



S Mobility Limited

**Quarterly Review for the period
ended September 30, 2013**



spice
switch up!

Profitable growth remains key focus area...

Consolidated Results for the quarter ended September 30, 2013



Key Financial Highlights

Particulars (In INR Mn)	Qtr ended Sep 30, 2013	Qtr ended Jun 30, 2013	Qtr ended Sep 30, 2012	12M ended June 30, 2013	15M ended June 30, 2012
Revenue	5,348	4,455	5,439	18,699	27,380
EBIDTA	172	300	119	543	264
- Margin	3.2%	6.7%	2.2%	2.9%	1.0%
Profit bef. Exceptional items & Taxes	118	246	72	315	97
Net Profit	81	109	46	47	-36
- Margin	1.5%	2.4%	0.8%	0.3%	-0.1%
PAT after Minority Interest	81	99	41	55	-97
EPS (INR)	0.34	0.42	0.17	0.23	-0.41

Note:

- Board has recommended an interim dividend of 5% (Rs. 0.15 on each equity share of Rs 3/- each) for the financial year ending June 30, 2014
- The Company has bought back 38,71,784 shares (1.63% of total capital) under the Buy-Back scheme which commenced on July 10, 2013
- Additional depreciation in Sep'13 – two subsidiaries have reassessed the useful life of office equipments from earlier 10 years to 5 years

Key Operational Highlights



HANDSETS

- o Strong volume as well as revenue growth witnessed in Devices segment
- o Gross margin under pressure led by higher USD volatility and lower margins on smart phones during the quarter



MOBILITY RETAIL

- o Revenues stable; while GM under pressure
- o Accelerated depreciation on store fitout; old accessories written off during the quarter
- o *AndroidLand* stores introduced in Oct'13; to positively impact sale of smartphones



MOBILE VAS

- o Domestic revenues on the slowdown
- o Better gross margin due to revenue share vs minimum guarantee in content payout
- o Strong traction witnessed in revenues from international markets and new bets

Balance Sheet Highlights

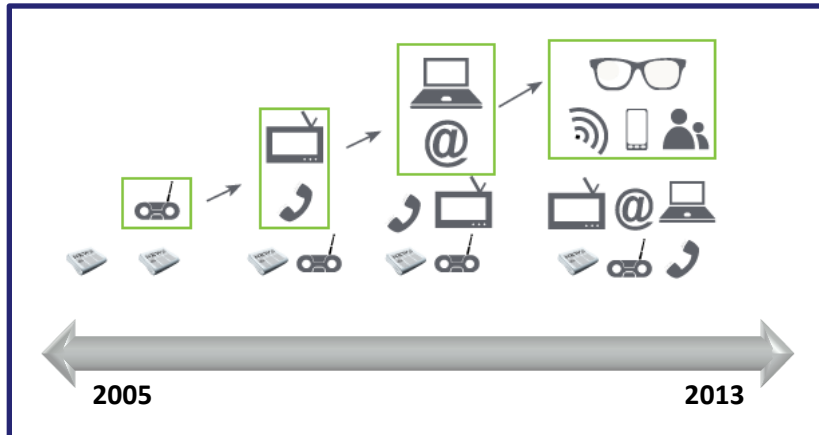
- Net Worth: INR 7,463 Million
- Cash on books: INR 2,539 Million
- Real Estate: INR 1,693 Million (Book Value)
- Trust Shares: INR 1,768 Million (CMP)
- Market Cap: INR 8,772 Million (CMP)
- Debt free

Devices: Sector Overview

Growth to be driven by smart phones and 3G adoption

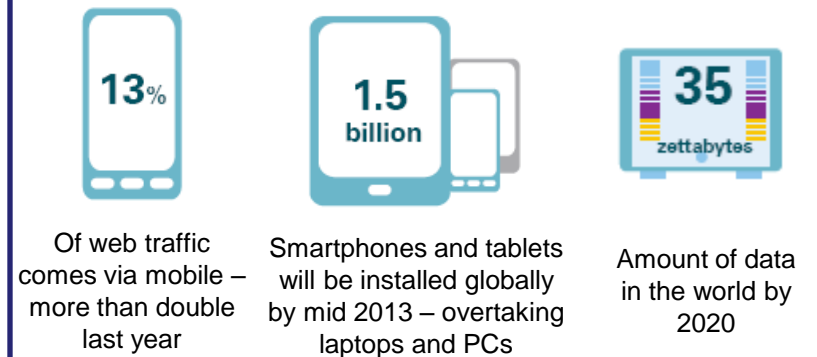


Shift towards Mobiles being a one stop destination for several services...



