

ICICI SECURITIES, INC.
20TH ANNUAL REPORT AND ACCOUNTS 2019-2020
Directors

Anupam Guha (Chairman of the Board)
Jaideep Goswami
Robert Ng
Bishen Pertab

Auditors

WithumSmith+Brown LLP
Advisory, Tax and 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, Inc. along with the audited statement of accounts for the year ended March 31, 2020.

OPERATIONAL REVIEW

The Company is registered with the Securities and Exchange Commission ('SEC') and is a member of the Financial Industry Regulatory Authority ('FINRA'). It has its main office in New York, United States of America ('US') 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. The Company also operates under the International Dealer 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. The Company 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.

FINANCIAL HIGHLIGHTS

| | (US\$) | |
|-------------------------------|--------------------|--------------------|
| | <i>Fiscal 2019</i> | Fiscal 2020 |
| Gross income | <i>2,829,600</i> | 2,768,691 |
| Profit/(loss) Loss before tax | <i>169,014</i> | 195,197 |
| Provision for tax | <i>(244,802)</i> | 8,612 |
| Profit/(Loss) after tax | <i>413,816</i> | 186,585 |

OUTLOOK FOR INDIAN EQUITIES

Fiscal 2020 was a year of extreme volatility for Indian equity markets. While the year started on a positive note for equities, the market continued to remain polarized with a handful of stocks contributing to the bulk of the performance. The NIFTY 50 index hit an all-time high in January 2020, and was followed by one of the sharpest monthly declines in March 2020 due to fears of COVID-19 impact on the economy. Similarly, other global equities fell on an average of 35%.

However, unprecedented monetary expansion by most central banks of developed economies, such as the US Federal Reserve, European Central Bank and Bank of Japan, coupled with record low interest rates, augurs well for Foreign Portfolio Investment flows towards Emerging Markets ('EM') like India once the COVID-19 related fear abates.

The global as well as domestic economic outlook is highly dependent on how quickly COVID-19 is brought under control. Some of the major economies in the world are likely to slip into recession due to the pandemic. Indian economy could contract in Q1-FY2021 and post very low growth during fiscal 2021, depending on the spread and severity of COVID-19. Although fiscal and monetary stimulus could provide some support, the recovery is likely to be shallow in fiscal 2021. However, the International Monetary Fund expects a V-shaped recovery for global growth in fiscal 2022 which is a positive sign for the medium-term outlook.

Given the expected weak aggregate demand, inflation in fiscal 2021 is likely to remain muted. Although the RBI cut repo rate to an all-time low of 4.4% in March 2020, it may lower the rate further during the year to minimize the impact of the pandemic on Indian economy. Structural decline in oil prices is also a key positive for India.

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:

Anupam Guha (Chairman)
Jaideep Goswami
Robert Ng
Bishen Pertab

During fiscal 2020, the Board accepted the resignation of Sonali Chandak as a Director of the Company and approved the appointment of Anupam Guha as a Director on the Board of Directors of the Company w.e.f. January 17, 2020. The Board places on its record its appreciation for the valuable contribution, leadership and guidance rendered by Sonali Chandak during her 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, that were prepared in accordance with US Generally Accepted Accounting Principles (US GAAP). The Directors will appoint and set the compensation of financial auditors 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 profit 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 thank the Company's clients for the confidence reposed in the Company, which has enabled the Company to successfully deliver well-structured solutions through timely execution.

The Directors also 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 Holdings, Inc. and other group companies.

The Directors also express their sincere thanks and appreciation to all their employees for their commendable teamwork, professionalism and contribution during the year.

For and on behalf of the Board

Place: Mumbai, India
Date : April 21, 2020

Anupam Guha
Chairman

ANNUAL AUDITED REPORT FORM X-17A-5
PART III
FACING PAGE

| |
|-----------------|
| SEC FILE NUMBER |
| 8-52746 |

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 04/01/19 AND ENDING 03/31/20
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

ICICI Securities Inc.

| |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM ID. NO. |

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1120 Avenue of the Americas, 4th Floor

(No. and Street)

New York

NY

10036

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Fredric Obsbaum

(212) 897-1694

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

WithumSmith+Brown, PC

(Name - if individual, state last, first, middle name)

200 Jefferson Park

Whippany

NJ

07981

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).SEC 1410 (3-91)

table of contents

This report ** contains (check all applicable boxes):

- Independent Auditors' Report.
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Changes in Stockholder's Equity.
- (e) Statement of Cash Flows.
- (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors (not applicable).
- (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- (j) A Reconciliation, including appropriate explanations, of the Computation of Net Capital Pursuant to Rule 15c3-1 and the Computation for Determination of Reserve Requirements Under Rule 15c3-3 (not applicable).
- (k) A Reconciliation Between the Audited and Unaudited Statements of Financial Condition With Respect to Methods of Consolidation (not applicable).
- (l) An Affirmation.
- (m) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report on Internal Control).
- (n) Independent Auditors' Report Regarding Rule 15c3-3 exemption.
- (o) Rule 15c3-3 Exemption Report.

