B S R & Co. LLP

Transfer Pricing Memorandum

Proposed dealings between Bharti Airtel Limited and
Indus Towers Limited

Financial Year 2026-27

Contents

Abbreviations and acronyms

Abbreviations and acronyms	Full name
ALP	Arm’s Length Price
B S R / Firm / we / us	B S R & Co. LLP
Company / BAL / Airtel	Bharti Airtel Limited
CPM	Cost Plus Method
CUP	Comparable Uncontrolled Price
Indus	Indus Towers Limited
OECD	Organization for Economic Cooperation and Development
OECD Guidelines	TP Guidelines for Multinational Enterprises and Tax Administrations published by the Organization for Economic Cooperation and Development in January 2022
PSM	Profit Split Method
RPM	Resale Price Method
TNMM	Transactional Net Margin Method

1 Payment for passive infrastructure sharing

1.1 Scope of work

With regard to the subject related-party transaction ("RPT"), Bharti Airtel Limited ("Airtel" or "BAL" or "Company") has approached B S R & Co. LLP ("we" or "us") to undertake the following scope of work:

- Analysis of the nature of the RPT identified by the management of the Company;
- Analysis of the back-up documentation and information shared with us by the management of the Company;
- Conducting an economic analysis, which shall include selection of the most appropriate transfer pricing method, and determination of arm's length price for the subject RPT.

Please note that the above scope covers our analysis in respect of the subject RPT proposed to be undertaken during Financial Year ("FY") 2026-27.

1.2 Information relied upon

For the purpose of preparation of this memorandum, we have placed reliance on the following documents shared with us by the management of the Company:

- Details of the rental rates proposed in case of dealings between related parties;
- Details of the rental rates applicable in case of comparable uncontrolled transactions;
- Back-up documentation in respect of energy and other charges incurred.

Please note that our responsibility is limited to documenting the approach and rationale for determination of arm's length price.

1.3 Overview of the transaction

This report covers the analysis of transaction in the nature of payment for passive infrastructure sharing undertaken between Airtel and Indus Towers Limited ("Indus").

1.4 Brief of transaction

Passive Infrastructure sharing refers to partaking of non-electronic infrastructure at cell site, including mast. Airtel have entered into master services agreement with Indus for availing tower and related infrastructure services for which they pay rental and other charges as follows:

1. **Fixed lease rental charge**, which includes fixed rental charges per tower depending upon the type of tower used. The types of towers include, inter alia, Ground Base Tower ("GBT"), Roof Top Tower ("RTT"), 12 M, Rural Product etc.

2. **Energy and other costs**, which include charges for use of diesel, electricity and other costs associated with running network equipment installed on tower.

1.5 Economic analysis

1.5.1 Most appropriate method

The Indian Transfer Pricing ("TP") Regulations provide no priority of methods. Rather, the selection of the pricing method to be used to test the arm's length character of a controlled transaction must be made under the "most appropriate method rule". The most appropriate method is that method which, under the facts and circumstances of the transaction under review, provides the most reliable measure of an arm's length result.

In determining the reliability of a method, the two most important factors to be taken into account are (i) the degree of comparability between the controlled and uncontrolled transactions and (ii) the coverage and reliability of the available data. As per the Indian TP Regulations, other factors such as the nature and class of international transactions, conditions prevailing in the markets, the extent and reliability of adjustments that can be made, and the extent and reliability of assumptions that may be required in applying the method, shall also be taken into account.

Because the selection of the most appropriate method involves a test of relative merit, a method that may not be perfect is not rejected unless some other method can be shown to be more reliable or provide a better estimate of an arm's length result.

1.5.2 Selection of most appropriate method

Comparable Uncontrolled Price ("CUP") method compares the price charged for property or services transferred in a controlled transaction to the price charged for property or services transferred in a comparable uncontrolled transaction in comparable circumstances.

Comparability under the CUP method is particularly dependent upon the similarity of products and contractual terms among other things. Differences in geographic markets may also influence the reliability of the comparison under this method, particularly if they are material but cannot be reliably ascertained. Adjustments are therefore necessary to reflect any differences that would affect the price.

In practice, there are two types of comparable uncontrolled transactions. The first, known as an "Internal Comparable", is a transaction between one of the parties to the controlled transaction and an unrelated third party. The second, known as an "External Comparable", is a transaction between two unrelated third parties. Generally, specific details regarding internal comparables are more readily available to the parties engaged in the controlled transaction than details regarding external comparables.

With regard to the facts of the case and the nature of the transaction relating to payment for passive infrastructure sharing, CUP method was considered the most appropriate method for determining the arm's length price. However, the applicability of CUP method as the most appropriate method would depend upon the availability of reliable comparable data.

Internal CUPs

Based on the information provided by the management of the Company, Airtel has entered into similar transactions with third parties for availing passive infrastructure services. Accordingly, the said transactions were considered as CUP for benchmarking purposes.