Source : FICCI Report 2013

Drivers of Convergence



3G SIMs in India

35 Million → **272 Million**



Growth to be driven by

1. Wider network coverage
2. Better affordability of 3G services
3. Increasing affordability of 3G capable devices

3G Data Usage in India

2012: 475 MB/sub/month



2017: 890 MB/sub/month

Source : Analysys Mason

Devices: Product Introductions

Quarter ended September 30, 2013



Mi-492



- 11.43 cm FWVGA screen
- Android 4.2
- 1.2 GHz Dual Core Processor
- 4GB ROM+512MB RAM
- 1730 mAh battery
- Dual SIM (3G+2G)
- 5MP +VGA
- HSPA+

Mi-354



- 8.89 cms Capacitive Touch
- Android 4.2 Jellybean
- 1 GHz Dual Core Processor
- Battery 1400mAh
- Dual SIM (2G + 2G)
- 2 MP + VGA camera
- EDGE Support
- AGPS

Mi-436



- 10.16 cms Capacitive WVGA Screen
- Android 4.2 (JB)
- 1.2 GHz DUAL core Processor
- Battery 1400mAh
- Dual SIM (3G + 2G)
- 5 MP + 1.3 camera
- HSPA Support
- AGPS/GMS
- 4GB ROM +512 MB RAM

Mi-550



- 13.97 cm HD display
- Android 4.2
- 1.2 GHz quad Core Processor
- 8 GB ROM+1GB RAM
- 2500mAh Battery
- Dual SIM
- 16 Million colors
- 8MP Auto focus + 2 MP camera

Mi-491



- 11.43 cm FWVGA Capacitive Touch
- Android 4.1 (Jellybean)
- 1 GHz Dual Core Processor
- Battery 1700mAh
- Dual SIM (3G + 2G)
- 5MP + 2 camera
- 512 + 4GB Flash
- HSPA Support
- GPS/AGPS/GMS

Mi-525



- 12.7 cm FHD display
- 1.5 GHz quad Core Processor
- 8 GB ROM+1GB RAM
- Android 4.2
- 2100mAh Battery
- Dual SIM
- 8MP Auto focus, 2 MP camera
- HSPA+
- GPS/AGPS
- Wi-Fi Tethering

New feature-rich and attractive Android-based smart phones have been introduced at competitive price points

New range of smart phones being well received

Spice-branded Android-based Mi-Series gaining acceptance among users



"Spice Stellar Glamour Mi 436 is equipped with 1400mAh battery which gives up to 3 hours of talk time and quite satisfactory standby time."

"This phone is for first time smart phone buyers who are low on budget but nevertheless wants smart phone features with 3G" – tecmeti.com

"We are impressed to quite an extent by this device. It looks good, comes with what you would expect in a budget dual core, and with 512MB, is much more usable than any other dual core phone with 256MB RAM" – gadgetstouse.com

**Mi-436 Spice
Stellar Glamour**

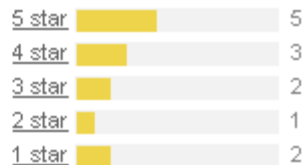
REVIEWS OF SPICE STELLAR GLAMOR MI-436



Flipkart.com

Average Rating
Based on 13 ratings

[Read certified buyer reviews](#)



**Mi-492
Spice Virtuoso Pro +**

"This phone will give you good value for money and will be a good phone for first time users. This phone is intended for general purpose usage like social networking, browsing the web and moderate level gaming.." – gadgetstouse.com

