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BOARD OF DIRECTORS

ATUL K. NISHAR

CHAIRMAN

DR. K. K. ANAND

DIRECTOR

L. S. SARMA

DIRECTOR

A. P. KURIAN

DIRECTOR

P. G. KAKODKAR

DIRECTOR

DR. ALKA A. NISHAR

DIRECTOR

RUSI BRIJ

DIRECTOR

P. K. SRIDHARAN

EXECUTIVE DIRECTOR

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AUDITORS

M/s. Mahendra Kumbhat & Associates, Chartered Accountants

COMPANY SECRETARY

Naishadh Desai

BANKERS

ICICI Bank, IDBI Bank, Bank of India, HDFC Bank, Bank of America, Deutsche Bank

REGISTERED OFFICE

Elite Auto House, 54-A, Sir M. V. Road, Andheri (East), Mumbai - 400 093.

REGISTRARS AND TRANSFER AGENTS

Sharepro Services Unit: Hexaware Technologies Limited, 3rd floor,
Satam Estate, Cardinal Gracious Road, Andheri (East),
Mumbai - 400 099, Tel. No. 28329828/28215991,
Fax No. 28375646.



Notice

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of Hexaware Technologies Limited will be held on Monday, the 21 day of April, 2003 at Yashwantrao Chavan Pratishthan Mumbai, General Jagannath Bhosale Marg, Opp. Mantralaya, Nariman Point, Mumbai – 400 021 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at December 31, 2002 and the Audited Profit and Loss Account for the year ended on that date together with the Reports of the Board of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. L. S. Sarma, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. P. Kurian, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Mahendra Kumbhat & Associates, Chartered Accountants, be and are hereby re-appointed as the Statutory Auditors of the Company, including its branches, to hold office from the conclusion of this meeting upto the conclusion of next Annual General Meeting of the Company, and to examine and audit the accounts of the Company for the financial year 2003 on such remuneration as may be mutually agreed upon between the Board of Directors and the said Statutory Auditors plus service tax, out-of-pocket expenses, travelling and other expenses, in connection with the work of audit to be carried out by them."

SPECIAL BUSINESS:

5. **Commission to Non-Wholetime Directors**
To consider and, if thought fit, to pass with or

without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), a sum not exceeding 1% (one per cent) per annum of the net profits of the Company calculated in accordance with the provisions of Section 198, 349, 350 of the Act, be paid to and distributed amongst the Non-Wholetime Directors of the Company, in addition to sitting fees being paid to them for attending the meeting of the Board, to be divided amongst them in such manner as the Board of Directors of the Company may from time to time determine and deem fit and such payments shall be made in respect of the profits of the Company for each year".

By Order of the Board of Directors

Naishadh P. Desai

Company Secretary

Place : Mumbai

Date : February 17, 2003

Registered Office:

Elite Auto House, 54-A, Sir M. Vasanji Road, Andheri (East), Mumbai – 400 093.

NOTES:

1. The Explanatory Statements, pursuant to Section 173(2) of the Companies Act, 1956, are annexed and form part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

Members/Proxies should bring the enclosed



Attendance Slip duly filled in, for attending the Meeting.

3. All documents referred to in the Notice and Explanatory Statements are open for inspection at the Registered Office of the Company on all working days upto the date of the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 17 day of April, 2003 to Monday, the 21 day of April, 2003 (both days inclusive).
5. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31 December, 1996 and thereafter which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (EP Fund) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrants by writing to the office of the Registrar and Share Transfer Agent, M/s. Sharepro Services. Shareholders are requested to note that no claim shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of 7 years from the date that they first became due for payment and no payment shall be made in respect of any such claim.
6. Consequent upon introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual Shareholder(s) can avail of the facility of nomination. The nominee shall be a person in whom all rights of transfer and/or amount payable in respect of the shares shall vest in the event of the death of the shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination form. The facility of nomination

is not available to non-individual shareholders such as Bodies-Corporate, Kartas of Hindu Undivided Families, Partnership Firms, Societies, Trusts and holders of Power of Attorney. For further details please contact Company's Secretarial Department. Shareholders desirous of making nominations are requested to send their requests in FORM 2B (which will be made available on request) to the Registrar and Share Transfer Agent, M/s. Sharepro Services.

