

AMBUJA CEMENTS LIMITED

Evaluation of transaction at Arm's length

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

27th January 2026



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1. **BACKGROUND & OBJECTIVE:**

- 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.
- Orient Cement Limited (Orient), part of Ambuja and the diversified Adani Group, is among India’s leading cement companies. ACL has completed the acquisition of 9,58,73,163 equity shares constituting 46.66% of the existing share capital of Orient on April 22, 2025. Ambuja has taken over operational and financial control over Orient with effect from April, 22 2025. Pursuant to an open offer made to the eligible public shareholders of the Orient by the Holding Company under the SEBI (SAST) Regulations, the Holding Company completed the acquisition of additional 5,34,19,567 (26.00%) equity shares of the Orient at a price of Rs. 395.40 per equity shares by June 18, 2025. Accordingly, the total shareholding of the Holding Company in Orient post-acquisition of shares from promoters / promoter group and certain public shareholders and public shareholders through an open market offer reached to 72.66 %. Established in 1979, Orient Cement was formerly a part of Orient Paper & Industries. It was demerged in the year 2012 and since then, it has emerged as one of the fastest growing and leading cement manufacturers in India.
- Ambuja and Orient (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 Orient 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:

Key functions	Description of services
Business Support Services - Common strategic and management support activities/services	<ul style="list-style-type: none">• Identification of the best practices within Ambuja and Orient, and setting out the manner in which the same can be adopted by the Service Recipient;

Key functions	Description of services
	<ul style="list-style-type: none"> • Standardization of the processes between Ambuja and Orient; • Recommendations in relation to overall strategy development and priority setting for the Service Recipient; • 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; • Benchmarking the performance standards within the Service Recipient to deliver high quality performance; • Recommend innovative and expertise driven management solutions in areas identified by the Service Recipient and ensuring overall operational effectiveness; • Identification of common business challenges faced by Ambuja and Orient and recommending the manner in which it can be redressed by the Service Recipient; and • Other auxiliary and ancillary services related to business support services.
Common Procurement Services - Services in relation to supply of CPO materials and providing CPO services	<ul style="list-style-type: none"> • Receiving requisitions from the concerned department of Service Recipient specifying type, quantity/nature, grade/quality of materials and services and time of delivery requirements; • Identifying and selecting suppliers; • Negotiating and finalizing purchase orders and the terms of procurement; • 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 • Other auxiliary and ancillary services related to Common Procurement Services.
Human Resource Management	<ul style="list-style-type: none"> • Managing employee compensation and benefits • Supporting training and development based on employee grades, designation and experience • Supporting HR employment, recruitment and placement services • Prepare and support HR in designing employment orientation plan for all the new employees. • Provide end-to-end HR from Hire to Retire process which includes HR reporting, Resourcing, HR Admin, Payroll, etc.
Administration	<ul style="list-style-type: none"> • Continuous review of existing admin staff, their proper deployment and management.

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

Key functions	Description of services
	<ul style="list-style-type: none"> • Guide / Counsel team on various legal compliances
Corporate Communication	<ul style="list-style-type: none"> • Manage media relations, corporate communications, and crisis management for Adani Group; support Corp Comm team • Advise on stakeholder relations, corporate profiling, media guidelines, internal communications, and group branding
Corporate Affairs	<ul style="list-style-type: none"> • Handle crisis management, customer and public relations, internal employee communications, and group branding
Land & Estate	<ul style="list-style-type: none"> • Oversee real estate operations, provide advisory support, and assist Orient in liaising with various authorities
Central Procurement Cell (CPC)	<ul style="list-style-type: none"> • Centralize purchasing to consolidate orders, standardize processes, and use systems for procurement and inventory management across Adani Group

- Cost of providing 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 proposes 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.

2. 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.

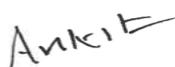
3. **CONCLUSION:**

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 Pvt. Ltd



Authorised Signatory: Ankit Arora (Partner)

Place: Ahmedabad

DISCLAIMER

This document is provided on specific request by Ambuja. This document is limited to the review of arm's length nature only from the perspective of Ambuja. 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 Ambuja 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 Ambuja would separately examine all legal and regulatory implications of the transaction/structure.