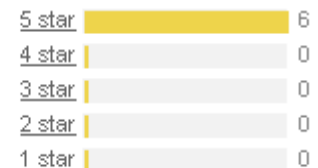
"This device comes with a range of pre loaded applications and offer services that make it very utility and entertainment oriented." – gadgetronica.com

REVIEWS OF SPICE STELLER VIRTUOSO PRO+ MI-492



Flipkart.com

Average Rating
Based on 6 ratings



Devices: Operational Performance

Quarter ended September 30, 2013



Sustained improvement in quarterly performance

- Having achieved a stable bottomline, focus has shifted to higher revenue which was sacrificed earlier
- Spice-branded handset sales volumes up 33% y-o-y and 46% q-o-q with close to 2 million units sold during the quarter ended September 30, 2013
- Average selling price for the quarter at INR 1,436 indicates an increase of 6% over the sequential quarter ended June 2013; mainly led by arrest in the decline of feature phone ASPs
- ASPs of Spice-branded smart phones stood at about INR 5,300 during the quarter under review
- Smart phone volume grew at around 80% q-o-q
- Gross margins under pressure led by higher USD volatility and lower margins on smart phones during the quarter
- Strong growth witnessed in the North & East regions of India
- Encouraging response in Q1-FY14 for Android-based Mi Series; such as Spice Stellar Glamour and Spice Stellar Virtuoso Pro+

S Mobility's Product Portfolio Evolving to cater to a challenging ecosystem



Well established sales channel of 82 RDS, 493 Micro Distributors & 25,923 Retail Outlets → Over 650,000 End Customers/month

Growing smart phone adoption to benefit Retail

To capitalise on the growing opportunity in organised retail



Indian Retail – The next boom in the industry

The Indian retail industry is estimated to be worth around US\$ 500 billion currently - Accounting for around 14-15 per cent of the country's GDP and around 8 per cent of the employment

The Indian retail industry has expanded by 10.6 per cent between 2010 and 2012 and is expected to increase to US\$ 750-850 billion by 2015 - Organized retail segment is expanding at 20% a year

Mobility Retail – Challenges remain

The mobile phone retail industry in India is a US\$ 16.7 billion segment; growing at over 20% per year in value terms . However, challenges remain on the margin front

For organised retailing, the cost structure is higher due to corporate structure as compared to standalone shops. The commissions barely cover the enhanced cost base

S Mobility – New Initiative

The company, in collaboration with Google has recently launched *AndroidLand* stores, exclusively focused on Android devices

Re-positioning in Spice Retail Focus on premium product stores

Spice Hotspot Stores

Spice Version 2 stores

Higher ASPs

Focus on Feature & Smart Phones

Basic accessories

Live Demos and MI apps

Mobile internet products

Customer Experience

Targeting ASPs of >INR 10,000



26 Version 2 Stores
as of September'13



AndroidLand Stores: In collaboration with Google

2 stores launched in October 2013 – One in Noida and other in Bangalore



A dedicated destination for customers to experience Android technology and learn about what they can do with mobile internet

Retail: Operational Performance

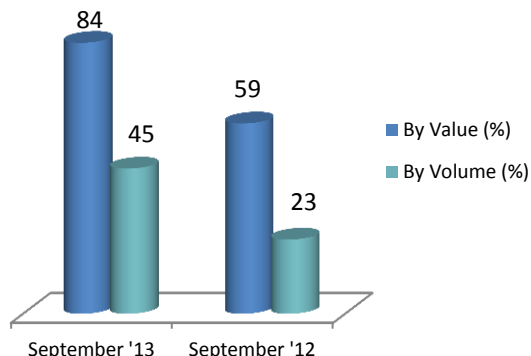
Quarter ended September 2013



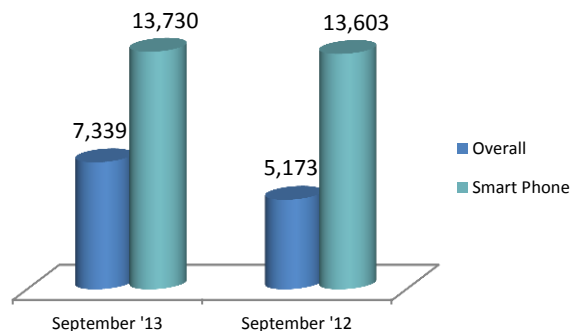
Revenues stable; focus on Android-based smart phones continues...

