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24th Annual Report 2007-2008

SpiceJet Limited

Board of Directors

Mr. Ajay Singh

Mr. Atul Sharma

Mr. B. S. Kansagra

Mr. Khaled Mohammed Ali Alkamda (upto 29.08.2008)

Mr. Kishore Gupta

Mr. Mukkaram Jan

Mr. Osman Qureshi (upto 29.08.2008)

Mr. Siddhanta Sharma - Chairman (upto 31.07.2008)

Mr. Tom Ronell (w.e.f. 29.08.2008)

Mr. Vijay Kumar

Bankers

CITI Bank N.A.

HDFC Bank Ltd.

HSBC

ICICI Bank Ltd.

J&K Bank Ltd.

Registrars & Share Transfer Agents

Karvy Computershare Private Limited

Karvy House, 46, Avenue 4,

Street no. 1, Banjara Hills

Hyderabad-500034

Registered Office

Near Steel Gate Bus Stop,

Terminal-I,

Indira Gandhi International Airport,

New Delhi-110037

Corporate Office

319, Udyog Vihar

Phase-IV, Gurgaon, Haryana

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SpiceJet Limited

Registered Office : Near Steel Gate Bus Stop, Terminal-I, Indira Gandhi International Airport, New Delhi-110037

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY FOURTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF SPICEJET LIMITED WILL BE HELD ON THURSDAY, NOVEMBER 27TH, 2008 AT 11 A.M. AT THE AIR FORCE AUDITORIUM, SUBROTO PARK, NEW DELHI TO TRANSACT THE FOLLOWING BUSINESS:

Ordinary Business

1. To consider and adopt the Balance Sheet as at March 31, 2008, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a director in place of Mr. Ajay Singh, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Mukkaram Jan, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint M/s Walker, Chandio & 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. Tom Ronell, 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.”

By order of the Board of Director

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

Place: Gurgaon, Haryana
Date: October 14, 2008

Notes:

1. **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.**
2. The Register of Shareholder and Transfer Books of the Company will remain closed from November 22, 2008 to November 27, 2008 (both days inclusive).
3. 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.
4. All documents referred to in the accompanying Notice 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. **Re-appointment of Directors:**
At the ensuing Annual General Meeting Mr. Ajay Singh and Mr. Mukkaram Jan 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. Ajay Singh**, aged about 43 years is a Bachelor of Technology from Indian Institute of Technology, Delhi having a Master's degree in Business Administration from Cornell University and a bachelor's degree in law from the University of Delhi. He has extensive experience in the information technology. Mr. Singh was appointed as director on the Board of the Company with effect from November 11, 2004. Mr. Singh is also a director on the board of Cranes Software International Limited, Crosslinks Finlease Pvt. Ltd and Intel Construction and the Chairman of Audit Committee of Cranes Software International Limited. He holds 10 million equity shares of SpiceJet Limited.
- b) **Mr. Mukkaram Jan**, aged about 42 years is a commerce graduate and with extensive business experience and belongs to a leading business family in Bangalore. Mr. Jan was appointed as director on the Board of the Company with effect from November 11, 2004. He is a Director on the Board K&J Telecom Pvt. Limited, Cranes Software International Limited, Jansons Land and Property Ltd.; K&J Holdings Private Limited, SPSS South Asia Private Limited, Orca Infotech Private Limited, Systat Software Inc., Systat Software Asia Pacific Limited, Keysoft Solutions Private Limited, Cranes Software International Pte Ltd., Cranes Software UK Ltd., Spice Capital Fund Private Limited, Analytix Systems Pvt. Ltd., Sea Equity Enterprises Pvt. Ltd., Samara Investments Bangalore Private Limited, Tilak Autotech Pvt. Ltd., Caraval Infosystems Pvt. Ltd., Proland Software Pvt. Ltd., Esqube Communications Solutions Pvt. Ltd. and Engineering Technology Associates Inc. Mr. Jan is also the Chairman of Audit and Compensation Committee of SpiceJet Limited. Mr. Jan does not hold any shares of SpiceJet Limited.

The Explanatory Statement for item no. 5 to the accompanying Notice set out hereinabove is as under.

ITEM NO. 5

Istithmar PJSC nominated Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda as its nominee directors pursuant to Articles of Association of the Company. As per Article 109A of the Articles of Association of the Company, Istithmar PJSC (Istithmar) has withdrawn the nomination of Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda.

Istithmar has now nominated Mr. Tom Ronell as director on the Board, 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. Tom Ronell holds office only upto the date of forthcoming Annual General Meeting of the Company and is eligible for appointment as director. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of Mr. Tom Ronell, proposing his appointment as directors of the Company, alongwith the requisite deposit.

- (a) **Mr. Tom Ronell** aged about 55 years has a background in Economics from The Wharton School, United States of America. He is the Chief Executive Officer of Istithmar World Aviation Holdings and oversees the management of Istithmar World's entire aviation investments.

