

MELIORA ASSET RECONSTRUCTION COMPANY LIMITED

8TH ANNUAL REPORT

2019-2020

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Ms.Homai Ardeshir Daruwalla	-	Chairperson (DIN: 00365880)
Mr. Prasad Kuchibhatla	-	Independent Director (DIN: 02255028)
Mr.Pillala Ramakrishna Rao	-	Non Executive Director (DIN: 02119513)
Mr.Sisir Kumar Appikatla	-	Non-Executive Director (DIN: 01652759)
Mr. Ravi Kumar Korada	-	Non-Executive Director (DIN: 01672360)

REGISTERED OFFICE:

H. No. 47-3-26/14, Flat No.106,
1st Floor, Bharat Towers,
5th Lane, Dwarakanagar,
Visakhapatnam AP 530016

CORPORATE OFFICE:

503, Mayfair Gardens,
Road No.12, Banjara Hills,
Hyderabad 500034.
040-23375444

STATUTORY AUDITORS:

M/s. JRS& Associates

Chartered Accountants

#10-5-7, Sri Sai Surya Building,

Ground Floor, Ramnagar, Near GVMC.

Visakhapatnam, AP-530002.

INTERNAL AUDITOR:

M/s. Padmanaban& Associates,
308, Aalto 's A& M Trade Center,
3-6-561/1, Himayat Nagar Main Road,
Hyderabad -500029

AUDIT COMMITTEE :

Mr.Kuchibhatla Prasad
Ms.H.A.Daruwalla
Mr.Pillala Rama Krishna Rao

NOMINATION & REMUNERATION COMMITTEE:

Mr.Kuchibhatla Prasad
Ms.H.A.Daruwalla
Mr.Pillala Rama Krishna Rao

EXECUTIVE COMMITTEE: (ACQUISITIONS & RESOLUTIONS)

Mr Kuchibhatla Prasad
Mr P Rama Krishna Rao.
Mr A Sisir Kumar.
Mr Korada Ravi Kumar.

RISK MANAGEMENT COMMITTEE:

Mr.Kuchibhatla Prasad
Ms. H A Daruwalla
Mr P Rama Krishna Rao

WEBSITE:

www.melioraarc.com

CORPORATE IDENTITY NUMBER:

U65923AP2012PLC084298

BANKERS:

HDFC Bank

Andhra Bank

Punjab National Bank

State Bank of India

ICICI Bank

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 8th Annual General Meeting (AGM) of the members of M/s. **MELIORA ASSET RECONSTRUCTION COMPANY LIMITED** will be held on 29th December 2020 at 11:00 A.M. through Video Conferencing (“VC”) / Other Audio Visual Means (“OAVM”) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Financial Statements such as Audited Balance Sheet as on 31st March, 2020 and the Statement of Profit and Loss for the year ended as on that date together with the Cash Flow Statement and the schedules thereto along with the reports of the Directors’ and Auditors’ thereon.
2. To approve the dividend paid to 9% Compulsorily Convertible Cumulative Preference Shares (“CCCPS”) for the financial year ended on 31st March 2020.
3. To appoint a Director in place of Mr. Sisir Kumar Appikatla who retires by rotation and being eligible, offers himself for re-appointment.
4. Re- appointment of M/s. JRS & Associates., as Statutory Auditors and to fix their remuneration and for the purpose to consider and if, thought fit, to pass with or without modification(s), the following Ordinary Resolution thereof:

“RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014 including any Statutory re-enactment thereof for the time being in force and pursuant to recommendation of the Audit Committee of the Board of Directors, M/s. JRS & Associates, Chartered Accountants, (Firm Registration No. 011778S) be and is hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of 13th consecutive AGM of the Company to be held in the year 2025 and the Board of Directors be and is hereby authorised to fix the remuneration payable to them as may be determined by the Audit Committee in consultation with the Auditors.”

For and on behalf of the board of Directors

Meliora Asset Reconstruction Company Limited

Date: 24.11.2020

Place: Visakhapatnam

Sd/-

A. Sisir Kumar

Director (DIN:01652759)

NOTES:

1. In view of the prevailing lock down situation across the country due to outbreak of the COVID-19 pandemic and restrictions on the movements apart from social distancing, MCA (Ministry of Corporate Affairs) vide circular Nos. Circular No. 14/2020 dated April 08, 2020, Circular No.17/ 2020 dated April 13, 2020 read with Circular No. 20/2020 dated May 05, 2020, the AGM of the Company is being held through VC / OAVM.

Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through Video Conferencing (VC) / Other Audio-Visual Means (OAVM), physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

2. Pursuant to the provisions of the circulars of MCA on the VC/OVAM(e-AGM):
 - a. Members can attend the meeting through log in credentials provided to them to connect to Video conference. Physical attendance of the Members at the Meeting venue is not required. Log in credentials will be provided 2 days in advance to the meeting.
 - b. Appointment of proxy to attend and cast vote on behalf of the member is not available.
 - c. Body Corporates are entitled to appoint authorised representatives to attend the e-AGM through VC/OAVM and participate thereat and cast their votes through e-voting.
3. The Members can join the e-AGM 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice.
4. Queries proposed to be raised at Annual General Meeting may be sent to the Company to its designated email address marc@melioraarc.com at least seven days prior to the date of AGM to enable the management to compile the relevant information to reply the queries in the meeting.

