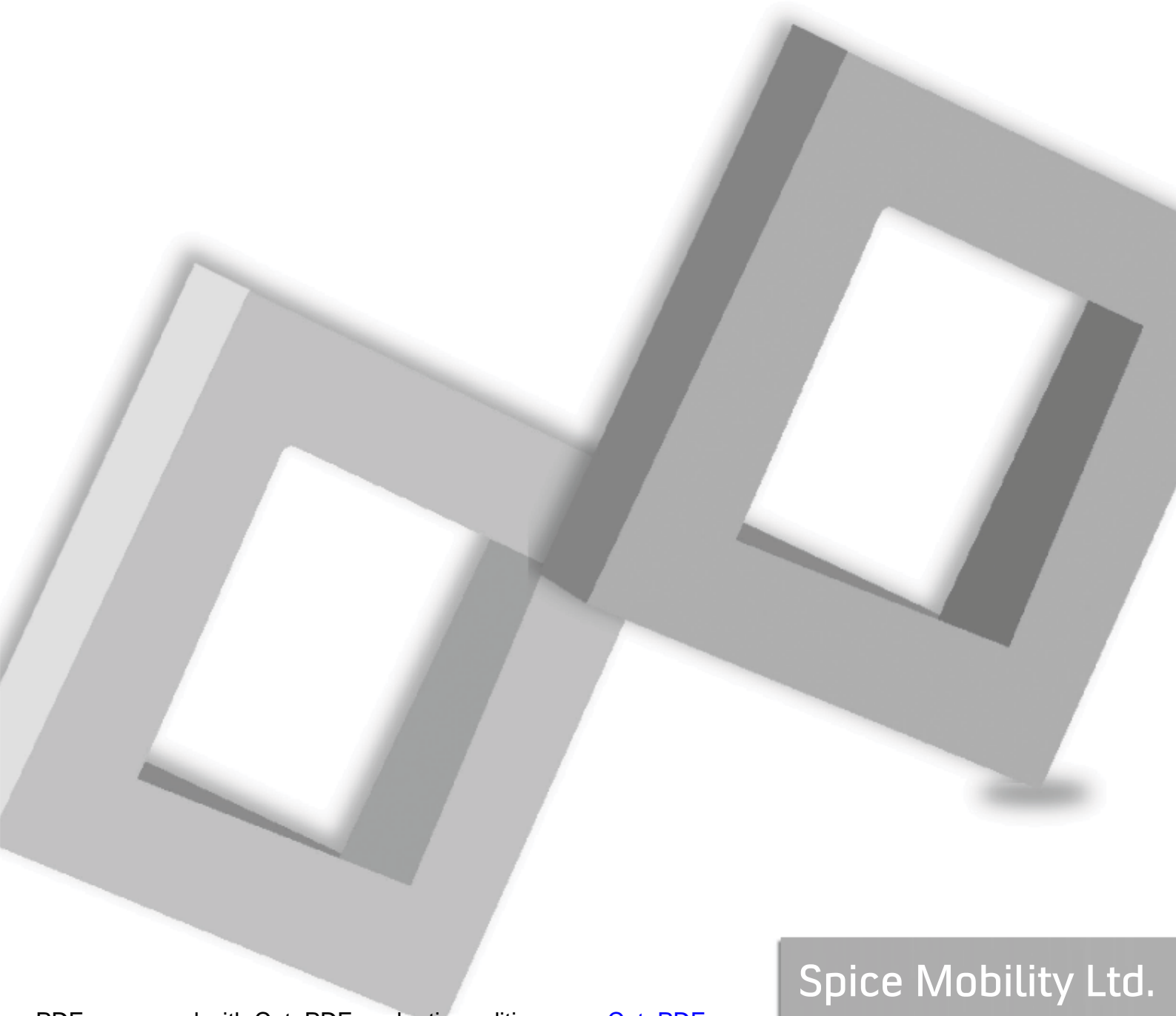




spice

Annual Report 2013-14



Spice Mobility Ltd.



spice



Keep your dreams alive

When you own your dreams and draw no limits, you deserve a Smart Phone that gives you an edge. Spice Smart Phone for someone who dares to dream up possibilities.



