

ICICI SECURITIES, INC.

22ND ANNUAL REPORT AND ACCOUNTS 2021-2022

Directors

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

Auditors

KNAV P.A.
Certified Public Accountants

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 Twenty Second Annual Report of ICICI Securities, Inc. along with the audited statement of accounts for the year ended March 31, 2022.

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 granted by the Canadian Securities Administrators ('CSA') that enables it to expand its reach to institutional investors in the Canadian provinces of British Columbia, Ontario and Quebec. The Company refers major institutional investors in the US, Canada and Singapore, who propose 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\$) | |
|--------------------------|-------------|-------------|
| | Fiscal 2021 | Fiscal 2022 |
| Gross income | 2,497,196 | 2,495,397 |
| Profit/(loss) before tax | 251,240 | 172,757 |
| Provision for tax | (6,025) | (10,942) |
| Profit/(Loss) after tax | 257,265 | 183,699 |

OUTLOOK FOR INDIAN EQUITIES

Significant volatility in global equity markets was observed towards the second half of FY2022 due to big events such as; (a) the signaling of the withdrawal of quantitative easing by the US federal reserve and announcement of interest rate hikes; (b) significant rise in covid cases due to the Omicron variant; (c) rise in geopolitical risk due to the Russia-Ukraine conflict leading to crude oil price spiking above US\$100/bbl.

Despite the volatility, Indian equities still managed to close FY2022 with robust gains of around 20% for the NIFTY50 while the broader indices (mid and small caps) outperforming the NIFTY50. Mid and small cap outperformance can be attributed to the pent-up demand and opening up of contact intensive sectors such as leisure, retail and travel which are pre-dominantly in this space along with small financing companies.

Amongst large caps the outperformance continued from capital intensive sectors such as energy, metals, infrastructure, corporate banks and industrials along with export oriented stocks. Above stocks were also augmented by a pro-growth union budget which focused on enhancing capex spend on infrastructure. Another reason has been elevated commodity prices which are augmenting the profitability of capital intensive sectors such as metals and energy.

Resilience in Indian equities has also been due to the significant jump in domestic flows into equities which absorbed to a large extent the highest selling by FPIs since the global financial crisis of FY2009. Foreign Portfolio Investors (FPI) selling during FY2022 exceeds the outflow seen post the global financial crisis (GFC) of FY2009, but has relatively low impact on benchmark indices (large, mid and small caps) as DII inflows surprises on the upside.

Secondary market witnessed the highest outflow of Foreign Portfolio Investors (FPI's) since the GFC totaling to US\$36.6bn. However, including the primary market inflows the selling was much lower at US\$17bn in FY2022. FPIs were net buyers in the 1st half of FY2022 totaling US\$1.2bn although the trend reversed in the 2nd half of FY2022 with FPI becoming net seller resulting in massive outflow of US\$18.3bn. Consequently, aggregate FPI equity asset stood at Rs 46.90trn as of 31st March 2022.

DII were net buyers across FY2022 totaling US\$29.5bn and absorbed selling pressure of FPI's. SIPs continued to remain resilient despite the market volatility with cumulative SIP flows of Rs 1,246bn in FY2022 vis-à-vis Rs 961bn in FY2021, signifying rise of retail investors. Further, domestic MF equity AUM has increased by 38% to Rs 20.4trn from Rs 14.8trn in March 2021.

SHARE CAPITAL

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

DIRECTORS

As at March 31, 2022, following are the Directors of the Company:

Anupam Guha (Chairman)
Jaideep Goswami
Robert Ng
Bishen Pertab

There were no change in Directors during the period.

AUDITORS

There were no qualifications, reservations, adverse remarks or disclaimers of the Auditors of the Company in the Auditors' Report for the year ended March 31, 2022, that were prepared in accordance with US Generally Accepted Accounting Principles (US GAAP). The Company's Directors will appoint and set the compensation of financial auditors of the Company for FY2023.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company confirm:

- that the applicable accounting standards have been followed in the preparation of the annual accounts and that there are no material departures;
- 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, 2022 and of the profit of the Company for the year ended on that date;
- 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;
- that the annual accounts have been prepared on a 'going concern' basis; and
- 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

Date : April 14, 2022
Place: Mumbai

Anupam Guha
Chairman

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

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

Information Required pursuant to rules 17a-5, 17a-12 and 18a-7
under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 04/01/21 AND ENDING 03/31/22
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: **ICICI Securities Inc.**

TYPE OF REGISTRANT (check all applicable boxes):
 Broker-dealer security-based swap dealer Major security-based swap participant
 Check here if respondent is also an OTC derivatives dealer

| |
|-------------------|
| 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)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Fredric Obsbaum

(212) 897-1694

obsbaum@integrated.solutions

(Name)

(Area Code - Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KNAV P.A.