5. Members are requested to notify any change in their address/ mandate/ bank details immediately to the Company to its designated Email id at marc@melioraarc.com
6. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.
7. The attendance of the Members (members logins) attending the e-AGM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
8. Members are encouraged to join the Meeting through Laptops with Google Chrome for better experience.
9. Further Members will be required to allow Camera, if any, and hence use Internet with a good speed to avoid any disturbance during the meeting.
10. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
11. Members can cast their vote by show of hands, in case of a poll is demanded, the members shall cast their vote on the resolution only by sending emails through their e-mail address which are registered with the company to the designated email address of the Company **marc@melioraarc.com**
12. Helpline number **919966885176** for those shareholders who need assistance with using technology before or during the meeting.

For and on behalf of the Board of Directors of Meliora Asset Reconstruction Company Limited

Date: 24.11.2020
Place: Visakhapatnam

Sd/-
A. Sisir Kumar
Director (DIN:01652759)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2019-20

To,
The Members,
Meliora Asset Reconstruction Company Limited,

Your Directors have pleasure in presenting their 8th Annual Report on the business and operations of the Company and the accounts for the Financial Year ended 31st March, 2020.

1. Key Financial highlights/performance of the company:

The financial performance of the Company for the year ended 31st March, 2020 is summarized below: (Amount in Rupees)

Particulars	31st 2020	31st 2019
Revenue from Operations	2,17,27,195	5,09,18,500
Other income	1,47,56,610	1,76,29,513
Total income	3,64,83,805	6,85,48,013
Expenditure	81,59,005	1,65,20,745
Profit before depreciation & Finance Cost	2,83,24,800	5,20,27,268
Less: Depreciation	2,81,423	2,95,351
Less: Finance cost	34,82,010	84,85,047
Profit before Tax	2,45,61,366	4,32,46,870
Less: Tax Expenses	63,13,587	1,20,31,100
Profit after Tax	1,82,47,779	3,12,15,770
Profit brought forward from earlier year	4,74,69,801	2,49,61,141
Dividend on CCCPS	28,98,000	72,22,500
Dividend Tax	5,95,694	14,84,610
Profit transferred to Reserves	6,22,20,313	4,74,69,801

2. State of Company's Affairs:

During the year under review, the Company has recorded an income of Rs. 364.83 Lakhs and profit of Rs. 182.47 Lakhs as against the income of Rs. 685.48 Lakhs and Profit of Rs. 312.15 Lakhs in the previous financial year ending 31.03.2019.

3. Outlook & Strategy:

The financial year under report reflected continuing rise in NPAs in the banking system, on the one hand, and declining sales of such NPAs to ARCs, on the other hand. The reasons for such a situation are not difficult to seek. Some of the important and critical factors hindering sales to ARCs are: -

- (i) Even in the backdrop of rising NPAs many banks are slow in sale of NPAs.
- (ii) Absence of well laid down standard process for arriving at the reserve price for sale of Assets to ARCs.
- (iii) Wide gap the price expected by selling banks and ARCs.

Your company has put in place strong system in screening the accounts offered for sale and has been cherry picking the assets. The Acquisition team short lists the assets and after due process of Risk rating, accounts are bid for acquisition from the selling Banks/ Financial institutions thereby mitigating the risks and spreading the risk across mid size assets. However presently our license is cancelled for which we have appealed against this to the DFS, Ministry of Finance, Government of India and the same is being pursued.

The business of ARCs is capital intensive and the markets are moving towards full cash basis purchases. Foreign institutions engaged in distressed asset business are keen to enter the Indian market and provide funds by investing through FDI route in the equity of ARCs and as FII in Trust Fund; they, however, need relaxation in the present limits for such investments to be able to actively participate in running the business of investee companies instead of remaining as a passive investor. The proposal for such relaxation is already under examination by RBI and the Government and once the limits are revised upwards, we anticipate money flowing in the system from such international entities. Additionally, the definition of QIBs needs to be broadened to widen the domestic market for raising funds by ARCs. On their part, ARCs and banks should work together to revive SR structure as mode for sale transactions -- it should not be difficult as long as SRs are issued on the basis of realistic recovery estimates and ARCs redeem their SRs.

4. Share Capital:

The authorized capital of the Company stands at Rs.45,00,00,000/- divided into 3,00,00,000 equity shares of Rs.10/- each and 1,50,00,000, 9% Compulsory convertible cumulative preference shares of Rs. 10/- each. The company's paid up capital is Rs. 28,65,30,000/- divided into 2,86,53,000 equity shares of Rs. 10/- each.

5. Reserves:

The Reserves as at the end of 31 March 2020 were Rs 7,78,31,313/- The Company has not transferred any amount to its General Reserves during the period under review.

6. Dividend:

Your Company has paid a dividend to 32,20,000 9% Compulsory Convertible Cumulative Preference Shareholders of face value of Rs. 10/- whose names appear as on 7th day of February 2020 as per the Register of Members. The said preference shares were liable to be converted into equity on the expiry of 3 years from the date of allotment resulting to increase in the equity share capital of the Company by Rs. 3,22,00,000/ i.e. from the existing equity capital of Rs 25,43,30,000 to Rs.28,65,30,000/-.

The Board of Directors has approved for this payment at their meeting held on 7.02.2020 out of the profits of the Company for the year 2019-2020. The total outflow was amounting to Rs.34,93,694/- (including dividend distribution tax of Rs.5,95,694/-).

In order to conserve the resources, no Dividend has been proposed on equity shares.

7. Corporate governance:

Your Directors are enforcing high standards of Corporate Governance in the overall functioning of the Company which, in turn, helps to enhance the economic efficiency of its operations for the benefit of the society as a whole. Director's Report on Corporate Governance is at **Annexure-I**.

