

# ACC LIMITED

## Evaluation of transaction at Arm's length

Master Supply Agreement ('MSA') between Ambuja Cements Limited ('Ambuja') & ACC Limited ('ACC') for Supply of Materials and Goods

27<sup>th</sup> January 2026



[www.bdo.in](http://www.bdo.in)

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## 1. BACKGROUND & OBJECTIVE:

- ACC is one of India's leading cement and building material companies and a member of the diversified Adani Portfolio - the largest and fastest growing portfolio of diversified sustainable businesses. It is primarily engaged in the manufacturing, selling, and distribution of various types of cement and related products. They leverage their extensive network of cement manufacturing facilities across the country to deliver their products.
- Ambuja is a leading player in the Indian building materials space, with a pan-India operational and marketing presence. It is a member of the Adani Group - the largest and fastest-growing portfolio of diversified sustainable businesses.
- ACC and Ambuja (hereinafter referred to as Group entities), are proposing to enter into a MSA whereby entities will be supplying materials and services.
- BDO has been approached to review the aforesaid related party transaction with Ambuja and comment upon arm's length standard. Related party transactions are governed under section 188 of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR'). Our opinion is based on the documents and understanding provided to us by the Management.
- The principles of arm's length pricing (ALP) for international and specified domestic transactions between associated enterprises are governed by Sections 92 to 92F of the Income Tax Act, 1961, which outline the key requirements and methods for determining ALP. We have relied on the same for the purpose of our analysis.

## 2. DETAILS OF PROPOSED TRANSACTION & PRICING MECHANISM:

Under the proposed MSA, the Group entities propose to enter into following transactions:

### a. Purchase and Sale of Cement:

Group entities will undertake transaction relating to purchase and sale of cement. This MSA ensures reliable and efficient supply of cement across key markets, strengthens the geographical reach, improves customer service efficiency and supports business continuity.

The pricing for cement will be Ex-plant (manufacturing plant's) price of previous month (less 2% additional Discount) wherein Ex-plant price will be based on average net selling price charged to third parties by ACC/Ambuja. True up/true down of current month will be done in subsequent month and any shortage/excess will be adjusted accordingly by issuing debit or credit note.

### b. Toll Grinding:

Under the proposed arrangement, the raw material provider (i.e. principal entity) shall supply the requisite raw materials, including clinker, for undertaking toll grinding operations on a conversion basis, and upon completion of the process, the finished goods shall be returned to the principal entity, with the processing entity recognizing only conversion charges as income from the tolling services rendered.

The price shall be determined as follows:

- (A) Conversion charges determined at 8% of the Gross Fixed Assets Block; and

(B) Manufacturing Plant's (Selling company's plant) cost per tonne of the previous quarter plus 10% mark-up.

Where, Gross Fixed Asset Block shall mean the gross fixed asset value of the Manufacturing Plant (considered without accounting for depreciation) divided by the total production (expressed in 'tonne') of the Manufacturing Plant in the immediately preceding financial year of the Manufacturing Company (i.e. Selling company).

c. Purchase and Sale of Clinker:

Group entities will undertake transaction relating to purchase and sale of clinker, a key intermediate product in cement manufacturing.

Clinker will be supplied at Manufacturing Plant's (Selling company's plant) variable cost of production of previous quarter plus 35% markup.

d. Purchase and Sale of raw materials for Clinker/Cement:

Group entities propose to enter into an agreement for purchase and sale of raw material for cement and clinker i.e. fuel, fly ash, slag, gypsum etc. on 'as needed basis'.

Under this arrangement, a steady and flexible supply of key raw materials is maintained across the Group's manufacturing units, enabling better production planning and responsiveness to demand fluctuations. This results into improved operational efficiency, reduced procurement lead times, and optimized logistics and inventory costs, thereby strengthening cost competitiveness and uninterrupted plant operations.

Raw material will be supplied at Manufacturing Company's (Selling Company's) landed cost thereof plus carrying cost of 10% per annum for the holding period.

e. Purchase and Sale of Spare parts and Fixed assets:

Group entities propose to enter into an agreement for the purchase and sale of spare parts and fixed assets on "as needed" basis. These spare parts and fixed assets shall be supplied at the Market Price at the Manufacturing Company's (Selling Company's) location or at the Manufacturing Company's (Selling Company's) landed cost thereof plus a carrying cost of 10% per annum, whichever is lower.

f. Purchase and Sale of power:

Ambuja has commissioned a solar power plant at Khavda to supply solar power to various cement plants, including ACC. In the instances where Ambuja is unable to supply power from such plant, it may procure power from ACC for onward supply to its plants.

Charges related to power supply shall be charged at the average prevailing market prices for the month i.e. average selling price in Indian Energy Exchange ('IEX'), in the respective consumption areas/location after deduction of actual charges incurred by respective unit which is consuming the said power.

g. Purchase and Sale of Cut & Torn Materials:

Group entities propose to enter into an agreement for purchase and sale of Cut & Torn materials. Cut and Torn materials will be supplied at an average selling price of the cut & torn material sold to the third parties in the last month.

h. Purchase and Sale of RMX concrete:

Group entities will undertake transaction relating to purchase and sale of Ready-mix concrete ('RMX').

The pricing of RMX will be determined based on the prevailing regional market price i.e. price charged to unrelated parties for similar product.

i. Purchase and Sale of Admixture and other building solution:

Group entities will undertake transaction relating to purchase and sale of Admixture and other building solution.