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

One lakeside commons, suite 850, 990 Hammond Dr NE

Atlanta

GA

30328

(Address)

(City)

(State)

(Zip Code)

10/07/2008

2983

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Person who are to respond to the collection of information contained in this form are not required to respond unless the form display a currently valid OMB control number.

AFFIRMATION

I, Bishen Pertab, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to ICICI Securities Inc. as of 03/31/22, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

Signature

President

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

- (a) Statement of Financial Condition.
- (b) Notes to unconsolidated or consolidated statement of financial condition, as applicable.
- (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in 210.1-02 of Regulation S-X)
- (d) Statement of Cash Flows.
- (e) Statement of Changes in stockholders' or partner' or members' or sole proprietor's equity, as applicable.
- (f) Statement of changes in liabilities subordinated to claims of creditors.
- (g) Notes to unconsolidated or consolidated financial statements, as applicable.
- (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240. 18a-1, as applicable
- (i) Computation of Tangible net worth under 17 CFR 240.18a-2
- (j) Computation for determination of customer reserve requirements pursuant to exhibit A to 17 CFR 240.15c3-3.
- (k) Computation for determination of security-based swap reserve requirement pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- (l) Computation for determination of PAB requirements under Exhibit A to 240.15c3-3.
- (m) Information related to possession or control requirements for customer under 17 CFR 240.15c3-3.
- (n) Information relating to possession or control requirements for security-based swap customer under 17 CFR 240.15C3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- (o) Reconciliations, including appropriate explanations, of the FOCUS report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240. 18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240. 18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- (q) Oath or affirmation in accordance with 17 CFR 240. 17a-5, 17 CFR 240. 17a-12 or 17 CFR 240 18a-7, as applicable.
- (r) Compliance report in accordance with 17 CFR 240. 17a-5 or 17 CFR 240. 18a-7, as applicable.
- (s) Exemption report in accordance with 17 CFR 240. 17a-5 or 17 CFR 240. 18a-7, as applicable.
- (t) Independent public accountant's report based on an examination of the statement of financial condition.
- (u) Independent public accountant's report based on an examination of the financial report or financial statements 17 CFR 240. 17a-5, 17 CFR 240. 18a-7 or 17 CFR 240 17a-12, as applicable.
- (v) Independent public accountant's report based on an examination or certain statements in the compliance under 17 CFR 240. 17a-5 or 17 CFR 240 18a-7, as applicable.
- (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240. 17a-5 or 17 CFR 240. 18a-7, as applicable.
- (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240. 15c3-1 e or 17 CFR 240. 17a-12, as applicable.
- (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- (z) Other:

** To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240. 18a-7(d)(2), as applicable.

report of independent registered public accounting firm



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. (hereinafter referred to as “the Company”) as of March 31, 2022, 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, 2022, and the results of its operations and its cash flows for the year then ended 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 the Company’s 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.

AUDITOR’S REPORT ON SUPPLEMENTAL INFORMATION

The supplemental 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 supplemental information is the responsibility of the Company’s management. Our audit procedures included determining whether the supplemental 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 supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as the Company’s auditor since 2021.

KNAV P.A.
New York, New York

April 19, 2022

statement of financial condition

statement of operations

as at March 31, 2022

for the year ended March 31, 2022

| | \$ | ₹ 000* |
|--|------------------|----------------|
| Assets | | |
| Cash | 2,425,296 | 183,819 |
| Certificates of deposit | 2,127,462 | 161,246 |
| Due from affiliated companies | 112,858 | 8,554 |
| Fixed assets, net of accumulated depreciation of \$10,162 (₹770 thousand*) | 3,385 | 257 |
| Deposits | 87,442 | 6,627 |
| Deferred tax asset | 259,411 | 19,661 |
| Other assets | 30,939 | 2,345 |
| Total assets | 5,046,793 | 382,509 |
| Liabilities and Stockholder's Equity | | |
| Accounts payable and other accrued liabilities | 517,456 | 39,220 |
| Income taxes payable | 9,570 | 725 |
| Total liabilities | 527,026 | 39,945 |
| Stockholder's equity: | | |
| Common stock, no par value. Authorized 1,500 shares; issued and outstanding 1,298 shares | 12,980,000 | 983,787 |
| Additional paid in capital | 39,672 | 3,007 |
| Accumulated deficit | (8,499,905) | (644,230) |
| Total stockholder's equity | 4,519,767 | 342,564 |
| Total liabilities and stockholder's equity | 5,046,793 | 382,509 |

