

Event Study Analysis

Group 3 | Financial Modelling and Econometrics



ICICI Bank and ICICI Securities Merger



- ◆ Anamika Sharma RBA 26
- ◆ Bhavi Datta RBA 31
- ◆ Kunal Sharma RBA 42
- ◆ Palak Raninga RBA50
- ◆ Kaustubh Pawar RBA54
- ◆ Ruchi Mandal RBA62
- ◆ Sourav Manna RBA70

ICICI Bank

Overview & Operations

1. India's second-largest private sector bank by assets.
2. Classified as a **Systemically Important Bank**.
3. Presence across retail banking, Corporate & SME lending, Treasury & markets, Wealth distribution, etc.
4. Total banking sector **advances**: 7.5%.
5. Total banking **deposits**: 6.4%.
6. Branches: 5,900
7. ICICI Bank's total ATMs: 7.6% (16,650 ATM's)
8. **Equity Broking** Market Share: 11.0%
9. **Commodity Broking** Market Share: 6.1%
10. **Derivative Broking** market share: 6.8%



Key Banking Figures



Deposits: 6.4%



Advances: 7.5%



ATMs: 7.6% (16,650)



Branches: 5,900



Broking Market Share



Equity Broking: 11.0%



Commodity Broking: 6.1%



Derivative Broking: 6.8%

ICICI Securities

India's Leading Integrated Securities Firm
& Major Subsidiary of ICICI Bank



Market Leadership & Key Segments

- Equity Broking:** ~11% Market Share (Top Retail Broker)
- Derivatives Broking:** ~6–7% Market Share
- Commodity Broking:** ~6% Market Share
- Operated across Equity, Derivatives, Commodity, Currency, Investment Banking & Wealth



Digital Platform & Client Reach

- ICICIdirect:** Trusted Digital Trading & Investment Platform
- Served ~7 Million Retail Clients in FY2023
- Benefited from Pan-India Distribution via ICICI Bank Network



Strategic Strengths & Future Outlook

- Well-Diversified Revenue Base**
- Strategically Positioned for **Financialization of Household Savings**

Merger Overview: ICICI Bank & ICICI Securities

It is a consolidation merger in which the subsidiary is absorbed into its parent company, following approval from both the shareholders and the National Company Law Tribunal (NCLT).



Merger Announced
(29 June 2023)



Share Swap
(67 ICICI Bank for 100 ICICI Securities)



Delisting
(March 2025)

ICICI Bank Ltd. merged ICICI Securities Ltd. into itself through a scheme of arrangement, resulting in ICICI Securities becoming a wholly-owned subsidiary and its delisting. Trading suspended from March 21, 2025, record date March 24, 2025. Public shareholders received 67 ICICI Bank shares for every 100 ICICI Securities shares.

Logic of the Merger



Business Analysis of Merger

Strategic Fit:



ICICI Securities functioned as the primary distribution arm for equity broking and retail investment products.



Wealth & investment banking distribution. (end-to-end financial lifecycle ownership)



Fee income (non-interest income) is lower risk than credit income.

Finance Fit:



The merger is an all-equity swap



Capital adequacy (CET-1) is not diluted



Revenue mix: Broking fees, Distribution commissions

Operational Integration:



ICICI Bank and ICICI Securities share customers and platforms.



Better capital allocation



Lower compliance overhead

Financial Ratios of ICICI Bank:

	2021	2022	2023	2024	2025
Business per employee (in mn)	149.2	166.9	170.7	168.4	200.6
ROE	12.21%	14.77%	17.28%	18.71%	17.95%
ROA	1.42%	1.84%	2.16%	2.37%	2.40%
Cost to Income	37.2	40.51%	40.11%	40.23%	38.63%
Net profit/(loss) per employee (in mn)	1.7	2.30	2.8	2.9	3.5
Non-interest income to working funds	1.67%	1.46%	1.34%	1.33%	1.46%
Sales Growth%	5.10%	7.00%	26.90%	31.76%	16.81%

Expected Synergies from the Merger

Financial Impact

Revenue Diversification

₹2,03,932 Cr

6,332 Cr broking + 1,97,600 Cr AUM. Reduces NIM dependency.

Operating Margin

28.3%

Post-merger improvement. Best-in-class efficiency.

Cost Synergies

~10% Savings

Elimination of overlapping functions and ops.

Shareholder Value Creation

ROE Enhancement

19.2% vs 14.8%

+430 bps improvement. Strong capital efficiency.

EPS Accretion

₹67.5 vs ₹54.2

+24.4% per share. Immediate value creation.

Strategic Advantage & Growth

Wealth Management

₹1.97 Tr AUM

Captures ₹1.6 Tr growth opportunity. HNI expansion.

Ecosystem Excellence

One-Stop Hub

Single login, unified KYC, consolidated statements.

Competitive Moat

vs Fintechs

Distribution reach: 5,000+ branches. Trust advantage.

Key Insight: Integrated bank-securities model creates defensible competitive moat via distribution leverage, unified data analytics for precision advisory, and unmatched cross-selling at scale (30M iMobile Pay users). Captures ₹1.6 Tr wealth management growth opportunity while reducing earnings volatility.

Pros and cons of the merger

Pros:



Combined entities reduce redundancy, integrate functions, and optimize resources for cost-effectiveness.

ICICI strategized a single platform for banking, investments, and financial products, improving customer experience and accessibility.

Gives a stronger Market Position by broadens ICICI Bank's financial offerings, enhancing competitiveness.

By removing a separately listed subsidiary it helped in improving governance clarity and reducing managerial complexity.

Strengthens ICICI Bank's ability to compete with fintech platforms and universal banks offering end-to-end financial services.

Cons:



Some shareholders felt the swap ratio (67 ICICI Bank shares for 100 ICICI Securities shares) was unfair, leading to losses and distrust.

The share swap was treated as a taxable transfer, potentially triggering capital gains tax for shareholders even without an actual sale or cash receipt.

SEBI allowed ICICI Securities to skip the RBB process, which raised concerns for fair price discovery for minority shareholders.

Brokerage and investment banking businesses may receive less strategic focus within a large banking structure.

Navigating the benefits and challenges for long-term value creation