

BRINGING YOU A SMARTER WORLD



spice
switch up!

ANNUAL REPORT 2012-13



MAKE A SMART START



Smart Flo Mettle 5X
Mi-504



Pinnacle Stylus
Mi-550



Stellar Virtuoso Pro+
Mi-492

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S Mobility Limited

Chairman's Statement



Dear Shareholders,

It gives us great pleasure to address all of you at the conclusion of a very eventful year for your company. We have reported strong operating results and continued our focus on a number of high impact strategic initiatives that position us well for strong growth in the years to come.

The Evolution of Mobile Internet

India is the world's second-largest telecommunications market in terms of number of subscribers and is expected to grow exponentially. Growth in coverage of data enabled telecommunication networks is creating a huge demand for connected devices and driving proliferation of mobile internet.

India has more than 200 million Internet users, of which over 50% access Internet using their mobile devices. In the last 3-4 years, the number of users who access the Internet through a 3G connection has grown to over 30 million. The ubiquitous nature of connected devices such as smartphones and tablets has created a massive opportunity for mobile Internet businesses. The penetration of mobile Internet is driven by three key factors: affordable smart devices, reduction in data access cost and proliferation of internet services. Your company plans to continue its focus on providing integrated solutions for our customers to enable them in this connected world.

Market Dynamics: Shift towards domestic brands and organized retailing

On the back of growth in internet and telecom sector, the mobile phone market is slated to reach USD 15 Billion in 2014. Mobile users are expected to shift to Smartphones, driving growth of 48% pa in this category. In last year, smartphones shipped into the country registered a growth of 167.3 per cent on an annual basis.

Smartphone growth is expected to be driven by several factors:

- Expansion and penetration of 3G network coverage and rollout of 4G
- A younger population's desire to access the internet through mobiles
- Greater availability of low cost devices from MNC and Domestic brands
- Distribution coverage of less populated areas and regions of the country

Domestic brands are expected to grow faster, in the entry and mid segment smartphones

Chairman's Statement

and tablets. MNC brands are increasingly focusing on high end 3G/4G smartphones and tablets. Even within 3G, the price competitiveness of domestic brands is driving market growth among first time smartphone users in a price conscious market like India. Domestic brands are expected to increase their volume share from 26% to 55% from 2012 to 2017, while value shares are expected to go up from 15% to 31%. Growth will be driven by shift towards smartphones and 3G devices.

Mobility retailing industry is also shifting towards organized retail with growth projected at three times the pace of traditional retail. Within mobile handsets, organized trade currently represents <5% of the available outlet universe but nearly 11% by sales value. Organized retail is expected to account for 18% of mobile handsets by 2017, growing at 25% pa.

The operator mobile value-added services (MVAS) market experienced highly volatile environment with regulatory changes. Within such a challenging environment, the industry faced margin pressure and hence, the overall profitability was impacted. Mobile operators are now focused to grow data access revenues through growth in data network reach and reduction in data cost.

A look at last year

The company has taken stringent measures to control costs and increase revenues in the past year. We have taken several decisions to focus on introducing new innovative products at competitive prices, improving our channel coverage, rolling out new stores with better customer experience.

S Mobility continued to focus on gaining smartphone market share while growing



feature phone volumes. SPICE brand was named as the second best in Indian mobile phone brands by Brand Equity, an Economic Times publication.

In the last year, SPICE entered into various high impact strategic partnerships with leading brands across the world. We launched innovative devices in partnership with the leading technology companies like Coolpad Group Ltd. and Huawei Technologies Co. Ltd. Spice also entered in a strategic agreement with Google to provide GMS licensing for our devices. SPICE achieved a significant milestone in the closing quarter of the year 2013 by crossing the sale of one million handsets in a month.

To continue our focus on providing mobility solutions to our customers, we partnered with leading app developers like Evernote, Twitter to embed these highly successful apps with our devices and offer greater value to our mobility customers.

Chairman's Statement

SPICE Retail continued to focus on creating experience based mobility stores across the country. In collaboration with Google, Spice retail rolled out India's first Android experience stores in Delhi and Bangalore. In our new format stores, the experience was enhanced with live devices, open interactive spaces and knowledgeable retail staff. In addition to building experience driven mobility destination for our customers, Spice is also focused on developing a strong online retail service Saholic.com; to offer enhanced convenience, wide choice of technology products as well as unparalleled information on technology and devices.

