

FINANCIAL STATEMENTS



HFCL Inc. Financial Statements

For the Years Ended March 31, 2025 & March 31, 2024

(Along with Report of Independent Auditor)

Rakesh Jain, CPA PC

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HFCL Inc.

Financial Statements

For the Years Ended March 31, 2025 & March 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To,
The Board of Directors,
HFCL Inc.
10301, Northwest Freeway
Suite 314, Houston,
Texas, USA

OPINION

We have audited the accompanying financial statements of HFCL Inc. ("the Company"), which comprise the balance sheet as of March 31, 2025 and March 31, 2024, the related statement of income from operations, statement of changes in shareholders' equity, and statement of cash flows for the years 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 years ended March 31, 2025 and March 31, 2024, and the results of its operations and its cash flows for the year 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

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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 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.

Rakesh Jain, CPA PC

For Rakesh Jain, CPA PC

Rakesh Jain

Certified Public Accountant

Place: Houston, TX

Date: May 06, 2025

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FINANCIAL STATEMENTS

HFCL Inc.
Balance Sheet
As of March 31, 2025 and March 31, 2024

Particulars	As of March 31, 2025	As of March 31, 2024
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,061,540	\$ 70,285
Accounts Receivables	3,450,740	-
Intercompany Receivables	25,770	-
Inventories	3,400,948	2,019,169
Other Current Assets	8,974	211,444
Total Current Assets	7,947,972	2,300,898
Non-Current Assets		
Security Deposits	3,589	3,589
Deferred Tax Assets	26,932	59,520
Other Non-Current Assets	301,089	7,763
Total Non-Current Assets	331,610	70,872
Total Assets	8,279,582	2,371,770
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	7,642,751	2,033,089
Provision for Expenses	31,773	490,400
Other Current Liabilities	167,235	24,437
Loan Payable	448,133	-
Provision for Income Tax	15,009	-
Total Current Liabilities	8,304,901	2,547,926
Total Liabilities	8,304,901	2,547,926
Shareholder's Equity		
Equity	1	1
Retained Earnings	(176,157)	51,503
Net Income/(Loss)	150,837	(227,660)
Total Shareholder's Equity	(25,319)	(176,156)
Total Liabilities and Shareholder's Equity	\$ 8,279,582	\$ 2,371,770

See accompanying notes to financial statements.

HFCL Inc.
Statement of Income from Operations
For the Year ended March 31, 2025 and March 31, 2024

Particulars	For the Year Ended March 31, 2025	For the Year Ended March 31, 2024
Revenue	\$ 6,621,648	\$ 1,149,000
Cost of Sales	5,098,500	-
Gross Profit	1,523,148	1,149,000
Selling, General and Administrative Expenses		
Selling, General and Administrative Expenses	448,326	704,201
Employee Benefit Expenses[include 401(K) \$18,803 and \$21,501) as of March 31, 2025 and March 31, 2024 respectively	844,052	731,174
Finance Charges	897	633
Interest Expense	35,795	-
Taxes and Duties	3,638	-
Total Selling, General and Administrative Expenses	1,332,708	1,436,008
Other Expense/(Income)		
Other Expense	1,637	-
Other Income	(9,631)	-
Total Other Expense/(Income)	(7,994)	-
Income/(Loss) Before Income Taxes	198,434	(287,008)
Income Taxes		
Federal Income Tax	10,069	-
State Income Tax	4,940	-
Prior year Income Tax Expense	-	172
Deferred Tax (Benefit) / Expense	32,588	(59,520)
Total Income Tax Expense/(Benefit)	47,597	(59,348)
Net Income/(Loss)	\$ 150,837	(227,660)

See accompanying notes to financial statements.

HFCL Inc.
Statement of Changes in Shareholder's Equity
As of March 31, 2025 and March 31, 2024

Particulars	Shareholder's Equity	Net Income	Retained Earnings	Total Accumulated Surplus / (Deficit)
Balance at the beginning of the Year	\$	1	\$	\$ 51,504
Capital Stock	-	43,124	-	-
Transfer of Previous Year Net Income to Retained Earnings	-	(43,124)	43,124	-
Net Income/(Loss) for the Year Ended March 31, 2024	-	(227,660)	-	(227,660)
Balances as of March 31, 2024	\$	(227,660)	51,503	(176,156)
Transfer of Previous Year Net Income to Retained Earnings	-	227,660	(227,660)	-
Net Income/(Loss) for the Year Ended March 31, 2025	-	150,837	-	150,837
Balances as of March 31, 2025	\$	150,837	(176,157)	(25,319)

See accompanying notes to financial statements.

HFCL Inc.

Statement of Cash Flows

For the Year ended March 31, 2025 and Year ended March 31, 2024

Particulars	For the Year Ended March 31, 2025	For the Year Ended March 31, 2024
Cash Flows From Operating Activities		
Net Income	\$ 150,837	\$ (227,660)
Adjustments to Reconcile Net Income to Net Cash used in Operating Activities		
Deferred Tax (Benefit)/Expense	32,588	(59,520)
Provision for Income tax	15,009	-
Changes in Operating Assets and Liabilities		
Increase/(Decrease) in Other Current Assets	202,471	(168,800)
Increase/(Decrease) in Accounts Receivable	(3,450,740)	-
Increase/(Decrease) in Advance to Vendors	(25,770)	-
Increase/(Decrease) in Inventories	(1,381,780)	(2,019,169)
Increase/(Decrease) in Accounts Payable	5,609,662	2,033,089
Increase/(Decrease) in Accrued Expenses	(458,628)	490,150
Increase/(Decrease) in Other Current Liabilities	142,799	8,024
Increase/(Decrease) in Loan Payable	448,133	-
Increase/(Decrease) in Other Non- Current Assets	(293,326)	(13,690)
Net Cash Provided/(Used) By Operating Activities	991,255	42,424
Cash Flows From Investing Activities		
Proceeds from sale of fixed assets	-	-
Net Cash Provided/(Used) By Investing Activities	-	-
Cash Flows From Financing Activities		
Introduction of Capital Stock	-	-
Net Cash Provided/(Used) By Financing Activities	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents	991,255	42,424
Cash and Cash Equivalents at the Beginning of the Year	70,285	27,861
Cash and Cash Equivalents at the End of the Year	\$ 1,061,540	\$ 70,285

