spicejet

flying for everyone

26th Annual Report
2009-2010

SpiceJet Limited

Board of Directors

Mr. Ajay Singh

Mr. Atul Sharma

Mr. B. S. Kansagra

Mr. Kishore Gupta

Mr. Mukkaram Jan

Mr. Ranjeet Nabha

Mr. Tom Ronell (upto 05.02.2010)

Mr. Vijay Kumar

Compliance Officer

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

Registered Office

Near Steel Gate Bus Stop,
Terminal-I
Indira Ghandi International Airport,
New Delhi-110037

Bankers

Allahabad Bank
Citibank N.A.
HDFC Bank Ltd.
HSBC
ICICI Bank Ltd.
Yes Bank Ltd.

Corporate Office

319, Udyog Vihar
Phase-IV
Gurgaon-122016
Haryana

Registrar & Share Transfer Agents

Karvy Computershare Private Limited
Karvy House, 46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad-500034

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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 SIXTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF SPICEJET LIMITED WILL BE HELD ON FRIDAY, THE 27TH DAY OF AUGUST, 2010 AT 3 P.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, 2010, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To resolve not to fill the vacancy, for the time being, caused by the retirement of Mr. Atul Sharma who retires by rotation in terms of Article 109 of the Articles of Association of the Company and does not seek reappointment.
3. To resolve not to fill the vacancy, for the time being, caused by the retirement of Mr. Ajay Singh who retires by rotation in terms of Article 109 of the Articles of Association of the Company and does not seek reappointment.

With Special Notice

4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

   The Company has received a Special Notice in writing under Section 225 of the Companies Act, 1956 from a shareholder signifying its intention to move the following resolution:

   "Resolved that subject to the provisions of Section 224 and 225 and other applicable provisions, if any, of the Companies Act,1956, M/s S. R. Batliboi & Associates, Chartered Accountants, New Delhi having registration no. 101049W be and are hereby appointed as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company in place of M/s Walker, Chandiok & Company, Chartered Accountants, New Delhi, on such remuneration as may be fixed by the Board."

Special Business

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

   "Resolved that in accordance with the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or enactments thereof for the time being in force) read with Clause 48 of the Articles of Association of the Company, the authorised share capital of the Company be increased from Rs.4,150,000,000 (Rupees Four Thousand One Hundred

Fifty Million) divided into 415,000,000 (Four Hundred Fifteen Million) equity shares of Rs.10 each to Rs.5,000,000,000 (Rupees Five Thousand Million) divided into 500,000,000 (Five Hundred Million) equity shares of Rs.10 (Rupees Ten) each ranking pari-passu with the existing shares of the Company and that in Clause V of the Memorandum of Association of the Company, for the words and figures:

"The Authorised Share Capital of the Company is Rs.4,150,000,000 (Rupees Four Thousand One Hundred Fifty Million) divided into 415,000,000 (Four Hundred Fifteen Million) equity shares of Rs.10 each." the following shall be substituted:

"The Authorised Share Capital of the Company is Rs.5,000,000,000 (Rupees Five Thousand Million) divided into 500,000,000 (Five Hundred Million) equity shares of Rs.10 each."

Resolved further that the Board of Directors of the Company be and is hereby authorised to take necessary steps and do all such acts, deeds and things as may be deemed expedient and necessary to give effect to the aforesaid Ordinary Resolution."

By order of the Board of Director

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

Place: Gurgaon, Haryana
Date: July 27, 2010

Notes:

1. Explanatory statement, pursuant to section 173(2) of the Companies Act, 1956, in respect of business under item no. 1 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 August 20, 2010 to August 27, 2010 (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 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.
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.

The Explanatory Statement for item no. 1 set out in the accompanying Notice hereinabove is as under.

ITEM NO. 1

The present authorised share capital of the Company is Rs.4,150,000,000 (Rupees Four Thousand One Hundred Fifty Million) divided into 415,000,000 (Four Hundred Fifteen Million) equity shares of Rs.10 each. With a view to facilitate infusion of fresh share capital in the Company, it is necessary to increase the authorised share capital to Rs.5,000,000,000 (Rupees Five Thousand Million) divided into 500,000,000 (Five Hundred Million) equity shares of Rs.10 each. It is therefore proposed to increase the authorised shares capital of the Company from Rs.4,150,000,000 (Rupees Four Thousand One Hundred Fifty Million) divided into 415,000,000 (Four Hundred Fifteen Million) equity shares of Rs.10 each to 5,000,000,000 (Rupees Five Thousand Million) divided into 500,000,000 (Five Hundred Million) divided into 415,000,000 (Four Hundred Fifteen Million) equity shares of Rs.10 each.

The Directors recommend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution except to the extent that new equity shares may be allotted to them as per terms of offer for allotment of these shares.

By order of the Board of Director

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

Place: Gurgaon, Haryana
Date: July 27, 2010

DIRECTORS' REPORT

Dear Shareholders,

The Directors hereby present the Twenty Sixth Annual Report and the Audited Accounts for the year ended March 31, 2010.

1. Financial Results

(Amount in Rs. Million)

Particulars	March 31, 2010	March 31, 2009
Gross Income	**22,420.91**	**18,135.38**
Operating Expenses	**16,939.56**	17,034.31
Employee Remuneration and Benefits	**1,814.11**	1,548.21
Selling Expenses	**1,921.52**	1,095.53
Administrative Expenses	**821.56**	1,408.00
Finance Charges	**113.82**	160.22
Depreciation and Amortisation	**76.43**	72.54
Loss on settlement of litigations	**-**	187.82
Profit/ (Loss) before taxation	**733.91**	(3,371.25)
Minimum Alternate Tax/ Fringe Benefit Tax	**63.66**	33.19
Prior Period Adjustments	**55.76**	121.23
Profit/ (Loss) after taxation	**614.49**	(3,525.67)

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, 2010.

2. Business

The Company completed its fifth year of operations on May 23, 2010. In fifth year of operations, the Company focused on consolidating its operations on key routes and maintained its fleet size to twenty aircraft covering 19 destinations and operating 122 flights daily.

During the year ended March 2010, the Company carried 6.63 million passengers. Further, the average load factor of 77.6% was recorded, with a market share of over 12% for the month of March 2010. The Company also improved its average deployed fleet to 18.82 aircraft versus 17.02 aircraft for previous year.

Your Company also focused on processes to generate ancillary revenues which effectively offset cost of operations. The Company has managed to improve the operating revenue per ASKM to Rs.2.49 from Rs.2.34 in previous year.

3. Share Capital

During the year under review, the paid-up share capital of the Company was increased by 862,550 equity share consequent upon exercise of stock options under the Employee Stock Option Scheme 2007.

Post closure of the year under review, the Company allotted 15,360,715 equity shares of Rs.10 each at a price of Rs.39.46 per equity share consequent upon conversion of 15,360,715 warrants in terms of approvals accorded by the shareholders and FIPB.

Further, the Company allotted 127,843,840 equity shares of Rs.10 each at a price of Rs.25 per equity share consequent upon conversion of 693 Foreign Currency Convertible Bonds of US$ 100,000 each aggregating to US$ 69,300,000.

In view of above capitalization the net worth of the Company has now become positive.

4. Other Material Developments

(a) Royal Holdings Services Limited, the Promoter of the Company and certain other shareholders of the Company executed Share Purchase Agreements dated June 12, 2010 (SPA) with Mr. Kalanithi Maran and KAL Airways Private Limited (the "Acquirers") whereby the Acquirers have agreed to acquire 37.73% of the fully diluted equity share capital of the Company and consequently acquire management and control of the Company.

Consequently, the Acquirers have also made an open offer under Regulation 10 and 12 of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 to the public shareholders of the Company to acquire up to an additional 82,980,161 equity shares, representing 20% of the fully diluted equity share capital of the Company. Post completion of open offer, the Acquirers may hold upto 57.73% of the fully diluted equity capital of the Company.

Mr. Kalanithi Maran, the promoter of Sun Network is also the Chairman and Managing Director of the Sun TV Network Limited (Sun TV). Sun TV is a public Limited Company listed at the Mumbai and National Stock Exchanges and has a market cap of about Rs.16,750 crores (USD 3.6 billion). Mr. Maran has also other interests in the Media and Entertainment world and owns majority stake in Sun Direct TV Private Limited that has emerged as the fastest growing DTH player in the country with a subscriber base of about 5.5 million subscribers in a short span of 2 ½ years. He also runs the No.1 Tamil Daily, Dinakaran selling over 1.2 million copies every day. Mr. Maran is also the promoter of Kal Airways Private Limited.

(b) Reference note no.2.2 of the Notes to the Accounts (Schedule XVIII) forming part of the financial statement for the year under review. The Review Petition filed by Hindustan Development Corporation Limited ("HDCL") (now renamed as Mallanpur Steels Limited) against the Scheme of Settlement of the Company, has been dismissed by the Delhi High Court on July 16, 2010

5. Dividend

In view of accumulated losses brought forward, your Directors do not recommend any dividend.

6. Directors

Mr. Atul Sharma and Mr. Ajay Singh retire by rotation in the forthcoming Annual General Meeting and they do not seek reappointment. The Company has decided not to fill the vacancy, for the time being, caused by their retirement.

Mr. Tom Ronell ceased to be nominee director on the Board of the Company with effect from February 5, 2010 consequent upon sale of entire equity stake by Istithmar PJSC.

7. 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.

8. 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, 2010, 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, 2010 on a going concern basis.

9. 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, 2010 is as under:

S.No.	Description	Remark
a)	Options granted	5,200,000 options granted on September 11, 2007 ('Grant 1'), 1,804,884 options granted on October 05, 2009 ('Grant 2'), and 5,422,954 options granted on December 23, 2009 ('Grant 3').
b)	Pricing formula	Intrinsic value method for valuation has been used for determining the fair value of option granted under the Scheme. The value per option as per this method for Grant 1, Grant 2 and Grant 3 is Rs.32.50, Rs 24.85 and Rs.46.25 respectively.
c)	Options vested	1,544,800
d)	Options exercised during the year	641,600
e)	Total number of shares arising as a result of exercise of options	641,600
f)	Total Options lapsed FY 2007-08: 389,000 FY 2008-09: 891,000 FY 2009-10: 300,800	1,580,800
g)	Variations of terms of options	Nil
h)	Money realised by exercise of options	Rs.19,248,000
i)	Total number of options in force	10,205,438
j)	Employee wise details of options granted to:	

<table>
<tr><td></td><td>i) senior management personnel</td><td>
<table>
<tr><th>S. No.</th><th>Name</th><th>Designation</th><th>Options Granted</th></tr>
<tr><td>1</td><td>Sanjay Aggarwal</td><td>CEO</td><td>7,227,838</td></tr>
<tr><td>2</td><td>Samyukth Sridharan</td><td>CCO</td><td>100,000</td></tr>
<tr><td>3</td><td>O P Ahuja</td><td>VP – Ops, Planning & Coordination</td><td>50,000</td></tr>
<tr><td>4</td><td>Virender Pal</td><td>CTO</td><td>50,000</td></tr>
<tr><td>5</td><td>Kamal Hingorani</td><td>VP - Marketing & Planning</td><td>50,000</td></tr>
</table>
</td></tr>
<tr><td></td><td>ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year</td><td>None</td></tr>
<tr><td></td><td>iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant</td><td>Mr. Sanjay Aggarwal</td></tr>
<tr><td>k)</td><td>Diluted earnings per share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 “Earning Per Share”</td><td>1.56</td></tr>
<tr><td>l)</td><td>Method of calculation of employee compensation cost</td><td>
The employee compensation is calculated based on intrinsic value of the options and the difference between the employee compensation cost so computed and the employee compensation cost as per fair value (as per Black Scholes Model) of options is as under:
<table>
<tr><th>No. of options granted</th><th>Intrinsic Value</th><th>Failr Value</th><th>Difference</th></tr>
<tr><td>1,804,884</td><td>24.85</td><td>25.73</td><td>0.88</td></tr>
<tr><td>5,422,954</td><td>46.25</td><td>48.24</td><td>1.99</td></tr>
</table>
Had the compensation cost been determined in a manner consistent with the fair value method as above, the employee compensation cost would have been higher by 11.52 million, profit after tax would have been lower by 9.56 million and the diluted EPS would have been Rs 1.53.
</td></tr>
</table>

m)	Exercise price and fair value of option	**Stock options (number)**	**Weighted average fair value per option**	**Weighted average exercise price per option**
	Option granted on:			
	• September 11, 2007	3,619,200	32.50	30.00
	• October 5, 2009	1,804,884	25.73	10.00
	• December 23, 2009	5,422,954	48.24	10.00

n)	Option valuation methodology	Black Scholes Option Valuation Model has been used to estimate the fair value of the options granted		
	Assumptions	**Grant 1**	**Grant 2**	**Grant 3**
	Dividend yield (%)	0	0	0
	Expected life (no of years)	2.5	1.0	2.7
	Risk free interest rate (%)	7.9	8.0	8.0
	Volatility (%)	55.00	67.86	67.86
	Price of the underlying share in the market at the time of the grant (Rs)	57.85	34.85	56.25

10. Conservation of Energy & Technology Absorption

Particulars as required under section 217(1) (e) of the Companies Act, 1956, relating to conservation of energy and technology absorption are not applicable for the year under review, and hence not furnished.

11. Foreign Exchange Earnings & Outgo

The Company had foreign exchange earnings of Rs.596.44 million while the outgoings were Rs.6,269.4 million during the year under review.

12. Deposits/ Borrowings

The Company has not accepted any deposit under provisions of Section 58A of the Companies Act, 1956 during the year under review.

13. Auditors

The Company has received a special notice under Section 225 of the Companies Act, 1956 from a shareholder proposing the name of M/s S. R. Batliboi & Associates, Chartered Accountants, New Delhi for appointment as Statutory Auditors of the Company. M/s Walker, Chandiok & Co, Chartered Accountants, retiring auditors have advised the Company that in view of special notice received under Section 225 of the Companies Act, 1956, they do not wish to offer themselves for re-appointment at the ensuing Annual General Meeting. The Directors place on record deep appreciation for the assistance and guidance extended by M/s Walker, Chandiok & Co., Chartered Accountants during their tenure as Auditors of the Company.

The Company has received a letter from M/s S. R. Batliboi & Associates, New Delhi to the effect that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956. On recommendation of the Audit Committee, the Board in its meeting held on July 27, 2010, proposed their appointment as the Statutory Auditors of the Company. You are requested to consider their appointment.

14. Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd., Management Discussion and Analysis, Corporate Governance Report and Practicing Company Secretary's Certificate regarding Compliance with the Code of Corporate Governance are made part of the Annual Report.

15. Information as required under the listing agreement

Shares of the company are presently listed at Bombay Stock Exchange Limited, P. J. Towers, Dalal Street, Mumbai and the company has paid listing fee upto March 31, 2011 in respect of above stock exchange.

16. Acknowledgement

The Directors thank all government, regulatory bodies and shareholders for their consistent support in the smooth airline operations of the Company. We also place on record our appreciation to the contribution made by company's staff at all levels, without whom the Company would not have attained such great heights in such a short period of its operations.

For and on behalf of the Board

Sd/-	Sd/-
B. S. Kansagra	Kishore Gupta
Director	**Director**

Place: Gurgaon, Haryana
Date: July 27, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

1.1 Global and Indian Economy

The economy grew at 7.2 percent in 2009-10, on the back of an 8.2 percent growth in the industrial and an 8.7 percent growth in the service sectors, despite decline in agricultural output. Per Capita income grew by 5.3 percent in 2009-10.

