



flying for everyone

23rd Annual Report

2006-2007

SpiceJet Limited

Board of Directors

Mr. Ajay Singh
Mr. Atul Sharma
Mr. B. S. Kansagra
Mr. Baljit Sobti (upto 24.05.2007)
(alternate to Mr. R. S. Kansagra)
Mr. Hamed Ahmed Kazim (upto 14.03.2007)
Mr. Khaled Mohammad Ali Al Kamda (w.e.f. 24.05.2007)
Mr. Kishore Gupta
Mr. Mukkaram Jan
Mr. Osman Qureshi
Mr. R. S. Kansagra (upto 24.05.2007)
Mr. Siddhanta Sharma (Chairman)
Mr. Vijay Kumar

Compliance Officer

Mr. A. K. Maheshwary
Associate Vice President (Legal) & Company Secretary

Statutory Auditors

Walker, Chandiook & Co.
L-41, Connaught Circus
New Delhi-110001

Bankers

CITI Bank N.A.
HDFC Bank Ltd.
HSBC
ICICI Bank Ltd.
J&K Bank Ltd.
State Bank of Bikaner & Jaipur

Registrars & Share Transfer Agents

Karvy Computershare Pvt. Ltd.
Karvy House, 46, Avenue 4,
Street no. 1, Banjara Hills
Hyderabad-500034

Registered Office

Cargo Complex
Indira Gandhi International Airport
Terminal-I
New Delhi-110037

Corporate Office

319, Udyog Vihar
Phase-IV, Gurgaon, Haryana

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**SpiceJet Limited**

Regd. Office: Cargo Complex, Terminal-1, Indira Gandhi International Airport, New Delhi-110037

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY THIRD ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF SPICEJET LIMITED WILL BE HELD ON TUESDAY, THE 11TH DAY OF SEPTEMBER 2007 AT 12 NOON AT SRI SATYA SAI INTERNATIONAL CENTRE, PRAGATI VIHAR, LODHI ROAD, NEW DELHI – 110003 TO TRANSACT THE FOLLOWING BUSINESS :

Ordinary Business

1. To consider and adopt the Balance Sheet as at March 31, 2007, Profit and Loss Account for the period ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Atul Sharma, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Kishore Gupta, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint M/s Walker, Chandiok & Company, Chartered Accountants, retiring auditors, as the Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

5. To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“Resolved that Mr. Osman Qureshi, in respect of whom the Company has received a notice pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing his candidature to the office of director, be and is hereby appointed as director of the Company liable to retire by rotation.”

6. To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“Resolved that Mr. Khaled Mohammad Ali Al Kamda, in respect of whom the Company has received a notice pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing his candidature to the office of director, be and is hereby appointed as director of the Company liable to retire by rotation.”

7. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“Resolved that pursuant to Section 31 and other applicable provision of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered, amended, changed and modified as per the draft placed before this meeting.

Resolved further that the Board be and is hereby authorised to take all steps for giving effect to this resolution including filing of these Articles of Association alongwith a copy of the amended Articles of resolution with the concerned authorities.”

8. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“Resolved that pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, (the Act), the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as “SEBI Guidelines”) or any statutory modification(s) or re-enactment of the Act or the SEBI guidelines, provisions of any other applicable laws or regulations and listing agreement(s) entered into by the Company with the stock exchanges where the securities of the Company are listed and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as the Board, which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), the consent of the Company be and is hereby accorded to the Board to introduce “**Employee Stock Option Scheme - 2007**” (hereinafter referred to as the “**ESOS - 2007**” or the “**Scheme**”) and to create, grant, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including any Director of the Company, whether whole time or otherwise, whether in India or not (hereinafter referred to as “the Employees”) options exercisable into not more than 6,016,250 equity shares of Rs.10 each of the Company in aggregate, in one or more tranches, and on such terms and conditions as may be deemed fit by the Board in accordance with the provisions of the law or guidelines issued by relevant authority(ies).

Resolved further that in case of any corporate action(s) such as rights issues, bonus issues, merger, demerger, amalgamation, sale of division and any other form of corporate restructuring, if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 6,016,250 equity shares of Rs.10 each shall be deemed to be increased to the extent of such additional equity shares issued in a manner that total value of the shares under the Scheme remains the same after the corporate action(s).

Resolved further that the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the Scheme and such Equity Shares shall rank pari passu in all respects with the then existing equity shares of the Company.

Resolved further that in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the Scheme shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs.10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

Resolved further that the Board be and is hereby authorised to take necessary steps for listing of the securities allotted under the Scheme on the stock exchanges where the securities of the Company are listed as per the provisions of the listing agreement(s) with the concerned stock exchanges, the guidelines and other applicable laws and regulations.

