



**Sector: Gaming & Media**

# 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 2<sup>nd</sup> 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.

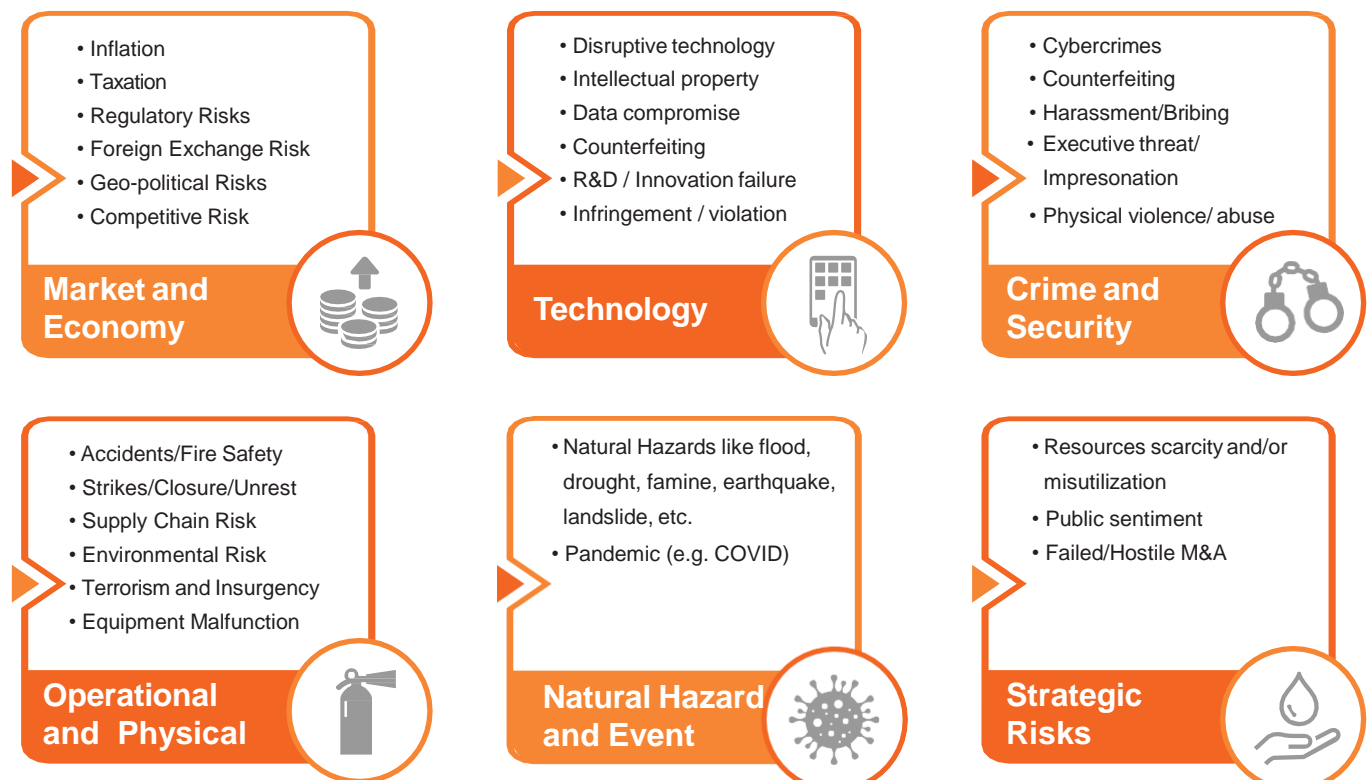
## Comprehensive Sector Coverage

- 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

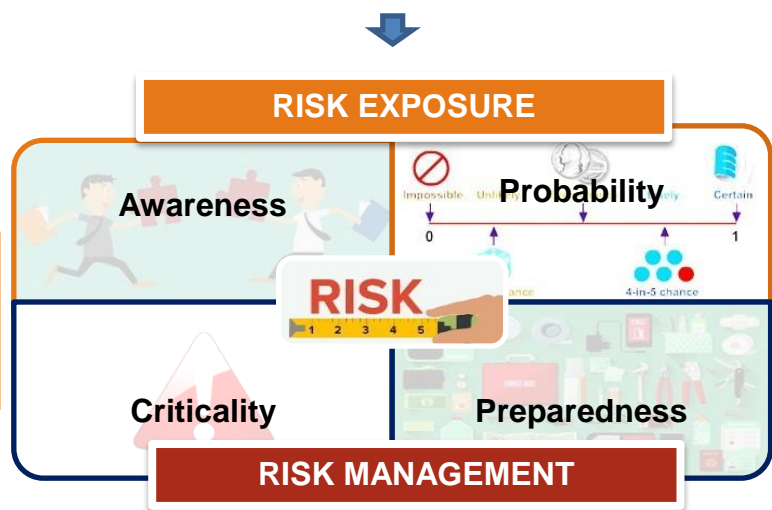
The ICICI Lombard Corporate India Risk Index Framework comprises of 32 risk elements across 6 broad dimensions:



