



S Mobility Limited

**Results for the quarter ended
September 30, 2012**



spice
switch up!

The S Group

Our Vision, Brand Essence and Brand Promise



Vision

One step ahead of the needs of the
Mobile Internet society

Brand Essence

Unconventional Wisdom

Brand Promise

We deliver outstanding value by
combining deep market knowledge
with unconventional thinking.
Knowledge guides us but
Imagination drives us



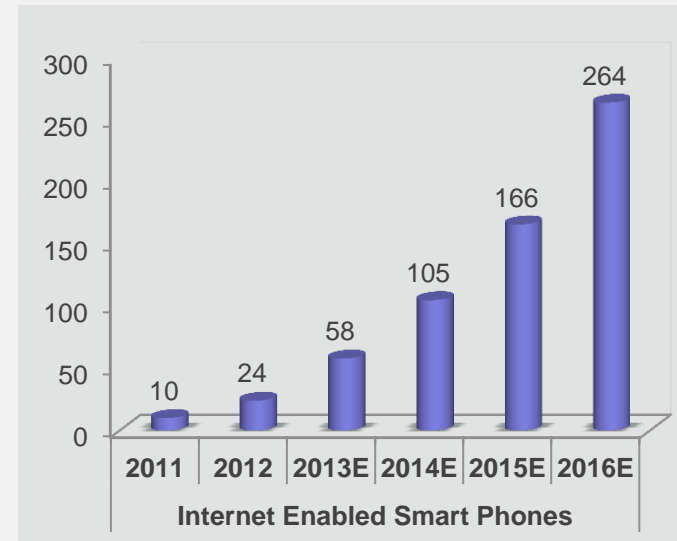
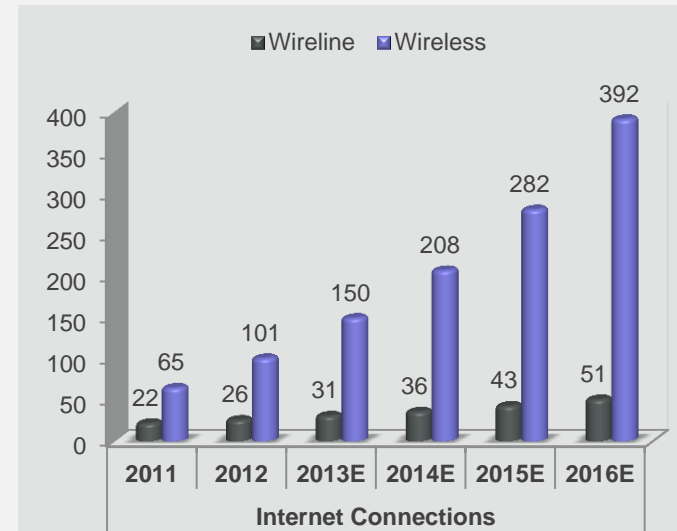
***"We want to see the internet in the hands of
every 8 year old from the Ivory Coast to
Indonesia"***

Digital Media Ecosystem is Evolving Rapidly

An Opportunity for Growth...



- The digital media ecosystem in India continues to exhibit growth in internet penetration and mobile device access which is expected to further drive consumption
- This will drive increased adoption by advertisers and developments to facilitate better monetization, driving revenue growth
- Growth in Internet usage will largely be driven by mobile and wireless connections due to portability and busy corporate lifestyles
- The number of internet connections in India was estimated to be around 88 million in 2011 and is expected to grow to over 400 million by 2016
- By then, wireless connections are expected to constitute about 90 percent of all internet connections
- A large number of mobile internet users will access the internet using smart phones and tablets to access a wide range of content online
- In 2011, there were about 10 million internet enabled smart phones in India. The remainder mobile internet users accessed content over feature phones
- Annual shipments of smart phones to reach 301 million by 2016 *
- The installed internet enabled smart phones are estimated to reach 264 million by 2016 *