Admixtures in cement concrete are essential for enhancing the performance and durability of concrete structures. Admixtures are indeed more akin to specialty chemicals. They are designed to modify the properties of concrete to achieve specific performance goals. These specialty chemicals can enhance workability, durability, strength, and resistance to environmental factors.

The pricing of Admixture and other building solution shall be at cost plus 5% markup.

j. Aggregates:

Group entities will undertake transaction relating to purchase and sale of Aggregates. Aggregates are granular materials such as sand, gravel, crushed stone, crushed hydraulic cement concrete, or air-cooled iron blast-furnace slag. These materials are combined with hydraulic cement to produce concrete or mortar.

The pricing of Aggregates will be determined based on the prevailing regional market price i.e. price charged to unrelated parties for similar product.

Given the above background, we shall now evaluate the Arm's Length pricing of above transaction in the succeeding paras.

**3. DETERMINATION OF ARM'S LENGTH PRICE**

**Selection of most appropriate method (MAM):**

We have assessed all the methods outlined in the Indian Transfer Pricing Regulations to determine the Most Appropriate Method (MAM). An overview of methods as provided under transfer pricing regulations is provided as per Annexure 1. Applicability of these methods on the proposed transactions are provided below:

**Applicability of Transfer Pricing Method for the proposed transactions:**

Proposed Transaction	Rationale for MAM
Purchase & Sale of cement	In the instant case, cement is proposed to be sold at a discount of 2% on average net selling price (NSP). This NSP is determined based on

Proposed Transaction	Rationale for MAM
	<p>weighted average B2B prices charged to unrelated buyers for comparable transaction.</p> <p>This arrangement ensures offtake of cement within Group entities. As a result, marketing and advertising expenses that would normally be required to secure sales in open market are not incurred. In view of these cost savings, 2% discount will be is offered.</p> <p>As per Rule 10(B)(1)(a) of the Income Tax Rules, 1962, while determining the arm's length price, the comparable uncontrolled price may be adjusted to account for differences, if any, between the specified domestic transaction and the comparable uncontrolled transactions, or between the enterprises entering into such transactions, which could materially affect the price in the open market.</p> <p>In this case, to reflect the material difference arising from marketing and advertising efforts in the comparable uncontrolled transaction vis-à-vis sales made by the ACC, an appropriate adjustment has been made. Accordingly, the comparable uncontrolled price i.e. NSP is adjusted to account for this difference by providing a 2% discount on average net selling price.</p> <p>Further, while applying the CUP method as the MAM, it is essential to evaluate the arm's length nature of the discount with reference to independent market behaviour.</p> <p>Based on the above understanding, we have conducted an independent benchmarking analysis to determine the percentage of marketing and advertisement expenses to operating revenue of independent comparable companies engaged in cement and its related products manufacturing. This approach reflects the pricing behaviour of independent companies in the open market, whereas the Companies' own marketing and advertisement expense ratio may be influenced by internal business efficiencies and strategic considerations and therefore may not be directly comparable.</p> <p>Further, it may be noted that ACC will engage in both purchase and sale of cement with Ambuja, and the pricing policy will be uniformly applied to both purchase and sales transactions. This MSA enables ACC to purchase / sale cement on need basis with minimum turnaround time supporting uninterrupted production, minimizing logistics costs and reducing external procurement dependency.</p> <p>Hence, CUP/Other method is considered to be the most appropriate method for benchmarking the said transaction.</p>
Toll Grinding	<p>In the instant case, it is aimed to recover fixed costs via conversion charges determined at 8% of the Gross Fixed Assets Block. It may be noted that toll grinding facilities is set up on behest of principal entity and the toll services provider will not perform toll grinding for any</p>

Proposed Transaction	Rationale for MAM
	<p>other entity. Thus, this arrangement ensures a dedicated service provider to meet toll grinding requirement on a continuous basis.</p> <p>The aforesaid 8% intended to reflect the opportunity cost of setting up the grinding unit for toll grinding operations considering that the investment in the unit ties up capital that could otherwise be deployed in alternative business opportunities with comparable risk and return.</p> <p>Further, with respect to mark up on cost i.e. 10%, we could not find any company which is engaged in providing toll grinding solely. Thus, the next best alternative was to evaluate margins earned by cement manufacturing companies which perform similar functions.</p> <p>Thus, margins earned by cement manufacturing companies on their cost were considered to be an indication of arm's length margin for toll grinding services.</p> <p>Based on the above discussion, we have conducted an independent benchmarking in order to identify the margin on cost by independent companies engaged in cement manufacturing.</p> <p>Hence, "TNMM/Other method" is considered to be the most appropriate method for benchmarking the said transaction.</p>
Purchase and sale of clinker	<p>Under the said transaction, the seller targets a return on variable cost of production.</p> <p>Based on above discussion, we have conducted an independent benchmarking in order to identify margin earned by independent companies engaged in similar activities.</p> <p>Further, it may be noted that ACC will engage in both purchase and sale of clinker with Ambuja, and the pricing policy will be uniformly applied to both purchase and sales transactions. This MSA enables ACC to purchase / sale clinker on need basis with minimum turnaround time supporting uninterrupted production, minimizing logistics costs and reducing external procurement dependency.</p> <p>Accordingly, Cost Plus Method ("CPM")/Other method is considered to be the most appropriate method for benchmarking the said transaction.</p>
Raw Materials for clinker/ cement	<p>These raw materials are sold at Manufacturing Company's (Selling Company's) landed cost thereof plus carrying cost of 10% per annum for the holding period. In this transaction, Group entities aim to recover actual cost incurred by it including the cost of storage and handling.</p> <p>The aforesaid carrying cost is intended to reflect the opportunity cost of ACC, considering that they do not have any utilized working capital facility and their capital remains tied up during the inventory holding period entirely through internal accruals which would have been</p>

