

**spice**

# ANNUAL REPORT

2014-2015



**spice**  
smartphones

**SPICE X SERIES**

INSPIRE  
LIFE

Inpire life with the new X, intuitively designed to match your evolving life with unmatched beauty. Superpowered with a perfect balance of performance and efficiency, X will work seamlessly to deliver an experience that will be beyond imagination.

# Contents

02	Chairman's Statement
05	Company Information
06	Board of Directors
09	Board's Report
15	Management Discussion & Analysis Report
19	Corporate Governance Report
32	Secretarial Audit Report
	<b>Financial Statements:</b>
52	Independent Auditors' Report
56	Balance Sheet
57	Statement of Profit & Loss
58	Cash Flow Statement
60	Notes to Financial Statements
	<b>Consolidated Financial Statements:</b>
85	Independent Auditors' Report
90	Balance Sheet
91	Statement of Profit & Loss
92	Cash Flow Statement
94	Notes to Financial Statements
132	Statement containing Salient Features of the Financial Statements of subsidiaries/associates/joint ventures (Form AOC-1)

## Chairman's Statement

### Dear Shareholders,

It's a great pleasure to present our annual report to you all as we close yet another eventful year for your company.

### Mobile devices drive the next wave of growth for internet in India

Mobile handsets have always played an integral role in the socio-economic development and transformation of a country, opening new channels of communication and transaction for the general public. Reduction of handset prices and increased affordability of data services have spawned a huge mobile internet population in India, thereby opening up a parallel mobile internet economy through e-commerce and mobile apps. Apart from serving primary communication needs, mobile phones now are being used for e-commerce and banking transactions, payments, social networking, messaging and as multimedia tools.

As per a recent industry report, India is now the third largest smartphone market in the world and the fastest growing market in Asia Pacific, slated to reach 314 million mobile internet users by 2017. Currently, more than 65% of the total internet users in India access the internet through their mobiles, surpassing even China and United States' mobile internet population. Even though India has the third largest internet population globally, the overall internet penetration in the country stands at only 19%, compared to 46% in China and 86.8% in the United States. This presents a significant opportunity for growth of mobile internet, especially in the rural section of the population. This segment can

be addressed by the introduction of ultra-low cost smartphones with vernacular interfaces and content.

### Market Dynamics: Smartphones driving mobile internet economy

According to the Indian Cellular Association, the Indian handset market is projected to reach an overall volume of over 305 million handsets in 2015 and smartphone sales are projected to touch 200 million handsets by 2020. According to a mobile consumer survey conducted by Deloitte, almost 64% of the respondents are likely to purchase a smartphone over the next 12 months.

The mobile landscape in India is steadily shifting towards smartphones, aided rapidly by the availability of high quality smartphones by Indian handset manufacturers and the rollout of 3G services across India. Smartphones offer a compelling user experience through access to social media, e-commerce, multimedia content, emails and internet. Entry of smartphones has diversified the revenue streams for telecom players, enhancing their data revenues significantly over the past few years. Adoption of 3G services has increased exponentially in the country, with preparations underway for the rollout of 4G services this year.

The primary driver for the growth of smartphones in the last few quarters has been an increasing proliferation of mobile apps for social networking, instant messaging, gaming, lifestyle and e-commerce. According to a Deloitte report, about 9 million apps will be downloaded in India in 2015, more than 5 times the number of apps downloaded in

# Chairman's Statement

2012. E-commerce firms are observing more than half of their traffic being generated from mobile apps, as is also the case for aggregator services across transport, grocery delivery, healthcare etc. These fast rising internet companies are driving big valuations, confident of future market potentials aided by the forecasted increase in mobile internet penetration in the country, forming the backbone of their revenue models. According to the report, Indians are spending an average of 3 hours and 18 minutes daily on their smartphones and one third of this time is spent on mobile apps. This growing trend is likely to drive the next wave of smartphone growth across the country.

