



S Mobility Limited

**Quarterly Review for the period
ended December 31, 2013**



spice

switch up!

Profitable growth remains key focus area...

Consolidated Results for the quarter ended December 31, 2013



Key Financial Highlights

Particulars (In INR Mn)	Qtr ended Dec 31, 2013	Qtr ended Sep 30, 2013	Qtr ended Dec 31, 2012	6M ended Dec 31, 2013	6M ended Dec 31, 2012
Revenue	5,682	5,348	4,904	11,029	10,343
EBIDTA	98	172	54	271	173
- Margin	1.7%	3.2%	1.1%	2.5%	1.7%
Profit bef. Exceptional items & Taxes	50	118	5	168	76
Net Profit	11	81	-138	92	-93
- Margin	0.2%	1.5%	-2.8%	0.8%	-0.9%
PAT after Minority Interest	10	81	-106	92	-66
EPS (INR) <i>Not Annualised</i>	0.04	0.34	-0.44	0.39	-0.28

Note:

- During the quarter, the company bought back 63,48,619 shares under the Buy-Back scheme which commenced on July 10, 2013
- Additional depreciation in 6M-Dec'13 – two subsidiaries have reassessed the useful life of office equipments from earlier 10 years to 5 years; effect reflected in exceptional items. Reversal of revenue pertaining to earlier periods of INR 27.6 mn also shown in exceptional items in Dec'13

Key Operational Highlights



HANDSETS

- Segment maintained strong volume and revenue growth
- Thrust on smartphones continues – 'Mettle' Series of smartphones launched during the quarter well received by consumers



MOBILITY RETAIL

- Revenues stable; while GM under pressure
- Accelerated depreciation on store fitouts impacted profitability during the quarter
- *AndroidLand* stores introduced in Oct'13; to yield positive returns in smartphones



MOBILE VAS

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

Balance Sheet Highlights

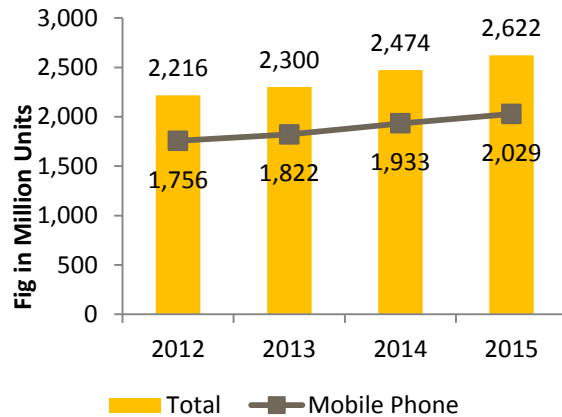
- Net Worth: INR 7,183 Million
- Cash on books: INR 1,694 Million
- Real Estate: INR 1,693 Million (Book Value)
- Trust Shares: INR 1,490 Million (CMP)
- Market Cap: INR 7,190 Million (CMP)
- Debt free

Devices: Sector Overview

Growth to be driven by smart phones and 3G adoption



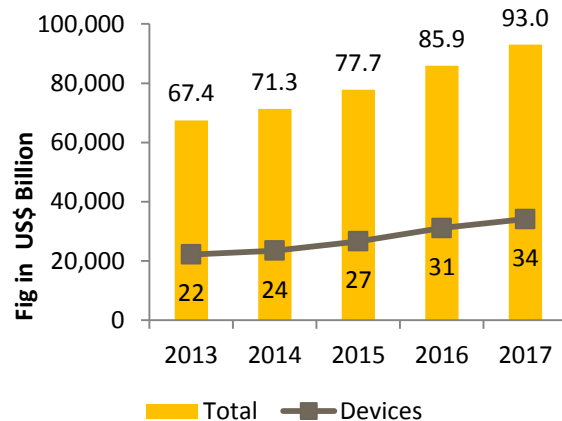
Worldwide Device Shipments by Segment



Source: Gartner (December 2013)

Mobile phone to drive the overall surge in worldwide devices shipments

IT End-User Spending Forecast, India



Devices comprises mobile phones, PCs, tablets and printers

Source: Gartner (October 2013)

Devices to lead the overall IT End User spending; Mobile phone to constitute 76% of total devices revenue in 2017