8. Meetings:

The Board of Directors met four (4) times during the previous financial year. As on March 31, 2020, the Board has Five committees, namely, the Audit Committee, the Risk

Management Committee, Independent Directors Committee, the Nomination & Remuneration Committee and the Executive Committee (Resolution & Acquisitions).

A detailed update on the Board, its composition, detailed charter including terms and reference of various Board Committees, number of Board and Committee meetings held during FY 2019-2020 and attendance of the Directors at each meeting is provided in the Report on Corporate Governance, which forms part of this Report.

9. Details of subsidiary/joint ventures/associate companies:

Your Company does not have any wholly owned Subsidiary Companies/ Joint Ventures/ or Associate Companies.

10. Deposits:

The Company has not accepted any public deposits during the Financial Year ended March 31, 2020 and as such, no amount of principal or interest on public deposits was outstanding as on the date of the balance sheet.

Details of deposits not in compliance with the requirements of the Act:

Since the Company has not accepted any deposits during the Financial Year ended March 31, 2020, there has been no non-compliance with the requirements of the Act.

Pursuant to the Ministry of Corporate Affairs (MCA) notification dated 22nd January 2019 amending the Companies (Acceptance of Deposits) Rules, 2014, the Company is required to file with the Registrar of Companies (ROC) requisite returns in Form DPT-3 for outstanding receipt of money/loan by the Company, which is not considered as deposits.

11. Audit Committee Recommendations :

During the year, all recommendations of Audit Committee were approved by the Board of Directors.

12. Significant and Material Orders passed by the Regulators or Courts or Tribunals.

Hyderabad office of RBI has issued a Show Cause Notice vide letter DNBS (H) CMS No 1805/04.08.58/2018-19 dated 19.06.2019 and also has restrained us from any fresh acquisition with immediate effect. We have appealed against this to the DFS, Ministry of Finance, Government of India and the same is being pursued.

13. Material changes and commitments, if any, affecting the financial position of the company:

In compliance with Section 134(4) clause I of the Companies Act, 2013, there are no material changes or commitments in the business operations or financial position of the Company during the financial year 2019-20 and to the date of signing of Directors' Report.

14. Change in the nature of business, if any:

There is no change in the nature of business of the Company during the financial year.

15. Events subsequent to the date of financial statements:

Hyderabad office of RBI has issued a Show Cause Notice vide letter DNBS (H) CMS No 1805/04.08.58/2018-19 dated 19.06.2019 and also has restrained us from any fresh acquisition with immediate effect. We have appealed against this to the DFS, Ministry of Finance, Government of India and the same is being pursued

16. Adequacy of Internal Financial Statements

The Company has in place adequate financial controls to ensure the orderly and efficient conduct of its business.

17. Particulars of loans, guarantees or investments under section 186:

The purchase of financial assets from Banks/ Financial Institutions is in the normal course of business of the Company and hence the following information is **Not Applicable** to the Company.

Accordingly, there are no Loans, Guarantees, Investments given during the Financial Year ended on 31st March 2020, which attracts the provisions of Section 186 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014.

18. Risk management:

We are now in the process of evolving a comprehensive framework for implementation of the policy and review mechanism, to address the basic objective of risk mitigation.

19. Corporate Social Responsibility: (CSR):

Your Company does not meet the criteria of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014 and hence the Rules relating to CSR are not applicable. Therefore Your Company has not constituted Corporate Social Responsibility Committee.

20. Particulars of contracts or arrangements with related parties:

Company has transactions with related parties entered into during the financial year and are also continuing from previous Financial Years. However, all those were entered in the ordinary course of business and are at arm's length transactions. Therefore, obtaining consent of the shareholders under Section 188 does not arise.

The particulars of contracts or arrangements with related parties referred to in sub-section (1) of Section 188 is prepared in Form No. AOC-2 pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014 and the same are enclosed as **ANNEXURE-II** to this Report.

21. Cost records and cost audit:

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Act, are not applicable for the business activities carried out by the Company.

22. Conservation of energy, technology absorption and foreign exchange earnings and outgo:

Your Company has no activity relating to conservation of energy, technology absorption, foreign exchange earnings and outgo and the disclosures required as under section 134 (3) (m) read with Rule 8(3) of Companies (Accounts) Rule, 2014.

23. Independent Directors and Declaration of Independency by Independent Directors:

Ms Homai Daruwalla and Mr Prasad Kuchibhatla are acting as the independent directors of the Company. Your Company has received necessary declaration from the Independent Directors under Section 149(7) of the Companies Act, 2013 that they meet the criteria of Independence laid down in Section 149(6) of the Act.

The Independent Directors have also confirmed that they have complied with Schedule IV of the Act and the Company's Code of Conduct.

During the year, Independent Directors of the Company had no pecuniary relationship or transactions with the Company, other than sitting fees and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board of Directors and Committee(s).

24. Statement showing details of employees:

Your Directors are pleased to record their sincere appreciation of the contribution by the staff at all levels in the improved performance of the Company.

None of the employees is drawing Rs. 8,50,000/- and above per month or Rs.1,02,00,000/- and above in aggregate per annum, the limits prescribed under Section 197(12) of Companies Act 2013 read with Rule 5 of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014.