# 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
<b>Category</b>	<b>Very Low Risk Exposure</b>	<b>Low Risk Exposure</b>	<b>Moderate Risk Exposure</b>	<b>High Risk Exposure</b>	<b>Very High Risk Exposure</b>
	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.

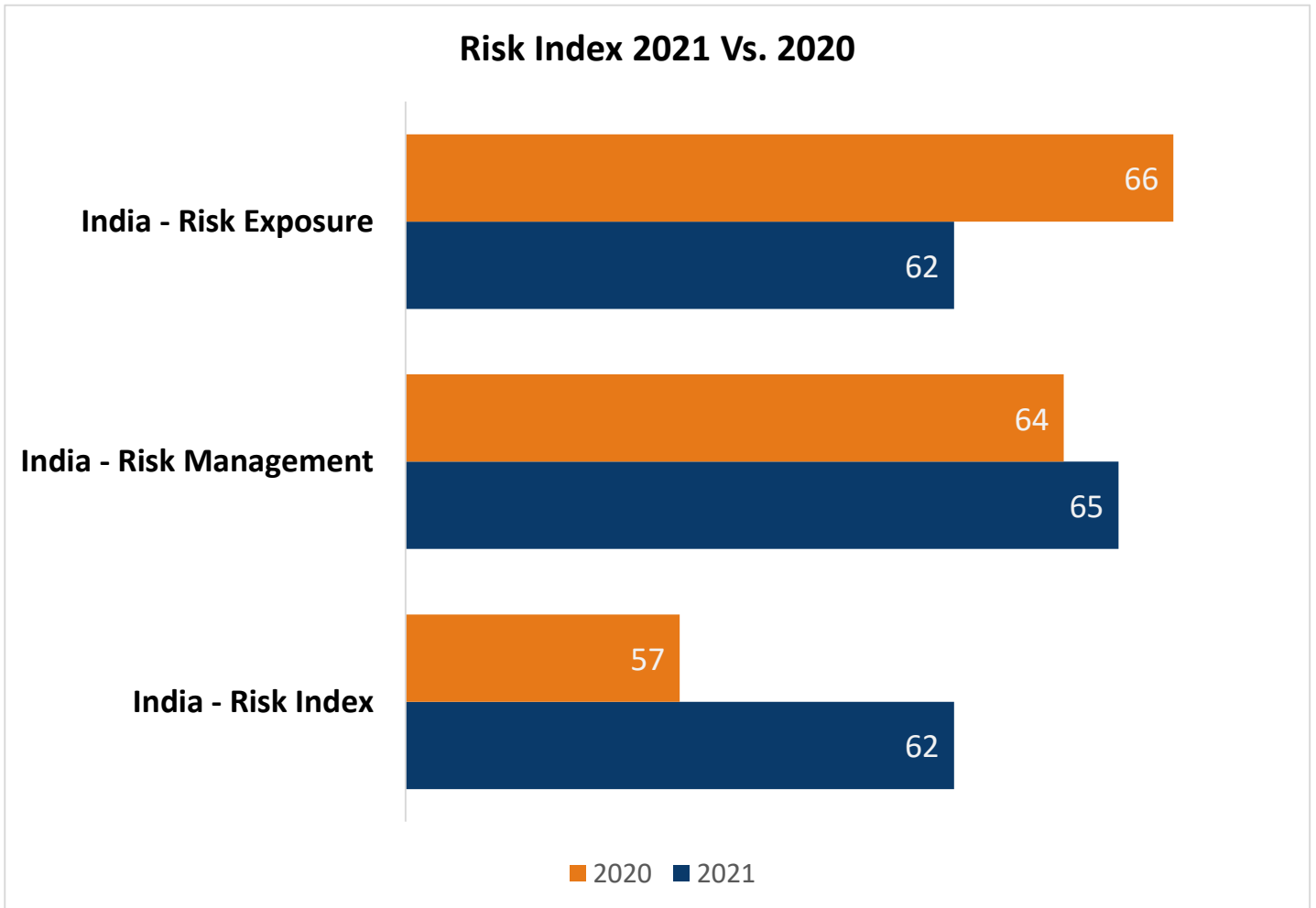
## ICICI Lombard Corporate Risk Management – Scale