Growth Levers

- Affordable 3G handsets
- Expansion of 3G network
- Rollout of 4G networks



India to become 3rd largest smartphone market by 2017: IDC

Particulars	2013	2017 (Est.)
Unit Shipments (In Mn)	27.8	155.6
Market Share	3.08%	10.3%
Ranking (Global Market)	6	3

Home grown brands to drive India's smartphone market

- Broad-based Product Portfolio
- Presence across multiple price point
- Innovative product range
- Amongst the first to meet surge in demand emerging from rising migration of the user base from feature phones to smartphones

Devices: *Spice-branded* smart phone launches

Quarter ended December 31, 2013



₹ 8K – 10K

- GPS/AGPS
- Wi-Fi Tethering
- Expandable Memory up to 32 GB
- Proximity, Gyro sensor, Magnetic Sensor, Ambient Light Sensor, G-sensor
- Bluetooth 4.0
- Dual LED Flash
- 9.5mm slim

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
- HSPA+

Mi-504



- 12.7 cm FWVGA Capacitive Touch
- Jellybean 4.2
- 1.3 GHz Dual Core Processor
- Battery 1800mAh
- Dual SIM (2G + 2G)
- 8MP + 1.3 camera
- 4GB ROM +512 MB RAM

- GPS/AGPS
- Wi-Fi & EDGE
- Expandable Memory up to 32 GB
- Bluetooth
- FM Radio
- G-Sensor
- 3.5mm jack
- LED Flash

₹ 6K – 8K

Price Range

- 10.1 cm WVGA Capacitive Touch
- Jellybean 4.2
- 1.3 GHz Dual Core Processor
- Battery 1300mAh
- Dual SIM (2G + 2G)
- 3.2MP + 1.3MP camera
- AGPS/GSM

Mi-426



- 512MB ROM +256 MB RAM
- Wi-Fi & EDGE
- Expandable Memory up to 32 GB
- Bluetooth
- FM Radio
- G-Sensor
- 3.5mm jack
- LED Flash

Mi-504 Launched with BBM App
S Mobility signed an agreement with Blackberry for BBM integration on Spice Devices during the quarter



₹ 4K – 6K

- 8.89 cms Capacitive Touch
- Android 2.3 Ginger bread
- 1 GHz single Core Processor
- Battery 1200mAh

Mi-349



- Dual SIM (2G + 2G)
- VGA + VGA camera
- EDGE Support
- AGPS

- 8.89 cms Capacitive Touch
- 1 GHz Dual Core Processor
- Android Ver 4.2HVGA Screen
- Battery 1200mAh
- Dual SIM (2G + 2G)
- 512MB+256 MB
- 2MP+ 1.3MP camera

Mi-356



- Wi-Fi/ EDGE Support
- AGPS/GMS
- FM Radio
- Media Player
- Expandable Memory up to 32 GB
- Bluetooth
- LED Flash

₹ 3K – 4K

New range of smart phones being well received

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



Mi-550

**Spice Pinnacle
Stylus**

"Spice Pinnacle Stylus Mi 550 comes at decent affordable price which makes it one of the most affordable phablet device with premium looks and nice build quality.

Overall hardware specs of this device makes it a pretty good value for money –and better after sales support with this phone compared to other affordable smartphone Indian mobile phone brands" - gadgetstouse.com



Mi-525

Spice Coolpad

"This is as pocket-friendly as they come. It's a sleek device, light (160 gm) and feels good in your hand despite having a large (5 inch) screen.

The phone which comes with Jelly Bean 4.1 OS, is smooth and easy to navigate. It also comes with security apps such as NQ. Not to mention the fact that all this comes for less than Rs. 10,000 "

– Hindustan Times – HT Café



**Spice Smart Flo
Mettle 5X**

"Spice Smart Flo Mettle 5X being a budget phone has a pretty good build quality. The phone feels solid and much better in build quality than any other phone" – gadgetstouse.com



Mi-535

**Spice Stellar
Pinnacle Pro**

"Most impressive thing was the 5.3-inch qHD IPS touchscreen that looks and feels pretty smooth.

