

CORPORATE INDIA RISK INDEX

2023

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SECTOR REPORT 2023

AEROSPACE & DEFENCE



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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

India's Aerospace and Defence sector is a cornerstone of the nation's economic well-being and security. However, this critical industry faces a complex web of challenges that could hinder its progress.

Geopolitical tensions with neighboring countries can escalate, disrupting supply chains and jeopardizing the industry's smooth functioning. Additionally, India's heavy reliance on regulations and international agreements makes it susceptible to policy shifts and potential sanctions.

Technological advancements are crucial for this sector. While India strives for self-sufficiency, its dependence on imported technology exposes it to the risk of falling behind and potential supply chain disruptions.

The industry's capital-intensive nature makes it vulnerable to financial instability. Dependence on government funding and exposure to currency fluctuations can significantly impact profitability and growth plans. Skilled manpower is the backbone of this sector. However, attracting and retaining talent, coupled with an aging workforce, poses a significant challenge that could lead to a future skills gap.

Sustainability Imperative: The Aerospace and Defence industry has a significant environmental footprint. To ensure long-term viability, the sector needs to embrace sustainability initiatives:

Alternative Fuels: Research and development in biofuels, electric propulsion, and lightweight materials can reduce emissions and reliance on fossil fuels.

Life Cycle Management: Implementing sustainable practices throughout a product's lifecycle, from design to disposal, can minimize environmental impact.

Green Manufacturing: Adopting eco-friendly manufacturing processes can minimize waste and pollution.

Artificial intelligence (AI) has the potential to transform the Aerospace and Defence sector:

Advanced Design and Manufacturing: AI can optimize design processes, streamline production, and improve quality control.

Predictive Maintenance: AI-powered systems can analyze sensor data to predict equipment failures and prevent costly downtime.

Cybersecurity Enhancement: AI can bolster cyber defenses by identifying and mitigating threats in real-time.

Autonomous Systems: AI-powered drones and unmanned aerial vehicles (UAVs) can enhance border security, conduct reconnaissance missions, and improve logistical operations.

The Road Ahead: Despite these risks, India's Aerospace and Defence sector holds immense potential. By developing robust risk management strategies and embracing sustainability practices and cutting-edge AI technologies, the industry can navigate challenges and ensure its long-term sustainability.

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 Defence, 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 and 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.

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. 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

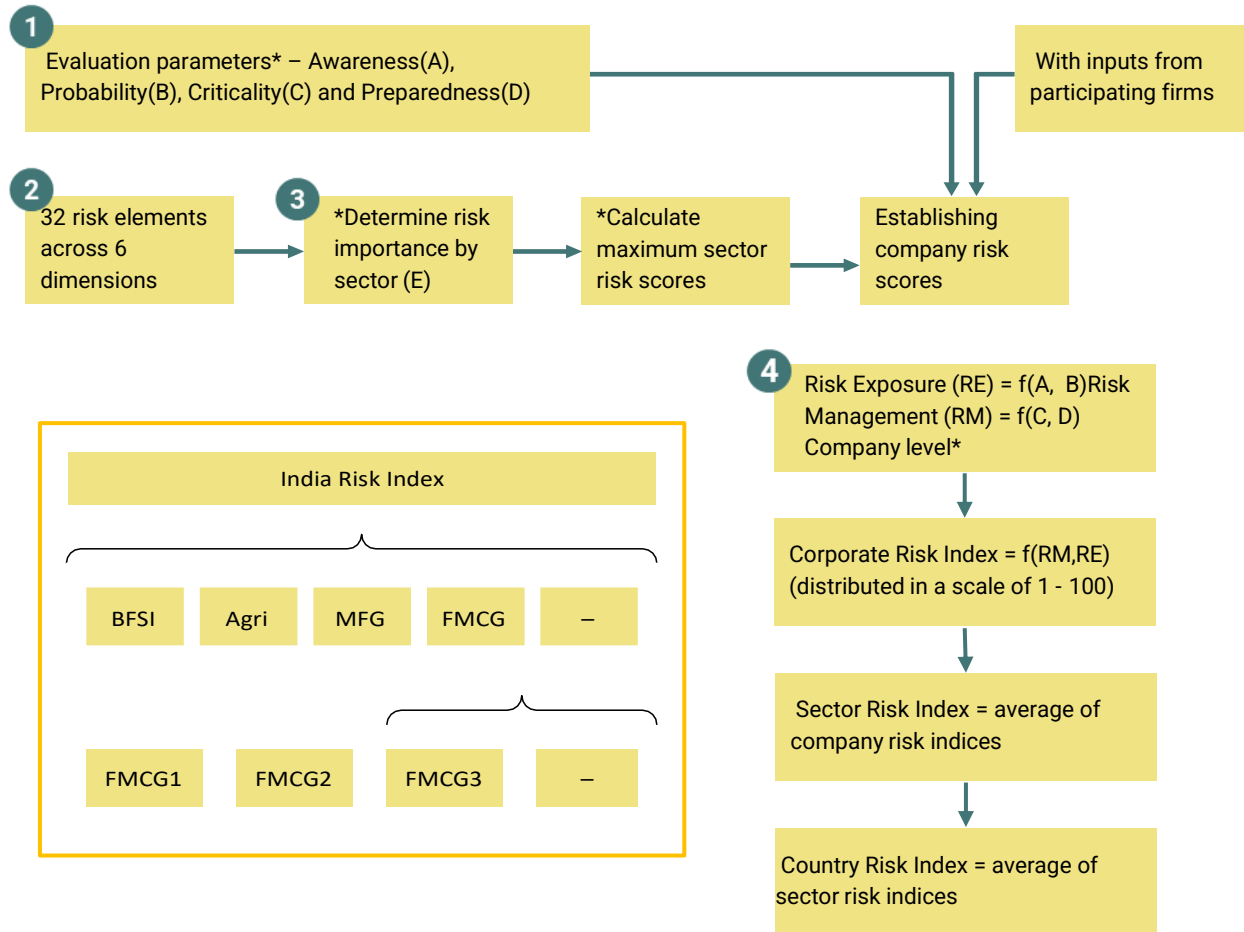


Figure 1: Risk Assessment Approach

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.
- Probability - 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

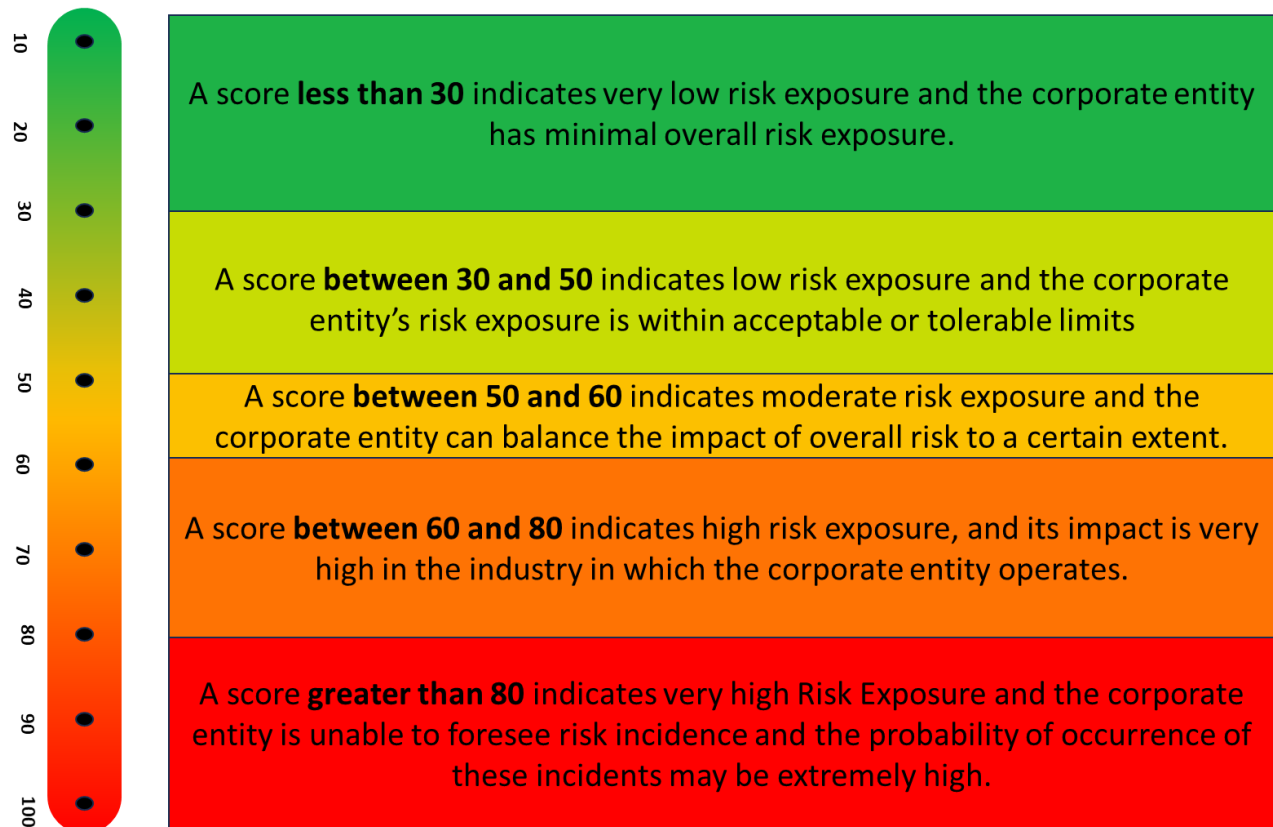
We have selected 20 sectors to understand the current stand of our country today in terms of risk. Risk for various sectors is measured on the risk exposure scale and risk management scale.

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.

