

December 16, 2024

Barclays Investments & Loans (India) Private Limited: [ICRA]A1+ assigned to enhanced amount of commercial paper; Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	4,000.00	6,500.00	[ICRA]A1+; reaffirmed/assigned for enhanced amount
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	8,984.60	

*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, a strong worldwide presence and total assets of £1.3 trillion as on June 30, 2024. 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 the company, 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 position (on the back of well-matched asset and liability maturities). The company's profitability has remained moderate due to the thin margins and high operating costs, though negligible credit costs have kept it profitable. With limited growth in the scale of operations in the past, BILIL's capital requirements have remained limited. However, with sub-optimal internal capital generation and the expected increase in borrowing programme to scale up the LAS book, it will require capital infusion over next few quarters if the growth remains high. In this regard, ICRA takes comfort, the demonstrated track record of the Group towards entities in India including BILIL in the form of capital infusions and ICRA expects the same to be forthcoming if required going forward as well.

ICRA notes that BILIL's scale of operations and profitability will remain constrained and susceptible to the performance of the domestic capital markets, given its presence only in the LAS segment.

The Stable outlook reflects ICRA's expectation that the company will continue to maintain a steady credit profile, while remaining strategic important to the Barclays Group, and will receive timely funding support from the parent if required.

Key rating drivers and their description

Credit strengths

Strong parentage – ICRA's ratings for BILIL remain supported by BBPLC's 100% ownership. Given its parentage and strategic importance to the Group, the company 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. Additionally, the Indian branches of BBPLC received a capital infusion of Rs. 3,000.0 crore during FY2022 to support growth of Indian operations, reflecting continued support of group.

Comfortable capitalisation profile – BILIL's capitalisation profile remains comfortable with the capital-to-risk weighted assets ratio (CRAR) improving to 27.71% as on September 30, 2024 from 26.51% as on March 31, 2024 mainly due to the flattish loan book. The loan book has remained range-bound due to the volatile capital market activity in H1 FY2025. 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. The company 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 funding requirements. Its leverage eased to 2.6 times as on September 30, 2024 from 2.8 times as on March 31, 2024 (2.1 times as on March 31, 2023). Net of unencumbered cash/liquid investments, ICRA expects that the leverage is unlikely to go beyond 4.0 times in the near to medium term.

Based on the collections trend, BILIL usually 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, leading to comfortable capitalisation levels.

Lending against highly liquid securities mitigates credit risks, leading to strong asset quality – BILIL remains focussed on secured lending in the form of LAS (which started in June 2009). As on September 30, 2024, the company's loan book outstanding was Rs. 3,297 crore (compared to Rs. 3,432 crore as on March 31, 2024 and Rs. 2,606 crore as on March 31, 2023) 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 – Given its LAS-focussed portfolio, BILIL's loan book remains susceptible to volatility in the capital markets. Further, on the liabilities 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 funding requirements. 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. Though ICRA notes that the company plans to introduce more products and services to enhance its revenue stream, this is expected to take some time.

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

Moreover, it faces constraints because of capital market exposure limits for the Group. The ability to maintain sufficient scale 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 43% and 67%, respectively, of its total advances as on September 30, 2024. On the liabilities side, the top 3 CP investors accounted for a significant portion (71%) of the total outstanding amount as on November 30, 2024, indicating high concentration.

Profitability remains moderate because of higher operating costs – BILIL's interest income increased to Rs. 166 crore in H1 FY2025 from Rs. 133 crore in H1 FY2024 (Rs. 278 crore in FY2024). However, net interest income (NII) witnessed pressure from rising interest expenses. 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 for its investment in a Group subsidiary (Barclays Securities (India) Private Limited rated [ICRA]A1+), the net profit stood at Rs. 24 crore in FY2024 (Rs. 19 crore in FY2023). The net interest margin contracted further in H1 FY2025 amid rising interest costs, resulting in a decline in the operating margin. However, credit costs remained negligible and the company reported a return on assets (RoA) of 0.25% in H1 FY2025. 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. 1,669 crore between November 2024 and January 2025 as short-term CPs constitute the main part of its entire borrowings. It had cash and liquid investments of ~Rs. 228 crore as on October 31, 2024. This, along with the undrawn bank facilities of Rs. 560 crore, is sufficient for the CP repayments until December 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. The company has also demonstrated good ability to roll over the CPs.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The ratings could be downgraded 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
Parent/Group support	Parent Company: Barclays Bank PLC ICRA expects BBPLC to be willing to extend financial support to BILIL, if needed, given its strategic importance to 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

In August 2006, BBPLC acquired a controlling stake and management control in Rank Investments and Credits (India) Limited. 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 to FY2012. It serves as the only non-banking lending arm of the Barclays Group in India with the underlying business of extending loans

against securities (LAS). The Group has demonstrated its commitment towards BILIL in the form of regular capital infusions in the past and the company's recent performance has remained satisfactory in terms of internal capital generation. 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 position (on the back of well-matched asset and liability maturities).

BILIL reported a net profit of Rs. 4.6 crore on total income of Rs. 175.1 crore in H1 FY2025 compared to Rs. 23.6 crore on total income of Rs. 294.8 crore in FY2024 (Rs. 18.5 crore and Rs. 242 crore, respectively, in FY2023).

Barclays Bank PLC

UK-based Barclays Bank PLC is a global systemically important bank. It is the non-ring-fenced bank of the Barclays Group, accounting for ~80% of the Group's total assets, following the transfer of the Group's retail and small business banking operations to Barclays Bank UK on April 1, 2018. The bank houses the Group's corporate and investment banking activities together with other non-capital markets activities including payments, wealth management, and international consumer and cards activities. The bulk of its operations is split between the Group's key markets of the UK and the US, though it also has a presence in continental Europe and other major global financial centres.

