



S Mobility Limited

**Quarterly Review for the period
ended March 31, 2014**



spice

switch up!

Our Performance vs. Our Strategy

Evident from the Quarterly Results



STRATEGY

REPORT CARD



DEVICES

Over the last 12 quarters, we first fixed the Devices Business by reducing revenue, but stabilising margins

Having stabilised Devices business, time has come to restart brand spend to enter next phase of growth in smartphones



MOBILE VAS

Thereafter, stabilised the VAS business by concentrating on New Bets to compensate TRAI driven domestic loss of business

In VAS, we have successfully built New Bets, enough to compensate operator led revenue drop, down to 25% of total



MOBILITY RETAIL

Then, we shifted our focus on the Retail Segment, and administered actions to improve operations

Result of closure of loss making stores achieved in the previous two quarters is reflecting in improved EBITDA numbers

Profitable growth remains key focus area...

Consolidated Results for the quarter ended March 31, 2014



Key Financial Highlights

Particulars (In INR Mn)	Qtr ended Mar 31, 2014	Qtr ended Dec 31, 2013	Qtr ended Mar 31, 2013	9M ended Mar 31, 2014	9M ended Mar 31, 2013
Revenue	4,690	5,676	3,943	15,709	14,245
EBIDTA	-102	98	111	168	243
- Margin	-2.2%	1.7%	2.8%	1.1%	1.7%
Profit bef. Exceptional items & Taxes	176	50	36	-8	70
Net Profit	-182	11	31	-90	-62
- Margin	-3.9%	0.2%	0.8%	-0.6%	-0.4%
PAT after Minority Interest	-187	10	22	-95	-44
EPS (INR) <i>Not Annualised</i>	-0.81	0.04	0.10	-0.41	-0.19

Note:

- During the quarter, the company bought back 1,300 shares under the Buy-Back scheme which commenced on July 10, 2013
- During the nine months period ended March 31, 2014, 2 subsidiaries have reassessed the useful life of certain office equipments from 10 years earlier to 5 years w.e.f. July 1, 2013. Due to this change, depreciation for the nine months period is higher by INR 29 Million, shown under exceptional items

Key Operational Highlights



DEVICES

- Focus on revenue growth continues; thus new advertising campaign unveiled during the quarter ended March 2014
- EBITDA Loss (in Devices & at Consolidated level) is due to the enhanced brand spend



MOBILITY RETAIL

- Stable revenue coupled with marginal improvement in gross margins
- Closure of loss making stores during the quarter led to higher store level EBITDA, thus contracting EBITDA level loss



MOBILE VAS

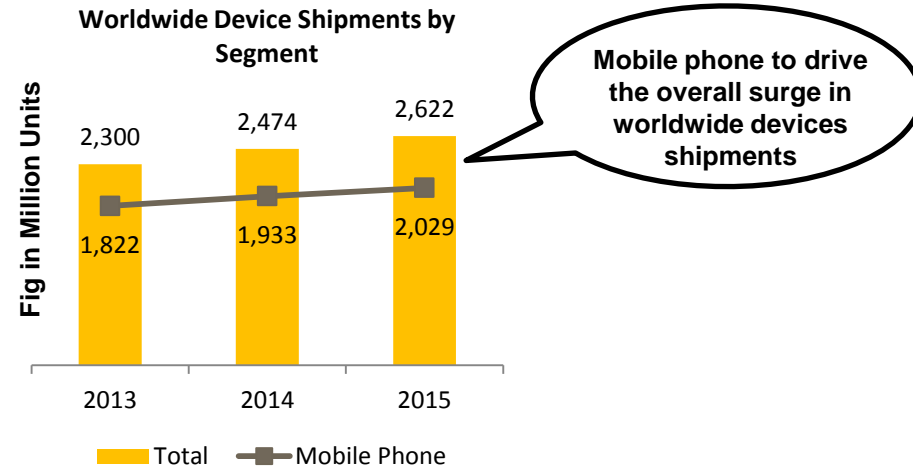
- Domestic revenue stabilizing
- Better gross margin due to improvement in revenue share from operators
- Greater share of new products in the overall revenue – close to three-fourths of total