Financial Highlights

Consolidated Results



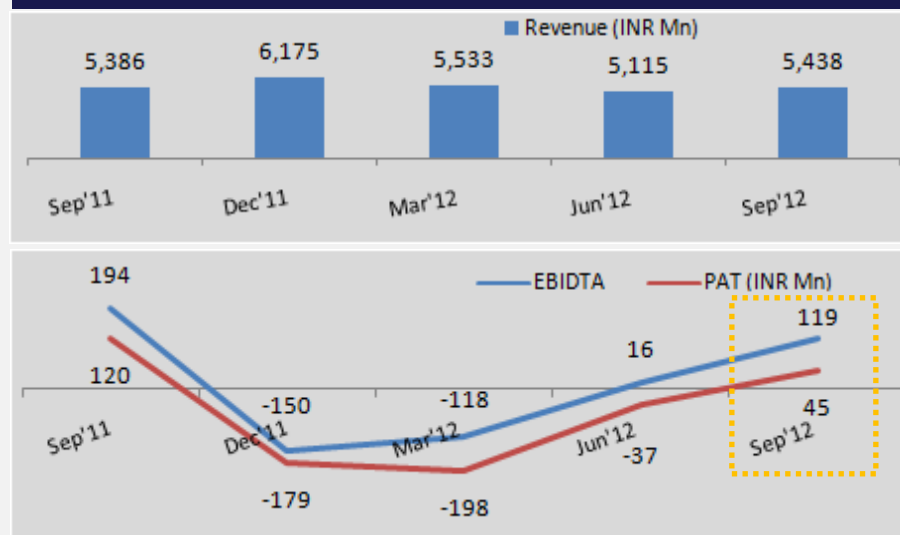
Key Highlights

Particulars (In INR Mn)	Qtr ended Sep 30, 2012	Qtr ended Jun 30, 2012	Qtr ended Sep 30, 2011	15M ended Jun 30, 2012	12M ended Mar 31, 2011
Revenue	5,438	5,115	5,386	27,421	20,190
EBIDTA	119	16	194	263	1,219
- Margin	2.2%	0.3%	3.6%	1.0%	6.0%
PAT	45	-37	120	-36	1,117
- Margin	0.8%	-0.7%	2.2%	-0.1%	5.5%
EPS (INR)	0.17	-0.22	0.43	-0.41	4.37

Revival in Devices led the company back into the black

- Consolidated revenues up 6% q-o-q and up 1% y-o-y
- EBITDA improvement driven by turnaround in Devices:
 - Better working capital management in handsets segment
 - Cost rationalisation – 24% q-o-q reduction in overheads
- Business generated Rs 437 million cash in Q1-FY13

On the road to recovery: Quarterly performance trend



Targeted efforts have yielded positive results...

- Strict control on (i) working capital cycle (ii) costs and (iii) gross margins led the Devices business into profitability
- Focus to shift on growth in revenues, without compromising on margins as also on tight cash collection norms

Balance Sheet Overview (As on September 30, 2012)

- Net Worth: INR 7,894 Million
- Cash on Books: INR 2,324 Million
- Real Estate: INR 1,693 Million (Book Value)
- Trust Shares: INR 2,000 Million*
- Debt free

* Current Market Value

Devices: Sector Overview

Growth to driven by smart phones



- The Indian handset market is estimated to grow at a compounded annual growth rate of 10.7 per cent during the period of 2011-17, with total handset volume expected to reach 335 million units by 2017, from a current market size of 182 million units in 2011
- Mobile phone sales crossed the 50 million mark in the January-March quarter of this year, up 9.1% from last year
- Smartphones made up 5.3% of the phones sold and almost a quarter of the total handset revenues in India during the beginning of CY2012
- Multi-SIM handsets, which have been very popular among Indian consumers, accounted for two-thirds of the total sales while 3G handset accounted for under 10% of total sales
- With an expected CAGR of 40 per cent, the smartphone segment is expected to account for 29 per cent of the total handset volume by 2017
- Growth in the smartphone segment will be largely driven by the penetration of 3G in India and further catalyzed by stabilizing ASPs
- In a highly competitive market witnessing declining ASPs and a weakening INR, it is expected that those companies with scale and an established brand and presence across VAS and Retail will be at a distinct advantage