Proposed Transaction	Rationale for MAM
	<p>invested in low-risk investments, thereby representing opportunity cost.</p> <p>Considering the facts of the case and comparable information available, “Other Method” is considered to be the most appropriate method for benchmarking the said transaction.</p>
Spare parts and Fixed asset on ‘as needed basis’	<p>In the instant case, the pricing is comparable with the prevailing market price or Manufacturing Company’s (Selling Company’s) landed cost-plus carrying cost of 10% p.a. whichever is lower.</p> <p>This market price reflects the terms that independent parties would agree upon under similar circumstances. Further, the aforesaid carrying cost is intended to reflect the opportunity cost of Companies, considering that they do not have any utilized working capital facility and their capital remains tied up during the inventory holding period entirely through internal accruals which would have been invested in low-risk investments, thereby representing opportunity cost.</p> <p>Considering the facts of the case and comparable information available, “Other Method” is considered to be the most appropriate method for benchmarking the said transaction.</p>
Purchase / Sale of Power	<p>The charges related to power supply shall be levied at the average prevailing market prices for the month i.e. average selling price in Indian Energy Exchange (‘IEX’), in the respective consumption areas/location after deduction of actual charges incurred by respective unit which is consuming the said power.</p> <p>Accordingly, “CUP” is considered to be the most appropriate method for benchmarking the said transaction.</p>
Sale of Cut & Torn Materials	<p>The price of cut and torn materials is in line with the average third-party selling price during the last month.</p> <p>Accordingly, “CUP” is considered to be the most appropriate method for benchmarking the said transaction.</p>
Purchase/Sale of RMX concrete	<p>RMX will be supplied at the prevailing regional market price. Under this arrangement, the consideration shall be determined in line with prices charged in comparable third-party transactions within the relevant market for similar product.</p> <p>Accordingly, “CUP method” has been considered as the most appropriate method for transaction under consideration.</p>
Admixture and other building solution	<p>Admixture and other building solution will be supplied at cost plus 5% mark-up.</p> <p>We have conducted an independent benchmarking in order to identify margin earned by independent companies engaged in manufacture and supply similar products i.e. speciality chemicals/Admixtures.</p> <p>Further, it may be noted that ACC will engage in both purchase and sale of Admixture and other building solution with Ambuja, and the</p>

Proposed Transaction	Rationale for MAM
	<p>pricing policy will be uniformly applied to both purchase and sales transactions. This MSA enables ACC to purchase / sale of admixture and other building solution on need basis with minimum turnaround time supporting uninterrupted production, minimizing logistics costs and reducing external procurement dependency.</p> <p>Accordingly, “TNMM method/Other method” has been considered as the most appropriate method for transaction under consideration.</p>
Aggregates	<p>Aggregates shall be supplied at the prevailing regional market price. Under this arrangement, the consideration shall be determined in line with prices charged in comparable third-party transactions within the relevant market.</p> <p>Accordingly, “CUP method” has been considered as the most appropriate method for transaction under consideration.</p>

#### 4. BENCHMARKING ANALYSIS AND CONCLUSION:

Based on above discussion and economic analysis conducted by us, our analysis with respect to arm’s length pricing is summarised as below:

S. No	Transaction	Pricing	Arm’s Length Price/Justification
1	Purchase & Sale of Cement	Ex Plant price of previous month based on average net selling price charged to unrelated parties by ACC/ Ambuja less 2% discount	<p>Based on independent analysis, the marketing and advertisement expense of independent comparable companies engaged in similar activities range from 1.66% to 2.35% (<b>Annexure 2</b>).</p> <p>Considering the above, the proposed pricing wherein 2% discount is offered, the transaction may be considered to be at arm’s length by application of CUP method.</p> <p>Further, the proposed arrangement wherein, the pricing policy will be uniformly applied to both sale and purchase transactions can be considered to be at arm’s length by application of “CUP” / “Other Method”.</p>
2	Toll Grinding	(A) Conversion charges determined at 8% of the Gross Fixed Assets Block; and (B) Manufacturing Plant’s cost per tons of the previous quarter, plus 10% mark-up.	<p>The conversion charges at 8% is intended to reflect the opportunity cost of setting up the grinding unit for toll grinding operations considering that the investment in the unit ties up capital that could otherwise be deployed in alternative business opportunities with comparable risk and return.</p> <p>It may be noted that the said approach wherein the price is adjusted to reflect time value of money is also advocated by OECD Transfer Pricing Guidelines for Multinational Enterprises</p>