Balance Sheet Highlights

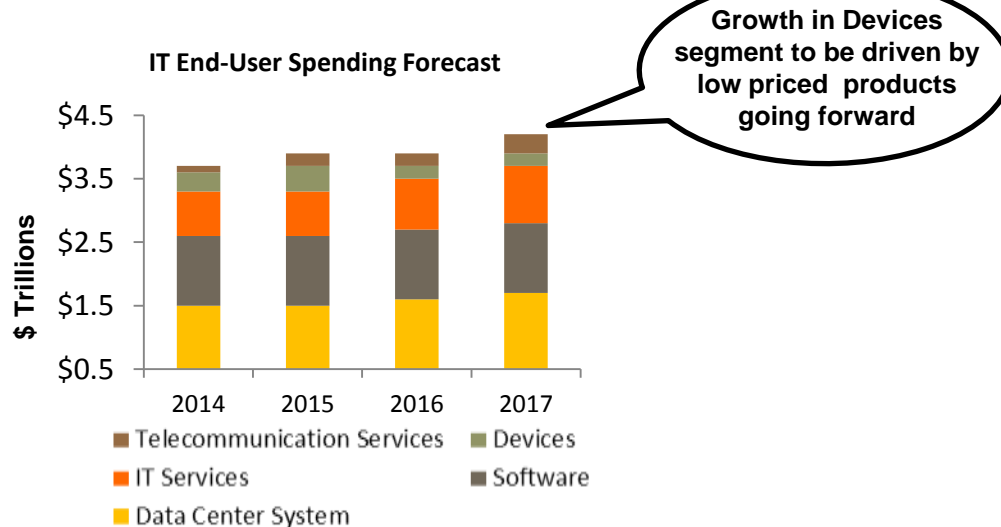
- Net Worth: INR 7,021 Million
- Cash on books: INR 1,551 Million
- Real Estate: INR 1,693 Million (Book Value)
- Trust Shares: INR 1,317 Million (CMP)
- Market Cap: INR 6,357 Million (CMP)
- Net Debt: NIL

Devices: Sector Overview - Worldwide

PC, tablet & mobile phone growth to be driven by low priced devices



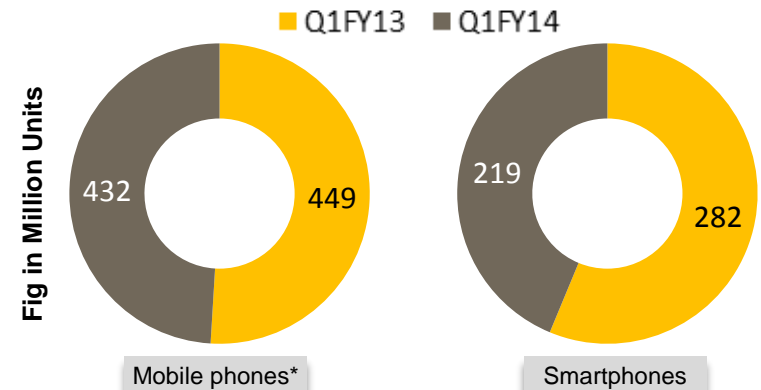
Source: Gartner (December 2013)



Devices comprises mobile phones, PCs, tablets and printers

Source: Gartner (October 2013)

Worldwide Smartphone Market Grows 28.6% Year Over Year in the First Quarter of 2014 - IDC



* Inclusive of Smartphones

- Worldwide mobile phone market grew 3.9% Y-o-Y from 431.8 million units shipped in Q1-2013 to 448.6 million units during Q1-2014
- Worldwide smartphone market grew 28.6% Y-o-Y from 218.8 million units in Q1-2013 to 281.5 million units during Q1-2014
- IDC expects total smartphone shipment volumes to reach 1.2 billion units in 2014 globally

Source: International Data Corporation (IDC)

