



S Mobility Limited

**Results for the quarter ended
December 31st , 2012**



spice
switch up!

Thrust on profitable growth continues...

Consolidated Results for the quarter & six months ended Dec'12



Key Financial Highlights

Particulars (In INR Mn)	Qtr ended Dec 31, 2012	Qtr ended Sep 30, 2012	Qtr ended Dec 31, 2011	6M ended Dec 31, 2012	6M ended Dec 31, 2011
Revenue	4,905	5,438	6,184	10,343	11,570
EBIDTA	55	119	-162	174	32
- Margin	1.1%	2.2%	-2.6%	1.7%	0.3%
Profit bef. Exceptional items & Taxes)	5	71	-200	76	-35
PAT	-138	45	-179	-93	-59
- Margin	-2.8%	0.8%	-2.9%	-0.9%	-0.5%
EPS (INR)	-0.44	0.17	0.79	-0.28	-0.36

Note: In-line with our conservative accounting policy, provision has been made for INR 132 Million in the quarter ended December 31, 2012 against claims / expected claims for previous periods.

Balance Sheet Overview

- Net Worth: INR 7,731 Million (Dec 31, 2012)
- Cash on Date: INR 1,727 Million (after dividend payout of INR 1.5/share, i.e. @ 50%)
- Real Estate: INR 1,693 Million (Book Value)
- Trust Shares: INR 1,511 Million (CMP)
- Debt free

Key Operational Highlights



HANDSETS

- Gross margins have showcased strong improvement
- Further improvement in PAT led by inventory control & reduced overheads



MOBILITY RETAIL

- Non profitable stores closed out
- Retail ASPs continue to be strong
- New business model being developed around retail segment



MOBILE VAS

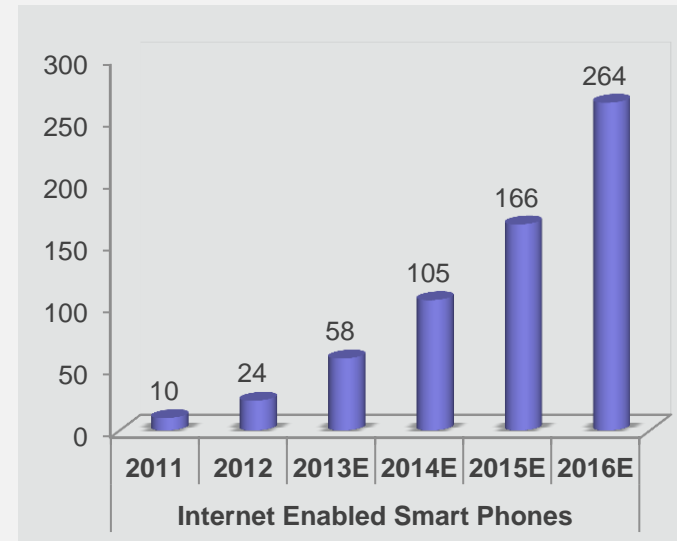
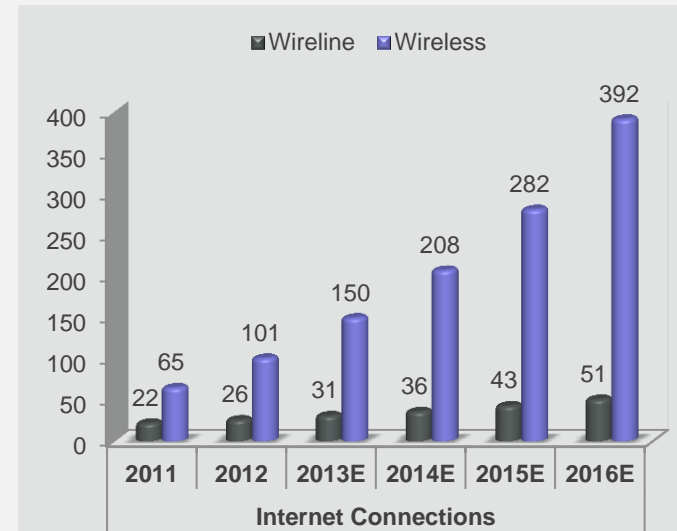
- Domestic revenues declining as impact of TRAI regulations continues
- Decline offset by increased revenues from international and new bets