25. Directors' responsibility statement:

Pursuant to the requirement under Section 134 of the Companies Act, 2013, with respect to the Directors' Responsibility Statement, the Board of Directors of the Company hereby confirms:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) The Directors have prepared the annual accounts on a going concern basis; and
- e) Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively and
- f) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively;

26. Extract of the Annual Return:

In terms of provisions of Section 92, 134(3)(a) of the Companies Act, 2013 read with Rule 12 of Companies (Management and Administration) Rules, 2014, the extract of Annual Return of the Company in form MGT-9 is annexed herewith as **Annexure-III** to this report.

27. Directors and key managerial personnel:

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Sisir Kumar Appikatla, Director of the Company who retires by rotation and being eligible, has offered himself for re-appointment. The Board recommends for his re-appointment.

During the year the company has appointed Mr K Srinivasan as CEO /CFO & Ms. Namarta Singh as Company Secretary.

28. Statutory Auditors:

M/s JRS & Associates, Chartered Accountants, Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, have expressed their willingness for re-appointment. Your directors propose the appointment of M/s. JRS & Associates, Chartered Accountants, as statutory auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of 13th consecutive AGM of the Company to be held in the year 2025 of the company.

29. Internal Auditors and Internal Financial Control:

In terms of Section 138 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, M/s. Padmanaban & Associates, Chartered Accountants, Hyderabad (Firm Reg No.022669) functioned as the Internal Auditors of the Company. There are no reportable material weaknesses in the design or operations by them were observed.

30. Internal Audit Framework:

The Company has in place an internal audit framework to monitor the efficacy of internal controls with the purpose of providing to the Board of Directors, an independent, objective and reasonable assurance on the adequacy and effectiveness of the organization's risk management, control and governance processes.

During the year, M/s. Padmanaban & Associates, continued as the Internal Auditors of the Company. The audit scope and plans of internal audit are approved by the Board every year.

The Internal Audit Process followed by the Company is as follows:

- To ensure all the payments/ transactions are in compliance with the Board or EC permission. That means the auditor verifies if the rent payments, salary payments, or any other payments have been made as per the powers delegated or as permitted by the Board or EC. He will also verify if capital expenditure is also properly authorized by respective authority and also verify whether all costs directly or indirectly related to the assets have duly been capitalized and properly accounted for.
- The payments for purchase of financial assets by Company are duly authorized. He will verify if purchases of financial assets have been approved by CEO or EC as the case may be and all terms and conditions related to the said transactions have duly been complied with.
- The receipts under OTS are approved by EC or Board (this is as per our internal procedure) and all necessary formalities and terms and conditions have been duly completed or not.
- Audit reports are submitted at quarterly frequency. However, any serious observations are reported immediately. All the reports are submitted directly to the Board.
- Verify if all the assignment deeds are duly registered and that ROC charge is created within the stipulated time as per Companies Act. CERSAI charge created is also to be verified.
- He will have an overview of the transactions and will make comments/ if any suspicious transactions/ business if taken place.
- Identify control procedures used to ensure each key transaction type is properly controlled and monitored.
- Develop and execute a risk-based sampling and testing approach to determine whether the key controls are operating as intended.

- The audit findings are used as a key input in the risk management process and all the key risks of the Company are mapped to the audit processes to ensure a risk-based audit approach.
- The internal audit activity is monitored on an ongoing basis by the Audit Committee of the Board.

31. Auditors' Report:

The Board has duly reviewed the Statutory Auditor's Report on the Accounts for the year ended March 31, 2020 and has noted that the same does not have any reservation, qualification or adverse remarks.

32. Transfer of unclaimed dividend to Investor Education & Protection Fund:

The provisions of Section 125(2) of the Companies Act, 2013, do not apply as there was no dividend unpaid last year.

33. Vigil Mechanism:

As the Company does not fall under the provisions of section 177 (9) & (10) of the Companies Act, 2013 read with Rule 7 of Companies (Meeting of Board and its Powers) Rules, 2014, the Company has not established a whistle Mechanism.

34. No Frauds reported by statutory auditors:

During the Financial Year 2018-19, the Auditors have not reported any matter under section 143(12) of the Companies Act, 2013, therefore no detail is required to be disclosed under section 134(3) (ca) of the Companies Act, 2013.

35. Declaration by the Company

The Company has issued a certificate to its Directors, confirming that it has not made any default under Section 164(2) of the Act, as on March 31, 2019.

36. Secretarial Standards:

The company is in compliance with Secretarial Standards issued by The Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meetings.

37. Industry based disclosures as mandated by the respective laws governing the company:

The Company is not a NBFC, Housing Companies etc., and hence Industry based disclosures are not required.

38. Disclosure Under the Sexual Harassment of Women at Work place (Prevention, Prohibition and Redressal) Act, 2013:

As the Company does not have any women employees, it has not laid down any policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. The same will be complied as and when it is applicable.

39. Event based disclosures:

During the year under review, the Company has not taken up any of the following activities:

- a. **Issue of sweat equity share:** The Company has not issued any sweat equity shares during the year under review and hence no information as per provisions of Section 54(1)(d) of the Act read with Rule 8(13) of the Companies (Share Capital and Debenture) Rules, 2014.
- b. **Issue of shares with differential rights:** The Company has not issued any shares with differential rights and hence no information as per provisions of Section 43(a)(ii) of the Act read with Rule 4(4) of the Companies (Share Capital and Debenture) Rules, 2014.
- c. **Issue of shares under employee's stock option scheme:** The Company has not issued any equity shares under Employees Stock Option Scheme during the year under review and hence no information as per provisions of Section 62(1)(b) of the Act read with Rule 12(9) of the Companies (Share Capital and Debenture) Rules, 2014.