7. Members are requested to:
 - (a) intimate to the Company's Registrar & Share Transfer Agent, changes, if any, in their respective addresses along with pin code number at an early date.
 - (b) quote folio numbers in all their correspondence.
 - (c) consolidate holdings into one folio in case of multiplicity of folios with names in identical order.
8. Non-Resident Indian Shareholders are requested to inform the Company immediately:-
 - (a) the change in the Residential Status on return to India for permanent settlement ;
 - (b) the particulars of NRE Bank Account maintained in India with complete name and address of the Bank, if not furnished earlier.
9. Corporate members are requested to send a duly certified copy of the board resolution authorizing their representative to attend and vote at the Annual General Meeting.
10. Appointment/Re-appointment of Directors:
At the ensuing Annual General Meeting, Mr. L.S. Sarma and Mr. A.P. Kurian retire by rotation and being eligible offer themselves for re-appointment. The brief resume, experience and functional expertise and the membership on various Boards and Committees, of Directors proposed to be re-appointed at serial numbers 3 and 4, as required under clause 49 of the Listing Agreement are furnished below:



Name of the Director	Mr. L.S. Sarma	Mr. A.P. Kurian
Date of Birth	October 11, 1928	June 26, 1933
Date of Appointment	March 11, 2000	May 9, 2001
Experience in specific functional area	Expert in International Finance and Trade	Financial services over more than three decades
Qualification	Masters Degree in Commerce (First Class), CAIIB	Masters Degree in Economics and Statistics, First student from Kerala University to be the National Scholar and Research in Economics in the University of Kerala.
List of companies in which outside directorship	i) Granules India Ltd. ii) Gajara Bevel Gears Ltd. iii) Transamerica Apple Distribution Finance Ltd. iv) Flora Projects Consultancy Private Ltd.	i) National Stock Exchange of India Ltd. (NSDL) ii) Association of Mutual Funds in India (AMFI) iii) Zurich Trustee Company (India) vi) Muthoot Capital Services v) Geojit Securities Limited
Chairman/Members of the Committee of the Board of the companies on which he is Director	Nil	i) Executive Committee of National Securities Depository

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 5

Taking into account the increase in the Company's activities and the consequent increase in the responsibilities of the Non-Wholetime Directors, it is proposed in terms of Section 309 (4) of the Companies Act, 1956 ('the Act'), to pay the Non-Wholetime Directors of the Company commencing from 1 January, 2003, remuneration not exceeding 1% per annum of the net profits of the Company computed in accordance with the provisions of the Act. This remuneration will be distributed amongst all or some of the Non-Wholetime Directors in accordance with the directions given by the Board.

All the Directors of the Company except the Executive Director and Wholetime Directors may be considered to be concerned or interested in this Resolution to the

extent of the remuneration that may be received by them.

The Directors, therefore, recommend the passing of the Special Resolution contained in Item no. 5 of the accompanying notice.

By Order of the Board of Directors

Naishadh P. Desai

Company Secretary

Place : Mumbai

Date : February 17, 2003

Registered Office:

Elite Auto House, 54-A, Sir M. Vasanji Road, Andheri (East), Mumbai – 400 093.



Directors' Report

To

The Members of Hexaware Technologies Limited

Your Directors present their Tenth Annual Report on the business and operations of your Company together with the Audited Financial Results for the year ended 31 December 2002.

CONSOLIDATED RESULTS :

Rs. in million

Year ended 31 December	2002
Software and Consultancy	2,485.92
Other Income	5.95
Consolidated Revenue	2,491.87
Profit before Tax	6.50
Less : Provision for taxation	(15.73)
Net Profit After tax	22.23
Share of Profit in Associate	35.27
Profit after tax and Share of Profit in Associate	57.50

The Company recorded consolidated revenue (as per Indian GAAP) of Rs. 2,491.87 million in 2002 compared to Rs. 2,966.02 million in 2001. The revenue from software business grew 11.82 percent from Rs. 2,223.15 million in 2001 to Rs. 2,485.92 million in 2002. The Company reported a consolidated profit after tax of Rs. 57.50 million in 2002, which includes associate company profit of Rs. 35.27 million.

INDIA RESULTS :

The financial results for the current year 2002 are not comparable with the figures of previous year, as the previous year figures include the income and expenditure of the Training Division for the period January 1, 2001 to March 31, 2001.