In spite of India's handset market growing at a robust rate, almost 83% of the demand is met via imports, while domestic production and manufacturing continues to lag behind the growing demand. In view of this exponential growth, it has become imperative to support local manufacturing and assembly of mobile phones in order to increase job creation and enhance savings on foreign exchange. The Government of India has launched an aggressive Make in India program to encourage domestic manufacturing and with mobile devices playing an important role in achieving the dream of Digital India, it is imperative to introduce favourable policies and taxation regimes for local manufacturing of mobile phones.

Leading VAS (Value Added Services) companies are now evolving into full-fledged internet companies from the SMS and CRBT services offered earlier. The industry is seeking to offer convenient and customized

services and spread across MCommerce, MHealth, social networking, video streaming and enterprise VAS solutions. According to an industry report, the MVAS (Mobile VAS) market is expected to almost double to USD 9.5 Billion by 2015.

## A look at last year

The company has focused strongly on increasing revenues in the past one year through various initiatives such as enhancing the product portfolio in mobiles and mobile retail, simplifying the distribution structure and enhancing reach across the country.

Spice Mobiles has focused on enhancing the smartphone portfolio in the entry level segment targeting first time smartphone buyers upgrading from feature phones to smartphones especially in Tier II and III cities. In recognition of our efforts, we were ranked the second most trusted Indian mobile brand by the Brand Equity annual survey 2014, conducted by the EconomicTimes publication and also won the prestigious Golden Peacock award in the same year.

In the last year, the company also entered into a strategic partnership with Google to launch India's first truly Hindi Android one smartphone in India - Dream Uno H, focusing on the large Hindi speaking population in India. The company is planning to focus strongly on the sub-Rs 5,000 segment to enhance its market share and target first time smartphone buyers. The company also announced its investment plans to set up a local assembly unit for mobile phones, with the company currently working on plans for setting up the same in the coming year.

## Chairman's Statement

Spice Retail continued to focus on successfully positioning itself as a key destination for smartphones, through brand partnerships with leading mobile companies. With growing proliferation of online retail in the segment, the company has decided to adopt an Omni-channel approach by being present across channels to serve customers as per their demands. The company is also actively engaging customers through visible business promotion and consumer centric activities.

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 and has also acquired three companies in the last year to enhance its service portfolio and market share within the Telco services domain.

### **Future Outlook**

The mobility sector in India is one of the fastest growing consumer segments in the country and will continue to grow steadily over the next decade, thus offering a strong market opportunity and future outlook for Spice Mobility. With our integrated network spanning devices, distribution, modern

retail, online presence and VAS, we are well positioned in the Indian mobile landscape to grow our business and enhance revenues and profitability for our shareholders.

Experts are already predicting that India will soon become the largest mobile phone market in the world owing its growing population and young demographics. With a young and contemporary product range and expansive distribution reach, we are confident of growing the company steadily to scale new heights.

I invite you all to join our exciting journey ahead redefining the landscape of the Indian mobility segment. I would like to thank all our customers, employees, partners, and most importantly you, our shareholders for your continued support and trust in our company, and in our business and strategic undertakings. I look forward to an exciting and successful 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  
Ms. Preeti Malhotra  
Mr. Subramanian Murali  
Mr. Suman Ghose Hazra  
Mr. Umang Das

#### Company Secretary

Mr. M. R. Bothra

#### BOARD COMMITTEES

##### I) Audit Committee

Mr. Suman Ghose Hazra – Chairman  
Mr. Hanif Mohamed Dahya  
Mr. Subramanian Murali  
Mr. Umang Das

##### II) Nomination and Remuneration Committee

Mr. Umang Das – Chairman  
Mr. Subramanian Murali  
Mr. Suman Ghose Hazra

##### III) Stakeholders Relationship Committee

Mr. Dilip Modi – Chairman  
Mr. Subramanian Murali

##### IV) Corporate Social Responsibility Committee

Mr. Dilip Modi – Chairman  
Mr. Subramanian Murali  
Mr. Umang Das

#### 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](mailto:complianceofficer@smobility.in)  
Website : [www.spicemobility.in](http://www.spicemobility.in)

#### 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](mailto: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 21<sup>st</sup> August, 2006 as Director and has been Chairman of the Company since 18<sup>th</sup> February, 2014.

