How to prepare for an Equity Research Interview?

As you all know, a good preparation before the interview will increase your chances of cracking that dream job. After MBA/ CA/ or sufficient work ex in a particular sector - you can actually start your career as a Research Analyst.

So what do you need to do before you can say “I am prepared for the interview”?

First, you need to understand the role.

To begin, you will be typically assisting the lead analyst in doing research in a particular sector like banking, autos etc. Over a period of time, you may become the lead analyst, and eventually manage multiple sectors, over a period of 7-8 years.

So, let’s do a mock interview, to understand some insider tips.

I am a business manager who will be interviewing you for a Research Analyst role in XYZ brokerage ltd.

So my first question- Tell me about you?

It's probably the most asked question because it sets the stage for the interview and it gets you talking. Be careful not to explain everything from birth to present day. Remember, this is your chance to sell yourself – just give a quick highlight about education, focus on your career highlights – especially if anything relevant to ER.

Try not repeating what is there in the CV but yes, if you want to highlight something that is there in the CV, please do it. You should know what to emphasise on. Include why you are interested in ER – passion about markets etc.

Here the interviewer wants to know if you are suitable for the role.

For this role you need to be a person with good analytical skills and a lot of persistence and diligence. Highlight this, when you get the chance.

Next, you need to have an in-depth knowledge in any one industry if possible; else a broader idea of some key industries – such as Banking, IT, autos, oil and gas will be helpful.

Keep an idea of what is happening in the market, and some in-depth knowledge of one or two sectors.

**So you must read the newspaper (or a financial website) daily.**

Monitor how the major companies in any specific sector have been performing. Is the outlook strong? What is the sector wide challenges/issues/ trends?
For example a question could be - What are the key factors to look for while analyzing the auto industry?

A good answer - Top line growth is a key factor to analyze the auto industry. One should also look at the margins to see if any competitive pressures or high cost of raw materials are affecting performance. Interest rates also play a major role here, as statistics in India shows that over 70% of the consumers take loans to buy cars. That is why autos are also called interest rate sensitives.

Also factors such as appreciation of the Yen in case of Maruti as they have a lot of Yen imports, or unusual factors such as the strike in Manesar etc.

This answer indicates that you are following this sector regularly and not giving a generic answer. As an interviewer I will be happy.

Next, it is important to keep track of key market data – Sensex, NIFTY, Dow Jones, Oil price, USD/INR etc.

Equity Research is more of marketing your ideas to your client than a pure research oriented job. Client focus is very crucial.

How you are presenting your ideas, positioning it and how you are communicating with the client is very important. The analyst’s role is not restricted to arriving at the valuation of the company, but also to market his/her research to the client.

Hence, a good written and spoken communication skill is the key.

**Tip:** Prepare a research report in your own words and send it along with your resume.

Now, get ready for the technical round.

The interviewer may want to check your analytical skills - your understanding of financial statements. Let’s see few of them:

- Why is EBITDA more important than EBT?

  Good answer: EBITDA denotes the operating profitability of a company. EBITDA removes interest, depreciation and amortization and thus just focuses on the core profitability of a company.

- Give me examples where EBITDA can be different from EBT?

  A company may have some extraordinary income arising from sale of a subsidiary or a stake sale in another company - like L&T’s stake sale in Satyam.

- What is the PEG ratio and how is it better than P/E ratio?

  PEG ratio adjusts for the fact that a company may be on a higher growth trajectory as compared to its peers. PEG is essentially P/E per unit of growth expected. That gives a more correct picture as compared to P/E.

So be ready to be tested on your understanding of financial statements and some key ratios.
To summarize:

The broad idea of the interview for a Research Analyst, is to test:

- Analytical ability
- Persistence and diligence
- Sales and marketing skills
- Writing skills - These should definitely be above average because the job involves report writing

Good luck and I hope this helps.