It has packed up many amazing features like a powerful processor, a very big screen and a good camera in a price that won't be very heavy on your pocket "
– thetechhub.in

Devices: Operational Performance

Quarter ended December 31, 2013



Sustained improvement in quarterly performance

- Improved realizations and better off-take across products resulted in revenue expansion
- With over 2 million units sold during the quarter, Spice-branded handset sales continued to maintain momentum with a 37% growth y-o-y basis and over 3% expansion sequentially
- Average selling price for the quarter at INR 1,533 indicates an increase of 7% on a sequential basis; mainly led by firming up of feature phone ASPs
- ASPs of Spice-branded smart phones stood at about INR 3,934 during the quarter under review
- Smart phone (volume) expanded at around 53% sequentially
- While sales from North India continue to dominate, strong growth witnessed from the East & West regions of India
- Innovative products across multiple price points to aid growth
- Company is proactively working towards improving the gross margins in the devices segment

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



Well established sales channel of 88 RDS, 596 Micro Distributors & 33,375 Retail Outlets → Over 700,000 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 market is expected to touch US\$ 1.3 trillion by 2020 from its existing levels of around US\$ 500 billion, according to Mr K V Thomas (Independent Charge of Union Ministry of Consumer Affairs, Food & Public Distribution)

Organised retail, which comprised a meagre 7% of overall retail market in 2011-12 is estimated to grow at a CAGR of 24% to constitute 10.2 % of total retail by 2016-17

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



**28 Version 2 Stores
as of December'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 December 2013



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

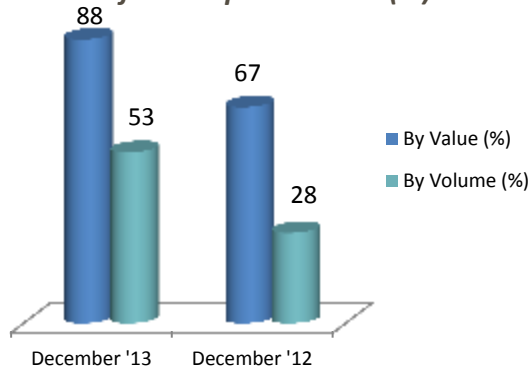
- Retail ASP during the quarter stood at INR 7,921 up 36% y-o-y, indicative of our diversified product mix – dominated by sales of smart phones
- Smart phone ASPs in retail stores stood at INR 13,012 for the quarter ended December 2013
- Share of S-branded handsets in retail sales improved over that in December 2012; and stood at 19% by volume & 7% by value
- Accelerated depreciation on store fitout; old accessories written off in the six months ended Dec'13
- AndroidLand stores introduced in Oct'13; to positively impact sale of smartphones

Share of smartphones in total sales at 88% by value & 53% by volume

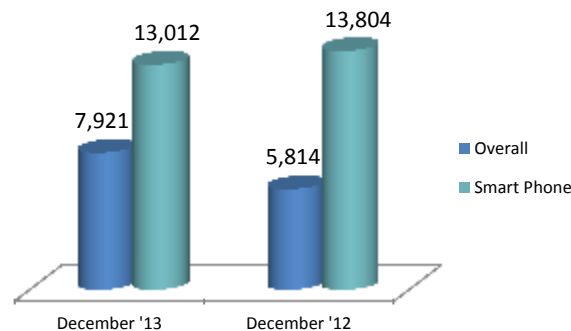


Spice Hotspots are geared to focus on sale of 3G handsets, laptops, tablets...

Share of Smart phone sales (%)



Retail ASP trend (INR)



S Mobility's thrust on organized mobility retailing continues, with more than 400 retail touch points across the country