The macro-economic fundamentals were positive inspiring a general confidence about the medium to long term prospects amidst uncertainty in the global economy.

GDP growth is expected to be at around 8.5 percent in 2010-11 with a full recovery and in excess of 9 percent in 2011-12. There is a historically established correlation between economic growth and growth in air traffic – it has been observed that aviation grows at the rate of 1.2 to 1.8 times the GDP – 1.2 times in developed nations and 1.8 times in developing countries with pent up demand. Assuming a very conservative 6% GDP growth and a 1.5 times multiple, it is estimated that domestic aviation traffic alone will grow 2.5 times from the current 40 million passengers to 100 million passengers by 2020.

1.2 Indian Aviation Industry

Domestic passenger traffic grew by 16.5% during FY 2009-10 over the previous year heralding the return of passenger demand for the domestic aviation industry. This growth was despite a weak first quarter which saw domestic traffic continuing the declining trend of FY 2008-09 with a 5% decline in passenger numbers.

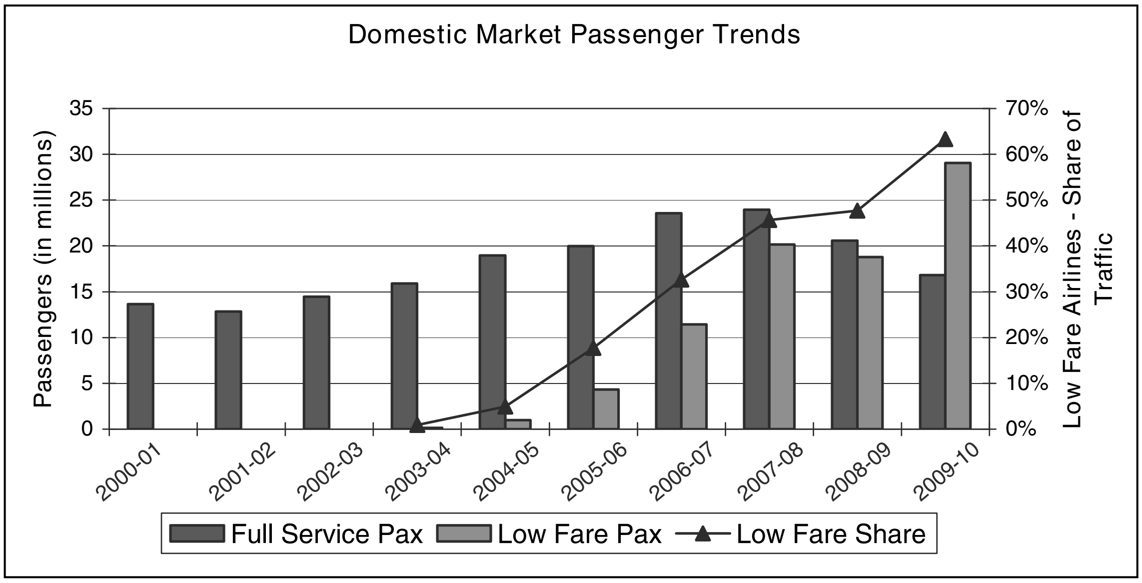
The month of May 2009 witnessed a major strategic shift in the domestic industry with the introduction of the Low-Fare service ‘Jet Konnect’ by Jet Airways. By end of FY 2009-10, the Jet Konnect service was more than two-thirds of the seats deployed by Jet Airways. A similar shift of capacity from Kingfisher to Kingfisher Red was seen during this period with Kingfisher Red service accounting for more than two-thirds of the seat capacity deployed by the airline.

The introduction of the low-fare ‘Jet Konnect’ service signaled the start of a fierce fare war in the July-September quarter. However, the robust demand in the peak season starting October saw the fares stabilizing at comfortable levels that helped SpiceJet post consecutive profitable quarterly performance in the last two quarters of the financial year.

These large-scale capacity conversions from Premium service to Low-Fare offerings seemed to vindicate the low-fare business model adopted by SpiceJet. By the end of FY 2009-10, it is estimated that more than two-thirds of the capacity deployed in the domestic market was a low-cost and low-fare offering.

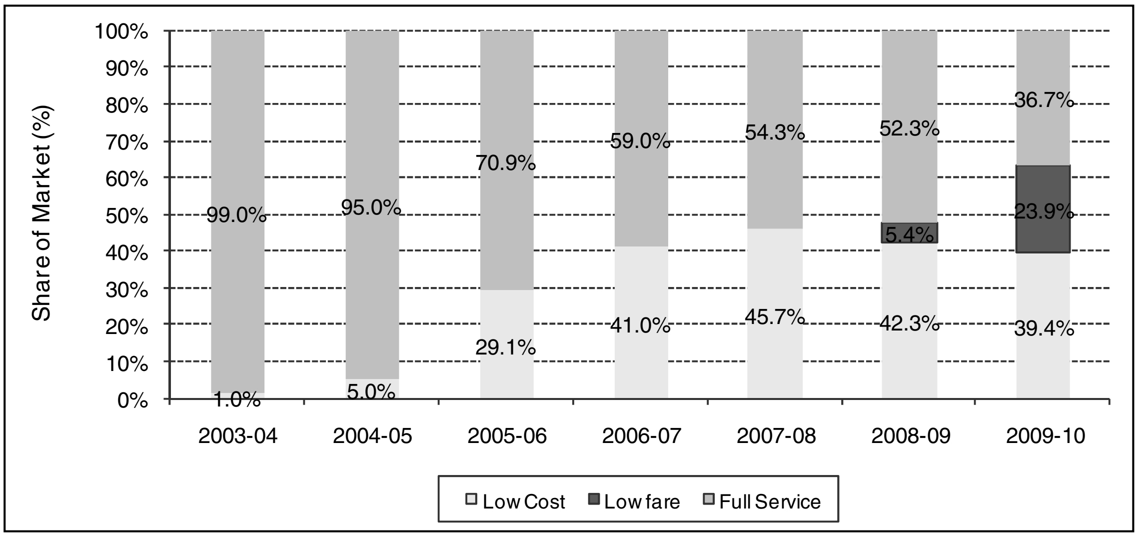
Despite the conversion to more low-fare offerings, the domestic growth was largely driven by the low-cost carriers with SpiceJet showing a 44% growth in passengers carried ahead of Indigo’s growth of 33%.

The share of low-cost carriers in the domestic traffic continued to increase during FY 2009-10 and by end of the financial year nearly 70% of all domestic traffic was carried by low-cost carriers or the low-fare services of the full-service carriers.



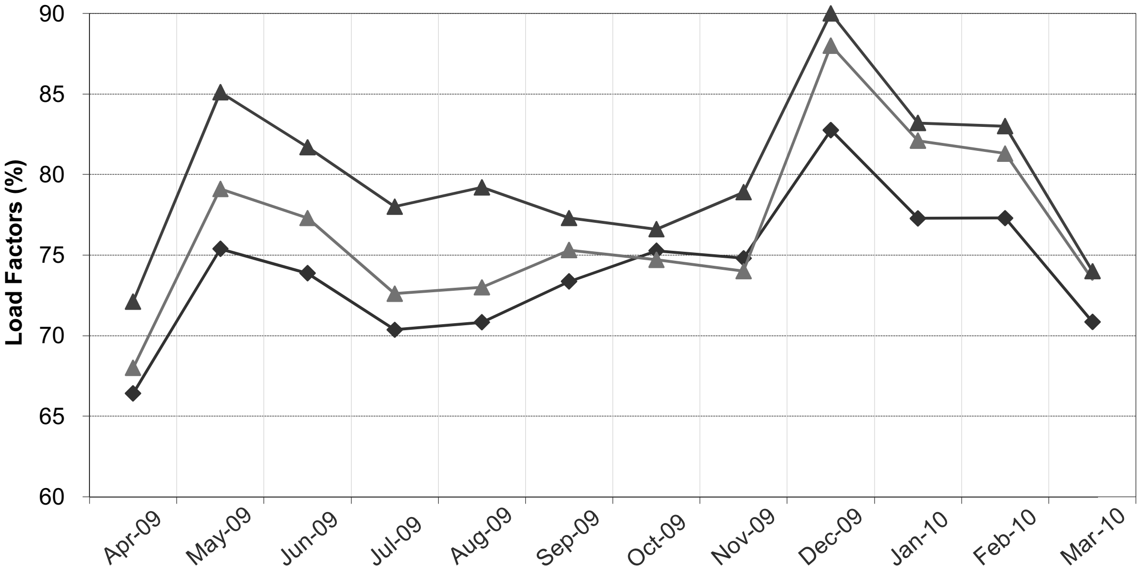
1.3 Domestic Market Trends

Driven by the large-scale capacity conversion of Premium Service aircraft to Low Fare service by two large competitors, the share of Low Cost and Low Fare traffic over-took the Premium Service traffic for the 1st time in the domestic aviation sector.

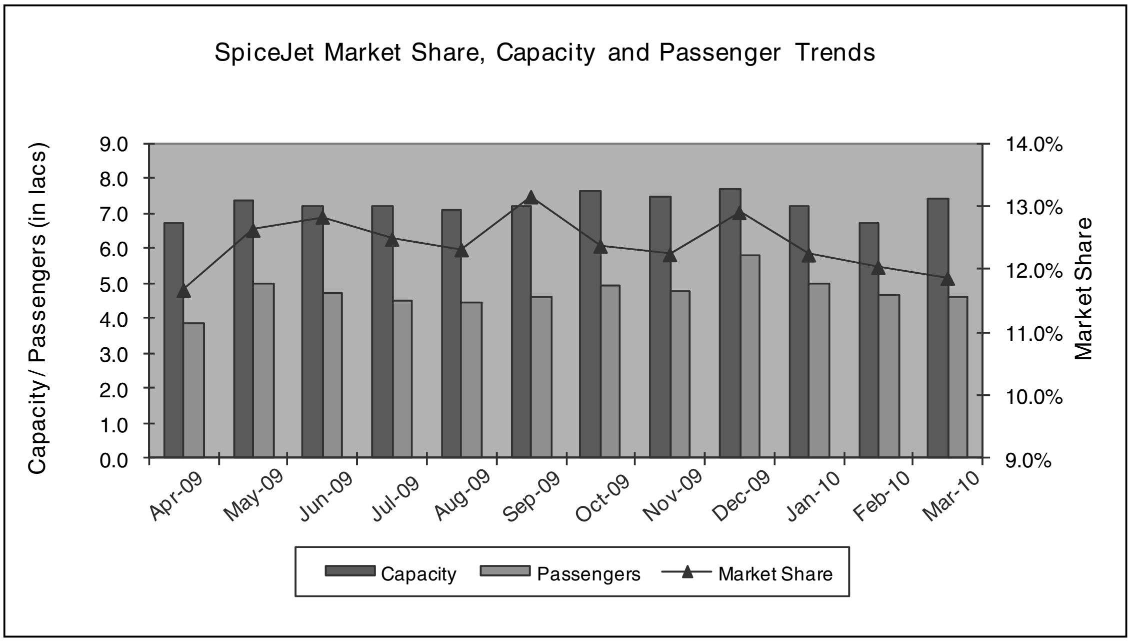


The above trend of a shift from Premium Service to Low Cost and Low Fare was also driven by an increasing acceptance of price-driven travel by Corporate and Business travelers. SpiceJet's corporate business during FY2009-10 grew at a very fast clip and contributed to more than 13% of revenues, up from less than 5% a year ago. More than 1000 corporate houses now fly regularly on SpiceJet.

Competitively, SpiceJet increased the gap in Load Factor from the Industry and reduced the gap with their closest competitor, Indigo. Based on the trends of the last 6 months of FY 2009-10, SpiceJet carried 8 more passengers per departure as compared to Indigo.

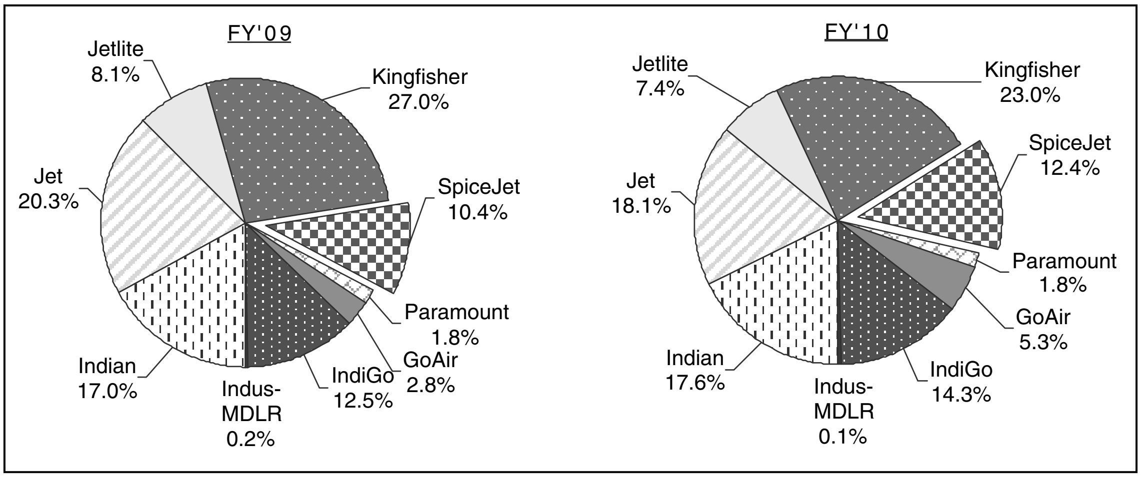


SpiceJet increased its market share during FY 2009-10 to 12.4% from 10.4% in the previous financial year. Increasing aircraft utilization contributed to achieving a higher market share by ensuring that SpiceJet operated more flights without any increase in the number of aircraft. The number of daily flights increased from 115 in the last quarter of FY 2008-09 to 119 in April 2009 and to 125 in May 2009 and to 129 from November 2009 on the same fleet size of 19 aircraft.



In fact, during FY 2009-10, the only market-share gainers in the domestic market were the Low Cost Airlines – GoAir gaining 2.4 points to 5.3% share and Indigo gaining 1.8 points to reach a 14.3% share while SpiceJet gained 2.0 points to reach an annual market share of 12.4%.

Market share movement between FY'09 and FY'10

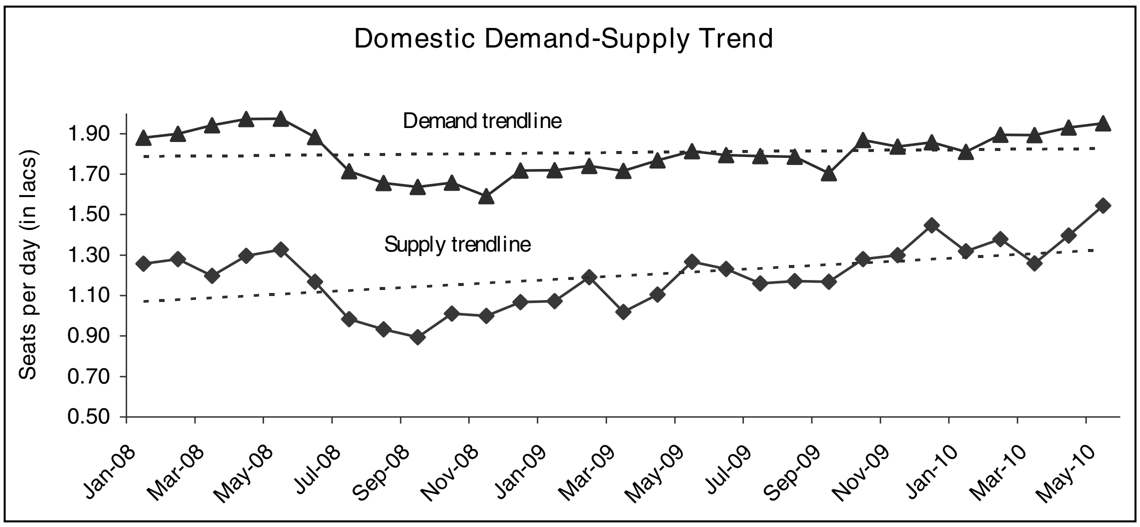


(Source: DGCA Traffic data)

1.4 Domestic Demand-Supply Scenario

While domestic demand grew during FY 2009-10 by 16.5% over the previous year, the supply growth has been at a more conservative pace resulting in the demand-supply gap in the industry narrowing.

