

June 04, 2024

Barclays Investments & Loans (India) Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	4,000.00	4,000.00	[ICRA]A1+; reaffirmed
Long-term equity linked debenture	1,589.60	1,589.60	PP-MLD[ICRA]AAA (Stable); reaffirmed
Non-convertible debenture	745.00	745.00	[ICRA]AAA (Stable); reaffirmed
Bank lines	150.00	150.00	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed
Total	6,484.60	6,484.60	

*Instrument details are provided in Annexure I

Rationale

The ratings continue to draw comfort from Barclays Investments & Loans (India) Private Limited's (BILIL) strong 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 directly holds a 57.84% stake in BILIL while the rest is held by its wholly-owned subsidiary, Barclays Mauritius Overseas Holdings Limited, Mauritius.

BILIL serves as the only non-banking lending arm of the Barclays Group in India, with the underlying business of extending loans against securities (LAS). Given the ownership structure and the shared brand name, ICRA expects BBPLC to provide timely funding support to BILIL, if required. Further, ICRA takes comfort from BILIL's comfortable capitalisation profile, robust risk management systems that draw from the Group's global risk management policies, and adequate liquidity profile (on the back of well-matched asset and liability maturities). The Group has demonstrated its commitment towards BILIL in the form of capital infusions and the company's performance has remained satisfactory over the past few years in terms of internal capital generation.

ICRA notes that BILIL's scale of operations and profitability profile will remain constrained and susceptible to the performance of the domestic capital markets, given its presence only in the LAS segment. Weakening in the credit profile of BBPLC would be a key negative rating driver for the ratings of BILIL.

Key rating drivers and their description

Credit strengths

Strong parentage – ICRA's ratings for BILIL remain supported by the 100% ownership by BBPLC. Given its parentage and strategic importance to the Group, BILIL continues to enjoy strong operational, managerial and financial support from the Group. These include sharing common services (through Barclays Global Service Centre Private Limited) and resources for the treasury, credit, information technology (IT) systems, and the legal and risk management processes. Moreover, as a part of the Barclays Group, BILIL has access to the high and ultra-high-net-worth (HNW and UHNW) customer segments, which are a part of the company's key borrower groups.

During FY2009-FY2012, BILIL received capital support (Rs. 909 crore) from the parent and ICRA expects the same to be forthcoming, going forward as well, if required. The ratings remain supported by the Group's global presence in capital markets and banking operations as well as BILIL's adherence to global risk management systems and practices.

Comfortable capitalisation profile – BILIL’s capitalisation profile remains comfortable with a capital-to-risk weighted assets ratio (CRAR) of 26.51% as on March 31, 2024, although it has declined from the March 2023 level of 33.66% on account of the increase in the loan book. The loan book growth was partly driven by the surge in capital market activities. Also, the capital infusion of Rs. 3,000 crore in Barclays Bank PLC (India Operations) in FY2022 had increased the Group’s capital market exposure limit, providing headroom for BILIL to grow its loan book. BILIL largely uses commercial paper (CP) borrowings and net worth to fund its LAS book. As LAS is repayable on demand, the short tenure of the assets results in the matching of the assets and the liabilities. Furthermore, as per the regulatory requirements for liquidity coverage, the company keeps on-balance sheet liquidity in the form of cash and liquid investments for the upcoming month’s CP maturity. As a result, the leverage increased to 2.78 times as on March 31, 2024, from 2.14 times as on March 31, 2023 (2.41 times as on March 31, 2022). Net of unencumbered cash/liquid investments, ICRA expects that the leverage is unlikely to go beyond 3.0 times in the near to medium term.

Based on the collections trend, BILIL typically collects 4-16% of its portfolio on a monthly basis. There have not been any instances of default by its borrowers. With adequate liquid collateral, the loss upon default is likely to remain low, driving comfortable capitalisation levels for the company.