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

3G Centricity

Boss Series



Flow Series



Stellar Series



Devices: Product Introductions

Quarter ended September 2012



M-5566



- 2.8" QVGA Screen
- Analog TV
- Digital Camera
- Wireless FM Radio
- WAP/GPRS/EDGE
- Stereo Bluetooth
- Expandable Memory
- 3.5 mm jack
- 1000 mAh Battery

M-5390



- 2.6" QVGA (240*320) TFT
- 0.3MP Camera
- GPRS class 10
- Bluetooth
- Micro SD, supports up to 8GB
- 2200mAh Battery

MI-355



- Android 2.3
- Dual SIM
- 3.5" QVGA
- Capacitive TP
- Wi-Fi/HSDPA
- 5.0 MP Camera
- 800 mHz Processor
- 1,000mAh Battery
- FM, E-book, BT

M-5200



- 1800 mAh Battery
- 5.04 cm QVGA screen
- Digital Camera
- Bluetooth
- Audio & Video Player
- Expandable memory
- FM Radio
- 3.5 mm jack
- Dual LED Torch

MI-285



- Android 2.3
- Dual SIM
- 2.8" QVGA
- Capacitive TP
- Wi-Fi/HSDPA
- 3.2 MP Camera
- 650 mHz Processor + GPU
- 1,000mAh Battery
- FM, E-book, BT

MI-320



- Android 2.3
- Dual SIM
- 3.2" QVGA
- Capacitive TP
- Wi-Fi/HSDPA
- 3.2 MP Camera
- 650 mHz Processor + GPU
- 1,000mAh Battery
- FM, E-book, BT

Devices: Operational Performance

Quarter ended September 2012



Turnaround led by better margins, lower costs...

- Spice-branded handset sales at 1.5 million units in Q1-FY13
- Volume growth at 6% y-o-y and a strong 28% sequentially
- ASP stood at INR 1,311 during the quarter, down 4.4% vs. quarter ended Jun'12 owing to higher proportion of feature phone sales
- Affordable, feature-rich Android devices such as the Mi 355 and Mi 320 well received in the market
- Product positioning & marketing to drive revenue growth

Cost rationalisation efforts have borne results...

- Improvement in gross margins led by better product portfolio
- Focused control on accounts receivable and inventory have had a positive impact on working capital cycle
- Reduction in overheads have led to better operating margins
- Sustained focus on stronger channel, cost rationalisation and cash

S Mobility's initiatives towards ensuring brand re-call & visibility



In-shop branding



Advertisement Hoardings



Television Commercials

Well established sales channel of 72 RDS, 500 Micro Distributors, 50,000 Retail Outlets → Over 500,000 End Consumers/month

