ICICI Securities Holdings Inc

ICICI SECURITIES HOLDINGS, INC.

20TH ANNUAL REPORT AND ACCOUNTS 2019-2020

Directors
Sandeep Goel *(Chairman)*
Warren Law
Bishen Pertab

Auditors
WithumSmith+Brown, PC
Advisory, Tax & Audit Services

Registered Office
251 Little Falls Drive
Wilmington, DE 19808
United States of America

directors' report

to the members,

The Directors are pleased to present the Twentieth Annual Report of ICICI Securities Holdings, Inc. along with the audited statement of accounts for the financial year ended March 31, 2020.

OPERATIONAL REVIEW

During fiscal 2020, the Company maintained its registration with the Division of Corporations, Secretary of State, State of Delaware in accordance with the provisions of the General Corporation Law of the State of Delaware. The Company is not currently registered with any regulatory authority, it has no full–time employees and does not carry out any business activities in the United States ('US'). The Company will continue to grow its wholly-owned subsidiary, viz. ICICI Securities, Inc., in its efforts to increase business from the institutional segment in US, Canada and Singapore.

FINANCIAL HIGHLIGHTS

(US$)

	Fiscal 2020	
	Standalone	Consolidated
Gross income	-	2,768,691
Profit /(Loss) before tax	(12,500)	182,621
Provision for tax	(7,301)	1,311
Profit /(Loss) after tax	(5,199)	181,310

The Consolidated annual financials of the Company and its wholly-owned subsidiary for the period ending March 31, 2020, were prepared in accordance with U.S. Generally Accepted Accounting Principles (US GAAP).

SUBSIDIARY COMPANY

The Company's wholly–owned subsidiary, ICICI Securities, Inc., is registered with the Securities and Exchange Commission ('SEC') and is a member of the Financial Industry Regulatory Authority ('FINRA'). ICICI Securities, Inc. has its main office in New York, USA and branch office in Singapore, which holds a Capital Market Services license granted by the Monetary Authority of Singapore ('MAS') for the purpose of dealing in capital markets products. ICICI Securities, Inc. also operates under the International Dealer registration exemption from the Canadian Securities Administrators ('CSA') that enables it to expand its reach to institutional investors in the provinces of British Columbia, Ontario and Quebec. ICICI Securities, Inc. refers major institutional investors in the US, Canada and Singapore, who proposes to deal in securities listed on the Indian Stock Exchanges, to its foreign affiliates viz., ICICI Securities Limited and ICICI Securities Primary Dealership Limited.

During fiscal 2020, the subsidiary strengthened its positioning among its U.S., Canada and Singapore institutional investors. ICICI Securities, Inc., in association with ICICI Securities Limited, conducted several investors' conferences in the U.S. and Singapore in fiscal 2020, providing investors with an opportunity for interaction with policy makers and corporate leaders. These activities added value to the decision making process of its clients by providing differentiated research, access to corporate management and experts from various fields. It also helps it to penetrate new clients, as well as strengthen its foothold among existing clients, resulting in higher broking income.

SHARE CAPITAL

During the year, there was no change in the paid-up equity share capital of the Company.

DIRECTORS

As at March 31, 2020, following are the Directors of the Company:

Sandeep Goel (Chairman)

Warren Law

Bishen Pertab

During fiscal 2020, the Board accepted the resignation of Sriram Iyer as a Director of the Company and approved the appointment of Sandeep Goel as a Director on the Board of Directors of the Company w.e.f. July 10, 2019. The Board places on its record its appreciation for the valuable contribution, leadership and guidance rendered by Sriram Iyer during his tenure as a Director of the Company.

AUDITORS

There were no qualifications, reservations, adverse remarks or disclaimers of the Auditors of the Company in the Auditors' Report for the period ending March 31, 2020. The Directors will appoint and set the compensation of financial auditor of the Company for FY2021.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company confirm:

i. that the applicable accounting standards have been followed in the preparation of the annual accounts and that there are no material departures;

ii. that such accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at March 31, 2020 and of the loss of the Company for the year ended on that date;

iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;

iv. that the annual accounts have been prepared on a 'going concern' basis; and

v. that proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

ACKNOWLEDGEMENTS

The Directors would like to thank the statutory authorities and the Company's bankers for their continued support.

The Directors express their gratitude for the unstinted support and guidance received from the Company's shareholders, ICICI Securities Limited and other group companies.

For and on behalf of the Board

Place: Toronto, ON
Date: April 24, 2020

Sandeep Goel
Chairman

independent auditors' report

to the Management and Member, ICICI Securities Holding Inc.