- d. **Non- Exercising of voting rights:** During the year under review, there were no instances of non-exercising of voting rights in respect of shares purchased directly by employees under a scheme pursuant to Section 67(3) of the Act read with Rule 16(4) of Companies (Share Capital and Debentures) Rules, 2014.
- e. **Disclosure on purchase by company or giving of loans by it for purchase of its shares:** The Company did not purchase or give any loans for purchase of its shares.
- f. **Buy back shares:** The Company did not buy-back any shares during the period under review.
- g. **Disclosure about revision:** Since the company did not undergo any revision, this clause is Not Applicable to the company for the period under review.

40. Acknowledgements:

The Directors express their gratitude for the support and guidance provided by the Reserve Bank of India, sponsors and other shareholders, banks, rating agencies and other service providers.

The Board also sincerely acknowledges the significant contributions made by all employees for their dedicated services to the Company.

For and on behalf of the Board of Directors of Meliora Asset Reconstruction Company Limited

	Sd/-	Sd/-
Date: 24.11.2020	Korada Ravi Kumar	Pillala Ramakrishna Rao
Place: Vishakhapatnam	Director (DIN: 01672360)	Director (DIN: 02119513)

Annexure 1

Disclosure of Particulars of Contracts/Arrangements entered into by the Company Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. There are no contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are not at arms length basis.
2. Contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are at Arms Length basis:

Sl. No.	Name(s) of the related party and Nature of relationship	Nature of contracts/arrangements/ transactions	Duration of contracts/arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any:	Date(s) of approval by the Board if any	Amount paid as advances if any	Justification for entering into contracts
1	M/s Sisir & Ravi Associates. Mr Appikatl a Sisir Kumar and Mr. Korada Ravi Kumar, promoter directors of the Company are also partners of the Firm.	Appointment of M/s Sisir & Ravi Associates as Resolution agents for the accounts of 1. M/s Subburaj Textiles Mills Pvt Ltd		The terms of the contract are as follows 1. Account of M/s Subburaj Textiles Mills Pvt Ltd Professional Fee of 2.5% on recovered amount inclusive of all expenses but excluding legal expenses		NIL	The terms & conditions are at Arms Length Basis

		2. M/s. National Lumbers	2. Account of National Lumbers of Fee of Rs. 18 lakh and applicable service tax. If recovered before 31.03.2017 Rs. 15,00,000 , If recovered before 31.03.2018 Rs. 10,00,000 and if recovered before 31.03.2019 Rs. 6,50,000.			
		3. M/s. Prathiba Ispat (P) Ltd	3. Account of M/s Prathiba Ispat (P) Ltd of 10.20 Cr at resolution fees of 2.5% for full resolution within 9 months. 2% for >9months and <18 months. 1.5% after 18 months			
		4. M/s Reliance Cellulose Pvt Ltd	4. Account of M/s Reliance Cellulose pvt Ltd of 1.75% for recoveries with in 12 months and 1.5% for >12 months			
		5. M/s Leadage Metals Ltd	5. Account of M/s Leadage Metals ltd 1.75% for recoveries with in 12 months and 1.5% for >12 months			
		6. M/s Sri Krishna Educational	6. Account of M/s Sri Krishna Educational trust 1.35% for			

		Trust		<p>recoveries within 12 months. 1.20% for >12 months and <24 months. 1% for >24 months.</p> <p>An Amount of Rs 60,000/- paid on 24th October 2019</p> <p>7. Account of M/s Mother Mirra Estates If recovered in <1n Yr 1.48%,<2Yrs 1.43%, <3Yrs 1.38% and >3Yrs 1.33%</p> <p>8. Account of M/s PBR Agro Pvt Ltd If recovered in <1n Yr 1.48%,<2Yrs 1.30 %, <3Yrs 1.20% and >3Yrs 1.10%</p>			
2	Mr Sisir Kumar Appikatla promoter director of the company	Rent advance on office premises	On going basis	Flat rent paid during normal course of work. Rs. 16,500/- PM from August, 2018 to July, 2019. Rs. 17,250/- from August, 2019.	NIL	NIL	The terms & conditions are at Arms Length Basis

Annexure 2-

Statement showing the details of the top ten employees in terms of remuneration drawn under Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Sl. No	Designation of the employee	Remuneration received	Nature of employment, whether contractual or otherwise;	Qualifications and experience of the employee	Date of commencement of employment ;	Age of employee	Last employment held by such employee before joining the company	Percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2);	Whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager:
1	CEO	12,45,000	Otherwise	MA,CAIIB	Mar, 2016	65	Syndicate Bank	Nil	No
2	VP	4,18,000	Contractual	M.Com, MBA	2015	66	Andhra Bank	Nil	No
3	AVP	1,80,000	Otherwise	M.Sc, PGDCA	Oct, 2016	65	Andhra Bank	Nil	No
4	CS	1,72,420	Contractual	M.Com, CS	Jan 2020	27		Nil	No
5	SM	93,000	Otherwise	M.Com	May, 2015	65	Corporation Bank	Nil	No
6	SM	3,72,000	Otherwise	B.Sc, CAIIB	Jan 2015	65	SBI	Nil	No
7	SM	4,20,000	Otherwise	MBA Finance	Aug 2016	33	ICICI Bank	Nil	No

By the Order of the Board
For **Meliora Asset Reconstruction Company Limited**

Korada Ravi Kumar **Pillala Ramakrishna Rao**

Director

Director

DIN-01672360

DIN: 02119513

Date: 24.11.2020

Place: Vishakhapatnam

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED ON MARCH 31, 2020

1. Company's philosophy con corporate governance:

Your Company believes Corporate governance principles are critical to enhance and retain investor trust and the company is committed for best practices of fairness, professionalism, transparency, compliances and ethical practices.

