

IIFL Capital Inc.
Financial Statements and Supplemental Information
Pursuant to Rule 17a-5 under the Securities Exchange Act of 1934
March 31, 2017

Confidential

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.

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

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

| |
|-----------------|
| SEC FILE NUMBER |
| 8-68100 |

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 04/01/16 AND ENDING 03/31/17
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

IFL Capital 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, Suite # 1502

(No. and Street)

New York

(City)

NY

(State)

10036

(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

(Address)

Whippany

(City)

NJ

(State)

07981

(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)

IIFL Capital Inc.

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

- Report of Independent Registered Public Accounting Firm.
- (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).*

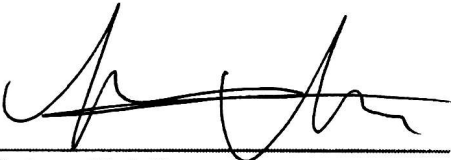
AFFIRMATION

I, 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, 2017, 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.

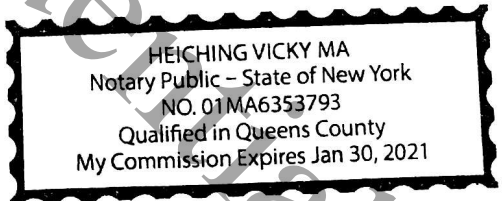


Signature

**President
Title**



Notary Public



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Management of
IIFL Capital, Inc.

We have audited the accompanying statement of financial condition of IIFL Capital, Inc., as of March 31, 2017, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of IIFL Capital, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of IIFL Capital, Inc. as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 (the "supplementary information") have been subjected to audit procedures performed in conjunction with the audit of IIFL Capital, Inc.'s financial statements. The supplementary information is the responsibility of IIFL Capital, Inc.'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 28, 2017

IIFL Capital Inc.

Statement of Financial Condition March 31, 2017

Assets

| | |
|---------------------|----------------------------|
| Cash | \$ 940,947 |
| Due from parent | 93,000 |
| Other assets | 16,261 |
| Total assets | <u>\$ 1,050,208</u> |

Liabilities and Stockholder's Equity

| | |
|--|-----------------------|
| Accounts payable and other accrued liabilities | \$ 221,191 |
| Total liabilities | <u>221,191</u> |

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 | 141,517 |

| | |
|---|----------------------------|
| Total stockholder's equity | <u>829,017</u> |
| Total liabilities and stockholder's equity | <u>\$ 1,050,208</u> |

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

IIFL Capital Inc.

Statement of Operations For the Year Ended March 31, 2017

| | |
|--|--------------------------|
| Revenues | |
| Fee income | <u>\$ 1,353,000</u> |
| Total revenues | <u>1,353,000</u> |
| Expenses | |
| Compensation and benefits | 425,218 |
| Commission expense | 262,395 |
| Professional fees | 200,360 |
| Travel, entertainment and promotional | 111,143 |
| Communications | 42,976 |
| Occupancy | 79,068 |
| Regulatory fees and expenses | 12,971 |
| Other | <u>41,956</u> |
| Total expenses | <u>1,176,086</u> |
| Income before provision for income taxes | 176,914 |
| Income tax expense | <u>74,100</u> |
| Net income | <u><u>\$ 102,814</u></u> |

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

IIFL Capital Inc.

Statement of Changes in Stockholder's Equity For the Year Ended March 31, 2017

| | <u>Common Stock</u> | <u>Additional Paid-in Capital</u> | <u>Retained Earnings</u> | <u>Total Stockholder's Equity</u> |
|---------------------------|-------------------------|---|------------------------------|---|
| Balance at March 31, 2016 | \$ 10 | \$ 687,490 | \$ 38,703 | \$ 726,203 |
| Net income | - | - | 102,814 | 102,814 |
| Balance at March 31, 2017 | <u>\$ 10</u> | <u>\$ 687,490</u> | <u>\$ 141,517</u> | <u>\$ 829,017</u> |

Confidential

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

IIFL Capital Inc.