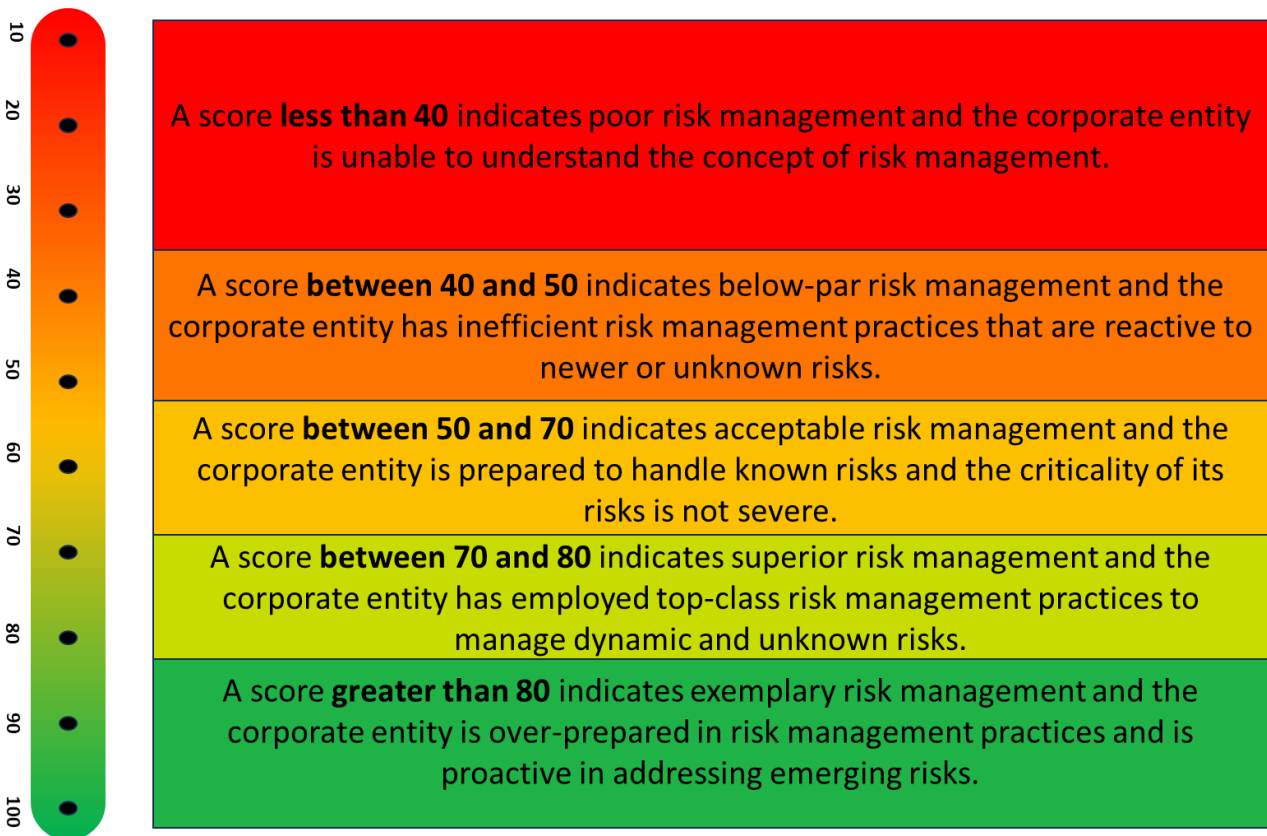


B. ICICI Lombard Corporate Risk Management – Scale

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 exposurescale.

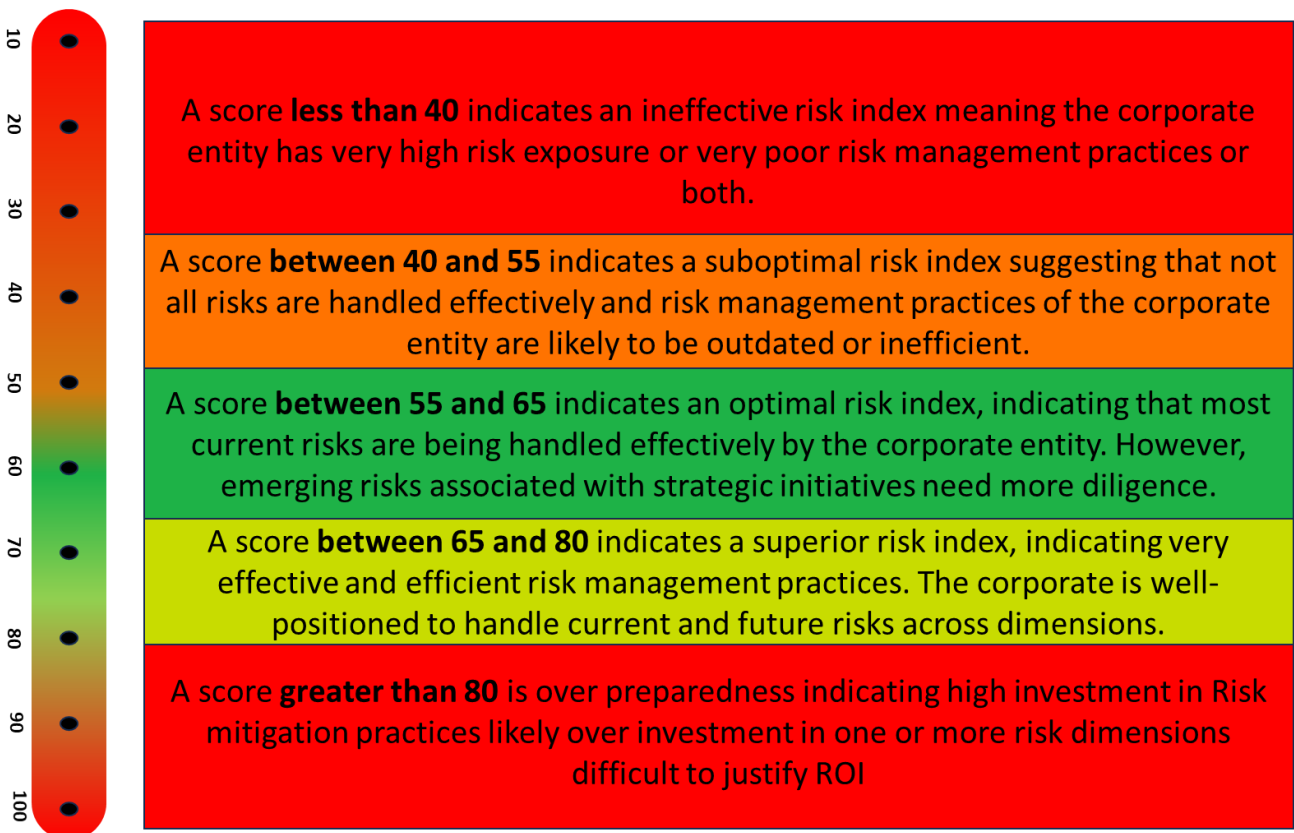
Let's look at the risk management scale.



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

In 2023, India witnessed a number of developments in various sectors, reflecting changes in consumer preferences, technological advances and regulatory trends. These developments shaped the industry and affected strategic decisions among industry players.

Electric vehicles (EVs) gained traction across sectors, driving investments in infrastructure and incentivized by government policies promoting electric mobility. The Automotive industry witnessed a surge in demand for EVs, while Logistics & Transportation embraced electric fleets to reduce carbon emissions and operational costs. Digital transformation accelerated across sectors, fueled by the COVID-19 pandemic. Telemedicine, online banking, and remote work solutions proliferated in Healthcare, BFSI, and IT/ITES sectors, enhancing operational efficiency and customer experiences.

In 2023, sustainability took center stage as sectors across India embraced eco-friendly practices. The Energy sector witnessed a shift towards renewable energy sources, with significant investments in solar and wind power. Industries like Manufacturing and FMCG prioritized energy efficiency and waste reduction initiatives. Hospitality and Real Estate sectors focused on green building practices, while Agriculture adopted precision farming techniques to conserve resources.

AI integration surged in 2023, revolutionizing business operations across sectors. Manufacturing companies leveraged AI for predictive maintenance and quality control, enhancing efficiency and reducing costs. Healthcare adopted AI-powered diagnostics and personalized treatment plans, improving patient care. Financial institutions utilized AI for fraud detection and risk assessment, bolstering security and compliance.

Social media emerged as a powerful tool for brand building and customer engagement in 2023. FMCG and Retail sectors capitalized on social media platforms to launch targeted marketing campaigns and drive product sales. Hospitality and Tourism industries utilized social media influencers to enhance brand visibility and customer loyalty. By leveraging social media analytics and customer feedback, companies across sectors tailored their strategies to effectively connect with their target audience and build brand reputation.

The "Make in India" initiative drove significant changes in supply chain operations in 2023. Sectors like Automotive, Manufacturing, and Pharmaceuticals emphasized local sourcing to reduce dependency on imports. Companies diversified their supplier base and optimized logistics networks to mitigate supply chain risks. This strategic shift towards domestic production enhanced resilience and competitiveness across industries.

Diversity, Equity, and Inclusion (DE&I) initiatives gained momentum in 2023, fostering inclusive workplaces across sectors. Companies in BFSI and IT/ITES led the way with diversity training programs and gender-neutral policies. Healthcare organizations focused on addressing healthcare disparities among marginalized communities. Manufacturing and Retail sectors prioritized inclusive hiring practices to tap into diverse talent pools, driving innovation and employee engagement.

Leadership risks emerged as a critical concern in 2023, prompting sectors to reassess their leadership strategies. Companies in BFSI and Technology faced challenges in adapting to rapid technological advancements and changing market dynamics. Healthcare organizations navigated leadership transitions amidst the COVID-19 pandemic, emphasizing the need for agile and resilient leadership. Strategic investments in leadership development and succession planning became imperative to mitigate leadership risks effectively.

Disruptive technologies like artificial intelligence, blockchain, 5G, and IoT reshaped traditional business models, offering new avenues for innovation and growth in sectors such as Telecom & Communication, Biotech & Life Sciences, and New Age Industries.

The scenario of the Indian economy in 2023 had a myriad of risks and opportunities in various sectors. Cybersecurity emerged as a pervasive risk, affecting industries from banking and finance to healthcare and IT/ITES. With more than 400 million cyber threats detected in nearly 8.5 million locations by 2023, organizations prioritized strong cybersecurity measures. Advanced threat detection systems, encryption protocols and employee training programs were implemented locally to enhance cyber resilience and protect sensitive data.

