gov.in/en/crime-india-2019

https://www.nortonlifelock.com/blogs/security-center/cyber-security-in-india-what-to-know

https://www.ey.com/en_in/tax/virtual-digital-assets-and-taxation-in-india

https://www.ndaconnect.com/blogs/non-fungible-tokens-are-they-legally-recognised-in-india/

https://fiuindia.gov.in/admin/sites/default/files/FIU-India_AR_2019-2020.pdf

https://downdetector.in/

https://www2.deloitte.com/content/dam/Deloitte/in/Documents/risk/in-risk-SkillGamingSurvey-noexp.pdf

https://env.media/new-generation-gaming/

https://www.statista.com/statistics/1064010/number-of-online-gamers-india/

https://www.statista.com/outlook/dmo/digital-advertising/india

https://www.trai.gov.in/sites/default/files/QPIR_05052022.pdf

https://www.researchandmarkets.com/reports/4700903/video-streaming-market-size-share-and-trends

https://newsroom.accenture.com/news/artificial-intelligence-could-add-957-billion-to-indian-economy-according-to-new-research-by-accenture.htm

https://ncrb.gov.in/en/crime-india-2019

https://www.nortonlifelock.com/blogs/security-center/cyber-security-in-india-what-to-know

https://www.ey.com/en_in/tax/virtual-digital-assets-and-taxation-in-india

https://www.ndaconnect.com/blogs/non-fungible-tokens-are-they-legally-recognised-in-india/

https://fiuindia.gov.in/admin/sites/default/files/FIU-India_AR_2019-2020.pdf

https://downdetector.in/

https://www2.deloitte.com/content/dam/Deloitte/in/Documents/risk/in-risk-SkillGamingSurvey-noexp.pdf

https://env.media/new-generation-gaming/

https://www.statista.com/statistics/1064010/number-of-online-gamers-india/

https://ndma.gov.in/Resources/AnnualReports

Disclaimer:

Notes:

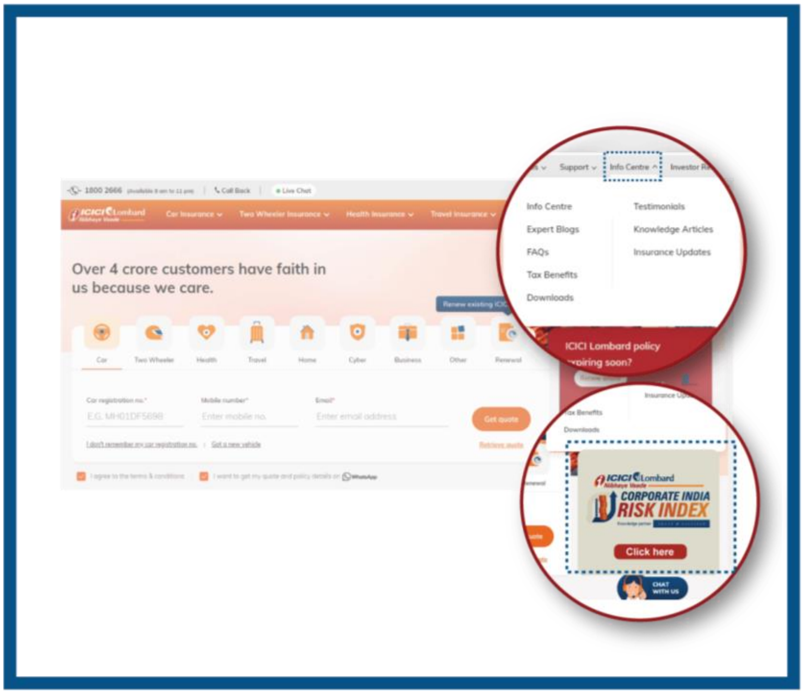
ICICI Lombard
Nibhaye Vaade

CORPORATE INDIA RISK INDEX

Intelligence partner FROST & SULLIVAN

Now accessible at

www.icicilombard.com/corporate-india-risk-index



Please send a mail to ciri@icicilombard.com to get your customized ICICI Lombard Corporate India Risk Index Report

ICICI Lombard
Nibhaye Vaade

CORPORATE INDIA
RISK INDEX

Intelligence partner FROST & SULLIVAN