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

AFFIRMATION

I, Bishen Pertab, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to ICICI Securities Inc. for the year ended March 31, 2020, are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

Signature

President Title

Not Notarized Due to Covid-19

Notary Public

report of independent registered public accounting firm

 **to, the management of ICICI Securities Inc.**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Management,
ICICI Securities, Inc.:

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying statement of financial condition of ICICI Securities, Inc. (the "Company"), as of March 31, 2020, the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of its operations and its cash flows for the year ended March 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

SUPPLEMENTARY INFORMATION

The supplementary information, the Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission and the Computation for Determination of Reserve Requirements and Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission, has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplementary information is the responsibility of the Company's management. Our audit procedures included determining whether the supplementary information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplementary information. In forming our opinion on the supplementary information, we evaluated whether the supplementary information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

WithumSmith+Brown, PC

April 23, 2020

statement of financial condition

statement of operations

as at March 31, 2020

| | \$ | ₹ 000* |
|--|------------------|----------------|
| Assets | | |
| Cash | 1,872,387 | 141,674 |
| Certificates of deposit | 2,063,703 | 156,150 |
| Fixed assets, net of accumulated depreciation of \$14,159 (₹ 1,071 thousand*) | 3,676 | 278 |
| Due from affiliated companies | 296,780 | 22,456 |
| Deposits | 91,732 | 6,941 |
| Prepaid expenses | 22,010 | 1,665 |
| Deferred tax asset | 242,213 | 18,327 |
| Other assets | 20,244 | 1,532 |
| Total assets | 4,612,745 | 349,023 |
| Liabilities and Stockholder's Equity | | |
| Accounts payable and other accrued liabilities | 567,186 | 42,916 |
| Income taxes payable | 6,428 | 486 |
| Total liabilities | 573,614 | 43,402 |
| Stockholder's equity: | | |
| Common stock, no par value. Authorized 1,500 shares; issued and outstanding 1,298 shares | 12,980,000 | 982,132 |
| Accumulated deficit | (8,940,869) | (676,511) |
| Total stockholder's equity | 4,039,131 | 305,621 |
| Total liabilities and stockholder's equity | 4,612,745 | 349,023 |

* ₹ 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.

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 | 218,888 | 16,562 |
| 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 | 58,863 | 4,454 |
| Other | 22,031 | 1,667 |
| | 2,573,494 | 194,723 |
| Net income before provision for income taxes | 195,197 | 14,770 |
| Income taxes | 8,612 | 652 |
| Net income | 186,585 | 14,118 |

* ₹ 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.

statement of changes in stockholder's equity



for the year ended March 31, 2020

| | | | | \$ |
|---------------------------|-------------------|----------------------------------|------------------------|------------------|
| | Common Stock | Additional Paid-in Capital | Accumulated Deficit | Total |
| Balance at March 31, 2019 | 12,980,000 | 454,126 | (9,127,454) | 4,306,672 |
| Distribution | | (454,126) | | (454,126) |
| Net income | - | - | 186,585 | 186,585 |
| Balance at March 31, 2020 | <u>12,980,000</u> | <u>-</u> | <u>(8,940,869)</u> | <u>4,039,131</u> |

| | | | | ₹ 000* |
|---------------------------|-----------------|----------------------------------|------------------------|----------------|
| | Common Stock | Additional Paid-in Capital | Accumulated Deficit | Total |
| Balance at March 31, 2019 | 982,132 | 34,361 | (690,629) | 325,864 |
| Distribution | - | (34,361) | - | (34,361) |
| Net income | - | - | 14,118 | 14,118 |
| Balance at March 31, 2020 | <u>982,132</u> | <u>-</u> | <u>(676,511)</u> | <u>305,621</u> |

* ₹ 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.

statement of cash flows

for the year ended March 31, 2020

| | \$ | ₹ 000* |
|---|-------------------------|-----------------------|
| Cash flows from operating activities: | | |
| Net income | 186,585 | 14,118 |
| 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 affiliated companies | 255,024 | 19,296 |
| Deferred tax asset | 8,497 | 643 |
| Other assets | (16,251) | (1,230) |
| (Decrease) in operating liabilities: | | |
| Accounts payable and other accrued liabilities | (14,686) | (1,111) |
| Income taxes payable | (6,117) | (463) |
| Net cash provided by operating activities | <u>357,251</u> | <u>27,031</u> |
| Cash flows 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 | <u>(1,001,232)</u> | <u>(75,758)</u> |
| Cash flows from financing activities: | | |
| Distribution of additional paid-in capital | (454,126) | (34,361) |
| Net cash used by financing activities | <u>(454,126)</u> | <u>(34,361)</u> |
| Net decrease in cash | (1,098,107) | (83,088) |
| Cash at beginning of year | <u>2,970,494</u> | <u>224,762</u> |
| Cash at end of year | <u><u>1,872,387</u></u> | <u><u>141,674</u></u> |

