

Description of the pricing policy and arm's length analysis

Identified related party transactions between UltraTech Cement Limited ('UTCL') and The India Cements Limited ('ICEM') (collectively referred as 'management') for FY 2026-27

24 March 2026



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1 Background and our understanding

UltraTech Cement Limited is the cement flagship company of the Aditya Birla Group. A USD 8.9 billion building solutions company, UltraTech is the largest cement company globally by sales volume and the second largest by capacity, excluding China. The Company has a total grey cement capacity of 194.06 MTPA and white cement / putty capacity of 3.2 MTPA. It is a signatory to the Global Cement and Concrete Association ('GCCA') Climate Ambition 2050 and has committed to the Net Zero Concrete Roadmap announced by GCCA.

ICEM is one of the leading cement manufacturing companies in India. ICEM produces and sells cement and cement related products in India.

Under Section 188 of Companies Act and Regulation 23 of SEBI LODR, related party transactions needs to be compliant with the arm's length principle and require prescribed approvals.

For the purpose of this engagement, we understand that UTCL has identified transactions for the period 1 April 2026 and 31 March 2027 with its subsidiary, ICEM which have been listed below ('Identified related party transactions') where the pricing policy has to be reviewed:

- Purchase/ Sale of clinker on need basis
- Sale of coal on need basis
- Purchase/ Sale of slag, gypsum and limestone, fly ash, stores and spare parts on need basis
- Purchase of cement
- Purchase of power
- RMC on job work basis by ICEM for UTCL
- Purchase / Sale of fixed assets on need basis
- Sharing of personnel
- Corporate Guarantees - Issuance by UTCL for ICEM
- Inter-corporate deposit to ICEM and interest thereof

UTCL will be obtaining an Omnibus Approval for FY 2026-27 from the Audit Committee covering the identified transactions including the following:

- Maximum value of transactions
- Nature of the transactions
- Proposed pricing policy

During FY 2025-26, the management obtained approvals for above mentioned identified related party transactions and EY was engaged in reviewing the policy of the identified related party transactions between UTCL and ICEM from an arm's length perspective.

Similarly for FY 2026-27, EY has been engaged to undertake a refresh / update of its previous analysis. Basis our discussion with the management, we understand that underlying facts and nature of the identified related party transactions have largely remained same vis-à-vis FY 2025-26 and hence, we have relied on the information used in the prior analysis to a large extent in the current

report.

In this regard, UTCL has appointed EY to undertake review of proposed pricing policy to be approved by the Audit Committee for the identified related party transactions from an arm's length standpoint from Section 188 of Companies Act, 2013 ('Companies Act') and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR') perspective.

Our comments on the pricing

We have enclosed as Annexure 1 an overview of the legal provisions under the Companies Act and SEBI LODR would be relevant to consider.

Companies Act requires the transaction to be undertaken at arm's length price. However, no statutory methodology has been provided for determination of the arm's length price under the Companies Act.

Since, the Companies Act does not prescribe any methodology to evaluate the arm's length price, references can be drawn from the Income-tax Act, 1961 ('Tax Act') read with Income Tax Rules, 1962 ('Tax Rules'), the 2022 OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and the United Nations Practical Manual on Transfer Pricing for Developing Countries.

The benchmarking methods prescribed under the Tax Act are enclosed in Annexure 2 and a detailed selection of the method for each of the transactions evaluated and enclosed in Annexure 3.

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2 Executive summary

Sr No	Identified related party transaction	Proposed pricing policy as we have been given to understand by the management	Our understanding and analysis	Whether pricing policy is at arm's length
1	Purchase/ Sale of clinker	<p>Cost of production of Clinker as per Accounting Standard II plus a pre-agreed net margin.</p> <p>The cost of inventories would comprise all costs of purchase, costs of conversion and other costs incurred.</p>	<p>UTCL and ICEM propose to sell clinker to each other on an as-needed basis, allowing one entity to acquire clinker when the other has a surplus.</p> <p><u>Arm's length analysis</u></p> <ul style="list-style-type: none"> ▪ Most Appropriate method ('MAM') – Transactional Net Margin Method ('TNMM') ▪ UTCL/ ICEM would be earning a pre-agreed net margin which is within the arm's length range as per the benchmarking maintained separately. 	Yes
2	Purchase/ Sale of coal	<p>Average of the spot rates prevailing in the first week of respective month plus a mark-up to recover administrative costs and the cost of the credit period based on respective entity's internal borrowing rate.</p>	<p>UTCL and ICEM will supply coal to each other on an as-needed basis, using their existing surplus inventory.</p> <p>UTCL and ICEM will fulfil each other's requests based on their excess inventory after accounting for their own needs.</p> <p><u>Arm's length analysis</u></p> <ul style="list-style-type: none"> ▪ MAM – Other Method ▪ UTCL/ ICEM will charge a spot price prevailing in the first week of respective month, which would be reflective of the prices from other suppliers. ▪ The interest component, where applicable, would be computed by reference to the internal borrowing rate of UTCL / ICEM, reflecting their cost of funds and facilitating recovery of financing costs linked to inventory holding and the associated credit period, and a charge for administrative cost recovery 	Yes
3	Purchase/ Sale of goods including slag, gypsum and limestone, fly-ash, stores, spare parts, BPD	<p>UTCL and ICEM propose to sell goods including slag, gypsum and limestone, fly-ash, stores, spare parts, BPD products, ready-mix concrete ('RMC'), etc. to each other on an as needed basis, allowing one entity to acquire goods</p>	<p>This transaction would not be undertaken on an ongoing basis and therefore cannot be categorized as trading activity.</p> <p><u>Arm's length analysis</u></p>	Yes