Industry capacity during the financial year grew at a very modest 4% from an average of 1.74 lacs seats per day to 1.82 lacs seats per day.



The narrowing demand-supply gap combined with the robust demand that the industry experienced during the last 9 months of FY 2009-10 ensured that yields quickly recovered from the lows of the July-September '09 period and stabilized at reasonably comfortable levels resulting in a profitable financial performance for the airline in the 2nd half of the year and also on an annualized basis.

1.5 Service improvement

At SpiceJet, the customer continues to be the core of the business and all attempts were made to ensure the highest level of customer satisfaction. Based on customer feedback, SpiceJet implemented the following initiatives during FY 2009-10:

- New menu comprising of hot Indian delicacies
- Pre-ordering refreshment at the time of booking at a discount
- Revamped in-flight magazine
- SpiceJet Privilege Pass programme wherein passengers could use the SpiceJet boarding pass and gain great value offerings from hotels, online retail, insurance and wellness partners.
- Roving check-in facility at airports
- In-flight music while boarding and deplaning composed in-house
- Gift bags for kids on board

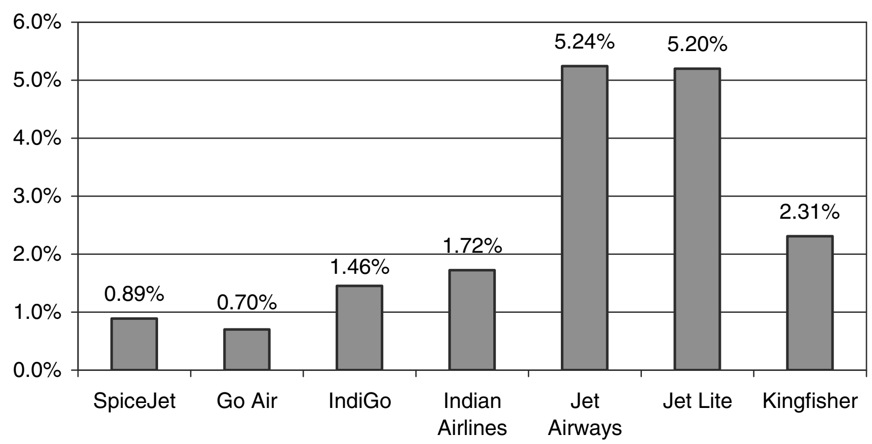
As recognition of these service improvements, SpiceJet has received several awards and recognitions during this year, prominent amongst them being:

- India's best low-fare airline in a survey conducted by MaRS on behalf of Hindustan Times (Dec 2009)
- Smart Travel Asia's Top 10 Best Budget Airlines in Asia for two consecutive years (Aug 2008 & Sept 2009)
- World Travel Market Award for multi-channel approach in distribution (Nov 2009)
- Employer Branding Institutes' Best Employer Brand Award for our employee best practices (Dec 2009)
- Award for Best Website at the 'World Low Cost Airlines Asia Pacific Conference' at Singapore (Jan 2010)
- Outlook Traveler's Best Low Cost Airline (Feb 2008 & Feb 2010) India
- Class of Travel and Tourism's 'Best Domestic Low Cost Airline' award (Mar 2010)

1.6 On-Time Performance & Cancellations

The airline continues to focus all efforts on ensuring that SpiceJet maintains a healthy On-Time Performance track record. Flight cancellations are a key measure of on-time performance and SpiceJet has one of the lowest cancellation rates amongst domestic airlines. The chart below gives the average cancellation rate of SpiceJet versus peers:

Flight Cancellations (July '09 - March '10)



In 2009-10, SpiceJet reported a healthy on-time performance of 78.8% - ahead of most of its competitors. Constant efforts are on to improve the on time performance.

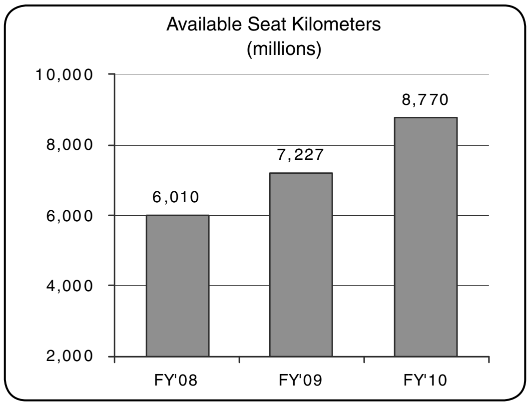
1.7 Branding

SpiceJet was conceptualized as an airline that will always provide safe, value-for-money, comfortable and hassle-free air travel. The brand challenge was to connect and position SpiceJet as a brand that offers more than others in its competitive set. Brand stimuli employed during the year included advertising through print, outdoor and television media and the campaign to establish ‘Get More When You Fly SpiceJet’ was carried out.

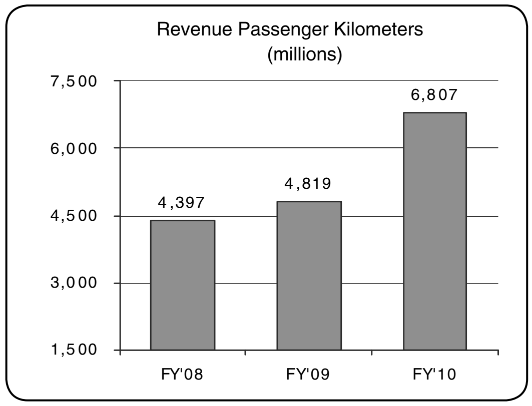
The campaign has been received very well and evidence of this lies in the overall growth of ‘direct’ business on www.spicejet.com. In pre and post campaign analysis, the brand has fared very well on key parameters such as top-of-mind and total recall, imagery and other key attributes.

2. OPERATIONAL & FINANCIAL HIGHLIGHTS

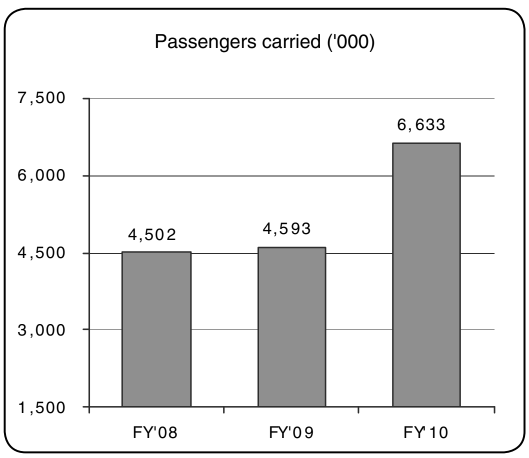
2.1 Operational Highlights



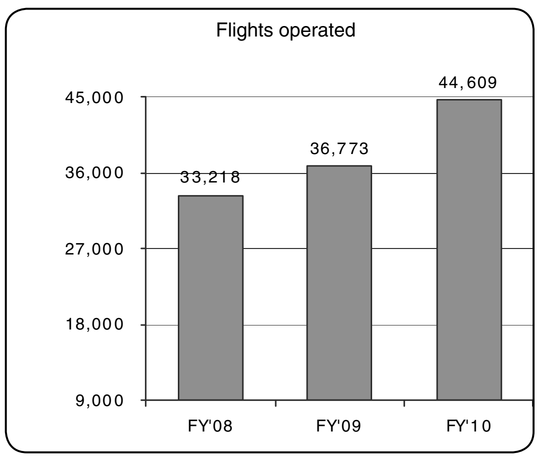
ASKs increased by 21% driven by an increase in aircraft utilization and an increase in operations.



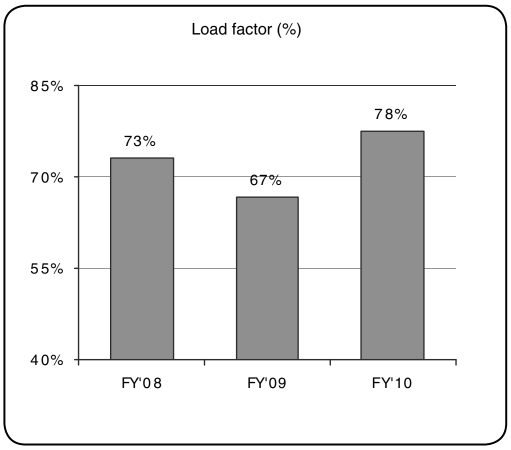
RPKs increased by 41% on the back of higher average load factors driven by a revival in domestic travel.



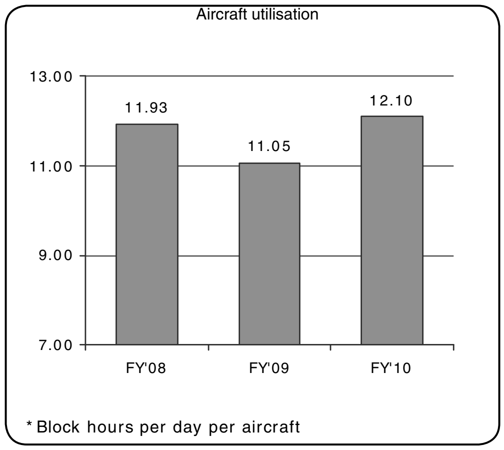
Passengers carried increased by 44% against the industry growth of 16.5% reflecting greater traction for the SpiceJet business model.



During the year FY’10, capacity deployment increased by 21%. This is due to increase in average aircraft availability and increase in aircraft utilization.

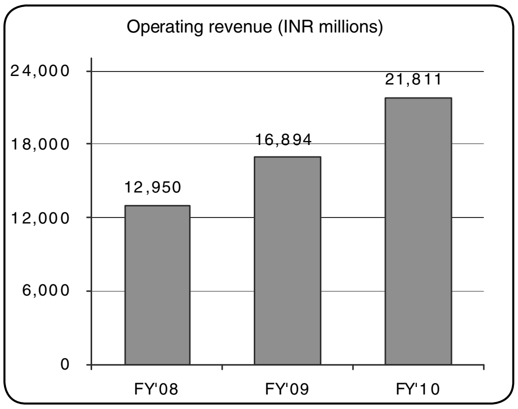


Spicejet's load factor increased from 67% in FY'09 to 78% in FY'10.

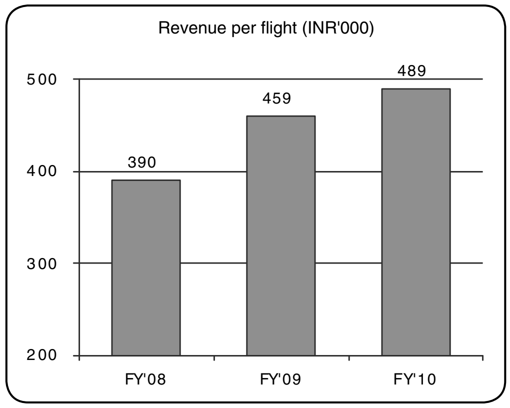


Average aircraft utilisation improved by more than 1 hour.

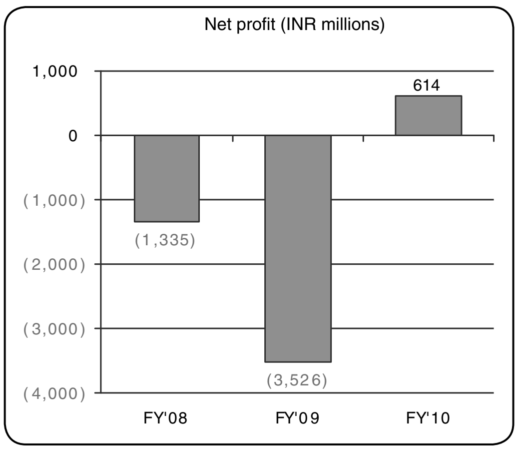
2.2 Financial Highlights



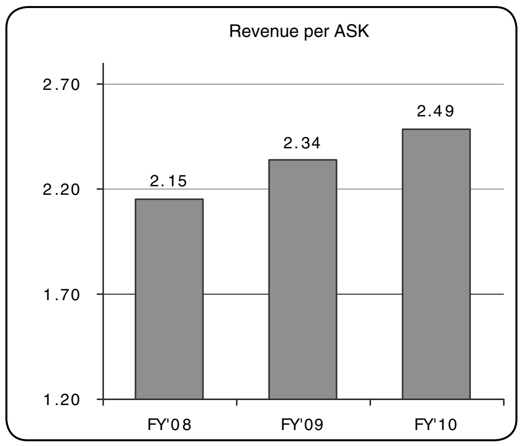
Increase in operations and passenger traffic drove a 29% increase in operating revenues.



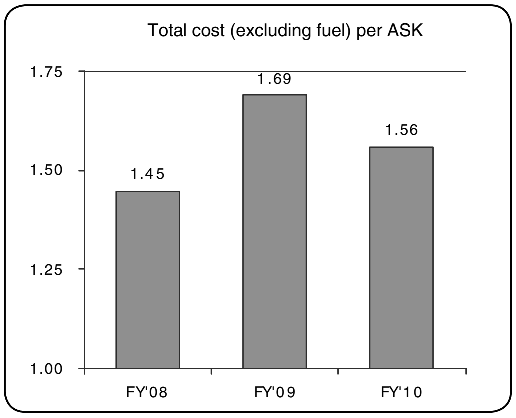
An increase of 6% in revenue per flight can be attributed to load factor improvements.

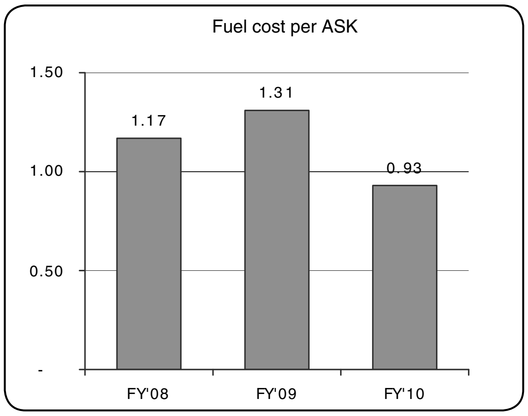


Despite a challenging competitive environment, esp. during the first half of the year, SpiceJet registered profits for three quarters of FY'10.



The combined effect of higher load factor and increase in flights resulted in an increase in unit revenue per ASKM by 6% to INR 2.49.





Better utilisation of resources & cost control resulted in an improvement of 8% on cost excluding fuel costs.

Lower fuel prices compared to FY'09 resulted in an improvement in fuel cost by 29%.

2.2.1 Revenues:

SpiceJet's total revenues increased by 24% to Rs.22,421 million in FY 2009-10 from Rs.18,135 million in FY 2008-2009.

Operating revenues increased by 29% to Rs. 21,811 million in FY 2009-10 from Rs.16,894 million in FY 2008-09. This increase was primarily due to increase in capacity utilization.