Devices: Sector Overview - Domestic

Growth to be driven by smart phones and 3G adoption



Country*	Unit Shipments 2013	2013 Market Share	2017 Unit Shipments	2017 Market Share	2017/2013 Growth
1. China	301.2	32.8%	457.9	30.2%	52.0%
2. USA	137.5	15.0%	183.0	12.1%	33.1%
3. United Kingdom	35.5	3.9%	47.5	3.1%	33.8%
4. Japan	35.2	3.8%	37.7	2.5%	7.1%
5. Brazil	28.9	3.1%	66.3	4.4%	129.4%
6. India	27.8	3.0%	155.6	10.3%	459.7%
Others	352.5	38.4%	568.1	37.5%	61.2%
Total	918.6	100.0%	1516.1	100.0%	65.0%

Source: IDC Worldwide Mobile Phone Tracker

India Mobile Handsets Market: Q1-2014 vs. Q1-2013 (in terms of units shipments in million)			
Form Factor	Shipments (Q1-2014)	Shipments (Q1-2013)	Y-o-Y Growth (%)
Mobile Handsets	58.9	54.1	8.9%
Featurephones	44.4	47.5	-6.5%
Smartphones	14.5	6.6	219%

Source: CyberMedia Research Mobile Handsets Market Review

Growth Levers

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

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

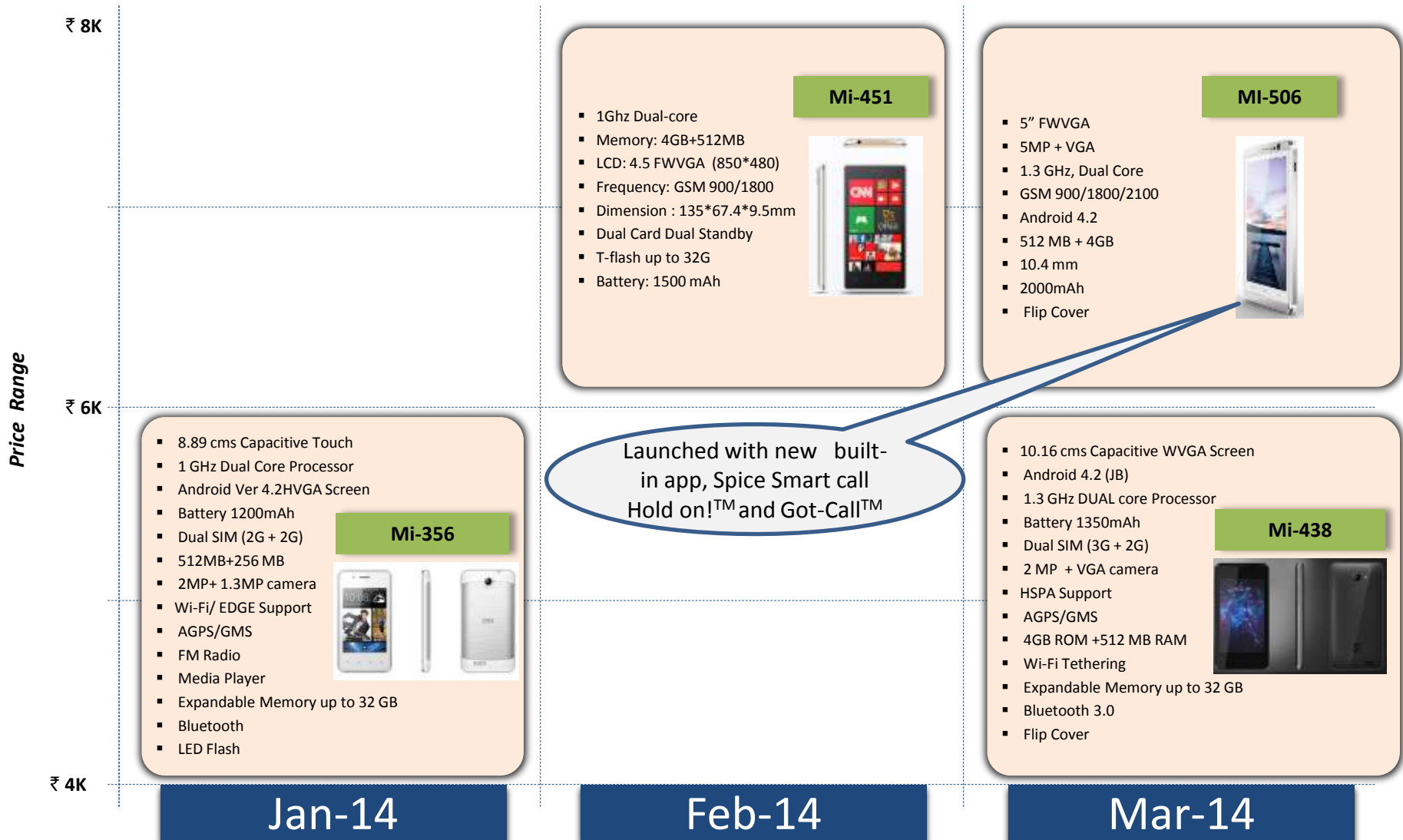


India to become 3rd largest smartphone market by 2017: IDC

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

Devices: *Spice-branded* smart phone launches

Quarter ended March 31, 2014



Devices: *Spice Smart Call*

Introducing a unique way to answer your calls



- Option that offers you few extra moments to prepare yourself to talk to the caller
- When selected, HOLD – ON! will play an audible tone to your caller, followed by a preamble saying “Hold on.”

Hold On!

spice
HOLD-ON!

- ◆ HOLD-ON! – provides a call recipient the ability to briefly delay pick-up of a call that they intend to answer
 - A voice preamble is played; “HOLD-ON! please”
 - A custom or standard message is played informing the caller that the recipient will answer momentarily
 - The caller is placed on hold as you move to an appropriate location; music is played
 - Call recipient can release from hold
- ◆ The experience on both sides of the call is now more personal and polite.

A smartphone screen displays an incoming call interface with a green 'HOLD ON!' button and a red 'END CALL' button. The screen also shows a profile icon and the text 'HOLDING CALL'.

Got Call

spice
GOT-CALL!

- ◆ GOT-CALL - provides a call recipient the ability to play an instant voice response to a caller acknowledging their call
 - A voice preamble is played; “GOT CALL”
 - A custom or standard message is played informing the caller the recipient is unavailable though they saw the call, and will receive a reminder to call the caller back
 - A “Promise Reminder” is created that notifies recipient later