- Retail ASP during the quarter stood at INR 7,339 up 42% y-o-y, indicating our increasing thrust towards sale of smart phones
- Smart phone ASPs in retail stores stood at INR 13,730 for the quarter ended September 2013, up 1% y-o-y
- Share of S-branded handsets in retail sales improved over that in June 2013; and stood at 22% by volume & 9% by value
- Accelerated depreciation on store fitout; old accessories written off in Sep'13
- AndroidLand stores introduced in Oct'13; to positively impact sale of smartphones

Share of Smart phone sales (%)



Retail ASP trend (INR)



378 Spice Hotspots are in our Top 10 Cities in India



Spice Hotspots are geared to focus on sale of 3G handsets, laptops, tablets...



Among the largest organised mobility retail player, with 655 retail outlets spread across 80 cities; 226 stores in major Metros

VAS: Sector Overview

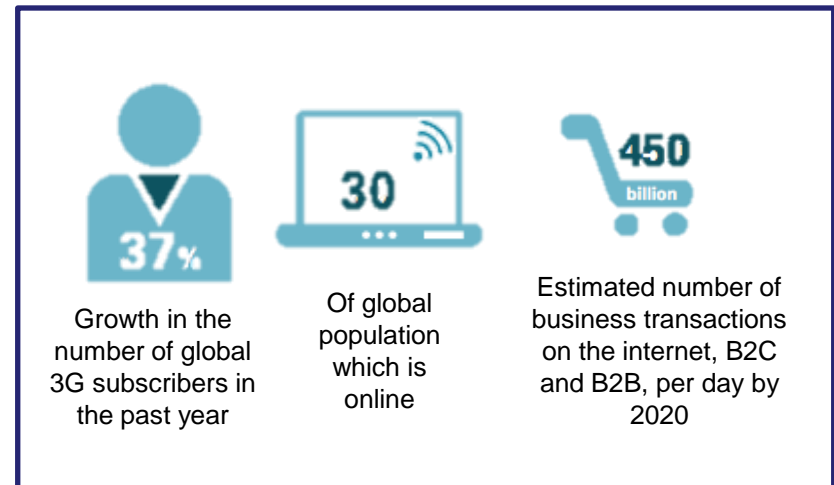
Usage to increase led by affordable devices & increasing awareness



Increasing influence of Digital Channels

- The number of apps downloaded globally has nearly doubled to 45 billion in 2012 from 25 billion in 2011, and is expected to rise to 300 billion by 2016
- Leading global retailers are spending between 20-25 percent of their advertising budget on social media channels
- Mobile technologies can be used to cut the cost of a financial transaction by up to 80 percent via VAS
- Nearly 90 percent of top global banks use social networking to achieve customer engagement via Value Added Services

Drivers of Convergence

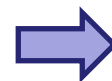


Source: FICCI Report 2013

Market Scenario: Value Added Services

- Domestic VAS has been under severe stress due to regulatory measures
- All VAS companies under similar strain
- Need to diversify geographically and services offerings-wise to compensate for domestic revenue drop

S Mobility's strategy to face challenging conditions?



VAS: Operational Performance

Quarter ended September 2013



Growing revenues from International markets and new initiatives...

- VAS revenues declined by 13% q-o-q and 12% y-o-y in the quarter under review, mainly owing to de-growth in domestic VAS revenues coupled with reduced focus on revenues having negligible gross margins
- International revenues stood at 45% of total revenues in Q1-FY14
- Growing international footprint – Operations now spread across 25 countries
- **Revenues from New Products stood at 70% of total revenues in the quarter ended September 30, 2013 vs. 31% in the quarter ended September 30, 2012**
- New products launched in Q1-FY14 such as SMS Search in domestic & international markets, IRCTC ticketing on SMS, Soccer Radio in international markets
- Gross and EBITDA margins improved to 56.1% and 15.9% respectively for Sep'13 quarter, vs. 53.6% and 11.3% respectively during the corresponding quarter last year
- Gross margin improvement led by revenue share agreements instead of minimum guarantee commitments with content partners, resulting in improved profitability