Score	< 40	40 - 50	50 – 70	70 - 80	> 80
<b>Category</b>	<b>Poor Risk Management</b>	<b>Below Par Risk Management</b>	<b>Acceptable Risk Management</b>	<b>Superior Risk Management</b>	<b>Exemplary Risk Management</b>
	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
<b>Category</b>	<b>Ineffective</b>	<b>Sub-optimal</b>	<b>Optimal</b>	<b>Superior</b>	<b>Over-prepared</b>
	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

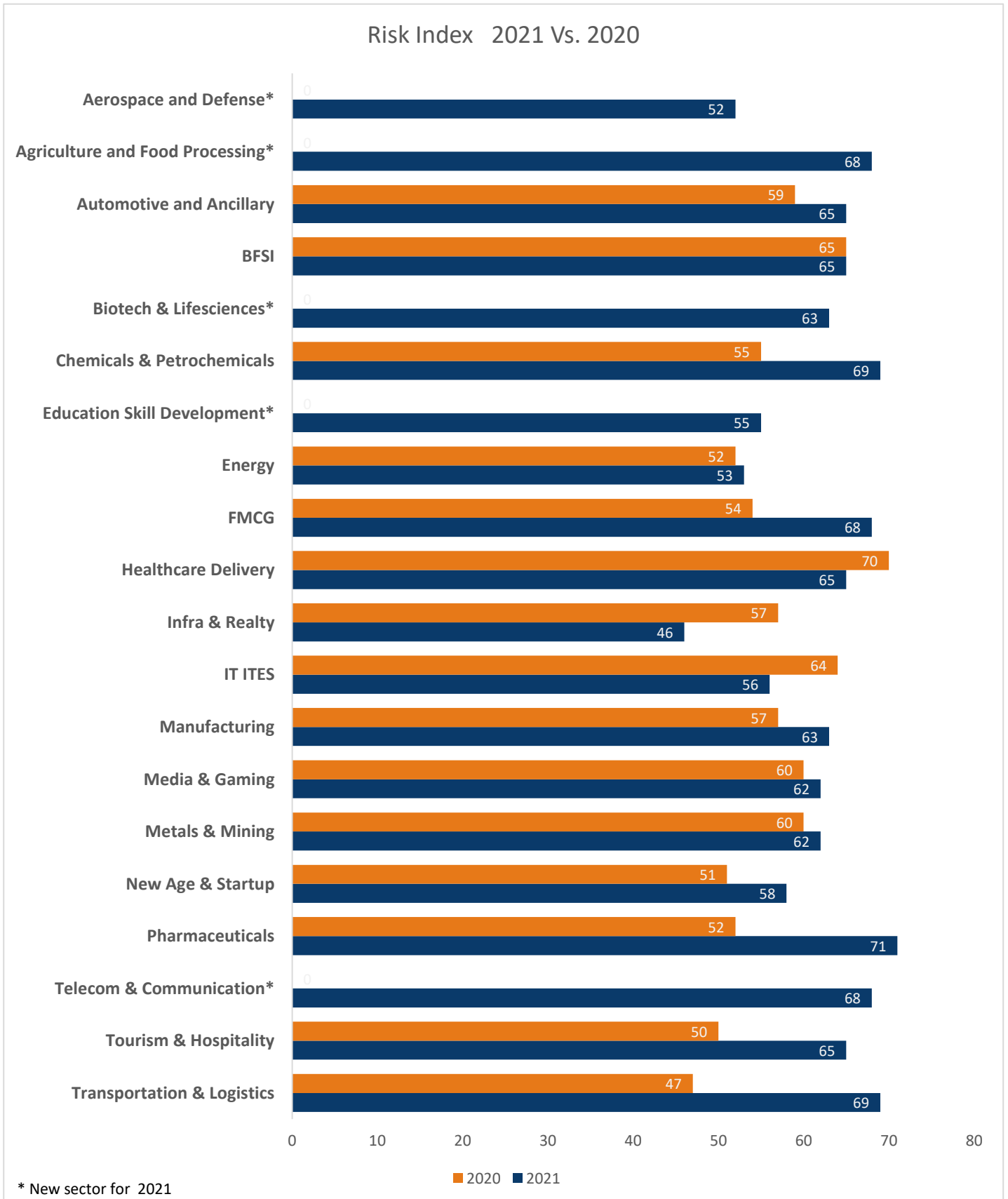
## ICICI Lombard Corporate India Risk Index