Statement of Cash Flows For the Year Ended March 31, 2017

Cash flows from operating activities:

| | |
|---|--------------------------|
| Net income | \$ 102,814 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 586 |
| Decrease (increase) in operating assets | |
| Other assets | (8,051) |
| Due from parent | 13,694 |
| Accounts receivable | 154,000 |
| (Decrease) in operating liabilities: | |
| Accounts payable and other accrued liabilities | <u>(70,093)</u> |
| Net cash provided by operating activities | <u>192,950</u> |
| Cash at beginning of year | <u>747,997</u> |
| Cash at end of year | <u><u>\$ 940,947</u></u> |

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

IIFL Capital Inc.

Notes to Financial Statement Year Ended March 31, 2017

1. Organization

IIFL Capital Inc. (the Company) is a wholly owned subsidiary of IIFL Holdings Ltd., 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 the 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 \$100,000 in a special account segregated in compliance with federal regulations to cover commission rebate liabilities amounting to approximately \$14,000 included in accounts payable and other accrued liabilities.

b) Revenues

The Company receives fees from its Parent for performing sales and marketing functions on behalf of the Parent to attract institutional customers. The fees are based on expenses incurred by the Company in relation to the marketing activities such as compensation and benefits, professional services, occupancy, travel and other operating costs plus a profit factor.

c) Fixed Assets

Fixed assets are carried at cost less accumulated depreciation and are included in other assets on the statement of financial condition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets and amounted to \$586 for the year ended March 31, 2017 and is include in other expense on the statement of operations.

d) 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.

IIFL Capital Inc.

Notes to Financial Statement Year Ended March 31, 2017

e) 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.

3. Related Party Transactions

The Company’s customer securities transactions are facilitated by the Parent in India. Commissions earned are collected by the Parent and the Company is entitled to a monthly Cost Plus fee. For the year ended March 31, 2017, the Company earned commission revenue from the Parent in the amount of \$1,353,000 of which \$93,000 is due from the Parent at March 31, 2017.

The Company maintains an administrative services agreement with its Parent whereby the Parent is to provide certain services. Management determined the amount of certain expenses paid directly by the Parent that should be allocated to the Company, such as rent, office expenses and other operating expenses. The aggregate amount of these services paid to the Parent during 2016 was \$75,305. There are no amounts due to or due from this affiliate as on March 31, 2017.

4. 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 net its net capital. Under this method, net capital as defined, shall not be less than \$250,000. At March 31, 2017, the Company had net capital of \$719,756 which exceeded requirements by \$467,756.

5. 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.

IIFL Capital Inc.

Notes to Financial Statement Year Ended March 31, 2017

6. Income Taxes

Total tax expense is \$74,100 and represents Federal, state and local taxes as follows:

| | |
|-----------------------|------------------|
| Federal income tax | \$ 54,000 |
| State and local taxes | 20,100 |
| Total current tax | <u>\$ 74,100</u> |

The difference between the statutory federal tax rate of 35% and the effective tax rate is 31% as follows:

| | |
|---|------------------|
| Pretax net income | \$ 176,929 |
| Expected federal tax at statutory rate of 35% | 61,925 |
| State and city taxes | (7,035) |
| Nondeductible expenses | 2,890 |
| Other reconciling items | (3,780) |
| Federal tax expense reflected in these financial statements | <u>\$ 54,000</u> |

The Company does not have any uncertain tax position or any known unrecognized tax benefits at March 31, 2017.

7. 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, 2017 is \$8,719.

8. Concentrations

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

Substantially all of the Company's cash is held in accounts at a major commercial bank.

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

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

Confidential

IIFL Capital Inc.

Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission March 31, 2017

| | |
|---------------------------------|-------------------|
| Net capital: | |
| Total shareholder's equity | \$ <u>829,017</u> |
| Deductions and/or charges: | |
| Nonallowable assets: | |
| Due from parent | 93,000 |
| Other assets | <u>16,261</u> |
| Total nonallowable assets | <u>109,261</u> |
| Net capital | 719,756 |
| Minimum net capital requirement | <u>250,000</u> |
| Excess net capital | \$ <u>469,756</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 IIA filing as of March 31, 2017.

See Report of Independent Registered Public Accounting Firm

IIFL Capital Inc.

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, 2017

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).

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See Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Management 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 year ended March 31, 2017 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 IIFL Capital, 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 28, 2017

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 is designated by its Membership Agreement with the Financial Industry Regulatory Authority to operate under the exemptive provisions of paragraph (k)(2)(i) of SEC Rule 15c3-3. The Company does not handle cash or securities on behalf of customers.
- (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, 2017, without exception.

Signature



President

Confidential