The Company believes that sound corporate governance practices lead to enhancing investors' confidence and thus ensuring long-term success. The Company strives for excellence with the twin objective of enhancing customer satisfaction and stake holders' value. The Company strongly believes that sound corporate governance practices leads to the fulfilment of its goals and attainment of its objectives in a manner that adds value to its image, is beneficial for all the stakeholders in the long run and enhances its ability to secure their confidence. Good Corporate Governance starts at the top and continues down the line consistently. The Board of Directors and the Management take appropriate decisions and guide the Bank in achieving the highest standards of excellence. The basic philosophy of the Company towards corporate governance is to protect and enhance the long- term value of all its stakeholders' viz. shareholders, creditors, employees, and to demonstrate that the shareholders are the ultimate beneficiaries of our economic activity, besides meeting compliance standards of Regulatory Authorities.

2. Board directors:

As on March 31, 2020, Board of Directors comprised of 5 Directors. Their position on the Board as Independent Director or otherwise is indicated below:

S.No.	Name of the Directors	Designation	Category
1.	Ms. Homai Daruwalla	Director	Independent
2.	Mr. Prasad Kuchibhatla	Director	Independent
3.	Mr. Sisir Kumar Appikatla	Director	Promoter
4.	Mr. Ravi Kumar Korada	Director	Promoter
5.	Mr. Pillala Ramakrishna Rao	Director	Promoter

3. Number of Board Meetings:

The Board of Directors met four (4) times during the financial year, on 13.06.2019, 28.08.2019, 16.10.2019, 07.02.2020. The maximum time gap between any two meetings was less than four months. The agenda for each meeting is prepared well in advance, along with explanatory notes wherever required and distributed to all Directors. The details of the number of the meetings and the dates on which the Board meetings were held are summarized as below.

ATTENDANCE AND DIRECTORSHIPS HELD:								
Name of Director	Relationship with other Directors	Category	No. of Meetings Held	No. of Meetings Attended	Whether Attended Last Annual General Meeting	No. of Outside Directorships of Public Companies	No. of Committee Memberships	No. of Committee Chairmanships
Ms.Homai Daruwalla	None	ID&NED	4	4	No			
Mr. Prasad Kuchibhatla	None	ID&NED	4	4	yes			
Mr.Sisir Kumar Appikatla	None	NED (N)	4	4	yes			
Mr. Ravi Kumar Korada	None	NED (N)	4	4	yes			
Mr.Pillala Ramakrishna Rao	None	NED(N)	4	4	yes			

4. Committees of the Board:

The Company has Five Board-level Committees - Audit Committee, Executive Committee (Acquisitions & Resolution), Nomination & Remuneration Committee, Independent Directors Committee and Risk Management Committee.

All decisions pertaining to the constitution of Committees, appointment of members and fixing of terms of service for Committee members are taken by the Board of

Directors. Details on the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

A) Audit Committee:

Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.

- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report including quarterly / half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing on:
 - a) Any changes in accounting policies and practices;
 - b) Qualification in draft audit report;
 - c) Significant adjustments arising out of audit;
 - d) The going concern concept;
 - e) Compliance with accounting standards;
 - f) Compliance with stock exchange and legal requirements concerning financial statements and
 - g) Any related party transactions
- Reviewing the company's financial and risk management's policies.
- Disclosure of contingent liabilities.
- Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

During the year, the Audit Committee met four (2) times i.e. 13.06.2019 & 07.02.2020 to deliberate on various matters. The attendance of each Audit Committee members is as follows:

Name	Designation	Category	No of Meetings held	No of Meetings attended
Mr.Kuchibhatla Prasad	Chairperson	NED(I)	2	2
Ms. HomaiDaruwalla	Member	NED(I)	2	2
Mr.P.Ramakrishna Rao	Member	NED(N)	2	2

NED (I): Non-Executive Independent Director

NED (N): Non-Executive Non-Independent Director

B) Nomination and Remuneration Committee:

The Committee comprises of two non-executive independent Directors.

- To approve the fixation/revision of remuneration of Directors of the Company and while approving:
- To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
- To bring out objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.
- To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and /or removal.
- To carry out evaluation of every Director's performance.
- To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees.
- To formulate the criteria for evaluation of Independent Directors and the Board.
- To recommend/review remuneration of the Directors based on their performance and defined assessment criteria.

The Committee met on 07.02.2020. The attendance of the members is as follows:

Name	Designation	Category	No of Meetings held	No of Meetings attended
Mr. Kuchibhatla Prasad	Chairperson	NED(I)	1	1
Ms. HomaiDaruwalla	Member	NED(I)	1	1
Mr. P. Rama Krishna Rao,	Member	NED(N)	1	1

NED (I): Non-Executive Independent Director

NED (N): Non-Executive Non-Independent Director

C) Risk Management Committee:

Risk Management Division headed/is constituted to carry out the responsibility to assist the Board in accordance with the provisions of section 134(3)(n) of the Companies Act,2013.