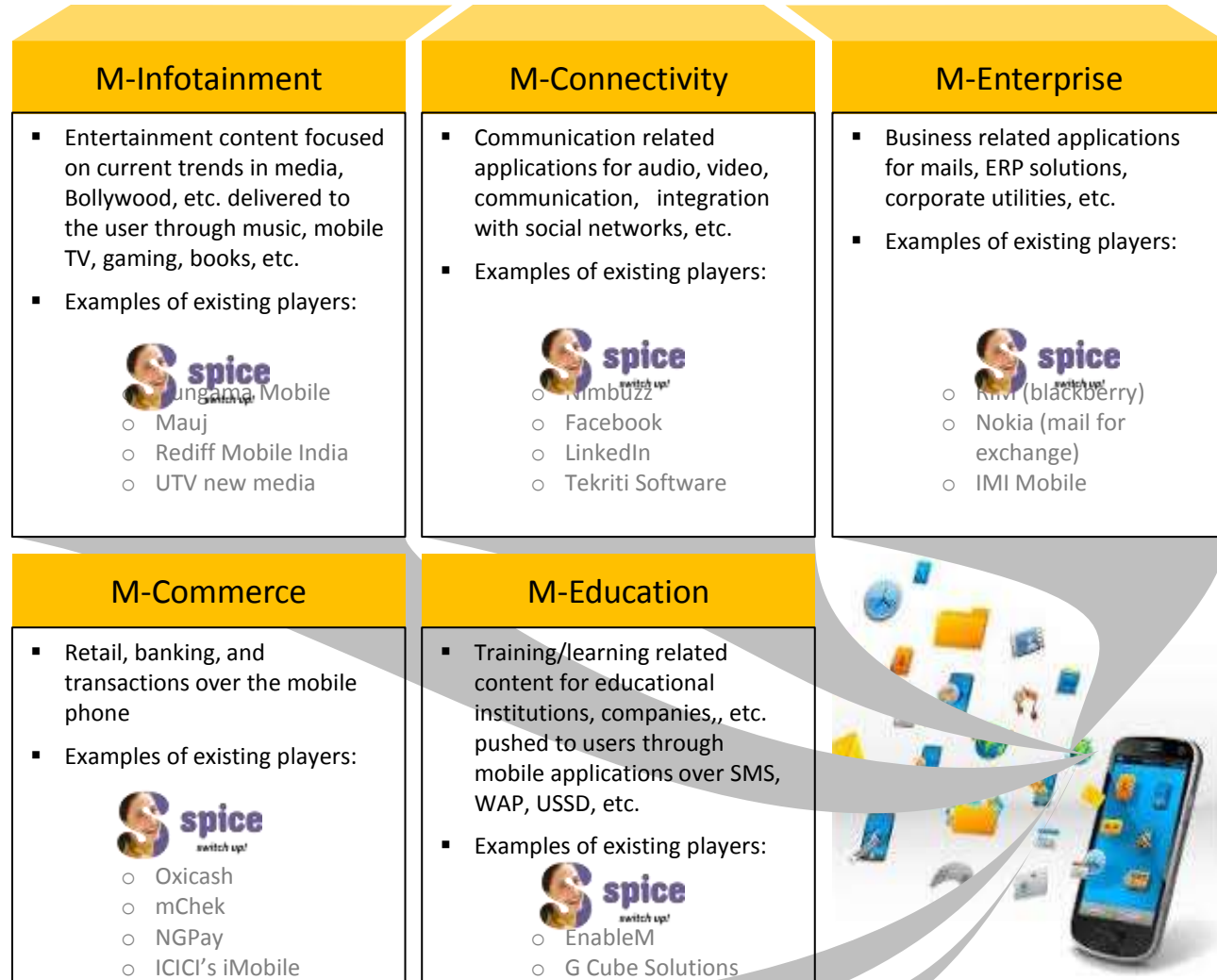
VAS: Sector Overview

Usage to increase led by affordable devices & increasing awareness



Prevalent Themes in MVAS

- India's Mobile Value Added Solutions (MVAS) market is expected to almost double to \$9.5 billion by 2015 - aided by rising penetration of handsets*
- Expected to grow at CAGR of 25% during 2012-2015*
- Key drivers** – Accelerating 3G/4G deployment; greater penetration of smartphone & tablet
- Largest contributor to operator MVAS – mEntertainment
- Potential growth themes –
 - ☐ **mEducation** – Expand the reach and quality of India
 - ☐ **mHealth** – improve healthcare access and affordability in India



VAS: Operational Performance

Quarter ended December 2013



Growing revenues from International markets and new initiatives...

- VAS revenues declined **2% sequentially** in the quarter under review, mainly owing to de-growth in domestic VAS revenues
- International revenues stood at **50%** of total revenues in Q2-FY14
- **Growing international footprint** – Focus on increasing presence in new countries as well as expanding offerings in existing countries and across operators continues
- During the quarter under review, Spice Digital signed an agreement with a leading African telco to deploy content in 21 countries, primarily in the African region
- **Revenues from New Products stood at 76% of total revenues in the quarter ended December 31, 2013 vs. 49% in the quarter ended December 31, 2012 and 70% in the quarter ended September 30, 2013**
- Gross & EBITDA margins improved substantially during the quarter under review, led by higher proportion of international revenues coupled with revenue share agreements instead of minimum guarantee commitments with content partners