Lending against highly liquid securities mitigates credit risks, resulting in strong asset quality profile – BILIL remains focussed on secured lending in the form of LAS (which started in June 2009). As on March 31, 2024, the company had a loan book outstanding of Rs. 3,432 crore (compared to Rs. 2,606 crore as on March 31, 2023 and Rs. 2,727 crore as on March 31, 2022) backed by equity shares, debt/equity mutual fund units, bonds and fixed deposits. The list of approved securities is finalised in consultation with the global operations. In line with domestic regulations, the loan-to-value (LTV) for LAS and equity mutual funds is capped at 50% while it is higher for debt instruments for better-rated liquid instruments. The loans have average tenures of less than one year and are callable on demand.

ICRA takes note of BILIL’s strong risk management systems, which involve constant monitoring of the loan portfolio. This is depicted by the absence of instances of the company enforcing a security in the last 10 years because of the borrower failing to respond to a margin call¹.

Credit challenges

Small scale of operations; susceptible to volatility in capital markets – As mentioned earlier, given its LAS-focused portfolio, BILIL’s loan book remains susceptible to volatility in the capital markets. Further, on the liability side, given the high dependence on CPs, market volatility could constrain funding availability and rollover of CPs. Such volatility could impact the borrowing levels and the scale of operations. However, BILIL mitigates the same by keeping liquidity in the form of cash and liquid investments for the upcoming month’s CP maturity a month in advance. As the company’s focus is on providing LAS to HNW and UHNW individuals from the pool of Barclays Group customers, the scale of operations is expected to remain range-bound. Moreover, it faces constraints because of capital market exposure limits for the Group. The ability to maintain a sufficient scale of operations to absorb the fixed overheads will be a key driver of the profitability, going forward.

BILIL’s top 10 and top 20 borrowers accounted for 40% and 64%, respectively, of its total advances as on March 31, 2024. On the liability side, the top 3 CP investors accounted for a significant portion of the total outstanding amount as on March 31, 2024, indicating high concentration.

Profitability remains moderate because of higher operating costs – With the improved scale of the loan book, BILIL’s interest income increased steadily in FY2024 but was offset by the sharp rise in the cost of CP borrowings, resulting in the compression of the net interest margin. Given the secured lending business and the shorter loan tenor, the average yield on loans remains

¹ A margin call gets triggered when a decline in the (fair/market) value of a collateral on a particular day results in the LTV ratio breaching the maximum permissible limit; in such a scenario, the borrower is allowed a specific period to top up the deficit in the collateral value (either through cash or in the form of acceptable securities), failing which the company would enforce the security

modest, though this is offset by the competitive borrowing cost of CPs. With nil non-performing assets, credit costs were negligible.

BILIL had hired more employees in FY2023 to expand its existing business and to provide marketing and servicing support to Group entities. The full operating cost of the same was reflected in FY2024, leading to a moderation in the profit before tax and extraordinary items to Rs. 13 crore in FY2024 (Rs. 26 crore in FY2023). However, due to the reversal of a provision totalling Rs. 20 crore on its investment in a Group subsidiary, the net profit stood at Rs. 24 crore in FY2024 (Rs. 19 crore in FY2023). BILIL's profitability will be susceptible to the performance of the domestic capital markets as it impacts the scale of its loan book.

Liquidity position: Adequate

BILIL has sizeable repayments of Rs. 565 crore between May 2024 and July 2024 as short-term CPs constitute the main part of its entire borrowings. It had cash and liquid investments of ~Rs. 424 crore as on April 30, 2024. This, along with the undrawn bank facilities of Rs. 460 crore, is sufficient for CP repayments until July 2024. Further, the loans given by BILIL are repayable on demand, while the inflows from the loan book are estimated at 4-16% of the loan book. BILIL has also demonstrated good ability to roll over the CPs.

