

DIGISPICE

ACCELERATING DIGITAL TRANSFORMATION

ANNUAL REPORT 2017-18
Spice Mobility Ltd.



Important Information for Shareholders holding shares in Physical Form

The Securities and Exchange Board of India ("SEBI") vide its Notification No. SEBI/LAD-NRO/IGN/2018/24 dated 8th June, 2018 has amended the Regulation 40 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 whereby it has been mandated that after 180 days from the date of the said Circular, except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository.

In compliance with the aforesaid amendment, any request received on or after 5th December, 2018 for transfer of equity shares of the Company held in physical form will not be proceeded by the Company.

In view of the aforesaid, all the shareholders holding shares in physical form are advised to convert their shareholding from Physical form to Demat form with a Depository Participant of their choice in order to continue the benefit of liquidity of their shareholding.

Please note that as per the aforesaid amendment w.e.f. 5th December, 2018, transfer of equity shares of the Company would be carried out in dematerialized form only.

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Chairman's Statement

Dear Shareholders,

It gives me immense pleasure to connect with you all again. The financial year 2017-18 was the year when we exclusively began our journey towards becoming a Digital Technologies and services company as we exited from our hardware retail business this year.

It was also during the year that we decided to move our Digital services business into the listed Company i.e. Spice Mobility Limited through a Scheme of Arrangement. Going forward, Spice Mobility will house the operating business of Digital solutions and services. We have also rebranded ourselves as "DiGiSPICE" defining ourselves more appropriately as a digital solutions company. Post the on going scheme, we will get ourselves reclassified as a "Technology services" company unlike earlier when we were classified as a Hardware company.

We also as a part of the scheme are setting up our Digital Financial services business, 'Spice Money' as a subsidiary of Spice Mobility. We will, therefore, have 2 main operating businesses now at Spice Mobility: DiGiSPICE, a digital technology services play and Spice Money, a digital financial services play.

DiGiSPICE:

In our digital services business, we are mainly focussed on building digital solutions for 3 main customer verticals: 1) Telecom, Media and Technology, 2) Banking, Financial services and Insurance and 3) Government. Our goal is to ensure that we help entities within each of these customer groups in their "Digital Transformation" journey. Our initial focus has been on markets within Asia and Africa mainly due to our telco legacy. This year we also opened up our office in Dubai to focus on the Middle East market which has charted out a very aggressive digital journey for themselves.

Driven by the accelerated growth in adoption of smartphones and mobile data globally and more so

in the emerging markets, the enterprises are waking up to the potential of re-defining engagement models with their customers and using data as a key enabler for their businesses. As per IDC, the global digital transformation spends are projected to be USD 1.3 Trillion in 2018, an increase of 16.8% over the previous year. Further, they have forecasted a CAGR of 17.9% in global digital transformation spends during 2017 to 2021.

In this financial year, we have built new digital solutions for our telco customers particularly in the area of mobile apps. We work closely with our customers on a managed services model helping them to grow revenues. The platforms that we have deployed at telcos across markets now serve over 311 mn customers on a monthly basis.

We have also focussed during the year on building new capabilities particularly in the Digital payments space. We are seeing a significant drive towards Digital money across markets and we are well placed to enable enterprises to build digital payment solutions for their customers. By the close of the financial year, we were able to deploy our "ProDigi" financial services platform for a leading fintech player in SE Asia based out of Indonesia. This is an anchor partnership that we have in the region that we expect to grow in this current financial year.

Governments across the region are looking to leverage digital technologies to serve their citizens better. We are proud to be partnering with a government in the region in building an ambitious G2C digital engagement platform at scale. We at Digispice are positioning ourselves to be a global key enabler in furthering governments' agenda to engage with citizens digitally.

Our start-up culture brings to our customers a sand boxing approach with the right risk-value proposition that enables them to experiment, conduct quick POCs and arrive at the right solution. Given our DNA

Chairman's Statement

of working on revenue sharing arrangements with our telecom customers – more as partners than vendors, we bring a differentiated proposition to the table, also enabling us to build deep domain expertise in the areas that we build solutions in.

Going forward, we are looking to invest in strengthening our capabilities in the areas of customer experience engineering, analytics and automation.

Spice Money:

At Spice Money, we are committed to our journey of financially empowering a billion users. Our focus is to leverage mobile tech to enable “banking services at the doorstep” of every citizen of our country.

We made significant progress at Spice Money in the financial year 2017-18. Our Gross Transaction Value (GTV) grew by 83% on the back of growth in our Customer Service Point (CSP) network which reached 70,000 by end of the year. During the year, 8.2 Mn customers availed Spice Money services growing 82% from 4.4 Mn last year.

We now have a Pan-India presence across most districts of India. We are building deep presence within the semi-urban and rural consumer markets. These are the markets where the last mile banking infrastructure is significantly missing and we at Spice Money are committed to bridging this gap using mobile tech.