- ◆ The experience on both sides of the call is now instant, more personal and polite.

A smartphone screen displays an incoming call interface with a red 'GOT CALL' button and a red 'END CALL' button. The screen also shows a profile icon and the text 'HOLDING CALL'.

- Allows to instantly decline of a call by playing a default or customer voice message in the connected call back to the caller
- GOT – CALL provides a “Promise Reminder” feature that reminds the user to return a call at some set interval later

New range of smart phones being well received

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



Mi-451
Smart Flo Poise

*A strong contender in the entry level segment, given its looks and competitive price. It has an amazing battery life and is a very good buy for users who want to own a not so expensive, good looking Android phone”– **Indian Express.com***



*“If you are looking for a smartphone with good build and a battery life go for it. The Apple Ear Pods-like earphones are pretty good and the loudspeaker output is also good and quite loud even in noisy environment. The phone feels pretty good in hand and doesn’t slip out easily since it has brushed metal finish” - **fonearena***

Mi-506
Stellar Mettle Icon



Editor's Rating

*“Very few low cost android phones have impressed us like the Spice Stellar Glide. In terms of the performance, storage & connectivity is better others in similar price category.”- **themobileindian.com***

Mi-438
Stellar Glide



Devices: Operational Performance

Quarter ended March 31, 2014



Sustained improvement in quarterly performance

- Improved realizations and better off-take across products resulted in revenue expansion y-o-y, i.e. over the quarter ended March 2013
- With as many as 1.5 million units sold during the quarter, Spice-branded handset sales continued to maintain momentum with a 13% y-o-y growth in quarter ended March 2014
- Average selling price for the quarter at INR 1,573 indicates an increase of 22% over corresponding period last year; mainly owing higher proportion of smartphone sales
- ASPs of Spice-branded smart phones stood at about INR 3,566 during the quarter under review
- Smartphone volumes grew by over **250%** y-o-y during the quarter ended March 2014
- Company is proactively working towards improving the gross margins in the devices segment
- Thrust on developing innovative products and brand building exercise to drive performance going forward

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



Well established sales channel of 87 RDS, 519 Micro Distributors & over 24,000 Retail Outlets → Over 600,000 Customers/month

