RISK ASSESSMENT AND CORPORATE PROFILING: AN EMPIRICAL STUDY OF SELECTED SECTORS IN INDIA

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ABSTRACT

The study aims to explore and analyse the emerging issues on risk management and sector-wise risk assessment of corporate profiling in India's top selected sectors; namely Automobile; Oil and Gas Exploration, Pharmaceutical and Banking (PSU banks) empirically during the current phase of globalization. A number of significant changes have been noticed in high-performing sectors of India since the last two decades measured in terms of risk assessment and risk corporate profiling. The present study is relevant from various aspects based on its theoretical and empirical background of literature encouraging us to conduct a few advanced analyses fromseveral angles. In this context, on the basis of introductory background and thorough survey of available existing literature; first the study efforts to build up a theoretical framework of risk in the selected companies within the chosen sectors during recent times, where it is depicted that the financial risk essentially is a measurement of variation in return; followed by the systematic presentations of descriptive analyses of profiles of different companies. Thereafter, the study methodically classifies the selected companies chosen from four selected sectors into two groups namely low risk (LR) and high risk (HR), and these two groups are also compared onthe basis of the standard deviation and coefficient of variation of profits or cash flows of past years. The discriminant analysis is also conducted to examine various financial indicators of companies to classify them into 'healthy' and 'unhealthy' categories. Subsequently, the study empirically investigates the relationship between the total risk management (measured by RMAand RME) and the performance (measured by EBIT, ROA, and ROE) of four selected sectorsin India over a significant period during the era of globalization, and observes that the total risk management significantly affects the performance of those sectors, where the intellectual capital is also found to a significant determinant of the measures of total risk management and performance. Finally, based on the entire analyses and their corresponding outcomes, the study documents its concluding remarks with its major findings, limitations, and also the scope for further works.