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

The accompanying notes are an integral part of these financial statements

| | \$ | ₹ 000* |
|---------------------------------------|------------------|----------------|
| Revenues | | |
| Transfer pricing revenue | 2,485,301 | 188,367 |
| Interest income | 10,096 | 765 |
| | 2,495,397 | 189,132 |
| Expenses | | |
| Compensation and benefits | 1,772,173 | 134,317 |
| Professional fees | 174,379 | 13,217 |
| Occupancy | 116,034 | 8,795 |
| Communications | 121,114 | 9,180 |
| Bank charges | 67,926 | 5,148 |
| Regulatory fees and expenses | 29,364 | 2,226 |
| Travel, entertainment and promotional | 16,299 | 1,235 |
| Foreign exchange loss | 8,367 | 634 |
| Depreciation | 2,532 | 192 |
| Other | 14,452 | 1,094 |
| | 2,322,640 | 176,038 |
| Net income before income taxes | 172,757 | 13,094 |
| Income tax benefit, net | (10,942) | (829) |
| Net income | 183,699 | 13,923 |

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

The accompanying notes are an integral part of these financial statements

statement of changes in stockholder's equity

ICICI Securities Inc for the year ended March 31, 2022

| | Common Stock | Additional Paid in Capital | Accumulated Deficit | Total |
|---------------------------|--------------|----------------------------|---------------------|-----------|
| Balance at March 31, 2021 | 12,980,000 | 11,737 | (8,683,604) | 4,308,133 |
| Share based compensation | | 27,935 | | 27,935 |
| Net income | - | - | 183,699 | 183,699 |
| Balance at March 31, 2022 | 12,980,000 | 39,672 | (8,499,905) | 4,519,767 |

| | Common Stock | Additional Paid in Capital | Accumulated Deficit | Total |
|---------------------------|--------------|----------------------------|---------------------|---------|
| Balance at March 31, 2021 | 983,787 | 890 | (658,153) | 326,524 |
| Share based compensation | - | 2,117 | - | 2,117 |
| Net income | - | - | 13,923 | 13,923 |
| Balance at March 31, 2022 | 983,787 | 3,007 | (644,230) | 342,564 |

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

The accompanying notes are an integral part of these financial statements.

statement of cash flows

for the year ended March 31, 2022

| | \$ | ₹ 000* |
|---|------------------|----------------|
| Cash flows from operating activities: | | |
| Net income | 183,699 | 13,923 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 2,532 | 192 |
| Accrued interest on certificates of deposit | (10,095) | (765) |
| Share based compensation | 27,935 | 2,117 |
| Deferred tax benefit | (11,173) | (847) |
| Decrease (increase) in operating assets | | |
| Deposits | 343 | 26 |
| Due from affiliated companies | 268,808 | 20,374 |
| Other assets | (2,507) | (191) |
| Increase (decrease) in operating liabilities | | |
| Accounts payable and other accrued liabilities | (135,709) | (10,286) |
| Due to Parent | (16,404) | (1,243) |
| Income taxes payable | 74 | 6 |
| Net cash provided by operating activities | <u>307,503</u> | <u>23,306</u> |
| Cash flows from investing activities | | |
| Sale of fixed assets | 562 | 43 |
| Net increase in cash | 308,065 | 23,349 |
| Cash at beginning of year | 2,117,231 | 160,470 |
| Cash at end of year | <u>2,425,296</u> | <u>183,819</u> |
| Supplemental disclosures of non-cash flow information | | |
| Cash paid during the year for taxes | <u>230</u> | <u>17</u> |

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

The accompanying notes are an integral part of these financial statements.

1. Organization

ICICI Securities Inc. (the Company) is a wholly owned subsidiary of ICICI Securities Holdings, Inc. (Parent), which in turn is a subsidiary of ICICI Securities Ltd, an Indian financial services company listed on 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

The U.S. dollar is considered the functional currency for the Company's foreign branch located in Singapore. The assets and liabilities of the foreign branch are remeasured from the local currency to U.S. dollar at current or historic exchange rates, as appropriate. Revenues and expenses are remeasured from the local currency to U.S. dollar using average monthly exchange rates for the month in which the transaction occurred. Remeasurement 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-6(a)(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 its 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, 2022 by type of revenue stream.