Mr. Dilip Modi is one of India's most successful young entrepreneurs and has pioneered several new technologies in the mobility and technology sector in India. As a young entrepreneur, Mr. Modi is passionate about creating usable and affordable technologies that can help improve lives of people across Asia and Africa. Driven by his firm belief that technology can become a key enabler for achieving inclusive growth in the country, his group's current business interests in the Mobility space exemplify this vision by creating affordable mobile internet products and services that enable the masses to access the latest technology.

In the last two decades, he has created a strong portfolio of businesses within the mobility and technology sector, starting from successfully launching India's first mobile service – Modi Telstra in 1995 that also hosted the very first mobile phone call made in India. After a successful divestment of Modi Telstra in the year 2000, he launched Spice Communications in Punjab and Karnataka, which soon became one of the most valuable and enduring brands in the two highly profitable mobile markets of the country.

As Chairman and Group CEO of Spice Connect, Mr. Modi leads the group's businesses spread across Asia and Africa in the mobility space. His group companies in India include

Spice Mobiles (Leading Indian mobile manufacturer), Spice Hotspot (Mobile retailing), Spice Digital (Mobile Value Added Services arm), Sunstone Education and Sunstone Capital. Internationally, the group includes Spice Africa, Cavu Group in Singapore and Selular Group in Indonesia.

Mr. Dilip Modi has also been closely involved in industry forums and has held the position of Chairman of the Cellular Operators Association of India (COAI) and has also had the honour of being the youngest ever President of ASSOCHAM (Associated Chambers of Commerce), working on key industry programs such as "Making Inclusive Transformation Happen". His efforts in the industry were duly recognized as he was conferred the "Youth Icon Award" by the Gujarat Chamber of Commerce and Industry.

As an entrepreneur himself, Mr. Modi is committed to creating an inclusive society by empowering young entrepreneurs. This is the philosophy behind the Ek Soch Foundation, a dedicated effort to create an ecosystem for promoting inclusive growth through "Innovative Entrepreneurship" supported by Mr. Modi. The foundation offers a platform of resources and mentorship to skill local young business aspirants and scale up their potential to promote self-sustaining entrepreneurship with a social impact.

An alumnus of the prestigious Imperial College in London, Mr. Modi completed his Master's in Business Administration with a specialization in Finance. He also holds a First Class Bachelor of Science Degree in Management Technology from Brunel University, London.



**Mr. Hanif Mohamed Dahya**  
Independent Director

Mr. Hanif Mohamed Dahya was appointed to the Board on 26<sup>th</sup> 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.



## BOARD OF DIRECTORS



**Ms. Preeti Malhotra**  
**Non Executive Director**

Ms. Preeti Malhotra was appointed to the Board on 24<sup>th</sup> April, 2010.

Ms. Preeti Malhotra is the Executive Director with Smart Global Group which has investments in the Mobility, Healthcare, Financial and Entertainment

business segments.

Ms. Malhotra is an accomplished Global 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 has been the first and is still the only woman to be elected as President amongst the Premier National Professional bodies in India. In 2009, Ms. Malhotra received the "Recognition of

Excellence" Award on behalf of the ICSI, from the Hon'ble President of India- Smt. Pratibha Devsingh Patil.

Ms. Malhotra was also a Member of the Dr. JJ Irani Expert Committee constituted by the Ministry of Corporate Affairs (MCA), Govt. of India to advise the Government on the New Company Law framed. Presently, she is the Chairperson of the National Council of Corporate Governance, CSR & Corporate Affairs of ASSOCHAM. She has also been appointed a member of the Board of Governors of the Indian Institute of Corporate Affairs- the think tank, research, service delivery & capacity building arm of the MCA.