External CUPs

The Company did not have any information from publicly available data that would satisfy the degree of similarity required to establish external CUP. Accordingly, external comparables were not considered for benchmarking the transaction under analysis.

Therefore, since the internal comparable transactions are available to evaluate the transactions with the related parties in India, internal CUP method is an appropriate method for our analysis of the said transaction. Consequently, Resale Price Method ("RPM"), Cost Plus Method ("CPM"), Profit Split Method ("PSM"), Transactional Net Margin Method ("TNMM") and Other Method were not considered for the purpose of benchmarking this transaction.

1.5.3 Determination of arm's length results

1.5.3.1 Standard Rental Rates

We understand that Airtel has entered into similar arrangements with unrelated parties for availing passive infrastructure services. Accordingly, the prices agreed by Airtel with such unrelated parties have been used as a CUP to benchmark the transaction of payment of rental rates per tower by Airtel to Indus. As a result, a comparison of the rental rates charged under the subject related party transaction was made with rental rates agreed between Airtel and third parties.

The detailed comparison of the rates has been provided in the later sections of this report.

Based on the analysis of CUP data, it is evident that the rates charged by Indus from Airtel are similar to the rates charged by third party to Airtel. In view of the same, the transaction under analysis satisfies the arm's length criteria.

1.5.3.2 Energy and other charges

Indus charges expenses in relation to diesel, electricity etc. to Airtel based on actual costs levied on Indus by third parties.

The costs incurred by Indus in relation to energy and other charges are completely third-party costs and no value added function is being performed by Indus per-se. Since no value is being added by Indus specifically in relation to such charges, such costs can be treated in the nature of 'pass through costs' and accordingly, no mark-up is warranted on such costs.

In light of the above, it is recommended that Indus should not apply any mark-up on the pass through costs levied by third party service providers. Such costs should be cross charged on cost-to-cost basis to Airtel.

Accordingly, the policy of Indus to recover third party costs from Airtel without applying a mark-up should meet the arm's length principle.

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2 Reimbursement of expenses (paid or received)

2.1 Scope of work

Refer Section 1.1 above.

2.2 Information relied upon

For the purpose of preparation of this memorandum, we have placed reliance on the following documents/information shared with us by the management of the Company:

- Nature of expenses incurred by Airtel/ Indus (as the case may be); and
- Requisite confirmation with respect to service element involved in the transaction.

Please note that our responsibility is limited to documenting the approach and rationale for determination of arm's length price.

2.3 Overview of the transaction

This report covers the analysis of transaction undertaken between Airtel and Indus in the nature of reimbursement of expenses (paid or received).

2.4 Economic analysis

2.4.1 Most appropriate method

Refer Section 1.5.1 above.

2.4.2 Selection of most appropriate method

With regard to the facts of the case and the nature of the subject transaction, RPM, CPM, PSM and TNMM cannot be applied and accordingly, were eliminated from consideration as an appropriate method. CUP method can be considered as the most appropriate method for determining the arm's length nature of the transaction under analysis. However, the applicability of the CUP method as the most appropriate method would depend upon the availability of reliable comparable data.

In the instant case, Airtel/Indus have not undertaken similar transactions with independent third parties. Hence, no internal comparables were available with Airtel in respect of the subject transaction. Further, no data regarding this transaction was available and hence, external comparables were not considered for benchmarking the transaction under analysis.

In this regard, 'Other Method' was evaluated and considered as the most appropriate method for determining the arm's length price for the transaction under analysis.

Further, the Revised Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations published by the Organization for Economic Cooperation and Development ("OECD") in January 2022 ("OECD Guidelines") also permit the use of any other method and state that the taxpayer retains the freedom to apply any methods not described in OECD Guidelines to establish prices, provided the prices satisfies the arm's length principle.

Accordingly, the price which has been charged or paid, or would have been charged or paid for the same or similar uncontrolled transaction, is considered for the purposes of determining the arm's length price.

2.4.3 Determination of arm's length results

Airtel has incurred certain expenses in the nature of business reimbursement, such as market cost allocation, electricity charges, IT cost reimbursement, similar expenses etc. on behalf of Indus. These expenses will subsequently be recovered by Airtel from Indus on a cost-to-cost basis. Similarly, Indus has also incurred certain similar expenses on behalf of Airtel which would subsequently be recovered by Indus on a cost-to-cost basis. The third-party costs represent comparable data for such transactions.

Considering there is no service element involved in the transaction, the cross charges were made are at actuals vis-à-vis the amount charged by third parties. In view of the same, it was appropriate to pass on these amounts to the intended recipient without applying a mark-up.

Based on the above, the afore mentioned policy in respect of reimbursement of expenses by Airtel/ Indus should satisfy the arm's length principle.

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3 Transfer of fixed assets

3.1 Scope of work

Refer Section 1.1 above.