Revenue from carriage of cargo increased by 76% to Rs.1,077 million in FY 2009-10 from Rs. 611 million in FY 2008-09.

Other revenues during FY 2009-10 decreased by 51% to Rs. 610 million from Rs.1,240 million due to lower income from sale and lease back.

2.2.2 Expenses:

Total operating expenses for FY 2009-10 decreased by 1% to Rs.16,939 million from Rs.17,034 million in FY 2008-09.

Operating Expense	**FY'10 (Rs. in mn)**	**FY'09 (Rs. in mn)**	**Variance**
Aircraft fuel and oil	8,142.18	9,451.94	–14%
Lease rental-aircraft, rotable and engines	3,983.19	3,704.87	8%
Aircraft maintenance cost	2,324.04	1,849.45	26%
Aviation insurance	164.51	139.38	18%
Landing, navigation and other airport charges	1,447.72	1,114.23	30%
Inflight and other passenger amenities	259.85	136.52	90%
Operating software charges	183.93	141.99	30%
Other operating expenses	434.14	495.93	–12%

2.2.2.a Aircraft Fuel & Oil

Expenditure on aircraft fuel decreased by 14% to Rs.8,142 million in FY 2009-10 from Rs.9,451 million in FY 2008-09. This decrease is mainly due to decrease in average price of aviation turbine fuel.

2.2.2.b Lease Rental Aircraft

Expenditure on aircraft lease rental increased by 8% to Rs.3,983 million in FY 2009-10 from Rs.3,704 million in FY 2008-09, this increase in mainly due to increase in the lease rentals of engines.

2.2.2.c Aircraft Maintenance Cost

Expenditure on aircraft maintenance cost increased by 26%. The increase in maintenance and repair costs in FY 2009-10 was essentially due to increase in operations and increase in USD exchange rate.

2.2.2.d Other Operating Expenses

Other operational expenses increased by 23%.The increase in landing, navigation, other airport charges, in flight and other passenger amenities and other operating costs was primarily due to the increase in the rates by authorities, increase in the number of flights operated as well as increase in number in passengers compared to the previous year.

2.2.2.e Employee Remuneration and Benefits

Expenses with regard to employee remuneration and benefits increased by 17% to Rs.1,814 million in FY 2009-10 from Rs.1,548 million in FY 2008-09.

2.2.2.f Selling and Distribution Costs

Selling and distribution costs increased by 75% to Rs.1,922 million for FY 2009-10 from Rs.1,096 million for FY 2008-09.This increase was mainly due to investments done in brand building and increase in number in passengers compared to the previous year.

2.2.2.g Administrative Expenses

Administrative expense decreased by 42%, this decrease was mainly due to savings in legal, professional and consultancy charges and exchange fluctuation.

2.2.2.h Finance Charges

Finance Charges have decreased during the Fiscal year 2010 by 29% from Rs.160 million to Rs.114 million.

2.2.2.i Depreciation

Depreciation increased by 5 % to Rs.76 million in FY 2009-10 from Rs.73 million in FY 2008-09.

3. OPPORTUNITY AND OUTLOOK

The Indian aviation industry is one of the fastest-growing in the world with private airlines accounting for more than 80 per cent of the domestic aviation market. With a compounded annual growth rate (CAGR) of 18 per cent over the last 5 years, upgraded airport infrastructure at the 4 important metro cities of Delhi, Mumbai, Hyderabad and Bangalore and more investments underway to upgrade Chennai and Kolkata apart from 13 non-metro airports, the domestic aviation sector is poised to continue the growth momentum.

3.1 Potential for Growth

The Indian Civil Aviation market grew at a compound annual growth rate (CAGR) of 18 per cent during the last 5 years.

Passengers carried by domestic airlines during the 4^{th} quarter of FY 2009-10 stood at 11.85 million as against 9.82 million in the corresponding period of 2009 – a growth of 20.6 per cent, according to the traffic data available with the Directorate General of Civil Aviation (DGCA). With the economy recovering from the lows of 2008 & 2009, a sustained annual growth in the 15-16% range can be expected for the next 2-3 years.

This growth hinges on the availability of adequate airport infrastructure to support this pace of expansion. On this front, the Airports Authority of India (AAI) is set to spend over US$ 1.02 billion in 2010, towards modernisation of non-metro airports. AAI is also planning the city-side development of 24 airports, including those at Ahmedabad and Amritsar. Additionally, 11 new greenfield airports have been identified to reduce passenger load on existing airports. With infrastructure expansion expected to keep pace with the traffic growth (except for Mumbai), the future definitely does look bright.

3.2 Road Ahead

A report from the **Centre for Asia Pacific Aviation** (CAPA), forecasts that by 2020 Indian domestic air traffic will reach 160-180 million passengers per annum and international traffic will exceed 80 million. Today less than 2% of Indians fly in any given year.

In forecasting substantial growth over the next ten years, the report notes that India's domestic air travel market is currently just 20% that of China. In order to meet predicted growth over the next ten years airlines will need to invest $120 billion in new aircraft and a further $20 billon in the airport sector.

The Indian aviation sector is likely to see clearer skies ahead in the years to come.

- The Vision 2020 statement announced by the Ministry of Civil Aviation, envisages creating infrastructure to handle 280 million passengers by 2020.

- Investment opportunities of US$ 110 billion envisaged up to 2020 with US$ 80 billion in new aircraft and US$ 30 billion in development of airport infrastructure.

- Associated areas such as maintenance repair and overhaul (MRO) and training offer high investment potential. A report by Ernst & Young says the MRO category in the aviation sector can absorb up to US$ 120 billion worth of investments by 2020.

4. FUTURE OUTLOOK FOR SPICEJET

SpiceJet is the only listed airline in India to declare an annual profit. In its five years of operations, the company's practices have become industry benchmarks for best cost management, aircraft utilization, service quality and brand image.

There is every reason to be optimistic about FY 2010-11. Besides excellent flight loads in the first quarter, demand outlook for the traditionally low July-August-September quarter looks encouraging. The higher brand salience and improved brand image attributes have resulted in SpiceJet becoming a brand of choice carrying more passengers per departure than any other carrier in India.

With the planned induction of 7 new aircraft in 2010-11, the Company will continue to plug the gaps in its current domestic network and increase frequency on high potential routes. As the first low cost airline gaining the stature to fly international, SpiceJet is evaluating international destinations in the SAARC region and looks forward to even better utilization of its aircraft and increased revenues.

SpiceJet is confident that the airline will make a difference to our customers, excite our employees to do more with less, turn our vendors into our partners and create value for our investors.

Crude oil prices and demand will continue to determine the financial situation of the industry. Other key challenges include the weakness of the Rupee versus the US dollar (30% of airline costing is incurred in US dollars), the outsourcing policies in India, airport fees and airport/airspace congestion.

5. ROLE OF THE GOVERNMENT

The airline industry continues to look for support from the government to ensure that the domestic industry is structurally stable and the domestic airlines are globally competitive.

Some of the specific thoughts being discussed and proposed are:

i. To extend support to the industry by classifying ATF as ‘declared goods’ which will bring about a reduction in Sales Tax rates from the current levels of around 24-25%.

ii. Tax exemptions from fringe benefit tax, service tax on input/ output services, customs/excise duty on ATF/ other spares can help make Indian carriers more cost competitive as they look to spread their wings.

iii. Infrastructure development is critical to the growth of the industry. However, this should lead to lowering of costs for the airlines.

iv. A favourable outsourcing policy is critical to ensure cost competitiveness of the Indian carriers. The proposed Ground Handling Policy should be recalled as it will result in loss of jobs, add to the cost for the airlines and create inefficiencies.

v. Increasing the FDI limits for the sector will allow funds and expertise to come into India and allow the aviation industry to mature and be more competitive.

CORPORATE GOVERNANCE

1. BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company believes in adopting best corporate practices for ethical conduct of business. In stride for achieving the best corporate governance, the Company has in place the mandatory committees as required under Companies Act, 1956/ listing agreement.

2. BOARD OF DIRECTORS

(a) Composition

The policy of the Company is to have an appropriate mix of independent and non-independent directors to maintain the independence of the board. During the financial year 2009-10, the board consisted of all non-executive directors. The Board of Directors of the Company consisted of following directors as on March 31, 2010, categorised as indicated:

Category	Name of Director
Promoter Nominee	Mr. B. S. Kansagra
Independent	▪ Mr. Kishore Gupta ▪ Mr. Mukkaram Jan ▪ Mr. Vijay Kumar
Investor Nominee	▪ Mr. Tom Ronell [1] (representative of Istithmar PJSC) ▪ Mr. Ranjeet Nabha (representative of WL Ross & Co. LLC)
Non-Independent	▪ Mr. Ajay Singh ▪ Mr. Atul Sharma

Note 1: Mr. Tom Ronell was appointed as nominee director of Istithmar PJSC with effect from August 29, 2008. Mr. Ronell has ceased to be nominee director effective February 5, 2010 post sale of equity shares by Istithmar PJSC.

(b) Number of Board Meetings

The Board meets at least once a quarter to review the quarterly results and other items on the agenda and also on the occasion of the annual general meeting. During the period under review, six (6) board meeting were held on June 26, 2009; July 27, 2009; August 26, 2009; October 27, 2009; December 10, 2009 and January 21, 2010.

The table below sets out details of attendance, other directorships, committee memberships/ chairmanships of directors:

Name of Director	Attendance		No. of directorships and committee memberships/ chairmanships		
	Board Meetings	Last AGM	Other directorships[1]	Committee memberships	Committee Chairmanships
Ajay Singh	6	Present	2	-	-
Atul Sharma	6	Absent	-	2	-
B. S. Kansagra	6	Absent	28	1	1
Kishore Gupta	3	Present	1	2	-
Mukkaram Jan	-	Absent	22	-	2
Ranjeet Nabha	6	Absent	3	-	-
Tom Ronell	-	Absent	-	-	-
Vijay Kumar	6	Present	1	1	-

Note 1: Includes directorship in foreign / private companies other than SpiceJet Limited.

(c) Board Procedure

The Agenda for the Board Meeting is circulated in advance to the Board members. The items in the Agenda are supported by comprehensive background information to enable the members take appropriate decisions. In addition to information required under Annexure 1A to Clause 49 of the listing agreement, the Board is also kept informed of major events/ items and approvals are taken wherever necessary.

(d) Code of Conduct

The Company has formulated and implemented the Code of Conduct (the Code) for board members and senior management persons. The Code has been posted on the website of the Company. All the Board members and senior management persons have affirmed compliance with the Code. A declaration to this effect signed by CEO/ CFO with regard to the Code forms part of CEO/ CFO certification which is provided elsewhere in the Annual Report.

(e) Transactions with non-executive Directors

The Company made a payment of Rs.3.43 million to Link Legal, Advocates towards legal and professional charges during the year under review in which Mr. Atul Sharma is a partner.

(f) Shares held by Non-Executive Directors

The table below sets out list of directors holding shares in the Company as on March 31, 2010:

Name of Director	Shareholding	Percentage
Mr. Ajay Singh	10,000,000	4.13%

3. AUDIT COMMITTEE

(a) Terms of Reference

The Audit Committee was originally constituted on June 1, 2001, and has been re-constituted effective April 24, 2007. The Committee monitors the integrity of the financial statements of the Company, including its annual reports, preliminary results announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues in order to achieve credible disclosures and transparency. The envisaged role of the Committee includes, inter-alia, monitoring financial reporting process, reviewing company's financial and risk management policies and review of accounting policies and systems.

(b) Number of Audit Committee meetings

During the period under review, four (4) meetings were held on June 23, 2009; July 27, 2009; October 27, 2009 and January 21, 2010.

(c) Composition

The Audit Committee comprises of three directors. The table below sets out the composition and attendance at the Audit Committee meetings as on March 31, 2010:

Name of Member	Number of Committee Meetings attended
Mr. Atul Sharma	4
Mr. Kishore Gupta	4
Mr. Mukkaram Jan	Nil

4. INVESTOR RELATIONS COMMITTEE

The Committee was originally constituted on June 1, 2001 with the name of Share Transfer and Investors' Grievance Committee and has been re-constituted effective April 24, 2007. The Committee focuses on investors' relation and the envisaged role include, inter-alia, transfer of shares, redressal of complaints and other investors' related matters.

The Investor Relations Committee comprises of two directors viz., Mr. B. S. Kansagra and Mr. Vijay Kumar. Mr. B. S. Kansagra, non-executive director is the Chairman of the Committee.

Mr. A K Maheshwary, Vice President (Legal) & Company Secretary, is the Compliance Officer.

In all 247 letters/ complaints were received and replied/ redressed to the satisfaction of shareholder during the period April 2009-March 2010.

There were no dematerialisation requests pending for approval as on March 31, 2010.

5. COMPENSATION COMMITTEE

(a) Terms of Reference

The Compensation Committee was constituted on May 24, 2007, comprising majority of independent directors to formulate, administer and implement the Employee Stock Option Scheme in accordance with the SEBI Guidelines.

(b) Number of Compensation Committee meetings

During the period under review, two (2) meetings were held on October 5, 2009 and December 23, 2009.

(c) Composition

The Compensation Committee comprises of three directors viz. Mr. Atul Sharma, Mr. Mukkaram Jan and Mr. Kishore Gupta. Mr. Mukkaram Jan is the Chairman of the Committee.

6. Risk Management

The Company has laid down procedures to inform Board members about risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management is controlling risks through properly defined framework.

The system of risk assessment and follow-up procedure is in place. However, considering the international operations plan, the Company is re-looking at its risk management plan.

7. Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) is provided elsewhere in the Annual Report.

8. Disclosures regarding appointment or re-appointment of directors

No appointment/ reappointment is being considered at the forthcoming annual general meeting.

9. General Body Meetings

Details of last three general body meetings are as follows:

General Body Meeting	Date	Time	Venue	Special Resolution Passed
23rd AGM	September 11, 2007	12 Noon	Sri Satya Sai International Centre, Pragati Vihar, Lodi Road, New Delhi – 110003	• Amendments to Articles of Association • Issue and allotment of 6,016,250 under ESOP-2007 • Appointment of Whole time director
24th AGM	November 27, 2008	11.00 a.m.	Air Force Auditorium, Subroto Park, New Delhi-110010	NA
25th AGM	December 23, 2009	11.00 a.m.	Air Force Auditorium, Subroto Park, New Delhi-110010	• Preferential issue of up to 230,000 equity shares. • Issue and allotment of additional 13,983,750 equity shares under ESOP-2007 • Extend the benefits of ESOP-2007 to Sanjay Aggarwal, CEO

During the year April 2009 – March 2010 no resolution was put to vote through postal ballot.

The Company proposes to pass enabling special resolutions through postal ballot for change of name and its registered office subject to requisite approvals.

10. Disclosures

(a) Disclosures on materially significant related party transaction i.e. transaction of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large:

None of the transactions with any of the related parties, if any, were in conflict with the interest of the Company.

(b) Details of non-compliance by the Company, penalties, and strictures imposed on the Company by stock exchanges or SEBI or any statutory authority, on any matters related to capital markets, during the last three years:

No such penalties imposed by any authority.

(c) Subject to comments hereinafter, the Company fully complies with the mandatory requirements under Clause 49 of the listing agreement. Adoption of other non-mandatory requirements as per Clause 49 is under consideration of the Board.

(i) In the absence of Chief Executive Officer, the Board has specifically authorised Mr. Kishore Gupta for required CEO/CFO certification under Clause 49 of the listing agreement.

(ii) Mr. Mukkaram Jan, the Chairman of the Audit Committee was not present at the previous annual general meeting of the Company.