Sr No	Identified related party transaction	Proposed pricing policy as we have been given to understand by the management	Our understanding and analysis	Whether pricing policy is at arm's length
	products, ready-mix concrete ('RMC'), etc.	<p>when the other has a surplus in inventory.</p> <p>Therefore, the following policy will be adopted for the various goods to be purchased/ sold:</p> <ul style="list-style-type: none"> ▪ BDP products: market price ▪ Limestone: auction price ▪ Other goods: cost/ market price <p>Therefore, such transaction will be undertaken at purchase cost of respective entities from third parties without any mark-up, which will be indicative of the market price / auction price.</p>	<ul style="list-style-type: none"> ▪ MAM – Other Method ▪ The amounts charged by UTCL/ ICEM will be merely in the nature of direct payment of third-party cost without any markup as the said transaction is not intended to be undertaken as a part of rendering of intra-group services or trading activities. 	
4	Purchase of cement from ICEM	<p>Formula for Ex-Net of Discounted Taxes Transfer Price for ICEM is based on a market minus method. i.e., market selling price for UTCL less UTCL's margin and other related expenses.</p> <p>UTCL plans to retain an agreed margin on a per bag basis.</p>	<p>UTCL plans to buy cement from ICEM to take advantage of manufacturing plant which is located closer to UTCL's market. This will lower logistics costs and help meet the demand, allowing UTCL to sell the cement under its own brand to its customers.</p> <p>This will also optimize ICEM's unused production capacity, enhancing operational efficiency. Further, the contribution earned by ICEM from manufacturing cement for UTCL would be greater than the contribution from selling directly under its own brand name.</p> <p>UTCL would undertake selling and marketing functions, whereas ICEM would undertake manufacturing functions.</p> <p>Accordingly, UTCL can be considered as a distributor, selling goods under its own brand name, and ICEM can be considered as the manufacturer.</p> <p><u>Arm's length analysis</u></p> <ul style="list-style-type: none"> ▪ MAM – Transactional Net Margin Method ('TNMM') 	Yes

Sr No	Identified related party transaction	Proposed pricing policy as we have been given to understand by the management	Our understanding and analysis	Whether pricing policy is at arm's length
			<ul style="list-style-type: none"> ▪ UTCL and ICEM would be earning net margins which are within the arm's length range as per the trading and manufacturing benchmarkings maintained separately. 	
5	RMC on job work basis by ICEM	Comparable with the Company's existing lease model for RMC plants	<p>ICEM operates certain RMC plants on leased land, equipped with necessary machinery, but does not plan to use them for its own operations due to commercial reasons.</p> <p>ICEM will enter into an arrangement with UTCL for usage of the plant on operational lease for RMC manufacturing.</p> <p>UTCL will deploy its manpower for operations and will also bear costs related to JCB operations and maintenance of the RMC plant to ensure efficient production.</p> <p><u>Arm's length analysis</u></p> <ul style="list-style-type: none"> ▪ MAM - Other Method ▪ UTCL will achieve a lower cost per cubic meter compared to the costs incurred under the third-party arrangements. ▪ ICEM would also realize a better margin when compared to quotations from providing the plant on operating lease to third parties. 	Yes
6	Purchase of power by UTCL	<p>ICEM is generating surplus power which cannot be freely sold in open market.</p> <p>Accordingly, considering the option realistically available, the power transfer will be done by ICEM to UTCL which will assist ICEM in recovery of costs.</p> <p>Further, UTCL would bear the wheeling charges and electricity tax on actual basis.</p>	<p>ICEM will enter into an arrangement with UTCL for supply of surplus power. This surplus power can be utilized by UTCL to meet its energy requirements.</p> <p><u>Arm's length analysis</u></p> <ul style="list-style-type: none"> ▪ MAM - Other Method ▪ The landing cost for UTCL for power procured from ICEM would be lower vis-à-vis adjusted purchase cost of procuring through state grid rates and hence, the proposed pricing policy can be considered to be at arm's length from UTCL's perspective. 	Yes

Sr No	Identified related party transaction	Proposed pricing policy as we have been given to understand by the management	Our understanding and analysis	Whether pricing policy is at arm's length
		This payment structure is expected to result in savings for UTCL compared to the purchase cost of grid power adjusted for wheeling and other charges paid directly.	<ul style="list-style-type: none"> ▪ The IEX rates are not suitable for benchmarking due to their inherent volatility and the nature of transactions conducted on the IEX platform. This position is supported by the multiple judicial rulings. ▪ Management has represented that selling the surplus power to UTCL will be more commercially feasible for ICEM than selling it on IEX. Accordingly, the proposed pricing policy can be considered to be at arm's length from ICEM's perspective. 	
7	Sharing of Personnel	CTC for the employees of UTCL, which will be shared with ICEM	<p>UTCL proposes to enter into personnel sharing arrangement with ICEM, wherein employees from UTCL will be shared to ICEM as and when needed by ICEM. Such personnel during the assignment will work under the supervision and guidance of ICEM.</p> <p><u>Arm's length analysis</u></p> <ul style="list-style-type: none"> ▪ MAM - Other Method ▪ Since the transaction will be conducted on a cost-to-cost recharge without any element of profit or loss to either party, it can be considered to be at arm's length. 	Yes
8	Purchase / sale of fixed assets	Written Down Value	<p>UTCL and ICEM propose to engage in the purchase or sale of fixed assets already bought and recorded in respective books of accounts on an as-needed basis. Both the entities are not in the business of trading of fixed assets.</p> <p><u>Arm's length analysis:</u></p> <ul style="list-style-type: none"> ▪ MAM: Other Method ▪ We understand that the transaction will be conducted on a need basis and will be priced at WDV, with no markup embedded in these transactions. ▪ The management has represented that the transaction price would be reflective of market price of such assets and therefore, the pricing policy can be considered at arm's length. 	Yes