SPICE Digital expanded its current portfolio of mobility solutions to focus on enterprise mobility solutions, mCommerce, mEntertainment and mEducation. We developed innovative mobility solutions for the enterprise segment and partnered with many leading enterprises like Indian railways. Simultaneously, we have been increasing the share of international business within the same space, notably in Africa and South America. In Africa, we continued our focus on digital music distribution and partnered with various local artists to provide a wide range of music to our customers. In addition to mobility solutions, we enhanced our focus on mobile gaming and developed a portfolio of popular games for various operating system platforms.

Future Outlook

Mobility sector continues to offer huge potential with significant increase in the mobile internet consumer base. The consumers are showing higher affinity for connected devices. In this shift from mobile to mobile internet, your company is very well positioned to participate through its rich smartphone portfolio line-up under brand Spice, innovative and enjoyable retail environments like Spice Hotspot and Android Land; and growth in enterprise and internet services.

SPICE will continue to delight customers with new age products and services through its integrated business model. At SPICE, we will keep our focus on bringing more innovative partnerships to India and providing an unmatched experience to our customers.

The journey and the opportunities are equally exciting, and we invite you to participate and enjoy both with us. Let us conclude by thanking all our customers, employees, vendor Partners, and most importantly you, our shareholders for your support and contribution in all our endeavors. We look forward to an even better year ahead.

With Best Wishes,

Dr. B K Modi
Chairman

Dilip Modi
Chairman - Performance
Review Committee



COMPANY INFORMATION

S Mobility Limited

BOARD OF DIRECTORS

Dr. Bhupendra Kumar Modi - *Chairman*
Mr. Dilip Kumar Modi
Mr. Hanif Mohamed Dahya
Mr. Kashi Nath Memani
Ms. Preeti Malhotra
Mr. Rajul Garg
Mr. Saurabh Srivastava
Mr. Subroto Chattopadhyay

Company Secretary

Mr. M R Bothra

BOARD COMMITTEES

I) Audit Committee

Mr. Kashi Nath Memani – Chairman
Mr. Dilip Kumar Modi
Mr. Subroto Chattopadhyay

II) Remuneration Committee

Dr. Bhupendra Kumar Modi – Chairman
Mr. Kashi Nath Memani
Mr. Saurabh Srivastava
Mr. Subroto Chattopadhyay

III) Shareholders Value Enhancement and Investors Grievance Committee

Dr. Bhupendra Kumar Modi – Chairman
Ms. Preeti Malhotra

Chief Executive Officer & Manager

Mr. R. S. Desikan

Chief Financial Officer

Mr. Subramanian Murali

Registered & Head Office

S Global Knowledge Park, 19A & 19B, Sector 125,
Noida, District Gautam Budh Nagar, U.P.-201301
Phone :0120-3355131
E-mail : complianceofficer@smobility.in
Website : www.spice-mobile.com

Statutory Auditors

M/s S.R. Batliboi & Co. LLP
Chartered Accountants
Golf View Corporate Towers – B
Sector-42, Sector Road
Gurgaon – 122 002 (Haryana)

Internal Auditors

M/s Bansal Dalmia & Co.
Chartered Accountants
210, Gupta Tower, Commercial Complex
Azadpur, Delhi - 110033

Registrar & Share Transfer Agent (RTA) MAS Services Ltd.

T-34, 2nd Floor, Okhla Industrial Area
Phase-II, New Delhi-110 020
Phone : 011-26387281/82/83
Fax : 011-26387384
E-mail : info@masserv.com

Bankers:

HDFC Bank Limited
IndusInd Bank Limited

Symbol/Scrp Code at NSE /BSE

NSE Symbol : SMOBILITY
BSE Scrip Code : 517214

Green Initiative

In order to enable the Company to send various documents through electronic mode, the members of the Company are requested to register/update their e-mail addresses with the Company/RTA in case the shares are held in Physical mode and with the concerned Depository Participant (DP) in case the shares are held in Demat mode.