S. No	Transaction	Pricing	Arm's Length Price/Justification
			<p>and Tax Administrations, 2022 and Guidance Note on Report under Section 92E of the Income Tax Act, 1961 issued by ICAI which states as below: "In a competitive environment, money has a time value. If a company provided, say, 60 days trade terms for payment of accounts, the price of the goods should equate to the price for immediate payment plus 60 days of interest on the immediate payment price. By carrying high accounts receivable a company is allowing its customers a relatively long period to pay their accounts. It would need to borrow money to fund the credit terms and/or suffer a reduction in the amount of cash surplus which it would otherwise have available to invest. In a competitive environment, the price should therefore include an element to reflect these payment terms and compensate for the timing effect." The aforesaid carrying cost is intended to reflect the opportunity cost of Companies, considering that they do not have any utilized working capital facility and their capital remains tied up during the inventory holding period entirely through internal accruals which would have been invested in low-risk investments, thereby representing opportunity cost.</p> <p>In this regard, two alternative references may be considered to evaluate the potential return that might have earned if the funds were invested in low-risk investments:</p> <ul style="list-style-type: none"> <li>• Deployment of surplus funds in fixed deposits with public sector banks, which yield a return of approximately 7.50% p.a.</li> <li>• Average yields on AAA-rated securities, considered low-risk investments, which range from 9.20% to 9.25% per annum based on independent market data (refer <b>Annexure 3</b>). AAA-rated bonds are often referred to as gilt edged securities due to their high creditworthiness and low risk. These bonds are issued by governments, municipalities, and corporations with impeccable financial standing. The above investment alternatives represent reasonable comparable for estimating opportunity cost of funds.</li> </ul> <p>Further, opportunity cost of 10% p.a. is applied mutually in both scenarios of sale and purchases made.</p>

S. No	Transaction	Pricing	Arm's Length Price/Justification
			<p>Accordingly, under this arrangement wherein ACC/ACL recovers opportunity cost of 10% p.a. will be in accordance with arm's length standard by application of Other method</p> <p>Further, with respect to mark up on cost i.e. 10%, based on independent analysis, margin on cost earned by independent companies engaged in cement manufacturing is in the range of 6.64% to 10.58% (refer <b>Annexure 4</b>).</p> <p>Accordingly, the proposed pricing is at Arm's length by application of TNMM/Other method.</p>
3	Purchase and sale of clinker	Variable Cost of production of previous quarter, plus 35% markup	<p>Based on independent analysis, normal margin earned by independent companies engaged in similar business is in the range of 30.70% to 44.21% (refer <b>Annexure 5</b>). Accordingly, the proposed pricing is at Arm's length by application of CPM method.</p> <p>Further, the proposed arrangement wherein, the pricing policy will be uniformly applied to both sale and purchase transactions can be considered to be at arm's length by application of "Other Method".</p>
4	Raw Materials for clinker/ cement	Manufacturing Company's landed cost thereof plus carrying cost of 10% per annum for the holding period.	The proposed arrangement where raw materials are sold at Manufacturing Company's landed cost thereof plus carrying cost of 10% per annum for the holding period, can be regarded as being at arm's length under the Other Method. For other method, please refer our discussion in sr.no. 2 above.
5	Spare parts and Fixed asset on 'as needed basis'	Market Price thereof at Manufacturing Company's location; or Manufacturing Company's landed cost-plus carrying cost of 10% p.a. whichever is lower.	The proposed arrangement where spare parts and fixed assets will be supplied at market price or based on landed cost plus 10% of carrying cost, can be regarded as being at arm's length under the Other Method. For other method, please refer our discussion in sr. no. 2 above.
6	Sale of Power (IEX)	The average prevailing market prices for the month in the respective consumption areas/location after deduction of actual charges incurred by respective unit	The charges shall be levied at the prevailing market prices i.e. average selling price in Indian Energy Exchange ('IEX'), in the respective consumption areas/location after deduction of actual charges incurred by respective unit which is consuming the said power. Accordingly, the proposed pricing is at Arm's length by application of CUP Method.
7	Sale of Cut & Torn Materials	Average selling price of the cut & torn material	The price of cut and torn materials will be in line with the average third-party selling rate during the last month. Accordingly, the proposed

S. No	Transaction	Pricing	Arm's Length Price/Justification
		sold to the third party in the last month.	pricing is at Arm's length by application of CUP Method.
8	Purchase/Sale of RMX	Based on prevailing regional market price	RMX Concrete shall be sold at the prevailing market rates charged to unrelated parties for similar product. Accordingly, the proposed pricing is at Arm's length by application of CUP Method.
9	Admixture and other building solution	Cost plus 5%	Based on independent analysis, average margin earned by independent companies engaged in similar business comes to 5.06% on cost (refer Annexure 6).  Accordingly, the proposed pricing is at Arm's length by application of TNMM/Other method.
10	Aggregates	Based on prevailing regional market price	Aggregates shall be sold at the prevailing market rates charged to unrelated parties for similar product. Accordingly, the proposed pricing is at Arm's length by application of CUP method.

Thanking you,

On behalf of

For BDO India Services Pvt. Ltd

Ankit

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**Authorised Signatory: Ankit Arora (Partner)**

**Place: Ahmedabad**

## **ANNEXURE 1 -TRANSFER PRICING METHODS:**

- **Comparable uncontrolled price ('CUP')**

The comparable uncontrolled price ("CUP") method evaluates the arm's-length character of a controlled transaction by comparing the price charged in the controlled transaction to the amount charged in a comparable uncontrolled transaction in comparable circumstances. The CUP method requires a high degree of comparability of products and functions such as quality; contractual terms; geographic market; embedded intangibles; and foreign currency risks.

- **Resale Price method ('RPM')**

The resale price method ("RPM") tests the arm's-length character of a transfer price in a controlled transaction by reference to the gross profit margin (i.e., gross profit divided by net sales) realized in a comparable uncontrolled transaction. The RPM begins with the price at which a product is resold to an independent enterprise. This price (resale price) is then reduced by an appropriate gross margin ("resale price margin") from which the reseller would seek to cover its operating expenses and make an appropriate profit.