Accounts Receivable and Contract Assets and Liabilities

Accounts receivable arise when the Company has an unconditional right to receive payment under a contract with a customer and are derecognized when the cash is received. There were no accounts receivable on April 1, 2021, and no contract assets or liabilities. As of March 31, 2022, there were no accounts receivable from third parties, and no contract assets or liabilities.

Allowance for Credit Losses

The Company follows ASC Topic 326, Financial Instruments – Credit Losses ("ASC 326"). ASC 326 impacts the impairment model for certain financial assets by requiring a current expected credit loss ("CECL") methodology to estimate expected credit losses over the entire life of the financial asset.

The Company did not have any accounts receivable impacted by the guidance.

An allowance for credit losses may be based on the Company's expectation of the collectability of its receivables utilizing the CECL framework. The Company considers factors such as historical experience, credit quality, age of balances and current and future economic conditions that may affect the Company's expectation of the collectability in determining the allowance for credit losses. Since the Company had no accounts receivable from third parties, there is no credit risk; therefore, the Company has not provided an allowance for credit losses at March 31, 2022.

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.

The fair value of the Company's current assets and liabilities approximate their carrying values because of their short-term maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months.

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 also receives a fixed annual fee in the amount of \$45,000 (₹ 3,411 thousand*) for providing certain administrative services to another affiliated Company and is included in transfer pricing revenue on the statement of operations. The Company earned \$2,485,301 (₹ 188,367 thousand*) in transfer pricing revenue. The total amount due from affiliated companies was \$112,858 (₹ 8,554 thousand*) as of March 31, 2022.

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 (₹ 18,948 thousand*). At March 31, 2022, the Company had net capital of \$1,742,648 (₹ 1,32,079 thousand*) which exceeded requirements by \$1,492,648 (₹ 1,13,131 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.

The Company's operations are mainly 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

The Company is part of a group that files a consolidated tax return.

The net income tax benefit of \$10,942 (₹ 829 thousand*) represents deferred tax benefit of \$11,173 (₹ 847 thousand*) and current tax expense of \$230 (₹ 18 thousand*). The deferred tax asset of \$259,411 (₹ 19,661 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*) |
|--|-------------|------------|
| Net operating loss federal carry forward | 16,15,771 | 1,22,463 |
| Depreciation | (623) | (47) |
| Gross deferred tax assets | 16,15,148 | 1,22,416 |
| Less: valuation allowance | (13,55,737) | (1,02,755) |
| Deferred tax assets, net | 2,59,411 | 19,661 |

At March 31, 2022, 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 tax years of 2018 through 2020 remain subject to examination by the taxing authorities in the US. The statute of limitations for various other jurisdictions is based on the various local laws but generally it is in the range of 2-3 years. 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, 2022. 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, 2022, the Company held certificates of deposit that have various maturity dates during 2022 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 August 31, 2022, and January 31, 2023, respectively. Future minimum payments through the end of the leases will be approximately \$67,980 (₹ 5,152 thousand*). Rent expense for the year was \$95,572 (₹ 7,244 thousand*) and is reflected in occupancy 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 \$268,785 (₹ 20,372 thousand*) representing the next payment due on April 30, 2022. 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, 2022 | 2,29,619 | 17,403 |
| April 30, 2023 | 1,54,777 | 11,731 |
| April 30, 2024 | 89,836 | 6,809 |
| | <u>4,74,232</u> | <u>35,943</u> |

10. 401(k) Plan

The Company sponsors a qualified defined contribution salary reduction 401(k) plan covering all eligible employees. The maximum contribution payable under the plan is equal to a defined percentage of the eligible employee's salary subject to Internal Revenue Service ("IRS") limits.

Employee contributions may be matched at the discretion of the Company subject to IRS limits. The expense related to the 401(k) plan for the year-ended March 31, 2022, was \$12,714 (₹ 964 thousand*) and is included in compensation and benefits on the statement of operations.

11. Share Based Compensation

ICICI Securities Limited, an affiliate, has formulated the ICICI Securities Limited - Employees Stock Option Scheme, 2017 (ESOS- 2017). This scheme envisaged grant of share options to eligible employees to enhance employee motivation, to enable employees to participate in the long term growth and financial success of the Company and to act as a retention mechanism, by enabling employee participation in the business as an active stakeholder to usher in an 'owner-manager' culture.

The employees of the Company have participated in the above scheme, based on which the employees of the Company have been granted stock options of the affiliate Company. The Company accounts for stock compensation in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires share-based payments to employees, including grants of employee stock options and purchases under employee stock purchase plans, to be recognized in statements of operations based on their fair values. The Company elected to use the Black-Scholes pricing model to determine the fair value of the stock options on the date of grant. In accordance with ASC 718, stock compensation for all options granted that the Company expects to vest is recognized on a straight-line basis over the vesting period.

