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Organization Overview

Jaguar Land Rover is an automotive company. The core business of the company is to design, develop, manufacture and sell premium sports saloons, sports cars and all-terrain vehicles (2013, In Jaguar Land Rover PLC Director's Report and Financial Statements Year Ended 31 March 2012. page 16) Retrieved Dec. 16, 2013, from <http://www.jaguarlandrover.com/media/2741/fy2011-12annualreport.pdf>). The company operates three major production facilities and two design and engineering facilities in the United Kingdom.

The company also has a world-wide sales and distribution network, with four major markets being: Europe (excluding the UK and Russia), North America, the United Kingdom and China. Overall, the company sells Jaguar models in 101 countries and Land Rover Models in 117 countries.

Jaguar Land Rover PLC consolidated financial statements for year ended March 31 2012 provide financial information for three fiscal years: 2010 (ended March 31, 2010), 2011 (ended March 31 2011) and 2012 (ended March 31, 2012).

CONSOLIDATED INCOME STATEMENT

The source of revenue for the company is sales of its products – premium vehicles. The consolidated income statement shows a steady growth in revenue from FY 2010 to FY 2012. Total increase in revenue from March 31, 2010 to March 31, 2011 is 51%, from March 31, 2011 to March 31, 2012 – 37%. The main reasons for this trend are: introduction of new Land Rover Evoque and Jaguar F-type models, as well expansion of existing models

range with the introduction of a fuel efficient Jaguar 2. 2D XF.

Analysis of Cost of Goods Sold (Cost of Sales) as a percentage of sales shows, that the company achieved a 5% decrease year over year in FY 2011 and a 2% increase in FY 2012. The FY 2012 increase, as indicated in the report (In Jaguar Land Rover PLC Director's Report and Financial Statements Year Ended 31 March 2012. page 7) is a combination of cost-efficiency improvement measures and an increase in raw materials cost. Based on these facts, it is safe to assume that the company manages its costs and takes a continuous effort to decrease cost of sales in order to improve profitability.

Employee Cost has been steady in FY 2010 and FY 2011, but showed a 28% increase year over year in FY 2012. The increase in employee cost in FY 2012 is explained by the fact that the company has expanded one of its manufacturing facilities to accommodate production of the Range Rover Evoque.

Gross Margin has shown only a slight fluctuation over the three year span: 32% in FY 2010, 37% in FY 2011 and 35% in 2012. This shows that Jaguar Land Rover PLC is managed well and controls its costs. The Gross Margin is also well above the average automotive industry level, which was 15% in 3rd quarter of 2013, according to CSIMarket. com (Profitability Information and Trends.. CSIMarket. com. Retrieved Dec 16, 2013, from Auto & Truck Manufacturing Industry).

Net income has shown a dramatic increase in FY 2011 year over year, going up from 0% to 11%. It has remained at the same level in FY 2012, but in

absolute numbers it has increased £445 million, or 43%. This was due to the increase in sales volume, 27% in retail and 29% in wholesale figures.

CONSOLIDATED BALANCE SHEET

Non-current assets of the company have increased by £1, 425. 1, net of depreciation and amortization, (40%) year over year in FY 2012. The main reasons for this increase are: £355. 1 million (29%) increase in Property, plant and equipment and £656. 4 million (31%) increase in intangible assets. Increase in PP&E is attributable to manufacturing facilities expansion.

Increase in intangible assets is attributable to growth in Product development and Capitalized product developments accounts.

Current assets have increased by £2, 116. 4 million (53%) year over year in FY 2012, mostly due to increase in Cash and cash equivalents - £1, 402. 1 million (68%), Inventories - £341. 2 million (30%) and Other current assets - £163 million (56%). Positive changes in Current assets indicate that the company's investments in new models and manufacturing facilities have worked well, have generated a record revenue level and have more than doubled the cash balance of the company.

Current assets account balance is higher than Current liabilities account by £193. 6 million. Working Capital (Current Ratio) is 1. 04, which is lower than average automotive industry level of 1. 54, according to CSIMarket. com (Financial Strength Information and Trends. CSIMarket. com. Retrieved Dec 16, 2013, from Auto & Truck Manufacturing Industry) and indicates that the company has some liquidity issues. However, this indicator has been going up steadily over the last three fiscal years: 0. 72 in FY 2010, 0. 77 FY 2011 and 1. 04 in FY 2012, which means the liquidity of the company is on the

steady rise and is improving.

Debt to equity ratio of the company is 0. 68, which is low for such a capital intense industry.

CASH FLOW

The company has more than doubled its cash flow in FY 2012. It has also shown a steady increase over the last three fiscal years. At the same time, nearly all of the company's cash flow generated from operating activities remains on the balance sheet. For its FY 2012 investing activities (£1, 541. 8 million) Jaguar Land Rover PLC has chosen to borrow the necessary amount through issuance of fixed rate bonds with maturity dates between 2018 and 2021. The interest rate on the various tranches of the bond is between 7. 75 and 8. 125%. This decision by the management is well justified, since the debt to equity ratio of the company is quite low.

VALUE OF THE ORGANIZATION

The book value of Jaguar Land Rover PLC, calculated from the balance sheet is £2, 924. 2 million. The company has 1, 500, 642, 163 ordinary shares issued with the nominal value of £1. 00. Asset or book value of one share is £1. 95. The company's stock is not listed, therefore the market value of its shares can't be determined at this time.

DEVELOPMENT AND RISK

The company's development plans for the future include building of a new engine factory and expanding its current manufacturing facility by 1, 000 employees to keep up with the growing demand for its products. The company also announced a plan to sign a joint venture agreement with

Chery Automotive to build vehicles for Chinese market. These plans involve a risk of decreasing demand for company products, since the new wave of economic crisis could lower the demand in premium sector significantly.

Investing in production facility in China involves county risk, since China has foreign exchange and currency transfer restrictions, preventing the joint venture from transferring cash to which may lead to liquidity issues.

Overall FY 2012 was a good year for the Jaguar Land Rover PLC with record sales, income and cash flow.

WORKS CITED

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