Devices: Sector Overview

Growth to driven by smart phones



- India is the 2nd largest mobile handset market in the world after China and is poised to become an even larger market with unit shipment of INR 208.4 million in 2016 at 11.8 per cent (CAGR) from 2010 to 2016
- With end users' need for converged devices and OEM's accelerated adoption of open-source operating systems such as Android, the mobile handset-smartphone combination is emerging as the future growth engine of the telecom industry
- The mature Indian mobile consumers' increasing preference for high-end handsets and the younger demographics' desire for mobile Web 2.0 technologies can drive revenues from INR 255.91 billion in 2010 to INR 350.05 billion in 2016
- India's mobile Internet subscriber base will reach 165 million by 2015, according to the Internet and Mobile Association of India. Smartphone subscribers are expected to grow 24% in the same time, according to Cisco.
- 70 per cent of the Indian population subscribes to voice services. Mobile data services have not yet achieved large-scale popularity. However, this is set to change with the reduction of mobile Internet charges by telecom service providers and the introduction of 3G in India
- A large number of mobile internet users will access the internet using smart phones and tablets to access a wide range of content online
- For the mobile handset market, the rural market offers exciting prospects due to its significant uptake of feature phones. The rural and semi-rural markets accounted for around 65 per cent of sales for most Indian manufacturers in FY2010



Devices: Product Introductions

Quarter ended December 2012



MI - 500



- 12.7 cms WVGA Capacitive Touch
- Android 4.0 (ICS)
- 1 GHz DUAL Processor
- Battery 2400mAh
- Dual SIM (3G + 2G)
- 5MP Auto focus + 0.3MP camera
- GPS/AGPS/GMS
- 4GB ROM +512 MB RAM
- Wi-Fi Tethering
- Proximity Sensor

M-495



- 11.43 cms Capacitive Touch
- QHD Display
- Android 4.0 ICS
- 1 GHz Dual core Processor
- Dual SIM (3G + 2G)
- 8 MP +1.3 MP camera
- Wi-Fi Tethering
- Expandable Memory up to 32 GB
- Proximity Sensor/G Sensor/ Encompass

MI-1010



Tablet

- 25.65 cms Capacitive IPS T Touch screen; HD Display
- Android 4.1 Jellybean
- 1.5 GHz Dual core Processor
- 16GB + 1GB DDR3 RAM
- Battery 7600mAh
- 2160 P video play support
- WI-FI
- 3 MP + VGA camera
- G Sensor

M-5610



- Form Factor: Bar
- Camera: 1.3MP
- Display : TFT
- Music Player
- Video Player
- FM Radio
- Dual SIM
- USB Port
- 1000mAh battery

M-5910



- 3.5" Screen
- 1000mAh Battery
- 1.3 MP camera
- ATV

M-5600n



- 3.2" Screen
- 1000mAh Battery
- 1.3 MP camera
- ATV

Stellar Range: Positive consumer response seen

Spice-branded Android-based smart phones and tablets



"The Spice Stellar Pad is a great budget Jelly Bean tablet, perfect for those looking for an affordable 10-inch Android device with solid overall performance. It has good power under the hood, an impressive display, good touch response and clear audio. Sure, it is plagued with some lag and crashing apps, but that is found on all budget tablets. We have finally found an awesome budget Jelly Bean tablet!"
– **Rated 4/5 by Think Digit**

"Spice Stellar Virtuoso can certainly meet the needs of buyers who are fine with a phone with a 4.5 inch screen, something they can easily fit in their pockets or hold in the hands. The phone fares well when compared to similar dual-core platform based Android phones"
– **Economic Times / TOI Publications**



The Spice Stellar Pad has a 10.1-inch screen. The tablet features a 1.5 GHz dual core processor paired with a quad core GPU. Runs on Android 4.1 OS. The Stellar Pad has integrated Wi-Fi, HDMI output and more

Slimmest smartphone by any Indian brand. Features a 1 GHz dual core processor, eight megapixel camera, Bluetooth, integrated Wi-Fi, and a 1.3 megapixel front camera. The 4.5-inch screen has a resolution of 960 x 540 and the device has integrated GPS

Devices: Operational Performance

Quarter ended December 2012



Sustained improvement in performance

- Spice-branded handset sales volumes up 12% y-o-y at 1.5 mn units
- Average selling price for the quarter at INR 1,199
- Further improvement in gross margins – up 600 bps over Sep'12
- Affordable, feature-rich Android handsets and tablets under the 'Stellar' series introduced in December
- Product positioning & marketing to drive revenue growth

Focus on margins and cash continues...