Sr No	Identified related party transaction	Proposed pricing policy as we have been given to understand by the management	Our understanding and analysis	Whether pricing policy is at arm's length
9	Corporate Guarantee by UTCL	50% of rate of bank guarantee charges applicable to UTCL at the time of the transaction	<p>Both UTCL and ICEM have been able to procure bank guarantees from third-party banks, at similar rates.</p> <p>Currently, no corporate guarantee has been extended by UTCL to ICEM. If required, UTCL may extend corporate guarantee to ICEM to support its funding requirements.</p> <p><u>Arm's length analysis:</u></p> <ul style="list-style-type: none"> ▪ MAM: Other Method ▪ Given that both companies can themselves avail bank guarantees from third-party banks at similar rates, UTCL will consider charging a fee equivalent to 50% of the basis points of the bank guarantee extended to UTCL. ▪ Alternatively, 50% of the average rates of bank guarantees currently being paid by ICEM should be obtained. ▪ In the absence of both of the above, quotations from third-party banks with similar terms and conditions should be obtained. 	Yes
10	Inter-corporate deposit to ICEM and interest thereof	Interest rate as per prevailing market rates	<p>Following the acquisition, ICEM has achieved a credit rating of AAA and is obtaining loan from bank at similar rate of interest to UTCL.</p> <p>UTCL proposes to extend loan facilities to ICEM to support their funding/ working capital requirements.</p> <p>Currently, ICEM has a working capital loan facility obtained from a third party.</p> <p>Additionally, ICEM will obtain quotations from third party banks for loans with similar terms and conditions which would be reflective of the interest rate as per prevailing market rates.</p> <p><u>Arm's length analysis</u></p> <ul style="list-style-type: none"> ▪ MAM: Other Method/ Comparable Uncontrolled Price ('CUP') Method 	Yes

Sr No	Identified related party transaction	Proposed pricing policy as we have been given to understand by the management	Our understanding and analysis	Whether pricing policy is at arm's length
			<ul style="list-style-type: none"> ■ In a scenario, if internal loan rates are considered, the similarity of terms and conditions is critical, focusing on the following four factors: <ul style="list-style-type: none"> a. Type of loan b. Credit rating c. Tenure d. Currency ■ In the absence of internal loans, quotations from third-party banks with similar terms and conditions could be considered as comparable data points. ■ If neither internal loans nor third-party quotations are available, an external benchmarking will have to be undertaken to identify a CUP. 	

3 Identified related party transactions

3.1 Purchase/ Sale of clinker on need basis

3.1.1 Understanding of the transaction

Brief facts as represented by the management of UTCL/ ICEM

- Clinker is an intermediary product derived from limestone, which is subsequently processed into cement.
- UTCL and ICEM manufacture clinker for their own use in cement manufacturing.
- We understand from the management that under this arrangement, UTCL and ICEM propose to undertake transaction of sale of clinker, allowing one entity in need to acquire clinker when the other has a surplus.

Proposed pricing policy

- The proposed pricing policy is based on the cost of clinker production, as outlined in Accounting Standard ('AS') II plus a pre-agreed net margin.
- According to AS II, the cost of inventories should comprise all costs of purchase, costs of conversion (direct labour, depreciation, factory maintenance, etc.) and other costs incurred in bringing the inventories to their present location and condition.

3.1.2 Analysis of the transaction

Our comments

- We understand from management that there would not be any other significant expenses apart from the ones already factored in the calculation as part of the cost incurred in production of Clinker as the same is an intermediate product. Hence, it can be inferred that the agreed net margin would be the eventual net margin from manufacturing and sale of clinker.
- Accordingly, we have considered TNMM, which involves net margin comparison, as the most appropriate method for testing the proposed pricing policy considering the facts, nature and circumstances of the transaction.
- Since UTCL/ ICEM both are proposed to earn an agreed net margin which is within the arm's length range (based on benchmarking maintained separately), the proposed pricing policy can be considered to be at arm's length from UTCL/ ICEM perspective.

3.2 Purchase/ Sale of coal on need basis

3.2.1 Understanding of the transaction

Brief facts as represented by the management of UTCL/ ICEM

- Under this arrangement, UTCL and ICEM propose to undertake transaction of sale / purchase of coal, allowing entity in need to acquire when the other has a surplus with no intention of carrying trading activity.
- UTCL and ICEM procure coal through long-term contracts. Since both the entities keep procuring on an ongoing basis, they may be able to meet the excess demand on need basis from each other.

Proposed pricing policy

- Average of the spot rates prevailing in the first week of respective month, plus a mark-up to recover administrative costs and the interest on account of holding inventory and credit period.
- The pricing policy is linked to the average spot price per metric ton prevailing in the first week of each month to align with current market conditions. To ensure timely price availability, indicative prices for the relevant shipment sizes are identified by the end of the preceding month. Pricing is typically determined for large shipment lots (generally a minimum of 50,000 MT), with cargo clearance from the port taking place over the course of the month. Accordingly, the applicable prices remain valid for the entire month.
- If UTCL/ ICEM buys coal directly from third party vendors, prices will match ICEM/ UTCL's even after factoring the additional charges.

3.2.2 Analysis of the transaction

Our comments

- We have considered Other Method under Rule 10AB of the Tax Rules, as the most appropriate method for testing the proposed pricing policy considering the facts, nature and circumstances of the transaction.
- As discussed above, we understand that UTCL/ ICEM would be charging the average spot price of the coal per metric ton prevailing (based on the independent market quotations obtained in the first week of each month) which would be reflective of the prevailing market price on the date of transaction, which could include comparisons with prices from existing/ various vendors. As a market practice, such price would also be used by third party for the purpose of buy / sell of coal.
- As discussed above, in case ICEM/ UTCL buy coal directly from third party vendors, prices will match UTCL's/ ICEM's even after factoring the mark-up to recover administrative costs and the cost of the credit period.
- Further, the interest component, where applicable, would be computed by reference to the internal borrowing cost of UTCL / ICEM, reflecting its cost of funds and facilitating recovery of financing costs linked to inventory holding and the associated credit period.
- Further, management has represented that an additional nominal charge would be towards recovery of its internal administrative cost incurred in handling the purchase and subsequent sale of the coal. Such costs do not include any element of markup and is merely an administrative cost recovery.

- In light of the above, the proposed pricing policy can be considered to be at arm's length from UTCL/ ICEM perspective.

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3.3 Purchase/ Sale of slag, gypsum and limestone, fly ash, stores, spare parts, BPD products, ready-mix concrete ('RMC'), etc.

3.3.1 Understanding of the transaction

Brief facts as represented by the management of UTCL/ ICEM

- Under this arrangement, UTCL and ICEM propose to undertake transaction of sale / purchase of slag, gypsum and limestone, fly ash, stores, spare parts, allowing entity in need to acquire when the other has a surplus with no intention of carrying trading activity.