Key financial indicators (standalone)

BILIL	FY2023	FY2024	H1 FY2025
Total income	242	295	175
Profit after tax	19	24	5
Total managed assets	3,119	3,855	3,710
Return on average managed assets	0.58%	0.68%	0.25%
Reported gearing (debt/net owned fund; times)	2.14	2.80	2.63
Gross stage 3	0.00%	0.00%	0.00%
CRAR	33.66%	26.51%	27.71%

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

Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating				Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. crore)	Date & rating in FY2025	FY2025		FY2024		FY2023		FY2022		
				Dec 16, 2024	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	6,500.00	[ICRA]A1+	Jun 4, 2024	[ICRA]A1+	Jun 6, 2023	[ICRA]A1+	Jun 7, 2022	[ICRA]A1+	Jun 4, 2021	[ICRA]A1+	
				-	-	-	-	-	-	Jan 18, 2022	[ICRA]A1+	
				-	-	-	-	-	-	Feb 1, 2022	[ICRA]A1+	
Long-term equity linked debenture	Long term	1,589.60	PP-MLD [ICRA]AAA (Stable)	Jun 4, 2024	PP-MLD [ICRA]AAA (Stable)	Jun 6, 2023	PP-MLD [ICRA]AAA (Stable)	Jun 7, 2022	PP-MLD [ICRA]AAA (Stable)	Jun 4, 2021	PP-MLD [ICRA]AAA (Stable)	
				-	-	-	-	-	-	Jan 18, 2022	PP-MLD [ICRA]AAA (Stable)	
				-	-	-	-	-	-	Feb 1, 2022	PP-MLD [ICRA]AAA (Stable)	
Non- convertible debenture	Long term	745.00	[ICRA]AAA (Stable)	Jun 4, 2024	[ICRA]AAA (Stable)	Jun 6, 2023	[ICRA]AAA (Stable)	Jun 7, 2022	[ICRA]AAA (Stable)	Jun 4, 2021	[ICRA]AAA (Stable)	
				-	[ICRA]AAA (Stable)	-	-	-	-	Jan 18, 2022	[ICRA]AAA (Stable)	
				-	[ICRA]AAA (Stable)	-	-	-	-	Feb 1, 2022	[ICRA]AAA (Stable)	
Bank lines	Long term	150.00	[ICRA]AAA (Stable)/ [ICRA]A1+	Jun 4, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	Jun 6, 2023	[ICRA]AAA (Stable)/ [ICRA]A1+	Jun 7, 2022	[ICRA]AAA (Stable)/ [ICRA]A1+	Jun 4, 2021	[ICRA]AAA (Stable)/ [ICRA]A1+	
				-	-	-	-	-	-	Jan 18, 2022	[ICRA]AAA (Stable)/ [ICRA]A1+	
				-	-	-	-	-	-	Feb 1, 2022	[ICRA]AAA (Stable)/ [ICRA]A1+	

Source: BILIP, ICRA Research

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

^ Complexity indicator is subject to change when the instrument is actually issued as no amount is currently outstanding against the instruments

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
INE704I14IA8	Commercial paper	Dec 20, 2023	8.85%	Dec 18, 2024	100.00	[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	100.00	[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	425.00	[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 4, 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	200.00	[ICRA]A1+
INE704I14IK7	Commercial paper	Feb 23, 2024	8.70%	Feb 21, 2025	225.00	[ICRA]A1+
INE704I14IL5	Commercial paper	Mar 04, 2023	8.65%	Mar 4, 2025	350.00	[ICRA]A1+
INE704I14IM3	Commercial paper	Mar 06, 2023	8.65%	Mar 6, 2025	50.00	[ICRA]A1+
INE704I14IQ4	Commercial paper	Mar 18, 2024	8.40%	Dec 20, 2024	15.00	[ICRA]A1+
INE704I14IQ4	Commercial paper	Mar 21, 2024	8.16%	Dec 20, 2024	100.00	[ICRA]A1+
INE704I14IW2	Commercial paper	Sep-17-2024	7.85%	Dec 17, 2024	100.00	[ICRA]A1+
INE704I14IX0	Commercial paper	Sep-19-2024	7.90%	April 17, 2025	25.00	[ICRA]A1+
INE704I14IY8	Commercial paper	Sep-19-2024	7.92%	Dec 19, 2024	150.00	[ICRA]A1+
INE704I14IZ5	Commercial paper	Oct 14, 2024	7.95%	Mar 17, 2025	200.00	[ICRA]A1+
INE704I14JB4	Commercial paper	Oct 24, 2024	7.25%	Jan 28, 2025	64.00	[ICRA]A1+
INE704I14JC2	Commercial paper	Oct 28, 2024	7.90%	April 28, 2025	25.00	[ICRA]A1+
INE704I14II1	Commercial paper	Nov 08, 2024	7.60%	Feb 13, 2025	100.00	[ICRA]A1+
INE704I14JD0	Commercial paper	Nov 26, 2024	7.65%	Feb 25, 2025	300.00	[ICRA]A1+
INE704I14JE8	Commercial paper	Nov 28, 2024	7.65%	Feb 27, 2025	350.00	[ICRA]A1+
INE704I14JF5	Commercial paper	Nov 29, 2024	7.70%	Mar 7, 2025	150.00	[ICRA]A1+
INE704I14JG3	Commercial paper	Dec 13, 2024	7.95%	June 13, 2025	100.00	[ICRA]A1+
Unplaced^	Commercial Paper	-	-	-	2,921.00	[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	745.00	[ICRA]AAA (Stable)

Source: BILIL; ^Commercial paper outstanding as on December 16, 2024

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for limited consolidated analysis

Company Name	Ownership	Consolidation Approach
NA	NA	NA

Source: BILIL

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