- Improvement in gross margins led by better product portfolio
- Sustained focused on accounts receivable and inventory continue to have a positive impact on working capital cycle
- Lowering of overheads combined with focus on cost rationalization initiatives contribute to margin enhancement

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

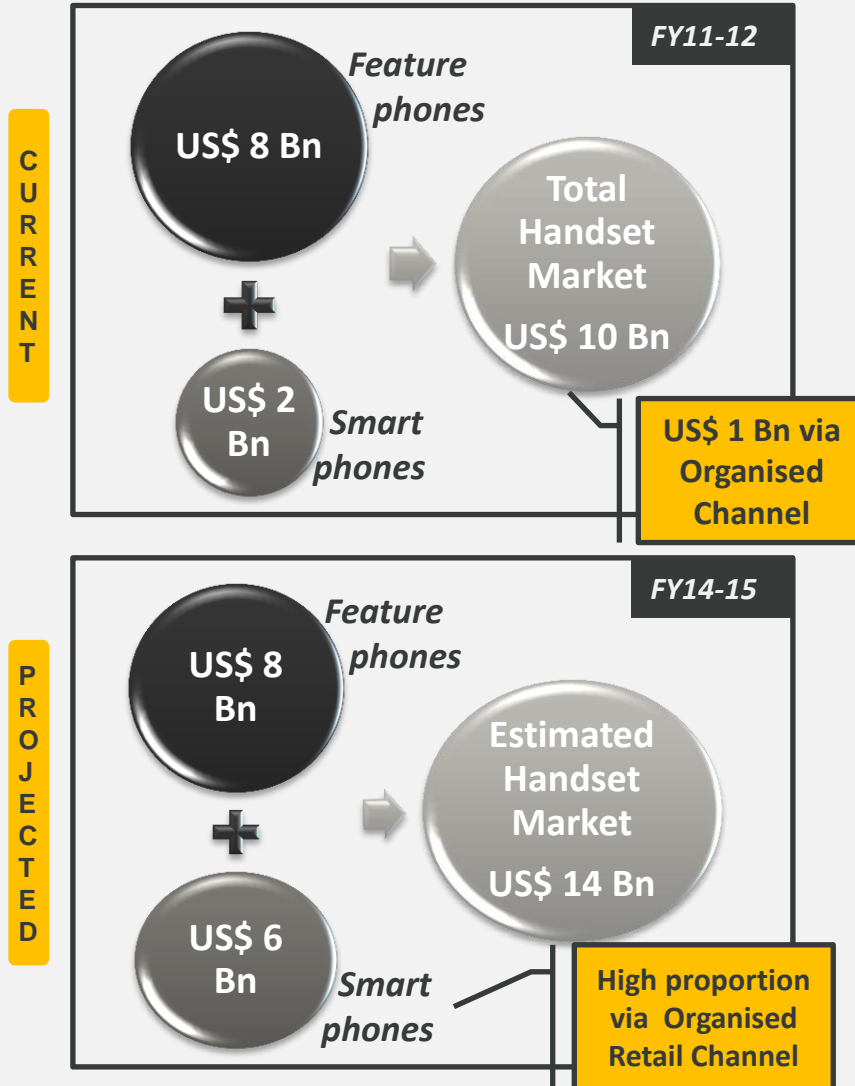


Well established sales channel of 72 RDS, 500 Micro Distributors, 30,000 Retail Outlets → Over 500,000 End Consumers/month

Growing smart phone adoption to benefit Retail



To capitalise on the growing opportunity in organised retail



India: Smartphone shipments are expected to clock 60% CAGR over 2011-15 | To account for 23% of total handset volume by 2015

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 cater mostly to the niche market; thereby boosting device ASPs