3.2 Information relied upon

For the purpose of preparation of this memorandum, we have placed reliance on the requisite confirmations provided by the management of the Company with respect to the value of fixed assets.

Please note that our responsibility is limited to documenting the approach and rationale for determination of arm's length price.

3.3 Overview of the transaction

This report covers the analysis of transaction undertaken between Airtel and Indus in the nature of transfer of fixed assets at written down value.

3.4 Economic analysis

3.4.1 Most appropriate method

Refer Section 1.5.1 above.

3.4.2 Selection of most appropriate method

With regard to the facts of the case and the nature of the transaction pertaining to transfer of fixed assets, the RPM, CPM, PSM and TNMM cannot be applied and accordingly were eliminated from the consideration as an appropriate method. The CUP method can be considered as the most appropriate method for determining the arm's length nature of the transaction under analysis. However, the applicability of the CUP method as the most appropriate method would depend upon the availability of reliable comparable data.

In the instant case, Airtel/Indus have not sold / purchased similar fixed assets to / from independent third party. Hence, no internal comparables were available with Airtel in respect of the subject transaction. Further, no data regarding the pricing of similar fixed assets in similar uncontrolled transactions was available with Airtel and hence, external comparables were not considered for benchmarking the transaction under analysis.

In this regard, the 'Other Method', was evaluated and considered as the most appropriate method for determining the arm's length price for the transaction relating to transfer of fixed assets by Airtel/ Indus.

Further, OECD Guidelines also permit the use of any other method and state that the taxpayer retains the freedom to apply any methods not described in OECD Guidelines to establish prices, provided the prices satisfy the arm's length principle.

Accordingly, the price which has been charged or paid, or would have been charged or paid for the same or similar uncontrolled transaction, is considered for the purpose of determining the arm’s length price.

3.4.3 Determination of the arm’s length price

Airtel proposes to sell / purchase fixed assets on need basis at written down value appearing in the books of accounts of Airtel/ Indus. As the assets are proposed to be transferred at written down value between Airtel and Indus would be similar to the price it would have expected to receive/pay in similar uncontrolled transactions between unrelated parties under similar circumstances.

This provides evidence that the transaction with respect to transfer of fixed assets is in accordance with the arm’s length principle.

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4 Cost Allocations

4.1 Scope of work

Refer Section 1.1 above.

4.2 Information relied upon

For the purpose of preparation of this memorandum, we have placed reliance on the following documents shared with us by the management of the Company:

- Nature of allocable expenditure incurred by related parties; and
- Methodology adopted for allocation of such expenditure.

Please note that our responsibility is limited to documenting the approach and rationale for determination of arm's length price.

4.3 Overview

This report covers the analysis of transactions in the nature of cost allocation by Airtel/Indus to Indus/Airtel. The allocations made by Airtel/Indus can be broadly classified into following categories:

- Manpower and other cross charge;
- Cost allocation for the use of Airtel building; and
- Any other expenses of similar nature.

4.4 Brief of transaction and basis of allocation

I. Manpower and other cross charge to domestic related parties:

Brief:

Airtel/Indus has allocated certain expenses in the nature of administration and salary of personnel working for Indus/Airtel.

Allocation key:

All the direct and indirect costs proposed to be allocated on the basis of gross revenue ratio or effort estimation, whichever is more appropriate.

II. Any other expenses:

Brief:

Airtel may incur certain common expenses for products and services of similar nature. Airtel shall allocate the said expenses among its related parties including Indus.

Allocation key:

The above-mentioned cost shall be allocated on the basis of a reasonable allocation key, such as revenue/ product ratio, as may be deemed fit from Indian TP Regulations' perspective.

4.5 Economic analysis

4.5.1 Most appropriate method

Refer Section 1.5.1 above.

4.5.2 Selection of most appropriate method

With regard to the facts of the case and the nature of the transaction pertaining to allocation of costs to related parties, the RPM, CPM, PSM and TNMM cannot be applied and accordingly, were eliminated from the consideration as an appropriate method.

The CUP method can be considered as the most appropriate method for determining the arm's length nature of the transaction under analysis. However, the applicability of the CUP method as the most appropriate method would depend upon the availability of reliable comparable data.

In the instant case, Airtel/Indus have not undertaken a similar transaction with any independent third party. Hence, no internal comparables were available with Airtel in respect of the subject transaction. Further, no data regarding similar transaction in uncontrolled circumstances was available with Airtel. Accordingly, external comparables were not considered for benchmarking the transaction under analysis.

In this regard, 'Other Method' was evaluated and considered as the most appropriate method for determining the arm's length price for cost allocations by Airtel to its related parties in India.

Further, OECD Guidelines also permit the use of any other method and state that the taxpayer retains the freedom to apply any methods not described in OECD Guidelines to establish prices, provided the prices satisfy the arm's length principle.