Rs. in million

Year ended 31 December	2002	2001
Software and Consultancy	977.01	506.69
Training and Education	—	600.76
Other Income	21.91	64.91
Total Income from Operations	998.92	1,172.36
Profit before Depreciation & Tax	188.87	165.41
Less: Depreciation	114.47	149.17
Profit before taxation	74.40	16.24
Less : Provision for taxation	(0.35)	0.17
Net Profit after tax	74.75	16.07
Add : Balance b/f from previous year	130.35	120.96
Transfer on De-merger and		
Amalgamation as per the Scheme	—	111.52
Balance available for appropriation	205.10	248.55
Appropriation		
Provision for Investment/Loan in Subsidiary Companies	(14.79)	628.48)
Transfer to/(from) General Reserve	100.00	(510.00)
Proposed Dividend (includes Interim and Final Dividend on Preference Shares)	—	9.26
Tax on Dividends	—	0.94
Excess Provision for Dividend Tax in Previous Year	—	(10.48)
Balance c/f to Balance Sheet	119.89	130.36



The Company reported all-round growth in its India operations.

Software and consulting revenue increased 92.82 per cent from Rs. 506.69 million in 2001 to Rs. 977.01 million in 2002. Operating profit jumped by 14.18 per cent from Rs. 165.41 million in 2001 to Rs. 188.87 million in 2002.

Operating profit margin also hardened from 14.11 per cent in 2001 to 18.91 per cent in 2002 on account of the Company's focus on select verticals and technologies, a better contribution from offshore assignments, cost rationalisation and higher billing rates.

The success of the Company's Indian operations was also reflected in customer accretion and retention. In 2002, the Company acquired 28 new clients, strengthened its customer base to 70 and in doing so, reached out to 17 Fortune 500 organisations.

The index of dependability was reflected in the fact that customers with an annual billing of US\$ 1 million or more increased from four to ten. We would request readers to look under the Management Discussion and Analysis section of this annual report for information on strategically important projects executed by your Company during the year under review.

DIVIDEND :

Your Company sees significant growth opportunities in 2003 and will need to invest in creating new infrastructure and sales and marketing – hence to conserve resources, your Directors considered it prudent to not recommend any dividend on equity shares for the financial year 2002.

FRACTIONAL ENTITLEMENT :

During the year under review, "Aptech Limited – Shareholders Fractional Entitlement Trust" distributed Rs. 14,73,073 (Rupees fourteen lakh seventy three thousand seventy three only) to 23,984 fractional shareholders by selling 12,925 shares arising out of the Company's restructuring in 2001.

SHARE CAPITAL :

During the year, the paid-up Share Capital of your company increased from Rs. 220,982,920 to Rs. 221,128,280, comprising 14,536 equity shares of Rs. 10 each. This increase was a result of the exercise of 43,608 warrants by employees under Employee Stock Option Scheme-1999 issued by the erstwhile Hexaware Technologies of



Horizontals: In addition to the prudent selection of verticals, your Company judiciously selected to specialise in the Peoplesoft horizontal. The Company's Peoplesoft enterprise resource package solutions are being increasingly used to deliver financial, HR and CRM-centric solutions across select verticals. Your Company has developed a deep expertise in this segment: by the virtue of having worked directly with Peoplesoft on various consulting projects in service sector verticals across a number of years, your Company has emerged as one of the few Indian companies with vast implementation and support experience, as a result of which it emerged as 'The Preferred Alliance Partner' for the international giant.

New initiatives: Following a close study of global trends, your Company sees an attractive opportunity in the delivery of focused HR solutions, system architecture and design, software testing and business process outsourcing (BPO). These initiatives have been detailed in the Management Discussion and Analysis section of the annual report.

PROSPECTS :

Your company believes that for success to be sustainable, it must evolve a one-off customer transaction into an extended relationship. Such assignments will not only enable a better coverage of marketing expenses, but will enable your Company to comprehend the business of its customers with a greater depth, deliver more effective solutions and emerge as a strategic partner, leading to a sustainable quality revenue stream.

The result of this business strategy is reflected in your Company's order book: The strong order book will enable your Company to plan its asset and people investments with a greater accuracy over the future.

The heartening point is that this volume of business was generated in line with the Company's geographic focus: it acquired two major multi-year, multi-million dollar projects from prestigious clients in Germany. These assignments are expected to entrench your Company as a leading IT solutions provider in the largest IT spender in Europe and the third largest IT spending country in the world.

