

June 06, 2023 <sup>(Revised)</sup>

## 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
<b>Total</b>	<b>250.00</b>	<b>250.00</b>	

\*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 £1.21 trillion as on March 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 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 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-FY2025** – BSIPL's net operating income increased to Rs. 112 crore in FY2022 from Rs. 69 crore in FY2021 due to higher fee income (Rs. 43 crore in FY2022 against Rs. 24 crore in FY2021) and dividend of Rs. 20 crore from its subsidiary, Barclays Wealth Trustees (India) Private Limited (BWTPL; nil in FY2021). This helped offset the decline in the net interest income (NII) because of benign interest rates. Business activity remained largely flat in FY2022 vis-à-vis FY2021, which led to the placement of a more or less similar amount of margin money by the clients with BSIPL. As a result, interest income in FY2022, which is earned from the deposits created by using the interest-free margin money received from Group entities, remained similar to FY2021.

Operating expenses remained elevated in relation to income at Rs. 129 crore in FY2022 (Rs. 125.8 crore in FY2021) on account of high employee expenses in the wealth management segment and shared service costs for the services availed from a Group company. BSIPL reported a loss before tax of Rs. 17 crore (return on net worth (RoNW) of -19%) in FY2022 against a loss before tax of Rs. 57 crore in FY2021 (RoNW of -52%).

BSIPL is slated to turn profitable in FY2024-FY2025 with the further rationalisation of operating expenses, post structural changes within the Group entities, the impact of which would have been visible in FY2023. This shall also prevent further erosion of the net worth. Despite losses and net worth erosion, BSIPL's operations are unlikely to be impacted as the net worth and 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, 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. 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="#">Rating Methodology-Stockbroking and Allied</a> <a href="#">Impact of Implicit Support Expected from Parent or Group on an Entity'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
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## About the company

UK-based Barclays Bank PLC (BBPLC) is a global systemically important bank that is a part of the Barclays Group. It accounted for around 79% of the Group's total assets as on March 31, 2023. 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 its 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 13.6% as on March 31, 2023 compared to 12.3% as on March 31, 2022. For Q1 CY2023, the bank reported a net profit of £1.35 billion compared with £1.30 billion in Q1 CY2022.

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. 17 crore in FY2022 on operating income of Rs. 112 crore compared to a net loss of Rs. 57 crore in FY2021 on operating income of Rs. 69 crore.

## Key financial indicators (standalone)

	FY2021	FY2022
Equity capital	178.5	178.5
Net worth	109.3	91.4
Total assets	865.0	830.6
Net operating income	69.3	112.3
Broking income	10.4	14.2
Net interest income	23.3	19.3
Profit before tax (PBT)	-57.1	-17.5
Profit after tax (PAT)	-57.1	-17.5
Net interest margin	3.06%	2.28%
PBT / ATA	-7.52%	-2.06%
PAT / ATA	-7.52%	-2.06%
Return on net worth	-52.23%	-19.13%
Total debt / net worth (times)	0.43	0.76

Source: BSIPL, 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

Instrument	Type	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years			
		Amount Rated (Rs. crore)	Amount Outstanding as of June 2, 2023 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
				Jun 06, 2023	Jun 07, 2022	Jun 04, 2021	May 29, 2020	
1 Commercial paper	Short term	250.00	0.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

## 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 June 2, 2023

### Annexure II: List of entities considered for limited consolidated analysis

Company Name	Ownership	Consolidation Approach
NA	NA	NA

Source: BSIPL

### Corrigendum

Rationale dated June 6, 2023, has been revised with changes as below:

- Replaced “[ICRA’s Rating Methodology for Non-banking Finance Companies](#)” which was inadvertently captured instead of the applicable methodology “[Rating Methodology-Stockbroking and Allied](#)”

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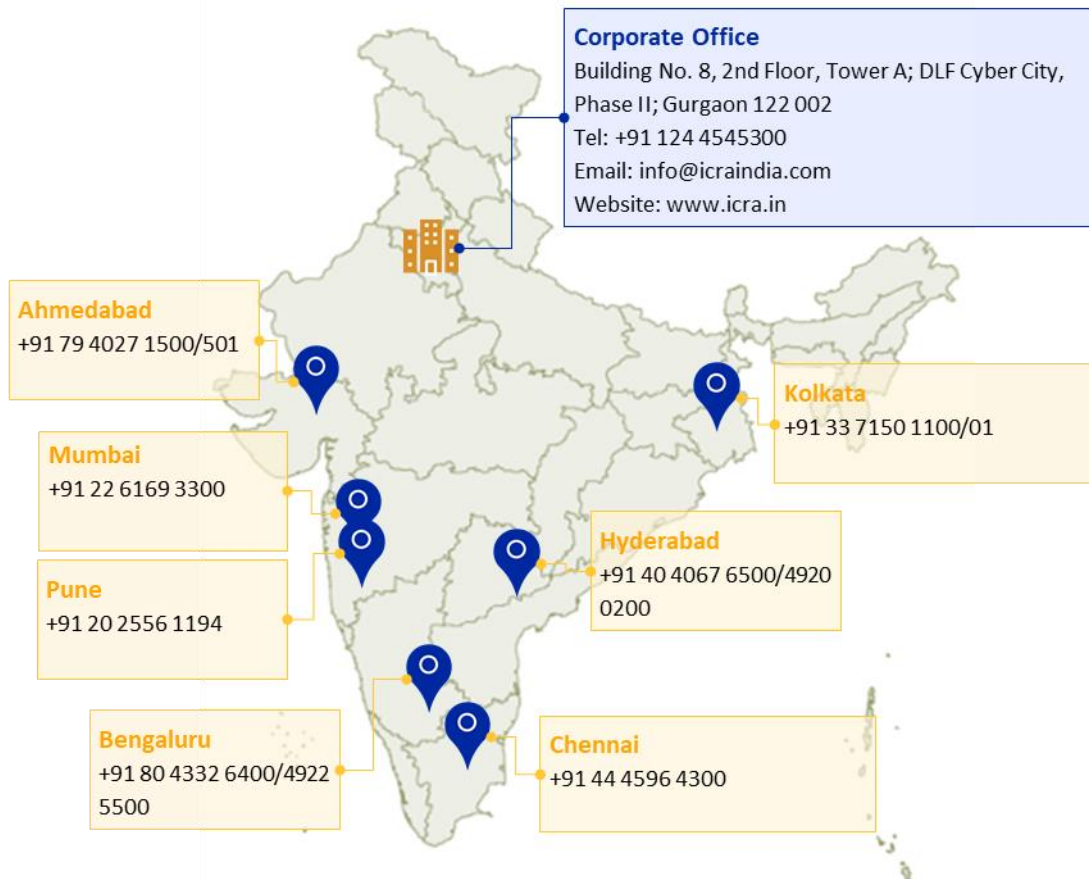
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