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



**Mr. Subramanian Murali**  
**Non Executive Director**

Mr. Subramanian Murali was appointed to the Board on 7<sup>th</sup> May, 2015 as Non Executive Director.

He was associated with leading organizations such as A.F. Ferguson and HCL Group of companies in several

senior positions.

Over more than 30 years of experience in industries like IT, Office automation, Telecom and Mobility, he has gained extensive knowledge and expertise in the areas of fund raising, M&As, Business restructuring, Process Re-engineering, Business turnarounds, Corporate Finance and management.

Presently, Mr. Murali is the Group President, Finance for Smart Ventures Group. He has been associated with the group for 7 years and is actively in charge for Shareholders value creation, Business planning, Corporate Finance, Capital allocation, Treasury management, Management review and overall productivity of all resources within the Smart Venture Group.

His association with the group helped in managing different business cycles ranging from Start ups, steady state growth, rapid and exponential growth, slow downs and closures.

Mr. Murali is a Fellow Member of the Institute of Chartered Accountants of India ("ICAI")

## BOARD OF DIRECTORS



**Mr. Suman Ghose Hazra**  
**Independent Director**

Mr. Suman Ghose Hazra was appointed to the Board on 7<sup>th</sup> May, 2015 as an Independent Director.

Mr. Ghose is a former General Counsel and Executive Vice President –Legal of HCL Infosystems Ltd.

Mr. Hazra began his career in the year 1976 as Zonal Accounts Officer of Tata Iron & Steel Co. Ltd. He specializes in area of Taxation including Income Tax, Sales tax / VAT, Excise Tax, Service Tax, Custom Duty, Merger, Acquisition, Disinvestment and successfully handled CBI and FEMA/FERA cases. He has helped several Indian companies in the process of acquisition and sale.

He has actively issued necessary guidelines to various regions/ plant on all India basis for the compliance with the various statutory requirements under Indirect Taxation. He has also participated as a member in the High Powered Committee on Electronic Commerce and Taxation appointed by the Central Board of Taxes, Department of Revenue, Ministry of Finance, New Delhi.

Presently, he is a Legal Consultant and Senior Advisor to MAIT.

Mr. Ghose is a Fellow Member of the Institute of Chartered Accountants of India ("ICAI") and a member of Institute of Cost & Work Accountants of India ("ICWA"). He is a Law Graduate also.



**Mr. Umang Das**  
**Independent Director**

Mr. Umang Das was appointed to the Board on 7<sup>th</sup> May, 2015 as an Independent Director.

In the year 2008, Mr. Das joined the SREI group as Managing Director & CEO of SREI Infocomm Services Ltd., spearheading all new business initiatives of the Group in the field of Total Telecom Infrastructure enablement for mobile operators.

After establishing the Telecom Business, he took over as the Managing Director of Spice Telecom and subsequently as Group President of Spice Global Businesses.

Mr. Das holds various prestigious positions in the industry - Chairman of the CSC India Forum, Chairman of GSM India and Chairman of the e-Governance and IT Committee of ASSOCHAM, Chairman of Committee on Telecom

Infrastructure of CMAI (The Communication Media and IT Association of India). He is also an active member of the Managing Committees of CII & FICCI advising on Telecom matters. Socially, he is extremely well networked and involved in several CSR related initiatives.

Presently, he holds the position of Chief Mentor at Viom Networks and is actively responsible for establishing the company's international ventures and forays into managed services. He is a Director of Viom International at both Singapore and Myanmar. He also holds the position of first Director General of TAIPA (Tower & Infrastructure Provider Association), the Industry body formed by all the tower companies.

Mr. Das is an alumnus of the prestigious Indian Institute of Management, Ahmadabad and holds a degree in Electrical Engineering from the Delhi College of Engineering.