Another common risk was supply chain disruption, exacerbated by factors such as geopolitical pressures, natural disasters, and semiconductor chip shortages. To mitigate these risks, companies diversified their supplier base, invested in inventory management systems, and adopted agile supply chain practices to enhance resilience and flexibility.

Regulatory uncertainty was rife in industries such as Pharma, Energy, Telecommunications, which required active engagement with regulators. Furthermore, environmental risks emphasized the importance of sustainability and green technologies, renewable energy and waste management practices to reduce environmental impact around us and compliance with legal standards.

Despite the challenges posed by common risks, several sectors emerged as resilient performers in 2023, whose efforts helped us understand the situation in 2023 better. Noteworthy efforts included the "National COVID-19 Vaccination Drive" in healthcare, "Electric Vehicle Adoption Mission" in automotive, and "Green Freight Movement" in logistics. Additionally, initiatives such as the "Make in India Defence" program in aerospace and "Skill India Mission 2.0" in education underscored the nation's commitment to innovation and development.

The Automotive industry in India showed resilience in the face of supply chain disruption and regulatory uncertainty. Focusing on sustainability and innovation, the sector saw an increase in electric vehicle (EV) adoption, with sales reaching Rs 4.22 lakh crore.

The Aerospace & Defence sector focused on developing indigenous manufacturing capacity and technology to strengthen national defence by investing Rs 1.5 lakh crore.

In the Healthcare sector, India has invested heavily in digital health solutions and infrastructure to combat the lingering effects of the COVID-19 pandemic. With a total investment of more than Rs 50,000 crore, companies have expanded telemedicine and implemented AI-powered diagnostics to improve patient care.

The Manufacturing sector prioritized digitalization and process optimization to enhance productivity and competitiveness amidst supply chain disruptions and inflationary pressures. Companies invested Rs 1.2 lakh crore in automation technologies and smart manufacturing initiatives to streamline operations and reduce costs. The Logistics & Transportation companies invested Rs 800 crore in blockchain-based traceability systems and cyber security protocols to secure supply chains and protect sensitive data from cyberattacks.

The Hospitality industry adapted to customer preferences and regulatory requirements through new service offerings and customer engagement strategies. With an investment of Rs 0.5 lakh crore, companies also focused on using contactless technology to improve health and safety measures, ensuring that guests have satisfaction and compliance.

The Agricultural & Food Processing sector embraced technological initiatives to increase agricultural productivity and ensure food security in the face of climate change and supply disruptions. With an investment of Rs 1 lakh crore, companies focused on precision farming and farm-to-fork traceability solutions to improve crop yield and quality.

The BFSI sector focused on digital transformation and risk management to address cyber threats and regulatory challenges. Banks and financial institutions invested Rs 2,50,000 crore to implement advanced cyber security measures and fraud detection systems to protect customer data and prevent financial fraud.

The Biotech & Life Sciences sector showcased innovation and resilience amidst regulatory complexities and supply chain disruptions. The Chemicals & Petrochemicals sector navigated environmental regulations and market volatility through sustainable practices and operational excellence initiatives. Digital learning and job training were adopted to meet workforce challenges and enhance productivity in the face of technological disruption and demographic changes in the Education & Skill Development sector.

The Energy sector has shifted towards renewable energy and sustainable development policies to mitigate the risks of climate change and reduce dependence on fossil fuels. Moreover, with investments of Rs 1.5 lakh crore in smart grid technologies and demand-side management initiatives to optimize energy consumption and reduce emissions, the sector prioritized grid modernization and energy efficiency.

The IT ITES sector continued to drive digital transformation and innovation to address cybersecurity threats and meet evolving customer demands. With investments of Rs 4 lakh crore, companies focused on cloud computing and cybersecurity solutions to protect data and ensure business continuity.

The Metals & Mining sector focused on sustainable practices and community engagement to address environmental concerns and social risks associated with resource extraction. With investments of over Rs 0.8 lakh crore, companies implemented reclamation and rehabilitation projects to restore mined areas and promote biodiversity conservation.

The New Age sector, comprising startups and technology companies, showcased innovation and resilience amidst market uncertainties and funding challenges. Additionally, the sector prioritized talent acquisition and retention, with investments of Rs 0.5 lakh crore in employee benefits and workplace diversity initiatives to attract top talent and foster a culture of innovation.

The Telecommunication sector continued to expand connectivity and digital infrastructure to meet growing demand for broadband services and IoT applications. With investments of over Rs 2 lakh crore, companies deployed 5G networks and fiber-optic cables to enhance network capacity and speed.

In summary, India's diverse sectors demonstrated resilience and innovation in navigating through a challenging operating environment in 2023. As India continues its journey towards economic prosperity, proactive risk management and innovation will remain critical drivers of success across diverse sectors.

India Showcasing an Optimized Risk Handling



Figure 2: Corporate India Risk Index 2023

A score of 64 on the Corporate Risk Index indicates optimal handling of risk by the Indian companies. However, to enter the superior risk handling territory, the Indian companies have scope to improve upon their risk management practices in the areas of crime & security risks and strategic risks. It was observed across sectors that there is an increased focus on cybersecurity and other technological risks.

In the sectorial analysis of risk exposure, it was found that companies were most affected by market & economy and operational & physical risks due to inflation, global volatility and geopolitical events like the Red Sea crisis, Israel Palestine conflict and Russia Ukraine War.

Another common risk was supply chain disruption, exacerbated by factors such as geopolitical pressures, natural disasters, and inflation. To mitigate these risks, companies diversified their supplier base, invested in inventory management systems, focused on localization and adopted agile supply chain practices to enhance resilience and flexibility.

It was observed that risk management is getting an increased focus in the growth strategy of every organization with companies having dedicated risk teams to manage their risk exposure. All the organizations fell either into 'Superior Risk Management' or 'Optimal Risk Management' category indicating good risk management practices.

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

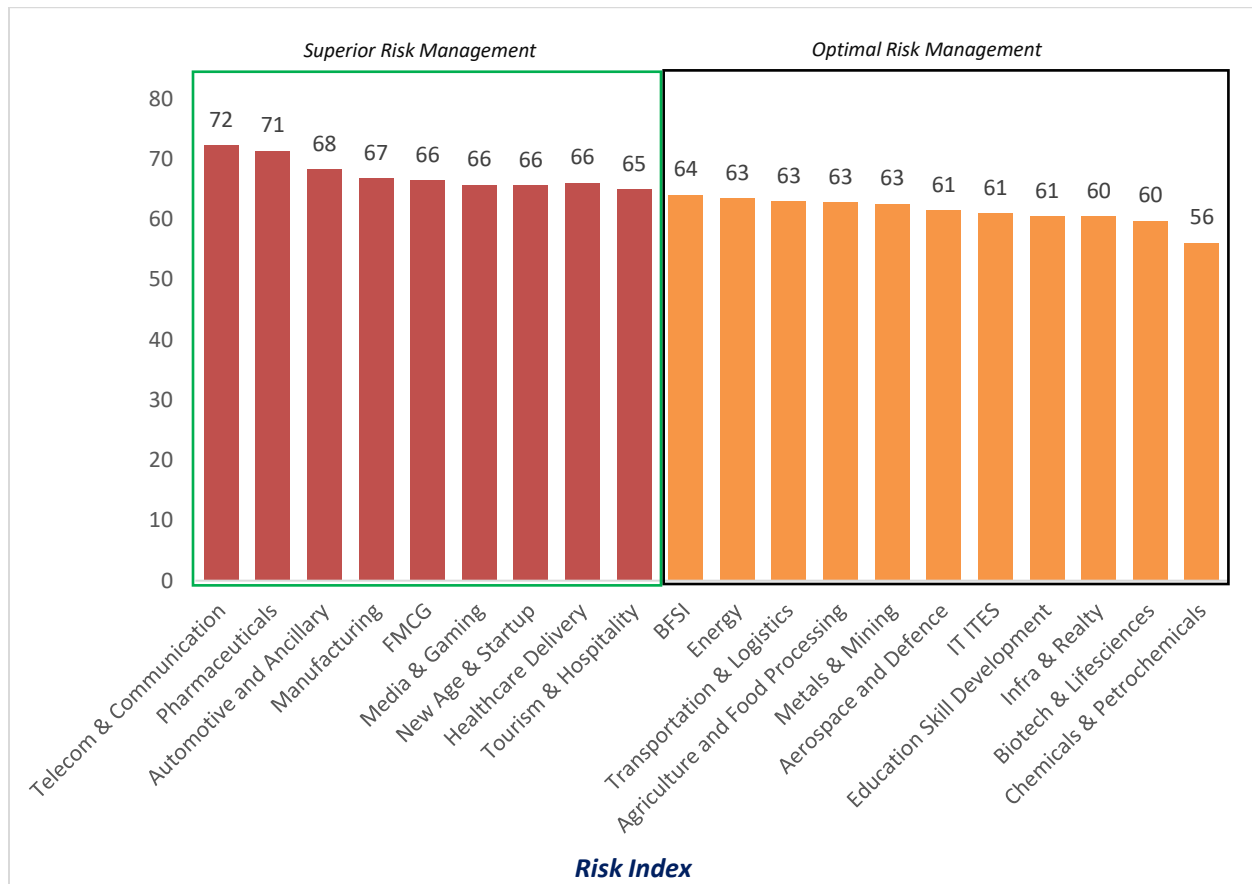


Figure 3: Corporate India Risk Index 2023 Sector Score

Superior Risk Index

Superior risk handling was found in nine industrial sectors: Telecom & Communication, Pharmaceuticals, Healthcare Delivery, Automotive & Ancillary, Manufacturing, FMCG, Media & Gaming, New Age & Startups and Tourism & Hospitality.

Optimal Risk Index

Optimal risk handling was found in 11 industrial sectors: BFSI, Energy, Transportation & Logistics, Agriculture & Food processing, Metals & Mining, Aerospace & Defence, IT ITES, Education & Skill Development, Infrastructure & Realty, Biotech & Lifesciences and Chemicals & Petrochemicals.