- **Cost Plus Method ('CPM')**

The CPM is generally employed in cases involving manufacture, assembly, or production of tangible products or services that are sold / provided to related party. It compares the normal gross profit mark-up on costs (both direct and indirect) earned by a manufacturer/ service provider with the gross profit mark-up earned by uncontrolled manufacturers / service providers. This is also used in transactions involving a contract manufacturer, toll manufacturer or a low-risk assembler. There should be a close degree of comparability to apply the CPM. In order to perform benchmarking using CPM, availability or access to data of mark-up earned in comparable independent dealings is required.

- **Profit Split method ('PSM')**

The Profit Split Method ("PSM") evaluates whether the allocation of the combined profit or loss attributable to one or more controlled transactions is arm's length by reference to the relative value of each controlled taxpayer's contribution to that combined profit or loss. The profit split methods are designed to be applied where transactions are very interrelated and cannot be reliably evaluated on a separate basis using one of the transactional methods. Profit split methods are particularly relevant when each party to the transaction has significant intangible assets and/ or the operations of the parties to the transaction are highly integrated and cannot be evaluated on a separate basis. The above transactions do not deal with research and development activities that would lead to the development of non-routine intangibles.

- **Transactional Net Margin method ('TNMM')**

The Transaction Net Margin Method ("TNMM") examines the net profit margin relative to an appropriate base (e.g., costs, sales, and assets) realized on the transaction. For example, return on capital employed or the ratio of operating income to operating assets, may be examined.

Under the TNMM, comparable need be broadly similar. Significant product diversity and some functional diversity between the controlled and uncontrolled parties are acceptable. One of

the strengths of the TNMM is that net margins (e.g., return on assets, operating income to sales, and possibly other measures of net profit) are less affected by transactional differences than is the case with price, as used in the CUP Method. The net margins also may be more tolerant to some functional differences between the controlled and uncontrolled transactions than gross profit margins. Differences in the functions performed between enterprises are often reflected in variations in operating expenses. Consequently, enterprises may have a wide range of gross profit margins but still earn broadly similar levels of net profits.

- **Other Method**

The other method for determination of arm's length price in relation to a transaction shall be any method which takes into account the price which has been charged or paid, or would have been charged or paid, for the same or similar uncontrolled transaction, with or between non-associated enterprises, under similar circumstances, considering all the relevant facts.

**ANNEXURE 2 - AVERAGE ADVERTISEMENT AND RELATED EXPENSES INCURRED BY CEMENT MANUFACTURING COMPANIES**

<b>S.No</b>	<b>Company</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Weighted Average</b>
1	Biltech Building Elements Limited	0.08%	0.10%	NA	0.09%
2	K C P Limited	0.67%	0.79%	1.00%	0.81%
3	Chettinad Cement Corpn. Private Limited	0.96%	1.24%	NA	1.11%
4	Barak Valley Cements Limited	1.61%	1.42%	1.73%	1.58%
5	Meghalaya Cements Limited	1.51%	1.82%	NA	1.66%
6	Prism Johnson Limited	1.82%	1.82%	1.43%	1.69%
7	UltraTech Cement Limited	2.06%	2.28%	2.10%	2.15%
8	Shree Cements Limited	2.41%	2.27%	2.36%	2.35%
9	J K Lakshmi Cement Limited	2.71%	2.73%	3.27%	2.90%
10	Mangalam Cement Limited	3.16%	3.44%	10.13%	5.63%
11	Saurashtra Cement Limited	6.46%	7.89%	10.17%	8.14%
12	Sagar Cements Limited	1.54%	16.74%	13.56%	10.45%
	<b>35th Percentile</b>				<b>1.66%</b>
	<b>65th Percentile</b>				<b>2.35%</b>

**ANNEXURE 3 - AVERAGE RETURN ON AAA RATED SECURITIES**

<b>Sr. No.</b>	<b>Name</b>	<b>CRISIL Ratings</b>	<b>Coupon rate</b>
1	Fullerton India Credit Company Limited	CRISIL AAA INE535H07A00	9.20%
2	Tata Capital Housing Finance Limited	CRISIL AAA INE033L08205	9.20%
3	Tata Capital Housing Finance Limited	CRISIL AAA INE033L08213	9.20%
4	Tata Capital Housing Finance Limited	CRISIL AAA INE033L08197	9.25%
5	Tata Capital Financial Services Limited	CRISIL AAA INE306N08078	9.25%
6	Kotak Investment Advisors Limited	CRISIL AAA INE03BW08069	10.00%
	<b>35th Percentile</b>		<b>9.20%</b>
	<b>65th Percentile</b>		<b>9.25%</b>

**ANNEXURE 4 - MARK UP EARNED BY SIMILAR COMPANIES (TOLL GRINDING):**

<b>S.No</b>	<b>Company</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Weighted Average</b>
1	Prism Johnson Limited	5.52%	1.42%	-0.58%	1.81%
2	Nuvoco Vistas Corporation Limited	5.51%	1.11%	4.85%	3.71%
3	Sagar Cements Limited	15.61%	2.47%	4.36%	6.64%
4	N C L Industries Limited	11.45%	5.48%	7.29%	7.75%
5	Mangalam Cement Limited	12.36%	5.51%	8.95%	8.71%
6	Shree Cement Limited	15.24%	6.37%	11.16%	10.58%
7	J K Lakshmi Cement Limited	14.18%	9.38%	12.02%	11.70%
8	J K Cement Limited	18.62%	9.81%	11.70%	12.67%
	<b>35th Percentile</b>				<b>6.64%</b>
	<b>65th Percentile</b>				<b>10.58%</b>