Proposed pricing policy

- The following policy will be adopted for the various goods to be purchased/ sold:
 - BDP products: market price
 - Limestone: auction price
 - Other goods: cost/ market price
- Transaction will be undertaken at purchase cost of respective entity.
- We have been given to understand that the purchase cost represents market price or auction price.

3.3.2 Analysis of the transaction

Our comments

- We have considered Other Method under Rule 10AB of the Tax Rules, as the most appropriate method having regard to the facts, nature and circumstances of the transaction.
- One of the key attributes of the intra-group services is that the activity performed by one member enterprise for another member enterprise of the same group provides that group member enterprise with economic or commercial value to enhance its commercial position.
- The amounts charged by UTCL/ ICEM will be merely in the nature of direct payment of expenses without any markup.
- Further, the arm's length price for the afore mentioned transaction can be determined under Rule 10AB under Tax Rules, which states that, "*Any method that takes into account the price that 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 facts, shall be regarded as one of the recognized methods for determining the ALP*"
- Given the above key attribute of intra-group services, basis the understanding provided by the management, the above transactions do not amount to rendering of intra-group services but merely that of direct payment of cost without any element of mark-up. As these costs essentially comprise third party costs, the payment of the same (without mark-up) should meet the arm's length test.
- In light of the above, the proposed pricing policy can be considered to be at arm's length from UTCL/ ICEM perspective.

3.4 Purchase of cement from ICEM

3.4.1 Understanding of the transaction

Brief facts as represented by the management of UTCL/ ICEM

- Under this transaction, UTCL proposes to leverage on capacity of the ICEM's manufacturing plant and its proximity to UTCL's market resulting in savings in logistics cost and meeting the demand of UTCL.
- Accordingly, UTCL purchases cement from ICEM's manufacturing plant located near to the UTCL's market for selling it under UTCL's brand.
- In a scenario where UTCL were to set up a new plant, UTCL would face an opportunity cost associated with the time required to set-up a plant viz. considerable capital investment required.
- Additionally, this would help optimize the utilization of ICEM's production capacity, aligning production with UTCL's demand to achieve higher operational efficiency for ICEM. Further, the contribution earned by ICEM from manufacturing cement for UTCL is greater than the contribution from selling directly under its own brand name.

Functional analysis

Budgeting

- At the end of each month, UTCL will determine the purchase and sales targets/ quantities for the upcoming month, enabling ICEM to plan its production schedule accordingly.

Product specification

- UTCL will be providing guidance and instructions on the specific grade of cement to be manufactured by ICEM.

Procurement of raw materials

- ICEM will be responsible for the procurement of raw materials necessary for the manufacturing of cement.

Manufacturing

- ICEM will be responsible for the manufacturing of cement. While UTCL specifies the grade of cement, ICEM will utilize its facilities and expertise to produce the cement according to these specifications.

Quality control and inspection

- ICEM will be tasked with implementing quality control measures to ensure that the cement produced meets the required standards of UTCL.

Packaging and labelling

- UTCL will supply empty bags with UTCL branding to ICEM for packing the produced cement for sale under the UTCL brand in the market.

Logistics

- ICEM sells on ex-factory basis to UTCL i.e. ICEM will deliver the products at its factory gate to UTCL. UTCL will then manage the logistics and delivery to third-party customers. UTCL will coordinate with ICEM to ensure timely delivery of products to meet market demand.

Inventory Management

- ICEM will oversee inventory management for the cement products, ensuring that adequate stock levels as required by UTCL are maintained.

Marketing

- UTCL will undertake marketing activity for its cement brand, which includes promotional activities, brand positioning, and customer outreach.

Sales and invoicing

- The sales and invoicing to third party customers function will be handled by UTCL.

The functions performed by UTCL and ICEM, are summarized in the table below:

Type of functions	UTCL	ICEM
Budgeting	Yes	Yes
Product specification	Yes	No
Procurement of raw materials	No	Yes
Manufacturing	No	Yes
Quality control and inspection	No	Yes
Packaging and labelling	Limited to providing UTCL branded bags	Yes
Logistics	Yes	No
Inventory management	No	Yes
Marketing	Yes	No
Sales and invoicing	Yes	No

Risks assumed

Market risk

- UTCL will be responsible for selling the products to third party distributors. For this purpose, it will undertake business development activities for sale of its own branded cement bags. In case of adverse conditions, its operations will be directly impacted due to a decline in business and will impact the standing of the UTCL brand in the market. Accordingly, UTCL is exposed to such risks.
- ICEM will also bear indirect market risk as decline in the business of UTCL reduces the sales of ICEM to UTCL.

Inventory risk

- UTCL will bear the inventory obsolescence risk and market collapse.
- ICEM will bear limited risk of storing the products at its facility.

Underutilisation risk

- ICEM bears underutilisation risk given that its plant may not be fully utilized if there are insufficient demand from UTCL.

Scheduling risk

- An error in forecasting the demand of products in the market may lead to short supply of products leading to loss of business for ICEM and UTCL both.

Product liability risk

- Product liability risk refers to the risk associated with failure of a product or the possibility of facing legal action from customers due to defects in the products provided. UTCL would face this risk as the goods are branded and sold by UTCL.
- ICEM will follow the guidance and instruction provided by UTCL for manufacturing and thus, will bear the additional cost required to bring the product to the required standard of UTCL.