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Spice Mobility Limited

spice

Global Launch of Android One

Spice & Google collaborate to launch the perfect smartphone on Android One platform. Among first brands to launch Android One platform based device globally. Redefines consumer experience with promised 30 day Device Replacement guarantee & 10 GB Cloud Space



androidone



India's First Firefox Phone

Spice Launches India's first Firefox OS Smartphones. Spice Fire One, becomes the country's most Economical Smartphone. A step towards enabling the dreams of the small town masses of connecting with their aspirations through affordable smartphones.

Firefox OS



Entry into wearables

Spice once again pushed the boundaries of affordable innovation and created a new benchmark by introducing the country's first sim enabled smart watch, Spice Smart Pulse in the wearable devices category.



Smart Pulse

Chairman's Statement

Dear Shareholders,

It gives me great pleasure to address all of you as we conclude another eventful year for your company.

Mobile Internet on a strong growth ascendant

With a young aspirational demographic, India is already the second largest telecommunication market in the world in terms of subscriber base. Increased availability of low cost mobile handsets has enabled the mobile penetration to reach up to 75% of the Indian population, with an increasing adoption of smartphones.

Recent developments such as the introduction of entry level 3G smartphones and reduced data costs for mobile subscribers of 3G networks are propelling the growth of mobile internet usage. Overall internet users in India stand at over 257 million and a significant majority of users currently access internet using their mobile devices. With the Indian government also pushing for a massive digital transformation of the economy to expand the reach of services such as healthcare and education to a greater part of the Indian population, smartphone sales are poised for healthy growth in the years ahead.

Market Dynamics: Domestic brands taking the lead from global players and growth of e-retailing

The overall Indian mobile phone market stood at more than 275 Million units in 2014. With an increasing migration from feature to smartphones, the Indian smartphone market registered a year on year growth of 84% in 2014.

Smartphone sales are expected to increase substantially owing to the following factors:

1. Feature phones currently comprise over 71% of the overall mobile market in India, thus offering a huge upgrade potential for feature phone users towards smartphones
2. Rapid erosion of the Average Selling Price (ASP) of smartphones, with availability of under Rs. 3,000 smartphones, is accelerating user migration from feature phones to smartphones
3. The nationwide expansion of 3G services and preparation for rollout of 4G-LTE spectrum will drive the need for more enhanced connected devices
4. The availability of data-centric services and tariffs from mobile operators is fuelling the adoption of smartphones in the country, including data tariffs tailor-made for cost-conscious prepaid consumers
5. Availability of smartphones in regional languages is expected to increase user adoption especially in Tier II and Tier III markets

In the last few quarters, there has been a noticeable aggression from domestic players in the market, especially in the entry and mid-level smartphone and tablet segments. Targeting a price sensitive audience, the domestic brands have introduced a wide range of smartphones offering technical features comparable to international brands, albeit at a much lower price range. Armed with good products, aggressive marketing spends and increased distribution reach, domestic players have captured a large share of the Indian market.

Chairman's Statement

In the mobile retail segment, we have observed a sharp increase in e-retailing of mobile devices in India. With improved internet penetration, especially mobile internet, a large number of urban and semi urban buyers are purchasing mobile phones and tablet devices on internet portals. Internet shopping portals offer convenience, wide range of selection and last mile connectivity to buyers. At the same time, organised brick-and-mortar retail stores continue to play a pivotal role in mobile device sales by offering a first-hand touch-and-feel experience to customers.

The overall Mobile VAS market in India stands at Rs. 5,267 Crores as of 2014 and witnessed a growth of 25% over last year. The growth in the sector was attributed to increased data usage on smartphones, whereas traditional VAS segment revenues declined in the past year. Mobile operators have taken several measures to grow data usage on phones by focusing on both costs and relevant content.