**ANNEXURE 5 - MARK UP EARNED BY SIMILAR COMPANIES (CLINKER):**

<b>S.No</b>	<b>Company</b>	<b>Weighted Average (return on variable cost of production)</b>
1	Hemadri Cements Limited	6.40%
2	Barak Valley Cements Limited	28.53%
3	Khyber Industries Private Limited	30.70%
4	Raw Edge Industrial Solutions Limited	37.84%
5	Purbanchal Cement Limited	41.21%
6	Hi-Bond Cement (India) Private Limited	44.21%
7	Prism Johnson Limited	59.11%
8	Star Cement Limited	77.57%
	<b>35th Percentile</b>	<b>30.70%</b>
	<b>65th Percentile</b>	<b>44.21%</b>

**ANNEXURE 6 - COMPARABLE COMPANIES IN SIMILAR BUSINESS ACTIVITIES (SPECIALITY CHEMICALS / ADMIXTURES):**

<b>S.No</b>	<b>Company</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Weighted Average</b>
1	Ambani Organics Limited	3.88%	-1.78%	-0.46%	0.38%
2	Aarti Industries Limited	7.43%	3.46%	3.69%	4.81%
3	Mcon Rasayan India Limited	5.36%	NC	4.70%	4.95%
4	Laxmi Organic Inds. Limited	7.42%	5.42%	6.73%	6.50%
5	Hindcon Chemicals Limited	7.10%	12.60%	6.83%	8.66%
	<b>Mean</b>				<b>5.06%</b>

## DISCLAIMER

*This document is provided on specific request by ACC. This document is limited to the review of arm's length nature only from the perspective of ACC. It does not comment in any manner from the related party perspective. It should not be distributed or otherwise made available to their employees or others without our written consent. Further, we bear no responsibility in any manner whatsoever to anyone other than ACC for any reliance placed thereon.*

*This document sets forth our views based on the completeness and accuracy of facts and any assumptions that are included therein. If any of the facts and/or assumptions is not complete or accurate in entirety, it is imperative that we be informed immediately, as the inaccuracy or incompleteness could have a material effect on our conclusions.*

*This document is prepared based on the relevant prevailing provisions of Indian transfer pricing regulations.*

*The above are subject to change or modification by subsequent legislative, regulatory, administrative and judicial amendments/changes. Any such changes, which can also be retrospective or retroactive, could have an effect on the validity of our views stated herein and may necessitate a review of our comments/recommendations contained in this document. Unless specifically requested, we assume no obligation/responsibility to update this document on any events subsequent to its issue, which may have a material effect on the discussions herein.*

*The conclusions reached and the views expressed in this document are matters of opinion. Our opinion is based on our understanding of the Law and Regulations prevailing as on date of issue of this document and our past experience with the tax and/or regulatory authorities. Our views are not binding on any authority or court. Therefore, no assurance can be given that the tax authorities or regulators may not take a position contrary to our views/opinion.*

*This document is intended to provide detailed analysis of various implications from an Indian income tax perspective. We understand that ACC would separately examine all legal and regulatory implications of the transaction/structure.*

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# ACC Limited

## Evaluation of transaction at Arm's length

Master Services Agreement ('MSA') between Ambuja Cements Limited ('Ambuja') & ACC Limited ('ACC') for Supply of Services

27<sup>th</sup> January 2026



[www.bdo.in](http://www.bdo.in)

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Gujarat, INDIA.

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1. **BACKGROUND & OBJECTIVE:**

- ACC Limited (ACC) is a leading player in the Indian building materials space, with a pan-India operational and marketing presence. It is a member of the Adani Group - the largest and fastest-growing portfolio of diversified sustainable businesses.
- Ambuja is one of India’s leading cement and building material companies and a member of the diversified Adani Portfolio - the largest and fastest growing portfolio of diversified sustainable businesses. It is primarily engaged in the manufacturing, selling, and distribution of various types of cement and related products. They leverage their extensive network of cement manufacturing facilities across the country to deliver their products.
- ACC and Ambuja (hereinafter referred to as Group entities), are proposing to enter into a MSA whereby entities will be availing and rendering services.
- BDO has been approached to review the aforesaid related party transaction with Ambuja and comment upon arm’s length standard. Related party transactions are governed under section 188 of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘SEBI LODR’). Our opinion is based on the documents and understanding provided to us by the Management.
- The principles of arm’s length pricing (ALP) for international and specified domestic transactions between associated enterprises are governed by Sections 92 to 92F of the Income Tax Act, 1961, which outline the key requirements and methods for determining ALP.

2. **DETAILS OF PROPOSED TRANSACTION & PRICING MECHANISM:**

In order to achieve better synergies and economies of scale and reduce operational and administrative costs by avoiding duplication of back-end operations, Group entities have agreed to avail and render the services as detailed below wherein the entity providing the services shall be referred to as the “Service Provider” and the recipient shall be referred to as the “Service Recipient:

2.1 Common Support Services:

- The Service Provider shall provide various functions, including but not limited to Finance, Tax Treasury, Common Procurement Services, Administration, Secretarial, and any other services may be agreed upon by the Group entities from time to time as summarized below:

<b>Key functions</b>	<b>Description of services</b>
Business Support Services - Common strategic and management support activities/services	<ul style="list-style-type: none"><li>• Identification of the best practices within Ambuja and ACC, and setting out the manner in which the same can be adopted by the Service Recipient;</li><li>• Standardization of the processes between Ambuja and ACC;</li><li>• Recommendations in relation to overall strategy development and priority setting for the Service Recipient;</li><li>• Monitoring the progress of the initiatives approved by the Service Recipient and resolving any issues in relation to the same as directed by the Service Recipient;</li></ul>

