IIFL Capital Inc.
Financial Statements and Supplemental Information
Pursuant to Rule 17a-5 under the Securities Exchange Act of 1934
March 31, 2020

This report is deemed CONFIDENTIAL in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934. A statement of financial condition has been bound separately and filed with the Securities and Exchange Commission simultaneously herewith as a Public Document.
ANNUAL AUDITED REPORT
FORM X-17A-5
PART III
FACING PAGE
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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

IIFL Capital Inc.

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

1120 Avenue of the Americas, Suite # 1506

New York, NY 10036

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

Fredric Obsbaum (212) 897-1694

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

WithumSmith+Brown, PC

200 Jefferson Park Whippany, NJ 07981

CHECK ONE:

X Certified Public Accountant

Public Accountant

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

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

- [x] (a) Facing Page.
- [x] (b) Statement of Financial Condition.
- [x] (c) Statement of Operations.
- [x] (d) Statement of Changes in Stockholder’s Equity.
- [x] (e) Statement of Cash Flows.
- [ ] (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors (not applicable).
- [x] (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- [x] (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).
- [x] (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).
- [x] (n) Independent Auditors’ Report Regarding Rule 15c3-3 exemption.
- [x] (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, Rahul Ajmera, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to IIFL Capital 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 Stockholder of
IIFL Capital Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of IIFL Capital 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for leases on April 1, 2019 due to the adoption of ASC Topic 842.

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.
**Supplemental 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 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 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 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 2015.

April 22, 2020
IIFL Capital Inc.

Statement of Financial Condition
March 31, 2020

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash segregated under federal regulations</td>
<td>$658,347</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>511,678</td>
</tr>
<tr>
<td>Due from affiliate</td>
<td>10,618</td>
</tr>
<tr>
<td>Fixed assets, net of accumulated depreciation of $714</td>
<td>1,459</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>104,801</td>
</tr>
<tr>
<td>Right-of-use asset</td>
<td>103,470</td>
</tr>
<tr>
<td>Security deposits</td>
<td>10,000</td>
</tr>
<tr>
<td>Other assets</td>
<td>12,033</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 1,412,406</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Stockholder’s Equity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and other accrued liabilities</td>
<td>$166,613</td>
</tr>
<tr>
<td>Lease liability</td>
<td>103,470</td>
</tr>
<tr>
<td>Due to parent</td>
<td>126,081</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>1,850</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>398,014</strong></td>
</tr>
</tbody>
</table>

Stockholder’s equity:
- Common stock, $0.01 par value. Authorized 1,000 shares; issued and outstanding 1,000 shares | 10  |
- Additional paid-in capital                 | 687,490|
- Retained earnings                          | 326,892|

**Total stockholder’s equity** | **1,014,392**

**Total liabilities and stockholder’s equity** | **$ 1,412,406**

The accompanying notes are an integral part of these financial statements.
## IIFL Capital Inc.

### Statement of Operations

*For the Year Ended March 31, 2020*

<table>
<thead>
<tr>
<th>Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer pricing income</td>
<td>$1,110,000</td>
</tr>
<tr>
<td>Research service income</td>
<td>335,021</td>
</tr>
<tr>
<td>Interest income</td>
<td>11,709</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>1,456,730</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and benefits</td>
<td>287,948</td>
</tr>
<tr>
<td>Research service expense</td>
<td>284,820</td>
</tr>
<tr>
<td>Commission expense</td>
<td>245,569</td>
</tr>
<tr>
<td>Professional fees</td>
<td>214,705</td>
</tr>
<tr>
<td>Travel, entertainment and promotional</td>
<td>83,376</td>
</tr>
<tr>
<td>Occupancy</td>
<td>69,010</td>
</tr>
<tr>
<td>Communications</td>
<td>41,548</td>
</tr>
<tr>
<td>Regulatory fees and expenses</td>
<td>18,120</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,462</td>
</tr>
<tr>
<td>Other</td>
<td>3,813</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>1,250,371</strong></td>
</tr>
</tbody>
</table>

Income before provision for income taxes: 206,359

Income tax expense: 57,739

**Net income** $148,620

The accompanying notes are an integral part of these financial statements.
## IIFL Capital Inc.