Rating sensitivities

Positive factors – NA

Negative factors – The ratings could be revised downwards in case of a deterioration in the credit profile of BBPLC or any weakening in the likelihood of financial support from the parent.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Non-banking Finance Companies Rating Approach – Implicit Parent or Group Support
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

UK-based Barclays Bank PLC (BBPLC), a global systemically important bank, had acquired a controlling stake and management control in Rank Investments and Credits (India) Limited in August 2006. The company was later renamed Barclays Investments & Loans (India) Private Limited (BILIL). The stake has since increased to 100% (57.84% held by BBPLC and 42.16% held by Barclays Mauritius Overseas Holdings Limited, Mauritius, a wholly-owned subsidiary of BBPLC) after a capital infusion of Rs. 909 crore during FY2009-FY2012. BILIL reported a net profit of Rs. 24 crore on interest income of Rs. 278 crore in FY2024 compared to Rs. 19 crore and Rs. 223 crore, respectively, 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)- BILIL

	FY2022	FY2023	FY2024
Total income	175	242	295
Profit after tax	60	19	24
Total managed assets	3,287	3,119	3,855
Return on average managed assets	6.41%	1.91%	2.37%
Reported gearing (debt/net owned fund; times)	2.41	2.14	2.78
Gross stage 3 CRAR	0.00%	0.00%	0.00%
	31.55%	33.66%	26.51%

Source: BILIL, ICRA Research; All ratios as per ICRA's calculations

Amount in ₹. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated	Amount outstanding as of May 27, 2024	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022			
		(₹. crore)	(₹. crore)	Jun-04-2024	Jun-06-2023	Jun-07-2022	Feb-01-2022	Jan-18-2022	Jun-04-2021	
1	Commercial paper	Short term	4,000.00	2,989.0 [^]	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Long-term equity linked debenture	Long term	1,589.60	- [^]	PP-MLD [ICRA]AAA (Stable)	PP-MLD [ICRA]AAA (Stable)	PP-MLD [ICRA]AAA (Stable)	PP-MLD [ICRA]AAA (Stable)	PP-MLD [ICRA]AAA (Stable)	PP-MLD [ICRA]AAA (Stable)
3	Non-convertible debenture	Long term	745.00	- [^]	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
4	Bank lines	Long term	150.00	- [^]	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+