Accordingly, the price which has been charged or paid, or would have been charged or paid for the same or similar uncontrolled transaction, is considered for the purpose of determining the arm's length price.

4.5.3 Determination of the arm's length results

In order to determine the amount that would have been received by Airtel/Indus if it had been dealing with third parties, reliance was placed on the arrangement of this transaction. Airtel/Indus allocates expenses on a cost-to-cost basis to Indus based on the allocation keys mentioned earlier.

In this regard, OECD Guidelines also recognize that in independent scenarios, the entities may join together and share part of total costs. Accordingly, the allocation of cost by Airtel/Indus represents the price which is received or would have been received by Airtel/Indus in an uncontrolled transaction, from an unrelated party, under similar circumstances.

This provides the evidence that the transaction with respect to the cost allocation by Airtel/Indus to Indus/Airtel is in accordance with the arm's length principle.

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5 Bandwidth capacity and other telecom services

5.1 Scope of work

Refer Section 1.1 above.

5.2 Information relied upon

For the purpose of preparation of this memorandum, we have placed reliance on the nature of services rendered by Airtel to Indus, along with requisite confirmation from the management of the Company.

Please note that our responsibility is limited to documenting the approach and rationale for determination of arm's length price.

5.3 Overview

This report covers the analysis of transaction in the nature of provision of bandwidth, internet, ISP, MPLS & other telecom services entered between Airtel and Indus.

5.4 Economic analysis

5.4.1 Most appropriate method

Refer Section 1.5.1 above.

5.4.2 Selection of the most appropriate method

With regard to the facts of the case and the nature of the transaction, the RPM, CPM, PSM and TNMM cannot be applied and accordingly were eliminated from the consideration as an appropriate method. The CUP method can be considered as the most appropriate method for determining the arm's length nature of the transaction under analysis. However, the applicability of the CUP method as the most appropriate method would depend upon the availability of reliable comparable data.

In the instant case, the relevant internal CUP data for similar uncontrolled transaction has not been shared with us by the management of the Company. Hence, no internal comparables were available in respect of the subject transaction. Further, no external data regarding similar transaction in uncontrolled circumstances was available with the management of the Company. Accordingly, external comparables were not considered for benchmarking the transaction under analysis.

In view of the above, the 'Other Method', provided under the Indian TP Regulations, was evaluated and considered as the most appropriate method for determining the arm's length price for this transaction.

Further, OECD guidelines permit the use of any other method and state that the taxpayer retain the freedom to apply any methods not described in OECD guidelines to establish prices, provided the prices satisfy the arm's length principle.

Accordingly, the price which has been charged or paid, or would have been charged or paid for the same or similar uncontrolled transaction, is considered for the purpose of determining the arm's length price.

5.5 Determination of arm's length results

It is recommended that Airtel should align the price it charges from Indus for providing bandwidth, internet, ISP, MPLS etc. with the prevailing competitive market price charged from third-party customers in order to satisfy the arm's length criteria.

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6 Rental Charges

6.1 Scope of work

Refer Section 1.1 above.

6.2 Information relied upon

For the purpose of preparation of this memorandum, we have placed reliance on the following documents/information shared with us by the management of the Company:

- Details of properties leased by Airtel to Indus; and
- Data relating to lease rentals charged by Airtel for similar properties under comparable uncontrolled circumstances.

Please note that our responsibility is limited to documenting the approach and rationale for determination of arm's length price.

6.3 Overview

Under the proposed arrangement, Airtel shall provide a designated portion of certain commercial premises for use by Indus and will charge rent accordingly.

The rental charge will be determined based on a reasonable and appropriate allocation key, such as the area utilized (square footage basis) or any other suitable basis that reflects the actual usage of the premises by Indus.

6.4 Economic analysis

6.4.1 Most appropriate method

Refer Section 1.5.1 above.

6.4.2 Selection of the most appropriate method

With regard to the facts of the case and the nature of the transaction, the RPM, CPM, PSM and TNMM cannot be applied and accordingly, were eliminated from the consideration as an appropriate method. The CUP method can be considered as the most appropriate method for determining the arm's length nature of the transaction under analysis. However, the applicability of the CUP method as the most appropriate method would depend upon the availability of reliable comparable data.

In this case, the relevant internal CUP data for similar uncontrolled transaction has not been shared with us by the management of the Company. Hence, no internal comparables were available in respect of the subject transaction. Further, no external data regarding similar transaction in uncontrolled circumstances was available with the management of the Company. Accordingly, external comparables were not considered for benchmarking the transaction under analysis.

In view of the above, the 'Other Method', provided under the Indian TP Regulations, was evaluated and considered as the most appropriate method for determining the arm's length price for this transaction.

Further, OECD Guidelines permit the use of any other method and state that the taxpayer retain the freedom to apply any methods not described in OECD Guidelines to establish prices, provided the prices satisfy the arm's length principle.

