

# REPORT ON VALUATION OF EQUITY SHARES OF SPICEJET LIMITED

## 1 BACKGROUND

### 1.1 SPICEJET LIMITED

SpiceJet Limited (hereinafter referred to as 'SpiceJet' or the 'Company' or the 'Client') is engaged in the business of providing air transport services for the carriage of passengers and cargo. The Company is a lowcost carrier ('LCC') operating under the brand name of 'SpiceJet' in India since May 23, 2005. The Company has a reasonable fleet size operating across various routes in India and abroad. The Company also operates a dedicated air cargo service ('Cargo Business') through its subsidiary under the brand name SpiceXpress offering safe, on-time, efficient and seamless cargo connectivity across India and on international routes.

The equity shares of SpiceJet are listed on BSE Limited ('BSE').

As per the consolidated provisional unaudited financial statements of the Company as on September 30, 2023, the issued, subscribed, and paid-up equity share capital of the Company as on September 30, 2023 is INR 684.14 crores and the revenue from operations for 6 months period ended September 30, 2023 ('6ME Sept23') is INR 3,432.43 crores.

## 2 SCOPE & PURPOSE OF THIS REPORT

2.1 We have been given to understand that the management of SpiceJet (hereinafter referred to as the 'Management') is considering a proposal for the preferential issue of equity shares and warrants convertible into equivalent number of equity shares of the Company (hereinafter referred to as the 'Proposed Transaction').

2.2 In terms of Regulation 166A of Securities and Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2018 (SEBI (ICDR) Regulations) as amended from time to time, a preferential issue, which may result in a change in control or allotment of more than 5% of the post issue fully diluted share capital of an issuer, to an



allottee or to allottee acting in concert, shall require valuation from an independent registered valuer and should be considered for determining the issue price. In this connection, the Management wants to ascertain the fair value of equity shares of the Company as required under Regulation 166A of SEBI (ICDR) Regulations as amended from time to time ('SEBI Regulations').

- 2.3 For this purpose, SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'Registered Valuer' or 'We') have been requested vide engagement letter dated December 13, 2023 to carry out the fair valuation of equity shares of the Company.
- 2.4 Based on the discussion with the Management, the valuation date has been considered as December 11, 2023 ('Valuation Date').
- 2.5 For the purpose of this valuation, the bases of value is 'fair value' and the valuation is based on 'going concern' premise.

### **3 REGISTERED VALUER – SSPA & CO., CHARTERED ACCOUNTANTS**

SSPA, is a partnership firm, located at 1<sup>st</sup> Floor, "Arjun", Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing various corporate consultancy services.

We are a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

### **4 SOURCES OF INFORMATION**

For the purpose of this valuation exercise, we have relied upon the following information as provided to us by the Management and information available in public domain:

- Audited consolidated financial statements of the Company for the financial year 2022-23.
- Limited Review unaudited consolidated financial results of the Company for 6ME Sept23.
- Consolidated financial projections (excluding Cargo Business) of the Company comprising of balance sheet and profit & loss statement for the 6 months period ended March 31, 2024 ('6ME Mar24') and from FY 2024-25 to FY 2026-27, as provided by the Management.



- Discussions with the Management on various issues relevant to valuation including prospects and outlook of the business, expected growth and other relevant information relating to future expected profitability.
- Such other information and explanations as we have required and which have been provided by the Management, including management representation.

## **5 PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED**

In connection with this engagement, we have adopted the following procedures to carry out the valuation:

- Obtained financial and qualitative information from the Management.
- Used data available in public domain related to the Company and its peers.
- Discussions with the Management to understand the business and fundamental factors that affect company's earning-generating capability including historical financial performance and future outlook.
- Reviewed publicly available market data.
- Analysis of comparable companies using information available in public domain and / or proprietary database subscribed by us.
- Selection of well accepted valuation methodologies as considered appropriate by us.
- Arriving at the recommendation.

## **6 SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS & DISCLAIMERS**

6.1 Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. Further, our valuation is in accordance with ICAI Valuation Standards 2018 issued by The Institute of Chartered Accountants of India.

6.2 Valuation is not a precise science and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of value by applying certain formulae which are based on the information available, others may place a different value.

