

# FINANCIAL STATEMENTS



## **HFCL Inc.** **Financial Statements**

**For the Years Ended March 31, 2024 and March 31, 2023**  
**(Along with Report of Independent Auditor)**

**Rakesh Jain, CPA PC**  
Certified Public Accountant  
10301 Northwest Freeway, Suite 314,  
Houston, TX 77092, USA  
Phone :( 832)-397-6270  
Fax: (832)-634-3850  
Web: [www.jaincpaus.com](http://www.jaincpaus.com)

# **HFCL Inc.**

## **Financial Statements**

**For the Years Ended March 31, 2024 and March 31, 2023**

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**RAKESH JAIN, CPA PC**

Certified Public Accountant

Phone: +1 (800) 250-8596 | Fax: +1 (832) 634-3850

Email: [info@jaincpa.org](mailto:info@jaincpa.org) | Website: [www.jaincpaus.com](http://www.jaincpaus.com)

Office Location: 10301 Northwest Freeway, Suite 314, Houston, TX 77092, USA



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**INDEPENDENT AUDITOR'S REPORT**

To,  
Board of Directors,  
HFCL Inc.  
Texas, USA

**OPINION**

We have audited the accompanying financial statements of HFCL Inc. ("the Company"), which comprise the balance sheets as of March 31, 2024 and March 31, 2023, the related statement of operations, statement of changes in shareholders' equity, and statement of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HFCL Inc. as of March 31, 2024 and March 31, 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**BASIS FOR OPINION**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HFCL Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HFCL Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment

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Office Location: 10301 Northwest Freeway, Suite 314, Houston, TX 77092, USA

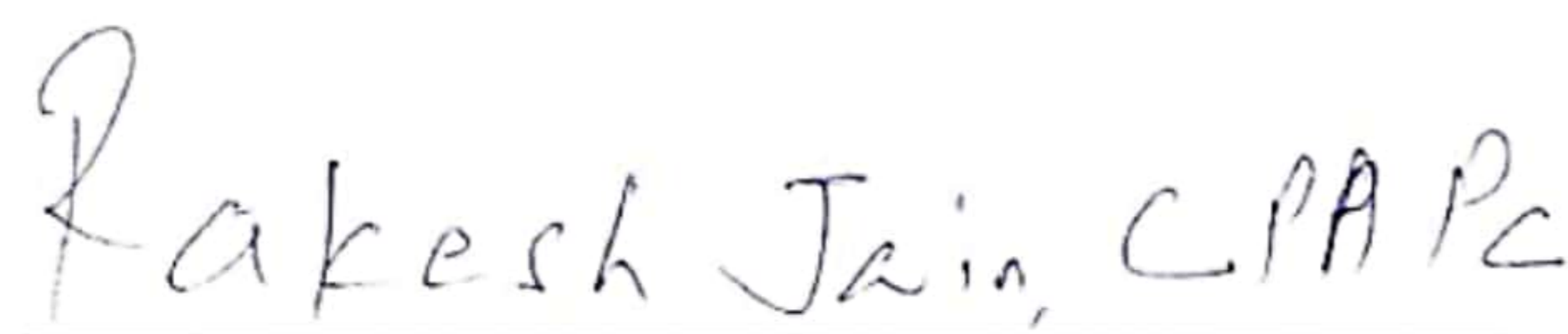


made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HFCL Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HFCL Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



