NISM-SERIES-XV
RESEARCH ANALYST

Chapter-1 Part-1Introduction to Research Analyst Profession

☐ Role of a research analyst

☐ Primary responsibilities of a research analyst

Total Questions: 100
MCQ's 92*1=92
Case Based Questions 2*4*1=8
Negative Marking -- 0.25
Time Limit = 2 Hrs
Passing score= 60%

1ST CHAPTER WEIGHTAGE-3%

SEBI LEARNER

1PRIMARY ROLE OF A RESEARCH ANALYST:

> There is Research - collection of information from various sources and then Analysis - processing of data to take decisions.
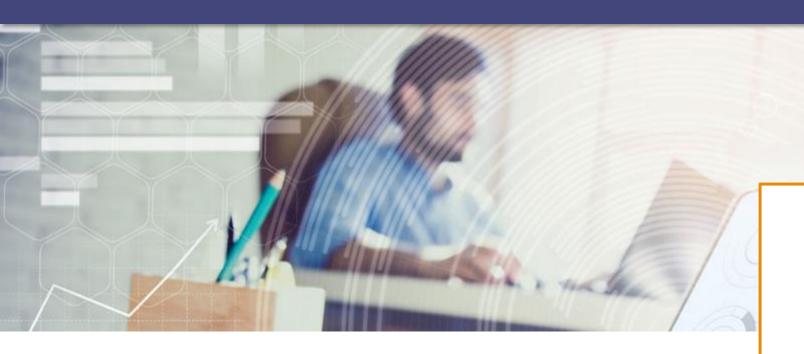
- Data and information are imperative to the function of the research analyst.

- This would include information about the macro and micro economic factors, industry-specific information and company-specific information.

- Economic information may be collected from government statistics and data provided by the central bank.

- Data on global factors may be collected from International agencies such as the International Monetary Fund (IMF), Asian Development Bank (ADB), World Bank and other Global Development Financial Institutions.

- Industry-specific journals and publications may be used to collect information on industries/sectors.

- Company-specific information may be collected from various sources including the financial statements/Annual reports.

- Analysis and decision making process is a combination of understanding qualitative factors that affect operational performance, such as efficiency of operations, competitiveness, business plans and work ethics of the management among others

- and quantitative factors such as revenues, costs, profitability and risks to these financials.

CATEGORIES OF RESEARCH ANALYST:

Research Analysts are defined by the nature of analysis they do, the coverage, and use of the recommendations they provide

- **Sell-side Analysts** - They typically publish research reports in public domain on the securities of companies or industries with specific recommendation to buy, hold, or sell the subject security.

- These recommendations include the analyst's expectations of the future earnings of the company and future price performance of the security ("price target").

- These analysts work for firms that provide investment banking, broking, advisory services for clients.

Buy Side Analyst:
These analysts generate investment recommendations for their internal consumption viz. use by the fund managers within organization.

They generally work for Asset managers like mutual funds, hedge funds, pension funds, Alternative investment funds, Foreign Portfolio investors or portfolio managers that purchase and sell securities for their own investment accounts or on behalf of their investors/clients.

These reports are not available in public domain.

INDEPENDENT RESEARCH ANALYST:

- They work for research originators or boutique firms separate from full-service investment firms and sell their research to others on a subscription basis.
- Their clients could be investors, institutions, investment bankers, regulators, stock exchanges, fund managers etc.
- They also provide customized research reports on the businesses or industries or sectors on specific requests.
- The purpose of these reports could vary from investment activity to understanding competition landscape to mergers and acquisition etc.

PRIMARY RESPONSIBILITIES OF A RESEARCH ANALYST:

Understanding economy:

Changes in various macro-economic factors like National income, Inflation, Interest rate and Unemployment rateFiscal and Monetary Policies and their impact on the economy .Flows from Foreign Direct Investment (FDI) and Foreign Portfolio Investors (FPIs) ,Savings and investment patterns

Understanding industry:

RA's need to understand thoroughly the regulatory environment prevalent in the industry, business models, competition, operating factors, sensitivity of demand to price changes, consumers' behaviour etc.

Understanding Companies:

companies are also studied by analysts in two dimensions - Qualitatively and Quantitatively.

1. **What is the role of Research Analyst?**
   a. RAs are only involved in the analysis of data
   b. RAs are only involved in collection of the data
   c. **RAs help their clients take informed decisions**
   d. RAs help in financial planning of their client

2. **Analysis and Decision making, the two imperative parameters involved in are affected by which of the following factors?**
   a. Management Ethics
   b. Revenues and Costs
   c. Efficiency of operations
   d. **All of the above**

3. **Sell side Analyst generally work for money managers like mutual funds, hedge funds, portfolio managers who purchase and sell securities for their own investment accounts or on behalf of their clients. State whether True or False.**
   a. True
   b. **False**