6.3 The report assumes that the Company complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Company will be managed in a competent and responsible manner. Further, as



specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet provided to us.

- 6.4 The draft of the present report was circulated to the Management for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.
- 6.5 Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report and is as per agreed terms of our engagement.
- 6.6 For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Company and / or its auditors / consultants, is that of the Management. Also, with respect to explanations and information sought from the Company, we have been given to understand by the Management that they have not omitted any relevant and material information about the Company. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/conclusions.
- 6.7 Our work does not constitute an audit, due diligence or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Company through broad inquiry, analysis and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.
- 6.8 Our valuation is based on the estimates of future financial performance as projected by the Management, which represents their view of reasonable expectation at the point of time when they were prepared, after giving due considerations to commercial and financial aspects of the Company and the industry in which the Company operates. But such information and estimates are not offered as assurances that the particular level of income or profit will be achieved, or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary



from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

- 6.9 We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context.
- 6.10 A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Company and any other matter, which may have an impact on our opinion, on the value of the shares of the Company including any significant changes that have taken place or are likely to take place in the financial position of the Company. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.
- 6.11 We are independent of the Company and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.
- 6.12 Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, competition, taxation and capital market related laws or as regards any legal implications or issues arising in India or abroad from the Proposed Transaction.
- 6.13 Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/business of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 6.14 The decision to carry out the Proposed Transaction (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a recommendation as to whether or not the parties should carry out the Proposed



Transaction.

- 6.15 Our Report is meant for the purpose mentioned in Para 2 only and should not be used for any purpose other than the purpose mentioned therein. It is exclusively for the use of the Company and may be submitted to regulatory/statutory authority for obtaining requisite approvals. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.
- 6.16 SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. We owe responsibility only to the Client that has appointed us under the terms of the engagement letter. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the client or companies, their directors, employees or agents.

## **7 VALUATION APPROACHES AND METHODOLOGY**

There are various approaches/methods adopted for valuation of equity shares of the company. Certain approaches/methods are based on asset value of the company while certain other approaches are based on the earnings potential of the company. Each approach/method proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach/method to be adopted for a particular valuation exercise must be judiciously chosen.

### **7.1 MARKET APPROACH**

Under the 'Market' approach, the valuation is based on the market price of a company in case of listed companies ('Market Price Method') and/or valuation based on market multiples (based on Revenue, EBITDA, EBIT, PAT, etc.) derived from set of comparable listed companies ('Comparable Companies Multiple Method') or from comparable transactions ('Comparable Transaction Multiple Method'). Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.





In the present case, the equity shares of SpiceJet are listed on BSE. The equity shares of SpiceJet are frequently traded on BSE. Therefore, we have thought fit to use Market Price Method under the Market Approach for arriving at the value of equity shares of the Company. Further, currently the Company is a loss-making entity and is expected to generate profits in future and also sufficient and reliable details of comparable transactions are not available in public domain. Therefore, Comparable Companies' Multiple Method or Comparable Transaction Multiple Method has not been adopted for the present valuation exercise.

#### **7.2 INCOME APPROACH**

Under the Income Approach, the equity shares of the company are valued using Discounted Cash Flow ('DCF') method. The DCF Method values the business by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are discounted by Weighted Average Cost of Capital ('WACC'). The WACC represents the returns expected by the investors of both debt and equity, weighted for their relative funding in the entity. The present value of the free cash flows during the explicit period and the perpetuity value indicates the value of the business.

#### **7.3 COST APPROACH**

The Cost Approach reflects the amount that would be required currently to replace the service capacity of an asset; often referred to as current replacement cost.

The book value per share of the Company as per limited review consolidated unaudited balance sheet as on September 30, 2023 works out to negative. In the present case, the business of the Company is intended to be continued on a 'going concern' basis and there is no intention to dispose-off the assets, therefore, Cost Approach is not adopted for the present valuation exercise.

7.4 Considering the above, we have thought fit to use Market Price Method under Market Approach and DCF Method under Income Approach to arrive at the value of equity shares of the Company as on the Valuation Date.

### **8 VALUATION OF EQUITY SHARES OF SPICEJET AS PER MARKET PRICE METHOD UNDER MARKET APPROACH**

8.1 Under Market Price Method, the market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company



where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be built in the value of the shares.