Mr. Ronell has held the position of Vice President - Sales at Airbus and has previously worked in the maintenance & engineering division at Northwest Airlines and has also served in the marketing & sales division at McDonnell Douglas.

As founder and President of Ronell Aviation Services, Inc., Mr. Ronell brings with him rich experience in airline start-ups, privatisation, restructuring and management around the world. He has also participated in the sale, lease and purchase of over US\$50 billion worth of aircraft.

Mr. Ronell was appointed on the Board of the Company with effect from August 29, 2008. Mr. Ronell 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. Tom Ronell are in any way concerned or interested in the resolution.

By order of the Board of Director

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

Place: Gurgaon, Haryana
Date: October 14, 2008

DIRECTORS' REPORT

Dear Shareholders,

The Directors hereby present the Twenty Fourth Annual Report and the Audited Accounts for the year ended March 31, 2008.

1. Financial Results

Particulars	March 31, 2008	March 31, 2007
Gross Income	14,385.79	7,482.80
Operating Expenses	12,420.17	6,478.02
Employee Remuneration of benefits	1,431.92	860.87
Selling Expenses	914.09	279.61
Administrative Expenses	703.81	427.17
Finance Charges	137.23	42.48
Depreciation and Amortisation	78.18	58.47
Profit/ (Loss) before taxation	(1,299.61)	(663.82)
Fringe Benefit Tax	24.24	9.94
Prior Period Adjustments	11.22	33.67
Profit/ (Loss) After taxation	(1,335.07)	(707.43)

Explanations to various comments made by the Auditors in their Report to the shareholders are mentioned in the Notes to the Accounts, which forms part of the Balance Sheet for the year ended March 31, 2008.

2. Business

The Company completed its third year of operations on May 23, 2008. During its third year of operations, the Company grew its fleet size to nineteen aircraft covering 18 destinations and operating 113 flights daily. During the year ended March 2008, the number of passengers flown has also increased by 48% to 4.5 million as compared to previous year. The average load factor of 73% was recorded by the airline during the year under review with a market share of over 9%.

During the year under review, the company improved its average deployed fleet to 14.13 aircraft versus 7.68 aircraft for comparable previous year.

Your company also focussed on processes to generate ancillary revenues which in turn reduced cost of operations. The company has managed to improve the Net Revenue per passenger to Rs.2,650 from Rs.2,320 in comparable previous year.

3. Change of Financial Year

The Company had changed its financial year in the previous financial year from June-May to April-March. Accordingly, the previous financial results reflect the performance of the Company for ten months only and may not be comparable with full year results for the year ended March, 2008.

4. Fleet Rationalisation

During the year under review the Company inducted eight new aircraft to its fleet taking the total fleet strength to nineteen aircraft. Out of eight new aircraft inducted, two were Boeing 737-900, which is the largest capacity domestic aircraft having a seating capacity of 212 passengers.

During December 2007, the Company also completed the funding for additional ten aircraft with Babcock and Brown Aircraft Management LLC. The aircraft are scheduled to be delivered during the year 2010 through 2012. Further in view of mounting oil prices and decline in domestic air traffic the Company has pre maturely terminated four operating leases and also cancelled delivery of four new aircraft post closure of the current financial year.

5. Share Capital

Shareholders approved increase in authorised share capital of your company by Rs. 650 million in the extra-ordinary general meeting held on September 12, 2008.

In terms of the authority given by the shareholders at the extra-ordinary general meeting held on June 10, 2005 and pursuant to the Offering Circular dated December 7, 2005, the Company amended covenants of US\$80 million Zero Coupon Secured Convertible Bonds Due 2010 (the "FCCB") as a part of overall financing arrangement wherein the entire cash collateral of US\$80 million and interest accrued has been released back to the Company after deduction of US\$0.9 million as contractual obligation and administration expenses.

The amendments to FCCB covenants, inter-alia, include (a) release of entire cash collateral, (b) resetting FCCB Conversion Price to Rs.25 per equity share and (c) providing customary rights as are generally available in such type of investment.

Post closure of the financial year in March 2008, the paid-up share capital of the Company was increased by 368,960 equity a share consequent upon conversion of FCCBs aggregating to US\$ 200,000 at FCCB Conversion Price of Rs.25 per equity share.

6. Dividend

In view of losses during the year under review, your Directors do not recommend any dividend.

7. Directors

Mr. Ajay Singh and Mr. Mukkaram Jan retire by rotation in the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr. Siddhanta Sharma, Executive Chairman has ceased to be a director on the Board of the Company with effect from July 31, 2008.

Mr. Osman Qureshi and Mr. Khaled Mohammed Ali Alkamda have also ceased to be directors on the Board of the Company with effect from August 29, 2008.

With regard to comment of the Auditors in para 6 (d) of their report dated June 30, 2008 for the year ended March 31, 2008, we submit that nomination of Mr. Osman Qureshi and Mr. Khaled Mohammed Ali Alkamda was withdrawn by Istithmar PJSC prior to March 31, 2008 subject to appointment of Mr. Tom Ronell as its new nominee after obtaining necessary security clearance. As these directors were not to be re-appointed, declaration under Section 274(1)(g) of the Companies Act, 1956 were not received from them.