Steps towards Brand Building

Renewed thrust towards enhancing brand visibility



Television



Internet



Tele
Shopping

Teleshopping
Network

Growing smartphone 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 poised to grow at 24% CAGR to comprise 10.2 % of total retail by 2016-17

Source: Yes Bank-Assocham Study (February 2014)

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

Consumer electronics and computers

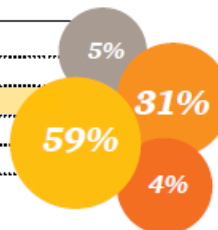
Research: Online

Catalogue or magazine: 5%

In-store: 31%

TV shopping: 4%

Online: 59%



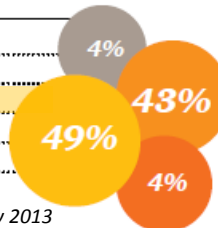
Purchase: In-store

Catalogue or magazine: 4%

In-store: 49%

TV shopping: 4%

Online: 43%



Source: Global Multichannel Survey 2013

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



**27 Version 2 Stores
as of March 2014**

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 March 2014



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

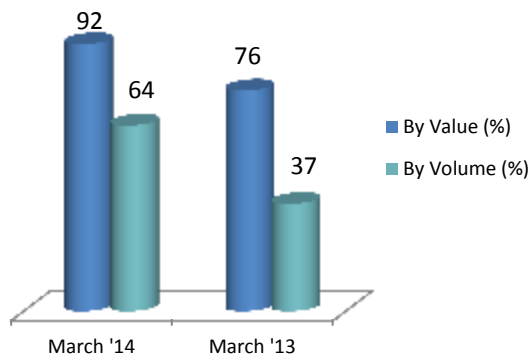
- Retail ASP during the quarter stood at INR 9,418 up 43% y-o-y, indicative of our diversified product mix – dominated by sales of smart phones
- Smart phone ASPs in retail stores stood at INR 13,517 for the quarter ended March 2014; higher by 4% sequentially
- Share of S-branded handsets in retail sales improved over that in March 2013; and stood at 20% by volume in the quarter ended March 2014
- By value, share of Spice branded handsets stood at 6% during the quarter under review
- AndroidLand stores introduced in Oct'13 have positively impacted sale of smartphones

Share of smartphones in total sales at 92% by value & 64% by volume

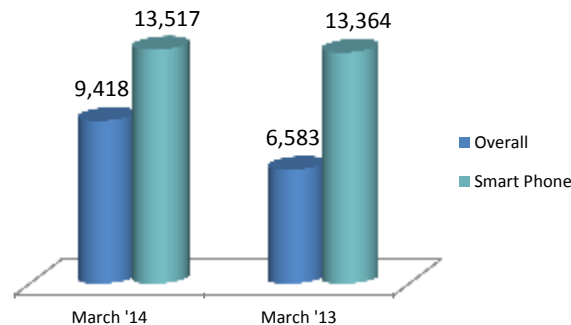


Spice Hotspots are geared to focus on sale of 3G handsets, laptops, tablets...