Retail: Operational Performance

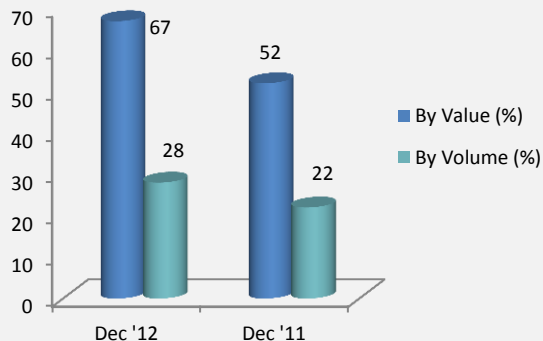
Quarter ended December 2012



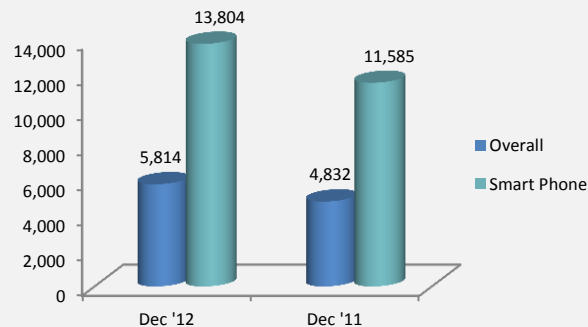
Revenues; margins muted as a result of challenging macro environment

- Subdued festive season sales coupled with focus on retail revenues resulted in lower retail revenues for quarter ended December 2012; down 12% over H1-FY12
- Retail ASP at INR 5,814 in quarter under review; grew 20% y-o-y and 12% q-o-q
- Smart phone ASP at INR 13,804; grew 19% y-o-y and 1% q-o-q
- While loss making stores were closed down; focus on retail presence targeting the niche segment continues – 24 version 2 stores across the country
- Focus on providing superior customer experience to drive footfalls in stores that will positively impact smart phone sales – currently 67% of retail sales (by value) is derived from smart phones vs. 52% a year ago

Share of Smart phone sales (%)



Retail ASP trend (INR)



504 Spice Hotspots are in Tier 1 Cities in India

- Delhi – 220
- Jaipur – 61
- Bangalore – 58
- Kota – 39
- Kolkatta – 35
- Hyderabad – 28
- Ahmedabad – 28
- Chennai – 17
- Mumbai - 18

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



Among the largest organised mobility retail players with 846 retail outlets spread across 147 cities; 290 of which are in metros

VAS: Sector Overview

Usage to increase led by affordable devices & data tariffs



- The Indian mobile value-added services (MVAS) market is expected to move from the traditional SMS-based services to Internet-based and application-based services. Currently valued at over US\$5 billion, Indian MVAS industry is expected to reach well over US\$6 billion by 2013
- The Indian telecom industry has witnessed a three-fold increase in subscribers since 2008. The wireless subscriber market stands at 933.7 million subscribers, with Bharti Airtel as the market leader, while the wireline segment stands at 31.4 million connections, with state-run BSNL dominating the market
- Although the Indian market is characterized by a large subscriber base and substantial tele-density, the average revenue per user (ARPU) is quite low.
- With regards to new avenues for revenue generation, MVAS, cloud and datacenter services are providing ample opportunities to IT companies
- The data center market and capacity in India is valued at over US\$4 billion and is expected to reach around US\$6 billion by 2014. Nearly a fifth of this segment is governed by third-party service providers while the rest is captive
- Captive data centers in India face challenges such as lack of in-house skills, high investments, and long gestation periods

Data source –Zinnov Research

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

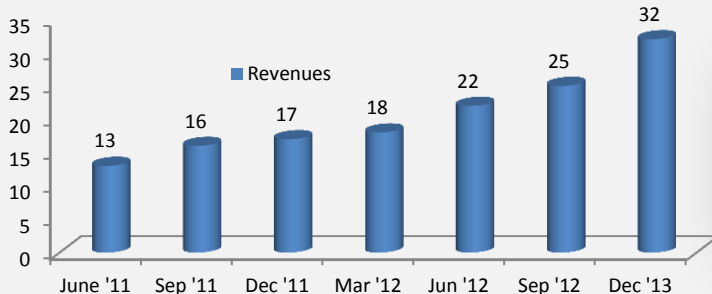
Quarter ended December 2012



Impact of regulatory directives on operations...

