

June 07, 2022

## Barclays Securities (India) Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper programme	250.00	250.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>250.00</b>	<b>250.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating continues to draw comfort from Barclays Securities (India) Private Limited's (BSIPL) strong ultimate parentage in the form of Barclays Bank PLC (BBPLC; rated A1/ Stable/ P-1 by Moody's Investors Service with a baseline credit assessment (BCA) of baa3). BBPLC is a global systemically important bank based in the United Kingdom (UK) with large capital market operations, and a strong global presence with total assets of £1.06 trillion as on December 31, 2021. BBPLC holds a 100% stake in BSIPL through its subsidiaries – Barclays Capital Securities Mauritius Limited (75% stake) and Barclays Investments & Loans (India) Private Limited (BILIL; rated [ICRA]AAA (Stable)/[ICRA]A1+; 25% stake).

BSIPL serves as the broking, wealth management and distribution arm of the Barclays Group in India with significant business coming from global Group companies. The company's funding needs are largely for maintaining the margin requirement at stock exchanges, which is primarily funded by clients through the margins (including those provided by the overseas Group entities on behalf of which BSIPL undertakes the transactions). BSIPL enjoys significant financial, managerial and operational support from the Group. In ICRA's view, the company will continue to benefit from the shared Barclays name, management and systems support and supervision by a strong board. The rating further considers the Group's global presence in capital markets and banking operations as well as BSIPL's adherence to the Group's global risk management systems and practices. Any weakening in BBPLC's credit profile would be a key negative rating driver.

### Key rating drivers and their description

#### Credit strengths

**Strong parentage** – ICRA draws comfort from BBPLC's strong global presence. BSIPL is held by BBPLC through its subsidiaries – Barclays Capital Securities Mauritius Limited (75% stake in BSIPL) and BILIL (25% stake). Given the shared brand name, ICRA expects an obligation on the part of BBPLC to provide support to BSIPL, if required. Thus, any material deterioration in the credit profile of the ultimate parent, BBPLC, would be a key rating sensitivity for ICRA's rating on BSIPL.

**Captive broking businesses from Group's overseas entities and domestic clientele** – BSIPL undertakes the broking/clearing business of the overseas Group entities as the Group's global clients intend to take exposure to the Indian capital markets. It also gets business from the wealth management activities of the Group's domestic clients. The company enjoys strong financial, managerial and operational support from the Group and maintains its importance as a vehicle for providing the Group's global clientele with India-specific exposure. The shared name also aids traction in the wealth management business. Further, ICRA has factored in the Group's global presence in capital markets and banking operations as well as BSIPL's adherence to the Group's global risk management system and practices.

## Credit challenges

**Consistent losses because of high overheads in wealth management business; however, profitable operations expected from FY2024** – BSIPL's net operating income declined to Rs. 69.3 crore in FY2021 from Rs. 89.0 crore in FY2020 due to the declining net interest income (NII; Rs. 23.3 crore in FY2021 against Rs. 30.5 crore in FY2020) and nil dividends from its subsidiary, Barclays Wealth Trustees (India) Private Limited (BWTPL; Rs. 12.1 crore in FY2020). The NII declined because of lower business activity and the declining interest rate environment. Lower business activity resulted in a decline in the margin money placed by the clients with BSIPL, leading to lower interest income, which is earned from the deposits created by using the interest-free margin money received from Group entities. Additionally, the decline in distribution and fee income remained a drag on the net operating income. The net operating income is estimated to have improved in FY2022 driven by dividend receipt from BWTPL as well as other heads of income.

The operating expenses remained elevated in relation to income at Rs. 125.8 crore in FY2021 (Rs. 104.3 crore in FY2020) on account of the increase in employee expenses in the wealth management segment and the increase in shared service costs for the services availed from a Group company. BSIPL reported a loss before tax of Rs. 57.1 crore (return on net worth (RoNW) of -52.23%) in FY2021 against a loss before tax of Rs. 15.6 crore in FY2020 (RoNW of -9.39%).

With the expected improvement in income and the rationalisation of shared services cost in FY2022, the losses are expected to have declined but continued in FY2022. With further rationalisation in operating expenses post structural changes within the Group entities, which is expected to be implemented in FY2023, BSIPL is expected to turn profitable in FY2024, which shall also prevent further erosion of net worth. Despite losses and net worth erosion, BSIPL's operations are unlikely to be impacted given that the net worth as well as liquidity remain adequate for the portfolio management businesses as well as the broking business.

**Revenues susceptible to capital market volatility and business from overseas Group entities** – Acting as the wealth management, distribution and broking arm of the Barclays Group in India, most of BSIPL's broking business is derived from the Group's companies across the world. Inherent to broking, BSIPL's business operations and revenue drivers remain susceptible to the volatility in the capital markets. In ICRA's view, given the high concentration of Group companies in BSIPL's business, the income growth would remain contingent on the willingness of the existing clientele to take exposure to the Indian capital markets.