11. Means of Communication

(a) Quarterly Results
Quarterly un-audited results are sent to the exchange for the information of the shareholder. The results are normally published in Mint (English), Hindustan (Hindi), Financial Express (English) and Jansatta (Hindi). The results of the Company are also displayed on the official website of BSE (www.bseindia.com)

(b) News Releases
All the press releases of the Company are sent to BSE for dissemination to shareholders and are subsequently displayed on the website of the Company at www.spicejet.com.

12. Certificate on Corporate Governance by Practicing Company Secretary

As required under Clause 49 of the Listing Agreement, certificate by Practicing Company Secretary is given as an annexure to the Directors' Report.

13. CEO/ CFO Certification

In the absence of CEO, the Board has specially authorised Mr. Kishore Gupta for required certification. Accordingly, the CEO and CFO Certification are provided elsewhere in the Annual Report.

14. General Shareholder Information

Venue, date and time of the 26th Annual General Meeting	The Air Force Auditorium, Subroto Park, New Delhi on August 27, 2010 at 3.00 p.m.		
Book Closure date	August 20, 2010 to August 27, 2010 (both days inclusive)		
Dividend payment date	Not Applicable		
Financial Calendar (tentative)			
Results for quarter ending Sep 2010	Last week of Oct 2010		
Results for quarter ending Dec 2010	Last week of Jan 2011		
Results for year ending Mar 2010	Last week of May 2011		
Listing on Stock Exchanges and codes		BSE (shares)	LuxSE (Bonds)
	Exchange Code	500285	023415275
	Reuters Code	SPJT.BO	
	Bloomberg Code	SJET	
ISIN in NSDL and CDSL for shares	INE285B01017		
ISIN in Euroclear and Clearstream for Bonds	XS0234152758		
Listing fee for 2010-11	Paid for all the above stock exchanges		

15. Market Price Data*

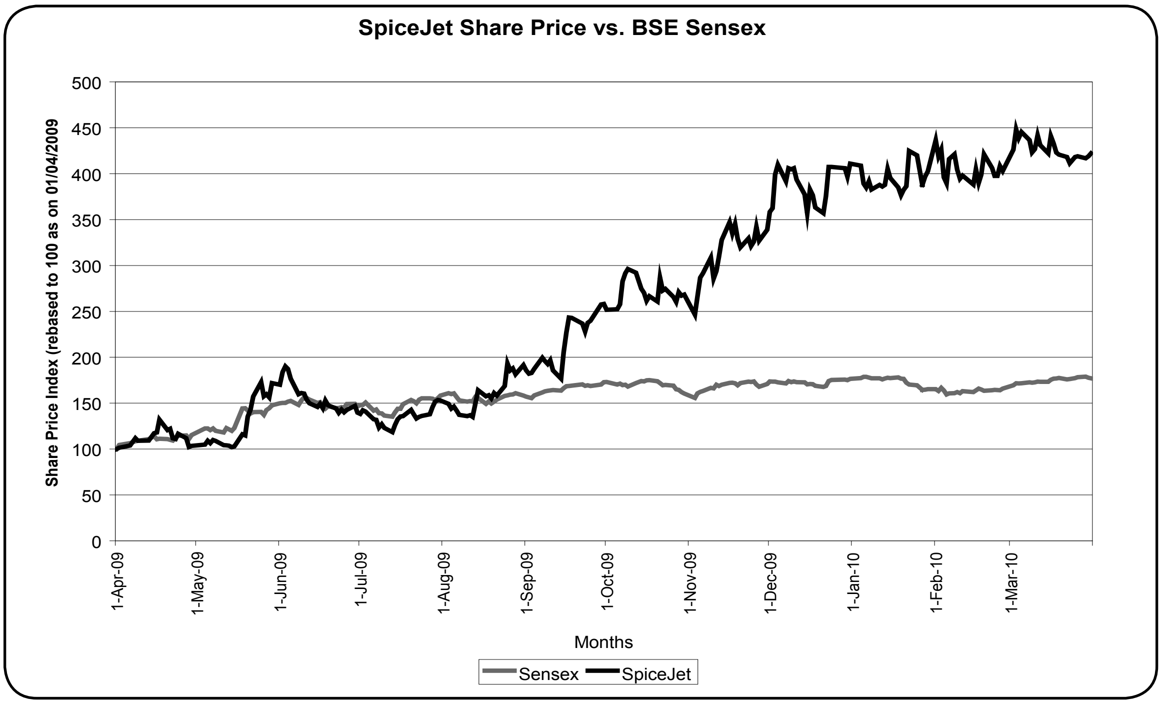
The market capitalisation of the Company is included in the computation of BSE 500 Index. The table below sets out the monthly high and low quotations of the shares traded at Bombay Stock Exchange Limited during the period under review:

Month	Open Price	High Price	Low Price	Close Price
Apr-09	13.49	19.80	13.30	14.28
May-09	14.60	25.50	13.85	23.73
Jun-09	26.10	27.30	18.40	19.30
Jul-09	18.05	22.85	16.10	21.10
Aug-09	21.00	27.95	18.30	26.45
Sep-09	26.90	37.60	23.90	35.65
Oct-09	35.00	42.40	32.40	37.05
Nov-09	36.90	49.20	33.40	46.80
Dec-09	47.45	59.40	47.40	56.75
Jan-10	58.40	63.25	51.25	55.60
Feb-10	55.75	62.40	51.80	55.65
Mar-10	55.60	64.40	54.60	58.30
Apr-10	58.40	64.75	56.05	62.90

* Source: www.bseindia.com

16. Performance in comparison to broad-based indices - BSE Sensex

Chart below sets out SpiceJet price performance relative to BSE Sensex based on daily closing values during April 1, 2009 to March 31, 2010.



The stock price performance shown in the graph above should not be considered indicative of potential future stock price performance.

17. Registrar and Transfer Agents - Shares

Karvy Computershare Private Limited
'Karvy House',
Plot No.17-24, Bittal Rao Nagar, Madhapur
Hyderabad - 500 081
www.karvy.com

18. Principal Paying and Conversion Agent and Transfer Agent - USD 80 million Zero Coupon Convertible Bonds

The Bank of New York Mellon
48th Floor, One Canada Square
London E14 5AL
United Kingdom

19. Share Transfer System

The shares of the Company are traded in compulsory demat segment. However share transfers which are received in physical form are processed and the share certificate are returned within 15 days from the date of receipt, provided the documents submitted are valid and complete in all respect.

20. Shareholding pattern as on March 31, 2010

S. No	Category	Total Shares	% To Equity
1	Bodies Corporates	52,239,411	21.60%
2	Directors	10,000,000	4.13%
3	Employees	444,069	0.18%
4	Foreign Corporate Bodies	368,960	0.15%
5	Foreign Institutional Investors	26,160,817	10.82%
6	H U F	1,831,492	0.76%
7	Mutual Funds	56,751,554	23.46%
8	Non Resident Indians	10,918,511	4.51%
9	Overseas Corporate Bodies	450,000	0.19%
10	Promoter	31,077,500	12.85%
11	Resident Individuals	50,352,908	20.82%
12	Others	1,287,488	0.53%
	Total	241,882,710	**100.00%**

21. Dematerialisation of shares and liquidity

Over 96% of the outstanding shares have been dematerialized upto March 31, 2010. The Shares of the Company are listed at BSE only; where they are actively traded.

22. Outstanding GDR/ Warrants and Convertible Bond

Foreign Currency Convertible Bonds (FCCB)

Brief terms of the FCCBs issued in 2005-06 are as under:

Total Issue Size	US$ 80 million
Face Value	US$ 100,000 each
Conversion Price	Rs.25 per equity share
Conversion Period	Between December 7, 2005 and November 11, 2010
Conversion during April 2009 – March 2010	None
Outstanding FCCB as on March 31, 2010	US$ 79.8 million
Utilisation of FCCB proceeds	The proceeds received by the Company has been utilised to make non-refundable pre-delivery payments to the Boeing Company to acquire 10 new aircraft

23. Plant Locations

The Company does not have plant location. The Company has offices at Agartala, Ahmedabad, Bagdogra, Bangalore, Chennai, Cochin, Coimbatore, Delhi, Goa, Guwahati, Hyderabad, Jaipur, Jammu, Kolkata, Mumbai, Pune, Srinagar, Varanasi and Vishakhapatnam airports for its airline operations:

24. Address for correspondence

(a) For shares in physical/ demat mode

Karvy Computershare Private Limited
'Karvy House',
Plot No.17-24, Bittal Rao Nagar, Madhapur
Hyderabad - 500 081
www.karvy.com

(b) Any query on Annual Report

Deputy General Manager (Legal and Company Affairs)
SpiceJet Limited
319, Udyog Vihar, Phase-IV,
Gurgaon - 122016 Haryana
www.spicejet.com

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION

We, Kishore Gupta, non-executive director of the Company and Seema Chandra, Chief Financial Officer of the Company, to the best of our my knowledge and belief certify that:

1. We have reviewed financial statements and the cash flow statement for the period ended March 31, 2010 and that to the best of our knowledge and belief :

   (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

3. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.

4. We have indicated to the Auditors and the Audit committee :

   (i) significant changes in internal control over financial reporting during the year;

   (ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and

   (iii) any fraud, which we have become aware and that involves the Management or other employee who have significant role in the Company's internal control systems.

5. It is further declared that all the board members and senior management have affirmed compliance with the Company's Code of Conduct for the year April 2009 - March 2010.

Kishore Gupta	*Seema Chandra*
Non-executive Director	*Chief Financial Officer*

Place: Gurgaon
Date: July 27, 2010

COMPLIANCE CERTIFICATE FROM PRACTICING COMPANY SECRETARY

To the Members of SpiceJet Limited

(i) We have examined the compliance of conditions of Corporate Governance by SpiceJet Limited, for the year ended on March 31, 2010, as stipulated in relevant clauses of the Listing Agreement of the said Company with the Stock Exchanges in India.

(ii) The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

(iii) Based on the records and documents maintained by the Company and the information and explanations given to us in our opinion, except as detailed hereunder the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement:

- In the absence of CEO, the Company could not comply with CEO Certification prescribed under Clause 49 of the listing agreement. However, the Board has authorised Mr. Kishore Gupta, non executive director to certify certain documents required for compliance.
- Mr. Mukkaram Jan, the Chairman of the Audit Committee was not present at the previous annual general meeting of the Company.

(iv) We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Mahesh Gupta & Company
Company Secretaries

Sd/-
Mahesh Gupta
Proprietor

Membership No. FCS-2870
C.P. No. 1999
Place: New Delhi
Date: July 27, 2010

AUDITOR'S REPORT

To,

The Members of SpiceJet Limited

1. We have audited the attached Balance Sheet of **SpiceJet Limited**, (the 'Company') as at March 31, 2010, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Without qualifying our opinion, we draw attention to the Note 5 in the Schedule XVIII to the financial statements which indicate that the Company has suffered recurring losses from operations in the past. Although, the Company has earned a profit of Rs 614.49 million for the year ended March 31, 2010, without considering the impact of the matters mentioned in paragraph 5 below, amounting to Rs 74.71 million [Rs 62.01 million net of taxes], the Company's accumulated losses, as of that date, amounted to Rs 8,223.75 million, as against the Company's share capital and reserves of Rs 4,801.98 million. These conditions raise doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties and also do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

5. *As more fully explained in the note 2 of Schedule XVIII to the financial statements, the Company has not accrued interest in respect of outstanding inter corporate deposits of Rs.50 million which as at March 31, 2010 amounts to Rs 74.71 million.*

   Had this interest been accrued, the net profit after tax for the year would have been lower by Rs.62.01 million, accumulated losses as at March 31, 2010 would have been higher by Rs.62.01 million, current liabilities as at March 31, 2010 would have been higher by Rs.74.71 million and provisions as at March 31, 2010 would have been lower by Rs.12.70 million.

6. Further to our comments in the Annexure referred to above, we report that:

   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c. The financial statements dealt with by this report are in agreement with the books of account;

d. On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

e. *Subject to our comments in paragraph 5 above*, in our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:

   i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;

   ii) the Profit and Loss Account, of the profit for the year ended on that date; and

   iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

for **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **David Jones**
Partner
Membership No. 98113

Place: New Delhi
Date: June 21, 2010

Annexure to the Auditors' Report of even date to the members of SpiceJet Limited, on the financial statements for the year ended March 31, 2010

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

(ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii) (b) to (d) of the Order are not applicable.

(b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii) (f) and 4(iii)(g) of the Order are not applicable.

(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.

(v) The Company has not entered into contracts or arrangements referred to in section 301 of the Act. Accordingly, the provisions of clause 4(v) of the Order are not applicable.

(vi) The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of the services rendered by the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs in million)	Period to which the amount relates	Forum where dispute is pending
Indian Customs Act, 1962	Penalty upon delay in payment of custom duty	82.69	March 1996 to August 1996	Delhi High Court

(x) *In our opinion, the Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth.* The Company has not incurred cash losses during the year. *In the preceding financial year, the Company had incurred cash losses.*

(xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank or debenture holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.

(xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

(xix) *The Company has not created security in respect of Zero Coupon Foreign Currency Convertible Bonds outstanding during the year.*

(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.

(xxi) *The Company has not been able to recover Rs 5.70 million of sales wherein travel tickets were purchased by passengers through unauthorized usage of credit card. This amount has been recorded as an expense during the period. Except for such unauthorized transactions*, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

for **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **David Jones**
Partner
Membership No. 98113

Place: New Delhi
Date: June 21, 2010

BALANCE SHEET AS AT MARCH 31, 2010

	Schedules	As At March 31, 2010 (Rs. Millions)	As At March 31, 2009 (Rs. Millions)
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share capital	I	**2,418.83**	2,410.20
Share warrants (Refer note 6 in Schedule XVIII)		**60.61**	60.61
Reserve and surplus	II	**2,322.54**	2,072.94
		4,801.98	4,543.75
LOAN FUNDS			
Secured loans	III	**341.29**	332.70
Unsecured loans	IV	**4,041.63**	4,555.39
		9,184.90	9,431.84
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	V	**1,027.09**	957.62
Less: Accumulated depreciation and amortisation		**357.08**	281.96
Net block		**670.01**	675.66
Capital work in progress (including capital advances)		**3,249.14**	1,852.76
INVESTMENTS	VI	**–**	–
CURRENT ASSETS, LOANS AND ADVANCES	VII		
Inventories		**147.21**	124.72
Sundry debtors		**189.60**	123.93
Cash and bank balances		**4,506.95**	3,079.96
Other current assets (Refer note 4 of Schedule XVIII)		**–**	108.00
Loans and advances		**1,127.63**	1,542.87
		5,971.39	4,979.48
LESS : CURRENT LIABILITIES AND PROVISIONS	VIII		
Current liabilities		**7,421.94**	5,657.23
Provisions		**1,507.45**	1,257.07
		8,929.39	6,914.30
NET CURRENT ASSETS		**(2,958.00)**	(1,934.82)
PROFIT AND LOSS ACCOUNT		**8,223.75**	8,838.24
		9,184.90	9,431.84
Significant accounting policies	XVII		
Notes to the financial statements	XVIII		

The schedules referred to above form an integral part of the financial statements.