Aerospace & Defence Sector Insights 2023

The aerospace and defence sector play a critical role in India's national security and economic development. It strengthens the country's defence capabilities, fosters technological advancements, and generates high-skilled jobs. A robust A&D sector in India also allows the country to project its strategic influence on the global stage. The aerospace and defence sector encompass a wide range of activities, including: research and development, manufacturing, maintenance, repair, and overhaul (MRO) and training. It involves building aircraft, ships, spacecraft, weapon systems, and defence equipment. Aerospace and defence (A&D) companies sell their products and supporting services and sustenance programs to governments and private companies and other end use industries. It is witnessing a shift towards indigenous production, integrating disruptive technologies like artificial intelligence into projects such as facial recognition systems and robotic detectors. The industry is also focusing on manufacturing aerospace components, with India becoming a key hub for global OEMs due to its technical expertise, talent pool, and cost-effective production. Biofuels, electric propulsion systems, and eco-friendly materials are being developed for aircraft and equipment. This aligns with the defence sector's modernization goals, promoting domestic manufacturing and reducing reliance on foreign sources for a more sustainable future.

The Indian aerospace and defence (A&D) sector are experiencing a period of significant growth and transformation. Ministry of Defence has been allocated a total budget of USD 63.4 billion, which is 13.31% of the total budget. This includes an amount of USD 14.37 billion for Defence Pensions. The total Defence Budget represents an enhancement of USD 5.67 billion (9.82%) over Budget Estimates 2021-22. Of the Union Budget for Financial Year 2023-24, Ministry of Defence has been allocated a total Budget of USD 71.22 billion, which is 13.18 % of the total budget. This includes an amount of USD 16.58 billion for Defence Pensions. The total Defence Budget represents an enhancement of USD 8.21 billion (13%) over the Budget of 2022-23. Ministry of Defence has set a target of achieving a turnover of USD 25 billion in aerospace and defence manufacturing by 2025, which includes USD 5 billion exports.

According to the Directorate General of Civil Aviation, over 76 million passengers were carried by domestic airlines during the first half of 2023 (January-June) as compared to 57 million during the same period of the previous year, registering an annual growth of over 32 percent. The number of airports in India has increased to 148 in 2022 from 74 in 2014 and expected to reach 220 by 2025.

The aerospace industry looks like returning to very close to pre-pandemic revenue levels in 2023 and is on target to exceed them by 2024. Commercial revenues for Airbus and Boeing both rose significantly year-on-year and the MRO market is also seeing rising demand.

India has the third largest armed forces in the world and plans to spend additional billions of dollars on defence articles over the next several years. India's resolve to drastically reduce its reliance on imports, referred to as "Atmanirbhar Bharat" (self-reliance), is perhaps the biggest strategic development related to the defence sector, with the goal of achieving domestic manufacturing turnover of USD 25 billion in the next five years. As part of its indigenization drive, India's Ministry of Defence (MOD) has been notifying the list of strategically important line replacement units/sub-systems/spares & components in phases. The sector has seen a surge in defence exports, with India investing heavily in technology development through initiatives like the Defence Research Development Organization (DRDO).

The Indian aerospace and defence sector are propelled by a mix of government initiatives and market forces. Key growth drivers include government programs like "Make in India" and "Atmanirbhar Bharat," which promote domestic production and reduce dependence on imports. Rising defence spending to modernize the armed forces and increasing demand for aircraft from Indian airlines further fuel growth. However, the sector faces challenges like a shortage of skilled workers, which can hinder production efficiency. Additionally, reliance on critical technology imports exposes the industry to supply chain disruptions and limitations imposed by other countries. Overcoming these challenges will be crucial for India's A&D sector to achieve sustained growth and global competitiveness.

India's A&D sector soars with domestic focus and tech edge. Indigenization fuels collaboration between government and private companies, fostering a strong domestic supply chain and reducing reliance on imports. The booming UAV market offers fertile ground for homegrown drone tech. Meanwhile, R&D in AI, hypersonic, and cybersecurity promises to revolutionize defence with smarter systems, superior capabilities, and robust protection. This fusion of domestic strengths and cutting-edge tech positions India's A&D sector for an innovative, efficient, and sustainable future.

In conclusion, from small "built to print" parts, components, structures to end-to-end design and development of major equipment and platforms, to the Chandrayaan — the Indian aerospace and defence industry has come a long way. The intent is to be self-reliant, and supply chain challenges due to geopolitical issues have further resulted in a concerted focus on domestic capabilities enhancement. This decade is challenging but laden with opportunities and it is imperative that the approach and progress be mapped accordingly to achieve targets.

Aerospace & Defence Sector Risk Index 2023 Vs 2022

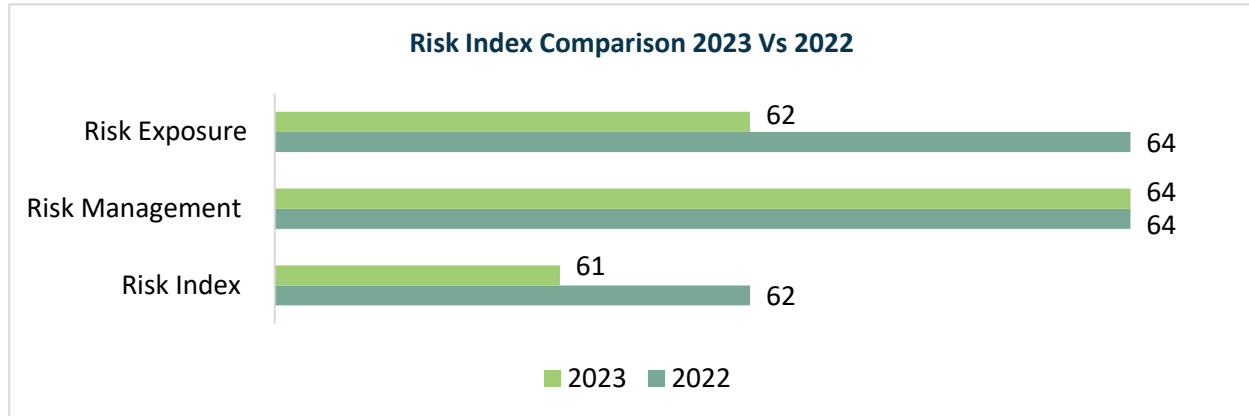


Figure 4: Detailed Comparative Analysis 2022 Vs. 2023

Aerospace & Defence Sector Risk Index 2023 Vs 2022

The Aerospace and Defence sector in India had a risk exposure of 62 in 2022 and 61 in 2023, both falling in the "superior risk index" category, indicating very effective and efficient risk management practices. Despite the same level of risk management, there is a slight decrease in risk exposure in 2023.

This decrease can be attributed to factors such as market and economy resilience, technology investments, effective handling of operational and physical risks, and proactive management of crime and security risks. Natural hazard and event risks were managed effectively, and strategic risks were mitigated through indigenous production focus and joint ventures for manufacturing aerospace parts and assemblies in India.

Aerospace & Defence Sector Risk Exposure 2023 Vs 2022

The risk exposure for Aerospace and Defence sector in India reduced from 64 in 2022 to 62 in 2023. The decrease in market and economy, operational and physical, crime and security risks suggest a more stable market and improved management of operational and physical risks.

However, technology and natural hazard risks increased. The sector needs to improve its management of technology and operational risks and enhanced preparedness for natural hazards. Enhancing preparedness for natural hazards and maintaining vigilance against security threats are crucial for sustained risk mitigation in the sector.

Aerospace & Defence sector Risk Management 2023 Vs 2022

The Aerospace and Defence sector in India maintained a constant risk management score of 64 in 2022 and 2023, indicating an acceptable level of risk management. Despite slight changes in the individual risk divisions, the sector's risk management practices remained unchanged, indicating effective management of risks. The constant score suggests that the sector has efficient risk management practices that are proactive and responsive to emerging risks, ensuring a stable and secure environment for its operations.

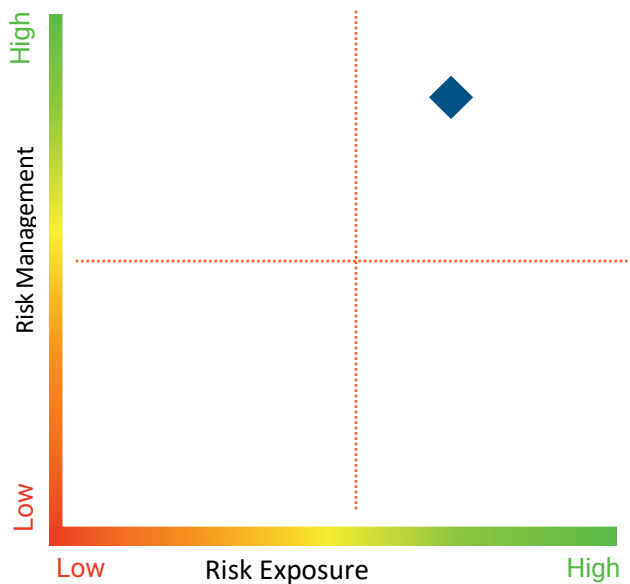
Key Highlights



Risk Dimension Analysis: Market and Economy

Risk Exposure Score: 64

Risk Management Score: 60



Inflation

- The industry faced financial instability due to soaring aviation fuel prices, reaching all-time highs, which significantly impacted the sector.
- The Indian defence budget did see a 12.5% increase. However, with inflation hovering around 6% throughout 2023, the effective increase in the capital outlay for new equipment remained flat.
- Inflation led to challenges related to supply chain disruptions and material costs like steel, rubber, and fuel (crude oil derivatives and Aviation Turbine Fuel - ATF) saw significant price hikes, impacting production costs for aircrafts, missiles, and other equipment. The cost of aircraft, debt, and general operations of airlines and other stakeholders were affected.
- It also experienced challenges related to a shortage of skilled workers due to high remuneration expectations of workers on account of inflation. While India has a significant pool of technical talent, attracting and retaining skilled workers remained a challenge.
- The government's continued focus on "Make in India" initiative offered some buffer. By allocating 68% of the defence budget for domestic procurement (FY 2023), it tried to boost local production and potentially reduce reliance on imported materials facing global inflation.
- Despite inflation concerns, a survey of executives revealed that significant portion (88%) remained optimistic about the sector's future in 2023.