Key functions	Description of services
	<ul style="list-style-type: none"> <li>• Benchmarking the performance standards within the Service Recipient to deliver high quality performance;</li> <li>• Recommend innovative and expertise driven management solutions in areas identified by the Service Recipient and ensuring overall operational effectiveness;</li> <li>• Identification of common business challenges faced by Ambuja and ACC and recommending the manner in which it can be redressed by the Service Recipient; and</li> <li>• Other auxiliary and ancillary services related to business support services.</li> </ul>
Common Procurement Services - Services in relation to supply of CPO materials and providing CPO services	<ul style="list-style-type: none"> <li>• Receiving requisitions from the concerned department of Service Recipient specifying type, quantity/nature, grade/quality of materials and services and time of delivery requirements;</li> <li>• Identifying and selecting suppliers;</li> <li>• Negotiating and finalizing purchase orders and the terms of procurement;</li> <li>• Coordinating with the Service Recipient and the supplier for the execution and issuance of purchase orders and/or agreements containing the terms for procurement of CPO Materials and/or CPO Services; and</li> <li>• Other auxiliary and ancillary services related to Common Procurement Services.</li> </ul>
Human Resource Management	<ul style="list-style-type: none"> <li>• Managing employee compensation and benefits</li> <li>• Supporting training and development based on employee grades, designation and experience</li> <li>• Supporting HR employment, recruitment and placement services</li> <li>• Prepare and support HR in designing employment orientation plan for all the new employees.</li> <li>• Provide end-to-end HR from Hire to Retire process which includes HR reporting, Resourcing, HR Admin, Payroll, etc.</li> </ul>
Administration	<ul style="list-style-type: none"> <li>• Review and manage admin staff deployment including Jr. office staff recruitment, training, etc.</li> <li>• Supporting local admin. in the data base admin system.</li> <li>• Supporting admin department for: <ul style="list-style-type: none"> <li>➤ Office equipment management</li> <li>➤ Clean and organized workspaces</li> <li>➤ Meeting arrangements</li> <li>➤ Mail distribution process</li> </ul> </li> </ul>

Key functions	Description of services
Treasury	<ul style="list-style-type: none"> <li>• Support in investment management and bank relationship coordination</li> <li>• Support liquidity planning, risk management (currency, interest, commodity), and use of bonds, swaps, and derivatives</li> <li>• Guide RBI and bank compliance, and align Risk/Forex strategy and framework</li> </ul>
Taxation	<ul style="list-style-type: none"> <li>• Support tax team in tax planning, compliance, and optimizing effective tax rate</li> <li>• Assist in contract negotiations, drafting standard contracts, and providing tax support for daily operations</li> </ul>
Security	<ul style="list-style-type: none"> <li>• Deliver centralized administrative and security support aligned with Adani Group best practices, overseeing security management and training development</li> </ul>
Information Technology	<ul style="list-style-type: none"> <li>• Provide guidelines for network protocols, data management, and centralized data security</li> <li>• Support information security, data leak prevention, and IT/resource procurement and local teams</li> </ul>
HR Shared Services	<ul style="list-style-type: none"> <li>• Serve as single HR contact and manage employee data, onboarding, confirmation, transfers, retirement, and separation in SAP</li> <li>• Handle NPS accounts, payroll, loans, leave management, and generate F&amp;F and related letters through the system</li> </ul>
Master Data Migration	<ul style="list-style-type: none"> <li>• Manage creation and updates of vendor, customer, GL, material, service, bank, and profit/cost center masters in SAP</li> </ul>
Management Audit and Assurance Services (MAAS)	<ul style="list-style-type: none"> <li>• Conduct periodic internal audits, manage group-level Delegation of Authority (DOA), and review MIS and governance processes</li> <li>• Consult team on MIS reporting, statutory compliance, accounting, and internal controls</li> </ul>
Governance Risk and Compliance (GRC)	<ul style="list-style-type: none"> <li>• Manage SAP user access, resolve role conflicts, conduct risk analysis, ensure group-level compliance, and oversee access audits</li> </ul>
Legal Services	<ul style="list-style-type: none"> <li>• Support for Reviewing and drafting various legal contracts</li> <li>• Prevent /manage any legal issues</li> <li>• Guide / Counsel team on various legal compliances</li> </ul>
Corporate Communication	<ul style="list-style-type: none"> <li>• Manage media relations, corporate communications, and crisis management for Adani Group; support Corp Comm team</li> <li>• Advise on stakeholder relations, corporate profiling, media guidelines, internal communications, and group branding</li> </ul>

Key functions	Description of services
Corporate Affairs	<ul style="list-style-type: none"> <li>Handle crisis management, customer and public relations, internal employee communications, and group branding</li> </ul>
Land & Estate	<ul style="list-style-type: none"> <li>Oversee real estate operations, provide advisory support, and assist Ambuja in liaising with various authorities</li> </ul>
Central Procurement Cell (CPC)	<ul style="list-style-type: none"> <li>Centralize purchasing to consolidate orders, standardize processes, and use systems for procurement and inventory management across Adani Group</li> </ul>

- Cost of providing aforesaid common support services shall be allocated on a cost basis on the basis of Net sales as per last audited standalone financial statement.

## 2.2 Deputation services:

- Such services shall cover transfer of any employee on a temporarily/permanently or assigned by service recipient to service provider for a specific or fixed period.
- Cost of providing deputation services (including any reimbursement of expense/income) shall be recovered on an actual cost basis.