For Rakesh Jain, CPA PC

Rakesh Jain

Certified Public Accountant

Place: Houston, TX

Date: April 24, 2024

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# **FINANCIAL STATEMENTS**

HFCL Inc.  
**Balance Sheet**  
As of March 31, 2024 and March 31, 2023

Particulars	As of March 31, 2024	As of March 31, 2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 70,285	\$ 27,861
Other Current Assets	222,796	53,997
Invenotry	2,019,169	-
<b>Total Current Assets</b>	<b>2,312,250</b>	<b>81,858</b>
<b>Non-Current Asset</b>		
Deferred Tax Asset	59,520	-
<b>Total Non-Current Assets</b>	<b>59,520</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 2,371,770</b>	<b>\$ 81,858</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 2,033,089	\$ -
Accrued Expenses	490,400	250
Other Current Liabilities	24,437	16,413
Provision for Income Tax	-	13,691
<b>Total Current Liabilities</b>	<b>2,547,926</b>	<b>30,354</b>
<b>Total Liabilities</b>	<b>2,547,926</b>	<b>30,354</b>
<b>Shareholders' Equity</b>		
Equity	1	1
Retained Earnings	51,503	8,379
Net Income/(Loss)	(227,660)	43,124
<b>Total Shareholders' Equity</b>	<b>(176,156)</b>	<b>51,504</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 2,371,770</b>	<b>\$ 81,858</b>

See accompanying notes to financial statements.

HFCL Inc.  
**Statement of Income from Operations**  
**For the Year Ended March 31, 2024 and March 31, 2023**

Particulars	For the Year Ended March 31, 2024	For the Period Ended March 31, 2023
Revenue	\$ 1,149,000	\$ 414,000
Cost of Sales	-	-
<b>Gross Profit</b>	<b>1,149,000</b>	<b>414,000</b>
<b>Selling, General and Administrative Expenses</b>		
Selling, General and Administrative Expenses	704,201	46,794
Employee Benefit Expenses	731,174	312,058
Finance Charges	633	561
<b>Total Selling, General and Administrative Expenses</b>	<b>1,436,008</b>	<b>359,413</b>
<b>Income Before Income Taxes</b>	<b>(287,008)</b>	<b>54,587</b>
<b>Income Taxes</b>		
Provision for Income Tax-Federal	-	11,463
Prior year Income Tax Expense	172	-
Deferred Tax (Benefit) / Expense	(59,520)	-
<b>Total Income Taxes</b>	<b>(59,348)</b>	<b>11,463</b>
<b>Net Income/(Loss)</b>	<b>\$ (227,660)</b>	<b>\$ 43,124</b>

*See accompanying notes to financial statements.*



**HFCL Inc.**  
**Statement of Changes in Shareholders' Equity**  
**For the Year Ended March 31, 2024 and March 31, 2023**

<b>Particulars</b>	<b>Shareholders' Equity</b>	<b>Net Income</b>	<b>Retained Earnings</b>	<b>Total Accumulated Surplus / (Deficit)</b>
<b>Balances as of March 31, 2022</b>	<b>\$ 1</b>	<b>\$ 8,379</b>	<b>\$ -</b>	<b>\$ 8,380</b>
Capital Stock	-	-	-	-
Transfer of Previous Period Net Income to Retained Earnings	-	(8,379)	8,379	-
Net Income/(Loss) for the Period ended March 31, 2023	-	43,124	-	43,124
<b>Balances as of March 31, 2023</b>	<b>\$ 1</b>	<b>\$ 43,124</b>	<b>\$ 8,379</b>	<b>\$ 51,504</b>
Transfer of Previous Period Net Income to Retained Earnings	-	(43,124)	43,124	-
Net Income/(Loss) for the Year Ended March 31, 2024	-	(227,660)	-	(227,660)
<b>Balances as of March 31, 2024</b>	<b>\$ 1</b>	<b>\$ (227,660)</b>	<b>\$ 51,503</b>	<b>\$ (176,156)</b>

See accompanying notes to financial statements.