In respect of options that have a graded vesting schedule and with only service conditions, compensation cost is recognized on straight line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards. In determining whether an award

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

is expected to vest, the Company uses an estimated forfeiture rate based on historical rates. The estimated forfeiture rate is updated for actual forfeitures annually. An amount equal to such compensation expense for the year is credited to additional paid in capital of the Company.

Details in respect of options granted to the Company's employees is as follows:

Scheme - ESOS - 2017

| | Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life |
|-----------|---------------|---------------------------------|---|
| 04/01/21 | 12,400 | | |
| Granted | 19,500 | 5.30 | 6.01 to 7.06 years |
| | | (₹ 401.7)* | |
| Exercised | (1,440) | | |
| Cancelled | - | | |
| 03/31/22 | 30,460 | | |

Additional information on vesting

The Company recognizes compensation costs on a ratably over the requisite service period of the award, which is generally the option vesting period of 3 years.

11. Share Based Compensation (continued)

The following assumptions were used in the calculation of the fair value of the grants in accordance with the Black-Scholes options pricing model:

| Variables | Year Ended March 31, 2022 |
|--------------------------|---------------------------|
| Risk free interest rate | 5.26% to 5.93% |
| Expected life of options | 6.01 to 7.06 years |
| Expected volatility | 46.15% to 48.56% |
| Expected dividend yield | 2.7% to 3.47% |

The Company has recognized stock compensation expense of \$27,935 (₹ 2,117 thousand*) for the year ended March 31, 2022, Unrecognized compensation expense associated under the fair value method for options expected to vest as of March 31, 2022, was approximately \$21,220 (₹ 1,608 thousand*) and is expected to be recognized over the period of 2-3 years.

The aggregate fair value of all options granted during the year was \$38,963 (₹ 2,953 thousand*).

12. Subsequent Events

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

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SUPPLEMENTARY INFORMATION

PURSUANT TO RULE 17a-5 OF THE SECURITIES EXCHANGE ACT OF 1934

computation of net capital under rule 15c3-1

of the Securities and Exchange Commission as at March 31, 2022

| | \$ | ₹ 000* |
|---------------------------------|------------------|----------------|
| Net capital: | | |
| Total stockholder's equity | 4,519,767 | 342,564 |
| Deductions and/or charges: | | |
| Nonallowable assets: | | |
| Certificates of deposit | 2,127,462 | 161,246 |
| Due from affiliated companies | 112,858 | 8,554 |
| Fixed assets | 3,385 | 257 |
| Deferred tax asset | 259,411 | 19,661 |
| Deposits | 87,442 | 6,627 |
| Other assets | 30,939 | 2,345 |
| Total non-allowable assets | <u>2,621,497</u> | <u>198,690</u> |
| Net capital before haircuts | 1,898,270 | 143,874 |
| Haircuts on foreign currency | <u>155,622</u> | <u>11,795</u> |
| Net capital | 1,742,648 | 132,079 |
| Minimum net capital requirement | <u>250,000</u> | <u>18,948</u> |
| Excess net capital | <u>1,492,648</u> | <u>113,131</u> |
| Composition of other assets | | |
| Prepaid expenses | 23,112 | 1,752 |
| Advances | <u>7,827</u> | <u>593</u> |
| | <u>30,939</u> | <u>2,345</u> |

"There were no material differences between the computation of net capital presented above and the computation of net capital reported in the Company's unaudited Form X-17A-5, Part II filing as of March 31, 2022.

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

SUPPLEMENTARY INFORMATION



PURSUANT TO RULE 17a-5 OF THE SECURITIES EXCHANGE ACT OF 1934

Continued

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, 2022

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).

report of independent registered public accounting firm

To the Management,
ICICI Securities, Inc.

We have reviewed management's statements, included in the accompanying Management's Statement Regarding Compliance With The Exemption Provisions Of SEC Rule 15c3-3 (the Exemption Report), in which (1) ICICI Securities, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which ICICI Securities, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3(k)(2)(i) (the "exemption provisions") and (2) ICICI Securities, Inc. stated that ICICI Securities, Inc. met the identified exemption provisions throughout the year ended March 31, 2022 without exception. ICICI Securities, Inc.'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.

KNAV P.A.
New York, New York

April 19, 2022

management statement regarding compliance with the exemption provisions of sec rule 15c3-3 March 31, 2022

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