### 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



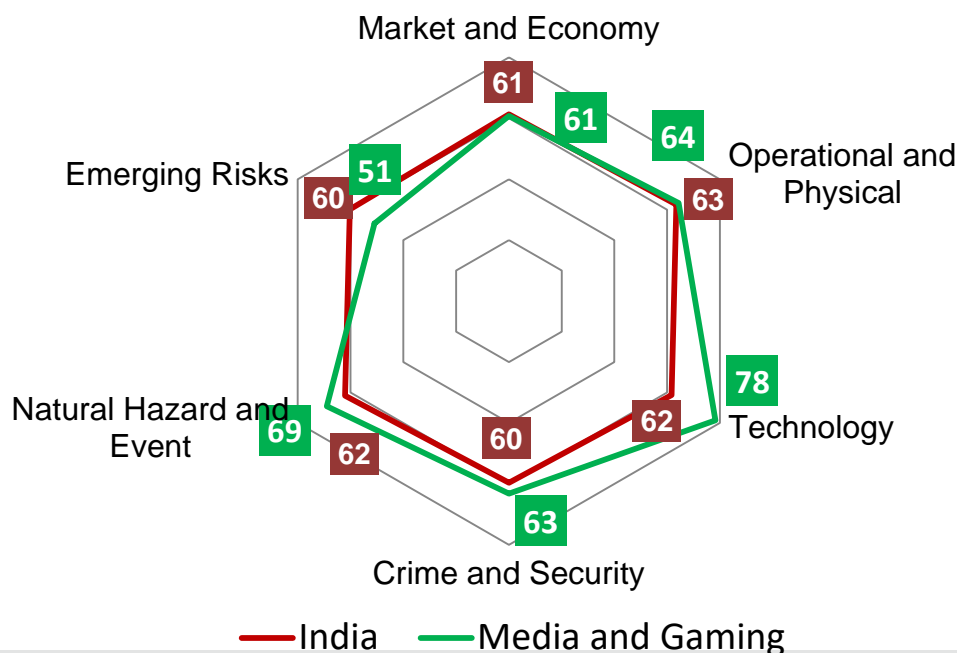
### Observations:

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	62	65	62	57
Media and Gaming Sector	60	63	62	NA

### India Risk Index Vs. Media and Gaming Sector Risk Index



**The Indian Media and Gaming Sector's Risk Exposure score is 60 mainly due to the exposure from Operational & physical risks and Market risks.**

The main challenges for this industry include concerns about data privacy and a lack of suitable gaming infrastructure, as well as the expensive cost of software. Piracy is also prevalent in India, and high tariffs and taxes have increased the cost of game systems. Also,

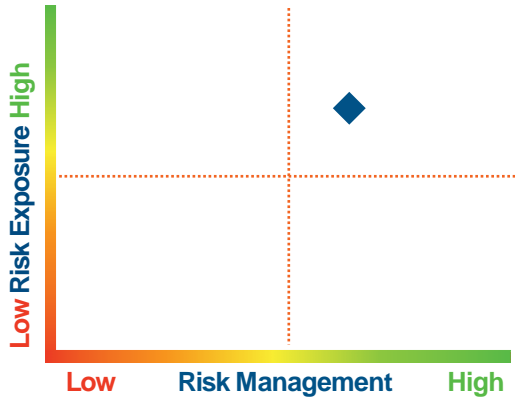
- In 2021, digital media in India was valued at Rs. 234.9 billion (US \$ 3.16 billion). Rising consumer demand for content in India is driving the expansion. The need for original programming is estimated to exceed 3,000 hours per year by 2023..
- With growing digitalization and transformation, expanding internet usage, and rising smartphone penetration, the Indian gaming industry is poised for significant growth. By 2023, the domestic gaming industry is estimated to provide 10,000–12,000 direct and indirect jobs..