* ₹ 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

ICICI Securities Inc. (the Company) is a wholly owned subsidiary of ICICI Securities Holdings, Inc. (Parent), which in turn is a wholly owned subsidiary of ICICI Securities Ltd, 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 an affiliate 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 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 is a wholly owned subsidiary of its Parent and, therefore, all of its income and losses are included in the consolidated tax return filed by its Parent. Tax liabilities are calculated on a separate return basis. Deferred tax assets and liabilities are recognized subject to management's judgement that realization is more likely than not.

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 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 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 affiliate, in accordance with SEC Rule 15a-6a (3). Pursuant to a Master Services Agreement between the Company and the affiliate, 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 affiliate and is in agreement with a transfer pricing study obtained by both the Company and its affiliate. The Company has determined that its affiliate would be deemed to be 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 affiliates on April 1, 2019 and March 31, 2020 in the amount of \$551,804 (₹ 41,752 thousand*) and \$296,780 (₹ 22,456 thousand*) respectively.

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 judgement. Accordingly, the degree of judgement 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.

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

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 | 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 an affiliate in India. Commissions earned are collected and retained by the affiliate. The affiliate compensates the Company by paying its expenses plus a markup of 8%. The Company earned \$2,719,235 (₹ 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. The total amount due from the affiliated companies was \$296,780 (₹ 22,456 thousand*) at March 31, 2020.

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 an affiliated 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 affiliates and a foreign bank account.

The Company is dependent on its affiliates for 100% of its revenue.

7. Income Taxes

Current tax expense of \$8,612 (₹ 652 thousand*) represents state and local taxes of \$115 (₹9 thousand*) and deferred tax expense of \$8,497 (₹ 643 thousand*). 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:

| | \$ | (₹ 000*) |
|---|-------------|-----------|
| Deferred tax assets: | | |
| Net operating loss federal carryforward | 1,671,084 | 126,443 |
| Fixed assets | (581) | (44) |
| Gross deferred tax | 1,670,503 | 126,399 |
| Less: valuation allowance | (1,428,290) | (108,072) |
| 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 positions 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 projected to be 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 financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

computation of net capital under rule 15c3-1

ICICI Securities Inc of the Securities and Exchange Commission as at March 31, 2020

| | \$ | ₹ 000* |
|---------------------------------|------------------|----------------|
| Net capital: | | |
| Total stockholder's equity | 4,039,131 | 305,621 |
| Deductions and/or charges: | | |
| Nonallowable assets: | | |
| Certificates of deposit | 2,063,703 | 156,150 |
| Due from affiliated companies | 296,780 | 22,456 |
| Fixed assets | 3,676 | 278 |
| Deferred tax asset | 242,213 | 18,327 |
| Deposits | 91,732 | 6,941 |
| Other assets | 42,253 | 3,197 |
| Total nonallowable assets | <u>2,740,357</u> | <u>207,349</u> |
| Net capital before haircuts | 1,298,774 | 98,272 |
| Haircuts on foreign currency | 148,772 | 11,257 |
| Net capital | <u>1,150,002</u> | <u>87,015</u> |
| Minimum net capital requirement | 250,000 | 18,916 |
| Excess net capital | <u>900,002</u> | <u>68,099</u> |
| Composition of other assets | | |
| Prepaid expenses | 22,010 | 1,665 |
| Advances | 7,026 | 532 |
| Miscellaneous asset | 13,217 | 1,000 |
| | <u>42,253</u> | <u>3,197</u> |

There are no material differences between the computation of net capital presented above and the computation of net capital reported in the Company's unaudited Form net capital X-17 A-5, Part II filing as of March 31, 2020

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

computation for determination of reserve requirements and information relating to possession or control requirements

Under Rule 15c3-3 of the Securities and Exchange Commission March 31, 2020

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(i).

To the Management, ICICI Securities, Inc.:

We have reviewed management's statements, included in the accompanying Management Statement Regarding Compliance with the Exemption Provisions for SEC Rule 15c3-3 (the Exemption Report), in which (1) ICICI Securities, Inc. (the "Company") identified the following provisions of 17 C.F.R. §15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(i) (the "exemption provisions") and (2) the Company stated that it met the identified exemption provisions throughout the year ended March 31, 2020 without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about ICICI Securities, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

WithumSmith+Brown, PC

April 23, 2020

management statement regarding compliance with the exemption provisions of sec rule 15c3-3

ICICI Securities Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (the "SEC"). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from Rule 15c3-3 under the provision of 15c3-3(k)(2)(i).
- (2) The Company met the identified exemption provision in Rule 15c3-3(k) throughout the most recent fiscal year without exception.

Signature

President