- VAS revenues remained flat in Q2-FY13 in comparison to quarter ended December 2012 as the drop in domestic business was compensated by an increase in revenues from the international and new products businesses
- Minimum guarantee commitment negatively impacted gross margins
- One-time provision has been made in the quarter ended December 31, 2012 against claims / expected claims for previous periods – this led to lower reported profits for the quarter under review
- International revenues at 32% of total revenues – highly focused towards expanding in emerging markets like Tanzania, Bangladesh, Zambia, Ecuador
- Revenues from New Products stood at 49% of total VAS revenue in Q2-FY13 as compared to 18% in quarter ended December 2011

International revenues on the rise (%)



Over 50% revenues are expected from the international front in the next 12 to 18 months


Recent Introductions



- Voice Tube in Bangladesh
- World space in Airtel india
- Campaign management in LATAM

Key Growth Areas



- International Business
- Mobile VAS Retail 
- Enterprise Business
- Content Monetization
- Mobile-Internet Services

Focus Going Forward

- Drive international revenues towards 50% of total revenues
- Develop more 3G/Device based VAS services through innovative products

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

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, 2012

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

Unaudited Consolidated Results for the Quarter and Six months period ended December 31, 2012

(Rs. In Millions)

PART I STATEMENT OF CONSOLIDATED UNAUDITED RESULTS FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2012							
Sl.No.	Particulars	Consolidated					
		3 months ended		6 months ended		15 months ended	
		31.12.2012 (Unaudited)	30.9.2012 (Unaudited)	31.12.2011 (Unaudited)	31.12.2012 (Unaudited)	31.12.2011 (Unaudited)	30.6.2012 (Audited)
1	a. Net Sales/Income from operation	4,904	5,434	6,148	10,338	11,500	27,379
	b. Other Operating Income	1	4	36	5	70	42
	Total	4,905	5,438	6,184	10,343	11,570	27,421
2	Expenditure:						
	a. (Increase) / Decrease in stock in trade	(57)	255	265	198	(320)	(66)
	b. Purchase of Finished/Traded Goods	3,731	3,944	4,437	7,675	8,547	19,399
	c. Consumption of Raw Materials and components	-	-	242	-	556	1,635
	d.Connectivity and Content Cost	247	236	325	483	565	1,285
	e. Staff Cost	313	297	422	610	772	1,719
	f. Depreciation/Amortisation	88	87	78	175	157	413
	g. Branding Expenses	108	98	230	206	486	961
	h. Other expenditure	508	489	425	997	932	2,225
	Total expenditure	4,938	5,406	6,424	10,344	11,695	27,571
3	Profit/(Loss) from Operations before other income, interest expenses, exceptional items and taxes (1-2)	(33)	32	(240)	(1)	(125)	(150)
4	Other Income	42	40	40	82	90	249
5	Profit/(Loss) before interest expenses, exceptional items and taxes (3+4)	9	72	(200)	81	(35)	99
6	Interest expenses	4	1	-	5	-	3
7	Profit/(Loss) before exceptional items and taxes (5-6)	5	71	(200)	76	(35)	96
8	Exceptional Items						
	- Provision against claims / expected claims for earlier periods	(132)	(23)	-	(155)	-	-
	- Provision for diminution in the value of long term investments	-	-	-	-	-	(23)
9	Profit/(Loss) from ordinary activities before taxes (7+8)	(127)	48	(200)	(79)	(35)	73
10	Provision for Taxation	11	3	(21)	14	24	109
11	Net Profit/(Loss) for the period (9-10)	(138)	45	(179)	(93)	(59)	(36)
12	Minority Interest	(32)	5	9	(27)	27	61
13	Net Profit/(Loss) after Minority Interest (11-12)	(106)	40	(188)	(66)	(86)	(97)
14	Paid up Equity Share Capital (Face value of Rs.3/- each)	714	714	714	714	714	714
15	Reserves excluding revaluation reserves	-	-	-	-	-	7,148
16	Basic and Diluted Earnings Per Share (in Rs.) (Not Annualised)	(0.44)	0.17	(0.79)	(0.28)	(0.36)	(0.41)
PART II SELECT INFORMATION FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2012							
A.	PARTICULARS OF SHAREHOLDING						
1	Public Shareholding						
	- No. of Shares	68,658,496	68,660,069	74,638,000	68,658,496	74,638,000	68,720,309
	- Percentage of Shareholding	28.84%	28.84%	31.35%	28.84%	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	169,427,789	169,426,216	163,448,285	169,427,789	163,448,285	169,365,976
	- 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)	71.16%	71.16%	68.65%	71.16%	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			6 months ended		15 months ended
		31.12.2012 (Unaudited)	30.9.2012 (Unaudited)	31.12.2011 (Unaudited)	31.12.2012 (Unaudited)	31.12.2011 (Unaudited)	30.6.2012 (Audited)
1	Segment Revenue (Net):						
a	Mobile Devices	4,296	4,833	5,569	9,129	10,353	24,510
b	Services	610	605	616	1,215	1,218	2,915
	Total	4,906	5,438	6,185	10,344	11,571	27,425
	Less : Inter-Segment Revenue	1	-	1	1	1	4
	Total Revenue	4,905	5,438	6,184	10,343	11,570	27,421
2	Segment Results -Profit/(Loss) before tax and Interest:						
a	Mobile Devices	(32)	(11)	(269)	(43)	(248)	(451)
b	Services	(152)	6	12	(146)	95	252
	Less: Interest expense	(4)	(1)	-	(5)	-	(3)
	Add : Other unallocable income net of unallocable expense	61	54	57	115	118	275
	Total Profit/(Loss) Before Tax	(127)	48	(200)	(79)	(35)	73
3	Capital Employed (Segment Assets- Segment Liabilities):						
a	Mobile Devices	3,344	3,676	3,893	3,344	3,893	3,829
b	Services	1,930	1,860	1,706	1,930	1,706	1,924
	Unallocated Capital Employed	2,457	2,358	2,866	2,457	2,866	2,109
	Total	7,731	7,894	8,465	7,731	8,465	7,862