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

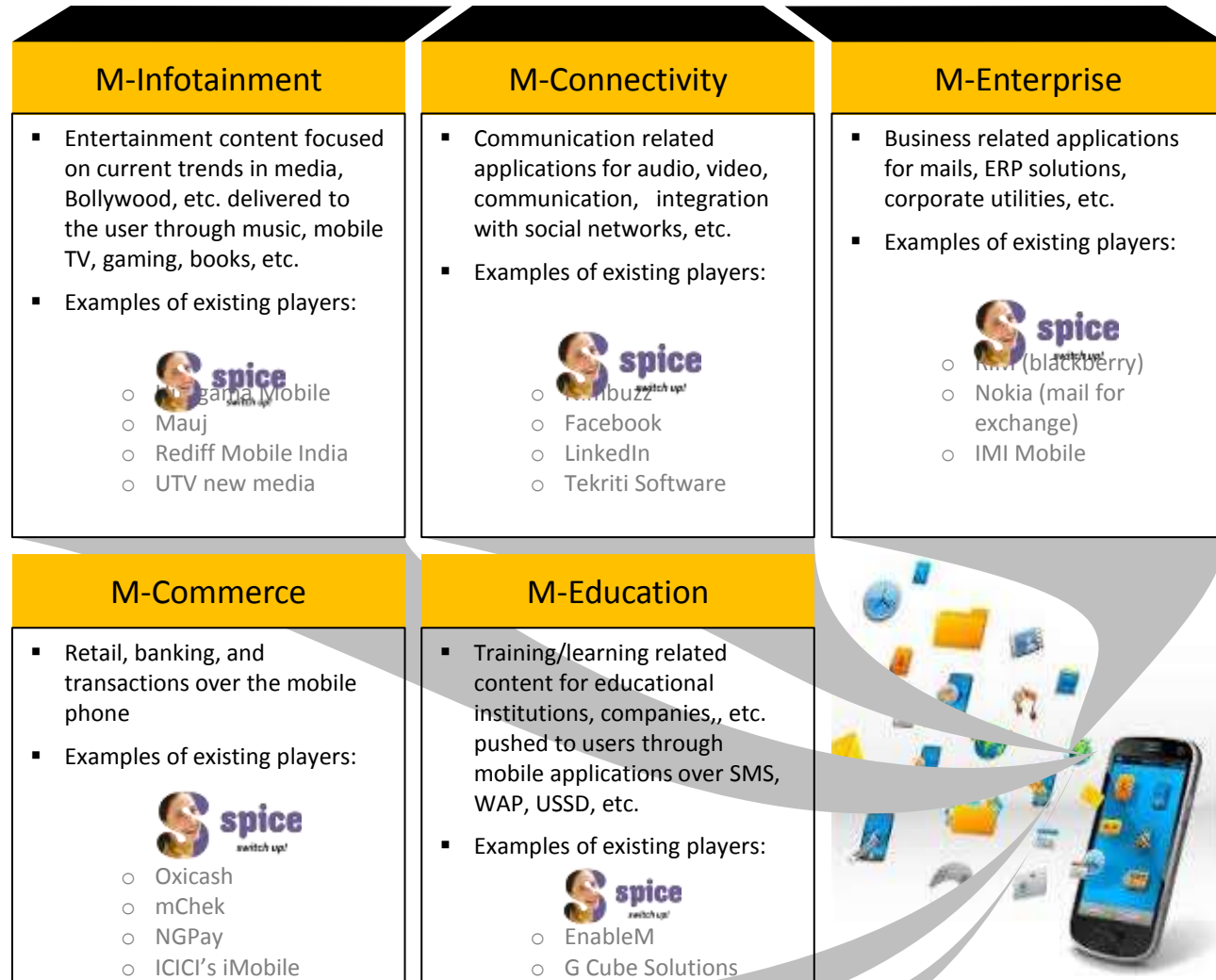
VAS: Sector Overview

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 March 2014



Growing revenues from International markets and new initiatives...

- VAS revenues declined **5% sequentially** in the Mar'14 quarter owing to reduced focus on zero margin recharge revenue in India & sales reversal of previous periods
- International revenues stood at **50%** of total revenues during quarter ended Mar'14
- **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, the Company introduced Musical channel (African content) named Mziiki on YouTube, Voice Morphing in Ghana
- **Revenues from New Products stood at 74% of total revenues in the quarter ended March 31, 2014 vs. 56% in the quarter ended March 31, 2013 and 76% in the quarter ended December 31, 2013**
- Gross & EBITDA margins improved substantially during the quarter under review, led by consistent growth in 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