Recent Introductions

- SMS Search
- IRCTC ticketing on SMS
- Soccer Radio
- Spice Cloud
- Spice Safar

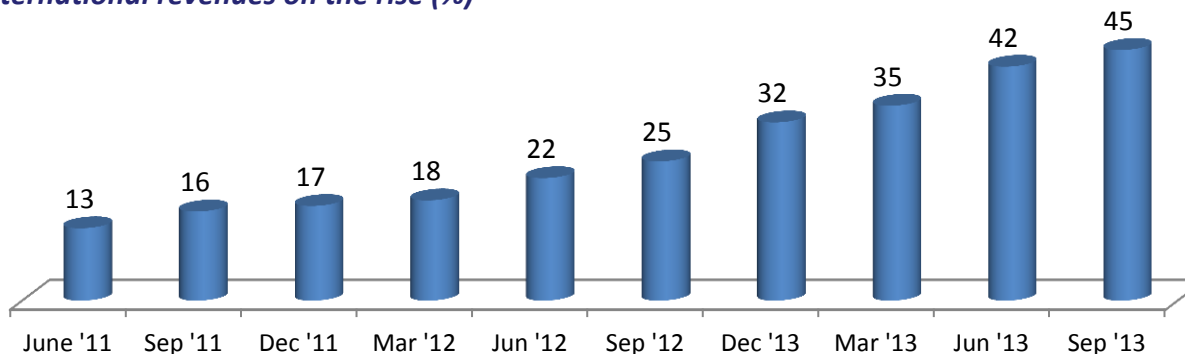


Key Growth Areas

- International Business
- Content Monetization on CRBT
- Mobile VAS Retail
- Enterprise Mobility Solutions
- Travel



International revenues on the rise (%)



Over 50% revenues are expected from the international front, from the current fiscal...

Spice Cloud

One of the 'Firsts' in the Industry



Spice Cloud

Spice Cloud is the next paradigm for users to access, share and organize their content and devices. By using the Content Hub a user can view all his content (photos in phone, videos in tablet, documents in laptop etc) across devices or using the Device Hub the user can view and manage all his devices in a single console. Here for e.g., a user can locate his device, lock / wipe, access call logs, get SIM change alerts etc.

“Mobile phone manufacturer Spice has launched a new cloud service dubbed Spice Cloud for its smartphones and tablets. Spice Cloud lets you store your files on the cloud, schedule backups, and is also said to include anti-theft features to protect your data. Similar to Samsung's mobile tracker and remote locking service, Spice Cloud also has a feature that will let you locate your Spice mobile phone through the website.”

- tech2.in.com

New Offerings in VAS

To facilitate secure and personal backup over cloud networks

S Mobility Limited

A brief background



- **S Mobility Limited** is a part of Spice Global, a multi-faceted group with an extensive telecom eco-system in India
- Initially established in 2004, the Company is amongst the top 3 mobile brands nationally
- S Mobility is the flagship of the Spice Global business offering a combined and unique experience of devices, digital lifestyle, retail, mobile VAS and Apps to its customers across geographies
- S Mobility is the proud winner of the Golden Peacock Award for innovative product / service for the year 2007 and for 2010
- Debuted with dual SIM handsets targeting entry, mid and premium segments as the brand grows rapidly with its expansive bouquet of offerings
- S Mobility added more firsts to its credit by announcing the Global premier of the World's first 'Movie Phone' and peoples' phone at the World Mobile Congress, Barcelona in February 2008
- Riding on the success of its venture, S Mobility Ltd. has strengthened its footprint, built a strong value proposition with the customers and established itself as a competitive brand amongst the host of International players
- The Company aims at achieving higher brand acceptability among all target segments by manufacturing cutting-edge handsets that combine mobile phone functionality with enriched content and smart device capabilities for greater high-speed voice and data capacity