BOARD OF DIRECTORS



Dr. Bhupendra Kumar Modi Chairman

Dr. Bhupendra Kumar Modi ("Dr. BKM") was appointed to the Board on 24th April, 2010 as Non-Executive Director and Chairman.

Futurepreneur, Global Citizen, The Man with the Midas Touch... there are many introductions attributed to

Dr. Bhupendra Kumar Modi, Chairman of the Company.

Dr. BKM, the man credited with many firsts in technology and redefining the Indian corporate history has always lived on the principal philosophy of challenging conventional wisdom to create business excellence by forging alliances with global technology companies like Xerox, Olivetti, Alcatel, Telstra, Telekom Malaysia, Mediatek to name a few. Under his leadership, Spice Global has expanded its presence in the world including Singapore, New York, London, ASEAN region,

Africa and China. After establishing a global footprint of the Group for the last 14 years, he is back to India with a vision to enrich the Indian market with technology, quality and innovation once again.

Apart from business, Dr. BKM is equally passionate about Global Citizen and his initiative called the Global Citizen Forum (GCF), has earned praise and admiration of the leaders of global society with whom he engages regularly on matters of human welfare. He is also an author, having written many books on the universality of religions, management and the heritage of Indian philosophy and culture.

Dr. BKM is a Chemical Engineer and an MBA from university of South California (U.S.C), and was awarded a Ph. D in Financial Management. He has also been conferred a D Litt in Industrial Management.



Mr. Dilip Kumar Modi Non-Executive Director

Mr. Dilip Kumar Modi was appointed to the Board on 21st August, 2006 as Director and was earlier the Managing Director of the Company.

Mr. Modi is a new generation entrepreneur who has been spearheading business innovations in the mobility segment with technology as the driving force. Mr. Modi soon after starting his career in the early 90s, led the entry of the Spice Group into the sunrise telecom sector in 1995 by creating Modi Telstra, India's first mobile service provider. He also founded the country's earliest VAS companies and mobile retail chains that led the wave of innovations in the telecom industry. He has been instrumental in building a dynamic Spice brand in mobility segment being the Spice Group's flagship business.

Mr. Modi has been instrumental in expanding the Mobility footprint of the Spice Group across major Asian and African markets and has successfully created a Global and Inclusive Work Culture in the Group, currently headquartered at Singapore.

Apart from managing his businesses successfully, he is equally aware of the responsibility of the industry for affecting a positive social impact. His leadership attributes are widely recognized by corporate India resulting in his being the youngest ever President of Associated Chambers of Commerce (ASSOCHAM), the oldest chamber of India in 2011-12 as also the youngest Chairman of the Cellular Operators Association of India (COAI), in 2004 -05.

Mr. Modi was also awarded the "Youth Icon Award" by the Gujarat Chamber of Commerce and Industry for his exemplary leadership. He is the founder of Ek Soch, a social impact initiative to support innovation and entrepreneurship in the areas of Mobility, Education and Environment.

Mr. Modi holds a First Class Bachelor of Science Degree in Management Technology from the Brunel University, London, UK. He has also done his Masters in Business Administration from the Management School at the Imperial College, London, with a specialization in Finance.



BOARD OF DIRECTORS



Mr. Hanif Mohamed Dahya
Independent Director

Mr. Hanif Mohamed Dahya has been appointed to the Board on 26th August, 2013.

Mr. Hanif Mohamed Dahya, Wally, serves as the Chief Executive Officer of The Y Company, LLC. Mr. Dahya is an Investment Banker with 14 years of experience on Wall Street. He began his career with E.F. Hutton and Company, Inc. He served as Principal and Partner of Sandler O'Neil and Partners. He served as a Manager and Managing Director of mortgage-backed securities for Union Bank of Switzerland; Head of Mortgage Finance and Managing Director of LF Rothschild and Company, Inc. He was an Independent Non-

Executive Director of Cellebrum Technologies Limited.

He has been Independent Non Executive Director of S i2i Limited since August 29, 2013. Mr. Dahya served as a Director of New York Community BanCorp. Inc. and has been a Director of New York Commercial Bank. He is a Director of New York Community Bank since March 2, 2007. He served as a Director of CFS Investments New Jersey, Inc., a subsidiary of CFS Bank.