Accordingly, the price which has been charged or paid, or would have been charged or paid for the same or similar uncontrolled transaction, is considered for the purpose of determining the arm's length price.

6.4.3 Application of the range

As per the Indian TP Regulations, a minimum of six comparables would be required in the dataset for applicability of range. An arm's length range beginning from the thirty- fifth percentile of the dataset (arranged in ascending order) and ending on the sixty-fifth percentile will be considered.

Range will not be applicable in cases where the MAM is selected to be the profit split method or the 'other method'.

If the price at which the international transaction is undertaken is within the thirty-fifth percentile to sixty-fifth percentile of the dataset, the transaction shall be deemed to be at the ALP.

If the price at which the international transaction is undertaken is outside the arm's length range (thirty- fifth percentile to sixty-fifth percentile of the dataset), the ALP of the transaction shall be taken to be the median of the dataset.

In a case where the dataset consists of less than six comparables, or the MAM considered for determination of the ALP is profit split method or 'other method', the ALP will be determined based on the arithmetical mean of all the prices/data included in the dataset. Further, the benefit of a three percent[1] variation which was earlier permissible while adopting the arithmetic mean, continues to be available.

6.5 Determination of arm's length results

To determine the arm's length rent for the properties lease by Airtel to Indus, we have relied on information provided by the management of the Company regarding prices of similar properties leased by BAL located in similar area. The detailed analysis in this regard has been provided in the later section of the report.

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[1] 1% in case of wholesale traders

Based on our analysis, it is recommended that rental charges for the properties leased by Airtel to Indus should be aligned with the arithmetic mean[2] of rates charged under similar uncontrolled transactions in order to satisfy the arm's length criteria.

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[2] Tolerance band of +-3% applicable

Appendix A: Disclaimer

Our views contained in this memorandum are based on the completeness and accuracy of the information provided by personnel of Airtel and/ or any assumptions made by Airtel that were relied upon for the purpose of this memorandum. We disclaim any liability for advice based on incorrect or inaccurate information provided to us relating to the operations and related party transactions of Airtel with its related parties. If any of the information and assumptions provided by Airtel is not complete or accurate, it is imperative that we be informed accordingly, as the inaccuracy or incompleteness thereof could have a material effect on our findings.

B S R prepared the memorandum in accordance with the Indian transfer pricing regulations. In reviewing the related party transactions, useful inferences have been made from the "Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations" published by the Organisation for Economic Cooperation and Development and Guidance Note on report under section 92E of the Income-tax Act, 1961 issued by the Institute of Chartered Accountants of India.

B S R conclusions are based on the completeness and accuracy of the information provided by Airtel and on the assumptions stated in this report. The audited results/ information supplied by Airtel has been relied upon without audit or verification by B S R. B S R has also relied upon the confirmation provided by the management of the company due to the confidential nature of the information/ documents from business perspective. The management has confirmed that the transaction adopted as CUP is similar to the subject transaction. Should any of the facts or any of the assumptions be inaccurate or incomplete, it is imperative that B S R be informed immediately as inaccurate or incomplete information could materially affect the conclusion presented herein. Since tax laws are continually being revised, subsequent legislation and interpretations could significantly affect the tax consequences. We recommend checking this report again in the coming years to verify continued compliance with the local transfer pricing rules.

In preparing this memorandum, B S R has relied upon the accuracy of information generated from databases (which are licensed from third parties) and other websites specified in the memorandum. While we have reviewed the information contained in the databases and / or the relevant websites, we bear no responsibility in respect of any inaccuracies, omissions or changes, which may subsequently be discovered in the information contained in these databases or the websites.

The analysis and findings outlined in this memorandum are specifically in response to a request for advice by Airtel. This memorandum is confidential and has been prepared solely for the use by Airtel on the terms set out in our engagement letter. It should not be copied or disclosed to any third party, in whole or in part, without our prior written consent.

However, this memorandum may be presented (either in full or part) by Airtel to the tax authorities should there be an inquiry into its transfer pricing arrangements. Neither the firm nor any of its members or employees undertake responsibility in any way whatsoever to any person or company other than Airtel, for any error or omission in the advice given, however caused. Our views are not binding on any authority or Court and hence, no assurance is given that a position contrary to our views/ opinions expressed herein will not be asserted by any authority and/ or sustained by an appellate authority or a Court of law. The responsibility for any taxes/ penalties arising from the course of assessments would not be rest on the firm.

In the preparation of this memorandum, we have relied on the provisions of the Income-tax Act, 2025, the Income-tax Rules, 2026, and judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislation or regulatory changes or administrative pronouncements or judicial decisions. Any such change, which could be prospective, retrospective or retroactive, could affect the validity of the conclusions herein. Unless specifically requested otherwise, we shall not update this memorandum for subsequent changes or modifications to the law, to the rules/ regulations, or to the judicial and administrative interpretations thereof.