Your Company is not only a leading IT solutions provider to the service sector, but has also emerged as one of the most preferred offshore Peoplesoft service providers in the world. Your Company expects to reach out to a wider client spread and enlarge the size of solutions to enhance shareholder value.

QUALITY :

In support of continuous improvement and a competitive position in the marketplace, your Company committed to a software process improvement initiative. This initiative was based upon the SEI's CMM in 1998. As a result, your Company was assessed at the SEI-CMM level 5, the highest level of quality certification in the IT industry in December 2000. Your Company, ISO 9001-certified since 1995, was re-certified across all its development centers against the ISO 9001:2000 and TickIT standards by Det Norske Veritas (DNV) in June 2002.

Your Company has achieved these milestones through the continuous identification of improvement opportunities through the implementation of documented processes, using the results for planning and executing process improvement initiatives in a systematic and disciplined manner.

Organisation wide metrics, defect prevention and automation programmes were implemented to achieve the quality goal. As part of this initiative your Company went through a number of process improvement cycles that addressed all relevant areas of operations.

In the pursuit of these international quality benchmarks, your Company's members were exposed to the world's best quality processes, which translated into a better performance and a consequent increase in the customer's confidence.

To further enhance quality delivery, your Company used the services of the testing group at the pre-delivery stage. It also employed the services of the architecture and design teams to review the quality of the on-going projects.

After attaining the highest certification levels, your Company now is in the process of aligning its practices with PCMM standards and expects to be assessed for the certification by end of 2003.

Your Company is also aligning its existing processes with the BS7799 standard, which represents an auditable standard for information security. An assessment for this certification is expected to take place by the end of current fiscal. Only four other IT companies have undertaken this initiative in India.

HUMAN RESOURCE MANAGEMENT :

Your Company recognises that people represent its principal asset.

To attract and retain people, Hexaware provides a judicious combination of attractive career-personal



growth and a lucrative performance-based compensation structure. The latter comprised a performance-based ESOP 2002 (for details please refer to ESOP 2002, mentioned elsewhere in this report), which is expected to strengthen a sense of ownership among employees.

Your Company continued to enhance the quality of its people skills. Technical and non-technical training (soft and managerial skills) continued to receive priority as the company invested 75 hours per person in training in 2002.

The mix of these initiatives helped the Company retain its people skills more effectively: for instance, your Company's attrition rate of 12.5% was considerably lower than the industry average. Besides, there was a successful integration of merged entities, a detailed performance appraisal system was created with a greater insight into individual capability and performance. A corporate portal (N Power) and newsletters were used to facilitate an effective internal knowledge transfer. An independent team called 'Hexacare' was created in December 2002 to address employee concerns within a time frame and create a better work environment.

Your Company expects to emerge a preferred IT Company to work through the alignment of business processes and practices to the PCMM, the internal implementation of the Peoplesoft HRMS module and a focused communication exercise.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS :

Your Company seeks to benchmark itself with the best-of-breed global Corporate Governance practices. A separate report on the Corporate Governance and Management Discussion and Analysis has been attached as a part of this annual report. The relevant Auditors' Certificate has also been annexed.

DIRECTORS' RESPONSIBILITY STATEMENT :

As required under Section 217(2AA) of the Companies Act, 1956, your Directors of the Company hereby state and confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) 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 or loss of the Company for that period;

- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

EMPLOYEE STOCK OPTION PLAN (ESOP) :

- i) 2,20,000 Warrants allotted under ESOP Scheme 1999, entitle the holder to get allotted one Equity share of Rs. 10/- each in the Company at a price of Rs. 490/- per Equity share between one to ten years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Warrant holder is exercised.
- ii) 36,00,000 Warrants granted under ESOP Scheme 1999 of the erstwhile Hexaware Technologies Limited, entitles the holder to get allotted one third Equity share of Rs.10/- each in the Company at a price of Rs. 45/- per equity share between one to ten years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Warrant holder is exercised.
- iii) 22,09,829 Options granted under the ESOP Scheme 2002, entitles the holder to get allotted one Equity share of Rs. 10/- each in the Company at a price of Rs. 45/- per Equity share between one to seven years from the date of allotment and any proportionate bonus entitlement for any bonus shares issued before the right to be entitled to a share by a Option holder is exercised.

FIXED DEPOSITS :

During the year under review, your Company did not accept or invite any deposits from the public.