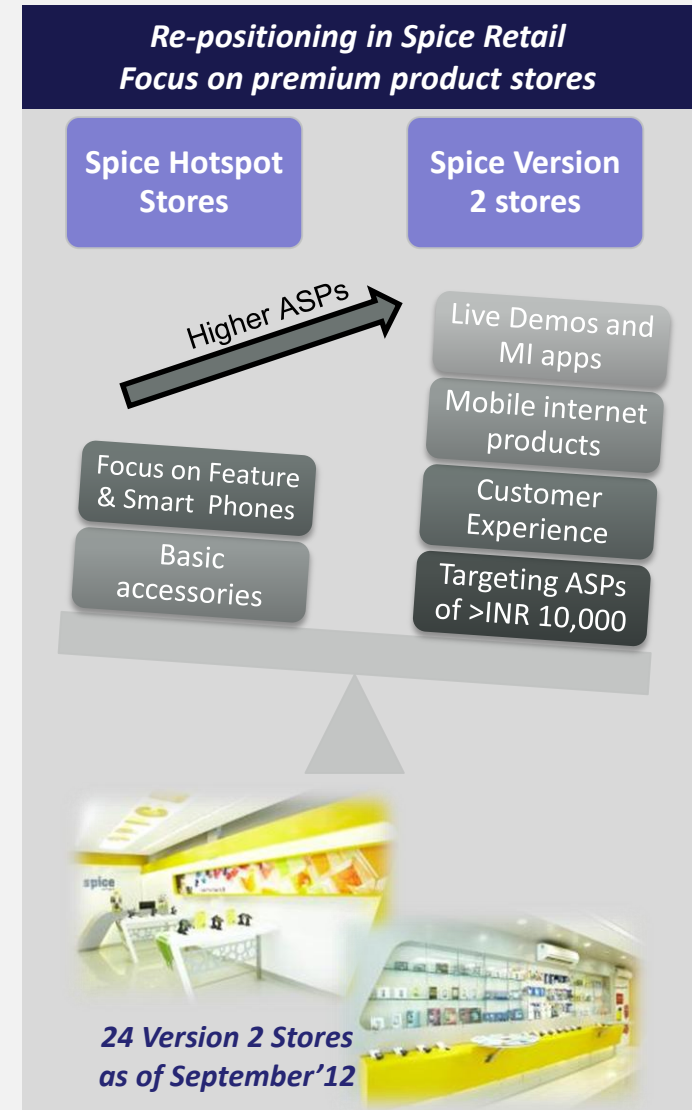
Retail: Sector Overview

Promising potential in organised retail



- Opening up of FDI in multi-brand retail is expected to increase opportunities in the retail space in India
- India has emerged as the fifth most favorable destination for international retailers, outpacing UAE, Russia, Indonesia and Saudi Arabia, according to A T Kearney's Global Retail Development Index 2012
- India remains a high potential market with accelerated retail growth of 15-20 % expected over the next five years
- The Indian retail industry and is pegged at US\$ 500 billion and is expected to reach US\$ 1.3 trillion by 2020
- The organized retail sector is expected to reach 25 per cent by 2020
- FDI inflows in single-brand retail trading during April 2000 to June 2012 stood at US\$ 42.70 million, according to the latest data released by Department of Industrial Policy and Promotion
- Cash and carry represents an opportunity worth around US\$ 149.19 billion of US\$ 497.29 billion annual retail business in India
- India's franchise market is growing at a healthy pace with tier II & III cities gradually getting attracted to the network of retailers and franchisers
- Franchising in India has witnessed impressive growth of around 30-35 per cent p.a. over the last 4-5 years with an estimated turnover of US\$ 4 bn

Source : Industry Data



Retail: Version 2 store count at 24 outlets

Focus on driving high ASP devices sales & providing a wider product range



Targeting the mobile internet space, Spice Version 2 stores will cater mostly to the niche market, further boosting ASPs

Retail: Operational Performance

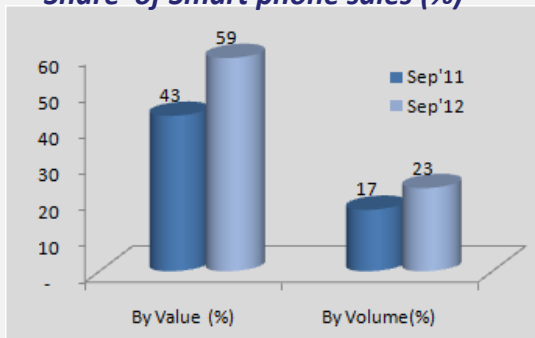
Quarter ended September 2012



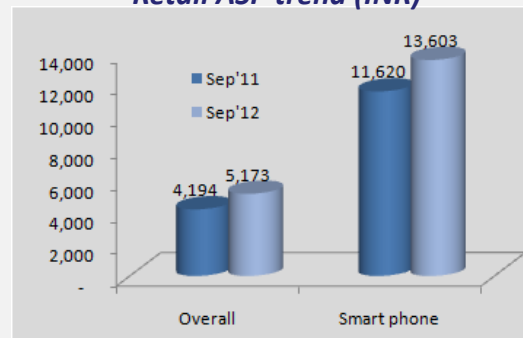
Revenues growing; margins under pressure...