- 8.2 In the present case, the equity shares of the Company are listed on a recognized stock exchange. The value of equity shares of the Company under this method is determined considering the share price of the Company on BSE over an appropriate period.
- 8.3 On the basis of the foregoing, the value per equity share of SpiceJet as per Market Price Method under Market Approach works out to **INR 46.41** as on the Valuation Date. The workings for the same are attached herewith as **Annexure I** to this report.

## **9 VALUATION OF EQUITY SHARES OF SPICEJET AS PER DCF METHOD UNDER INCOME APPROACH**

- 9.1 The value per share of the Company under this method has been arrived at as follows:
- Valuation under DCF method is based on the projections of the Company for 6ME Mar24 and from FY 2024-25 to FY 2026-27 ('explicit period'), as provided to us by the Management.
  - For the explicit period, free cash flows from the business have been arrived at as follows:
    - Operating profits before tax ('PBT') as per the projections have been considered after considering adjustment for non-operating/non-recurring items of income and expense (if any).
    - Depreciation and amortization on fixed assets and right of use assets, interest on loans and lease liabilities has been added to operating PBT and lease rental payments have been reduced to arrive at the cash earnings i.e. earnings before interest tax depreciation and amortization ('EBITDA').
    - Fund requirements for capital expenditure and incremental working capital have been reduced from the cash earnings of the respective years.
    - Estimated tax liability has been reduced to arrive at the free cash flows from the business.
  - The post-tax cash flows of each year are then discounted at the WACC. WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of the company's cost of equity and debt.





WACC is arrived at considering the following parameters:

- The Cost of Equity is worked out using the following formulae:

$$\text{Cost of Equity} = \text{Risk free return} + (\text{Beta} \times \text{Equity Risk Premium})$$

The risk-free rate of return is considered based on yield on long term government securities. Appropriate Beta is considered. Equity Risk Premium is considered based on the expected market return of the investor over and above the risk-free rate.

- Based on the effective cost of debt of the Company, net of tax cost of debt has been considered.
- Considering the current and future funding requirements of the Company an appropriate debt-equity mix is considered to arrive at WACC.
- Considering the risk of achieving the expected levels of growth, profitability and the industry in which the Company is engaged in, an appropriate risk premium to the above WACC has been applied to arrive at the adjusted WACC.
- After the explicit period, the business will continue to generate cash. In DCF Method, therefore, perpetuity value is also considered to arrive at the enterprise value. For arriving at the perpetuity value, we have considered an appropriate growth rate.
- Cash flows for perpetuity have been arrived at after making appropriate adjustments for corporate taxes and estimated capital expenditure.
- The discounted perpetuity value is added to the discounted cash flows for the explicit period to arrive at the enterprise value.
- Appropriate adjustment has been made for loan funds, contingent liabilities, value of investments, cash and cash equivalents, value of Cargo Business, amount received on issuance of equity shares upon exercise of ESOPs and amount to be received on exercise of ESOP after considering the tax impact wherever applicable to arrive at the equity value.
- The equity value as arrived above is divided by outstanding diluted number of equity shares as on the Valuation Date to arrive at the value per share.

9.2 On the basis of the foregoing, the value per equity share (face value INR 10 per share) of SpiceJet as per DCF Method under Income Approach works out to **INR 26.20** as on the Valuation Date. The workings for the same are attached herewith as **Annexure II** to this report.



**10 FAIR VALUE OF EQUITY SHARES OF SPICEJET LIMITED**

Though different values have been arrived at under each of the above methods, for the purpose of recommending a fair value, it is necessary to arrive at a single value of the business. For this purpose, it is necessary to give appropriate weightages to the values arrived at under each method. We have considered it appropriate to give equal weightage to the values arrived at under Market Price Method and DCF Method to arrive at fair value of the equity shares of the Company.

In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined in this report, in our opinion, the fair value per equity share of the Company comes to **INR 36.31** as on the Valuation Date. The workings for the same are attached herewith as **Annexure III**.