Mr. Dahya holds Masters in Business Administration Degree of Harvard Business School, Cambridge, Massachusetts, USA and obtained his bachelor's degree in technology from Loughborough University of Technology in the UK.



Mr. Kashi Nath Memani
Independent Director

Mr. Kashi Nath Memani was appointed to the Board on 24th April, 2010 as Independent Director. Mr. Memani is former Chairman and Country Managing Partner of Ernst & Young, India from where he retired on

31st March 2004.

Mr. Memani specializes in Business and Corporate Advisory, Financial Consultancy etc. and is consulted on the corporate matters by several domestic and foreign companies. He has helped several multi-national companies in setting up businesses in India.

Mr. Memani is member of the boards of various listed Companies besides being a member of governing bodies of some business schools, social, educational and charitable organizations and Foundations.

He is actively associated with various Chambers of Commerce. Currently, he is member of the Executive/Managing Committees of Federation of Indian Chambers of Commerce and Industry, Indo American Chamber of Commerce, PHD Chamber of Commerce and Industry and the Associated Chambers of Commerce and Industry in India. Mr. Memani has been the Past President of American Chamber of Commerce, Indo American Chamber of Commerce, PHD Chamber of Commerce & Industry etc. He was member of External Audit Committee of International Monetary Fund (IMF), Washington in the year 1999 and its Chairman in the year 2000, the only Indian so far to sit on this committee.

Mr. Memani holds Bachelor's Degree in Commerce from Calcutta University and is fellow member of the Institute of Chartered Accountants of India ("ICAI").



BOARD OF DIRECTORS



Ms. Preeti Malhotra
Non-Executive Director

Ms. Preeti Malhotra was appointed to the Board on 24th April, 2010 and has been an Executive Director of the Company till 13th February, 2013.

Ms. Malhotra is Executive Director of Smart Ventures Limited, the holding Company for the global mobility business of the Spice Group. She is also on the Board of S i2i Ltd, a Singapore listed Company and Wall Street Finance Ltd, a NBFC AD Category II listed entity and other group companies. She is an accomplished professional in the field of corporate governance and her opinion and advisory has industry wide recognition. She has been the past President of the Institute of Company Secretaries of India (ICSI). She was the first and is the only woman to be elected as President amongst the premier National Professional Bodies in India. She was a member of the Dr.J.J.Irani Expert Committee constituted by the Ministry of Corporate Affairs (MCA), Government of India, to advise the Government on the New Company Law being framed.

She is a member on various expert panels on Corporate laws, Governance and Regulation and is Member of various Committees of Chambers of Industries in India and is presently also the Chairperson of the National Council of Corporate Governance, CSR & Corporate Affairs of ASSOCHAM.

She has received several awards & citations and was awarded the Bharat Nirman Talented Ladies Award in the field of profession and the Vocational Service Excellence Award by Rotary Club of New Delhi. She also received on behalf of ICSI as its Past President "Recognition of Excellence Award" for her Excellency from Smt. Pratibha Devisingh Patil (Hon'ble President of India) during the Celebration of India Corporate Week 2009 by MCA.

Ms Malhotra is a Fellow Member of the Institute of Company Secretaries of India. She is a Commerce (Hons) Graduate and a Law Graduate from Delhi University.



Mr. Rajul Garg
Independent Director

Mr. Rajul Garg has been appointed to the Board on 26th August, 2013.

Mr. Garg is a successful digital business entrepreneur both in India and internationally.

Previously, Mr. Garg has co-founded GlobalLogic, a global leader in R&D outsourcing, now having over 8,000 people across 6 countries. He has also co-founded Pine Labs, a leader in point of sales transactions in India. Mr. Garg has also worked on the venture side with leading firms such as Sequoia

Capital and Battery Capital as well as in rural investments in India with Aavishkaar Capital. Currently, he heads Sunstone Business School, a leading technology-led business school for working professionals. He is also a Board observer at Cygnus Medicare, a leading healthcare chain in Delhi and Haryana with more than 8 multi-specialty hospitals under management.

Mr. Garg has gained a wide range of experience in technology driven businesses including team building, brand building, M&A, financing and structuring and business strategy.

Mr. Garg is a computer science graduate from IIT Delhi.