### Statement of Changes in Stockholder's Equity

**For the Year Ended March 31, 2020**

<table>
<thead>
<tr>
<th></th>
<th>Common Stock</th>
<th>Additional Paid-in Capital</th>
<th>Retained Earnings</th>
<th>Total Stockholder's Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2019</td>
<td>$ 10</td>
<td>$ 687,490</td>
<td>$ 678,272</td>
<td>$ 1,365,772</td>
</tr>
<tr>
<td>Distribution</td>
<td></td>
<td></td>
<td>(500,000)</td>
<td>(500,000)</td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td>148,620</td>
<td>148,620</td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>$ 10</td>
<td>$ 687,490</td>
<td>$ 326,892</td>
<td>$ 1,014,392</td>
</tr>
</tbody>
</table>

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

Statement of Cash Flows
For the Year Ended March 31, 2020

Cash flows from operating activities:
Net income $148,620
Adjustments to reconcile net income to net cash provided by operating activities:
  Depreciation 1,462
  Interest on certificates of deposit (11,678)
  Amortization of right-of-use asset 29,754
Decrease (increase) in operating assets:
  Security deposits 88,862
  Other assets 18,898
  Due from affiliates 711,232
  Accounts receivable (104,801)
Increase (decrease) in operating liabilities:
  Accounts payable and other accrued liabilities (320,875)
  Lease liability (29,754)
  Due to parent 126,081
  Income taxes payable (22,150)
Net cash provided by operating activities 635,651

Cash used in investing activities:
Purchase of certificates of deposit (500,000)
Purchase of office equipment (959)
Net cash used in investing activities (500,959)

Cash flows from financing activities:
  Distribution from retained earnings (500,000)
Net cash used in financing activities (500,000)

Net decrease in cash and cash segregated under federal regulations (365,308)

Cash and cash segregated under federal regulations at beginning of year 1,023,655
Cash and cash segregated under federal regulations at end of year $658,347

Supplemental disclosure of cash flow information
  Cash paid during the year for taxes $65,000

Supplemental non-cash information
  Initial recognition of right-of-use asset and lease liability $133,224

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

IIFL Capital Inc. (the Company) is a wholly owned subsidiary of IIFL Securities Limited, Mumbai, India (Parent). The Company provides brokerage and research services to institutional investors in the United States investing in securities of companies principally headquartered in India. The Company is registered with the Securities and Exchange Commission (the SEC) as a broker-dealer and is a member of the Financial Industry Regulatory Authority (FINRA).

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

   a) Cash

   The Company maintains cash at federally insured banking institutions. Cash on deposit with financial institutions may, at times, exceed federal insurance limits; however, the Company does not consider itself to be at risk with respect to its cash deposits.

   Cash includes $125,606 in a special account segregated in compliance with federal regulations to cover commission rebate liabilities amounting to $7,714 included in accounts payable and other accrued liabilities. Total expenses paid for such commission rebates was $29,884 and is recorded as commission expense on the statement of operations.

   b) 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 and amounted to $1,462 for the year ended March 31, 2020.

   c) Income Taxes

   The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for expected future tax consequences of events that have been included in the financial statements. Under this method deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year the differences are expected to reverse. The effect of the change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets and liabilities are recognized subject to management’s judgment that realization is more likely than not.

   d) 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
2. Significant Accounting Policies (continued)

amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e) 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 Income

The Company provides execution and brokerage services for transactions between its U.S. institutional investors and its Parent, IIFL Securities Limited, in accordance with SEC Rule 15a-6a(3). Pursuant to a Brokerage Service Agreement between the Company and the IIFL Securities Limited, 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 15% arrangement that was agreed to by the Company and IIFL Securities Limited and is in agreement with a transfer pricing study obtained by both the parties to the agreement. Revenue is recognized monthly as earned based on the corresponding costs in accordance with the agreement as services are rendered. Related receivables are generally satisfied within 2 months.

