

Annexure – II

NISM-Series-XV: Research Analyst Certification Examination

Test Objectives

Unit 1: Introduction to Research Analyst Profession

- 1.1 Understand the primary role and responsibilities of a Research Analyst and list the qualities that are desired in a good research analyst
- 1.2 Know the basic principles of interaction with companies or clients

Unit 2: Introduction to Securities Market

- 2.1 Define the term Securities and understand the basics of securities markets
- 2.2 Know the securities market terminology such as shares, debentures, warrants, indices, mutual funds, ETFs, structured products, etc.
- 2.3 Understand the structure of securities market with a discussion on primary and secondary markets
- 2.4 Know various market participants and their activities
- 2.5 Discuss various securities market transactions (cash, tom, spot, forward, etc), products (futures, options, swaps, etc) and processes (trading, hedging, arbitrage, pledging, dematerialization, etc)

Unit 3: Terminology in Equity and Debt Markets

- 3.1 Understand the terminology related to Equity Markets such as face value, book value, market value, replacement value, intrinsic value, market capitalization, enterprise value, earnings, DVR, EPS, DPS, PE ratio, etc.
- 3.2 Understand the terminology used in Debt Markets such as face value, coupon rate, maturity, principal, redemption of a bond, holding period returns, current yield, YTM, duration, convexity, etc.
- 3.3 List various types of Bonds and describe their features (zero coupon bonds, floating rate bonds, convertible bonds, amortization bonds, callable bonds, puttable bonds, principal protected notes, etc.

Unit 4: Fundamentals of Research

- 4.1 Define investing activity
- 4.2 Outline the nature of Fundamental Analysis, Technical Analysis and Behavioral Finance

Unit 5: Economic Analysis

- 5.1 Discuss the basic principles of micro and macro economics
- 5.2 Understand various macroeconomic variables that are useful for fundamental analysis
- 5.3 Know various sources of Information for carrying out economic analysis

Unit 6: Industry Analysis

- 6.1 Explain Michael Porter's five force model for industry analysis
- 6.2 Discuss Political, Economic, Socio-cultural, Technological, Legal and Environmental (PESTLE) Analysis
- 6.3 Understand Boston Consulting Group (BCG) Analysis
- 6.4 Discuss Structure Conduct Performance (SCP) Analysis
- 6.5 Know the key industry specific drivers for various industries
- 6.6 Know various sources of Information for carrying out industry analysis

Unit 7: Company Analysis – Qualitative Dimensions

- 7.1 Understand the businesses and business models
- 7.2 Analyze a company's competitive advantages or points of differentiation over the competitors
- 7.3 Know the SWOT Analysis
- 7.4 Discuss the importance of quality of management, independent directors and good governance standards
- 7.5 Analyze the pricing power of a business and its ability to sustain this power
- 7.6 List critical business drivers or success factors for a business entity
- 7.7 Learn to understand the risks in the business of a company
- 7.8 Understand the importance of compliance orientation of the company and the need for documentation of company's previous guidance versus the actual performance
- 7.9 Know various sources of Information for carrying out company analysis

Unit 8: Company Analysis – Quantitative Dimensions

- 8.1 Understand the importance of studying the historical performance of a company and discuss whether it will be a good indicator for future performance of the company
- 8.2 Understand the Profit and Loss statement (P/L) of a company
- 8.3 Understand the basics of Balance Sheet (B/S) of a company
- 8.4 Understand the Cashflows of a company
- 8.5 Know about Contingent Liabilities, Off-balance sheet items, Accounting Policies and Notes to Accounts
- 8.6 Know the basics of taxation and its effects
- 8.7 List the important points to be kept in mind while looking at a company's financials
- 8.8 Understand the quality of a business using quantitative analysis (Understand the computation of profitability ratios, return ratios, leverage ratios, liquidity ratios and efficiency ratios)
- 8.9 Study a company's history of equity expansion (equity dilution), dividend and earnings history, history of corporate actions and insiders' sales and purchase of stocks

Unit 9: Corporate Actions

- 9.1 Understand various corporate actions (dividend, rights issue, bonus issue, stock split, share consolidation, merger and acquisition, loan restructuring, buy back of shares, delisting of shares and share swap)

Unit 10: Valuation Principles

- 10.1 Know the difference between Price and Value
- 10.2 List some of the reasons for carrying out valuation of businesses
- 10.3 Discuss the sources of value in a business (earnings and assets)
- 10.4 Explain the Discounted Cash Flows model for business valuation
- 10.5 Understand various earnings based valuation matrices such as dividend yield, earning yield, PEG ratio, enterprise value to EBDITA ratio and enterprise value to sales ratio
- 10.6 Understand various assets based valuation matrices such as price to book value ratio, enterprise value to capital employed ratio and net asset value approach
- 10.7 Know the relative valuations (multiples), sum-of-the-parts valuation and other valuation parameters in new age businesses
- 10.8 List some of the important considerations in the context of business valuation

Unit 11: Fundamentals of Risk and Return

- 11.1 Understand the concept of return on investment and calculate simple, annualized and compounded returns
- 11.2 Describe various risks that are seen in investments such as inflation risk, interest rate risk, business risk, market risk, credit risk, liquidity risk, call risk, reinvestment risk, political risk and country risk
- 11.3 Understand the concept of Beta and concept of margin of safety
- 11.4 Compare equity returns with bond returns
- 11.5 Discuss various behavioral biases that influence investments and investment returns

Unit 12: Qualities of a good Research Report

- 12.1 Discuss in detail the qualities of a good Research Report
- 12.2 Know the advantages of checklist based approach to the Research Reports
- 12.3 Understand the constituents of the checklist with the help of a sample checklist

Unit 13: Legal and Regulatory Environment

- 13.1 Describe the regulatory infrastructure of financial markets
- 13.2 Understand the important regulations in Indian securities market: SC(R)A, SEBI Act, SEBI (Prohibition of Insider Trading) Regulations, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulation and SEBI (Research Analyst) Regulations
- 13.3 Know the Code of Conduct prescribed for Research Analysts
- 13.4 Discuss the management of conflicts of interest and the disclosure requirements for Research Analysts