Taxation

- An increase in tax on raw materials used in the sector, such as fuels, auto parts, and logistic materials, added to the industry's operational costs. This rise in taxes on essential materials like fuels and auto parts contributed to the overall cost burden faced by aerospace and defence companies.
- The tax implications on aircraft servicing presented challenges for Maintenance, Repair, and Overhaul (MRO) activities in India.
- The Centre has decided to increase the windfall tax on petroleum crude oil, while reducing the tax on diesel and aviation fuel.
- Currently, fuel taxes constitute approximately 37% of the standard retail price of petrol in the country, with approximately 21% attributed to central excise duty and 16% to State Value Added Tax (VAT)

Regulatory Risks

- The Indian aerospace and defence industry face several regulatory risks which include complex and inconsistent regulations governing the defence industry, making it challenging for companies to navigate licensing processes and for foreign companies to enter the market.
- There is a lack of investment in research and development, hindering India's capabilities in critical areas like aerospace and electronics.
- The performance of public undertakings poses another challenge, with issues such as lack of innovation, flexibility, and poor financial performance needing to be addressed.
- Furthermore, political and economic instability, intellectual property protection issues, and heavy regulation are significant challenges faced by investors in the Indian aerospace industry.
- Political instability can lead to uncertainty in business regulations and policies, impacting long-term investment decisions. Economic instability, currency fluctuations, inflation, and changes in trade policies also affect investor confidence.
- The Indian government approved amendments in the FDI policy for the space sector, allowing 100% FDI in this area to attract potential investors and enhance private participation.
- These changes are part of the Indian Space Policy 2023, which seeks to unlock India's potential in space through increased private participation, technology development, and international relations.
- The Indian Space Policy 2023 aims to unlock India's potential in space through increased private participation, technology development, and international relations. These changes seek to enhance India's capabilities in the space sector by leveraging private sector involvement.

Foreign Exchange Rates

- In 2023, the aerospace and defence industry in India faced risks due to foreign exchange rates, particularly the depreciation of the rupee. This depreciation had significant implications for the sector as most of its services are traded in dollar-denominated currency, leading to increased challenges and woes for the industry. The trade of services like payments abroad for aviation turbine fuel (ATF) and landing impacts were notably affected by these foreign exchange rate fluctuations, impacting the industry's financial stability and profitability.
- Additionally, any financial instability in the industry, exacerbated by foreign currency fluctuations, can have significant consequences for the sector's growth and development.
- A weakening rupee against major currencies like the US dollar could have significantly inflated the cost of imported components, raw materials, and equipment needed for aircraft manufacturing and defence projects. A weaker rupee could have made Indian-produced aerospace and defence equipment more competitive in the global market.
- A volatile forex environment might have further incentivized the government's "Make in India" initiative. By promoting domestic production of defence equipment, reliance on imported materials and the impact of forex fluctuations could be reduced.

Geopolitical Risks

- Geopolitical alliances and conflicts could have influenced India's ability to secure certain defence equipment or technologies through international partnerships. For instance, sanctions imposed by the West on Russia might have limited access to specific Russian-made defence equipment.
- India's relatively small share in the global defence market poses competitive challenges, countries like Russia and Israel have been competitive in offering attractive pricing and technology, posing challenges for Indian companies.
- India's reliance on specific countries for certain technologies or materials could have exposed it to vulnerabilities if those countries restricted exports due to geopolitical tensions.
- The impact of the Israel-Palestine conflict on the Indian Aerospace and Defence industry in 2023 was a mixed bag. On one hand, the conflict presented a lucrative growth opportunity for India's defense exports, as Israel focused on ample stockpiles to fight the war. This could potentially boost export prospects for local players, especially for companies with tie-ups with Israeli companies. On the other hand, players (both PSUs and private) that procure raw materials from Israeli companies could face supply chain bottlenecks, delays in execution, and potential hardships.
- The Russia-Ukraine conflict disrupted Indian military supplies, prompting diversification away from Russia towards Western partners like the US to enhance domestic manufacturing and reduce reliance on a single source for defense equipment.
- The Red Sea crisis in 2023 has impacted Indian Aerospace and Defence industries through disruptions in key exports like petroleum products, cereals, and chemicals. Supply chain challenges and increased shipping costs due to rerouting around the Cape of Good Hope have affected trade, with potential economic losses.

- India maintains defense partnerships with various nations for its Air Force. However, challenges in obtaining contracts and approvals due to bureaucratic complexities have hindered the full potential of defense manufacturing in India.

Competitive Risk

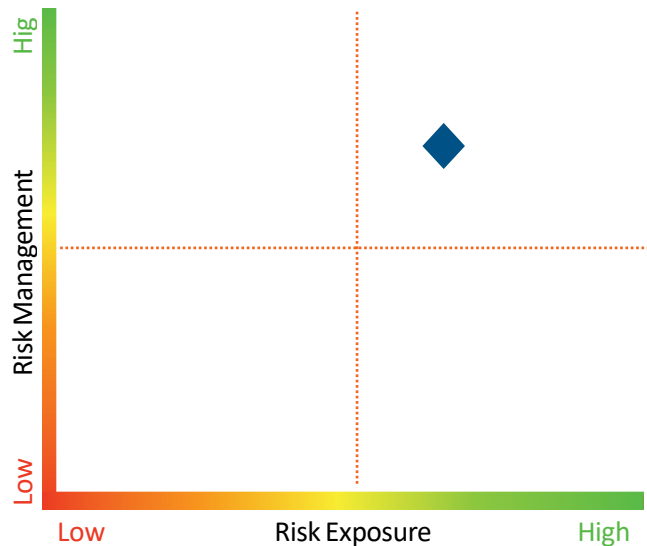
- Established public sector undertakings (PSUs) in the A&D sector might have faced increased competition from private companies, particularly those participating in the "Make in India" initiative. This could have put pressure on PSUs to improve efficiency and cost-effectiveness.
- India might still be lagging behind some developed nations in terms of advanced A&D technologies. This could limit its ability to compete with countries at the forefront of innovation.
- Indian A&D companies might have faced challenges in establishing brand recognition internationally, potentially hindering their ability to compete effectively in the global market.
- Leading international A&D companies from the US, Europe, and other countries could have posed significant competition in terms of technology, product offerings, and experience.
- International players might have offered aggressive pricing strategies, particularly for exports, pressuring Indian companies to reduce their margins or potentially lose out on export opportunities.
- Compliance with international conventions and agreements regulating defence-related product exports is crucial to avoid penalties and reputational damage for the industry.



Risk Dimension Analysis: Technology

Risk Exposure Score: 69

Risk Management Score: 65



Disruptive Technology

- The fast-paced evolution of disruptive technologies like artificial intelligence (AI), robotics, hypersonic weapons, and autonomous systems could leave Indian A&D companies behind if they fail to adapt and invest in R&D.
- Implementing robust cybersecurity measures is essential to safeguard critical infrastructure and data from cyber threats. However, integrating disruptive technologies into existing A&D platforms and weapon systems can be expensive. Limited budgets might restrict India's ability to keep pace with the rapid advancements.
- The industry's reliance on imported technologies exposes it to the risk of technological obsolescence, especially with the rapid pace of disruptive technological advancements globally.
- Increased reliance on advanced technologies could introduce new cybersecurity vulnerabilities. Robust cybersecurity measures would be necessary to protect sensitive data and critical infrastructure from cyberattacks.
- Disruptive technologies can lead to changes in supply chain dynamics, affecting the availability of critical components and materials
- The use of autonomous weapons systems or other disruptive technologies also raises ethical considerations regarding potential misuse and unintended consequences.

Intellectual property

- IP enforcement in India involves channels like police, customs, and judiciary, with challenges such as systemic issues within the police force and judicial delays impacting the enforcement process.
- India's IP protection laws and enforcement mechanisms might still be perceived as inadequate in 2023. This could discourage foreign companies and research institutions from collaborating or sharing advanced technologies with Indian companies due to fears of their IP being misappropriated.

- This could also hinder domestic innovation and limit the development of indigenous A&D technologies.
- Weak IP laws could lead to more frequent disputes over ownership and infringement, potentially delaying projects and increasing legal costs for A&D companies.
- Businesses need to conduct audits of IP exposed to the Indian market and take steps to register them early to avoid delays in protection.

Data compromise

- A cyberattack compromising critical data could disrupt A&D operations, impacting production schedules, project timelines, and overall efficiency. This can also damage the reputation of companies and potentially leading to a loss of trust from partners and allies.
- The aerospace industry saw a rise in ransomware attacks, with Boeing reporting a significant increase in attacks targeting various parts of aircraft systems, highlighting vulnerabilities in aviation technology.
- Adopting cybersecurity frameworks such as NIST SP 800-171, CMMC, and GDPR to protect controlled unclassified information and meet compliance requirements.
- Implementing supply chain security measures, such as CMMC for suppliers and vendors in the Defense Industrial Base (DIB) supply chain, to protect Federal Contract Information (FCI) and Controlled Unclassified Information (CUI).
- Educating employees on cybersecurity risks and best practices, and enforcing strict access controls to sensitive information and systems.
- Regularly updating and patching systems and software to address known vulnerabilities.

Counterfeiting

- The use of counterfeit technology or equipment by small businesses can result in breakage, business downtime, and unenforceable warranties, leading to unforeseen costs.
- It can also lead to equipment failures, malfunctions, and potentially catastrophic accidents.
- The Indian government has taken steps to address counterfeiting by creating a dedicated anti-counterfeiting cell within the Directorate General of Quality Assurance (DGQA) to conduct inspections, audits, and testing of products procured by defence forces.
- The A&D sector often relies on complex global supply chains, making it difficult to track the origin of parts and identify counterfeits.