We have audited the accompanying consolidated financial statements of ICICI Securities Holding Inc., which comprise the consolidated balance sheet as of March 31, 2020, and the related consolidated statements of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICICI Securities Holding Inc. as of March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

WithumSmith+Brown, PC

April 23, 2020

consolidated balance sheet

ICICI Securities Holdings Inc

as at March 31, 2020

	$	₹ 000*
Assets		
Cash	**2,376,896**	*179,848*
Certificates of deposit	**2,063,703**	*156,150*
Fixed assets, net of accumulated depreciation of $14,159	**3,676**	*278*
Due from Parent	**274,280**	*20,753*
Due from affiliated company	**22,500**	*1,702*
Deposits	**91,732**	*6,941*
Prepaid expenses	**22,010**	*1,666*
Deferred tax asset	**242,213**	*18,327*
Other assets	**20,244**	*1,532*
Total assets	**5,117,254**	*387,197*
Liabilities and Stockholder's Equity		
Accounts payable and other accrued liabilities	**$579,686**	*43,862*
Income taxes payable	**6,428**	*486*
Total liabilities	**586,114**	*44,348*
Stockholder's equity:		
Common stock, no par value. Authorized 3,000 shares; issued and		
outstanding 1,664 shares	**16,640,000**	*1,259,066*
Accumulated deficit	**(12,108,860)**	*(916,217)*
Total stockholder's equity	**4,531,140**	*342,849*
Total liabilities and stockholder's equity	**5,117,254**	*387,197*

** ₹ figures are reported post conversion at closing rate for convenience and are unaudited*

The accompanying notes are an integral part of this consolidated financial statement.

consolidated statement of operations

for the year ended March 31, 2020

	$	₹ 000*
Revenues		
Transfer pricing revenue	2,764,235	209,156
Interest income	55,131	4,171
Foreign exchange translation	(50,675)	(3,834)
	2,768,691	**209,493**
Expenses		
Compensation and benefits	1,781,704	134,813
Professional fees	231,388	17,508
Travel, entertainment and promotional	207,545	15,704
Communications	123,366	9,334
Occupancy	127,423	9,641
Regulatory fees and expenses	30,844	2,334
Depreciation	2,830	214
Bank charges	58,938	4,460
Other	22,032	1,667
	2,586,070	**195,675**
Net income before provision for income taxes	182,621	13,818
Income taxes	1,311	99
Net income	181,310	13,719

** ₹ figures are reported post conversion at closing rate for convenience and are unaudited*

The accompanying notes are an integral part of this consolidated financial statement.

Consolidated Statement of Changes in Stockholders' Equity

for the year ended March 31, 2020

	Common Stock	Accumulated Deficit	Total
			$
Balance at March 31, 2019	16,640,000	(12,290,170)	4,349,830
Net income	-	181,310	181,310
Balance at March 31, 2020	16,640,000	(12,108,860)	4,531,140

	Common Stock	Accumulated Deficit	Total
			₹ 000*
Balance at March 31, 2019	1,259,066	(929,936)	329,130
Net income	-	13,719	13,719
Balance at March 31, 2020	1,259,066	(916,217)	342,849

** ₹ figures are reported post conversion at closing rate for convenience and are unaudited*

The accompanying notes are an integral part of this consolidated financial statement.

ICICI Securities Holdings Inc

for the year ended March 31, 2020

	$	₹ 000*
Cash flows from operating activities:		
Net income	**181,310**	*13,719*
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**2,830**	*214*
Decrease (increase) in operating assets		
Interest on certificates of deposit	**(55,108)**	*(4,170)*
Deposits	**(5,013)**	*(379)*
Prepaid expenses	**1,490**	*113*
Due from Parent	**277,524**	*20,999*
Due from affiliated company	**(22,500)**	*(1,702)*
Deferred tax asset	**8,497**	*643*
Other assets	**(16,251)**	*(1,230)*
(Decrease) in operating liabilities:		-
Accounts payable and other accrued liabilities	**(2,186)**	*(165)*
Income taxes payable	**(8,322)**	*(630)*
Net cash provided by operating activities	**362,271**	*27,412*
Cash used in investing activities:		
Purchase of office equipment	**(1,232)**	*(93)*
Purchase of certificate of deposit	**(1,000,000)**	*(75,665)*
Net cash used in investing activities	**(1,001,232)**	*(75,758)*
Net decrease in cash	**(638,961)**	*(48,346)*
Cash at beginning of year	**3,015,857**	*228,195*
Cash at end of year	**2,376,896**	*179,849*

** ₹ figures are reported post conversion at closing rate for convenience and are unaudited*

The accompanying notes are an integral part of this consolidated financial statement.

1. **Organization**

The consolidated financial statements include the accounts of ICICI Securities Holdings, Inc. ("Holdings") and ICICI Securities Inc. (the "BD") (collectively the "Company").