This is the Balance Sheet referred to in our report of even date.

for Walker, Chandiok & Co
Chartered Accountants

by **David Jones**
Partner

Place : New Delhi
Date: June 21, 2010

For and on behalf of the Board of Directors

Atul Sharma
Director

Kishore Gupta
Director

Seema Chandra
Chief Financial Officer

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

Place : Gurgaon
Date: May 24, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedules	For the Year Ended March 31,2010 (Rs. Millions)	For the Year Ended March 31,2009 (Rs. Millions)
INCOME			
Operating revenue	IX	**21,810.78**	16,894.48
Other income	X	**610.13**	1,240.90
		22,420.91	18,135.38
EXPENDITURE			
Operating expenses	XI	**16,939.56**	17,034.31
Employees remuneration and benefits	XII	**1,814.11**	1,548.21
Selling expenses	XIII	**1,921.52**	1,095.53
Administrative expenses	XIV	**821.56**	1,408.00
Finance charges	XV	**113.82**	160.22
Depreciation and amortisation	V	**76.43**	72.54
Loss on settlement of litigations		**–**	187.82
		21,687.00	21,506.63
PROFIT/ (LOSS) BEFORE TAX AND PRIOR PERIOD ITEMS		**733.91**	(3,371.25)
Tax expense:			
- Minimum alternative tax		**63.66**	–
- Fringe benefit tax		**–**	33.19
PROFIT/ (LOSS) AFTER TAX AND BEFORE PRIOR PERIOD ITEMS		**670.25**	(3,404.44)
Prior period items	XVI	**55.76**	121.23
NET PROFIT/ (LOSS)		**614.49**	(3,525.67)
Brought forward losses		**(8,838.24)**	(5,074.48)
Add: Foreign currency monetary item translation difference account as at April 1, 2008		**–**	(238.09)
BALANCE CARRIED TO THE BALANCE SHEET		**(8,223.75)**	(8,838.24)
Earnings/ *(Loss) per share*			
Basic		**2.55**	(14.64)
Diluted		**1.56**	(14.64)
Significant accounting policies	XVII		
Notes to the financial statements	XVIII		

The schedules referred to above form an integral part of the financial statements.

This is the Profit and Loss Account referred to in our report of even date.

for Walker, Chandiok & Co
Chartered Accountants

by **David Jones**
Partner

Place : New Delhi
Date: June 21, 2010

For and on behalf of the Board of Directors

Atul Sharma
Director

Kishore Gupta
Director

Seema Chandra
Chief Financial Officer

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

Place : Gurgaon
Date: May 24, 2010

SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2010 (Rs. Millions)	As at March 31, 2009 (Rs. Millions)
SCHEDULE I - SHARE CAPITAL		
AUTHORISED		
415,000,000 (previous year 350,000,000) equity shares of Rs. 10 each	**4,150.00**	4,150.00
ISSUED		
241,882,710 equity shares (previous year 241,020,160) of Rs. 10 each	**2,418.83**	2,410.20
SUBSCRIBED		
241,882,710 equity shares (previous year 241,020,160) of Rs. 10 each	**2,418.83**	2,410.20
PAID UP		
241,882,710 equity shares (previous year 241,020,160) of Rs. 10 each fully paid up	**2,418.83**	2,410.20
	2,418.83	2,410.20
SCHEDULE II - RESERVES AND SURPLUS		
Share premium		
Balance at the beginning of the year	**2,385.09**	2,921.81
Add: premium received on issue of shares during the year	**38.26**	5.53
Add: Amount accrued on 2 FCCBs converted into equity shares during the year	**–**	1.52
Less: premium payable on redemption of FCCB's (Refer note no 8(b) in Schedule XVIII)	**(222.58)**	(543.77)
a) Sub - total	**2,200.77**	2,385.09
Employee stock options		
Employees stock options outstanding		
2,977,600 options @ 27.85/ option (previous year 3,920,000)	**82.93**	109.17
1,804,884 options @ Rs.34.85/ option	**62.90**	–
5,422,954 options @ Rs.46.25/ option	**250.81**	–
Less: deferred employee compensation (Refer note 12 in Schedule XVIII)	**(293.82)**	(55.86)
b) Sub - total	**102.82**	53.31
Foreign currency long term monetary item translation difference account		
Balance at the beginning of the year	**(365.46)**	238.09
Add : reserve created during the year	**478.95**	(835.31)
Less: amortised during the year	**(94.54)**	231.76
c) Sub - total	**18.95**	(365.46)
	2,322.54	2,072.94

SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2010 (Rs. Millions)	As at March 31, 2009 (Rs. Millions)
SCHEDULE III - SECURED LOANS		
Secured term loan - Allahabad bank #	**339.89**	300.00
Interest accrued and due	**1.40**	–
Secured overdraft from bank # (Refer note no 7 in Schedule XVIII)	**–**	32.70
Amount due within one year Rs 13.30 million (Previous year Rs. 332.70 million)		
	341.29	332.70
SCHEDULE IV - UNSECURED LOANS		
Inter corporate deposits (Refer note no 2.1 in Schedule XVIII)	**50.00**	50.00
External commercial borrowings	**389.46**	439.58
798 (previous year 798) Zero Coupon Foreign Currency	**3,602.17**	4,065.81
Convertible Bonds (FCCB's) of face value of $100,000 each (Refer note no 8 in Schedule XVIII)		
	4,041.63	4,555.39

SCHEDULE V - FIXED ASSETS

S. No.	PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION AND AMORTISATION				NET BLOCK	
		AS ON April 1, 2009	ADDITIONS	DELETIONS/ ADJUSTMENTS	AS ON March 31, 2010	AS ON April 1, 2009	ADDITIONS	DELETIONS/ ADJUSTMENTS	AS ON March 31, 2010	AS ON March 31, 2010	AS ON April 1, 2009
	Tangible Assets										
1	Office equipment	150.99	22.09	-	173.08	20.80	7.83	-	28.63	144.45	130.19
2	Computers	96.64	9.88	0.04	106.48	41.20	15.86	0.02	57.04	49.44	55.44
3	Furniture and fixture	10.26	1.33	-	11.59	6.45	1.03	-	7.48	4.11	3.81
4	Motor vehicles	73.62	0.74	-	74.36	24.21	7.60	-	31.81	42.55	49.41
5	Plant and machinery	43.81	-	-	43.81	19.97	2.07	-	22.04	21.77	23.84
6	Rotable and tools	440.86	43.05	11.25	472.66	60.76	25.56	1.29	85.03	387.63	380.10
7	Capital expenditure on leased property	17.26	-	-	17.26	17.26	-	-	17.26	-	-
	Sub total	833.44	77.09	11.29	899.24	190.65	59.95	1.31	249.29	649.95	642.79
	Intangible Assets										
8	Application software	124.18	3.67	-	127.85	91.31	16.48	-	107.79	20.06	32.87
	Sub total	124.18	3.67	-	127.85	91.31	16.48	-	107.79	20.06	32.87
	Total	**957.62**	**80.76**	**11.29**	**1,027.09**	**281.96**	**76.43**	**1.31**	**357.08**	**670.01**	**675.66**
	Previous Year	**864.70**	**156.79**	**63.87**	**957.62**	**213.98**	**72.54**	**4.56**	**281.96**	**675.66**	

SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2010 (Rs. Millions)	As at March 31, 2009 (Rs. Millions)
SCHEDULE VI - INVESTMENTS		
CURRENT, UNQUOTED (NON TRADE)		
51,000 equity shares of Rs. 10 each fully paid up of Spice Enterprises Private Limited	**–**	0.51
Less:		
Provision for diminution in the value of investment	**–**	(0.51)
	–	–
Aggregate values of investment purchased and sold during the year:		
Purchases	**–**	1,769.29
Sales	**0.51**	1,772.39

	As at March 31, 2010 (Rs. Millions)	As at March 31, 2009 (Rs. Millions)
SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES		
INVENTORIES		
(AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT)		
Engineering stores	**126.93**	113.79
Other stores	**32.07**	22.72
	159.00	136.51
Less: provision for obsolescence	**11.79**	11.79
Total (A)	**147.21**	124.72
SUNDRY DEBTORS		
Due outstanding for a period exceeding six months		
Unsecured, considered good	**2.46**	15.02
Secured, considered good	**4.43**	-
Unsecured, considered doubtful	**5.24**	-
Due outstanding for a period less than six months		
Secured, considered good	**16.79**	-
Unsecured, considered good	**165.92**	108.91
	194.84	123.93
Less : Provision for doubtful debts	**5.24**	-
Total (B)	**189.60**	123.93

SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2010 (Rs. Millions)	As at March 31, 2009 (Rs. Millions)
CASH AND BANK BALANCES		
Cash in hand	**7.42**	4.77
Bank balance with scheduled banks		
- In current account #	**1,275.41**	270.38
- In fixed deposits	**1,666.42**	1,566.09
- In margin money as security	**1,557.18**	1,238.11
Bank balance with non-scheduled banks		
- In current account		
In HSBC (USA) (Maximum balance at any time during the year Rs.0.52 million (previous year Rs. 0.52 million)	**0.45**	0.52
In HSBC (UK) (Maximum balance at any time during the year Rs. 0.09 million) (previous year Rs. 0.9 million)	**0.07**	0.09
Total (C)	**4,506.95**	3,079.96
# Includes Rs.23.06 million in escrow for FCCB trustees (previous year includes Rs.23.06 million) on which charge was created in favour of FCCB holders (Refer note 8(a) of Schedule XVIII)		
OTHER CURRENT ASSETS		
Own shares held in trust for Company's benefit (Refer note 4 of Schedule XVIII)	**-**	108.00
Total (D)	**-**	108.00
LOANS AND ADVANCES (UNSECURED)		
Advances recoverable in cash or in kind or for value to be received	**354.07**	127.75
Deposit with Hon'ble Mumbai High Court	**50.00**	50.00
Security deposits	**373.14**	965.10
Income tax deducted at source	**46.40**	45.52
Service tax recoverable	**-**	40.00
Prepaid expenses	**247.30**	237.55
Advance to a subsidiary	**-**	29.49
Advances to suppliers	**121.39**	115.07
	1,192.30	1,610.48
Less:provision for doubtful advances	**64.67**	67.61
Total (E)	**1,127.63**	1,542.87
Classification of loans and advances:		
1. Considered good	**1,127.63**	1,542.87
2. Considered doubtful and provided for	**64.67**	67.61
	1,192.30	1,610.48
Total (A)+(B)+(C)+(D)+(E)	**5,971.39**	4,979.48

SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2010 (Rs. Millions)	As at March 31, 2009 (Rs. Millions)
SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors	**1,548.47**	1,563.65
Expenses payable	**556.13**	547.44
Unearned revenue	**1,931.29**	1,552.74
Advance received against agreement to sell aircraft	**3,142.96**	1,785.16
Interest accrued but not due	**82.60**	62.96
Other liabilities	**160.49**	145.28
Total (A)	**7,421.94**	5,657.23
PROVISIONS		
Gratuity	**36.65**	29.47
Compensated absences	**65.58**	66.91
Fringe benefit tax	**-**	10.72
Minimum alternative tax	**32.68**	-
Premium on redemption of FCCBs	**1,372.54**	1,149.97
(See note no. 8(b) in Schedule XVIII)		
Total (B)	**1,507.45**	1,257.07
Total (A)+(B)	**8,929.39**	6,914.30

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	For the Year Ended March 31,2010 (Rs. Millions)	For the Year Ended March 31,2009 (Rs. Millions)
SCHEDULE IX - OPERATING REVENUE		
Passenger revenue	19,822.68	15,680.24
Other operating revenues	1,988.10	1,214.24
	21,810.78	**16,894.48**
SCHEDULE X - OTHER INCOME		
Profit on sale of aircraft	34.67	617.87
Income from investment	-	11.98
Income from sale of own shares (Refer note 4 of Schedule XVIII)	114.64	-
Interest income #	185.36	313.51
Incentives received	124.68	270.25
Exchange fluctuation gain (net)	96.83	-
Other income	53.95	27.29
	610.13	**1,240.90**

Tax deducted at source - Rs 18.60 million (previous year: Rs 5.16 million)

	For the Year Ended March 31,2010 (Rs. Millions)	For the Year Ended March 31,2009 (Rs. Millions)
SCHEDULE XI - OPERATING EXPENSES		
Aircraft fuel and oil	8,142.18	9,451.94
Lease rental-aircraft, rotable and engines	3,983.19	3,704.87
Aircraft maintenance cost	2,324.04	1,849.45
Aviation insurance	164.51	139.38
Landing, navigation and other airport charges	1,447.72	1,114.23
Inflight and other passenger amenities	259.85	136.52
Operating software charges	183.93	141.99
Other operating expenses	434.14	495.93
	16,939.56	**17,034.31**
SCHEDULE XII - EMPLOYEE REMUNERATION AND BENEFITS		
Salaries, wages, bonus and allowances	1,547.77	1,346.17
Contribution to provident and other funds	64.89	58.96
Recruitment	6.59	4.61
Training cost	56.23	56.10
Staff welfare	71.26	55.07
Employee stock option cost	67.37	27.30
	1,814.11	**1,548.21**
SCHEDULE XIII - SELLING EXPENSES		
Agents commission and discounts	1,317.91	840.15
Credit card expenses	124.68	110.10
Credit card chargebacks	5.70	9.24
Business promotion and advertisement	473.23	136.04
	1,921.52	**1,095.53**

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	For the Year Ended March 31, 2010 (Rs. Millions)	For the Year Ended March 31, 2009 (Rs. Millions)
SCHEDULE XIV - ADMINISTRATIVE EXPENSES		
Rent	**76.61**	79.50
Rates and taxes	**0.06**	0.46
Repairs and maintenance		
- buildings	**18.68**	17.76
- plant and machinery	**4.86**	3.76
- others	**21.92**	18.17
Vehicle running and maintenance	**5.97**	4.68
Crew cost accomodation	**150.28**	245.14
Communication	**48.06**	42.80
Printing and stationery	**53.54**	42.91
Travelling and conveyance	**133.17**	157.09
Legal, professional and consultancy charges	**46.86**	250.60
Auditor remuneration:		
- audit fees	**2.94**	3.06
- certification and other services	**3.49**	1.51
Electricity and water	**23.66**	20.38
Provision for doubtful debts	**-**	67.61
Insurance	**18.42**	19.10
Provision for diminution in value of investment	**-**	0.51
Service tax credit write off	**195.84**	83.10
Provision for statutory liabilities	**-**	36.13
Provision for pending legal cases	**-**	24.21
Exchange fluctuation loss (net)	**-**	270.03
Miscellaneous expenses	**17.20**	19.47
	821.56	1,408.00
SCHEDULE XV - FINANCIAL CHARGES		
Interest	**61.23**	118.49
Bank charges	**52.59**	41.73
	113.82	160.22
SCHEDULE XVI - PRIOR PERIOD ITEMS		
Tyres wrongly capitalised in previous years	**-**	52.69
Engineering consumption	**20.24**	-
Salaries, wages, bonus and allowances	**-**	6.60
Training cost	**-**	8.50
Legal, professional and consultancy charges	**-**	5.90
Aircraft fuel and oil	**-**	7.37
Repairs and maintenance	**-**	4.88
Other income written back	**-**	19.98
Other income	**-**	(7.08)
Agent commission	**(15.68)**	-
Aircraft maintenance cost	**7.60**	11.42
Engine repair	**27.72**	-
Airport charges	**4.41**	-
Miscellaneous expenses	**11.47**	10.97
	55.76	121.23