Research Service Income

The Company distributes research services on behalf of its Parent, IIFL Securities Limited, to U.S. institutional investors. Revenue is recognized at the time when a fee is mutually agreed upon. This determination was made since the Company cannot deem the consideration probable to be collected until that point in time. Additionally, at the point in time that the consideration has been received, the Company’s sole performance obligation to deliver research has been completed, the consideration is fixed and determinable and there is no other obligations that the Company needs to fulfill under each individual arrangement.

Disaggregation of revenue for the year ended March 31, 2020, can be found on the accompanying statement of operations.
2. Significant Accounting Policies (continued)

   Contract Assets and Liabilities
   The Company had customer receivables on April 1, 2019 and March 31, 2020 in the amount of
   $710,000 and $104,801, respectively. The Company had no material contract assets or
   liabilities as of April 1, 2019 or March 31, 2020.

   f) Accounts Receivable
   Accounts receivable represents amounts due from customers for research services. The Company
   periodically reviews the receivables for collectability and the necessity to establish an allowance
   for uncollectable accounts. At March 31, 2020, the Company determined that no allowance was
   required.

   g) Leases
   Effective April 1, 2019, the Company adopted ASC Topic 842, Leases ("ASC 842 ").
   Implementation of ASC 842 included an analysis of contracts, including real estate leases and
   service contracts to identify embedded leases, to determine the initial recognition of right-of-use
   assets ("ROU") and lease liabilities, which required subjective assessment over the
   determination of the associated discount rate.

   The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses
   its incremental borrowing rate. The implicit rates of our leases are not readily determinable and
   accordingly, we use our incremental borrowing rate based on the information available at the
   commencement date for all leases. The Company's incremental borrowing rate for a lease is the
   rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the
   lease payments under similar terms and in a similar economic environment.

   The Company has elected, for all underlying classes of assets, to not recognize ROU assets and
   lease liabilities for short-term leases that have a lease term of 12 months or less at lease
   commencement, and do not include an option to purchase the underlying asset that the Company
   is reasonably certain to exercise. We recognize lease cost associated with our short-term leases on
   a straight-line basis over the-lease term.

   The adoption of ASC 842 resulted in the recording of operating lease right-of-use asset and
   operating lease liability of approximately $133,000 during this fiscal year.

   Other Information related to leases as of March 31, 2020 are as follows:

   Weighted average remaining operating lease term 2.67 years

   Weighted average discount rate of operating leases 6%
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.

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

<table>
<thead>
<tr>
<th>Securities owned, at fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD's - maturity date 06/18/20</td>
<td>$</td>
<td>$511,678</td>
<td>$</td>
<td>$511,678</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$511,678</td>
<td>$</td>
<td>$511,678</td>
</tr>
</tbody>
</table>
4. Related Party Transactions

The Company maintains an administrative services agreement with another affiliated entity in the US, IIFL Inc., whereby IIFL Inc. is to provide certain services. Management determined the amount of certain expenses paid directly by IIFL Inc. that should be allocated to the Company, such as rent, office expenses and other operating expenses amounted to $76,315 of which $54,291 remained unpaid at March 31, 2020. During the year the Company paid approximately $53,000 of expenses attributable to IIFL Inc. The total amount due from IIFL Inc. is approximately $65,000 at March 31, 2020.

For the year ended March 31, 2020, the Company earned $1,110,000 in transfer pricing revenue from its Parent. It had amounts due to its Parent of $37,000 for overpayment of transfer pricing income. The Company received $335,021 of research service income of which $195,739 was remitted to the Parent and $89,081 was due to the Parent at March 31, 2020.

5. Net Capital Requirement

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined. The Company has elected to use the alternative method of computing its net capital. Under this method, net capital as defined, shall not be less than $250,000. At March 31, 2020, the Company had net capital of $363,803 which exceeded requirements by $113,803.

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 by 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.

7. Income Taxes

Total tax expense is $57,739 and represents Federal, state and local taxes as follows:

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal income tax</td>
<td>$ 56,031</td>
</tr>
<tr>
<td>State and local taxes</td>
<td>1,708</td>
</tr>
<tr>
<td><strong>Total current tax</strong></td>
<td>$ 57,739</td>
</tr>
</tbody>
</table>

The Company does not have any uncertain tax positions or any known unrecognized tax benefits at March 31, 2020.
The difference between the statutory federal rate of 21% and the effective rate of 22.4% is generally due to non-deductible expenses.

