

spice

ANNUAL REPORT

2015-2016



Spice Mobility Ltd.



LEAD



- ▶ **Leaders Accelerating Development** initiative empowers college students to become community problem-solvers
- ▶ Students get mentorship, financial support and also participate in leadership camps and workshops



Towards Social Responsibility

Contents

02	Chairman's Statement
05	Company Information
06	Board of Directors
09	Board's Report
16	Management Discussion & Analysis Report
19	Corporate Governance Report
29	Secretarial Audit Report
	Financial Statements:
48	Independent Auditors' Report
54	Balance Sheet
55	Statement of Profit & Loss
56	Cash Flow Statement
58	Notes to Financial Statements
	Consolidated Financial Statements:
84	Independent Auditors' Report
88	Balance Sheet
89	Statement of Profit & Loss
90	Cash Flow Statement
92	Notes to Financial Statements
130	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 witness a major transformational period in the history of your Company.

Mobile Internet: Driving the transformation

Increase in adoption of smartphones, and mobile internet is changing the way India lives. The adoption of mobile internet in India is growing at a break-neck pace. Number of users accessing internet on mobile grew 71% in last one year touching 320 Mn users (As per study by Internet and Mobile Association of India). The pace is such that the projection of end-2017 has already been surpassed. This is being driven by the investments being made by telcos in depth and breadth of network infrastructure, data pricing becoming affordable, as well as the aspirations of young India to access the new age communication, entertainment, products and services. The technology is undergoing change at a fast pace as well. A couple of years ago we saw 3G smartphones overtaking the 2G smartphone sales. This year, 4G smartphone sales in India has overtaken the 3G smartphone sales.

This is literally transforming our society – bridging the digital divide, empowering rural and urban alike and truly democratising an individual's access to information, freedom of thought and speech and access to various services not possible before. This brings before businesses a huge opportunity as well as challenges. The needs of the society are changing and businesses who adapt to these changes will be the winners.

Changing business dynamics

The business potential and value is shifting from hardware to applications. Mobile app downloads increased by 129% in 2015, according to a report by Digital Asia. Be it communications, social networking, travel, entertainment, news, ecommerce, India is witnessing the fastest adoption. The new age startups are driving this change. According to the Economic Survey Report 2015-16, India has approx. 19,000 technology enabled startups led by consumer internet and financial services startups. The total investment in Venture Capital backed companies topped USD 12Bn, most of the funding coming in the last couple of years. We have seen huge growth in adoption of shopping apps, taxi hailing apps, social networking and messaging apps in the recent past.

We believe that the next wave of adoption and growth is expected in the areas of financial technology (fintech), big data analytics and Internet of Things (IOT).

The Fintech Opportunity

Over the last few years, the Government of India has been rolling out a technology enabled infrastructure, which will turn out to be path breaking drivers to financial inclusion for citizens of this country. Some of these projects/initiatives are listed below:

1. Aadhaar – Every citizen can now be identified through an aadhaar number, capturing biometric details also. Linking of mobile number and bank account number with Aadhaar number allow for multiple applications like e-KYC and

Chairman's Statement

Aadhaar enabled payment. 100cr plus citizens have been enrolled into the Aadhaar database.

2. UPI – Unified Payment Interface being rolled out by National Payments Corporation of India (NPCI) will allow cashless and convenient payments going beyond people having credit and debit cards.
3. Bharat Bill Payment System – Being rolled out by NPCI, BBPS will allow seamless and convenient bill payment of various utilities like electricity, gas, telephone, mobile, insurance, etc
4. Aadhaar Enabled Payment System (AEPS) – This allows various banking transactions like cash deposit, withdrawal, balance enquiry etc just like an ATM but without the need of ATM Cards and makes it possible at micro outlets (bank authorised correspondents) substantially increasing the reach of banking services.

The above initiatives of the Government coupled with many other projects like IMPS (Immediate Payment Service), NACH (National Automated Clearing House), E-KYC (Identification of customer without need of paper documents) enable reach and convenience of financial services beyond what has been imagined earlier. This opens up a multitude of opportunities for new age businesses to participate in enabling financial inclusion for India.

Spice Mobility's participation in the new age businesses

We are very focussed on ensuring that your company moves in line with changing market

dynamics and participates in the emerging opportunities. Following are some of the initiatives that your company is taking :

1. Spice Money – Your company plans to roll-out a leading financial services play, leveraging technology to drive financial inclusion. The subsidiary company Spice Digital took initiatives to enter the space of fintech in the previous year. Using a robust technology infrastructure, it has rolled out more than 10,000 touch points where a range of financial services will be enabled. Currently these touch points are enabling people to remit money to bank accounts in a quick, convenient and cost effective manner besides delivering value added services like air and railway tickets, hotel booking, mobile topups and bill payments. I am pleased to inform that the company has secured necessary permissions and licenses like PPI (Pre-paid Payment Instruments), AEPS (Aadhaar Enabled Payment System), BBPS (Bharat Bill Payment System), E-KYC integration and UPI (United Payment Interface) permission to enable it to leverage the upcoming fintech opportunity.
2. Digital Technologies – Through its subsidiary company Spice Digital, the company is focussing on use of digital technology to deliver value added services, building and running mission critical applications for enterprises and partnering with telcos as their digital transformation partners, to leverage the opportunities that have become addressable with the fast changing eco-system.