## 2.3 Lease Charges:

- Group entities propose to avail/render services in form of lease wherein lease rental shall mean the fixed periodic amount payable by the Lessee to the Lessor for use and enjoyment of the Leased Premises during the Lease Term. Lease Rental shall include all amounts expressly stated as rent under the Agreement for the transaction, but shall exclude any applicable taxes, maintenance charges, utilities, security deposits, penalties, or any other charges unless specifically mentioned otherwise.
- Lease charges shall be determined based on an independent valuation report.

## 3. DETERMINATION OF ARM'S LENGTH PRICE

### Selection of most appropriate method (MAM):

We have assessed all the methods outlined in the Indian Transfer Pricing Regulations to determine the Most Appropriate Method (MAM). Detailed notes on each of these methods are provided below:

- **Comparable uncontrolled price ('CUP')**

The comparable uncontrolled price ("CUP") method evaluates the arm's-length character of a controlled transaction by comparing the price charged in the controlled transaction to the amount charged in a comparable uncontrolled transaction in comparable circumstances. The CUP method requires a high degree of comparability of products and functions such as quality; contractual terms; geographic market; embedded intangibles; and foreign currency risks.

Since the services involved is not offered to unrelated parties, the CUP Method is not applicable.

- **Resale Price method ('RPM')**

The resale price method (“RPM”) tests the arm's-length character of a transfer price in a controlled transaction by reference to the gross profit margin (i.e., gross profit divided by net sales) realized in a comparable uncontrolled transaction. The RPM begins with the price at which a product is resold to an independent enterprise. This price (resale price) is then reduced by an appropriate gross margin (“resale price margin”) from which the reseller would seek to cover its operating expenses and make an appropriate profit.

Considering the above, since this transaction does not involve resale of goods/services, the Resale Price Method (RPM) is not applicable for the transaction under review.

- **Cost Plus Method (‘CPM’)**

The CPM is generally employed in cases involving manufacture, assembly, or production of tangible products or services that are sold / provided to related party. It compares the normal gross profit mark-up on costs (both direct and indirect) earned by a manufacturer/ service provider with the gross profit mark-up earned by uncontrolled manufacturers / service providers. This is also used in transactions involving a contract manufacturer, toll manufacturer or a low-risk assembler. There should be a close degree of comparability to apply the CPM. In order to perform benchmarking using CPM, availability or access to data of mark-up earned in comparable independent dealings is required.

In this case, CPM is not the Most Appropriate Method as the transaction does not involve manufacturing goods.

- **Profit Split method (‘PSM’)**

The Profit Split Method (“PSM”) evaluates whether the allocation of the combined profit or loss attributable to one or more controlled transactions is arm’s length by reference to the relative value of each controlled taxpayer’s contribution to that combined profit or loss. The profit split methods are designed to be applied where transactions are very interrelated and cannot be reliably evaluated on a separate basis using one of the transactional methods. Profit split methods are particularly relevant when each party to the transaction has significant intangible assets and/ or the operations of the parties to the transaction are highly integrated and cannot be evaluated on a separate basis. The above transactions do not deal with research and development activities that would lead to the development of non-routine intangibles.

In this case, the transaction does not involve the transfer of unique intangibles. Therefore, the Profit Split Method (PSM) has not been deemed the most appropriate method for this analysis.

- **Transactional Net Margin method (‘TNMM’)**

The Transaction Net Margin Method (“TNMM”) examines the net profit margin relative to an appropriate base (e.g., costs, sales, and assets) realized on the transaction. For example, return on capital employed or the ratio of operating income to operating assets, may be examined.

Under the TNMM, comparable need be broadly similar. Significant product diversity and some functional diversity between the controlled and uncontrolled parties are acceptable. One of the strengths of the TNMM is that net margins (e.g., return on assets, operating income to sales, and possibly other measures of net profit) are less affected by transactional differences than is the case with price, as used in the CUP Method. The net margins also may be more

tolerant to some functional differences between the controlled and uncontrolled transactions than gross profit margins. Differences in the functions performed between enterprises are often reflected in variations in operating expenses. Consequently, enterprises may have a wide range of gross profit margins but still earn broadly similar levels of net profits.

TNMM is not considered the Most Appropriate Method as there are no reliable comparable transactions with similar functions, assets, and risks for benchmarking. It should only be used as a last resort when no better method is available to determine an arm's length price.

- **Other Method**

The other method for determination of arm's length price in relation to a transaction shall be any method which takes into account the price which has been charged or paid, or would have been charged or paid, for the same or similar uncontrolled transaction, with or between non-associated enterprises, under similar circumstances, considering all the relevant facts.

Given that:

- Common support services shall be allocated on a cost basis using reasonable allocation keys;
- Deputation service (including any reimbursement of expense/income) shall be recovered at actuals; and
- Lease rentals shall be determined based on an independent valuation report,

Other Method is considered to be the most appropriate method for benchmarking the said transaction.

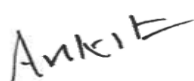
#### 4. **CONCLUSION:**

In line with the above facts, the allocation of common support services to Group entities on a cost basis using reasonable allocation keys, recovery of deputation service costs at actuals, and determination of lease rentals based on independent valuation are consistent with transfer pricing principles. Accordingly, these transactions may be considered at arm's length under the Other Method.

Thanking you,

On behalf of

For BDO India Services Private Limited



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**Authorised Signatory: Ankit Arora (Partner)**

**Place: Ahmedabad**

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