HFCL Inc.  
**Statement of Cash Flows**  
For the Year Ended March 31, 2024 and March 31, 2023

Particulars	For the Year Ended March 31, 2024	For the Period Ended March 31, 2023
<b>Cash Flows From Operating Activities</b>		
Net Income	\$ (227,660)	\$ 43,124
<b>Adjustments to Reconcile Net Income to Net Cash used in Operating Activities</b>		
Deferred Tax (Benefit)/Expense	(59,520)	
<b>Changes in Operating Assets and Liabilities</b>		
Other Current Assets	(168,800)	(43,701)
Inventory	(2,019,169)	-
Accounts Payable	2,033,089	-
Accrued Expenses	490,150	(10,779)
Other Current Liabilities	8,024	13,382
Provision for Income Tax	(13,690)	11,463
<b>Net Cash Provided/(Used) By Operating Activities</b>	<b>42,424</b>	<b>13,489</b>
<b>Cash Flows From Investing Activities</b>		
Tangible Fixed Assets (Gross)	-	-
<b>Net Cash Provided/(Used) By Investing Activities</b>	<b>-</b>	<b>-</b>
<b>Cash Flows From Financing Activities</b>		
Introduction of Capital Stock	-	1
<b>Net Cash Provided/(Used) By Financing Activities</b>	<b>-</b>	<b>1</b>
Net Increase (Decrease) in Cash and Cash Equivalents	42,424	13,490
Cash and Cash Equivalents at Beginning of the Period	27,861	14,371
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>\$ 70,285</b>	<b>\$ 27,861</b>

*See accompanying notes to financial statements.*

## **Note 1 - Organization and Operations**

HFCL Inc. (the "Company") is a for-profit domestic corporation incorporated on October 08, 2021, under the state laws of Texas. HFCL Inc. is engaged in the business of providing technical expertise related to Optical Fiber, Telecom and Networking Products and other allied activities. The services include technical expertise w.r.t product introduction, capacity expansion, process development, technology platform development, etc.

HFCL Inc. is a wholly owned subsidiary of HFCL Limited, an Indian Registered Company.

## **Note 2 – Basis of Preparation**

### **2.1 Financial Statements Presentation**

HFCL Inc.'s financial records have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The following notes describe the significant accounting policies.

### **2.2 Comparative Financial Statements**

The financial statements presented along with auditor's audit report are in the comparative form.

## **Note 3 - Significant Accounting Policies**

### **3.1 Use of Estimates**

The preparation of financial statements is in conformity with US GAAP, which requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future periods if the revision affects both current and future years.

### **3.2 Revenue Recognition**

Revenue is recognized when the following conditions are satisfied:-

1. The Company has substantially fulfilled its obligation to render services as per the terms of the contract if any.
2. The amount of revenue can be measured reliably.
3. It is probable that the economic benefits associated with the transaction will flow to the company; and,
4. The costs incurred, or to be incurred in respect of the transaction, can be measured reliably.

### **3.3 Going Concern**

The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company engages in business activities that involve various risks, and future success is dependent upon several factors including, among others, generating sufficient revenues, the market demand, and price for the Company's services, and the availability of the required working

capital. The working capital of the company was negative amounting to (\$235,675) as of March 31, 2024, which was \$51,504 as of March 31, 2023. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

The shareholder of the company, HFCL Limited, the holding company had given the consent to provide the necessary funds whenever required to the Company to mitigate the risk of Going Concern in a foreseeable future.

### 3.4 Cash and Cash Equivalents

The Company defines cash equivalents as short-term, highly liquid investments readily convertible to cash with original maturities of three months or less. The Company did not hold any cash equivalents as of March 31, 2024. The Company maintained cash balances in one financial banking institution in the United States of America as of March 31, 2024. To date, the Company has not experienced any losses in such accounts. All the accounts are insured by the Federal Deposit Insurance Corporation on aggregate balances up to \$250,000.

### 3.5 Accounts Receivable

Trade accounts receivable represents amounts owed to the Company which are expected to be collected within the next twelve months. Accounts receivables are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Since all the sales proceeds have been duly received, there are no accounts receivables in the current year. (Previous Year - \$ NIL).

### 3.6 Inventory

Inventories consist of Optical Cables and PP Tube and others used in the operations and are valued at the lower of cost or market using the specific Identification method. Costs consist of price paid for the inventory plus costs incurred in bringing the products to present locations.