R&D/ Innovation failure

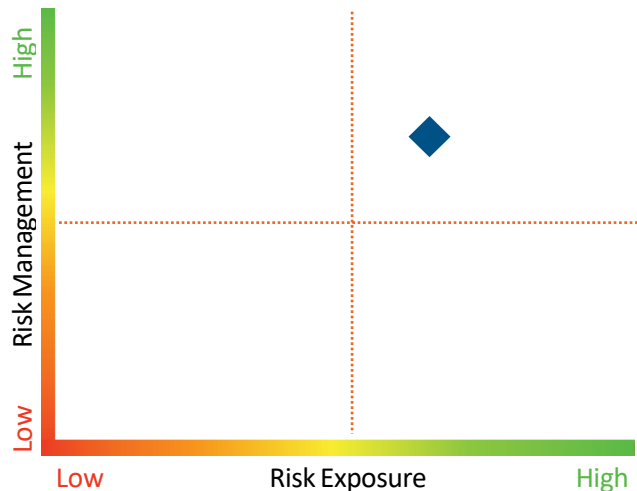
- Unexpected technical challenges during R&D can lead to project delays and cost overruns. This can put a strain on budgets and impact the overall timeline for developing new defence equipment or aircraft.
- In extreme cases, if R&D failures are significant, entire projects might be cancelled, leading to a waste of resources and a setback for the A&D industry.
- India's inclusion in the US Trade Representative's Office priority watchlist for IP violations reflects concerns over inadequate protection of trade secrets, patentability criteria, and enforcement measures, posing challenges for innovation in the aerospace and defence sector.



Risk Dimension Analysis: Operational and Physical

Risk Exposure Score: 63

Risk Management Score: 68



Critical Infrastructure Failure / Machine Breakdown

- Machine breakdowns in critical defence equipment production facilities can have severe implications for national security and defence preparedness.
- A major power grid failure in a key industrial region disrupts production at several A&D manufacturing plants, delaying the delivery of components needed for fighter jet assembly.
- Malfunction of a ground support system at a launchpad leads to a postponement of a critical satellite launch mission.

The main problem that has forced the majority of IndiGo and GoFirst aircraft out of service is the lack of spare engines and components. It's not like there aren't any spare engines available. The lockdowns caused by COVID that affected industrial lines throughout the world and the subsequent delay brought on by the Ukrainian war both had a significant negative influence on the speed of supply.

Accidents/Fire Safety

- Accidents during manufacturing, testing, or maintenance activities at A&D facilities can lead to injuries or even fatalities for personnel.
- Fires at A&D facilities can cause extensive damage to buildings, equipment, and critical infrastructure. This can lead to significant financial losses and production delays.
- The aerospace industry faced disruptions due to accidents and fire safety incidents, such as factory fires being a significant disruption.

Strikes/Closure/Unrest

- The aerospace industry experienced factory disruptions, including accidents, closures, and temporary shutdowns at warehouses, plants, and factories, which can disrupt operations and supply chains within the sector.
- Companies might also be forced to close the plant due to low demand, showcasing how varying factors can lead to factory disruptions affecting production and operations.

- Diversifying the supply chain for critical components and materials can help lessen the impact of disruptions caused by strikes or unrest at any single supplier.
- A&D companies should strive to maintain positive relationships with their workforce through open communication, fair wages, and good working conditions.

Supply Chain Risk

- Difficulties in obtaining essential raw materials or components due to supply chain disruptions can delay production schedules for A&D projects.
- The need for expedited shipping to overcome supply chain bottlenecks can lead to additional costs for A&D companies.
- Failure to meet project deadlines due to supply chain disruptions can damage the reputation of Indian A&D companies and their reliability as suppliers.
- Job trends in the aerospace and defence sector showed fluctuations in active job postings, with a decrease of 5.22% MoM but an increase of 18.65% since January 2023. The sector witnessed new job postings alongside challenges such as staff shortages and rising labor costs.

Environmental Risk

- The Indian government might introduce stricter environmental regulations regarding emissions, waste disposal, or resource use, impacting A&D companies and potentially increasing production costs.
- The growing focus on sustainability could put pressure on A&D companies to reduce their carbon footprint, requiring investments in cleaner technologies or processes.
- Stricter air quality regulations in major industrial hubs could force A&D companies to adopt cleaner technologies, potentially impacting production costs. Water scarcity in certain regions could impact A&D manufacturing processes that rely heavily on water resources.
- Public sector and the aviation industry are positioning themselves to adopt more sustainable practices, including the use of green jet fuel technology.
- The use of sustainable aviation fuel (SAF) is on the rise with increased SAF adoption presenting market opportunities across the value chain.
- SAF has the potential to deliver the performance of petroleum-based jet fuel, with up to a 100% reduction in net CO₂, giving airlines better footing for decoupling greenhouse gas emissions (GHGs) from air travel.
- The use of SAF is one of the key solutions towards mitigating climate change and achieving the global aspirational goals of UNFCCC and ICAO on net-zero emission by 2050.
- In terms of medium- and long-term targets, 47% of the companies across globe are committed to net-zero carbon emissions by 2050 and 26 percent have not yet set net-zero targets.

- Companies have been developing more efficient aircraft and engines to reduce greenhouse gas emissions like retrofitting existing aircraft wings with new winglets reduces drag and improves fuel efficiency.
- Aerospace companies are refining aircraft operation specifications to include fuel-saving attributes, such as continuous descent, weight reduction, maintenance actions, flight planning accuracy, fuel planning, and routing.

Terrorism & Insurgency

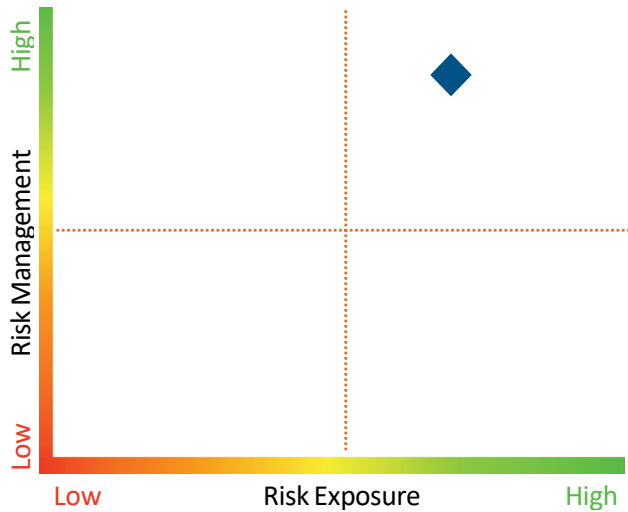
- Manufacturing facilities, research and development centers, or military bases could be potential targets for terrorist attacks, causing damage to infrastructure, disruption of operations, and loss of life.
- Terrorist activities or insurgency in resource-rich areas could disrupt the supply chain of critical raw materials needed for A&D production.
- Terrorist organizations or insurgent groups might target A&D companies or government agencies with cyberattacks to steal sensitive data, disrupt critical systems, or spread misinformation.



Risk Dimension Analysis: Crime and Security

Risk Exposure Score: 55

Risk Management Score: 58



Cyber-crimes

- Cybercriminals target aviation systems through hacking and malware attacks, aiming to disrupt operations, steal data, or gain financial leverage.
- Phishing attacks remain a prevalent threat in the aviation sector, deceiving employees through malicious emails to gain unauthorized access or extract sensitive information.

- The Indian National Cyber Security Agency (NSCA) works towards securing Indian cyberspace and may offer specific guidance or resources to the A&D sector.
- The government might develop policies and frameworks to encourage collaboration between A&D companies and cybersecurity firms, improving their defence against cyberattacks.
- Conducting cybersecurity awareness programs and training for employees to enhance their understanding of cyber threats and best practices for prevention.

Harassment/Bribing

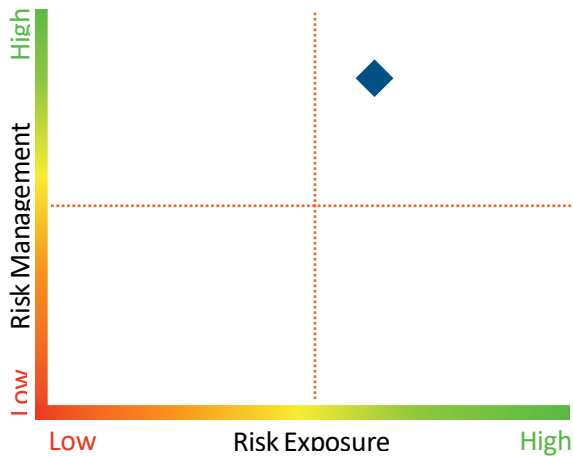
- The aerospace and defence industry, due to its government customer base, is subject to heightened scrutiny around corruption and bribery, especially when operating in countries with high levels of corruption.
- In India, bribery of foreign officials to secure contracts can lead to penalties and legal action under the Prevention of Corruption Act, 1988.
- Exposure of harassment or bribery scandals can damage the reputation of A&D companies and the Indian defence establishment, leading to a loss of public trust and investor confidence.
- A workplace culture that tolerates harassment can lead to low employee morale, decreased productivity, and high employee turnover.



Risk Dimension Analysis: Natural Hazard and Event

Risk Exposure Score: 60

Risk Management Score: 67



Natural Hazards:

- Natural disasters like floods, earthquakes, or pandemics can disrupt transportation and logistics networks, hindering the movement of materials and components within the A&D supply chain.
- The country's geographical structure makes it one of the most disaster-prone countries in the world, with common risks including floods, earthquakes, landslides, and cyclones. These natural hazards pose threats to the industry and the country as a whole, impacting operations, infrastructure, and supply chains.

To address these risks effectively, companies in the aerospace and defence sector need to implement robust risk management strategies, disaster preparedness plans, infrastructure resilience measures, and collaboration with relevant authorities to mitigate the impact of natural hazards and geopolitical uncertainties on their operations.