- a) Overseeing and approving the Company's enterprise wide risk management framework;
- b) Framing of Risk Management Plan and Policy.
- c) Monitoring of Risk Management Plan and Policy.
- d) Validating the process of risk management.
- e) Validating the procedure for Risk minimization.
- f) Periodically reviewing and evaluating the Risk Management Policy and practices with respect to risk assessment and risk management processes.
- g) Continually obtaining reasonable assurance from management that are known and emerging risks have been identified and mitigated or managed.
- h) Overseeing that all the risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory and reputational. Other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks.

There was One (1) Risk Management Committee Meeting held during the year on 07.02.2020. The attendance of the members is as follows:

Name	Designation	Category	No of Meetings held	No of Meetings attended
Mr. Kuchibhatla Prasad	Chairman	NED(I)	1	1
Ms. Homai Daruwalla	Member	NED(I)	1	1
Mr. P Ramakrishna Rao	Member	NED(N)	1	1

NED (I): Non-Executive Independent Director

NED (N): Non-Executive Non-Independent Director

D) Executive Committee Meeting (Acquisition & Resolution):

The existing Executive Committee (Acquisition) and Executive Committee (Resolution) was merged as Executive Committee (Acquisition & Resolution) during the 33rd Board Meeting on 13.06.2019 and the new Committee met once during the year on 07.02.2020. The composition and attendance of the members are as follows

Name	Designation	Category	No of Meetings held	No of Meetings attended
Mr. Kuchibatla Prasad	Chairman	NED(I)	1	1
Mr. A Sisir Kumar	Member	NED(N)	1	1
Mr. P. Ramakrishna Rao	Member	NED(N)	1	1
Mr K. Ravi Kumar	Member	NED(N)	1	1

NED (I): Non-Executive Independent Director

NED (N): Non-Executive Non-Independent Director

E) Independent Directors' Committee Meeting:

As per clause 7 of the schedule IV of the Companies Act (Code for Independent Directors), a separate meeting of the Independent Directors of the Company (without the attendance of Non-Independent directors) was held on 07.02.2020 to discuss:

1. Evaluation of the performance of Non-Independent Directors and the Board of Directors as whole;
2. Evaluation of the quality, content and timelines of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors of the Company were present at the meeting. The company regularly appraises the Independent Directors their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company etc.,

The composition and attendance of the members is as follows:

Name of the Member	No. of Meeting		Category
	Held	Attended	
Ms.Homai Daruwalla	1	1	Independent Director
Mr. Kuchibhatla Prasad	1	1	Independent Director

5. Performance Evaluation of Board, Committees and Directors:

Pursuant to provisions of Regulation 17(10) of the SEBI Listing Regulations and the provisions of the Act, an annual Board effectiveness evaluation was conducted for FY 2019-20 on February 7, 2020, involving the following:

- i. Evaluation of IDs, in their absence, by the entire Board was undertaken, based on their performance and fulfillment of the independence criteria prescribed under the Act
- ii. Evaluation of the Board of Directors, its Committees and individual Directors, including the role of the Board Chairman.

An IDs' meeting, in accordance with the provisions of Section 149(8) read with Schedule IV of the Act and Regulation 25(3) and 25(4) of the SEBI Listing Regulations, was convened on February 7, 2020, mainly to review the performance of Independent Directors and the Chairman & Managing Director as also the Board as a whole. All IDs were present at the said meeting.

- (i) **Board:** Composition, responsibilities, stakeholder value and responsibility, Board development, diversity, governance, leadership, directions, strategic input, etc.
- (ii) **Executive Directors:** Skill, knowledge, performance, compliances, ethical standards, risk mitigation, sustainability, strategy formulation and execution, financial planning & performance, managing human relations, appropriate succession plan, external relations including CSR, community involvement and image building, etc.
- (iii) **Independent Directors:** Participation, managing relationship, ethics and integrity, Objectivity, bringing independent judgement, time devotion, protecting interest of minority shareholders, domain knowledge contribution, etc.
- (iv) **Chairman:** Managing relationships, commitment, leadership effectiveness, promotion of training and development of directors etc.
- (v) **Committees:** Terms of reference, participation of members, responsibility delegated, functions and duties, objectives alignment with company strategy, composition of committee, committee meetings and procedures, management relations.

Performance evaluation was done on the scale of 1 to 5, 1 being very poor and 5 being outstanding. The outcome of performance evaluation is given below:

Categories	Rating (out of 5)
Board as a whole	4.85
Individual Directors	
Ms.Homai Ardeshir Darwalla	4.91
Mr. Prasad Kuchibhatla	4.89
Mr. Pillala Ramakrishna Rao	4.88
Mr. Sisir Kumar Appikatla	4.89
Mr. Ravi Kumar Korada	4.85
Audit Committee	5.00
Executive Committee: (Acquisitions &	4.88

Resolutions)	
Nomination & Remuneration Committee	4.94
Risk Management Committee:	3.76

6. Remuneration Policy:

The objectives of the remuneration policy are to motivate Directors to excel in their performance, recognize their contribution and retain talent in the organization and reward merit. The remuneration levels are governed by industry pattern, qualifications and experience of the Directors, responsibilities shouldered and individual performance.

A. Policy for Selection of Directors and Determining Directors' Independence:

1. Scope:

This policy sets out the guiding principles for the Nomination & Remuneration Committee for identifying persons who are qualified to become Directors and to determine the independence of Directors, in case of their appointment as independent Directors of the Company.

2. Terms and References:

2.1 "Director" means a director appointed to the Board of a Company.

2.2 "Nomination and Remuneration Committee means the committee constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.

2.3 "Independent Director" means a director referred to in sub-section (6) of Section 149 of the Companies Act, 2013.