Banking Infrastructure

Per Million Population	Metro and Urban India	Semi Urban and Rural India	India average	China	USA
Bank Branches	139	49	77	163	348
ATMs	305	110	171	669	1344

Going forward, at Spice Money, we are looking to invest in technology, data science and product development to achieve our objectives of financial inclusion.

Moving ahead

We are very excited by the two spaces of Digital Technology services and Digital financial services and see significant headroom of growth in both these spaces across markets. Our strategic focus in these areas should start translating into building sustainable value for all stakeholders in the next few years.

Corporate Social Responsibility

I would like to update you on some of the key outcomes that we have been able to drive under our social entrepreneurship platform, Ek Soch which is operating in 6 key districts in Eastern UP. During the year, we engaged with 500+ youth who worked on 1000+ self led initiatives towards building solutions to community problems. We provided mentorship and basic training to 100+ MSMEs in the region. We also worked with our partners to enable 300 farmers across 21 villages to drive better farm productivity. In addition, our partner programmes in the space of education have engaged with close to 2,00,000 students as well as trained about 3,000 teachers. Going forward our focus will continue to be to work on programs around youth engagement, micro enterprise productivity and growth, rural productivity and growth, women empowerment and livelihood and education.

I would like to thank the entire Spice employee family for their hard work and dedication over the last one year, all our partners for their strong commitment and support and most importantly to you, our shareholders, for your trust in all our endeavours. I thank you for your continued patronage and assure you of our commitment towards building long term value for all our stakeholders.

With Best Wishes,

Dilip Modi
Executive Chairman

COMPANY INFORMATION

Spice Mobility Limited

BOARD OF DIRECTORS

Mr. Dilip Modi – *Executive Chairman*
Mr. Hanif Mohamed Dahya
Mr. Subramanian Murali
Mr. Suman Ghose Hazra
Mr. Umang Das
Mr. Shrenik M Khasgiwala

Company Secretary

Mr. M. R. Bothra

Chief Financial Officer

Mr. Madhusudan V.

KEY COMMITTEES OF THE BOARD

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

CIN: L72900DLI1986PLC330369

Registered Office

622, 6th Floor, DLF Tower A, Jasola Distt. Centre,
New Delhi - 110025
Phone: 011-41251965
E-mail : complianceofficer@smobility.in
Website : www.spicemobility.in

Corporate Office

Spice Global Knowledge Park, 19A & 19B, Sector 125,
Noida, District Gautam Budh Nagar, U.P.-201301
Phone :0120-3355131

Statutory Auditors

M/s. Singhi & Co.
Chartered Accountants
Unit No. 1704, 17th Floor, Tower B
World Trade Tower, DND Flyway
C-01, Sector – 16, Noida – 201301

Internal Auditors

M/s. GSA & Associates
Chartered Accountants
16, DDA Flats, Ground Floor
Panchsheel Shivalik Crossing,
Near C Block Shivalik, New Delhi – 110017

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 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 digital technologies, fintech and mobility spaces exemplify this vision by furthering the digital and financial inclusion goals.

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 Executive Chairman of Spice Mobility, Mr. Modi leads the Group's businesses spread across Asia and Africa in the mobility & digital technologies space.

Mr. Dilip Modi has 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.

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 as an Independent Director.

Mr. Hanif Mohamed Dahya, Wally, serves as the Chief Executive Officer of The Y Company, LLC. Mr. Dahya is an Investment Banker with 16 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 (now known as Spice Digital Limited) and S i2i Limited, Singapore.

Mr. Dahya is currently a Director of New York Community Ban Corp. Inc. and New York Commercial Bank. He also 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

Mr. Shrenik M Khasgiwala

Non Executive Non Independent Director

Mr. Shrenik M Khasgiwala was appointed to the Board w.e.f. 17th May, 2018 as an Non Executive Non Independent Director.

Mr. Shrenik is Founder of Laniäkéa Holdings, a private multi-family office, which overseas proprietary capital and partners with Ultra High Networth families and high potential entrepreneurs for creating new wealth, preserving wealth across generations, unlocking value in current businesses, setting up new businesses, stewarding family investments and coaching new generation entrepreneurs within the family.

Mr. Shrenik has more than 23 years of experience covering investing (Brand Capital), scaling businesses (Enam), advising (A.T. Kearney) and auditing (BDO Lodha) businesses and entrepreneurs across a wide range of industries.

Mr. Shrenik was the youngest Business Director at Bennett Coleman and Company. He leads investments at Brand Capital into new-age consumer focused verticals, including

healthcare, education, financial services, logistics, consumer durables, FMCG, technology, retail, entertainment, travel and apparel.