Recent Introductions

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

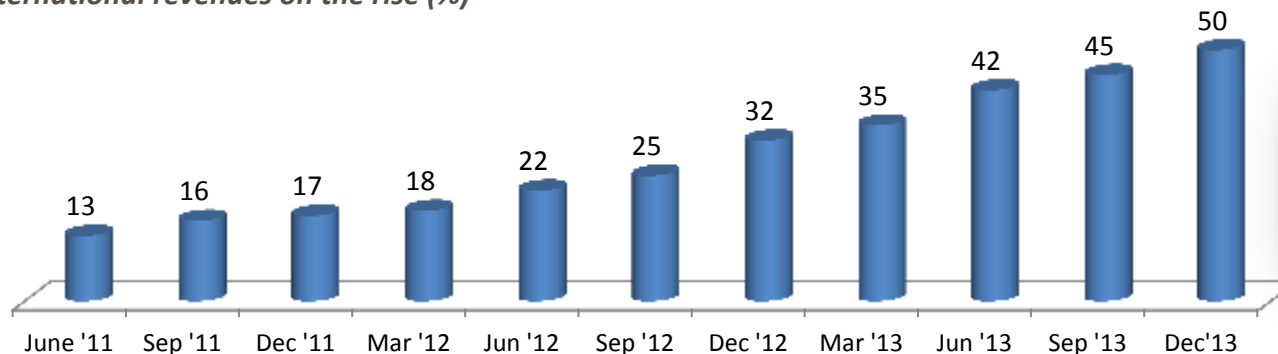


Key Growth Areas

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



International revenues on the rise (%)



Focus on increasing presence in new countries as well as expanding offerings in existing countries...

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 December 31, 2013

Unaudited Consolidated Financial Results for the quarter and six months period ended December 31, 2013

(Rs. In Lacs)