CASH FLOW STATEMENT FOR THE YEAR ENDED - MARCH 31, 2010

	PARTICULARS	Year Ended March 31,2010 (Rs. Millions)	Year Ended March 31,2009 (Rs. Millions)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit/ (Loss) before tax	**733.91**	(3,371.25)
	Adjustment for:		
	Depreciation	**76.43**	72.54
	ESOP cost	**67.37**	27.30
	Legal settlement	**-**	187.82
	Provision for doubtful debts	**(2.60)**	67.61
	Provision for diminution in value of investment	**-**	0.51
	Provision for statutory liabilities	**-**	36.13
	Provision for pending legal cases	**-**	24.21
	Interest income	**(185.36)**	(313.51)
	Interest expense	**61.23**	118.49
	Income from free of charge material received	**(26.42)**	(20.94)
	Income from sale of investment	**-**	(11.98)
	Loss from sale of assets	**0.09**	(0.47)
	Exchange fluctuation	**(164.16)**	231.76
	Profit from sale of aircrafts	**(34.67)**	(617.87)
	Operating profit/ (loss) before working capital changes	**525.82**	(3,569.65)
	Adjustment for:		
	Trade and other receivables	**(70.91)**	(107.55)
	Inventories	**(22.48)**	(14.00)
	Loan and advances	**515.88**	(227.64)
	Margin money deposit	**(319.06)**	(549.76)
	Current liabilities and provisions	**356.32**	1,188.39
	Cash generated/ (used) in operations	**985.57**	(3,280.22)
	Income taxes paid (including fringe benefit tax)	**(30.98)**	(58.85)
	Cash generated/ (used) in operating activites (A)	**954.59**	(3,339.07)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	**(92.93)**	(124.01)
	Net proceeds on purchase and sale of aircrafts	**34.67**	937.71
	Sale of fixed assets	**2.78**	7.08
	Interest income	**235.38**	410.87
	Net proceeds from investment in securities	**-**	15.61
	Net proceeds from release of restricted deposits	**-**	5,240.55
	Utilisation in escrow for FCCB trustees	**-**	(23.06)
	Cash generated from in investing activities (B)	**179.90**	6,464.75

CASH FLOW STATEMENT FOR THE YEAR ENDED - MARCH 31, 2010

C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from issue of share warrants	**-**	60.60
	Proceeds from issue of share capital	**29.01**	-
	Proceeds from fresh secured loans	**339.89**	32.70
	Repayment of secured loans	**(332.70)**	(1,366.66)
	Interest paid	**(62.77)**	(99.71)
	Cash used from financing activities (C)	**(26.57)**	(1,373.07)
D.	**NET INCREASE IN CASH AND CASH EQUIVALENT (A+B+C)**	**1,107.92**	1,752.61
	Opening balance of cash and cash equivalent	**1,818.79**	66.18
	Closing balance of cash and cash equivalent	**2,926.71**	1,818.79
	Cash and cash equivalent as per Schedule VII	**4,506.95**	3,079.96
	Less: Margin money held as security	**(1,557.18)**	(1,238.11)
	Less: Escrow account	**(23.06)**	(23.06)
	Total	**2,926.71**	**1,818.79**

This is the Cash Flow Statement referred to in our report of even date.

for Walker, Chandiok & Co
Chartered Accountants

by **David Jones**
Partner

Place : New Delhi
Date: June 21, 2010

For and on behalf of the Board of Directors

Atul Sharma
Director

Kishore Gupta
Director

Seema Chandra
Chief Financial Officer

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

Place : Gurgaon
Date: May 24, 2010

SCHEDULE XVII – SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting standards) Rules 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared on a going concern basis under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

2. USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Any revisions to accounting estimates are recognised in the current and future periods.

3. FIXED ASSETS

Tangible assets

Fixed Assets are carried at cost less depreciation and impairment loss, if any. The cost of fixed assets are inclusive of duties, taxes, interest on borrowings attributable to acquisition of fixed asset and other incidental costs incurred upto the time the assets are ready for their intended use. Spares which can be used only in connection with aircrafts and whose use is expected to be irregular are included in fixed assets at cost.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for intended use before such date are disclosed under capital work-in-progress.

Intangible assets

Intangible assets comprises of software which is not an integral part of the related hardware. The cost of software comprises of acquisition charges and implementation fee.

4. DEPRECIATION AND AMORTISATION

Depreciation on fixed assets, other than on software classified as Intangible, is provided pro-rata on the straight line method, at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956 or useful life of the asset whichever is shorter.

Intangible assets comprising of software is amortised over a period of 3 years based on estimated useful life as determined by the management.

5. IMPAIRMENT OF ASSETS

The Company reviews the carrying amounts of assets at each balance sheet date to ascertain if there is any indication of impairment. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. The impairment loss recognised in the prior accounting period is reversed if there is change in the estimate of the recoverable amount. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

6. INVESTMENTS

Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management. Current investments are carried at lower of cost or fair value. Cost for computation of profit or loss on sale of investment is computed on the basis of weighted average method.

7. INVENTORIES

Inventories comprises of expendable aircraft spares and miscellaneous stores.

Inventories have been valued at cost or net realizable value (NRV) whichever is lower after providing for obsolescence and other losses, where considered necessary. Cost includes customs duty, taxes, freight and other charges, as applicable and is determined using weighted average method.

8. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue recognition policies in respect of some of the specific transactions are as under:

Passenger revenue

Passenger income is recognised when transportation is provided i.e. when the service is rendered. Amounts received pursuant to travel bookings/ reservations (net of cancellations) but not recognized as income is shown under current liabilities as unearned revenue.

Other operating revenues

Other operating revenues comprise of revenues from cargo operations and other miscellaneous fee charged from passengers.

Cargo revenue is recognized on completion of services i.e. when goods are transported.

Miscellaneous fees charged from passengers for reservation / changes in itinerary / cancellation of flight tickets, etc. are recognised as revenues on accrual basis.

Hiring of equipments

Income in respect of leasing/ renting out of equipments and spare parts is due on time proportion basis at rates agreed with the lessee. Due to significant uncertainties involved in realization, the income is recorded on settlement with the lessee or actual realization, whichever is earlier.

Interest

Interest income is recognised using time proportion method, based on the rate implicit in the transaction.

Dividend

Dividend income is recognised when Company's right to receive dividend is established.

9. LEASES

Operating lease payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

Sale and lease back transaction

Profit or loss on sale and lease back arrangements resulting in operating leases are recognised, in case the transaction is established at fair value, else the excess over the fair value is deferred and amortized over the period for which the asset is expected to be used. Free of cost spare parts received in respect of purchase of air crafts are recorded at their fair value. This fair value is recorded as other income upon sale of air crafts.

10. FOREIGN EXCHANGE TRANSACTIONS

Transactions in foreign currency are accounted for at the exchange rate prevailing on the date of the transaction. All monetary items denominated in foreign currency are converted at the year-end rate.

The exchange differences arising on such conversion, except for conversion of long term monetary items, and exchange differences arising on the settlement of the transactions are dealt within the profit and loss account.

As per the amendment of the Companies (Accounting Standard) Rules, 2006-'AS 11' relating to 'The Effects of Changes in Foreign Exchange Rates' exchange difference arising on conversion of conversion of long term foreign currency monetary items is recorded under the head 'Foreign Currency Monetary Item Translation Difference Account' and is amortised over period not extending beyond, earlier of March 31, 2011 or maturity date of underlying long term foreign currency monetary items.

11. EMPLOYEE BENEFITS

Wages, salaries, bonuses, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company. The un-availed leaves are allowed to be accumulated to be availed in next financial year and therefore, are considered as a short term benefit. Such accumulated leaves are provided in full on the basis of last drawn salary.

The Company provides Provident fund and Gratuity to its employees as post retirement benefits.

Provident fund benefit is a defined contribution plan under which the Company pays fixed contributions into a fund established under Employees Provident Fund and Miscellaneous Provision Act, 1953. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

The Company provides for gratuity, a defined benefit plan, which defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration. The legal obligation for any benefits from this kind of plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation ('DBO') at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method.

12. EMPLOYEE STOCK OPTION PLAN

The Company values stock options granted to employees at excess of market price of the share on the date of grant over the exercise price of the options granted. The value of stock options granted is amortised on a straight line basis over the vesting period as employee compensation and the unamortized portion carried as deferred employee compensation grouped under Reserves and Surplus.

13. AIRCRAFT MAINTENANCE COSTS AND ENGINE REPAIRS

Aircraft, Auxiliary Power Unit (APU) and Engine maintenance and repair costs are expensed as incurred except where such overhaul costs in respect of engines/ APU are covered by third party maintenance agreements, which are accounted in accordance therewith.

14. PROVISIONS AND CONTINGENCIES

Provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation on the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. A disclosure for a contingent liability is made when there is a present obligation that may, but probably will not, require an outflow of resources. Disclosure is also made in respect of a present obligation as a result of past event that probably requires an outflow of resource, where it is not possible to make a reliable estimate of the outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

15. TAXATION

Provision for tax comprises current, deferred and fringe benefit tax. Current tax is provided for on the taxable profits of the year at applicable tax rates. Fringe benefit tax is provided for the amount expected to be paid to the Income tax authorities. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

Minimum Alternative Tax credit (“MAT credit”) is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

16. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

For the purpose of calculating diluted earnings per share, net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

17. ACCOUNTING FOR DERIVATIVE CONTRACTS

The Company enters into derivatives contract to hedge its risk arising from the fluctuation in commodity market. Gain or loss on settlement of such contracts is recorded as Operating cost. At every period end all outstanding derivative contracts are fair valued on a marked-to market basis and any loss on valuation is recognised in the profit and loss account, on each contract basis. Any gain on marked-to-market valuation on respective contracts is not recognized by the Company, keeping in view the principle of prudence as enunciated in AS 1, 'Disclosure of Accounting Policies'. Any subsequent changes in fair values, occurring after the balance sheet date, is accounted in the subsequent period.

SCHEDULE XVIII – NOTES TO THE FINANCIAL STATEMENTS

1. Contingent Liabilities not provided for in the accounts exist in respect of:

(Rs.in Millions)

S. N.	Particulars	As at March 31, 2010	As at March 31, 2009
	Demand raised under the provisions of Employee State Insurance Act, 1948 for the period November 1996 to September 1997 inclusive of interest and penalty. (The Company has obtained stay against recovery of said demand from the Honorable High Court of Delhi).	4.12	4.12
ii)	Liability arising out of legal cases filed against the Company in various Courts/ Consumer Redressal Forums, Consumer Courts, disputed by the Company.	16.17	11.59
iii)	Liability towards labour cases filed against the Company in various Courts, disputed by the Company.	0.48	0.70
iv)	Liability towards Penalty levied by customs department on late payments which is disputed and is pending in the Honorable High Court of Delhi.	82.69	82.69
v)	Liability towards additional claim received from a vendor who was already covered in the settlement scheme approved by the Honorable High Court of Delhi.	17.50	17.50
vi)	Unaccrued interest as explained in Note 2.1 below.	74.71	74.71
vii)	Assessments relating to Assessment Year 2006-07 and 2007-08 are pending with CIT(A) in respect of certain additions made to returned loss by the Assessing Officer which resulted in taxable income, but income tax payable after adjusting the brought forward losses and depreciation was computed to be Nil. Though there is no demand for payment of tax arising out of above assessments, the Assessing Officer (AO) has initiated penalty proceedings against the Company under section 271(1)(c). Penalty amount is not ascertainable as AO has not raised any demand.		

2. Legal proceeding by and/ or against the Company

2.1 Under a suit filed by Leela Capital (petitioner) for recovery of the Inter Corporate Deposit ("ICD") aggregating to Rs. 50 million, the Company had deposited the amount of Rs. 50 million on November 30, 2001 with the Bombay High Court and the Hon'ble Bombay High Court later allowed the petitioner to withdraw the said amount, upon furnishing an undertaking that the petitioner will restitute the said sum or such part thereof, with 9% interest, to the Company, if and as directed by the Court at the time of the final decision of the suit filed by the petitioner. Accordingly, pending finality of the matter, both the ICD and deposit with High Court have been disclosed under the Unsecured Loans and Loans and Advances, respectively. The Company has not accrued interest payable of Rs. 74.71 million upto the date of deposit of the amount with the court on account of its defence in the court proceedings.

2.2 In another case, M/s Hindustan Development Corporation Limited ("HDCL") (now renamed as Mallanpur Steels Limited) who had lent Rs. 50 million ICD to the Company, has filed a Review Petition against the Scheme of Settlement passed by the Delhi High Court wherein its liability was settled at Rs. 35 million. The Company had made a deposit of Rs. 35 million in accordance with approved Scheme to the Official Administrator of the Scheme. The review petition is yet to be decided.

3. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs. 25,869.45 million (Previous year Rs. 36,635.18 million).

4. Settlement of litigation with S. K. Modi Group

The Company entered into a Memorandum of Settlement (MoS) on November 26, 2008 with its erstwhile promoter S K Modi Group to settle various ongoing litigations with them. This settlement was approved by the Hon'ble High Court of Delhi on January 16, 2009.

In terms of the MoS, S. K. Modi group surrendered 8 million shares of the Company in their name, under a trust for the benefit of the Company whereby the Company was given the right to authorize sale of shares at the most opportune time and receive sale proceeds. For this purpose, a trustee was appointed on June 9, 2009.

During the previous year ended March 31, 2009, the above mentioned right in the 8 million shares were recorded in the books under the head "Other current assets" at the rate of Rs.13.5 per share amounting to Rs.108 million.

During the year ended March 31, 2010, the Company has sold the aforesaid shares and has earned a profit of Rs.113.49 million (net of brokerage) on this transaction. Profit on sale of these shares is included in "Other income" in profit and loss account.

5. The Company's accumulated losses stand at Rs.8,223.75 million which have completely eroded the net worth of the Company as at March 31, 2010. These losses are due to a variety of factors in past.

The management expects improvement in the business results in the year ended March 31, 2010 to continue in the foreseeable future primarily due to improvement in the general economic environment, stabilization of fuel prices and rationalization of capacity in the airline industry.

With improvement in results of operations, the management is of the opinion that the likelihood of the FCCB holders seeking conversion into equity shares instead of redemption and warrant holders exercising their option to apply for equity shares has improved.

The financial statements have, therefore, been prepared on going concern basis.

6. Share Warrants

The Company on December 12, 2008 allotted 15,360,715 warrants, having an option to apply for and be allotted equivalent number of equity shares of Rs.10 each at a price of Rs.39.46 per share to GS Investment Partners (Mauritius) I Limited. The Company received Rs.60.61 million (i.e.10% of the total investment value) towards subscription of warrants. The above said warrants can be converted into equity shares till June 11, 2010. In case of non-exercise of conversion right, the warrants shall automatically get extinguished and money paid towards subscription of warrants shall stand forfeited.

7. Secured loans

The Company has taken secured term loans from Allahabad Bank, Industrial Finance Branch, Mumbai of which total balance outstanding as at March 31, 2010 is Rs.339.89 million (Previous year Rs.300 million). These loans are secured by a pledge on fixed deposit of Rs.300 million held with the same branch and hypothecation of assets worth Rs.39.89 million.

8. Zero Coupon Foreign Currency Convertible Bonds (FCCBs)

(a) During the year ended May 31, 2006, the Company issued 800 FCCBs with face value of USD 100,000 aggregating to USD 80 million. The FCCBs are convertible into equity shares at a conversion price of Rs.25 per equity share at a fixed exchange rate of Rs. 46.12 to USD 1 till November 11, 2010. The conversion price is subject to certain adjustments. Unless previously converted, redeemed or purchased and cancelled, the Company will redeem these bonds at 140.499 percent of the principal amount on December 13, 2010. Also, the Company has deposited USD 500,000 with the Security Trustee for administrative purposes. These FCCBs are listed on Luxemburg Stock Exchange.

During the financial year ended March 31, 2009, 2 FCCBs were converted into equity shares.