- Revenue growth of 15% y-o-y during the quarter ended September 2012
- Overall retail ASP at INR 5,173 in Q1-FY13 grew 23% y-o-y and 3% q-o-q
- Smart phone ASP at INR 13,603 in Q1-FY13 grew 17% y-o-y as also q-o-q
- Pressure on gross margins has resulted in negative EBITDA for the quarter
- Tied up with Huawei to market, distribute and retail *S Huawei* co-branded Android smart phones through Hotspot retail stores and online store Saholic.com to improve gross margins
- Focus on customer experience to drive smart phone sales to continue – currently 59% of retail sales (by value) is derived from smart phones

Share of Smart phone sales (%)



Retail ASP trend (INR)



487 stores out of a total of 871 Spice Hotspots are in Tier 1 Cities in India

- Delhi – 221
- Bangalore – 58
- Jaipur – 61
- Kota – 39
- Kolkatta – 35
- Hyderabad – 28
- Ahmedabad – 28
- Chennai – 17

Spice Hotspots are geared to focus on sale of laptops, tablets, data cards...



Among the largest organised mobility retail players with 871 retail outlets spread across 147 cities; 237 of which are in metros

VAS: Sector Overview

Usage to increase led by affordable devices & data tariffs



- Affordable mobile devices and cheaper data subscription rates are expected to push the mobile value-added services market in India to INR 33,280 crore by 2013
- The MVAS segment, which comprises ringtones, SMS-based applications (live cricket updates, horoscope, contests & wallpapers) is expected to grow 28 per cent from the current level of about INR 26,000 crore in 2012
- The average revenue per user (ARPU) has declined over the years. Though, the per user spent on MVAS has gone up by 28 per cent in the last one year and is now 27 per cent of the ARPU
- The current MVAS consists mainly of ringtones (27 per cent) and SMS-based application (17 per cent), while emerging ones consist mostly of mobile apps (10 per cent) and games (8 per cent), among others
- In the coming years, even though the ARPU will increase by 5-8 per cent, there will be reduced contribution from the voice services, while the data services will take a major portion of the ARPU
- Indian telecom industry will continue to add subscribers at a healthy rate, even though the number of users has already crossed 900 million in a country with a population of around 1.2 billion

Key characteristics of the evolving VAS business : Domestic vs. International

International VAS Environment

- Majority consumers use high end devices
- More than 85% of users in the western markets have internet plans on their devices
- Trends already indicate that most purchases made are via in-App functionality
- Consumer's proactive nature to try applications
- High dependency on mobile application in day to day routines
- Higher revenue share and margins vs. that in India

Domestic VAS Environment

- Regulatory challenges continue to hinder growth in the domestic VAS market
- Low market share of feature rich phones
- Consumers mostly subscribe to basic 2G services and SMS-based VAS
- Concept of purchasing apps still very nascent
- Risk-avoiding nature to explore new mobile applications
- Negligible dependency on mobile applications and higher dependency on PCs and laptops
- SMS based services lack support for IPR products

VAS: Operational Performance

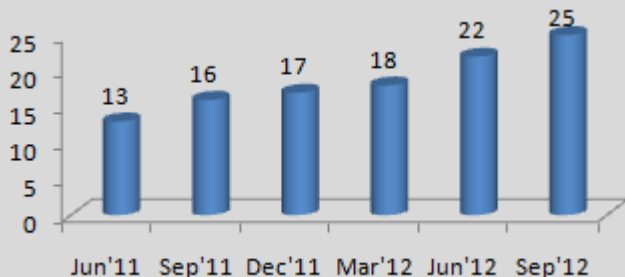
Quarter ended September 2012



Impact of regulatory directives on operations...