Credit and collection risk

- ICEM will sell to UTCL and therefore will not bear significant credit and collection risk. On the other hand, UTCL transacts with unrelated customers in their respective markets; hence, UTCL bears the credit and collection risk.
- The risk profile for the entities in respect of the said transaction of purchase of cement has been summarised below:

Type of Risk	UTCL	ICEM
Market risk	Yes	Yes
Inventory risk	Yes	Limited
Underutilisation risk	No	Yes
Scheduling Risk	Yes	Yes
Product liability risk	Yes	Yes
Credit and collection risk	Yes	No

Proposed pricing policy

Sr. no.	Particular	Amount (INR)
A	UTCL's Gross FOR Selling Price	XXX
B	Less:	
B.1	Relevant expenses such as GST, Freight, Discounts, Packing Bag Cost, etc.)	(XX)
B.2	Margin retention by UTCL	(XX)
C= A- B	Ex-Net of Discounted Taxes transfer price to be paid by UTCL to ICEM (Rs/Bag)	XXX

3.4.2 Analysis of the transaction

Entity characterization:

- We understand that UTCL will undertake selling and marketing functions, whereas ICEM will undertake the manufacturing function. Accordingly, UTCL can be considered as a '*distributor*,

selling goods under its own brand name', and ICEM can be considered as the 'manufacturer'.

Arm's length analysis

- To assess the margin earned by UTCL, we initially considered the RPM, which involves determining and comparing gross margins (gross margin = sales - cost of goods sold) of the comparable companies. However, RPM does not take into account overheads such as sales and freight expenses (considered in the pricing policy) which generally forms part of the indirect expenses in the financial statements. This would lead to an inaccurate comparison of margins; therefore, RPM was rejected as the most appropriate method.
- Further, UTCL is distributing / selling using its own brand name which may tantamount to significant value addition by distributor and thus, rendering RPM as unfit for selection of most appropriate method.
- Accordingly, TNMM was considered as the most appropriate method for testing the proposed pricing policy considering the facts and circumstances of the case.
- Since UTCL is proposed to earn an agreed net margin which is within the arm's length range (based on benchmarking analysis maintained separately), the proposed pricing policy can be considered at arm's length from UTCL's perspective.
- From ICEM perspective, as discussed above, it would earn an agreed net margin from manufacturing activity under consideration. Accordingly, TNMM can be considered involving net margin comparison as the most appropriate method for testing the proposed pricing policy.
- Since the agreed net margin proposed to be earned by ICEM is within the arm's length range (based on benchmarking analysis maintained separately), the proposed pricing policy can be considered at arm's length from ICEM's perspective.
- This arrangement benefits ICEM by providing additional contributions and utilizing unutilized capacity to the extent possible, while UTCL gains from the increased production capacity made available through ICEM, which would otherwise require considerable time and capital.
- In light of the above, the proposed pricing policy can be considered at arm's length from both UTCL's and ICEM's perspectives.

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3.5 RMC on job work basis by ICEM

3.5.1 Understanding of the transaction

Brief facts as represented by the management of UTCL/ ICEM

- ICEM has certain RMC plants which operate on land secured on lease from third party and is already fitted with requisite plant and machinery.
- ICEM does not plan to use its RMC plants for its own operations on account of commercial reasons.
- Since, UTCL has a requirement, ICEM proposes to provide an operational lease to UTCL.
- UTCL will deploy its own manpower for operations and bear the costs associated with raw materials, JCB operations and maintenance of ICEM's RMC plant.
- Such arrangement will allow both parties to benefit from the existing infrastructure without incurring the costs and delays associated with establishing a new facility. Additionally, UTCL will achieve a lower cost per cubic meter ('CuM') in the proposed arrangement with ICEM compared to the cost incurred by UTCL under the third-party agreements.

Proposed pricing policy

- Comparable with the Company's existing third-party arrangement for RMC plants.
- Under this arrangement following are the elements of cost incurred by UTCL/ICEM:

Sr. No	Particulars	ICEM Scope	UTCL Scope	Remarks
A	Land Rent	✓		UTCL will pay on actual basis to ICEM
B	Other Cost			
	Manpower for operation of plant		✓	
	Power	✓		
	JCB Operational Cost		✓	
	Administration cost			
	Other cost Maintenance if any		✓	
	Total (B)	✓	✓	
C	Depreciation & Margin			
	Depreciation on Batching Plant & Civil work	✓		ICEM assets are old and depreciated
	Margin	✓		
	Total (C)	✓	✓	
	Total (A+B+C)	✓	✓	

3.5.2 Analysis of the transaction

Our comments

- We have considered Other Method under Rule 10AB of the Tax Rules, as the most appropriate method for testing the proposed pricing policy considering the facts, nature and circumstances of the transaction.
- UTCL also has third party arrangements wherein the third-party manufactures the RMC on contract manufacturing basis using the raw material supplied by the UTCL. In this case, the third party deploys its own manpower and undertakes necessary overheads/ operational expenses to manufacture the RMC.
- We have been given an understanding that overall UTCL will achieve a lower CuM in the proposed arrangement with ICEM compared to the cost incurred by UTCL under the third-party agreements.
- Further, ICEM would also realize a better margin when compared to quotations from providing the plant on operating lease to third parties.
- In light of the above, the proposed pricing policy can be considered to be at arm's length from UTCL/ ICEM perspective.

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3.6 Purchase of power by UTCL

3.6.1 Understanding of the transaction

Brief facts as represented by the management of UTCL/ ICEM

- ICEM operates a 50 MW Thermal Power Plant located in Shankar Nagar, Tamil Nadu. The plant currently is generating surplus power of 6-7 MW.
- We understand from the management that the surplus power generated by ICEM cannot be freely sold in open market. Hence, ICEM has following options realistically available:
 - Sell on India Energy Exchange ('IEX')
 - Sell to group entity
- As per ICEM, if the power is sold to the UTCL's manufacturing unit (Reddipalayam Cement Works) facility which is close by to the Shankar Nagar thermal power plant, it will be more commercially feasible than selling it on IEX given the inherent volatility and the nature of transactions conducted on IEX.
- Accordingly, ICEM will enter into an arrangement with UTCL for supply of surplus power.
- The surplus power to UTCL will be supplied by ICEM through the state grid. The wheeling charges associated with this transfer will be borne by UTCL.
- The transfer will not only lower UTCL's power procurement costs but also enhance the efficiency of ICEM's power plant by optimizing the surplus power generated.
- UTCL will only engage in the transaction with ICEM if the price it pays for the surplus power is lower than the costs associated with purchasing energy from the market.