Notes :

- The above results were reviewed by the Audit Committee. The same were approved and taken on record by the Board of Directors in their meeting held on February 13, 2013 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, 2012 represents consolidated results of the Company and its subsidiaries.
- During the Quarter ended 31st December'2012, a subsidiary of the Company has subscribed for 100% Equity (except one share) in Spice Digital Bangladesh Limited. Accordingly, this company has been consolidated in the Consolidated financial results of the Company.
- During the Quarter ended 31st December'2012, Spice Digital Limited, a subsidiary of the Company has bought back equity shares from its shareholders resulting in increase in Company's shareholding in the subsidiary from 82.7% to 89.2%. The amount of Rs 111 Million, paid over and above minority interest has been adjusted from the reserves in the consolidated financial statements.
- During the Quarter ended 31st December'2012, Spice VAS (Africa) Pte. Ltd. , a step down subsidiary of the Company, has issued 32,770 equity shares to the eligible employees and granted 91,530 share awards to be exercised over three years in accordance with the share award scheme of that company.
- Provision for income tax is inclusive of/ net of deferred tax charge/ credit and tax adjustments for earlier years.

7 Key Standalone Financial Information is given below:

Particulars	3 months ended			6 months ended		15 months ended
	31.12.2012 (Unaudited)	30.9.2012 (Unaudited)	31.12.2011 (Unaudited)	31.12.2012 (Unaudited)	31.12.2011 (Unaudited)	30.6.2012 (Audited)
Net Sales / Income from Operations	1,790	1,965	1,973	3,755	4,267	10,086
Profit/(Loss) before tax	346	86	(290)	432	(284)	(467)
Net Profit/(Loss) after tax	346	86	(249)	432	(242)	(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.
- During the Quarter ended 31st December'2012, the Company has adjusted corporate dividend tax of Rs. 29 million on dividend received from its subsidiary while making payment of its dues towards corporate dividend tax. The said amount has been credited to Profit and Loss Appropriation Account.
- Previous period's figures have been regrouped and/or recast wherever considered necessary to conform to the current period's presentation.

By order of the Board
S Mobility Limited

Preeti Malhotra
Director

Dated : February 13, 2013

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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.