Inventory Consisted of the following as of March 31, 2024 and March 31, 2024:

Particulars	As of March 31, 2024	As of March 31, 2023
Stock – Finished Goods	\$ 2,019,169	\$ -
<b>Total</b>	<b>\$ 2,019,169</b>	<b>\$ -</b>

### 3.7 Fair Value Considerations

The Company uses fair value to measure certain financial and non-financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs -Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs -Level 3).

The fair value option allows entities to choose at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting years must be recognized in current earnings. HFCL Inc. did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Company's financial instruments (primarily cash and cash equivalents) are carried in the accompanying statement of financial position at amounts, which reasonably approximate fair value.

### 3.8 Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to confirm to the current year presentation. These reclassifications had no effect on previously reported results of operations.

### Note 4 - Income Taxes:

#### State Income Tax

The company is incorporated in Texas where the state income tax is not applicable, accordingly no provision for state income tax has been needed.

#### Federal Income Tax

The company is a C corporation for tax purposes, filing Form 1120 annually. Profits are not being passed through to owners; hence tax is paid at the company's level. Accordingly, a provision for federal income tax has been made @ 21% for the year ended March 31, 2024.

Particulars	As of March 31, 2024	As of March 31, 2023
Provision for Income Tax(Federal)	\$ -	\$ 13,691
<b>Total</b>	<b>\$ -</b>	<b>\$ 13,691</b>

The expense / (benefit) for income taxes for the year ended March 31, 2024 and March 31, 2023 is as follows:

Particulars	For the Year Ended March 31, 2024	For the Year Ended March 31, 2023
Federal Income tax	\$ -	\$ 11,463
<b>Total</b>	<b>\$ -</b>	<b>\$ 11,463</b>

The deferred tax asset and liability balances are primarily a result of the differences in net book value of depreciable and amortizable assets. Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors including the Company's ability to generate taxable income. Management believes that at a minimum, it is more likely than not that future taxable income will be sufficient to realize the recorded assets.

During the year deferred tax has been calculated as follows:

Particulars	For the Year Ended March 31, 2024	For the Year Ended March 31, 2023
Deferred Tax (Benefit)/ Expense	\$ (59,520)	\$ -

Particulars	As of March 31, 2024	As of March 31, 2023
Deferred Tax Asset	\$ 59,520	\$ -

#### Note 5 – Inter Company, Related Party and Affiliates Disclosure Information

A related party transaction is a transaction which takes place between two parties and between the company and its affiliates / related party through relative of the member who owns the Company and by having the common or significant control/interest.

During the year ended March 31, 2024, the company identified the following as its related party balances and transactions :

#### Intercompany Balances as of March 31, 2024

Related party	Transaction Type	Amount
HFCL Limited	Accounts Payable	\$ 784,194
HTL Limited	Accounts Payable	1,234,974

#### Inter Company Transactions for the year ended March 31, 2024

Related party	Transaction Type	Amount
HFCL Limited	Professional income	\$ 1,149,000

#### Note 6: Contingencies & Lawsuits

There were no contingencies or lawsuits pending as of March 31, 2024 (Previous Year - \$ NIL)

#### Note 7 – Retirement Plan - 401 (K) Plan

The Company sponsors a 401(k) plan for all employees. Eligible employees may contribute part of their wages, before taxes in the said plan, corresponding contribution towards the same is also made by the employer. The company contributed \$21,501 and \$11,595 for the year ended March 31, 2024 and Year ended March 31, 2023, respectively towards the said plan.

#### Note 8: Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Company recognizes the effects of subsequent events that provide additional information about conditions that existed at the date of the statement of financial positions. Management has evaluated events occurring between the end of its fiscal year, March 31, 2024 and April 24, 2024, the date the financial statements were available to be issued for matters that would require disclosure or adjustments to the financial statements. No events have occurred subsequent to March 31, 2024 that requires recording or disclosure in the financial statements.