Annexure

Results for the quarter ended September 30, 2013

S MOBILITY LIMITED
 Regd. Office : 19A & 19B, Sector - 125, Noida 201301, District Gautam Budh Nagar , Uttar Pradesh

Unaudited Consolidated Financial Results for the quarter ended September 30, 2013

(Rs. In Lacs)

PART I STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2013					
Sl.No.	Particulars	Consolidated			
		3 months ended			12 months ended
		30.09.2013	30.6.2013	30.09.2012	30.6.2013
		(Unaudited)	(Audited) (refer note 10)	(Unaudited)	(Audited)
1	a. Net Sales/Income from operation	53,402	44,540	54,342	186,895
	b. Other Operating Income	76	11	43	99
	Total	53,478	44,551	54,385	186,994
2	Expenditure:				
	a. (Increase) / Decrease in stock in trade	(5,309)	(2,009)	2,553	2,670
	b. Purchase of Finished/Traded Goods	45,765	34,409	39,440	136,924
	c. Consumption of Raw Materials and components	-	-	2	2
	d.Connectivity and Content Cost	1,826	2,080	2,356	8,945
	e. Staff Cost	2,819	3,252	2,974	11,970
	f. Depreciation/Amortisation	879	865	873	3,625
	g. Branding Expenses	1,699	1,142	976	4,126
	h. Other expenditure	4,955	2,675	4,891	16,932
	Total expenditure	52,633	42,414	54,065	185,194
3	Profit from Operations before other income, finance cost, exceptional items and taxes (1-2)	845	2,137	320	1,800
4	Other Income	377	322	403	1,455
5	Profit before finance cost, exceptional items and taxes (3+4)	1,222	2,459	723	3,255
6	Finance Cost	46	4	7	103
7	Profit before exceptional items and taxes (5-6)	1,176	2,455	716	3,152
8	Exceptional Items				
	- Provision against claims / expected claims for earlier periods	-	910	(227)	(227)
	- Impairment of Goodwill of a subsidiary company	-	(1,045)	-	(1,045)
	- Additional Depreciation due to change of useful life (Refer Note no. 4 below)	(264)		-	-
9	Profit from ordinary activities before taxes (7+8)	912	2,320	489	1,880
10	Provision for Taxation	101	1,230	34	1,410
11	Net Profit for the period (9-10)	811	1,090	455	470
12	Minority Interest	(2)	99	49	(78)
13	Net Profit/(Loss) after Minority Interest (11-12)	813	991	406	548
14	Paid up Equity Share Capital (Face value of Rs.3/- each)	7,027	7,143	7,143	7,143
15	Reserves excluding revaluation reserves				67,556
16	Basic and Diluted Earnings Per Share (in Rs.) (Not Annualised)	0.34	0.42	0.17	0.23
PART II SELECT INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2013					
A.	PARTICULARS OF SHAREHOLDING				
1	Public Shareholding				
	- No. of Shares	64,772,131	68,638,715	68,660,069	68,638,715
	- Percentage of Shareholding	27.65%	28.83%	28.84%	28.83%
2	Promoters & promoter group shareholding				
	a) Pledged / Encumbered				
	- Number of shares	-	-	-	-
	- Percentage of shares (as a % of the total shareholding of promoters & promoter group)	-	-	-	-
	- Percentage of shares (as a % of the total share capital of the Company)	-	-	-	-
	b) Non-encumbered				
	- Number of shares	169,447,570	169,447,570	169,426,216	169,447,570
	- Percentage of shares (as a % of the total shareholding of promoters and promoter group)	100%	100%	100%	100%
	- Percentage of shares (as a % of the total share capital of the Company)	72.35%	71.17%	71.16%	71.17%
B.	INVESTOR COMPLAINTS				
	Pending at the beginning of the quarter	Nil			
	Received during the quarter	2			
	Disposed off during the quarter	2			
	Remaining unresolved at the end of the quarter	Nil			

SEGMENTWISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT
(Rs. In Lacs)