A look at last year

The company has focused strongly on increasing revenues in the past one year. The management team has taken several new initiatives such as introducing new products, especially in the smartphone segment, new experiential retail stores, increasing distribution reach and enhancing overall customer experience.

Spice Mobiles has focused on significantly enhancing the smartphone portfolio in the entry level segment, while maintaining its lead in the feature phone segment. Our efforts have been duly recognized by the industry, as we were ranked the second most

trusted Indian mobile brand by the Brand Equity annual survey 2014, conducted by the Economic Times publication. We have also won the prestigious Golden Peacock award for the second time for innovative mobile products in 2014.

The company has entered into strategic partnerships with two leading global technology companies - Google and Mozilla. Together with Google, Spice Mobility launched the world's first Android one smartphones in India. The Spice Dream Uno Android One is a unique initiative, offering Indian consumers an affordable smartphone with superior technical features and a great user experience, thus making quality smartphones accessible to a large section of the population. The company also collaborated with Mozilla to launch the Fire One phones, the first-of-its-kind entry level smartphones with a Mozilla operating system available at a price range under Rs. 3000.

Spice Retail continued to focus on driving profitable revenue growth by successfully positioning itself as a key destination for smartphones, through brand partnerships with leading mobile companies. The company also expanded its retail product portfolio to include mobile accessories and new connected device categories such as tablets and wearables. Spice Retail has also strengthened its presence in the growing online mobile marketplace through Saholic.com, its online initiative.

Spice Digital continues to focus on growing its partnerships with leading telco players in high growth emerging markets across India, Middle East, Africa and Latin America.

Chairman's Statement

Future Outlook

The mobility sector in India is expanding at very rapid pace and will witness new business models and new competition, which will offer new opportunities and challenges for us at Spice Mobility. We are well placed with our presence across the ecosystem of devices, distribution, physical retail, online marketplace and managed services model for telcos to focus and capitalize on the new opportunities and accordingly adjust our business model to address the challenges.

I feel the future is going to be very exciting for our company as India emerges as the

fastest growing mobile internet market in the world.

I invite you all to participate and enjoy this journey with us. Let me conclude by thanking all our customers, employees, partners, and most importantly you, our shareholders for your continued support, contribution and faith in our company and in all our endeavours. I look forward to an even better year ahead and thank you for your continued patronage.

With Best Wishes,

Dilip Modi
Chairman

COMPANY INFORMATION

Spice Mobility Limited (Formerly S Mobility Limited)

BOARD OF DIRECTORS

Mr. Dilip Modi - Chairman
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. Hanif Mohamed Dahya
Ms. Preeti Malhotra
Mr. Subroto Chattopadhyay

II) Nomination and Remuneration Committee

Mr. Subroto Chattopadhyay – Chairman
Mr. Kashi Nath Memani
Ms. Preeti Malhotra
Mr. Saurabh Srivastava

III) Stakeholders Relationship Committee

Mr. Dilip Modi – Chairman
Ms. Preeti Malhotra

IV) Corporate Social Responsibility Committee

Mr. Dilip Modi – Chairman
Ms. Preeti Malhotra
Mr. Saurabh Srivastava

Chief Executive Officer

Mr. Prashant Bindal

Chief Financial Officer

Mr. Madhusudan V.

CIN: L72900UP1986PLC008448

Registered 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 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/Scrip ID at NSE /BSE

NSE Symbol : SPICEMOBI
BSE Scrip ID : 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 in case the shares are held in Physical mode and with the concerned Depository Participant in case the shares are held in Demat mode.

BOARD OF DIRECTORS



Mr. Dilip Modi
Chairman

Mr. Dilip Modi was appointed to the Board on 21st August, 2006 as Director and has taken over as Chairman of the Company w.e.f. 18th February, 2014.

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 through 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 the 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.



Mr. Hanif Mohamed Dahya
Independent Director

Mr. Hanif Mohamed Dahya was 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, Singapore since August 29, 2013. Mr. Dahya served as a Director of New York Community Ban Corp. 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.