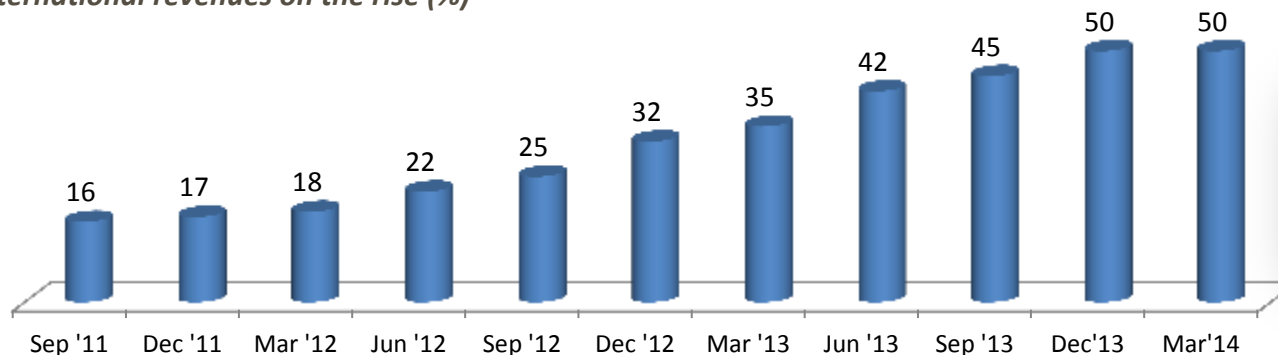


Key Growth Areas

- 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...

VAS: The Road Ahead

Strategy going forward



Future course of action

- The Company has framed a detailed plan of action for developing the segment going forward
- Chalked out Nation wise strategy to funnel growth

Domestic Market –

- Devised broad range of strategies to focus on varied segments –
 - ✓ Enterprise
 - ✓ Travel
 - ✓ Domestic money remittance by acting as a business correspondent of a leading bank

International Market –

- Deeper penetration in existing markets
- Foraying into newer geographies





Annexure

Results for the quarter ended March 31, 2014

Unaudited Consolidated Financial Results for the quarter and nine months period ended March 31, 2014

(Rs. In Lacs)