Chairman's Statement

3. New Tech Retail Experience – After consolidation of retail stores, the focus is on transforming the stores to deliver the experience that the discerning customer wants today.
4. One of the subsidiaries of the Company, Spice Online, recently announced a Joint venture with a large Chinese company 'Beijing Digital Telecom' for investment in online B2B Ecommerce space.
5. We are aggressively researching the areas of Internet of Things (IOT), which we believe will witness the next wave of adoption, like the mobile phones did 5-7 years ago.

We are also looking at tapping geographies like Middle East, Indonesia and Bangladesh with our digital offerings. Indonesia and Bangladesh are emerging markets with India-like demographics and almost following India in the digital revolution.

Corporate Social Responsibility

As an organisation, we believe that giving back to the society is one of our primary responsibilities. Keeping this in mind, at Spice, we have set up the Ek Soch Foundation. The primary objective of Ek Soch is to empower the society by supporting social entrepreneurship. Community based social entrepreneurship, enabled by technology,

can create affordable, scalable solutions addressing local challenges. Ek Soch engages with not-for-profits, academics, non-governmental organizations and entrepreneurs to launch effective and scalable models of development. They are empowering the urban and rural youth with the leadership and skill development necessary to manage their own social enterprises and become the change their community needs. Through the implementation of these programs, effective, scalable and relevant solutions will develop from within the communities, bringing about sustainable social change.

I invite you all to join our exciting journey ahead as we build Spice Mobility into a leading digital technologies company. 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
Executive Chairman

COMPANY INFORMATION

Spice Mobility Limited

BOARD OF DIRECTORS

Mr. Dilip Modi - *Executive Chairman*
 Mr. Hanif Mohamed Dahya
 Ms. Preeti Malhotra
 Mr. Subramanian Murali
 Mr. Suman Ghose Hazra
 Mr. Umang Das

Company Secretary

Mr. M. R. Bothra

Chief Financial Officer

Mr. Madhusudan V.

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. Subramanian Murali – Chairman
 Mr. Suman Ghose Hazra

IV) Corporate Social Responsibility Committee

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

V) Board Finance Committee

Mr. Dilip Modi – Chairman
 Mr. Subramanian Murali
 Mr. Suman Ghose Hazra

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.spicemobility.in

Statutory Auditors

M/s S.R. Batliboi & Co. LLP
 Chartered Accountants
 6th Floor, Worldmark-I,
 IGI Airport Hospitality District
 Aerocity, New Delhi- 110 037

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/Script 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 Executive Chairman

Mr. Dilip Modi was appointed to the Board on 21st August, 2006 as Director and has been Chairman of the Company since 18th February, 2014. He has been appointed as Executive Director w.e.f. 30.11.2015 and designated as Executive Chairman of the Company.

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 & digital technologies space. 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 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.

BOARD OF DIRECTORS

Ms. Preeti Malhotra Non Executive Director

Ms. Preeti Malhotra was appointed to the Board on 24th April, 2010.

Ms. Preeti Malhotra is Partner, E-Vehicles & Executive Director of the Smart Group, a diversified conglomerate with interests in the – Electric Vehicles, mobility, finance, entertainment, education and healthcare sectors. The Group has its footprints across India, China, ASEAN, Middle East, US, UK and Africa.

Ms. Malhotra is an accomplished Global professional in the field of Corporate Governance and her opinion and advisory has industry wide recognition. She was also a Member of the Dr. JI Irani Expert Committee constituted by the Ministry of Corporate Affairs (MCA), Govt. of India to advise the Government on the New Company Law framed. She has the distinction of being the Past President of The Institute of Company Secretaries of India (ICSI) and became the first

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 is a member of the Board of Governors of the Indian Institute of Corporate Affairs and is also the Member of Appellate Authority of MCA. Presently, she is the Chairperson of the Smart Cities India Forum and also Chairperson of National Council of Corporate Governance, CSR & Corporate Affairs of ASSOCHAM.

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 7th 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 31 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 Startups, 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 7th 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.

He was 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 7th 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.

He held the position of Chief Mentor at Viom Networks and has been actively responsible for establishing the company’s international ventures and forays into managed services. He has been a Director of Viom International at both Singapore and Myanmar. He also holds the position of Vice Chairman of TAIPA (Tower & Infrastructure Provider Association), the Industry body formed by all the Digital Infrastructure 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.