Resolved further that the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the Scheme as it may deem fit, from time to time in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws unless such variation, amendment, modification or alteration is detrimental to the interests of the present and future employees of the Company.

Resolved further that for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things (including delegation of authority to officers of the Company) as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of the Securities without requiring further consent or approval of the shareholders of the Company."

9. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

"Resolved that subject to approval of the Central Government and pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), approval of the Company be and is hereby accorded to appoint Mr. Siddhanta Sharma as a Whole-time Director of the Company to be designated as "Executive Chairman" with effect from the date upon which the approval of Central Government is received upto March 31, 2009, on the terms and conditions, as set out in the Service Agreement dated July 30, 2007 executed between the Company and Mr. Siddhanta Sharma on the remuneration set out below:

- | | |
|--|--|
| (i) Basic Salary: | Rs.1,000,000 per month |
| (ii) Bonus: | Performance bonus at the end of financial year 2008 as approved by the Board of Directors. |
| (iii) Perquisites & Allowances: | <p>(a) Housing Rent: Rs.100,000 per month.</p> <p>(b) Medical Reimbursement for actual expenses including hospitalisation insurance.</p> <p>(c) Leave Travel Concession at actuals for self, wife and one child (by Business Class).</p> <p>(d) Electricity charges at actuals at residence.</p> <p>(e) Telephone expenses (including residence) at actuals.</p> <p>(f) Provident Fund, Gratuity and leave encashment as per Company rules.</p> <p>(g) Provision for company maintained car with driver.</p> <p>(h) Entertainment and credit card payments (business related).</p> <p>(i) Employee Stock Option Scheme: One off lump sum grant and vesting of Options for 75,000 equity shares of the Company.</p> |

Resolved further that in the absence of or inadequacy of profits in any financial year, the above remuneration will be paid as minimum remuneration in terms of sub-section I (C) of Section II Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force).

Resolved further that the Company Secretary, be and is hereby authorised to take appropriate action to apply for the approval of the Central Government to the appointment of and payment of remuneration to Mr. Siddhanta Sharma a Whole-time Director and take such steps as may be desirable to give effect to this resolution.”

By order of the Board of Director

A. K. Maheshwary
Associate Vice President
(Legal) & Company Secretary

Place: Gurgaon, Haryana
Date: July 30, 2007

Notes :

1. Explanatory Statement, pursuant to section 173(2) of the Companies Act, 1956, in respect of business under item no. 5 - 9 is annexed hereto.
2. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. However, the instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the commencement of the Annual General Meeting.**
3. The Register of Shareholder and Transfer Books of the Company will remain closed from 10.09.2007 to 11.09.2007 (both days inclusive).
4. Shareholders who hold shares in dematerialised form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting.
5. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturday/ Sunday and other holidays, between 1:00 p.m. and 3:00 p.m. upto the date of Annual General Meeting. A copy of proposed amendments in the Articles of Association can be obtained through post by writing to the Company Secretary at 319, Udyog Vihar, Phase-IV, Gurgaon-122016, Haryana.
6. Corporate shareholders/ Trusts/ Societies are requested to send a duly certified copy of the Board/ Managing Committee Resolution authorising their representative to attend and vote at the Meeting.
7. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. Shareholders desiring any information as regards the Accounts are requested to write to the Company in advance so as to enable the Management to keep the information ready at the Annual General Meeting.
9. Shareholders are requested to carry their copy of Annual Report in the Meeting as the Annual Report will not be distributed at the venue of AGM.
10. **Re-appointment of Directors :**
At the ensuing Annual General Meeting Mr. Atul Sharma and Mr. Kishore Gupta retire by rotation and are eligible for re-appointment. Information pertaining to these directors in terms of Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited is as follows :

- a) **Mr. Atul Sharma**, aged about 51 years is a graduate in economics and law from Delhi University. He is highly respected member of the legal profession in India, specializing in Corporate and Civil matters. He has acted as consultant and advisor to various large Indian and multinational companies, Mr. Sharma was appointed as director on the Board of the Company with effect from November 27, 2000. He is a member of company's Audit Committee. Mr. Sharma is also a director on the board of Axis IT&T Limited and a member of its Audit Committee. Mr. Sharma does not hold any equity shares of SpiceJet Limited.
- b) **Mr. Kishore Gupta**, aged about 47 years is a Science Graduate and fellow of the Institute of Cost and Works Accountants of India. He practices in the field of business and corporate advisory by profession and has extensive experience in business management. Mr. Gupta was appointed as director on the Board of the Company with effect from November 27, 2000. Mr. Gupta is a member of Company's Audit Committee. Mr. Gupta is also a director on the board of Royal Holdings Services Limited. Mr. Gupta does not hold any equity shares of SpiceJet Limited.