Proposed pricing policy

- The pricing will be applicable state grid tariff per unit derived before wheeling and electricity tax for the month under consideration, less an agreed rate/ unit.
- Further, UTCL would bear the wheeling charges and electricity tax on actual basis.
- This payment structure is expected to result in savings for UTCL compared to the purchase cost of grid power adjusted for wheeling and other charges paid directly.

3.6.2 Analysis of the transaction

Our comments

- We have considered Other Method under Rule 10AB of the Tax Rules, as the most appropriate method for testing the proposed pricing policy considering the facts, nature and circumstances of the transaction.
- The landing cost for UTCL for power procured from ICEM would be lower vis-à-vis adjusted purchase cost of procuring through state grid rates and hence, the proposed pricing policy can be considered to be at arm's length from UTCL's perspective.
- The IEX rates are not suitable for benchmarking due to their inherent volatility and the nature of transactions conducted on the IEX platform. This position is supported by the recent ruling of the Delhi High Court in the case of DCM Shriram Ltd (ITA 566/2023), dated 21 January 2025, as well as other similar rulings.

- Accordingly, given the above and also that the surplus power cannot be freely sold in open market, selling the surplus power to UTCL will be more commercially feasible for ICEM than selling it on IEX. Therefore, the proposed pricing policy can be considered to be at arm's length from ICEM's perspective.
- Accordingly, the pricing policy of recovery of the actual power generation cost by ICEM from UTCL can be considered to be at arm's length from ICEM's perspective.

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3.7 Sharing of personnel

3.7.1 Understanding of the transaction

Brief facts as represented by the management of UTCL/ ICEM

- UTCL proposes to enter into personnel sharing arrangement with ICEM, wherein employees from UTCL will be shared to ICEM as and when needed by ICEM. Such personnel during the assignment will work under the supervision and guidance of ICEM.

Proposed pricing policy

- Cost to the company ('CTC') for the employees of UTCL, which will be shared with ICEM

3.7.2 Analysis of the transaction

Our comments

- We have considered Other Method under Rule 10AB of the Tax Rules, as the most appropriate method for testing the proposed pricing policy considering the facts, nature and circumstances of the transaction.
- One of the key attributes of the intra-group services is that the activity performed by one member enterprise for another member enterprise of the same group provides that group member enterprise with economic or commercial value to enhance its commercial position.
- The amounts charged by UTCL to ICEM are merely in the nature of direct payment of expenses without any element of mark-up.
- Further, the arm's length price for the afore mentioned transaction can be determined under Rule 10AB, which states that, "*Any method that takes into account the price that 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 facts, shall be regarded as one of the recognized methods for determining the ALP*"
- Given the above key attribute of intra-group services, basis the understanding provided by the management, the above transactions do not amount to rendering of intra-group services but merely that of direct recharge of cost without any element of mark-up.
- Since the transaction will be conducted on a cost-to-cost recharge without any element of profit or loss to either party, it can be considered to be at arm's length.
- In light of the above, the proposed pricing policy can be considered to be at arm's length from UTCL/ ICEM perspective.

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3.8 Purchase / sale of fixed assets

3.8.1 Understanding of the transaction

Brief facts as represented by the management of UTCL/ ICEM

- UTCL and ICEM has proposed to engage in the purchase/ sale of fixed assets already bought and recorded in respective books of accounts on an as-needed basis. Both the entities are not in the business of trading of fixed assets.

Proposed pricing policy

- The transactions will be conducted at cost or Written Down Value ('WDV') calculated as per relevant accounting standard.
- The transaction price would be reflective of market price of such assets.

3.8.2 Analysis of the transaction

Our comments

- We have considered Other Method under Rule 10AB of the Tax Rules, as the most appropriate method for testing the proposed pricing policy considering the facts, nature and circumstances of the transaction.
- We understand that the aforementioned transactions will be conducted on a need basis and will be priced at their cost or WDV, with no markup embedded in these transactions.
- As discussed above, that the transaction price would be reflective of market price of such assets and therefore, the transaction would be considered at arm's length.
- In light of the above, the proposed pricing policy can be considered to be at arm's length from UTCL/ ICEM perspective.

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3.9 Corporate Guarantee by UTCL

3.9.1 Understanding of the transaction

Brief facts as represented by the management of UTCL/ ICEM

- Both UTCL and ICEM have been able to procure bank guarantees from third-party banks, at similar rates.
- Currently, no corporate guarantee has been extended by UTCL to ICEM. If required, UTCL may extend corporate guarantee to ICEM to support its funding requirements.

Proposed Pricing Policy

- 50% of rate of bank guarantee charges applicable to UTCL at the time of the transaction.

3.9.2 Analysis of the transaction

Our comments

- We have considered Other Method under Rule 10AB of the Tax Rules, as the most appropriate method for testing the proposed pricing policy considering the facts, nature and circumstances of the transaction.
- Given that both companies can themselves avail bank guarantees from third-party banks at similar rates, UTCL will consider charging a fee equivalent to 50% of the basis points of the bank guarantee extended to UTCL.
- Alternatively, 50% of the average rates of bank guarantees currently being paid by ICEM should be obtained.
- In the absence of both of the above, quotations from third-party banks with similar terms and conditions should be obtained.
- In light of the above, the proposed pricing policy can be considered to be at arm's length from UTCL/ ICEM perspective.

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3.10 Inter-corporate deposit ('ICD') to ICEM and interest thereof

3.10.1 Understanding of the transaction

Brief facts as represented by the management of UTCL/ ICEM

- UTCL has a credit rating of AAA and procures loan from the bank at favorable interest rates.
- Following the acquisition, we understand that ICEM has also achieved a credit rating of AAA and is obtaining loan from bank at similar rate of interest as UTCL.
- Currently, no inter-company deposits have been extended from UTCL to ICEM. If required, UTCL may extend ICD to ICEM to support their funding/ working capital requirements.