Holdings was organized as a corporation in the State of Delaware on June 12, 2000, is a wholly owned subsidiary of ICICI Securities Limited ("Parent"), which in turn is a wholly owned subsidiary of ICICI Bank Limited, an Indian financial services company listed on the major Indian stock exchanges. The Company provides brokerage and corporate finance services to institutional investors in the United States, Canada and Singapore, investing in securities of companies principally headquartered in India. In addition, it may provide brokerage services to Indian corporations wishing to invest in the United States and underwriting services for issuers wishing to offer securities to the marketplace. The Company is registered with the Securities and Exchange Commission (SEC) as a broker-dealer and is regulated by the Financial Industry Regulatory Authority (FINRA) and the Monetary Authority of Singapore (MAS). The Company is also approved to operate in Canada under the International Dealer Exemption in the provinces of British Columbia, Ontario and Quebec.

The Company's customers transact their business on a delivery versus payment basis. The settlement of the customer securities transactions is facilitated by its Parent in India for securities traded in the Indian stock markets. Accordingly, the Company operates under the exemptive provisions of Rule 15c3-3(k)(2)(i) of the Securities Exchange Act of 1934, and it is also subject to Rule 15c3-1, the Uniform Net Capital Rule.

2. **Significant Accounting Policies**

Principles of Consolidation

The 2020 consolidated financial statements include the accounts of ICICI Securities Holdings Inc. and its subsidiary ICICI Securities Inc. ("the BD") collectively the Company. All material intercompany transactions and balances have been eliminated in consolidation.

Cash

The Company maintains cash at banking institutions in various countries. Cash on deposit in U.S. financial institutions may at times exceed federal insurance limits. The Company also maintains cash deposits in a Singapore financial institution that is subject to the limits of the deposit insurance scheme administered by the Monetary Authority of Singapore.

Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Company files income taxes on a consolidated basis. Deferred tax assets and liabilities are recognized subject to management's judgment that realization is more likely than not.

2. **Significant Accounting Policies**

Foreign Currency

Asset and liability accounts are translated at the exchange rate in effect at year-end, and income accounts are translated at the average rates of exchange prevailing during the year for revenues and month-end exchange rate for expenses. The U.S. dollar is considered the functional currency for the Company's foreign branch and foreign currency translation gains and losses are recorded in the statement of operations.

Estimates

These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

Significant Judgements

Significant judgement is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

Transfer Pricing Revenue

The Company provides execution and brokerage services for transactions between its U.S. institutional investors and an Parent, in accordance with SEC Rule 15a-6a (3). Pursuant to a Master Services Agreement between the Company and the Parent, the Company provides execution, marketing and client relationship services to institutional customers in the purchase and sales of foreign securities. This represents the only performance obligation which is satisfied over time as the services are provided. The Company recorded revenue based on a cost plus 8% arrangement that was agreed to by the Company and the Parent and is in agreement with a transfer pricing study obtained by both the Company and its Parent. The Company has determined that its Parent would be deemed the customer.

Disaggregation of Revenue

Disaggregation can be found on the statement of operations for the year ended March 31, 2020 by type of revenue stream.

Contract Assets and Liabilities

There were no contract assets or liabilities at April 1, 2019 and March 31, 2020.

The Company had receivables due from its Parent of $506,804 (₹ 38,347 thousand*) and an affiliated company of $45,000 (₹ 3,405 thousand*) on April 1, 2019 and $274,280 (₹ 20,753 thousand*) from its Parent and $22,500 (₹ 1,702 thousand*) from the affiliate on March 31, 2020.

3. **Fair Value Measurements**

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability that rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Company's own data.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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The following table presents the Company's fair value hierarchy for the investments measured at fair value as of March 31, 2020:

Securities owned, at fair value	Level 1	Level 2	Level 3	$ Total
CD - maturity date 12/18/20	-	1,039,273	-	1,039,273
CD - maturity date 06/05/21	-	1,024,430	-	1,024,430
Total	**-**	**2,063,703**	**-**	**2,063,703**

Securities owned, at fair value	Level 1	Level 2	Level 3	₹ 000* Total
CD - maturity date 12/18/20	-	78,637	-	78,637
CD - maturity date 06/05/21	-	77,513	-	77,513
Total	**-**	**156,150**	**-**	**156,150**

4. Related Party Transactions

The Company's customer securities transactions are facilitated by its Parent in India. Commissions earned are collected and retained by the Parent. The Parent compensates the Company by paying its expenses plus a markup of 8%. The Company earned $2,719,234 (₹ 205,751 thousand*) in transfer pricing revenue. The Company also provided management services for another affiliated company in the amount of $45,000 (₹ 3,405 thousand*) included in transfer pricing revenue on the statement of operations.