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B S R & Co. LLP

Transfer Pricing Memorandum

Proposed dealings between Bharti Airtel Limited and Dixon Electro Appliances Private Limited

Financial Year 2026-27

Contents

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Abbreviations and acronyms

Abbreviations and acronyms	Full name
ALP	Arm's Length Price
B S R / Firm / we / us	B S R & Co. LLP
Company / BAL / Airtel	Bharti Airtel Limited
CPM	Cost Plus Method
CUP	Comparable Uncontrolled Price
Dixon	Dixon Electro Appliances Private Limited
NCP	Net Cost Plus
OECD	Organization for Economic Cooperation and Development
OECD Guidelines	TP Guidelines for Multinational Enterprises and Tax Administrations published by the Organization for Economic Cooperation and Development in January 2022
PLI	Profit Level Indicator
PSM	Profit Split Method
RPM	Resale Price Method
TNMM	Transactional Net Margin Method

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1. Purchase of Telecom and Network Equipment

1.1. Scope of work

With regard to the subject related-party transaction (“RPT”), Bharti Airtel Limited (“Airtel” or “BAL” or “Company”) has approached B S R & Co. LLP (“we” or “us”) to undertake the following scope of work:

- Analysis of the nature of the RPT identified by the management of the Company;
- Analysis of the back-up documentation and information shared with us by the management of the Company;
- Conducting an economic analysis, which shall include selection of the most appropriate transfer pricing method, and determination of arm’s length price for the subject RPT.

Please note that the above scope covers our analysis in respect of the subject RPT proposed to be undertaken during Financial Year (“FY”) 2026-27.

1.2. Information relied upon

For the purpose of preparation of this memorandum, we have placed reliance on the following documents shared with us by the management of the Company:

- Relevant information regarding nature of telecom and network equipments purchased by Airtel from Dixon Electro Appliances Private Limited (“Dixon”);
- Information regarding functional, asset and risk profiles of transacting entities; and
- Financial statements of Dixon for financial year ended March 31, 2026.

Please note that our responsibility is limited to documenting the approach and rationale for determination of arm’s length price.

1.3. Overview of the transaction

This report covers the analysis of transactions in the nature of “Purchase of telecom and network equipments” between Airtel and Dixon. Under the proposed arrangement, Dixon shall undertake manufacturing of customer premises equipments (“CPE”) for FTTH, FWA etc. on a contract basis for sale to Airtel.

1.4. Economic analysis

1.4.1. Selection of the tested party

The choice of the tested party should be consistent with the functional analysis of the transaction. As a general rule, the tested party is the one to which a transfer method can be applied in the most reliable manner and for which the most reliable comparables can be found i.e. it will most often be the one that has the less complex functional analysis.

For the subject transaction, Dixon performs simpler functions, and assumes minimal risks. Furthermore, the operating profitability of Dixon can be tested with reliable data requiring the fewest and most reliable adjustments. Accordingly, Dixon has been selected as the tested party for this transaction.

1.4.2. Most appropriate method ("MAM")

The Indian Transfer Pricing ("TP") Regulations provide no priority of methods. Rather, the selection of the pricing method to be used to test the arm's length character of a controlled transaction must be made under the "most appropriate method rule". The MAM is that method which, under the facts and circumstances of the transaction under review, provides the most reliable measure of an arm's length result.

In determining the reliability of a method, the two most important factors to be taken into account are (i) the degree of comparability between the controlled and uncontrolled transactions and (ii) the coverage and reliability of the available data. As per the Indian TP Regulations, other factors such as the nature and class of related party transactions, conditions prevailing in the markets, the extent and reliability of adjustments that can be made, and the extent and reliability of assumptions that may be required in applying the method, shall also be taken into account.

Because the selection of the MAM involves a test of relative merit, a method that may not be perfect is not rejected unless some other method can be shown to be more reliable or provide a better estimate of an arm's length result.

1.4.3. Comparable Uncontrolled Price ("CUP") method

CUP method compares the price charged for property or services transferred in a controlled transaction to the price charged for property or services transferred in a comparable uncontrolled transaction in comparable circumstances.

Comparability under the CUP method is particularly dependent upon the similarity of products and contractual terms among other things. Differences in geographic markets may also influence the reliability of the comparison under this method, particularly if they are material but cannot be reliably ascertained. Adjustments are therefore necessary to reflect any differences that would affect the price.

In practice, there are two types of comparable uncontrolled transactions. The first, known as an "Internal Comparable", is a transaction between one of the parties to the controlled transaction and an unrelated third party. The second, known as an "External Comparable", is a transaction between two unrelated third parties. Generally, specific details regarding internal comparables are more readily available to the parties engaged in the controlled transaction than details regarding external comparables.