Proposed pricing policy

- Interest rate as per prevailing market rates

3.10.2 Analysis of the transaction

Our comments

Primary analysis:

- We have considered Other Method under Rule 10AB of the Tax Rules, as the most appropriate method having regard to the facts, nature and circumstances of the transaction.
- In a scenario, if internal loan rates are considered, the similarity of terms and conditions is critical, focusing on the following four factors:
 - Type of loan
 - Credit rating
 - Tenure
 - Currency
- In the absence of internal loans, ICEM shall obtain quotations from third party banks for loans with similar terms and conditions which would be reflective of the interest rate as per prevailing market rates.
- In light of the above, the proposed pricing policy can be considered to be at arm's length from UTCL/ ICEM perspective.

Corroborative analysis (in a scenario where comparable third-party bank quotations are not available):

- We have considered CUP Method, as the most appropriate method having regard to the facts, nature and circumstances of the transaction.
- CUP method can be applied due to availability of transaction level data through external sources of data. There are details available in the public domain to identify the rates charged in independent transactions of similar or identical nature that reflects the characteristics of the ICD provided to ICEM by UTCL.
- While undertaking an external benchmarking analysis, *inter alia*, following aspects need to be taken under consideration:

- Gather data on corporate debt issuances from publicly available databases ie. National Securities Depository Limited (NSDL), Central Depository Services Limited (CDSL), Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).
- Application of screening filters for e.g., remove duplicates, exclude non-comparable years, reject dissimilar interest terms (e.g., zero-coupon, floating rates), filter out invalid maturity dates, focus on Non-Convertible Debentures (NCDs), bonds etc., exclude issuances with call/ put options, filter by sector (e.g., Cement), filter by credit rating (e.g., AAA, AA+, AA).
- Undertaking appropriate economic adjustments for e.g., Interest Payment Frequency Adjustment, Tenor Adjustment.

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4 Scope limitations

- Our comments are provided in the context of background facts and factual understanding of each transaction provided to us by management, as well as the documents and data provided for our analysis. We have provided our comments basis the transaction mechanics and the pricing methodologies for proposed transactions provided to us by the management. We have independently not verified the documents and data provided.
- We have conducted a refresh of the external benchmarking performed during FY 2025-26. It is critical that the same be revisited periodically to align the pricing policy with arm's length requirement.
- We have analysed only those transactions with ICEM which have been identified by UTCL/ ICEM and the details of which were shared with us. We have not independently analysed the relevant provisions to identify and examine any other related party(ies) or RPT(s).
- Our comments are provided on arm's length nature for the proposed transactions and this shall not be considered as an evaluation of the identified related party transactions post the Omnibus approval stage i.e. when transactions are actually undertaken.
- Our comments are based on the pricing method of the proposed related party transactions, and we have not commented on commercial and legal feasibility of proposed arrangement.
- Our comments are based on the documents / data provided by the management for our analysis.
- The comments set forth in this memorandum are very high level, not necessarily exhaustive, and based on the existing statutory laws and regulations and the judicial and administrative interpretations thereof, prevailing as of the date of this presentation. If there is a change, including a change having a retrospective effect, in the statutory laws and regulations, the comments expressed in this presentation would necessarily have to be re-evaluated in light of such changes.
- Our comments are based on the facts and information made available to us. If any of the foregoing is not entirely complete or accurate, it is imperative that we be informed immediately, as the inaccuracy or incompleteness could have a material effect on our comments/ inferences herein.
- Neither EY LLP nor any individuals associated with this presentation shall be required because of this presentation to provide testimony to appear in court or at other legal proceedings unless specific prior arrangements have been made.
- We have not independently reviewed the understandings, assumptions, back-up data, cost allocations etc. considered for the calculations/ workings, margin calculations provided to us.
- The analysis is intended to provide the indication on the appropriateness of the pricing policy from the identified transactions between UTCL and ICEM, i.e. whether the margin is comparable to the returns obtained by similar Indian companies operating independently, under similar circumstances. This does not provide a definitive answer to the question of the exact returns that should be made by UTCL/ ICEM.
- No inference should be drawn from the use of the words "will", "should", "may", "would" etc. as they relate to the relative strengths of a particular position outlined in the document. Each of the positions described in the document entails certain risks. Applicable laws in India are subject to interpretation and are subject to change at any time.

- We shall not be acting in the capacity of your management at any point in time during the course of performing our services as described above. You shall take the responsibility for assumptions and judgments made during the course of our services and for the results produced.
- The comments mentioned in this report are based on our understanding and interpretation of the legislations and are not binding on any tax or regulatory authorities. There can therefore be no assurance that the tax or regulatory authorities will not take a position, contrary to our comments.
- In circumstances involving unforeseen or uncontrollable events that warrant a material modification to the pricing policies governing the above inter-company transactions, the Audit Committee may approve such revisions given they are in ordinary course of business, without requiring subsequent shareholder approval.
- Our engagement was performed in accordance with our Statement of Work. This memorandum does not constitute an audit conducted in accordance with generally accepted auditing standards or other assurance, review or related services in accordance with standards established by the International Auditing and Assurance Standards Board. Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the company or any financial or other information of the company.
- The conclusion/ recommendation in this report that EY provides during this engagement ('our work') are solely for the benefit of UTCL/ ICEM and are not to be relied upon by any other person or entity. Hence, if UTCL/ ICEM wishes to disclose copies of our work to any other person or entity, it must inform them that they may not rely upon any of our work for any purpose without our written consent.

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Annexure 1 – Summary of relevant law under Companies Act and SEBI LODR

1. Related party transactions ('RPT') as per Companies Act 2013

Section 188(1) of the Companies Act 2013 deals with the related party transactions with respect to:

- (a) Sale, purchase or supply of any goods or materials
- (b) Selling or otherwise disposing of, or buying, property of any kind
- (c) Leasing of property of any kind
- (d) Availing or rendering of any services
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property
- (f) Related party's appointment to any office or place of profit in the company, its subsidiary company or associate company, and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the company

As per proviso to section 188(1), the transactions between related parties should be undertaken at arm's length price.

This section states that if the company wishes to enter into the above-mentioned transactions with its related parties then the following approval is required:

- Board Approval

For entering transactions as mentioned in this section, a board meeting must be held and a board approval is required to be obtained along with some other conditions as may be prescribed.

- General Meeting

However, Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 (the Rules) specifies the limits for transactions beyond which RPTs would require prior approval by a resolution by shareholders'.