(b) Premium on redemption of Zero Coupon Foreign Currency Convertible Bonds (FCCBs):

(Rs. in Millions)

	March 31, 2010	March 31, 2009
Opening balance	1149.96	607.71
Less: Amount accrued on 2 FCCBs converted into equity shares during the year	-	1.52
Add: Provision for the year	222.58	543.77
Closing balance	**1372.54**	**1149.96**

Premium on redemption of FCCBs has been provided from date of issue of bonds till March 31, 2010.

9. Post employment benefits

a. **Gratuity**

Actuarial valuation has been done with the following assumptions:

Particulars	Gratuity
Discount rate	8.4%
Rate of increase in compensation levels	6.0%

- **Change in present value of obligation**

(Rupees in Millions)

		March 31, 2010	March 31, 2009
a)	Present value of obligation as at April 1, 2009	29.47	20.00
b)	Current service cost	7.20	10.32
c)	Interest cost	2.36	1.60
d)	Benefits paid	-	-
e)	Actuarial gain	(2.38)	(2.45)
f)	Present value of obligation as at March 31, 2010	**36.65**	**29.47**

- The amounts to be recognized in balance sheet

(Rupees in Millions)

		March 31, 2010	March 31, 2009
a)	Present value of obligation as at the end of the period	36.65	29.47
b)	Fair value of plan assets as at the end of the period	-	-
c)	Funded status	36.65	29.47
d)	Net liability recognized in balance sheet	**36.65**	**29.47**

- Expense recognized in the statement of profit and loss

(Rupees in Millions)

		March 31, 2010	March 31, 2009
a)	Current service cost	7.20	10.32
b)	Interest cost	2.36	1.60
c)	Net actuarial loss recognized	(2.38)	(2.45)
d)	Expenses recognized in the statement of profit and loss	**7.18**	**9.47**

b. **Provident fund**

The Company makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provision Act, 1952. This is post employment benefit and is in the nature of defined contribution plan. Contribution made by the Company during the year is Rs.54.77 million (Previous year Rs.45.95 million).

10. Recoverability of unexpired unabsorbed depreciation and carry forward losses and Minimum Alternate Tax

a. **Deferred tax**

In accordance with Accounting Standard 22 “Accounting for taxes on income” of the Companies (Accounting standards) Rules, 2006, in view of substantial losses incurred by the Company during the last years and large amount of unexpired unabsorbed depreciation and carry forward losses under the Income Tax Act, 1961, deferred tax assets on carried-forward losses and unabsorbed depreciation and have not been accounted for in the books, since it is not virtually certain whether the Company will be able to utilize such losses/ depreciation.

b. **Minimum Alternate Tax (MAT)**

During the year ended March 31, 2010, the Company has paid tax under MAT provisions of Income Tax Act, 1961, which the Company can claim in the subsequent year(s) (upto a certain time limit) in which tax is payable under normal provision of Income tax Act, 1961. However, in view of the substantial unexpired unabsorbed losses and depreciation available to the Company, an asset for this entitlement has not been recorded in the financial statements.

11. Accounting Standard 17 “Segment Reporting” of the Companies (Accounting standards) Rules, 2006 requires the Company to disclose certain information about operating segments. The Company is managed as a single operating unit that provides air transportation only and therefore, has only one reportable business segment. Further, the operations of the Company are limited within one geographical segment. Hence the disclosure required by this standard is presently not applicable to the Company.

12. Employee Stock Option Scheme, 2007

a) During the year ended March 31, 2008, the Company announced an Employee Stock option scheme (the “Scheme”) for all the eligible employees of the Company. Under the Scheme, 6,016,250 equity shares have been earmarked to be granted under the Scheme and the same will vest as follows:

Block I	Block II	Block III	Block IV
Year 1	Year 2	Year 3	Year 4
35% of the total grant	25% of the total grant	25% of the total grant	15% of the total grant

Pursuant to the above Scheme, the employee will have the option to exercise the right within five years from the date of vesting of shares at Rs. 30 per share, being its exercise price. As per the Scheme, the Remuneration Committee has granted 5,200,000 options on September 11, 2007.

Following is the movement in outstanding stock options during the year ended March 31, 2010:

Particulars	Stock options (numbers)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding as on March 31, 2008	**4,811,000**	**30**	**6.8**
Granted during the year	-	-	-
Forfeited during the year	(891,000)	30	-
Exercised during the year	-	-	-
Lapsed during the year	-	-	-
Outstanding as on March 31, 2009	**3,920,000**	**30**	**5.6**
Granted during the year	-	-	-
Forfeited during the year	(300,800)	30	-
Exercised during the year	(641,600)	30	4.07
Lapsed during the year	-	-	-
Outstanding as on March 31, 2010	**2,977,600**	**30**	**4.9**
Exercisable as on March 31, 2010	1,544,800	30	
Exercisable as on March 31, 2009	1,372,000	30	

In accordance with intrinsic value approach provided under the guidance note, the Company has calculated the employee compensation cost using the Share Price quoted on BSE on the date of grant i.e. September 11, 2007.

b) During the year ended March 31, 2010 the Company has made two grants out of its Scheme, explained above, to its Chief Executive Officer, Mr. Sanjay Aggarwal. First grant of 1,804,884 options made on October 5, 2009 has a vesting period of 1 year from the date of grant. Vesting of second grant of 5,422,954 options made on December 23, 2009 will happen in nine equal installments with first vesting on December 23, 2010, second on January 20, 2011 and thereafter remaining seven at quarterly intervals. Half the options in the second grant will vest with each successive completion of employment and half of the options vests on achievement of certain performance targets defined in his employment agreement. For the purpose of accounting of these options, the management has assumed that performance targets defined in the employment agreement will be achieved and all options will vest to him accordingly.

Details of above options outstanding at the year end are as under:

Particulars	Stock options (numbers)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Granted during the year	**7,227,838**	**10**	**6.67**
Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Lapsed during the year	-	-	-
Outstanding as on March 31, 2010	**7,227,838**	**10**	**6.35**
Exercisable as on March 31, 2010	-	-	

c) Had compensation cost been determined in a manner consistent with the fair value method, based on Black – Scholes model, the employees compensation cost would have been higher by Rs.11.52 million and proforma profit after tax would have been Rs. 604.93 million (lower by Rs. 9.56 million). On a proforma basis, the basic and diluted earnings per share would have been Rs. 2.51 and Rs.1.53 respectively.

The fair value of the options granted is determined on the date of the grant using the "Black-Scholes option pricing model" with the following assumptions:

Assumptions	**Grant Date**		
	September 11, 2007	**October 5, 2009**	**December 23, 2009**
Dividend yield (%)	0	0	0
Expected life (no of years)	2.5	1	2.7
Risk free interest rate (%)	7.9	8	8
Volatility (%)	55	67.86	67.86

13. Disclosure of details pertaining to transactions with related parties entered into during the year and balances as at March 31, 2010 in terms of Accounting Standard 18 'Related Party Disclosures' of the Companies (Accounting standards) Rules, 2006, as identified and certified by the Management:

A. Related Party Relationship

Subsidiary company

Spice Enterprises Private Limited*

Entities exercising significant influence on the Company

Royal Holdings Services Limited, Nevada, USA

Key Management Personnel

Mr.Sanjay Aggarwal – Chief Executive Officer

** Ceased to be a related party on September 11, 2009. Hence, transactions till this date have been included in the disclosures.*

B. Transactions with and outstanding balances of related parties were as under:

(Rs. in Millions)

	Year ended March 31, 2010	**Year ended March 31, 2009**
Subsidiary company		
Spice Enterprises Private Limited		
Transactions during the year		
Commission income earned	-	5.20
Purchase of inventory	1.50	-
Issue of shares	-	0.51
Amount received upon settlement	2.50	-
Provision for doubtful debt created	-	34.69
Amount provided for in previous year written off	31.4	-

Outstanding Balances		
Loan balance	-	29.49
Commission income due	-	5.20
Provision for doubtful debt	-	34.69
Provision for diminution in value of investment	-	0.51
Companies where significant influence exists		
Royal Holdings Services Limited		
Transactions during the year		
Interest provided	19.64	22.19
Outstanding balances		
External Commercial Borrowings (ECBs)	389.46	439.58
Interest accrued on ECBs (not yet due)	82.60	62.96
Key Management Personnel		
Mr. Sanjay Aggarwal		
Transactions during the year		
Remuneration*	30.64	17.5
Employee stock option cost	46.26	-
Bonus accrual for stock options	14.05	-
Reimbursement of expenses	0.30	5.7
Outstanding balances		
Amount payable	0.07	3.38

* Exclusive of provision for gratuity and perquisites provided during the year

C. Other transactions

a) Royal Holdings Services Limited has also pledged its shares in the Company as a security for Standby Letter of Credit limits availed by the Company from Allahabad Bank.

14. Accounting for Leases:

(a) Operating Lease Obligations

The Company has taken on lease aircrafts, aircraft spares, engines and premises from third parties. Rental expense for the year ended March 31, 2010 amounts to Rs. 4,059.78 million (Previous year Rs. 3,784.37 million).

Details of future lease obligation are as follows:

(Rs. in Millions)

	As at March 31, 2010	As at March 31, 2009
Aircraft		
Not later than 1 year	3,710.28	3,994.07
Between 1 to 5 year	13,245.68	14,559.80
Later than 5 years	3,082.25	5,756.89
Aircraft Spares		
Not later than 1 year	69.06	98.74
Between 1 to 5 year	338.41	509.30
Later than 5 years	359.13	540.48

(b) Operating Lease Income

The Company had given one aircraft (obtained on operating lease) to a party under an operating lease agreement for a period of 4 months in the previous year. Lease rental recognized in the profit and loss account amounted to Rs. 77.17 million in the previous year 2008-09 in this regard. In the current year no aircraft has been sub-leased.

15. Earnings Per Share (EPS):

(Rs. in Millions)

	Year ended March 31, 2010	Year ended March 31, 2009
Number of equity shares outstanding at the beginning of the period (in million)	241.02	240.65
Number of equity shares issued (in million)	0.86	0.37
Number of equity shares outstanding at the end of the period (in million)	241.88	241.02
Weighted average number of shares (in million)		
Basic	241.19	240.86
Effect of dilutive equity shares on account of:		
- Employee stock option plans	2.35	-
- Foreign currency convertible bonds	147.22	-
- Share warrants	3.40	-
Diluted	394.14	-
Profit/ (Loss) after tax (Rs. in million)	614.50	(3,525.67)
Basic earning/ (loss) per share (in Rupees)	2.55	(14.64)
Diluted earning/ (loss) per share (in Rupees)	1.56	(14.64)

16. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956.

(Rs. in Millions)

		Year ended March 31, 2010		Year ended March 31, 2009	
i)	**Expenditure in Foreign Currency (on cash basis)**				
	Professional and consultation fees		7.52		117.45
	Traveling		8.74		15.75
	Operating expenses		5,938.22		5,187.35
	Other administrative expenses		24.89		63.81
ii)	**Earnings in Foreign Currency**				
	Passenger revenue credit cards		455.81		444.08
	Lease rentals		-		77.17
	Reimbursement/ credit from supplies/others		105.96		311.30
	Profit on sale and lease back		34.67		617.86
iii)	**CIF Value of Imports**				
	Capital goods		-		8.08
	Components and spare parts		284.20		178.14
	Rotables/ galley equipments/ tools		5.83		119.33
iv)	**Value of Components and Spare Parts Consumed**	**%**	**Value**	**%**	**Value**
	Imported	96.35	277.75	92.53	178.14
	Indigenous	3.65	10.54	7.47	14.38
	Total	**100.00**	**288.29**	**100.00**	**192.52**

17. Derivative Instruments

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and fuel prices. The Company uses derivative financial instruments (option contracts) to manage its exposure to fuel price fluctuations.

The following table details the status of the Company's exposure:

(Rs. in Millions)

Options	**As at March 31, 2010**	**As at March 31, 2009**
Notional value	-	34.37
Marked to market loss recognized in the profit and loss account	-	6.31

18. The Company does not use foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

Foreign currency exposures which are not hedged as at Balance Sheet date are as follows:

Payables:

(Amount in Millions)

Currency	Amount in Foreign Currency		Amount in INR	
	As at March 31, 2010	As at March 31, 2009	As at March 31, 2010	As at March 31, 2009
USD	101.05	92.05	4,561.26	4,689.78
GBP	0.01	0.05	0.86	3.54
EURO	0.01	0.004	0.73	0.24

Receivables:

(Amount in Millions)

Currency	Amount in Foreign Currency		Amount in INR	
	As at March 31, 2010	As at March 31, 2009	As at March 31, 2010	As at March 31, 2009
USD	8.97	17.31	405.01	881.97

19. Based on the information available with the Company, there are no dues outstanding in respect of Micro, Small and Medium enterprises at the balance sheet date. The above disclosure has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

20. Previous year's figures have been regrouped or reclassified wherever necessary to conform to current year's classification.

Signatories to Schedules I to XVIII

For and on behalf of the Board of Directors

Atul Sharma
Director

Kishore Gupta
Director

Seema Chandra
Chief Financial Officer

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

Place : Gurgaon
Date: May 24, 2010

PART IV

Balance Sheet Abstract and Company's General Business Profile

I Registration Details :

Registration No.	55-17509	State Code
Balance Sheet Date	March 31, 2010	55

II Capital Raised During the year (Amount in Rs.Million)

Public Issue	Preferential Issue
—	2.21
Bonus Issue	**Private Placements**
—	—

III Position of Mobilisation and Deployment of Funds (Amounts in Rs.Million)

	Total Liabilities	Total Assets
	9,184.90	9,184.90
Sources of Funds		
	Paid-up Capital	Reserves & Surplus
	2,479.44	2,322.54
	Secured Loans	Unsecured Loans
	341.29	4,041.63
Application of Funds		
	Net Fixed Assets	Investments
	3,919.15	—
	Net Current Assets	Miscellaneous Exp.
	(2,958.00)	—
	Accumulated Losses	
	8,223.75	

IV Performance of Company (Amount in Rs. Million)

Total Turnover	Total Expenditure
22,420.91	21,742.76
Profit/(Loss) before tax	Profit/(Loss) after tax
678.15	614.49
Earning Per Share in Rs.(Basic)	Dividend Rate %
2.55	Nil

V Generic names of prinicpal products/ services of the Company (as per monetary terms)

Item Code No.	88024000
(ITC Code)	Domestic Airlines
Product Description	Passenger and Cargo Services

SpiceJet Limited

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

ATTENDANCE SLIP

Twenty Sixth Annual General Meeting

DP Id* Client Id*	Master Folio no.

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the Twenty Sixth Annual General Meeting of the Company at 3.00 p.m. on August 27, 2010.

Shareholder's/Proxy's name in Block Letters ______________________________

Father's Name ______________________________

Shareholder's/Proxy's Signature ______________________________

Note : Please fill in this attendance slip and hand over at the ENTRANCE of the venue.

Please Cut Here

SpiceJet Limited

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

PROXY FORM

DP ID* ______________

Client ID* ______________

I/We ______________________ of ______________________

being registered shareholder(s) of SpiceJet Limited hereby appoint ______________________

of ______________________ of falling him ______________________

of ______________________ as my/our proxy to vote for me/us on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held on August 27, 2010, and at any adjournment thereof.

Signed this ______ day of ________2010

Master Flio no.

No. of Shares

Signagure ______ Affix Re.1 Revenue Stampe ______

Note : This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Annual General meeting.

*Applicable for investors holding shares in electronic (demateralised) form.

U.P.C.

If Undelivered, please return to:

SpiceJet Limited
319, Udyog Vihar, Phase IV
Gurgaon-122016, Haryana