We have been given to understand that third-party data relating to similar products under comparable circumstances is not reliable with Airtel owing to the extremely volatile nature of the market. Further, no data was publicly available that would satisfy the degree of similarity required to establish external CUP. Since no external and internal comparables were found in relation to this transaction, CUP method was not considered the MAM.

1.4.4. Resale price method ("RPM")

RPM evaluates the arm's length nature of a controlled transaction by reference to the gross profit margin realized in a comparable uncontrolled transaction. The RPM is ordinarily appropriate in cases involving the purchase and resale of tangible goods/services in which the buyer/reseller does not add substantial value to the goods by physically altering them or by using marketing intangibles.

Under the RPM, comparability is primarily dependent upon the similarity of the functions performed and the risk assumed by the controlled and uncontrolled distributors and is less dependent on the similarity of the tangible goods bought and resold.

Dixon is not involved in the procurement and resale of these CPEs. Accordingly, the RPM has not been considered the MAM for determining the arm’s length nature of this transaction.

1.4.5. Cost plus method (“CPM”)

CPM evaluates the arm’s length nature of a controlled transaction by reference to the gross profit mark up (i.e., gross profit divided by direct and indirect costs) that is realised in comparable uncontrolled transactions. The CPM is ordinarily appropriate in two situations: i) the provision of services to Associated Enterprises (“AEs”); and ii) the manufacture of tangible goods that are sold to AEs. Under the CPM, comparability is primarily dependent upon the similarity of the functions performed and the risk assumed by the controlled and uncontrolled parties and is less dependent on the similarity of the services provided or the goods produced.

The computation of gross profit margin can be affected by the particular accounting conventions used by an enterprise to classify direct/indirect cost of goods produced, which might vary widely among uncontrolled parties. Further CPM may be adversely affected by factors such as cost structures, business, management efficiency, lack of reliable external comparable data.

In view of the above reasons, CPM cannot be used for benchmarking this transaction. Hence, CPM was not considered as the MAM.

1.4.6. Profit split method (“PSM”)

In general, 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 typically are applied where each party to the transaction under evaluation makes unique and valuable contributions and/or the operations of the parties to the transaction are highly integrated and cannot be evaluated on a separate basis.

In the instant case, the transaction is not integrated. Furthermore, the operations of Dixon can be independently evaluated. Hence, PSM has not been considered as the MAM in this case.

1.4.7. Transactional net margin method (“TNMM”)

TNMM assesses the arm’s length character of transfer prices in a controlled transaction by testing the profit results of one participant in the transaction. The TNMM examines the net profit margin relative to an appropriate base (e.g. costs, sales and assets) that a taxpayer realises from a controlled transaction (or transactions that are appropriate to aggregate).

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

One strength 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 profit level indicators ("PLIs") 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.

Accordingly, TNMM has been considered as the MAM for benchmarking the subject transaction.

1.4.8. Other method

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-AEs, under similar circumstances considering all the facts, shall be regarded as one of the recognized methods for determining the arm's length price ("ALP").

The 'Other Method' 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-AEs, under similar circumstances, considering all the relevant facts.

Under the Other Method, the standards of comparability are flexible as compared to CUP method. Further, the other method gives consideration to the price that would have been charged or paid for same or similar transaction under similar circumstances. The other method does not necessitate an actual transaction but it recognizes an analysis which demonstrates independent behavior i.e. which would be agreed between two independent enterprises. Thus, the Other Method gives credence to the concept of hypothetical arm's length test.

In the present case, TNMM was considered to be the MAM. As a result, the Other Method was not considered the MAM.

1.4.9. Application of the most appropriate method

After reviewing all the transfer pricing methods discussed, we concluded that, given the fact and circumstances, TNMM provides the most reliable measure of an arm's length result for the subject related party transaction.

1.4.10. Search for uncontrolled comparables

The search for comparables was undertaken, keeping in mind, that the tested party is involved in manufacturing activity. The detailed search process is captured in the later section of this report.

The summary of arm's length results is presented below:

Count of comparables	35^{th} percentile	Median	Arithmetic Mean	65^{th} percentile
8	2.68%	4.44%	4.33%	7.34%

Based on three years' data, i.e. FY 2022-23, 2023-24 and 2024-25 (to the extent available), the 35th and 65th percentile of the weighted average Net Cost Plus ("NCP") mark-up earned by these broadly comparable independent companies performing similar functions range from **2.68%** to **7.34%** with median of **4.44%**.

In light of the above, Airtel should remunerate Dixon within the afore mentioned percentile range in order to satisfy the arm's length criteria.

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2. Bandwidth capacity and other telecom services

2.1. Scope of work

Refer Section 1.1 above.

2.2. Information relied upon

For the purpose of preparation of this memorandum, we have placed reliance on the nature of services rendered by Airtel to Dixon, along with requisite confirmation from the management of the Company.

Please note that our responsibility is limited to documenting the approach and rationale for determination of arm's length price.