As Executive Director at ENAM Securities, Mr. Shrenik led investment banking relationships and assignments in industries such as Construction, Sugar, Refractories, Media, Technology, Aviation and Ship building. At ENAM, Shrenik was the owner of the firm's Tata Group relationship and also set up ENAM's first international office.

He has led management consulting assignments in Energy, Petrochemicals, Agro chemicals, Software, Media and BFSI working with A.T. Kearney. He has also led audit and advisory work at BDO Lodha & Co. across several industries.

Mr. Shrenik is a commerce graduate from Sydenham College, a Chartered Accountant and holds a PGDM from IIM Bangalore. He was a visiting graduate at the University of Washington Business School in Seattle. He also holds a Certificate in Investment Management from the Securities and Investment Institute, UK.

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 33 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 Executive Director-Finance of Spice Connect Group. He has been associated with the group for 10 years and is actively involved in Shareholders value creation, Business planning, Corporate Finance, Capital allocation, Treasury management, Management review and overall productivity of all resources within the Spice Connect 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 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.

Mr. Das has over 48 years of diversified experience. He holds various prestigious positions in the industry viz. Chairman of the Broadband India Forum (Policy & Regulatory), Chairman of the National Council of Digital Society of ASSOCHAM, Co-Chairman of Committee on Telecom and Broadband of CII. He is also an active member of the Managing Committees of CII and FICCI advising on Telecom matters and is the Vice Chairman of the Tower and Infra Providers Association of India (TAIPA).

Socially, he is extremely well networked and involved in several CSR related initiatives and also Director of Skill Building in Rotary International District 3011 and a Member of Telecom Sector Skill Building Council.

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.

Prior to this, from 1987 onwards he pioneered the Telecom Business in India in the Private Sector by establishing the Telecom business of Crompton Greaves and subsequently he took over as the Managing Director of Spice Telecom and thereafter as Group President of Spice Global Businesses.

Presently, he holds the position of Special Advisor at American Tower Co (Formerly called Viom Networks) and is actively responsible for establishing Shared Telecom Infra Business End to End.

Mr. Umang Das is a veteran and amongst the pioneers of the telecom industry in India.

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

BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Thirtieth Annual Report together with the Audited Financial Statements for the financial year ended on 31st March, 2018.

FINANCIAL RESULTS

The consolidated and standalone financial performance of the Company for the financial year ended 31st March, 2018 is summarized below:—

(Amount In Rs. Lakhs)

PARTICULARS	For the Financial Year ended 31.03.2018		For the Financial Year ended 31.03.2017	
	Consolidated	Standalone	Consolidated	Standalone
Total revenue from continuing operations	29373.98	778.50	28840.25	17089.96
Earnings before finance costs, tax, depreciation & amortization and exceptional items from continuing operation	1887.55	(667.77)	4549.99	406.40
Share of (profit)/loss of associates and a joint venture	78.60	-	45.20	-
Depreciation and amortization expense	1697.16	494.32	2020.01	696.75
Finance costs	205.37	12.63	27.37	19.46
Exceptional items	6746.23	(807.89)	812.09	8453.93
Profit/(Loss) before tax from continuing operations	(6839.81)	(366.83)	1645.32	(8763.74)
Tax expenses				
Current Income Tax	816.40	-	1320.03	-
MAT Credit Entitlement for the year	-	-	-	-
Income Tax adjustment for earlier years (net)	116.31	-	(61.03)	(13.34)
Deferred tax charge/ (credit)	(126.77)	-	(235.50)	
Profit/(Loss) for the Year from continuing operation	(7645.75)	(366.83)	621.82	(8750.40)
Profit/(Loss) for the Year from discontinued operation	3176.04	-	(4471.77)	-
Total Profit/ (Loss) for the year	(4469.72)	(366.83)	(3849.95)	(8750.40)
Other comprehensive income for the year	131.38	2.87	(642.05)	3.19
Total comprehensive income for the year	(4338.33)	(363.96)	(4492.00)	(8747.21)
Share of Minority in profits / (losses)	(915.00)	-	(483.34)	-
Profit / (Loss) for the year attributable to equity shareholders	(3423.33)	(363.96)	(4008.66)	(8747.21)

PERFORMANCE REVIEW AND STATE OF THE COMPANY AFFAIRS

The Company, through its subsidiaries, is engaged in the following businesses:

- Digital Technology services - offering managed services, Enterprise Messaging, Mobility Software Solutions, etc. with digital services being the central focus. The operations cover various countries including India, Africa, Bangladesh, South East Asia and Latin America. The Company is also working with various enterprises in developing and managing technology platforms connecting and managing their customers.
- Digital financial services (Fintech) under the brand name "Spice Money", providing assisted financials services to the semi urban and rural population of India to drive financial inclusion in the country. Some of the services offered by the Company are domestic Money transfer, Bill payments, Ticketing etc. operating under licenses issued by RBI, UIADI, IRCTC etc.