



Policy on determination of material subsidiary and its governance

1. Purpose

The Board of Directors of the Company has adopted the policy (“Policy”) for determining “Material” Subsidiary in accordance with the Regulation 16(1)(c) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”).

This Policy will assist the Board to determine the material subsidiaries and material unlisted Indian subsidiaries of the Company and to provide the governance framework for such subsidiaries.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the SEBI LODR and in the absence of its definition or explanation therein, as per the Companies Act, 2013 and the rules, notifications and circulars made/issued thereunder, as amended, from time to time.

2. Definitions

The definitions of some of the key terms used in this Policy are given below.

“Act” means the Companies Act, 2013, and rules, notifications and circulars made/issued thereunder, as may be clarified, amended, reenacted and for the time being in force.

“Accounting Year” means the financial year of the Company as prevailing from time to time. The financial year of the Company presently commences from 1st April every year and concludes on 31st March of the immediately succeeding year.

“Audit Committee” means “Audit Committee” constituted by the Board of Directors of the Company in accordance with section 177 of the Act and read with Regulation 18 of the SEBI LODR.

“Board of Directors” or “Board” means the Board of Directors of the Company.

“Company” or “Pecos” means Pecos Hotels and Pubs Limited having CIN L55101KA2005PLC035603.

“Independent Director” means a Director of the Company, not being a whole-time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Act and SEBI LODR as amended, from time to time.

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“Material Subsidiary” means a subsidiary whose income or net worth exceeds ten percent (10%) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding Accounting Year or such subsidiary identified as material subsidiary in accordance with the SEBI LODR.

“Material Unlisted Subsidiary” shall mean Material Subsidiary which is an unlisted company.

“Significant Transaction Or Arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the Unlisted Subsidiary for the immediately preceding Accounting Year.

“Subsidiary” shall be as defined under the Act.

“Unlisted Subsidiary” shall mean any unlisted Subsidiary of the Company.

All other words and expressions used but not defined in this policy, but defined in the Act, the SEBI LODR and/or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

3. Policy Governance of Unlisted Subsidiaries.

- a. The Company shall maintain the list of Subsidiaries and material subsidiaries on an annual basis.
- b. The minutes of the board meetings of the Unlisted Subsidiary shall be placed at the Board meeting of the Company at regular intervals.
- c. The Board shall be provided periodically with a statement of all Significant Transactions Or Arrangements entered into by the Unlisted Subsidiary.
- d. The Audit Committee of the Company shall also periodically review the financial statements, in particular, the investments made by the Unlisted Subsidiary.

4. Appointment of independent director of the Company on the Board of some Subsidiary Company

- a. The Board of the Company shall appoint at-least one independent director of the Company as a director on the board of the Unlisted Subsidiary, whether incorporated in India or not, whose income or net worth exceeds twenty percent (20%) of the consolidated income or net worth respectively, of the Company and its Subsidiaries in the immediately preceding Accounting Year.

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5. Restriction on disposal of shares, ceasing control or disposal of assets of Material Subsidiary by the Company

The Company, without the prior approval of the members by Special Resolution in its General Meeting, shall not

- a. Dispose of its shares in Material Subsidiary that reduces its shareholding (either on its own or together with other subsidiaries) to less than fifty percent (50%); or cease the exercise of control over the subsidiary
- b. sell, dispose or lease the assets amounting to more than twenty percent (20%) of the assets of the Material Subsidiary, on an aggregate basis during a financial year.

Provided that the requirement of seeking such approval of shareholders shall not apply where any of the actions under (a), (b) or (c) above are taken or made under a scheme of arrangement duly approved by a court/tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

6. Review of the Policy.

This Policy shall be subject to review by the Board as may be deemed necessary or to meet any regulatory requirements.

7. Limitation and amendment.

In the event of any conflict between the provisions of this Policy and of the Act or SEBI LODR or any other statutory enactments the provisions of such Act or SEBI LODR or statutory enactments shall prevail over this Policy.

Any subsequent amendment / modification in the SEBI LODR, Act and/or applicable laws in this regard shall automatically apply to this Policy.

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