Post security clearance, Mr. Tom Ronell was appointed as the additional director on the Board of the Company on August 29, 2008 and shall hold office upto the date of ensuing annual general meeting. The Company has received notice under section 257 of the Companies Act, 1956 proposing his candidature as such.

The Board has also invited Mr. Wilbur L. Ross, Jr. and Mr. Ranjeet Nabha nominees of W. L. Ross & Co LLC, to join your Company's board on receipt of security clearance from Ministry of Civil Aviation (MCA), Government of India in terms of provisions of Civil Aviation Rules. The appropriate applications have been filed with the MCA in this regard and the clearance is awaited.

8. Personnel

Information as required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report. However, as per provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the shareholders excluding the statement of particulars under Section 217 (2A). The Statement is open for inspection at the registered office of the Company during working hours and a copy of the same may be obtained by writing to the Company at its registered office.

9. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the operating management, confirm:

- i. that in the preparation of the accounts for the year ended March 31, 2008, except otherwise disclosed, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that except otherwise disclosed in the Notes to the Accounts, they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of review period and of the profit or loss of the Company for that period;
- iii. that, except otherwise disclosed in the Notes to the Accounts, they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that they have prepared the accounts for the year ended March 31, 2008 on a going concern basis.

10. Employee Stock Option Scheme

The applicable disclosure as required under Clause 12 of SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as on March 31, 2008 is as under:

S. No.	Description	Remark																																
a)	Options granted	5,200,000																																
b)	Pricing formula	Intrinsic value method for valuation has been used for determining the fair value option granted under the Scheme. The value per option as per this method is Rs. 27.85.																																
c)	Options vested	Nil																																
d)	Options exercised	Nil																																
e)	Total number of shares arising as a result of exercise of options	Nil																																
f)	Options lapsed	389,000																																
g)	Variations of terms of options	Nil																																
h)	Money realised by exercise of options	Nil																																
i)	Total number of options in force	4,811,000																																
j)	Employee wise details of options granted to:																																	
	i. senior management personnel	<table><tr><th>SN</th><th>Name</th><th>Designation</th><th>Options Granted</th></tr><tr><td>1</td><td>Samyukth Sridharan</td><td>CCO</td><td>100,000</td></tr><tr><td>2</td><td>O P Ahuja</td><td>AVP-Coordination</td><td>50,000</td></tr><tr><td>3</td><td>Virender Pal</td><td>CTO</td><td>50,000</td></tr><tr><td>4</td><td>Surajit Banerjee</td><td>VP-HR</td><td>50,000</td></tr><tr><td>5</td><td>Partha Sarthi Basu</td><td>CFO</td><td>50,000</td></tr><tr><td>6</td><td>Kamal Hingorani</td><td>VP-Marketing & Planning</td><td>50,000</td></tr><tr><td>7</td><td>J S Dhillon</td><td>EVP-Flight Ops</td><td>50,000</td></tr></table>	SN	Name	Designation	Options Granted	1	Samyukth Sridharan	CCO	100,000	2	O P Ahuja	AVP-Coordination	50,000	3	Virender Pal	CTO	50,000	4	Surajit Banerjee	VP-HR	50,000	5	Partha Sarthi Basu	CFO	50,000	6	Kamal Hingorani	VP-Marketing & Planning	50,000	7	J S Dhillon	EVP-Flight Ops	50,000
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7	J S Dhillon	EVP-Flight Ops	50,000																															
	ii. any other employee who receives a grant in any one year of option amounting to 5% more of option granted during that year	None																																
	iii. identified employees who were granted option, during any one year, equal to or	None																																

	exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	
k)	Diluted earnings per share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 "earning Per Share"	(Rs.5.55)
l)	Method of calculation of employee compensation cost	The employee compensation cost would be calculated based on intrinsic value of the options offered. The value of an option using this method is Rs. 27.85. However, the fair value per option (as per Black Scholes Model) is Rs.32.50. the difference in the value of an option using both methods is Rs.4.65.
m)	Exercise price and fair value of option	The exercise price of all the options granted under the above mentioned Scheme is Rs. 30. Also, the fair value of the options, as calculated using the Black Scholes option Valuation Model is Rs.32.50 only.
n)	Option valuation methodology	Black Scholes Option Valuation Model has been used to estimate the fair value of the options granted under the above mentioned Scheme
	i. Risk-free interest rate	9 year zero coupon treasury rate
	ii. Expected life	2.5 years from the date of vesting based on various schemes launched by various organizations in the country.
	iii. Expected volatility	Volatility is calculated on the movement of company's share price on BSE in the past one year which comes out to be 55%. The same volatility is applicable to the Black Scholes Model.
	iv. Expected dividend	Nil
	v. Price of underlying share at the time of option grant	Rs.57.85