

June 04, 2024

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	250.00	250.00	[ICRA]A1+; reaffirmed
Total	250.00	250.00	

*Instrument details are provided in Annexure I

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 baseline credit assessment (BCA) of baa2). BBPLC is a global systemically important bank based in the United Kingdom (UK) with large capital market operations and a strong worldwide presence with total assets of £0.92 trillion as on December 31, 2023. It 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 global Group companies accounting for a significant part of the business. The company's funding needs are largely for maintaining the margin requirement at stock exchanges, which is primarily funded by clients through margins (including those provided by overseas Group entities on behalf of which BSIPL undertakes 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) 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 due to high overheads in wealth management business; however, profitable operations expected from FY2024-FY2025 – BSIPL's reported loss narrowed down to Rs. 0.71 crore in H1 FY2024 (reported operating income of Rs. 33 crore) from the loss of Rs. 5.6 crore in FY2023 (operating income of Rs. 87 crore). This was mainly due to its ability to minimise the operating expenses during the year while business activity remained muted vis-à-vis FY2023. This led to the placement of a more or less similar amount of margin money by the clients with BSIPL. In the past, the company had witnessed high operating expenses, as a proportion of income, due to significant employee expenses in the wealth management segment and shared service costs for the services availed from a Group company.

The slated plan to turn profitable during FY2024-FY2025 through further rationalisation of operating expenses started to show results in FY2023. BSIPL's cost-to-income ratio has been on an improving trajectory (102% in H1 FY2024 and 105% in FY2023 from 115% in FY2022). H2 FY2024 is expected to witness further reduction as the expense reimbursement from BILIL is done in the fourth quarter of the financial year. This shall also prevent a further decline in the net worth. Despite losses and lower net worth, BSIPL's operations are unlikely to be impacted as the net worth and liquidity remain adequate for the portfolio management business as well as the broking business. Nonetheless, ICRA notes that the company's ability to sustain a scale of operations that will generate ample income to absorb the operating expenses in the near future remains important for its profitability profile.

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, 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, leading to limited borrowing requirements. Since the company had reported losses in the past few 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 a lower likelihood of financial support from the parent.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Approach – Implicit Parent or Group Support Stockbroking & Allied Services
Parent/Group support	Parent Company: Barclays Bank PLC ICRA expects BBPLC to be willing to extend financial support to BILIL, if needed, given the strategic importance that BILIL holds for the Barclays Group for meeting its diversification objectives. In ICRA's opinion, the shared name indicates strong likelihood of the Group/BBPLC providing financial support to BILIL to protect its reputation from the consequences of a group entity's distress
Consolidation/Standalone	Standalone

About the company

Barclays Securities (India) Private Limited (BSIPL) is a step-down subsidiary of Barclays Bank PLC (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 global Group companies accounting for the majority of its business. BSIPL reported a net loss of Rs. 0.71 crore in H1 FY2024 on operating income of Rs. 33 crore compared to a net loss of Rs. 5.6 crore on operating income of Rs. 87 crore in FY2023.

About Barclays Bank PLC

BBPLC is the non-ring-fenced bank of the Barclays Group, accounting for around 77% of the Group's total assets as on December 31, 2023. It 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 its operations are split between the Group's key markets of the UK and the United States (US) though it has a presence in continental Europe and other major global financial centres. The CET-I capital ratio stood at 12.1% as on December 31, 2023 compared to 12.7% as on December 31, 2022. For CY2023, the bank reported a net profit of £2.7 billion compared with £3.7 billion in CY2022.

Key financial indicators (standalone)-BSIPL

	FY2022	FY2023	H1 FY2024
Net operating income	112	87	33
Profit after tax (PAT)	-17.5	-5.6	-0.71
Net worth	91.4	91.4	90.6
Total debt / net worth (times)	0.76	1.10	1.17
Total assets	831	746	693
PAT / ATA	-2.06%	-0.71%	-0.20%
Return on avg. net worth	-17.42%	-6.14%	-1.56%

Source: BSIPL, ICRA Research; All ratios as per ICRA's calculations and annualised for the interim period

Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
		Amount Rated (Rs. crore)	Amount Outstanding as of May 27, 2024 (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Jun 04, 2024	Jun 06, 2023	Jun 07, 2022	Jun 04, 2021
1 Commercial paper	Short term	250.00	0.00 [^]	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Source: BSIPL, ICRA Research; [^]Balance amount yet to be placed

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial paper	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: [Click Here](#)

Annexure I: Instrument details

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

Source: BSIPL; Commercial paper outstanding was Nil as on May 27, 2024

Annexure II: List of entities considered for limited consolidated analysis

Company Name	Ownership	Consolidation Approach
NA	NA	NA

Source: BSIPL

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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.

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