PART I STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2013							
Sl.No.	Particulars	Consolidated					
		3 months ended			6 months ended		12 months ended
		31.12.2013 (Unaudited)	30.9.2013 (Unaudited)	31.12.2012 (Unaudited)	31.12.2013 (Unaudited)	31.12.2012 (Unaudited)	30.6.2013 (Audited)
1	a. Net Sales/Income from operation	56,704	53,402	49,037	110,106	103,377	186,895
	b. Other Operating Income	112	76	6	188	48	99
	Total	56,816	53,478	49,043	110,294	103,425	186,994
2	Expenditure:						
	a. (Increase) / Decrease in stock in trade	836	(5,309)	(574)	(4,473)	1,976	2,670
	b. Purchase of Finished/Traded Goods	44,278	45,765	37,307	90,043	76,747	136,924
	c. Consumption of Raw Materials and components	-	-	-	-	-	2
	d. Connectivity and Content Cost	1,666	1,826	2,474	3,492	4,834	8,945
	e. Staff Cost	2,876	2,819	3,134	5,695	6,104	11,970
	f. Depreciation/Amortisation	977	879	877	1,856	1,747	3,625
	g. Branding Expenses	1,518	1,699	1,080	3,217	2,060	4,126
	h. Other expenditure	4,660	4,954	5,079	9,614	9,973	16,932
	Total expenditure	56,811	52,633	49,377	109,444	103,441	185,194
3	Profit/(Loss) from Operations before other income, finance cost, exceptional items and taxes (1-2)	5	845	(334)	850	(14)	1,800
4	Other Income	520	377	420	897	820	1,455
5	Profit before finance cost, exceptional items and taxes (3+4)	525	1,222	86	1,747	806	3,255
6	Finance Cost	21	46	38	67	48	103
7	Profit before exceptional items and taxes (5-6)	504	1,176	48	1,680	758	3,152
8	Exceptional Items						
	- Provision against claims / expected claims for earlier periods	-	-	(1,320)	-	(1,547)	(227)
	- Impairment of Goodwill of a subsidiary company	-	-	-	-	-	(1,045)
	- Additional Depreciation due to change of useful life (Refer Note no. 3 below)	(16)	(264)	-	(280)	-	-
	- Reversal of revenue pertaining to earlier periods	(276)	-	-	(276)	-	-
9	Profit/(Loss) from ordinary activities before taxes (7+8)	212	912	(1,272)	1,124	(789)	1,880
10	Provision for Taxation	104	101	105	205	136	1,410
11	Net Profit/(Loss) for the period (9-10)	108	811	(1,377)	919	(925)	470
12	Minority Interest	6	(2)	(315)	4	(265)	(78)
13	Net Profit/(Loss) after Minority Interest (11-12)	102	813	(1,062)	915	(660)	548
14	Paid up Equity Share Capital (Face value of Rs.3/- each)	6,836	7,027	7,143	6,836	7,143	7,143
15	Reserves excluding revaluation reserves						67,556
16	Basic and Diluted Earnings Per Share (in Rs.) (Not Annualised)	0.04	0.34	(0.44)	0.39	(0.28)	0.23
PART II SELECT INFORMATION FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2013							
A.	PARTICULARS OF SHAREHOLDING						
1	Public Shareholding						
	- No. of Shares	58,418,512	64,772,131	68,658,496	58,418,512	68,658,496	68,638,715
	- Percentage of Shareholding	25.64%	27.65%	28.84%	25.64%	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	169,427,789	169,447,570	169,427,789	169,447,570
	- Percentage of shares (as a % of the total shareholding of promoters and promoter group)	100%	100%	100%	100%	100%	100%
	- Percentage of shares (as a % of the total share capital of the Company)	74.36%	72.35%	71.16%	74.36%	71.16%	71.17%
B.	INVESTOR COMPLAINTS						
	Pending at the beginning of the quarter	Nil					
	Received during the quarter	8					
	Disposed off during the quarter	8					
	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			6 months ended		12 months ended
		31.12.2013 (Unaudited)	30.9.2013 (Unaudited)	31.12.2012 (Unaudited)	31.12.2013 (Unaudited)	31.12.2012 (Unaudited)	30.6.2013 (Audited)
1	Segment Revenue (Net):						
a	Mobile Devices	51,734	48,305	42,955	100,039	91,288	163,119
b	Services (without considering prior period items)	5,240	5,348	6,095	10,588	12,147	24,019
	Total	56,974	53,653	49,050	110,627	103,435	187,138
	Less : Inter-Segment Revenue	158	175	7	333	10	144
	Total Revenue	56,816	53,478	49,043	110,294	103,425	186,994
2	Segment Results -Profit/(Loss) before tax and Interest:						
a	Mobile Devices	(147)	683	(321)	536	(431)	(44)
b	Services	402	551	(1,520)	953	(1,460)	(11)
	Less: Finance cost	(21)	(46)	(38)	(67)	(48)	(103)
	Add : Other unallocable income net of unallocable expense	(22)	(276)	607	(298)	1,150	2,038
	Total Profit/(Loss) Before Tax	212	912	(1,272)	1,124	(789)	1,880
3	Capital Employed (Segment Assets- Segment Liabilities):						
a	Mobile Devices	24,031	20,633	33,441	24,031	33,441	32,790
b	Services	15,128	15,881	19,300	15,128	19,300	16,129
	Unallocated Capital Employed	32,674	38,119	24,574	32,674	24,574	25,780
	Total	71,833	74,633	77,315	71,833	77,315	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 February 11, 2014 and have undergone limited review by the Statutory Auditors of the Company.
- The Consolidated Financial results for the quarter and six months period ended on December 31, 2013 represents consolidated results of the Company and its subsidiaries.
- During the six months period ended December 31, 2013, two subsidiaries have reassessed the useful life of office equipments from 10 years earlier to 5 years w.e.f July 1, 2013. Due to this change depreciation for the six months period is higher by Rs 280 lacs, which has been shown under exceptional items in the results.
- During the quarter, the Company has bought back 63,48,619 Equity shares of face value of Rs. 3/- each under the ongoing Buy Back offer of the Company and out of them 63,48,419 Equity shares have been extinguished till 31st December, 2013 and the issued and paid-up share capital of the Company as on that date stands reduced accordingly.
- Provision for income tax is inclusive of/ net of deferred tax charge/ credit and tax adjustments for earlier years.

- Key Standalone Financial Information is given below:

Particulars	3 months ended			6 months ended		(Rs. In Lacs)
						12 months ended
	31.12.2013 (Unaudited)	30.9.2013 (Unaudited)	31.12.2012 (Unaudited)	31.12.2013 (Unaudited)	31.12.2012 (Unaudited)	30.6.2013 (Audited)
Net Sales / Income from Operations	6,234	-	17,902	6,234	37,548	71,304
Profit/(Loss) before tax	1,488	(382)	3,456	1,107	4,317	7,037
Net Profit/(Loss) after tax	1,518	(282)	3,456	1,237	4,317	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.

By order of the Board
S Mobility Limited

Dated : February 11, 2014
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.