Remuneration policy for Directors, key managerial personnel and other employees:

3. Scope:

3.1. This policy sets out the guiding principles for the Nomination and Remuneration committee for recommending to the Board the remuneration of the directors, key managerial personnel and other employees of the company.

4. Terms and Reference:

In this policy the following terms shall have the following meanings:

1.1 “Director” means a director appointed to the Board of the company.

1.2 “key managerial personnel” means the :

- i. Chief Executive Office or the managing director or the manager;
- ii. Company secretary;
- iii. Whole-time director;
- iv. Chief finance Officer; and
- v. Such other office as may be prescribed under the companies Act, 2013

B. Remuneration to Directors Paid During the Financial Year 2019-20 and Other Disclosures:

The Company does not have any Executive Director during the financial year. The Non-Executive Directors are paid remuneration by way of Sitting Fees. The Non-Executive Directors are paid sitting fees for each meeting of the Board and Committees attended by them.

Name of the Director	Salary (Rs)	Sitting fees(Rs)	Number of shares held	Service Contracts	Stock Option Details	Fixed Component	Performance Based Incentive
Ms.HomaiDaruwalla	-	2,20,000	-	-	-	-	-
Mr.PrasadKuchibhatla	-	2,40,000	-	-	-	-	-
Mr.Sisir Kumar Appikatla	-	-	33,11,360	-	-	-	-
Mr. Ravi Kumar Korada	-	-	33,11,360	-	-	-	-
Mr.Pillala Ramakrishna Rao	-	-	28,95,360	-	-	-	-

7. Information supplied to the board:

The Board has complete access to all information of the Company and is regularly provided advanced detailed information as a part of the agenda papers or is tabled therein. In addition, detailed quarterly performance report by the CEO is presented in the quarterly Board meeting, encompassing all facts of the Company’s operations

during the quarter, including update of key projects, outlook and matters relating to environment, health & safety, corporate social responsibility etc., The following information is provided to the Board as a part of the agenda papers:

- Annual and Quarterly financial statements for the Company and the Accounting Policy.
- Minutes of the meetings of the Audit Committee and other Committees of the Board.
- Annual business plan.
- Quarterly review of compliance status under various laws applicable to the Company.
- Related Party Transactions, if they are not at arm's length and in the ordinary course of business.
- All other matters required to be placed before the Board for its review / information / approval under the statutes, including RBI Act 1934.

**For and on behalf of the Board of Directors of
Meliora Asset Reconstruction Company Limited**

Date: 24.11.2020	Sd/- K. Ravi Kumar	Sd/- P.Ramakrishna Rao
Place: Vishakhapatnam	Director (DIN: 01672360)	Director (DIN: 02119513)

DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS:

The Board of Directors

M/s. Meliora Asset Reconstruction Company Limited

Dear Sir,

I undertake to comply with the conditions laid down under section 149 and Schedule IV of the Companies Act, 2013 in relation to conditions of independence and in particular:

- a. I declare that up to the date of this certificate, apart from receiving director's remuneration, I did not have any material pecuniary relationship or transactions with the Company, its promoters, its directors, senior management which may affect my independence as director on the Board of the Company. I further declare that I will not enter into any such relationship/transactions. However, if and when I intend to enter into such relationships/transactions, whether material or non-material I shall take prior approval of the Board. I agree that I shall cease to be an independent director from the date of entering into such relationship/transaction.
- b. I declare that I am not related to promoters or persons occupying management positions at the Board level or at one level below the board and also have not been executive of the Company in the immediately preceding three financial years.
- c. I was not a partner or an executive or was also not partner or executive during the preceding three years, of any of the following:
 - (i) the statutory audit firm or the internal audit firm that is associated with the Company and
 - (ii) the legal firm(s) and consulting firm(s) that have a material association with the company
- d. I have not been a material supplier, service provider or customer or lessor or lessee of the company, which may affect independence of the director, and was not a substantial shareholder of the Company i.e., owning two percent or more of the block of voting shares.

Thanking You,

Yours Faithfully,

Date: _____

Place: Mumbai

Ms Homai Daruwalla

(Independent Director)

DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS:

The Board of Directors

M/s. Meliora Asset Reconstruction Company Limited

Dear Sir,

I undertake to comply with the conditions laid down under section 149 and Schedule IV of the Companies Act, 2013 in relation to conditions of independence and in particular:

- a. I declare that up to the date of this certificate, apart from receiving director's remuneration, I did not have any material pecuniary relationship or transactions with the Company, its promoters, its directors, senior management which may affect my independence as director on the Board of the Company. I further declare that I will not enter into any such relationship/transactions. However, if and when I intend to enter into such relationships/transactions, whether material or non-material I shall take prior approval of the Board. I agree that I shall cease to be an independent director from the date of entering into such relationship/transaction.
- b. I declare that I am not related to promoters or persons occupying management positions at the Board level or at one level below the board and also have not been executive of the Company in the immediately preceding three financial years.
- c. I was not a partner or an executive or was also not partner or executive during the preceding three years, of any of the following:
 - (i) the statutory audit firm or the internal audit firm that is associated with the Company and
 - (ii) the legal firm(s) and consulting firm(s) that have a material association with the company
- d. I have not been a material supplier, service provider or customer or lessor or lessee of the company, which may affect independence of the director, and was not a substantial shareholder of the Company i.e., owning two percent or more of the block of voting shares.

Thanking You,

Yours Faithfully,

Date: _____

Place: Kolkata

Kuchibhatla Prasad

(Independent Director)