The Explanatory Statement for item nos. 5 - 9 to the accompanying Notice set out hereinabove is as under.

ITEM NO. 5 AND 6

In terms of the authority given by the shareholders at the extra-ordinary general meeting held on January 11, 2007 and pursuant to the Subscription Agreement dated February 9, 2007, the Company made allotment of 26,144,860 equity shares of Rs.10 each at price of Rs.52.69 per equity share to Istithmar PJSC (Istithmar). The shareholders, while approving this subscription, also approved grant of certain rights to Istithmar, as finalised in their Subscription Agreement. Accordingly, certain minority protection rights, including board representation were provided to Istithmar. Subsequently Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda were nominated as directors on the Board by Istithmar subject to provisions of Section 260 of the Companies Act, 1956 and Articles of Association of the Company, who shall be liable to retire by rotation and further subject to removal by Istithmar. Mr. Qureshi and Mr. Kamda hold office only upto the date of forthcoming Annual General Meeting of the Company and are eligible for appointment as directors. The Company has received notices under Section 257 of the Companies Act, 1956, in respect of both the candidates, proposing their appointment as directors of the Company, alongwith the requisite deposit.

- (a) **Mr. Osman Qureshi** aged about 40 years holds a Master's degree in Political Science from Columbia University and a Bachelor's in History and Government from Lafayette College. He has over twelve years of private equity and investment banking experience and has previously worked for Emerging Markets Partnership, Lehman Brothers and CS First Boston. Mr. Qureshi was appointed on the Board of the Company with effect from March 14, 2007. Mr. Qureshi is also a Managing Director of Istithmar. Mr. Qureshi does not hold any equity shares of SpiceJet Limited.
- (b) **Mr. Khaled Mohammad Ali Al Kamda** aged about 47 years holds a Master's degree in Business Administration from the Cranfield School of Management. Mr. Al Kamda has held various senior management positions during his 21 year career. Mr. Al Kamda was previously a Senior Vice President of Corporate Development for Emirates Group, where he was responsible for the company's mergers and acquisitions, foreign investments, and joint ventures. Prior to that, Mr. Al Kamda was a Senior General Manager at Emirates Airlines where he was responsible for all the commercial activities of the company for Middle East, Africa and the Commonwealth of Independent States (CIS). Furthermore, Mr. Al Kamda has served as Chairman of the Board of Directors of Emirates Hotels and Resorts, Chairman of Dubai Express Freight Works, and Board Manager of Arab Air Carriers Organization. Currently, he is the Vice Chairman of the Board of Directors of Tamweel, Dubai Islamic Bank, Nakheel, Limitless, Dubai Maritime City, Dubai Investments Park, and Emirates Post. Mr. Al Kamda was appointed on the Board of the Company with effect from May 24, 2007. Mr. Al Kamda does not hold any equity shares of SpiceJet Limited.

The Directors recommend the resolutions for your approval.

None of the Directors of the Company, except Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda are in any way concerned or interested in the resolution.

ITEM NO. 7

Amendments in the Articles of Association of the Company were approved by the members in the Extra-ordinary General Meeting held on September 30, 2005 giving customary minority protection rights including board representation and corporate governance covenants to enable private equity investment by Istithmar PJSC (Istithmar) in the Company pursuant to Shareholders and Subscription Agreement dated October 13, 2005. Istithmar made further equity investment in the Company pursuant to Subscription Agreement dated February 9, 2007 for issue and allotment of 26,144,860 equity shares. This new Subscription Agreement dated February 9, 2007 replaced the earlier agreement dated October 13, 2005 entered into with Istithmar. Consequently, the Articles of Association of the Company require further amendments to incorporate rights provided to Istithmar under the above mentioned new agreement.

The Directors recommend the resolution for your approval.

None of the Directors of the Company, except Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda, to the extent as nominees of Istithmar on the Board of the Company, are in any way concerned or interested in the resolution.

ITEM NO. 8

Your Company recognizes the critical role human capital plays in growth of the Company. Towards this, it is proposed to introduce the "Employee Stock Option Scheme-2007" (hereinafter referred to as the "ESOS-2007" or the "Scheme") subject to the approval of the shareholders and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended (the "SEBI Guidelines"). The Board of Directors of your Company has constituted a Compensation Committee comprising of a majority of independent directors to formulate, implement and administer the ESOS-2007 in accordance with the SEBI Guidelines and other applicable regulations.

The approval of the shareholders is, therefore, being sought for issue of stock options to the employees of your Company under ESOS-2007.