**The overall Risk Management score is 63, indicating an acceptable Risk Management in this sector.**

- The Indian government has launched a number of efforts to stimulate growth in the local media and gaming industries, and Gaming & Esports Sector Is The Next Frontier for Media, Online gaming is estimated to reach 500 million users by 2025, making it the third largest component of the Indian Media and Gaming business.

## Risk Dimension Analysis: Market and Economy

**Risk Exposure Score: 62**  
**Risk Management Score: 65**



### Regulatory and Competitive Risk.

- Key growth drivers included rising demand for content among users and affordable subscription packages.
- Regional entertainment is expanding, allowing suppliers to broaden their product offerings.
- The Indian mobile gaming market is growing at a similar rate to the global trend, and it is expected to reach US\$ 7 billion by 2025. Due to rapid growth in consumption.
- The online gaming market in India is expected to reach Rs. 155 billion (US\$ 2.12 billion) by 2023, up from Rs. 76 billion (US\$ 1.08 billion) in 2020.
- The Indian media and entertainment business is expected to be worth between \$24 and \$100 billion by 2030.

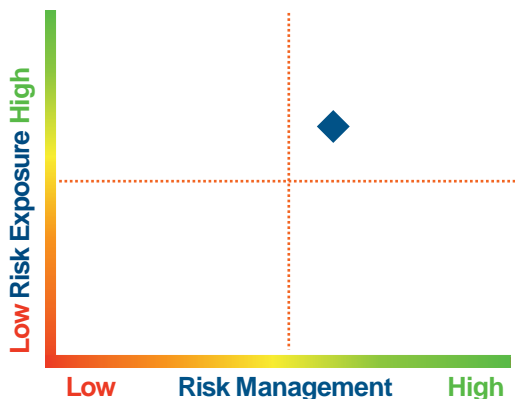


### Recommendation:

As mobile and smartphone penetration has increased, so has the adoption of online video viewing in India. Companies should focus on developing more mobile-friendly apps to capitalize on this opportunity.

## Risk Dimension Analysis: Technology

**Risk Exposure Score: 56**  
**Risk Management Score: 63**



### Innovation and Errors in system design.

This year saw the introduction of new and rising technologies.

- The unveiling of Metaverse by Facebook shocked the world and demonstrated the limitless possibilities in the gaming and media sectors.
- The rapid speed of disruptive innovations remains the top risk for the industries
- Rapid digital transformation in the gaming and media sectors, making it one of the most acceptable sectors for technological growth.



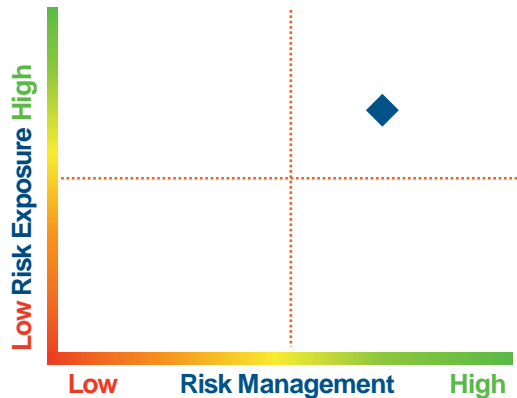
### Recommendation:

The companies could introduce various digital technologies (AI, IoT, ML, etc.) for new use cases as well as to add value to the business. The companies could adopt models of risk analytics or advanced analytics to identify trends and patterns based on risk data.



## Risk Dimension Analysis: Operational and Physical

**Risk Exposure Score: 62**  
**Risk Management Score: 66**



### Critical Infrastructure Failure and Supply chain risk.

- People sought more media and entertainment at home during repeating COVID-19 spikes, often skipping larger in-person events. Even during the healthier summer, digital media engagement remained high, indicating that the pandemic has just exacerbated pre-existing trends toward the digital environment.
- Succession concerns and the ability to attract and retain personnel are intertwined with broader corporate culture issues, which continue to be critical areas of focus for firms.
- The industry is focusing on talent retention and skill enhancement.