DIRECTORS :

In accordance with the Articles of Association of the Company, Mr. L. S. Sarma and Mr. A. P. Kurian retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS' QUALIFICATION :

During the year under review, regarding change in Accounting Policy in respect of revenue recognition, due to which the profit and reserves and surplus are



higher by Rs. 4,96,387/-. With reference to the qualification in the Auditors' Report, your Directors would like to clarify that based on the best industry practice, your Company has adopted the prudent accounting policy of revenue recognition. The impact of change in Accounting Policy of recognising revenue under fixed price contract "from achievement of the milestone method to percentage of completion method" the revenue of the Company is increased by Rs. 18,39,600/- and the net profit of the Company is higher by Rs. 4,96,387/-.

MANAGERIAL REMUNERATION :

During 2002, the managerial remuneration paid to Mr. P. K. Sridharan – Executive Director was Rs. 31,34,565 (Rupees thirty one lakh thirty four thousand five hundred sixty five only).

INSURANCE :

All the properties of the Company were adequately insured.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

The information relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo required under Section 217(1)(e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to and forms part of this Report.

SUBSIDIARIES :

Hexaware Technologies Inc., USA: During the year under review, Aptech Worldwide Inc., USA merged with Hexaware Technologies Inc., USA effective from 31 January, 2002. During the year under review, the revenue of the Company was Rs. 1397.19 million against Rs. 1214.13 million in the previous year and the profit was Rs. 0.32 million against a loss of Rs. 113.81 million during the previous year. In view of the merger, the current year figures are not comparable with that of the previous year.

Specsoft Consulting Inc., USA: During the year under review, the revenue of the Company was US\$ 4.81 million for 2002 against US\$ 7.28 million in the previous year and loss for the year was US\$ 0.38 million against US\$ 0.22 million during the previous year.

Hexaware Technologies GmbH, Germany: During the year under review, the revenue of the Company was Rs. 290.64 million against Rs. 60.53 million and profit for the year was Rs. 1.42 million against a loss of Rs. 1.83 million during the previous year.

Hexaware Technologies Europe Limited, UK:

During the year under review, the revenue of the Company was GBP 1.92 million against GBP 1.34 million in the previous year and loss for the year was GBP 0.08 million against a loss of GBP 1.69 million during the previous year.

HTI Europe Limited, UK (formerly Aptech Worldwide Europe Limited):

During the year under review, the revenue of the Company was GBP 0.39 million against GBP 0.91 million and loss for the year was GBP 0.29 million against a loss of GBP 0.31 million during the previous year.

The Company has initiated the merger of HTI Europe Limited, UK (formerly Aptech Worldwide Europe Limited) and Hexaware Technologies Europe Limited, UK, which is expected to be completed shortly.

Hexaware Technologies Asia Pacific Pte Limited, Singapore (formerly known as Aptech Worldwide Pte Limited):

During the year under review, the revenue of the Company was S\$ 2.34 million against S\$ 2.45 million in the previous year and profit for the year was S\$ 0.005 million as against S\$ 0.05 million during the previous year.

Hexaware Technologies Canada Limited, Canada:

During the year under review, your Company opened Hexaware Technologies Canada Limited, a wholly-owned subsidiary, with effect from 2 October, 2002. This being the first year, the company has yet to commence business. The Company incurred a loss of Rs. 0.29 million towards incorporation expenses.

CLOSURE OF SUBSIDIARIES :

Your Company had set up subsidiaries in the name of Aptech Technologies Pty. Limited, Aptech Worldwide (Australia) Pty Limited and BconnectB Worldwide Limited as a part of its earlier marketing strategy. Following restructuring, the Company is able to market its services directly and proposed to close the subsidiaries. Accordingly, Aptech Worldwide (Australia) Pty Limited has been closed. Your Company has made an application to the Reserve Bank of India to close its subsidiary in Australia namely Aptech Technologies Pty. Limited for which approval is awaited, while the holding of its subsidiary in India namely BconnectB Worldwide Limited was sold during the year.

As required under Section 212 of the Companies Act, 1956, the Balance Sheets, Profit and Loss Accounts, Directors' Reports and Auditors' Report on the Accounts (as applicable under the relevant Laws of the Countries of Incorporation) of the subsidiaries are annexed together with the Statement of Subsidiary Companies, to this report.