



CONTENTS

	<i>Page</i>
<i>Foreword</i>	<i>I-3</i>
<i>About NISM Certifications</i>	<i>I-5</i>
<i>Acknowledgement</i>	<i>I-7</i>
<i>About the Certification Examination for Research Analyst</i>	<i>I-9</i>
<i>Syllabus Outline with Weights</i>	<i>I-17</i>

CHAPTER 1

INTRODUCTION TO RESEARCH ANALYST PROFESSION

1.1	Primary Role of a Research Analyst	<i>1</i>
1.2	Primary Responsibilities of a Research Analyst	<i>3</i>
1.3	Basic Principles of Interaction with Companies/Clients	<i>4</i>
1.4	Important Qualities of a Research Analyst	<i>6</i>

CHAPTER 2

INTRODUCTION TO SECURITIES MARKET

2.1	Introduction to Securities and Securities Market	<i>9</i>
2.2	Product Definitions/Terminology	<i>12</i>
2.3	Structure of Securities Market	<i>23</i>
2.4	Various Market Participants and their Activities	<i>28</i>
2.5	Kinds of Transactions	<i>36</i>
2.6	Dematerialization and Rematerialization of securities	<i>41</i>

CHAPTER 3

TERMINOLOGY IN EQUITY AND DEBT MARKETS

3.1	Terminology in Equity Market	46
3.2	Terminology in Debt Market	55
3.3	Types of Bonds	59

CHAPTER 4

FUNDAMENTALS OF RESEARCH

4.1	What is Investing?	67
4.2	The role of research in investment activity	68
4.3	Technical Analysis	70
4.4	Fundamental Analysis	71
4.5	Quantitative Research	72
4.6	Behavioural Approach to Equity Investing	73

CHAPTER 5

ECONOMIC ANALYSIS

5.1	Basic Principles of Microeconomics	78
5.2	Basic Principles of Macroeconomics	78
5.3	Introduction to Various Macroeconomic Variables	79
5.4	Role of economic analysis in fundamental analysis	88
5.5	Secular, cyclical and seasonal trends	89
5.6	Sources of Information for Economic Analysis	93

CHAPTER 6

INDUSTRY ANALYSIS

6.1	Role of industry analysis in fundamental analysis	95
-----	---	----

	<i>Page</i>
6.2	Defining the industry 96
6.3	Understanding industry cyclicalities 98
6.4	Market sizing and trend analysis 99
6.5	Secular trends, value migration and business life cycle 100
6.6	Understanding the industry landscape 104
6.7	Key Industry Drivers and Industry KPIs 115
6.8	Regulatory environment/framework 119
6.9	Taxation 120
6.10	Sources of information for industry analysis 123

CHAPTER 7

COMPANY ANALYSIS – BUSINESS AND GOVERNANCE

7.1	Role of company analysis in fundamental research 127
7.2	Understand Business and Business Models 128
7.3	Pricing Power and Sustainability of this Power 129
7.4	Competitive Advantages/Points of differentiation over the Competitors 130
7.5	Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis 132
7.6	Quality of Management and Governance Structure 136
7.7	Risks in the Business 141
7.8	History of credit rating 142
7.9	ESG framework for company analysis 142
7.10	Sources of Information for Analysis 144

CHAPTER 8

COMPANY ANALYSIS – FINANCIAL ANALYSIS

8.1	Introduction to financial statement 148
8.2	Stand-alone financial statement and consolidated financial statement 149
8.3	Balance Sheet 151

	<i>Page</i>
8.4 Basics of Profit and Loss Account (P/L)	159
8.5 Statement of changes in shareholder's equity	166
8.6 Basics of Cash Flows	168
8.7 Notes to accounts	171
8.8 Important Points to Keep in Mind While Looking at Financials	172
8.9 Reading audit report to understand the quality of accounting	173
8.10 Financial statement analysis using ratios	174
8.11 Commonly used ratios	176
8.12 Dupont analysis	183
8.13 Forecasting using ratio analysis	184
8.14 Peer Comparison	185
8.15 Other aspects to study from financial reports	186

CHAPTER 9

CORPORATE ACTIONS

9.1 Philosophy of Corporate Actions	197
9.2 Dividend	198
9.3 Rights Issue	199
9.4 Bonus Issue	200
9.5 Stock Split	201
9.6 Share Consolidation	202
9.7 Merger and Acquisition	203
9.8 Demerger/Spin-off	204
9.9 Scheme of arrangement	205
9.10 Loan Restructuring	205
9.11 Buyback of Shares	206
9.12 Delisting and relisting of Shares	207
9.13 Share Swap	208

CHAPTER 10**VALUATION PRINCIPLES**

10.1	Difference between Price and Value	211
10.2	Why Valuations are required	212
10.3	Sources of Value in a Business – Earnings and Assets	212
10.4	Approaches to valuation	213
10.5	Discounted Cash Flows Model for Business Valuation	214
10.6	Relative valuation	219
10.7	Earnings Based Valuation Matrices	219
10.8	Assets based Valuation Matrices	224
10.9	Relative Valuations - Trading and Transaction Multiples	227
10.10	Sum-Of-The-Parts (SOTP) Valuation	228
10.11	Other Valuation Parameters in New Age Economy and Businesses	228
10.12	Capital Asset Pricing Model	229
10.13	Objectivity of Valuations	229
10.14	Some Important Considerations in the Context of Business Valuation	229

CHAPTER 11**FUNDAMENTALS OF RISK AND RETURN**

11.1	Concept of Return of Investment and Return on Investment	237
11.2	Calculation of Simple, Annualized and Compounded Returns	238
11.3	Risks in Investments	242
11.4	Measuring risk	247
11.5	Concepts of Market Risk (Beta)	248
11.6	Sensitivity Analysis to Assumptions	249
11.7	Concept of Margin of Safety	250
11.8	Comparison of Equity Returns with Bond Returns	250
11.9	Calculating risk adjusted returns	251
11.10	Basic Behavioural Biases Influencing Investments	252

	<i>Page</i>
11.11 Some Pearls of Wisdom from Investment Gurus across the World	254
11.12 Measuring liquidity of equity shares	256

CHAPTER 12

QUALITIES OF A GOOD RESEARCH REPORT

12.1 Qualities of a Good Research Report	259
12.2 Checklist Based Approach to the Research Reports	262
12.3 A Sample Checklist for Investment Research Reports	262

CHAPTER 13

LEGAL AND REGULATORY ENVIRONMENT

13.1 Regulatory infrastructure in Financial Markets	267
13.2 Important regulations in Indian Securities Market	272
13.3 Code of Conduct for Research Analysts	289
13.4 Management of Conflicts of Interest and Disclosure Requirements for Research Analysts	290
13.5 Exchange surveillance mechanisms: GSM and ASM	299
ANNEXURE 1: Investor Charter in respect of Research Analyst (RA)	309
ANNEXURE 2: Complaint Data to be displayed by RAs	313
ANNEXURE 3: Case Studies	315
ANNEXURE 4: Suggested Readings	325