ABSTRACT

Investment in various sectors of the economy by different persons (corporate and individuals) is a sine qua non for development and growth of any nation. The automobile sector is one such important sectors to invest in, hence the choice of the sector by the researcher. Investment decision is an important factor in the creation of wealth. The study is on the financial and stock performance analysis of firms aimed at providing adequate information and knowledge about the performance of firms to enable investors make informed decisions. The choice of automobile sector is because of its immense contribution to the development and growth of economies. Automobile sector of India and Japan are chosen for the study. Out of a total population of twenty-eight companies in the two countries under the Original Equipment Manufacturers (OEM), five companies from each country was selected for the study which covered the period from FY2004/2005 to FY2014/2015. Sources of data are from published financial statements from the companies' websites and other database websites, and daily stock market price movements of NSE, BSE, and TSE. Both fundamental and technical analysis are adopted for the study. Ratios and technical analysis are the main tools for analysis to determine performance. It was revealed that Ratio analysis remain relevant in providing needed information to investors. It is found out that though high D/E indicates high risk to investors, in the automobile sector, the companies need to invest more using debt to remain competitive because of the relevance of innovations which prompts high R/D. The study shows that Japanese companies use more debts to finance assets and in their capital structure than the Indian companies. Liquidity of the firms from both countries are low. However, the study found that if the cash flow is superb and consistent, that liquidity would surely not be a headache. Inventory turnover remains very important to a company because it determines revenue accruable to a firm and this position is affirmed in this study. The Japanese companies earned higher GPR but less NPR, because of the heavy debt financing, however, their shareholders wealth stands better because of great innovations. In addition, investors should be mindful of noise in the market because of their daring effects on stock price. The study found out that Indian firms pay more cash dividends while Japanese firms go for high retention. Japanese firms are more efficient in assets utilization because of their strict lean management principles and the Just-in-time code. Investors are advised to consider companies having a comfortable investment in R/D, very robust cash flow and a company with a policy of stock buybacks, which are all indication of soundness of health and profitability.