**For SSPA & CO.**

**Chartered Accountants**

ICAI Firm registration number: 128851W

IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

*Parag S. Ved*



**Parag Ved**

**Partner**

ICAI Membership No. 102432

Registered Valuer No.: IBBI/RV/06/2018/10092

UDIN: 23102432BGUANL2691

Place: Mumbai

Date: December 19, 2023

Annexure I

**SPICEJET LIMITED**  
**MARKET PRICE METHOD**

Particulars	No of shares traded	Total turnover (INR crores)
Volume Weighted Average Market Price ('3M VWAP') for SpiceJet Limited on BSE for a period from September 12, 2023 to December 11, 2023	41,28,64,330	19,16,27,46,831
<b>Value per share (face value of INR 10 each) (INR)</b>		<b>46.41</b>



**SPICEJET LIMITED**  
**DISCOUNTED CASH FLOW METHOD**

		(INR Crores)			
Particulars		6ME Mar'24	2024-25	2025-26	2026-27
<b>Operating Profit before Tax</b>		(557.27)	(104.98)	113.67	344.72
<b>Add:</b>					
Interest on loan funds		94.72	238.81	423.59	221.79
Interest on lease liabilities		130.50	214.98	540.86	932.88
Depreciation		35.39	108.56	103.71	104.34
Depreciation on right of use assets		415.49	679.52	852.17	1,093.89
Less: Cash outflow for leases		(247.23)	(957.68)	(1,421.79)	(2,051.13)
<b>Operating EBITDA</b>		<b>(128.40)</b>	<b>179.22</b>	<b>612.20</b>	<b>646.49</b>
<b>Less:</b>					
Capital expenditure		55.86	85.00	135.00	185.00
Incremental working capital		535.16	801.88	1,349.99	(889.35)
Tax					
<b>Total outflows</b>		<b>591.02</b>	<b>886.88</b>	<b>1,484.99</b>	<b>(704.35)</b>
<b>Net inflows/(outflows)</b>		<b>(719.42)</b>	<b>(707.67)</b>	<b>(872.79)</b>	<b>1,350.83</b>
Discounting factor	15.67%	0.98	0.89	0.77	0.66
<b>Net present value of inflows/(outflows)</b>		<b>(703.71)</b>	<b>(629.55)</b>	<b>(671.24)</b>	<b>898.12</b>
<b>Calculation for Perpetuity</b>		(INR crores)			
<b>EBITDA (FY 2026-27)</b>		<b>646.49</b>			
Growth rate		2%			
<b>EBITDA for perpetuity</b>		<b>659.42</b>			
<b>Less:</b>					
Taxes	25.17%	(165.96)			
Capital expenditure	(185.00)				
Add: Tax benefit on depreciation on capex	26.09	(158.91)			
Incremental Working Capital requirement					
<b>Net cash flows for perpetuity</b>		<b>334.54</b>			
<b>Capitalised value for perpetuity</b>		<b>2,446.59</b>			
Add: Tax benefit on depreciation on WDV at the end of explicit period		82.38			
Add: Tax benefit on account of b/f losses		264.69			
<b>Total capitalised value</b>		<b>2,793.66</b>			
Discount factor		0.66			
<b>Present Value of Perpetuity</b>		<b>1,857.41</b>			
<b>Calculation of equity value</b>		(INR crores)			
Net present value of explicit period		(1,106.38)			
Present value of perpetuity		1,857.41			
<b>Enterprise value</b>		<b>751.04</b>			
<b>Add/(Less): Adjustments</b>					
Loan funds		(1,731.17)			
Contingent liabilities (net of tax)		(37.32)			
Value of investments		0.49			
Cash and cash equivalents		256.04			
Value of Cargo Business		2,555.51			
Amount received on issuance of equity shares upon exercise of ESOPs		0.20			
Amount to be received on exercise of ESOPs		1.17			
<b>Equity Value</b>		<b>1,795.97</b>			
Diluted Number of equity shares		685,509,601			
<b>Value per share (face value INR 10 each) (INR)</b>		<b>26.20</b>			



**SPICEJET LIMITED**  
**CALCULATION OF FAIR VALUE**

Method of Valuation	Value per share (INR)	Weight	Product (INR)
Discounted Cash Flow Method	26.20	1	26.20
Market Price Method	46.41	1	46.41
		2	72.61
<b>Fair Value Per Share (face value of INR 10 each)(INR)</b>			<b>36.31</b>