Pandemic and other global epidemic diseases

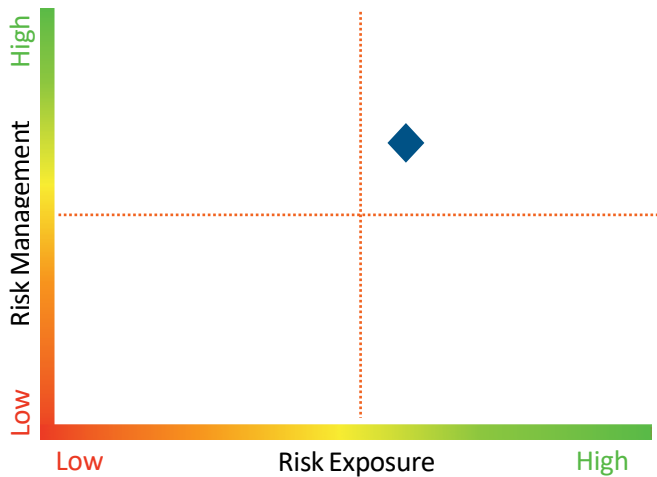
- A widespread outbreak of a contagious disease can lead to high absenteeism among A&D workers, impacting production schedules and project timelines.
- Pandemic-related travel restrictions can disrupt the movement of raw materials, components, and finished products within the global A&D supply chain, leading to production delays.
- A global pandemic can lead to an economic downturn, potentially reducing government defence spending and impacting demand for A&D products.



Risk Dimension Analysis: Strategic Risk

Risk Exposure Score: 55

Risk Management Score: 62



Increased number of recalls and quality audits:

- An increase in the number of recalls and quality audits in the Indian aerospace and defence (A&D) industry during 2023 can pose both threats and opportunities.
- Recalling and repairing faulty equipment can lead to production delays and additional costs for A&D companies.
- The pressure to address immediate quality issues through recalls might divert resources away from long-term improvements in quality control processes.

Increased scrutiny through quality audits can encourage A&D companies to prioritize quality control measures, leading to safer and more reliable products.

Public Sentiments

- Local communities near A&D manufacturing facilities or testing sites might raise concerns about noise pollution, safety hazards, or environmental damage, impacting a company's ability to operate.
- Negative public sentiment towards defence spending or specific A&D projects could put pressure on the government to reduce funding for the sector.
- Public anxieties about the environmental impact of certain A&D technologies (e.g., military aircraft emissions) could damage the reputation of the industry.
- Companies are focusing on reducing carbon emissions and embracing sustainable practices like SAF.
- Collaboration with government entities is crucial for guiding the industry towards sustainability goals. Governments play a key role in setting decarbonization targets and providing regulatory frameworks that support the transition towards a more sustainable Aerospace and Defence sector.

Failed/ Hostile M&A

- Failed or hostile mergers and acquisitions (M&A) can pose significant risks to the Indian aerospace and defence (A&D) industry in 2023.
- Hostile takeovers by foreign entities could raise concerns about the transfer of sensitive A&D technologies.
- Merging company cultures, streamlining processes, and integrating different technologies can be complex. Delays and inefficiencies could arise, impacting production and profitability.

Resource Scarcity/ Misutilization

- The Aerospace and Defence industry in India is facing the challenge of resource scarcity and misutilization risk in 2023. The Indian government has set a target of achieving a turnover of INR 1.75 lakh crore in Aerospace and Defence manufacturing by 2025, which includes exports of INR 35,000 crore.
- To support the domestic defense industry, the government aims to ensure transparency, predictability, and ease of doing business with availability of resources by creating a robust ecosystem and supportive policies.
- Companies are adapting to supply chain consolidation by streamlining supply chains, fostering partnerships, and ensuring efficient production processes.

ICICI LOMBARD: Key Solution Offerings



Property

Evaluation of various risks to understand areas for improvement, such as fire preparedness, electrical safety, safety & emergency preparedness, maintenance and house-keeping, etc. By evaluating risks, we can identify potential hazards and advise on mitigating risks.

- **Property Loss Prevention:** We believe users should carry out detail risk visit followed by benchmarking of the industry good practices (Industry Risk Profiling). For instance, industries such as chemicals & petrochemicals impose a major challenge in manufacturing due to inherent risk. We recommend solutions for “Low Focus - High Loss Areas. This can help in minimizing severity losses. All the risk recommendations are grouped into four different segments based on cost-impact matrix and the priority is decided accordingly. Key decision makers at user’s end can ensure to get recommendations implemented.
- **Comprehensive Risk Assessment (CRA):** A Comprehensive Risk Assessment is a systematic approach to electrical safety specially designed for industries to evaluate potential hazards and recommend improvements, coupled with savings. It is an important tool for identifying risks, severity of hazards and avoid incidents arising out of electrical faults.
- **Electrical Risk Assessment (ERA):** An Electrical Risk Assessment is a basic solutions focused towards electrical safety designed to evaluate potential hazards and recommend improvements. Majority of fires in India are caused due to electrical installations. Ensuring safety of electrical installations of industrial unit or organization is critical to reduce risk and ensure safety compliance with Safety Standards and Regulation. ERA is an important tool which have 6 inbuilt activities such as Electrical Audit & Thermography built in with other such solutions.
- **Fire Hydrant IoT:** Fire hydrant monitoring is an automated solution that monitors key parameters such as Hydrant and Sprinkler line pressure, Main and Jockey pump on-off status. These can be interpreted to provide intelligence on unauthorized usage of water and leakage. This information pertaining to breach of above mentioned parameters is notified through dashboard & email alerts. Monitoring of such system is essential as these fire fighting systems are lifeline during any emergency.
- **Temperature & Humidity IoT:** Provides end to end plug & play ambient temperature and humidity monitoring Solution to manage temperature and humidity-controlled environment more efficiently. It generates - Automated reports (historical trends for different locations etc.). Intelligent Alerts - SMS & emails is sent to the concerned (one or multiple) stakeholders in case any anomaly.
- **Electrical IoT:** Electrical IoT is a patented solution (ILGIC Patented Solution) to avoid any instances of short circuiting due to abnormal voltage & current conditions. These are mainly built for application in warehouses. This solution has been created as these locations are having huge stocks with lesser manpower during emergencies mainly during non-business hours. The device automatically cuts off power in case of abnormality & restarts back when situation is normal.

- **Ultrasound technology for Gas Leak Detection:** Use of ultrasound technology for leak detection in process lines. The methodology recommends a non-destructive way of avoiding losses with no downtime. The main objective is to identify the leakages in all pressurized systems including pipelines by using ultrasound technology and tag them for rectification. It also includes listing leaks with individual CFM losses and cost savings possible. The outcome of the exercise will help the plant maintenance team to rectify the leaks and reduce the energy cost. This will also improve the process parameters and production quality.
- **Fire Mitigation Solutions:** Solutions have been designed based on their specific needs, keeping in mind the level of awareness and complexity of the location. These best in class solutions which are installed at correct places by risk assessors.
- **Renewable Solutions:** In line with our philosophy for recommending business solutions, we recommend advise on efficiency measurements for wind and solar power generating assets. Drones are used to provide high accuracy and the quick reach which is not possible through any traditional methodology. User get to know about the low performing module and ways to improve the same within the entire solar plant with latlong identification. We recommend advanced drone-based technology for inspection of wind turbines and solar PV modules.



Marine

In the dynamic realm of marine insurance, cargo faces a myriad of risks, from unpredictable weather conditions to unforeseen accidents, safeguarding against potential challenges at sea is paramount.

- **MLCE (Marine loss control engineering):** Frequent occurring losses due to Peril such as accident, wet damage, theft, non-delivery, pilferage, hijack of consignments, mishandling shall be examined with ground inspections, root cause analysis with MIS, claim assessment reports.
- **Technical engagements:** Uncertainty of the risk associated with the transit can be concluded with marine experts. Risk assessment of cargo from packing, handling, lifting, securing, transit and final delivery methodology shall be discussed with the logistics team. Vessel selection, stowage and securing methods can be jointly discussed with the User's logistics team for a safe transit, dispatch and delivery coverage after assessing the risk on desktop with a virtual or F2F engagement and / or a ground visit.
- **Transit Telematics:** With the government's constant agenda of upgrading to digitalized operations by introducing ULIP and NITI Aayog mode of operations, not having a visibility of transit will hamper your logistics operations. IOT and SAAS based products incorporating the design of a cost efficiency and loss mitigation system can help enhance delivery with safe operation. Additionally, a 24*7 risk control station and detailed post hijack recovery case studies is recommended to effectively monitor and mitigate theft / pilferage prone dispatches and ensure a safe transit delivery. Be it a temperature-controlled cargo, expensive cargo in transit or liquid bulk cargo in lorry tankers, it is essential to mitigate the risk and losses that might occur due to accidents caused by fatigue, unexplained conditions, or theft.



Liability

The growing adoption of technology in organizations has not only led to crucial data being stored and processed on digital platforms but also facilitated the automation of operations, thereby enhancing business efficiency. However, this shift also amplifies cyber risk, exposing sensitive information to potential threats and rendering organizations vulnerable to financial losses, reputational damage, and legal liabilities. As organizations delve deeper into the digital realm, fortifying cybersecurity measures becomes imperative to safeguard operational integrity and protect critical data from unauthorized access or breaches.