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

Complexity level of the rated instrument

Instrument	Complexity Indicator
Commercial paper	Very simple
Long-term equity linked debenture	Moderately complex
Non-convertible debenture	Very simple
Bank lines	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
INE704I14HZ7	Commercial paper	Dec 12, 2023	8.65%	Jun 10, 2024	100.00	[ICRA]A1+
INE704I14IP6	Commercial paper	Mar 19, 2024	8.40%	Jun 18, 2024	100.00	[ICRA]A1+
INE704I14IR2	Commercial paper	Apr 10, 2024	7.90%	Jun 25, 2024	100.00	[ICRA]A1+
INE704I14HK9	Commercial paper	Jul 04, 2023	7.85%	Jul 02, 2024	50.00	[ICRA]A1+
INE704I14IT8	Commercial paper	May 17, 2024	7.35%	Aug 19, 2024	65.00	[ICRA]A1+
INE704I14HN3	Commercial paper	Aug 22, 2023	7.87%	Aug 21, 2024	50.00	[ICRA]A1+
INE704I14HW4	Commercial paper	Nov 24, 2023	8.20%	Aug 23, 2024	125.00	[ICRA]A1+
INE704I14IN1	Commercial paper	Mar 07, 2024	8.40%	Sep 06, 2024	25.00	[ICRA]A1+
INE704I14IO9	Commercial paper	Mar 18, 2024	8.30%	Sep 18, 2024	10.00	[ICRA]A1+
INE704I14HQ6	Commercial paper	Mar 28, 2024	8.30%	Sep 20, 2024	50.00	[ICRA]A1+
INE704I14HQ6	Commercial paper	Sep 22, 2023	8.00%	Sep 20, 2024	100.00	[ICRA]A1+
INE704I14IC4	Commercial paper	Dec 22, 2023	8.40%	Oct 15, 2024	74.00	[ICRA]A1+
INE704I14IS0	Commercial paper	Apr 25, 2024	8.05%	Oct 23, 2024	125.00	[ICRA]A1+
INE704I14HX2	Commercial paper	Nov 28, 2023	8.65%	Nov 27, 2024	100.00	[ICRA]A1+
INE704I14IA8	Commercial paper	Dec 20, 2023	8.85%	Dec 18, 2024	100.00	[ICRA]A1+
INE704I14IQ4	Commercial paper	Mar 21, 2024	8.40%	Dec 20, 2024	15.00	[ICRA]A1+
INE704I14IB6	Commercial paper	Dec 26, 2023	8.85%	Dec 24, 2024	100.00	[ICRA]A1+
INE704I14ID2	Commercial paper	Jan 08, 2024	8.87%	Jan 07, 2025	50.00	[ICRA]A1+
INE704I14ID2	Commercial paper	Jan 10, 2024	8.87%	Jan 07, 2025	50.00	[ICRA]A1+
INE704I14IE0	Commercial paper	Jan 18, 2024	8.75%	Jan 17, 2025	100.00	[ICRA]A1+
INE704I14IF7	Commercial paper	Jan 24, 2024	8.83%	Jan 23, 2025	125.00	[ICRA]A1+
INE704I14IF7	Commercial paper	Jan 25, 2024	8.81%	Jan 23, 2025	300.00	[ICRA]A1+
INE704I14IG5	Commercial paper	Jan 30, 2024	8.85%	Jan 29, 2025	100.00	[ICRA]A1+
INE704I14IH3	Commercial paper	Feb 05, 2024	8.85%	Feb 04, 2025	50.00	[ICRA]A1+
INE704I14II1	Commercial paper	Feb 14, 2024	8.80%	Feb 13, 2025	100.00	[ICRA]A1+
INE704I14IJ9	Commercial paper	Feb 21, 2024	8.79%	Feb 20, 2025	100.00	[ICRA]A1+
INE704I14IJ9	Commercial paper	Feb 22, 2024	8.79%	Feb 20, 2025	100.00	[ICRA]A1+
INE704I14IK7	Commercial paper	Feb 26, 2024	8.70%	Feb 21, 2025	75.00	[ICRA]A1+
INE704I14IK7	Commercial paper	Feb 23, 2024	8.70%	Feb 21, 2025	150.00	[ICRA]A1+
INE704I14IL5	Commercial paper	Mar 05, 2024	8.65%	Mar 04, 2025	150.00	[ICRA]A1+
INE704I14IL5	Commercial paper	Mar 04, 2024	8.65%	Mar 04, 2025	200.00	[ICRA]A1+
INE704I14IM3	Commercial paper	Mar 06, 2024	8.65%	Mar 06, 2025	50.00	[ICRA]A1+
Unplaced	Commercial paper	NA	NA	7-365 days	1,011.00	[ICRA]A1+
Unplaced	Bank lines	NA	NA	NA	150	[ICRA]AAA (Stable)/[ICRA]A1+
Unplaced	Long-term equity linked debenture	NA	NA	NA	1,589.60	PP-MLD[ICRA]AAA (Stable)
Unplaced	Non-convertible debenture	NA	NA	NA	745	[ICRA]AAA (Stable)

Source: BILIL; Commercial paper outstanding as on May 27, 2024

Annexure II: List of entities considered for limited consolidated analysis

Company Name	Ownership	Consolidation Approach
NA	NA	NA

Source: BILIL

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

Sachin Sachdeva

+91 124 4545 307

sachin.sachdeva@icraindia.com

Sohil Mehta

+91 22 6114 3449

sohil.mehta@icraindia.com

Anil Gupta

+91 124 4545 314

anilg@icraindia.com

Varun Dhapade

+91 22 6114 3463

varun.dhapade@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

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

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

ICRA Limited



Registered Office

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



Branches



© Copyright, 2024 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 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.