- Where paid-up share capital of the company is equal to or exceeds ten crore rupees; or
- Sale, purchase or supply of any goods or materials, directly or through appointment of agents amounting to twenty five percent of the annual turnover as mentioned in clause (a) and (e) respectively of sub-section (1) of section 188;
- Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent of net worth of the company as mentioned in clause (b) and (e) respectively of sub-section (1) of section 188;
- Leasing of property of any kind exceeding ten percent of the net worth of the company or ten percent of turnover of the company as mentioned in clause (c) of sub-section (1) of section 188;

- Availing or rendering of any services, directly or through appointment of agents, exceeding ten percent of the net worth as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;
- Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188;
- Remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent of net worth as mentioned in clause (g) of sub-section (1) of section 188;

Exemption:

- In the case of contract or arrangement has been entered into in the ordinary course of business or arm's length transactions
- Where a contract or arrangement has been entered into two between companies and where any of the directors of one company or two or more of them together holds or hold not more than two percent paid up share capital in the other company.
- The company has paid up share capital below Rs.10 Crores, can enter into a contract with a related party provides the following conditions are fulfilled.

Disclosure as per Companies Act 2013 in the Board Report

S. 188 (2) – every contract / arrangement entered under S. 188 (1) shall be referred to in the Board Report along with justification.

Definition of related party as per Companies Act

The definition of Related is as mentioned in the Section 2 (76) of the Companies Act, 1956.

“Related party”, with reference to a company, means–

- i. a director or his relative;
- ii. a key managerial personnel or his relative;
- iii. a firm, in which a director, manager or his relative is a partner;
- iv. a private company in which a director or manager is a member or director;
- v. a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- vi. anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- vii. any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- viii. any company which is–
- (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
- ix. such other person as may be prescribed;

Penalty under S.188

Any director who enter any contract or any employee who is authorised to enter any contract make any default for compliance of this provisions shall be penalized in case of:

- For a listed company, the person shall be liable to a penalty of Rs 25 lakh.
- For any other company, the penalty of Rs 5 lakh

2. Regulation 23 of SEBI LODR - Related party transactions

23. (1) The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly:

Provided that a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower :

Provided further that with effect from April 01, 2025, in case of a listed entity which has listed its specified securities on the SME Exchange, a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees fifty crore or ten per cent. of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

(1A) Notwithstanding the above, with effect from July 01, 2019, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity

(2) All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- (a) the audit committee of a listed entity shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;

(b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;

(c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

(d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

(e) remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.

(f) The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

(i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;

(ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;

(iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;

(iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;

(v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

(3) Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity or its subsidiary subject to the following conditions, namely-

(a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

(c) the omnibus approval shall specify:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,

(ii) the indicative base price / current contracted price and the formula for variation in the price if any; and

(iii) such other conditions as the audit committee may deem fit:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity or its subsidiary pursuant to each of the omnibus approvals given.

(e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

(4) All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2), shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

(5) The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:

(a) transactions entered into between two public sector companies;

(b) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

(c) transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval

(d) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.

(e) transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

(6) The provisions of this regulation shall be applicable to all prospective transactions.

(8) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

(9) The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:

Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:

Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results: Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023 :

Provided further that the remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under this sub-regulation provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.

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Annexure 2 - Transfer Pricing methods

The methods prescribed under the Income Tax Act are applicable in the following scenarios:

1. The Comparable Uncontrolled Price ('CUP') Method evaluates the "price" charged in a controlled transaction with reference to the "price" charged in comparable uncontrolled transactions, which could be identified either through internal or external comparables.
2. The Resale Price Method ('RPM') is applicable in a resale situation, where the property or services purchased from a related party are sold to unrelated enterprise. The RPM is applied on either a transactional or a comparable-company basis, and it applies to distributors/marketers.
3. Cost Plus Method ('CPM') is generally applied in relation to supply of products or provision of services. CPM is most useful where semi-finished goods are sold between related parties, where related parties have concluded joint facility agreements or long-term buy-and-supply arrangements, or where the controlled transaction is the provision of services.
4. Profit Split Method ('PSM') may be applicable mainly in international transactions involving transfer of unique intangibles or in multiple international transactions, which are so interrelated that they cannot be evaluated separately for the purpose of determining the ALP of any one transaction. The PSM is therefore appropriate for integrated transactions with more than one enterprise.
5. Transaction Net Margin Method ('TNMM') is generally appropriate for the provision of services/ sale of goods where CPM or RPM cannot be adequately applied.
6. Other Method under Rule 10AB of the Tax Rules is 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 transactions with or between non- associated enterprises, under similar circumstances, considering all the relevant fact.

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Annexure 3 - Detailed selection of the transfer pricing method

Transaction/ Method	CUP	CPM	RPM	PSM	TNMM	Other Method
Purchase/ Sale of Clinker	NA (refer Note 1)	NA (refer Note 2)	NA (refer Note 3)	NA (refer Note 4)	Applicable	NA
Sale of Coal					NA (refer Note 5)	Applicable
Purchase/ Sale of Slag, Gypsum and Limestone, Fly Ash, Stores and Spare Parts						Applicable
Purchase of Cement from ICEM				Applicable		NA
RMC on job work basis by ICEM				NA (refer Note 4)		Applicable
Purchase of Power by UTCL				Applicable		
Sharing of Personnel				Applicable		
Purchase/ Sale of fixed assets				Applicable		
Corporate guarantee by UTCL				Applicable		
Inter-corporate deposit and interest thereof	Corroborative analysis: Details of comparable loan available in public domain					Primary analysis: Applicable

Notes:

1. UTCL/ ICEM does not undertake similar transaction with third party. Further, there are no details available in public domain to determine the prices charged in independent transactions of similar or identical nature
2. Absence of reliable data for functional comparability and gross margins data in public domain
3. The transaction does not result into resale situation
4. PSM is mainly applicable in transactions involving transfer of unique intangibles or in multiple transactions, which are so interrelated that they cannot be evaluated separately
5. Absence of reliable data of comparable companies with similar activities in public domain

NA - Not Applicable/ Available

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