- **Phishing Simulation:** Experience cutting-edge phishing simulation tests to fortify your organization's defenses against cyber threats. You can enable phishing attack simulations to educate your employees on identifying and handling potential risks. Through engaging and interactive scenarios, you can raise awareness and equip your team with the necessary skills to detect and thwart phishing attempts.
- **Awareness Campaigns:** With Cyber Awareness Campaigns, you can go beyond just educating organizations about cybersecurity. The campaigns are meticulously designed to empower your team with essential best practices, insights into global incident trends and a comprehensive understanding of potential risks. Interactive designs help you captivate and engage your employees, fostering a cyber-aware culture within your organization. Customized campaigns can perfectly align with your unique needs and requirements and stay informed and vigilant.
- **Incident Response and Readiness:** A bespoke service that fortifies organizations with robust processes and clear communication channels for proficient cyber-incident management. This recommendation not only trims down the incident response time but also facilitates prompt, accurate action within the crucial initial hours. By meticulously assessing your organization's incident response policies and sculpting response systems in alignment with global industry benchmarks, this ensures you are thoroughly prepared to tackle the evolving digital threat landscape.
- **CXO's Session:** CXO's Session service provides immersive training sessions, personalized coaching & interactive discussions to empower your CXOs with cybersecurity knowledge that aligns with your business objectives. The subject matter experts recommend strategic guidance and in-depth insights into the ever-evolving threat landscape, translating technical jargon into practical language. Regular cybersecurity forums facilitate peer-to-peer learning and benchmarking against industry standards. CXO- focused approach ensures a cyber-aware leadership team that drives your organization's success securely into the future.
- **Weekly Threat Intelligence Bulletin:** Stay ahead of cyber threats with the Weekly Threat Intelligence Bulletin. We meticulously curate this comprehensive bulletin, providing timely insights on emerging threats, vulnerabilities, and attack trends. Delivered directly to your inbox, it recommends proactive advantage by promptly identifying potential risks. With continuous updates and ongoing support, you can confidently adapt your Defence strategies to combat the most sophisticated threats. It enables you to make informed decisions and protect your organization from emerging threats with Weekly Threat Intelligence Bulletin.
- **Email Security:** Safeguard your organization's communication channels with the Email Security solutions. We recommend robust measures to protect against phishing, malware & other email-

borne threats. The advanced email filtering and authentication technologies prevent malicious emails from reaching your users inbox. Implementing encryption protocols to ensure the confidentiality of sensitive data in transit is a good idea. With real-time monitoring and threat intelligence, email security measures provide proactive Defence, detecting and blocking suspicious activities promptly. You can protect your organization's reputation and sensitive information with comprehensive Email Security measures, ensuring a secure and reliable email environment.

- **Agent-less Patching:** Agent-less patching platform for companies and MSMEs who want a rapid solution to distribute critical security updates and vulnerability fixes without causing system downtime. The patching platform not only assists with patch deployment, but it also enables your system administrator in understanding the patches, Adjustments & impact of the patches on the system. Before applying the patch, the software generates a warning if the system requires downtime or a reboot. You can experience a hassle-free patching process with the platform recommending enhanced security for your organization.
- **EDR/MDR Services:** Elevate your organization's cybersecurity capabilities with the Endpoint Detection and Response (EDR) and Managed Detection and Response (MDR) services. These advanced solutions provide continuous monitoring, rapid threat detection & effective incident response, safeguarding your digital assets in real-time. With EDR, proactively detect and respond to threats at the endpoint level, while MDR service offers 24/7 monitoring and expert support. You can strengthen defenses against the most sophisticated cyber-attacks with EDR/MDR services, ensuring a resilient and secure digital environment.
- **All-in-one Operating System:** All-in-One Operating System is a true game-changing platform that provides a fortified desktop environment to foster secure collaboration and centrally managed cybersecurity resilience. Inbuilt endpoint security serves as a vigilant guard, blocking potential dangers. Effortless IT management provides with a user-friendly interface, leading to significant cost savings in IT infrastructure. It provides in-built end-point security, automated updates and patches along with extensive device reports. Organizations can unlock a secure and prosperous future by embracing the All-in-One Operating System in their IT infrastructure.
- **Cyber Risk Management & Compliance Dashboard:** Gain a clear understanding of your organization's cyber risk exposure with Cyber Risk Management & Compliance Dashboard. This powerful tool assesses your risk posture, quantifies potential financial Impact & evaluates compliance with industry standards and regulations. Armed with this information you can make informed decisions to prioritize cybersecurity investments and ensure compliance with relevant laws and regulations. The intuitive dashboard provides a comprehensive view of your cybersecurity performance enabling data-driven decision-making. This solution enables organizations to stay ahead of threats and ensure a resilient cybersecurity posture.
- **Security Score Card:** Track your organization's cybersecurity performance with a dynamic Security Score Card solution. This comprehensive rating provides a clear overview of your security posture, highlighting areas that require attention and improvement. It empowers data-driven decisions, allowing you to focus on strengthening key areas. Identify potential risks and compliance gaps with industry standards and regulations. With actionable insights, you can prioritize cybersecurity investments effectively, ensuring a robust and resilient Defence against cyber threats. This Security Score Card solution can be your strategic tool to proactively elevate your cybersecurity posture.
- **VAPT:** Enhance your organization's cybersecurity defenses with the Vulnerability Assessment and Penetration Testing (VAPT) service. Skilled professionals conduct rigorous assessments, simulating

real-world attacks to identify potential vulnerabilities in your digital infrastructure. With detailed insights, you can fortify your defenses and proactively address weak points before malicious actors exploit them. This service goes beyond identifying vulnerabilities, you also get actionable recommendations to mitigate risks effectively. Organizations can be one step ahead of cyber threats, ensuring the security and resilience of your critical assets with the comprehensive VAPT service.

Engineering

In engineering risk management, it's vital to adopt a holistic approach that extends beyond immediate concerns to proactively tackle potential risks and uncertainties. Drawing upon considerable expertise in claims handling and risk evaluation, a robust and customized protection strategy can be ensured. Construction endeavors face a myriad of risks such as floods, cyclones, impact damage, fires, theft, and collapse. However, the adverse effects of these risks can be mitigated through the implementation of extensive loss prevention measures specifically tailored for engineering projects.

- **Engineering Loss Prevention Exercise (ELP):** To effectively manage losses in Engineering Risk, fostering a culture of loss prevention is crucial. It's widely acknowledged that each construction project is distinct, presenting specific challenges related to geography, geology, occupancy, and construction methodology, which in turn result in unique associated risks. To cater this challenge a specific risk management framework which deals about the unique requirement of each project could be created for the loss minimization with reference to some parameters of distinctive research and industries best practices.
- **Drone Solutions:** In recent years, the construction industry has undergone significant changes due to the introduction of drone-based construction solutions. These cutting-edge technologies are transforming the planning, design, and execution of construction projects. A major benefit of drone technology in construction is its capacity to conduct aerial surveys, providing extensive coverage and detail. Drones, equipped with advanced cameras and sensors, can rapidly capture precise images and data, offering project managers valuable insights into site conditions. This data can facilitate project planning, cost estimation and design optimization by providing a comprehensive understanding of the project's parameters.
- **CPM - Fleet & Fuel Management:** An advanced GPS-equipped sensor is available to precisely measure direct fuel consumption, evaluate engine efficiency, and detect potential tampering of diesel engines in both mobile vehicles and stationary machinery. This solution enables real-time alerts for service reminders and critical health issues, facilitating prompt resolutions and enhanced utilization. Additionally, it offers valuable insights into machinery and equipment performance through comprehensive analyses, resulting in optimized inventory usage and increased efficiency.

 **Health**

We highly recommend exploring proactive and preventive healthcare solutions, which can make a significant difference in maintaining good health. Recognizing that majority of in-patient department (IPD) admissions could be prevented with timely interventions and regular healthcare, it is important to focus on health, not just during illness.

- **Pioneering Digital Platform:** We recommend exploring digital health innovations offered by industry leaders, which provide cutting edge health solutions through the IL TakeCare (ILTC) app. Our platform has transformed the way health services are delivered by introducing a fully digital and cashless Outpatient Department (OPD) and Wellness Program.
- **Health Advisory Services:** We recommend a suite of health advisory services on the IL TakeCare app. Users can access health risk assessments, diet and exercise trackers, health parameter tracking and trends and sleep, meditation & hydration reminders. In addition, the platform recommends a feature to upload health records up to 1GB, and provides informative health blogs.
- **IL TakeCare App:** IL TakeCare app is a One-Stop-Solution for users with insurance needs. This robust user engagement is a testament to the high-value features that the app provides. Unique to the app is the innovative self-health assessment feature, which includes Face scan technology that can measure blood pressure, heart rate, cardiac variance, and SpO2 levels. The platform provides seamless teleconsultations with medical practitioners and specialists, and even recommends access to mental wellness experts to the insured. The facility for cashless OPD services and the efficient claim settlement process further enhance user experience. By encapsulating a wide range of state-of-the-art health services and solutions, the IL TakeCare platform revolutionizes corporate health management and serves as a comprehensive digital health solution.



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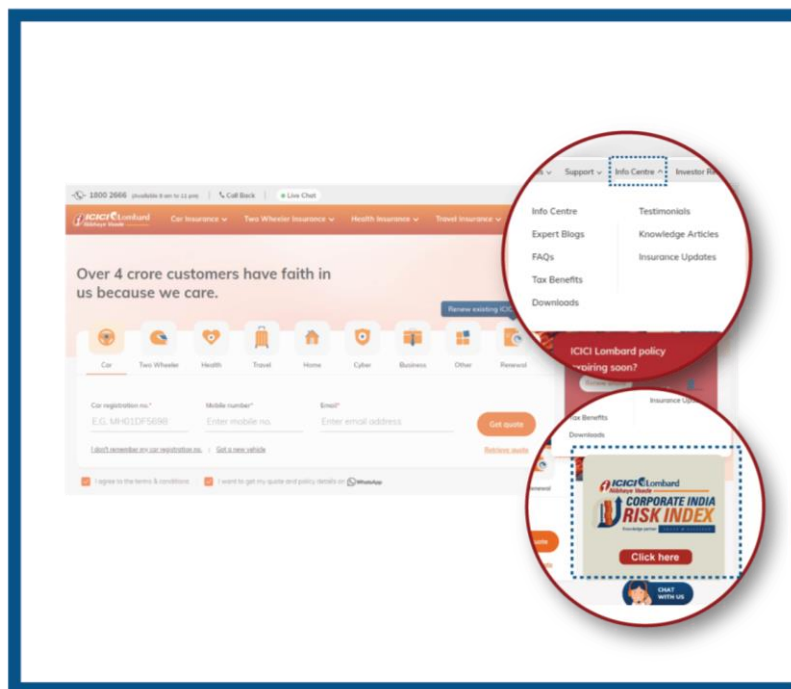
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