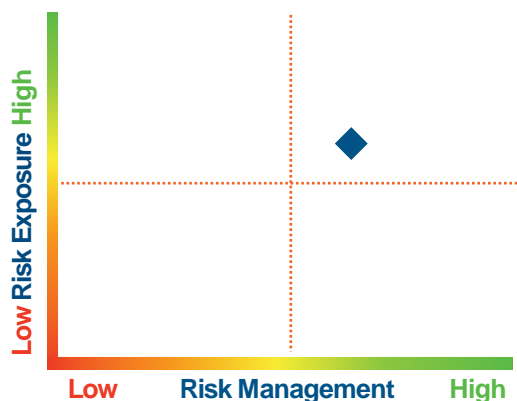


### Recommendation:

Companies can focus on areas to limit the risk of supply chain disruption, as well as talent retention and skill set upgradation in response to rapidly changing and growing technologies.

## Risk Dimension Analysis: Crime and Security

**Risk Exposure Score: 57**  
**Risk Management Score: 60**



### Malwares and Privacy risks.

- Privacy breaches and data theft are deterrent to the Gaming and media sector
- Ensuring privacy and identity management, as well as information security and system protection, continues to be a major risk problem for the sector.
- The meteoric ascent of NFTs, as well as their effectiveness in introducing scarcity and exclusivity to digital commodities, will inspire new models of customer involvement and loyalty. They will also result in more digital product innovation, better empowerment for their creators, and a fuller realization of blockchain, bitcoin, and the decentralized web's ambitious ideals.

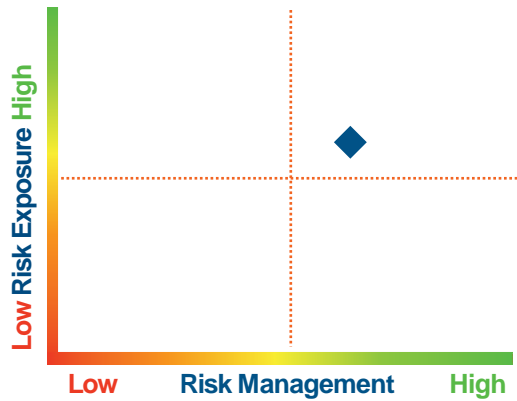


### Recommendation:

Companies could develop a consistent Cyber Risk Management program, which includes periodic testing and control enhancement through simulation.

## Risk Dimension Analysis: Natural Hazard and Event

**Risk Exposure Score: 58**  
**Risk Management Score: 63**



Natural disasters represent only minor risks to the Telecom industry.

- Pandemic has a severe effect on all industries, particularly those where the entire way of communication has been disrupted.
- The gaming and media industries have suffered significant losses in recent years, but have been mostly spared by natural disasters in India.
- Natural disasters have an impact on the whole operations of the telecom industry, causing a slew of problems for customers.

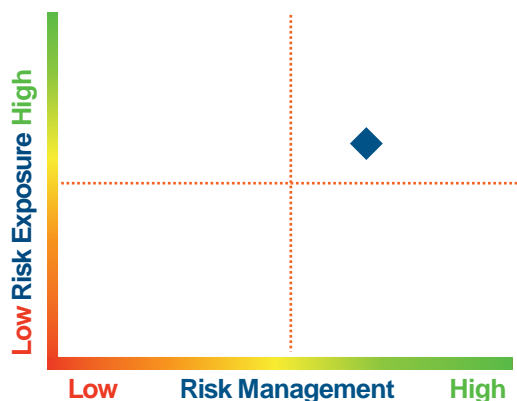


### Recommendation:

Companies must keep track of natural hazards and the risks associated with them. Infrastructure such as towers and buildings can be protected against natural disasters and the likelihood of a pandemic-like event can be reduced.

## Risk Dimension Analysis: Strategic Risk

**Risk Exposure Score: 58**  
**Risk Management Score: 58**



Project delay and financial risk.

- The Indian gaming and media business is expanding at a rapid pace. The industry is predicted to develop substantially faster than the worldwide average, which could lead to some unexpected risks.
- Growth and sustenance is majorly dependent on the strategic risk mitigation and transparency in the data along with public sentiments
- Social media, the world's largest digital aggregator, will reach a tipping point as it moves to build up the next generation of retail purchasing firms should keep cybercrime in mind while designing these applications.



### Recommendation:

The companies could on-board an external financial organization or a consulting firm to undertake the due diligence and evaluate the financial feasibility study before the closure of any deal.



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