- VAS revenue has been almost flat in Q1-FY13 in comparison to quarter ended June 2012 as reduction in revenue share from telcos continues
- EBITDA margin dropped to 8% in Q1-FY13 vs. 22% in quarter ended Sep 2011
- Profitability under pressure owing to an interplay of lower revenues, higher content costs led by minimum guarantee commitments leading to lower gross margins and also certain one-time costs
- International revenues at 25% of total - aggressively expanding in emerging markets like Africa, South-East Asia, Latin America and MENA
- Revenues from New Products stood at 31% of total VAS revenue in Q1-FY13 as compared to 27% in quarter ended September 2011

International revenues on the rise (%)



More than 50% of revenues are expected from the international front in next 24 months

Current Focus Areas

- Music Services
- Social Networking
- Enterprise Business
- Live Aarti
- Live FM



Key Growth Areas

- International Business
- Mobile VAS Retail
- SMS Subscription Services
- Content Monetization
- Mobile-Internet based Services



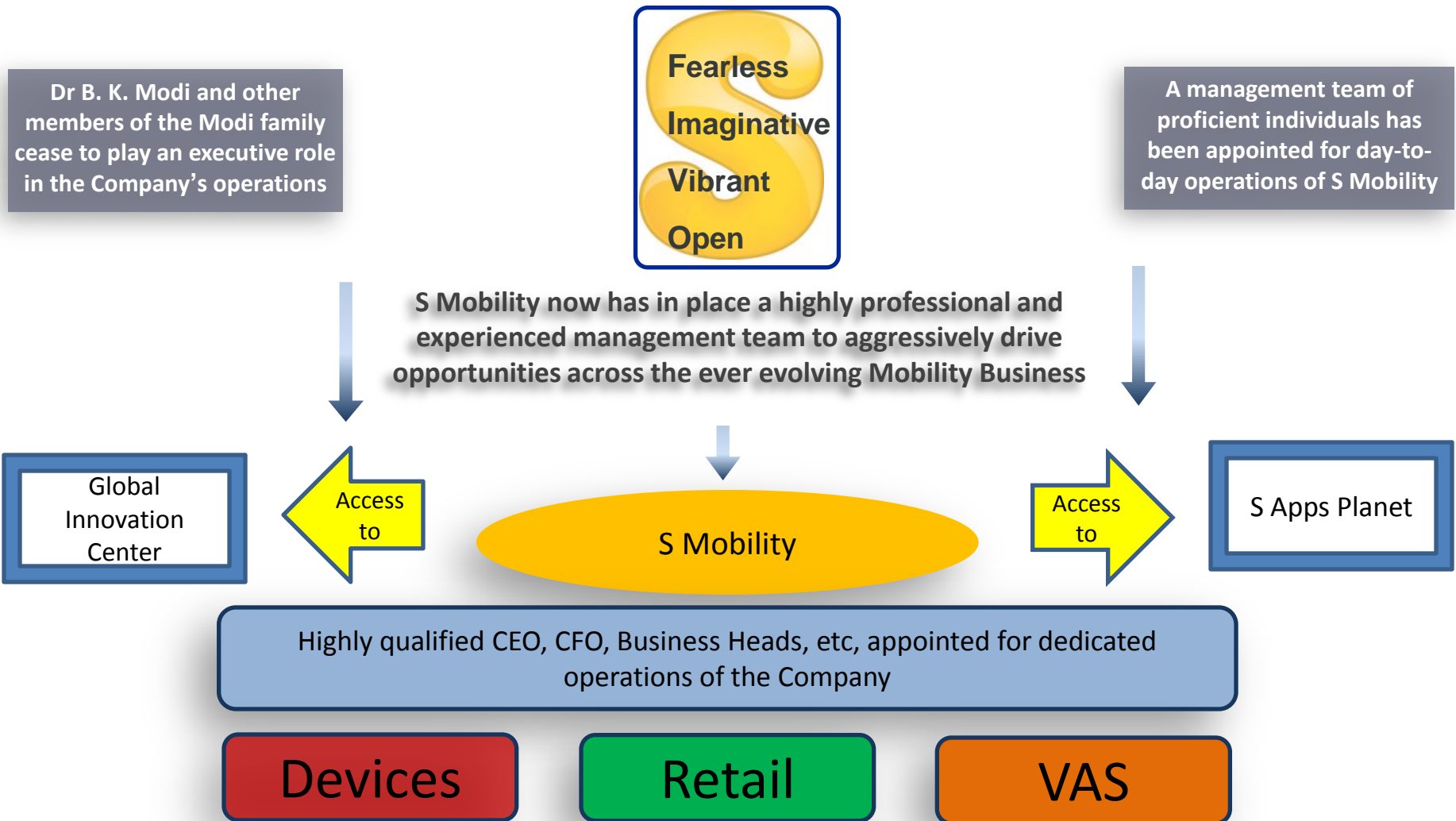
Steps to De-risk Operations

- Re-negotiate content contracts
- Drive costs down by changing delivery infrastructure, rationalising manpower and overheads
- Increase share of non-telco based revenues

Targeting the E-F-G-H (education, finance, government and healthcare) space in MVAS, which offers high growth opportunities

Professional Management Team

Strong team in place to steer growth



Key Management Team



R S Desikan, Group CEO

Currently S Mobility's Group CEO, he earlier worked as Group CFO & Director Finance of Mastek Limited, prior which he was Chief Financial Officer at Quinnox Inc. Naperville, IL, USA and also CFO and Board Member of Xerox Modicorp Limited