The main features of the ESOS-2007 are as under:

(a) Total number of options to be granted

A total of 6,016,250 options shall be available for being granted to the Employees of the Company under the Scheme. The detailed terms of grant shall be formulated by the Board of Directors of the Company (the "**Board**" which expression includes any Committee thereof, including the Compensation Committee) and shall be subject to broad parameters of the Scheme to be approved by the shareholders. Each option when exercised will be converted into one equity share of Rs.10 each fully paid-up of your Company.

Lapsed vested options due to non-exercise or cancelled unvested options due to resignation of the employees or otherwise, will be available for re-grant at a future date. SEBI Guidelines require that in case of any corporate action(s) such as rights issues, bonus issues, merger, demerger, amalgamation, sale of division and any other form of corporate restructuring, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 6,016,250 equity shares of Rs.10 each shall be deemed to be increased to the extent of such additional equity shares issued in a manner that total value of the shares under the Scheme remains the same after the corporate action(s).

(b) Identification of classes of employees entitled to participate in the Employee Stock Option Scheme.

All permanent employees of the Company, including the Directors, as may be decided by the Compensation Committee from time to time, would be entitled to be granted stock options under the Scheme. However the promoters or persons belonging to the promoter group of the Company shall not be eligible under the Scheme.

(c) Requirements of vesting and period of vesting

There shall be a minimum period of one year between the grant of options and vesting of options. The Options granted shall vest so long as the employee continues to be in the employment of the Company or

Director continues as such. The Compensation Committee may, at its discretion, lay down certain criteria including, but not limited to, performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such criteria for vesting and the proportion in which options granted would vest subject to the minimum vesting period as specified above.

The stock options granted to an employee/ director will not be transferable to any person and shall not be renounced, pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee/ director, all the options granted to him till such date shall vest in legal heirs or nominees of the deceased employee/ director.

(d) Maximum period within which the options shall be vested

The options would vest not later than five years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options.

(e) Exercise Price

The option would be granted at an exercise price of Rs.30 per equity share or such other price as may be decided by the Compensation Committee.

(f) Exercise Period and the process of Exercise

The Exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of options.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period.

(g) Appraisal Process for determining the eligibility of the employees to ESOS-2007

The appraisal process for determining the eligibility of the employees will be specified by the Compensation Committee, and will be based on criteria such as role/ level of the employee, past performance record, future potential of the employees, balance number of years of service until normal retirement age and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

(h) Maximum number of options to be issued per employee and in aggregate

The number of options that may be granted to an employee under the Scheme shall not exceed 1% of the issued equity capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

(i) Disclosure and Accounting Policies

The Company shall comply with the accounting policies prescribed under Clause 13.1 of the SEBI Guidelines and all other disclosure requirements and accounting policies prescribed as per the SEBI Guidelines and other applicable laws and regulations.

(j) Method of option valuation

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

The difference between the employee compensation cost so computed using Intrinsic Value and the cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall be disclosed in the Directors' Report.

As the Scheme provides for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the shareholders is being sought pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Act and as per Clause 6 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The Options to be granted under the ESOS-2007 shall not be treated as an offer or invitation made to the public for subscription in the securities of your Company.

The Directors recommend the resolution for your approval.

None of the Directors of the Company are in any way, concerned or interested in the resolution except to the extent of securities that may be offered to them under the Scheme.

ITEM NO. 9

Salient terms and condition of the Service Agreement dated July 30, 2007 between the Company and Mr. Siddhanta Sharma are as under:

(1) Period of Appointment	With effect from the date upon which the approval of Central Government is received upto March 31, 2009.
(2) Details of remuneration	As provided in the resolution.
(3) Termination	<ul style="list-style-type: none"> Termination: Six months notice from either side. Early Termination: All payments to be made till December 31, 2008 if terminated by the Company prior to December 31, 2008.
(4) Duties	Shall perform such duties as from time to time be entrusted to him by the Board and exercise the powers and functions which from time to time follow by virtue of his designation as the Executive Chairman.

The information required in terms of Schedule XIII of the Companies Act, 1956 is as under:

I General Information:

(1) Nature of Industry	Aviation		
(2) Date of commencement of commercial operations	May 23, 2005		
(3) Financial performance based on given indicators (Rs. In million except EPS)		Ten months ended 31.03.2007 (Audited)	Quarter ended 30.06.2007 (Un-audited)
	Total Revenue	7,482.79	3,114.17
	Net Profit	(707.43)	185.35
	EPS	(3.72)	0.77
(4) Export performance and net foreign exchange collaborations	For the period ended March 31, 2007, the Company had foreign exchange earnings of Rs.1,020.83 million and has no foreign collaboration.		
(5) Foreign investments or collaborators, if any	Total Foreign Direct Investment in the Company as on July 30, 2007 is Rs.3,041 million (including premium of Rs.2,254 million). The Company has no foreign collaborator.		