## Liquidity position: Adequate

BSIPL's funding requirements are largely for maintaining margins at the stock exchanges to carry out trades for its clients. However, it takes sufficient margins from its clients for this purpose, thereby resulting in limited borrowing requirements. BSIPL has fund-based bank limits of Rs. 135 crore, of which utilisation stood at ~Rs. 62 crore as on March 31, 2022. Since the company had reported losses in the past couple of years, the net worth has reduced and the bank lines are being used for working capital requirements, which were earlier being funded through the net worth.

## Rating sensitivities

**Positive factors** – NA

**Negative factors** – The rating may be revised downwards in case of a material deterioration in the credit profile of BBPLC or a weakening in BSIPL's importance to the Group, thereby resulting in lower likelihood of financial support from the parent.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">ICRA's Rating Methodology for Entities in Brokerage Industry</a> <a href="#">Impact of Parent or Group Support on an Issuer's Credit Rating</a>
Parent/Group Support	<b>Parent Company:</b> Barclays Bank PLC ICRA expects BSIPL's parent, BBPLC, to be willing to extend financial support to BSIPL, if needed, given the high strategic importance that BSIPL holds for the Barclays Group for meeting its diversification objectives. Moreover, the Barclays Group and BSIPL share a common name, which, in ICRA's opinion, would persuade the Group/BBPLC to provide financial support to BSIPL to protect its reputation from the consequences of a group entity's distress
Consolidation/Standalone	Standalone

## About the company

UK-based Barclays Bank PLC (BBPLC) is a global systemically important bank. It is the non-ring-fenced bank of the Barclays Group, accounting for around 77% of the Group's total assets as on December 31, 2021 following the transfer of the Group's retail and small business banking operations to Barclays Bank UK PLC on April 1, 2018. The bank houses the Group's corporate and investment banking activities along with other non-capital market activities including payments, wealth management, and international consumer and card activities. The bulk of the bank's operations is split between the Group's key markets of the UK and the United States (US) though it also has a presence in continental Europe and other major global financial centres. The CET-I capital ratio stood at 13.0% as on December 31, 2021 compared to 14.2% as on December 31, 2020. For CY/FY2021, the bank reported a net profit of £7.23 billion compared with £2.46 billion in CY2020.

Barclays Securities (India) Private Limited (BSIPL) is a step-down subsidiary of BBPLC with a 75% stake held by Barclays Capital Securities Mauritius Limited and the balance held by BILIL. BSIPL serves as the broking, wealth management and distribution arm of the Barclays Group in India with the majority of its business coming from global Group companies. BSIPL reported a net loss of Rs. 57.1 crore in FY2021 on an operating income of Rs. 69.3 crore compared to a net loss of Rs. 15.6 crore in FY2020 on an operating income of Rs. 89.0 crore.

## Key financial indicators (audited)

Barclays Securities (India) Private Limited	FY2019	FY2020	FY2021
Equity Capital	178.5	178.5	178.5
Net Worth	231.0	166.5	109
Total Assets	834.2	653.7	865.0
Net Operating Income	91.2	89.0	69.3
Broking Income	8.4	10.7	10.4
Net Interest Income	33.9	30.5	23.3
Profit before Tax (PBT)	-10.6	-15.6	-57.1
Profit after Tax (PAT)	-10.6	-15.6	-57.1
% Net Interest Margin	8.11%	9.34%	3.06%
% PBT / ATA	-2.54%	-4.78%	-7.52%
% PAT / ATA	-2.54%	-4.78%	-7.52%
% Return on Net Worth	-4.59%	-9.39%	-52.23%
Total Debt / Net Worth (times)	0.01	0.01	0.43

**Note:** Amount in Rs. crore; All calculations are as per ICRA Research; **Source:** BSIPL, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Apr 30, 2022 (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	
					Jun 07, 2022	Jun 04, 2021	May 29, 2020	Apr 05, 2019	
1	Commercial paper programme	ST	250.00	0.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

ST – Short term

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial paper programme	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Commercial paper programme	Yet to be placed	-	7-365 days	250.00	[ICRA] A1+

Source: BSIPL

### Annexure-2: List of entities considered for consolidated analysis - Not applicable

## ANALYST CONTACTS

**Karthik Srinivasan**

+91 22 6114 3444

[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**Anil Gupta**

+91 124 4545 314

[anilg@icraindia.com](mailto:anilg@icraindia.com)

**Aayush Behal**

+91 124 4545 386

[aayush.bahal@icraindia.com](mailto:aayush.bahal@icraindia.com)

**Aashay Choksey**

+91 22 6114 3430

[aashay.choksey@icraindia.com](mailto:aashay.choksey@icraindia.com)

## RELATIONSHIP CONTACT

**Mr. L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.