Preeti Malhotra, Executive Director

Is responsible for instituting good Corporate Governance practices in all Spice Group entities. She has over 20 years of experience in the Spice Group where she has undertaken re-structuring initiatives like mergers, takeovers, collaborations and IPOs



Subramanian Murali, Group President – Finance

With over 25 years of experience, he has played a key role in integration of all the businesses under one umbrella and in implementation of financial controls within the Group. His previous stint was with HCL where he created and managed many start ups



T M Ramakrishnan, CEO – S Mobile Devices

With over 16 years of experience, he was heading the Chennai cluster in S Mobility since June 2011 wherein he has been instrumental in building the business and taking it to new heights. He has worked with Bharti Airtel, ITC, MTS and Videocon



Saket Agarwal, CEO – Spice Digital

Has looked into every aspect of telecommunication VAS industry having a rich hands-on experience of over 16 years in this domain. Saket was also an integral part of the startup team at Spice Telecom Limited, Punjab. He is also a qualified ISO auditor



Krishna Kumar – CEO, Spice Retail

Recently appointed as CEO of Spice Retail, Krishna has over 18 years of retail experience in various markets & has worked in Spice Retail since its inception. Prior to joining Spice Retail, he has worked with top multinational firms in the Middle East

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, 2012

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

Unaudited Consolidated Results for the three months period ended September 30,2012

(Rs. In Millions)