Sl.No.	Particulars	Consolidated			
		3 months ended			12 months ended
		30.09.2013 (Unaudited)	30.6.2013 (Audited) (refer note 10)	30.09.2012 (Unaudited)	30.6.2013 (Audited)
1	Segment Revenue (Net):				
a	Mobile Devices	48,305	38,292	48,335	163,119
b	Services	5,348	6,390	6,050	24,019
	Total	53,653	44,682	54,385	187,138
	Less : Inter-Segment Revenue	175	131	-	144
	Total Revenue	53,478	44,551	54,385	186,994
2	Segment Results -Profit/(Loss) before tax and Interest:				
a	Mobile Devices	683	930	(115)	(44)
b	Services	551	928	64	(11)
	Less: Finance cost	(46)	(4)	(7)	(103)
	Add : Other unallocable income net of unallocable expense	(276)	466	547	2,038
	Total Profit Before Tax	912	2,320	489	1,880
3	Capital Employed (Segment Assets- Segment Liabilities):				
a	Mobile Devices	20,633	32,790	36,756	32,790
b	Services	15,881	16,129	18,599	16,129
	Unallocated Capital Employed	38,119	25,780	23,577	25,780
	Total	74,633	74,699	78,932	74,699

Notes :

- The above results were reviewed by the Audit Committee and were approved and taken on record by the Board of Directors in their respective meetings held on November 1, 2013 and have undergone limited review by the Statutory Auditors of the Company.
- The Consolidated Financial results for the quarter ended on September 30, 2013 represents consolidated results of the Company and its subsidiaries.
- The Mobile Handset business of the Company has been sold/transferred to Spice Retail Limited (SRL), a Wholly Owned Subsidiary of the Company, as a going concern w.e.f. 1st July, 2013 by way of slump sale.
- During the quarter ended September 30, 2013, two subsidiaries have reassessed the useful life of office equipments from 10 years earlier to 5 years. Due to this change depreciation for the current quarter is higher by Rs 264 lacs, which has been shown under exceptional items in the results.
- During the quarter, the Company has bought back 38,71,784 Equity shares of face value of Rs. 3/- each under the Buy Back offer of the Company which commenced on 10th July, 2013 and out of them 38,66,584 Equity shares have been extinguished till 30th September, 2013 and the issued and paid-up share capital of the Company as on that date has reduced accordingly.
- The Board of Directors of the Company has declared an interim dividend of 5% (i.e. Rs. 0.15/- per Equity share of face value of Rs. 3/- each) on the paid-up Capital of the Company as on the date of Board Meeting for the financial year ending June 30, 2014. Independent Non Promoter Trust which holds 35,301,215 equity shares of the Company has waived off its right to receive dividend on the shares held by them. Accordingly, no interim dividend has been declared on these shares. The Interim Dividend will be paid/dispatched on or before November 22, 2013 to the equity shareholders of the Company whose names appear in the Register of Members of the Company or in the records of the Depositories as beneficial owners of the said shares as on November 11, 2013 being the Record Date fixed for the purpose.
- Provision for income tax is inclusive of/ net of deferred tax charge/ credit and tax adjustments for earlier years.

8 Key Standalone Financial Information is given below:
(Rs. In Lacs)

Particulars	3 months ended			12 months ended
	30.09.2013	30.6.2013	30.09.2012	30.6.2013
	(Unaudited)	(Audited) (refer note 10)	(Unaudited)	(Audited)
Net Sales / Income from Operations	-	17,937	19,647	71,304
Profit/(Loss) before tax	(382)	1,312	852	7,037
Net Profit/(Loss) after tax	(282)	532	852	6,257

- The standalone financials results have been filed with The BSE Limited and National Stock Exchange of India Limited where the equity shares of the Company are listed and are also available at the Company's website www.spice-mobile.com.
- Previous period's figures have been regrouped and/or recast wherever considered necessary to conform to the current period presentation. The figures of the quarter ended June 30, 2013 are the balancing figures between audited figures in respect of the full financial year upto June 30, 2013 and the unaudited published year to date figures upto March 31, 2013 being the date of end of the third quarter of that financial year which was subjected to limited review.

By order of the Board
S Mobility Limited

Dated : November 1, 2013
Place : New Delhi

Preeti Malhotra
Director

For further information please contact:

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Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Spice Mobility will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.