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 involved in delivering next-generation technology products and solutions related to Optical Fiber, Telecom and Networking Products and other allied activities. They also provide services including 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

Current year' financial statements are presented alongside the comparative financial statements for the fiscal year ending March 31, 2024.

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 period. 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 years if the revision affects both current period 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 and deliver goods 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 and the net worth of the company as of March 31, 2025 amounting to \$(356,929) and \$(25,319) respectively, which was \$(247,028) and \$(176,156) respectively as of March 31, 2024. The financial statements do not include any adjustments that might be necessary should the Company be able 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, 2025. The Company maintained cash balances in two financial banking institutions one in the United States of America and the other in India as of March 31, 2025. 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.

The total accounts receivables are as follows:

Particulars	As of March 31, 2025	As of March 31, 2024
Accounts Receivable	\$ 3,450,740	\$ -
Total	\$ 3,450,740	\$ -

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. FIFO is used for inventory management.

Inventory Consisted of the following as of March 31, 2025 and March 31, 2024:

Particulars	As of March 31, 2025	As of March 31, 2024
Stock – Finished Goods	\$ 2,190,199	\$ 2,019,169
Stock – Goods In Transit	\$ 1,210,749	\$ -
Total	\$ 3,400,948	\$ 2,019,169

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.

Note 4 – Loan

The company obtained a loan amounting to USD 1 million from Media Matrix that carries an interest @ 8.5% per annum. The company receives the payment of \$518,890 on April 26, 2024 and out of which the company has repaid \$70,757 on May 13, 2024 and outstanding balance of \$448,133 as of March 31, 2025.

As per the terms of the loan agreement, the borrower undertakes to repay the amount on or before March 31, 2025 or such other date as may be mutually agreed by the parties. In case of default in payment of principal and interest on their due date, the Borrower shall pay on the defaulted amounts, further interest @1% p.a for the period of default, compounded monthly.

Both the parties are mutually agree to extend the date to repay the entire principal amount and interest thereon on or before April 30, 2026.

Note 5 - Income Taxes:

State Taxes

The corporation is incorporated in Texas and registered as foreign entity in Alabama, California, Georgia, and Pennsylvania. The provision for state taxes has been calculated on an estimated basis and is subject to finalization of final federal and state income tax returns. The company will account for the relevant adjustments in the financial year in which such federal and state income tax returns are filed before the statutory authorities.

Particulars	As of March 31, 2025	As of March 31, 2024
Alabama Income Tax	\$ 350	\$ -
Georgia Income Tax	29	-
Illinois Income Tax	107	-
Iowa Income Tax	582	-
Oklahoma Income Tax	1	-
South Carolina Income Tax	2,185	-
Wisconsin Income Tax	1,686	-
Total Provision for State Income Tax	\$ 4,940	\$ -

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. The company gained profit and on which the provision was created as follows-

Particulars	As of March 31, 2025	As of March 31, 2024
Provision for Income Tax	\$ 15,009	\$ -
Total	\$ 15,009	\$ -

Income Tax Expense

Particulars	For the year ended March 31, 2025	For the Year ended March 31, 2024
Federal Income Tax	\$ 10,069	\$ -
State Income Tax	4,940	-
Total	\$ 15,009	\$ -

The deferred tax asset and liabilities 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, 2025	For the Year Ended March 31, 2024
Deferred Tax (Benefit)/Expense	\$ 32,588	\$ (59,520)
Total Deferred Tax (Benefit)/Expense	\$ 32,588	\$ (59,520)

Particulars	As of March 31, 2025	As of March 31, 2024
Deferred Tax Asset	\$ 26,932	\$ 59,520
Total Deferred Tax Asset	\$ 26,932	\$ 59,520

Franchise Tax Provision

Texas Franchise Tax Provision	\$ 2,570	-
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Note 6 - 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 7 – 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, 2025, the company identified the following as its related party balances and transactions:

Intercompany Balances as of March 31, 2025

Related Party	Transaction Type	Amount
HFCL Limited	Accounts Receivables	\$ 120,000
HFCL BV	Receivables	9,186
HFCL Canada Inc.	Receivables	16,584
HFCL Limited	Accounts Payable	5,542,802
HTL Limited	Accounts Payable	\$ 1,565,422

Intercompany Transactions for the Year ended March 31, 2025 are as follows -

Related party	Transaction Type	Amount
HFCL Limited	Professional income	\$ 1,115,000
HTL Limited	Purchases	\$ 630,447

Note 8 - Contingencies & Lawsuits

There were no contingencies or lawsuits pending as of March 31, 2025 and March 31, 2024.

Note 9 - 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 \$18,803 and \$21,501 for the Years ended March 31, 2025 & March 31, 2024, respectively towards the said plan.

Note 10 - 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 Years ended March 31, 2025 and May 06, 2025, 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, 2025 that requires recording or disclosure in the financial statements.