PART I STATEMENT OF CONSOLIDATED UNAUDITED RESULTS FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30,2012					
SI.No.	Particulars	Consolidated			
		3 months ended			15 months ended
		30.9.2012	30.6.2012	30.9.2011	30.6.2012
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	a. Net Sales/Income from operation	5,434	5,113	5,352	27,379
	b. Other Operating Income	4	2	34	42
	Total	5,438	5,115	5,386	27,421
2	Expenditure:				
	a. Decrease/(Increase) in stock in trade	255	(195)	(585)	(66)
	b. Purchase of Finished/Traded Goods	3,944	3,796	4,110	19,399
	c. Consumption of Raw Materials and components	-	348	314	1,635
	d.Connectivity and Content Cost	236	231	240	1,285
	e. Staff Cost	297	312	350	1,719
	f. Depreciation/Amortisation	87	96	79	413
	g. Branding Expenses	98	154	256	961
	h. Other expenditure	489	453	507	2,225
	Total expenditure	5,406	5,195	5,271	27,571
3	Profit/(Loss) from Operations before other income, interest expenses, exceptional items and taxes (1-2)	32	(80)	115	(150)
4	Other Income	40	67	50	249
5	Profit/(Loss) before interest expenses, exceptional items and taxes (3+4)	72	(13)	165	99
6	Interest expenses	1	-	-	3
7	Profit/(Loss) before exceptional items and taxes (5-6)	71	(13)	165	96
8	Exceptional Items				
	- Provision against claims for earlier periods	(23)	-	-	-
	- Provision for diminution in the value of long term investments	-	(23)	-	(23)
9	Profit/(Loss) from ordinary activities before taxes (7+8)	48	(36)	165	73
10	Provision for Taxation	3	1	45	109
11	Net Profit/(Loss) for the period (9-10)	45	(37)	120	(36)
12	Minority Interest	5	15	18	61
13	Net Profit/(Loss) after Minority Interest (11-12)	40	(52)	102	(97)
14	Paid up Equity Share Capital (Face value of Rs.3/- each)	714	714	714	714
15	Reserves excluding revaluation reserves	-	-	-	7,148
16	Basic and Diluted Earnings Per Share (in Rs.) (Not Annualised)	0.17	(0.22)	0.43	(0.41)
PART II SELECT INFORMATION FOR THE QUARTER AND THREE MONTHS PERIOD ENDED SEPTEMBER 30,2012					
A.	PARTICULARS OF SHAREHOLDING				
1	Public Shareholding				
	- No. of Shares	6,86,60,069	6,87,20,309	7,46,38,000	6,87,20,309
	- Percentage of Shareholding	28.84%	28.86%	31.35%	28.86%
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	16,94,26,216	16,93,65,976	16,34,48,285	16,93,65,976
	- 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)	71.16%	71.14%	68.65%	71.14%
B.	INVESTOR COMPLAINTS				
	Pending at the beginning of the quarter	Nil			
	Received during the quarter	7			
	Disposed off during the quarter	7			
	Remaining unresolved at the end of the quarter	Nil			

SEGMENTWISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT

(Rs. In Millions)

Sl.No.	Particulars	Consolidated			
		3 months ended			15 months ended
		30.9.2012 (Unaudited)	30.6.2012 (Unaudited)	30.9.2011 (Unaudited)	30.6.2012 (Audited)
1	Segment Revenue (Net):				
a	Mobile Devices	4,833	4,539	4,784	24,510
b	Services	605	578	602	2,915
	Total	5,438	5,117	5,386	27,425
	Less : Inter-Segment Revenue	-	2	-	4
	Total Revenue	5,438	5,115	5,386	27,421
2	Segment Results -Profit/(Loss) before tax and Interest:				
a	Mobile Devices	(11)	(149)	21	(451)
b	Services	6	63	83	252
	Less: Interest expense	(1)	-	(1)	(3)
	Add : Other unallocable income net of unallocable expense	54	50	62	275
	Total Profit/(Loss) Before Tax	48	(36)	165	73
3	Capital Employed (Segment Assets- Segment Liabilities):				
a	Mobile Devices	3,676	3,829	4,311	3,829
b	Services	1,860	1,924	1,770	1,924
	Unallocated Capital Employed	2,358	2,109	2,558	2,109
	Total	7,894	7,862	8,639	7,862

Notes :

- The above results were reviewed by the Audit Committee and thereafter were approved and taken on record by the Board of Directors in their respective meetings held on Oct 30,2012 and have undergone 'Limited Review' by the Statutory auditors of the Company.
- The Consolidated Financial results for the quarter ended and three months period September 30, 2012 represents consolidated results of the Company and its subsidiaries.
- During the Quarter ended 30th September'2012, the Company has subscribed for 100% Equity shares in S Mobile Devices Limited and a subsidiary of the Company has acquired 100% Equity of Spice Online Retail Private Limited. Accordingly these Companies have been consolidated in the Consolidated financial results of the Company.
- 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			15 months ended
	30.9.2012	30.6.2012	30.9.2011	30.6.2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net Sales / Income from Operations	1,965	1,591	2,294	10,086
Profit/(Loss) before tax	86	(135)	6	(467)
Net Profit/(Loss) after tax	86	(135)	7	(474)

- 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 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

Preeti Malhotra
Executive Director

Dated : October 30 , 2012

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.