PART I STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2014						
Sl.No.	Particulars	Consolidated				
		3 months ended			9 months ended	
		31.03.2014 (Unaudited)	31.12.2013 (Unaudited)	31.03.2013 (Unaudited)	31.03.2014 (Unaudited)	31.03.2013 (Unaudited)
						30.6.2013 (Audited)
1	a. Net Sales/Income from operation	46,841	56,704	39,388	156,947	142,357
	b. Other Operating Income	58	57	42	138	88
	Total	46,899	56,761	39,430	157,085	142,445
2	Expenditure:					
	a. (Increase) / Decrease in stock in trade	2,734	836	2,703	(1,739)	4,679
	b. Purchase of Finished/Traded Goods	34,105	44,278	25,768	124,148	102,513
	c. Consumption of Raw Materials and components	-	-	-	-	-
	d.Connectivity and Content Cost	1,504	1,666	2,031	4,996	6,865
	e. Staff Cost	2,894	2,876	2,727	8,589	8,718
	f. Depreciation/Amortisation	970	977	1,012	2,826	2,761
	g. Branding Expenses	2,171	1,518	921	5,388	2,983
	h. Other expenditure	4,513	4,605	4,172	14,019	14,260
	Total expenditure	48,891	56,756	39,334	158,227	142,779
3	Profit/(Loss) from Operations before other income, finance cost, exceptional items and taxes (1-2)	(1,992)	5	96	(1,142)	(334)
4	Other Income	253	520	313	1,150	1,133
5	Profit/(Loss) before finance cost, exceptional items and taxes (3+4)	(1,739)	525	409	8	799
6	Finance Cost	20	21	51	87	99
7	Profit/(Loss) before exceptional items and taxes (5-6)	(1,759)	504	358	(79)	700
8	Exceptional Items					
	- Provision against claims / expected claims for earlier periods	-	-	-	-	(1,142)
	- Impairment of Goodwill of a subsidiary company	-	-	-	-	-
	- Additional Depreciation due to change of useful life (Refer Note no. 4 below)	(10)	(16)	-	(290)	-
	- Reversal of revenue pertaining to earlier periods	-	(276)	-	(276)	-
9	Profit/(Loss) from ordinary activities before taxes (7+8)	(1,769)	212	358	(645)	(442)
10	Provision for Taxation	52	104	45	257	180
11	Net Profit/(Loss) for the period (9-10)	(1,821)	108	313	(902)	(622)
12	Minority Interest	46	6	89	50	(178)
13	Net Profit/(Loss) after Minority Interest (11-12)	(1,867)	102	224	(952)	(444)
14	Paid up Equity Share Capital (Face value of Rs.3/- each)	6,836	6,836	7,143	6,836	7,143
15	Reserves excluding revaluation reserves					67,556
16	Basic and Diluted Earnings Per Share (in Rs.) (Not Annualised)	(0.81)	0.04	0.10	(0.41)	(0.19)
PART II SELECT INFORMATION FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2014						
A.	PARTICULARS OF SHAREHOLDING					
1	Public Shareholding					
	- No. of Shares	58,417,112	58,418,512	68,638,715	58,417,112	68,638,715
	- Percentage of Shareholding	25.64%	25.64%	28.83%	25.64%	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	169,447,570	169,447,570	169,447,570
	- Percentage of shares (as a % of the total shareholding of promoters and promoter group)	100%	100%	100%	100%	100%
	- Percentage of shares (as a % of the total share capital of the Company)	74.36%	74.36%	71.17%	74.36%	71.17%
B.	INVESTOR COMPLAINTS					
	Pending at the beginning of the quarter	Nil				
	Received during the quarter	6				
	Disposed off during the quarter	6				
	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			9 months ended		12 months ended
		31.03.2014 (Unaudited)	31.12.2013 (Unaudited)	31.03.2013 (Unaudited)	31.03.2014 (Unaudited)	31.03.2013 (Unaudited)	30.6.2013 (Audited)
1	Segment Revenue (Net):						
a	Mobile Devices	42,159	51,720	33,538	142,184	124,827	163,119
b	Services (without considering prior period items)	4,872	5,199	5,892	15,366	17,629	24,019
	Total	47,031	56,919	39,430	157,550	142,456	187,138
	Less : Inter-Segment Revenue	132	158	-	465	11	144
	Total Revenue	46,899	56,761	39,430	157,085	142,445	186,994
2	Segment Results -Profit/(Loss) before tax and Interest:						
a	Mobile Devices	(1,793)	(147)	(543)	(1,257)	(974)	(44)
b	Services	486	402	521	1,439	(939)	(11)
	Less: Finance cost	(20)	(21)	(51)	(87)	(99)	(103)
	Add : Other unallocable income net of unallocable expense	(442)	(22)	431	(740)	1,570	2,038
	Total Profit/(Loss) Before Tax	(1,769)	212	358	(645)	(442)	1,880
3	Capital Employed (Segment Assets- Segment Liabilities):						
a	Mobile Devices	23,318	24,031	32,768	23,318	32,768	32,790
b	Services	14,045	15,128	18,952	14,045	18,952	16,129
	Unallocated Capital Employed	32,847	32,674	25,784	32,847	25,784	25,780
	Total	70,210	71,833	77,504	70,210	77,504	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 May 08, 2014 and have undergone limited review by the Statutory Auditors of the Company.
- The Consolidated Financial results for the quarter and nine months period ended on March 31, 2014 represents consolidated results of the Company and its subsidiaries.
- The Group has taken a strategic decision to invest in brand building through enhanced media spends and distribution infrastructure to grow the business. This has impacted the profitability in current quarter.
- During the nine months period ended March 31, 2014, two subsidiaries have reassessed the useful life of certain office equipments from 10 years earlier to 5 years w.e.f July 1, 2013. Due to this change depreciation for the nine months period is higher by Rs 290 lacs, which has been shown under exceptional items in the results.
- During the quarter, the Company has bought back 1,300 Equity shares of face value of Rs. 3/- each under the ongoing Buy Back offer of the Company and out of them 1,200 Equity shares have been extinguished till 31st March, 2014 and the issued and paid-up share capital of the Company as on that date stands reduced accordingly.
- During the quarter, Spice VAS (Africa) Pte. Ltd. , a step down subsidiary of the Company, has issued 218,610 ordinary shares. Consequently the stake of the Company in this subsidiary company has reduced from 65.39% to 62.09% .
- 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			9 months ended		12 months ended
	31.03.2014	31.12.2013	31.03.2013	31.03.2014	31.03.2013	30.6.2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net Sales / Income from Operations	594	6,234	15,817	6,828	53,368	71,304
Profit/(Loss) before tax	(518)	1,488	1,411	588	5,737	7,037
Net Profit/(Loss) after tax	(413)	1,518	1,411	823	5,737	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 : May 08, 2014
Place : Noida

Preeti Malhotra
Director

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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.