8. 401k Plan

The Company also 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, 2020 was $18,087.
9. **Concentrations**

The Company is dependent on its Parent for all of its operating revenue.

Most of the Company’s assets are held in the form of cash and certificates of deposit in accounts at major commercial banks.

Management does not expect any losses to result with respect to any of these concentrations.

10. **Certificates of Deposit**

At March 31, 2020, the Company held a certificates of deposit (CD’s”) 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. The CD’s mature on June 18, 2021.

11. **Commitments and Contingent Liabilities**

The Company is a co-signer along with IIFL Inc. on the lease for its office space, such lease expiring on November 30, 2022. The Company would be obligated on the full amount of lease payments remaining at any time should IIFL Inc. default on its portion. Future annual lease payments are as follows:

<table>
<thead>
<tr>
<th>Year Ending March 31</th>
<th>Total Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$167,621</td>
</tr>
<tr>
<td>2022</td>
<td>169,394</td>
</tr>
<tr>
<td>2023</td>
<td>113,915</td>
</tr>
<tr>
<td></td>
<td><strong>$450,930</strong></td>
</tr>
</tbody>
</table>

In accordance with the Company’s administrative services agreement with its affiliate (Note 4), the Company is responsible for 25% of the total lease cost. As such, the Company has recorded a right-of-use asset and lease liability representing their share of the anticipated lease liability per this agreement. Both the right-of-use asset and lease liability diminish over time at the same rate.
11. Commitments and Contingent Liabilities (continued)

The future minimum annual payments at March 31, 2020 for the Company’s share of the lease are as follows:

<table>
<thead>
<tr>
<th>Year Ending March 31</th>
<th>Total Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$42,085</td>
</tr>
<tr>
<td>2022</td>
<td>42,085</td>
</tr>
<tr>
<td>2023</td>
<td>28,056</td>
</tr>
<tr>
<td><strong>Total discounted lease payments</strong></td>
<td><strong>112,226</strong></td>
</tr>
<tr>
<td><strong>Less imputed interest</strong></td>
<td><strong>(8,756)</strong></td>
</tr>
<tr>
<td><strong>Total lease liability</strong></td>
<td><strong>$103,470</strong></td>
</tr>
</tbody>
</table>

For the year ended March 31, 2020, rent expense was $57,136 and is included in occupancy on the statement of operations.

12. 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.

13. 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.
SUPPLEMENTARY INFORMATION PURSUANT TO RULE 17a-5
OF THE SECURITIES EXCHANGE ACT OF 1934
IIFL Capital Inc.

Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission
March 31, 2020

<table>
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<th>Schedule I</th>
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Net capital:
- Total stockholder’s equity
  - $ 1,014,392

Deductions and/or charges:
- Nonallowable assets:
  - Certificates of deposit
    - 511,678
  - Due from affiliates
    - 10,618
  - Fixed assets
    - 1,459
  - Accounts receivable
    - 104,801
  - Other assets
    - 22,033
  - Total nonallowable assets
    - 650,589

Net capital
- 363,803

Minimum net capital requirement
- 250,000

Excess net capital
- $ 113,803

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, 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).
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder of
IIFL Capital Inc.

We have reviewed management's statements, included in the accompanying Management Statement Regarding Compliance with the Exemption Provisions for Rule 15c3-3 (the Exemption Report), in which (1) IIFL Capital 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 most recent fiscal year 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 the Company'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.

April 22, 2020
IIFL Capital Inc. (a wholly owned subsidiary of IIF Capital Holdings, Inc.)

Management Statement Regarding Compliance with the Exemption Provisions of SEC Rule 15c3-3

IIFL Capital 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 operates under the exemptive provisions of paragraph (k)(2)(i) of SEC Rule 15c3-3.

(2) Therefore, to the best knowledge and belief of the Company, it is in compliance with SEC Rule 15c3-3 and has been so throughout the year ended March 31, 2020, without exception.

Signature

President