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RISK EXPOSURE REPORT

PREPARED FOR SAHIL-TESTING



COMPANY PROFILE

Company Name:	sahil-testing
Industry Type:	Mills
Industry Sub Type:	Flax / Hemp Mills
Estimated Annual Turnover:	400000
Estimated Asset Value:	400000
Number of Employees:	100

INDUSTRY OUTLOOK

India is the world's second-largest producer of textiles and garments. It is also the fifth-largest exporter of textiles spanning apparel, home and technical products. The Indian textiles market is expected to be worth >US\$ 209 billion by 2029. Some of the key market trends to look out for in 2022 and beyond are:



Textile Parks - Under the Union Budget 2021-22, Minister of Finance and Corporate Affairs, Ms. Nirmala Sitharaman, launched a 'Mega Integrated Textile Region and Apparel (MITRA) Park' scheme to establish seven textile parks with state-of-the-art infrastructure, common utilities and R&D lab over a three-year period.

Incubation in apparel manufacturing - The objective here is to promote entrepreneurs in apparel manufacturing by providing them an integrated workspace and reducing operational and financial cost for establishing and growing a new business.

Technical textiles - Increased awareness of goods, higher disposable incomes, changing customer patterns and some sector-specific growth drivers are estimated to bolster the Indian technical textiles market to US\$ 23.3 billion in 2027, up from US\$ 14 billion in 2020 in the Asia-Pacific region.

Public Private Partnership (PPP) - The Ministry of Textiles commenced an initiative to establish institutes under PPP to encourage private sector participation in the development of the industry.

Focus on high growth domestic markets - The Government of India has increased the basic custom duty to 20% from 10% on 501 textile products to boost Make in India and indigenous production.

Scaling-up organic cotton industry - Despite being the world's largest producer of cotton, only 2% of the total amount of cotton produced in India is organic. In March 2021, Inditex partnered with DBS Bank in Singapore to launch a pilot programme, which would finance >2,000 Indian farmers to grow/produce organic cotton.

Innovations to create sustainable textiles - Many Indian textile players are now opting for sustainable production. BRFL Textiles Private Limited (BTPL), India's largest fabric processing facility, has introduced a new sulphur dyeing process involving continuous dyeing without requiring water. BTPL is the first company in the textile sector to implement this new process of dyeing, making it the pioneer of this innovative sustainable process.

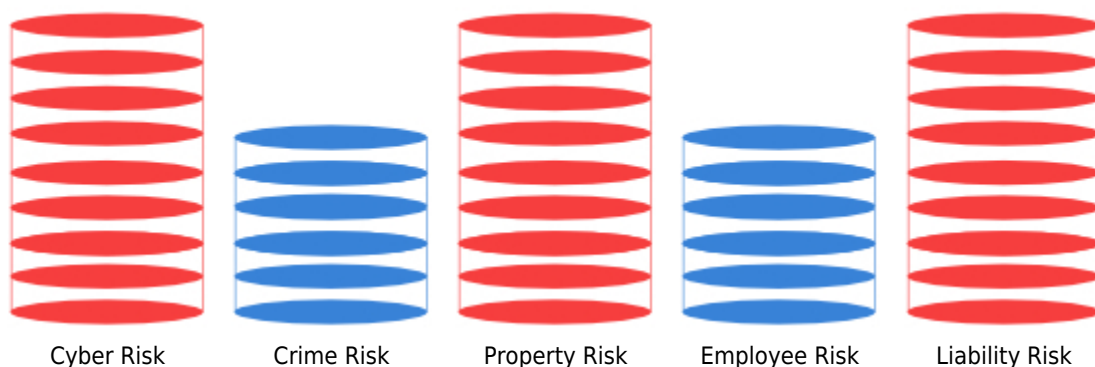
RISK OUTLOOK



Extreme



Medium



RISK INSIGHTS

Liability

- Indian legal environment is changing very fast and the legal expenses of companies are also increasing each year. The legal requirement of industries varies from industry to industry.
- As per the analysis of various costs incurred by different industries over a period of 10 years (2010-2019), the legal cost incurred by the manufacturing industry was 0.54% of their total expenses and 0.53% of their 10 year average sales revenue.

Employee

- 2021 has been unparalleled when it comes to the talent exchange we are witnessing across sectors. The overall annualized attrition number for 2021 stands at an astounding 20% which is a record high since 2011.
- Engineering and manufacturing sector saw an attrition rate of 8% which was towards the lower side, however 84% of the manufacturing firms are still facing a talent shortage.
- According to data collected by global workers' union, industrial sectors such as manufacturing, chemicals and construction report the most fatalities in India. In 2021 alone, it said an average of seven accidents were reported every month in Indian manufacturing industries, killing more than 162 workers.

Crime

As per PwC's Global Economic Crime and Fraud Survey (GECS) 2022, 52% of Indian organizations experienced fraud or economic crime within the last 24 months:

- Out of these, 17% of the companies lost between USD 1Mn - 50Mn.
- The major fraud faced by the manufacturing industry was related to cybercrime (32%) followed by asset misappropriation (28%) and accounting fraud (24%).

Cyber

- Mills & Manufacturing, with its hum of machinery churning out the key components that make our modern life possible, continues to be a valued target for espionage. However, it has also become a lucrative target for financially motivated criminals looking to make quick money.
- Between November 2020 and October 2021, there were almost 24 thousand cyber security incidents worldwide, wherein manufacturing was ranked 6th with more than 9.5% of the cases.

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