2.3. Overview

This report covers the analysis of transaction in the nature of provision of bandwidth, internet, ISP, MPLS and other telecom services entered between Airtel and Dixon.

2.4. Economic analysis

2.4.1. Most appropriate method

Refer Section 1.4.2 above.

2.4.2. Selection of the most appropriate method

With regard to the facts of the case and the nature of the transaction, the RPM, CPM, PSM and TNMM cannot be applied and accordingly, were eliminated from the consideration as an appropriate method. The CUP method can be considered as the MAM for determining the arm's length nature of the transaction under analysis. However, the applicability of the CUP method as the MAM would depend upon the availability of reliable comparable data.

In the subject case, the relevant internal CUP data for similar uncontrolled transaction has not been shared with us by the management of the Company. Hence, no internal comparables were available in respect of the subject transaction. Further, no external data regarding similar transaction in uncontrolled circumstances was available with the management of the Company. Accordingly, external comparables were not considered for benchmarking the transaction under analysis.

In view of the above, the 'Other Method', provided under the Indian TP Regulations, was evaluated and considered as the MAM for determining the arm's length price for this transaction. Further, OECD Guidelines permit the use of any other method and state that the taxpayer retain the freedom to apply any methods not described in OECD Guidelines to establish prices, provided the prices satisfy the arm's length principle.

Accordingly, the price which has been charged or paid, or would have been charged or paid for the same or similar uncontrolled transaction, is considered for the purpose of determining the arm's length price.

2.4.3. Determination of arm's length results

It is recommended that Airtel should align the price it charges from Dixon for providing bandwidth, internet, ISP, MPLS etc. with the prevailing competitive market price charged from third-party customers in order to satisfy the arm's length criteria.

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Appendix A: Disclaimer

Our views contained in this memorandum are based on the completeness and accuracy of the information provided by personnel of Airtel and/ or any assumptions made by Airtel that were relied upon for the purpose of this memorandum. We disclaim any liability for advice based on incorrect or inaccurate information provided to us relating to the operations and related party transactions of Airtel with its related parties. If any of the information and assumptions provided by Airtel is not complete or accurate, it is imperative that we be informed accordingly, as the inaccuracy or incompleteness thereof could have a material effect on our findings.

B S R prepared the memorandum in accordance with the Indian transfer pricing regulations. In reviewing the related party transactions, useful inferences have been made from the "Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations" published by the Organisation for Economic Cooperation and Development and Guidance Note on report under section 92E of the Income-tax Act, 1961 issued by the Institute of Chartered Accountants of India.

B S R's conclusions are based on the completeness and accuracy of the information provided by Airtel and on the assumptions stated in this report. The audited results/ information supplied by Airtel has been relied upon without audit or verification by B S R. Updated data points in relation to the CUP transactions have not been shared with B S R in view of confidentiality. B S R has also relied upon the confirmation provided by the management of the company due to the confidential nature of the information/ documents from business perspective. Should any of the facts or any of the assumptions be inaccurate or incomplete, it is imperative that B S R be informed immediately as inaccurate or incomplete information could materially affect the conclusion presented herein. Since tax laws are continually being revised, subsequent legislation and interpretations could significantly affect the tax consequences. We recommend checking this report again in the coming years to verify continued compliance with the local transfer pricing rules.

In preparing this memorandum, B S R has relied upon the accuracy of information generated from databases (which are licensed from third parties) and other websites specified in the memorandum. While we have reviewed the information contained in the databases and / or the relevant websites, we bear no responsibility in respect of any inaccuracies, omissions or changes, which may subsequently be discovered in the information contained in these databases or the websites.

The analysis and findings outlined in this memorandum are specifically in response to a request for advice by Airtel. This memorandum is confidential and has been prepared solely for the use by Airtel on the terms set out in our engagement letter. It should not be copied or disclosed to any third party, in whole or in part, without our prior written consent.

However, this memorandum may be presented (either in full or part) by Airtel to the tax authorities should there be an inquiry into its transfer pricing arrangements. Neither the firm nor any of its members or employees undertake responsibility in any way whatsoever to any person or company other than Airtel, for any error or omission in the advice given, however caused. Our views are not binding on any authority or Court and hence, no assurance is given that a position contrary to our views/ opinions expressed herein will not be asserted by any authority and/ or sustained by an appellate authority or a Court of law. The responsibility for any taxes/ penalties arising from the course of assessments would not be rest on the firm.

In the preparation of this memorandum, we have relied on the provisions of the Income-tax Act, 2025, the Income-tax Rules, 2026, and judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislation or regulatory changes or administrative pronouncements or judicial decisions. Any such change, which could be prospective, retrospective or retroactive, could affect the validity of the conclusions herein. Unless specifically requested otherwise, we shall not update this memorandum for subsequent changes or modifications to the law, to the rules/ regulations, or to the judicial and administrative interpretations thereof.

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