5. Net Capital Requirement

The Company is subject to the Securities and Exchange Commission Uniform Net Capital (SEC Rule 15c3-1) ("the Rule") under the Securities Exchange Act of 1934. The Company has elected to use the alternative method permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, shall not be less than $250,000 (₹ 18,916 thousand*). At March 31, 2020, the Company had net capital of approximately $1,150,000 (₹ 87,015 thousand*) which exceeded requirements by approximately $900,000 (₹ 68,099 thousand*).

6. Off-Balance-Sheet Risk, Concentration Risk and Credit Risk

The Company's policy is to continuously monitor its exposure to market and counterparty risk using a variety of financial, position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing the credit standing of each customer and/or other counterparty with which it conducts business.

A majority of the Company's operations are conducted through its Parent company located in India. The Company's performance can be significantly influenced by economic factors and risks inherent in conducting business in foreign countries, including government regulations, currency restrictions and other factors that may significantly affect management's estimates and the Company's performance.

Substantially all of the Company's cash is held in accounts at major financial institutions. Management does not expect any losses to result with respect to any of these concentrations.

A significant portion of the Company's assets are represented by receivables from its Parents and a foreign bank account. The Company is dependent on its Parent for 100% of its revenue.

7. Income Taxes

Current tax expense of $1,311 (₹ 99 thousand*) represents state and local taxes. The deferred tax asset of $242,213 (₹ 18,327 thousand*) was computed using the effective tax rate of 21%.

The components of the net deferred tax assets are as follows:

Deferred tax assets:	$	₹ 000*
NOL federal carryforward	2,204,933	166,836
Fixed assets	(581)	(44)
Gross deferred tax	2,204,352	166,792
Less: valuation allowance	(1,962,139)	(148,465)
Deferred tax assets, net	242,213	18,327

At March 31, 2020, the Company's deferred tax assets were primarily related to federal net operating loss carryovers that primarily will start to expire in 2028. The value of the deferred tax asset was calculated based on estimated future earnings of the Company over the next five years. The decrease in the valuation allowance during the year was $1,220,140 (₹ 92,322 thousand*), primarily represents the write off of state net operating losses deemed unrealizable.

The Company does not have any liabilities for uncertain tax position or any known unrecognized tax benefits at March 31, 2020. The Company recognizes accrued interest and penalties related to uncertain tax positions in income tax expense within the statement of operations; however, there are none for the year ended March 31, 2020. At this time, the Company does not expect any material change in the unrecognized tax benefits amount over the next twelve months.

8. Certificate of Deposit

At March 31, 2020, the Company held certificates of deposit that have two-year terms and are valued at cost plus accrued interest. The CD's are non-negotiable, not convertible into cash and non-redeemable prior to maturity.

9. Commitments and Contingencies

The Company rents office space under operating leases that expire January 31, 2021 and August 31, 2020, respectively. Future minimum payments through the end of the leases will be $70,108 (₹ 5,305 thousand*). Rent expense for the year was $101,479 (₹ 7,678 thousand*) and is reflected on the statement of operations.

The Company has a long-term incentive bonus plan in place that is partly dependent on the overall economic performance of the Company. To be eligible to receive payment, an employee must be employed by the Company past the payment date. The Company has accrued $336,112 (₹ 25,432 thousand*) representing the next payment due April 30, 2020. The amount is reflected in compensation and benefits on the statement of operations.

Future payments are as follows:

Due Date	$	₹ 000*
April 30, 2020	336,112	25,432
April 30, 2021	240,129	18,169
April 30, 2022	111,239	8,417
	687,480	**52,018**

10. New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Accounting for Financial Instruments - - Credit Losses (Topic 326). ASU 2016-13 requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Currently, GAAP requires an "incurred loss" methodology that delays recognition until it is probable a loss has been incurred. Under the new standard, the allowance for credit losses must be deducted from the amortized cost of the financial asset to present the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This provision of the guidance requires a modified retrospective transition method with a cumulative-effect adjustment in retained earnings upon adoption. This guidance is effective for the Company on April 1, 2020, and the Company adopted this guidance on that date. The impact of this guidance is not expected to be material to the Company.

11. COVID–19

During the 2020 calendar year, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern". This pandemic has disrupted economic markets and the economic impact, duration and spread of the COVID-19 virus is uncertain at this time. The financial performance of the Company is subject to future developments related to the COVID-19 outbreak and possible government advisories and restrictions placed on the financial markets and business activities. The impact on financial markets and the overall economy, all of which are highly uncertain, cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period the Company's results may be materially affected. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

12. Subsequent Events

The Company has evaluated subsequent events up to the date on which the consolidated financial statements are issued. The Company's evaluation noted no subsequent events that require adjustment to, or disclosure in, these consolidated financial statements.

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