



***switch***

Switch forward to the next generation technology



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S Mobility Limited

## Our Brand Vision

To stay one step ahead of the needs of the Mobile Internet Society.

## Our Brand Promise

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

## Our Brand Attributes

A vision can only be pursued when backed by a set of strong values. We shall aim to instill in ourselves some key attributes.

Today, a Spicean can be identified as:

**FEARLESS**

**IMAGINATIVE**

**VIBRANT**

**OPEN**

# Chairman's Statement



## Dear Shareholders,

On behalf of the Board of Directors of S Mobility, I am pleased to present to you our financial performance and significant milestones for the financial year ended June 30, 2012 which covers a period of 15 months from April 1, 2011 to June 30, 2012.

## Indian Telecom Industry

Indian telecommunication industry is one of the fastest growing industry in the world. It is estimated that India will have more than 1.2 billion mobile subscribers by 2013 exceeding even the total subscriber count in China.

Telecommunication in India is synonymous to Mobility and the Mobile Industry in India is growing with a CAGR of over 10%. Your company has created good presence in the

Mobility Sector – namely within the spaces of Mobile Devices, Mobility Retail and Mobile Value Added Services.

Within the space of Mobile Devices domestic brands have played a significant role to bring the power of communication within the hands of the consumers by focusing on Product and Cost Innovation - bringing rightly priced and correctly engineered devices to the Indian Consumer. Domestic brands have been successful in capturing over 15 % of the market share.

At the same time, the mobility industry has become very competitive in the last few years. Due to the absence of entry barrier in the mobile handset industry, most players coming into this industry are using price as their USP for gaining market share. On the other hand international giants like Nokia, Blackberry etc. have seen rapid erosion in their market share. The combination of all the above has led to significant reduction in profits for the mobile device players.

At another level, the Indian consumer's needs and expectations have graduated beyond acquiring hardware. It has become the lifeline of every consumer. Hence, there is an increasing demand for the device to enable an empowered lifestyle through data services and applications. It also includes a comfortable retail experience along with a qualitative and responsive after sales care. And this trend is dominant in both rural and urban markets alike. The majority of data consumption comprise of services in utility, education, information and entertainment.

However, without enablement of data services through Wi-fi, this potential cannot be fully realized. In the US, digital empowerment is not only spearheading growth but also

improving the quality of life. Likewise, in order to accelerate the pace of growth through the digital highways, government should seriously consider providing free Wi-Fi for youth, especially in schools, colleges and youth hotspots.

Amidst such a dynamic scenario, your company with its unique integrated business model is well poised to counter challenges and create a leading space for itself.

SPICE is one of the top 3 players amongst the domestic Mobile devices space in India and is focused on Product Innovation in line with the changing requirements and has been very successful in bringing state of the art devices to the market which has been well received by the Indian Consumers.

SPICE Retail has now the distinction of being the largest player in the organized mobile retail sector. At SPICE Retail we have continuously focused on providing the best retail experience to the mobility consumer providing him with greater choice and more informed purchase experience.

SPICE Digital is one of the top 3 mobile VAS companies in India and had led through Services Innovation. Its focus is to provide a greater choice of content and services to the underserved and has expanded to multiple

geographies and multiple operators in the last year emerging as one of the most tightly run VAS operations in the country. SPICE Digital is amongst the few players in the country focused on enabling new and innovative services on Voice.

### **The Year in Review: Navigating rapid technology shifts**

The mobile communication technology scene continues to change at an unprecedented speed to meet the demands of the increasingly sophisticated consumer. Innovative companies such as Apple and Samsung have captured the hearts and minds of mobile consumers with leading-edge smart phones and a range of applications that are based on proprietary technology and well-designed platforms. Open source platforms like Android, backed by Google have also redefined the mobility space, enabling unlimited innovation. In contrast, the erstwhile leaders like Nokia, Motorola and Blackberry and other major technology companies have been impacted by the rapid changes in the product market and retail trends. These ongoing developments have reaffirmed our belief that innovation, scale, technology and product leadership are key to our future success.

Your company over the years has developed





highly cost effective feature phones for the value driven cost conscious market segment to capture the tremendous growth opportunity in that space. Moving forward, to capture the huge demand projected in the 2G wi-fi & wi-fi/ 3G Android phones which have all localized Apps and smart features, your company has acquired the requisite skills, talent and technical expertise. The company has planned a product portfolio to capture this space and create value for money smart phones.

### **Performance of the last financial year**

The year gone by was one fraught with challenges. The economic slowdown and the Rupee depreciation of over 20% in the last financial year was a major factor for the erosion of margins. This impacted not only the device segment but also the high revenue VAS segment which predominantly operates on revenue share basis.

Your company has always been quick to respond to the economic challenges with effective management measures. These included an overall management reshuffle along with a revamped salary structure, with a higher percentage of variable incomes linked to performance for the top management, which was instrumental in arresting a continual downward trend in revenues.

The company has put in place a concrete roadmap for putting the company on a fast trajectory of growth.

### **Future Roadmap: A Return to Profitability**

The company has taken stringent measures to control costs and increase revenues. We have taken several decisions to focus on rationalizing manpower, reducing infrastructure and selling expenses, introducing new products at competitive prices, improving our channel coverage, rolling out new stores with better customer experience etc.

Over the coming quarters, we expect our strategies to pay rich dividends and help

return the company to profitability.

We believe that moving forward, the growth in mobility is now being led through the growth of Mobile Internet. In September the Internet Measurement Firm Stat Counter reported that mobile now accounted for 51.63% of web usage with desktop devices making up the remaining 48.37%. That's a first for India and it follows a steady uptick of Internet usage from Mobile and Tablet devices. Mobile Internet is being focused on by all key stakeholders of telecommunications. As such,

- Operators are focusing in bringing greater 3G Connectivity and are supplementing it with WiFi connectivity in areas of greater usage.
- Device players are focused on bringing Smart Phones and other Next generation connected devices to the market.
- VAS Players are increasingly focusing on service innovation across voice, data and video platforms.
- The Government is investing heavily in creating a backbone internet infrastructure that can be used by all stakeholders to reach the remotest part of the country.

Given the emergence of a new Internet Economy, Spice is very well positioned to bring the power of Information to the consumer by providing the latest internet connected devices to the Indian Consumer at great value and by educating the Consumer by introducing him to the power of the new age devices and related services when the consumer comes to our stores to buy devices. SPICE will continue to delight customers with new age products and services through its integrated business model and all possible channels namely – the Device Channel, the Retail Channel and the Online Channel.

SPICE intends to work closely with Carriers. Just as the first phase of Mobile Growth happened with the availability of infrastructure provisioned by operators we believe that Carriers will continue to play an



important role in the introduction of Mobile Internet and will be the key partners for Mobile Internet Players.

Our brand vision at Spice is to be “*One Step Ahead of the Needs of the Mobile Internet Society*” and with this view SPICE has plans to renew the organization to become better capable at providing Mobile Internet focused devices, primarily Android, 3G and Wi-fi enabled and enhanced retail experiences and new innovative Value Added Services.

We have taken several steps to invest in the various elements of our organization.

- Focus on new products in all our businesses.
  - o More capable Smartphone’s and Tablets with superior hardware, software and applications for the benefit of our consumers
  - o New Formats Retail Stores with better infrastructure and with focus on trained staff in all aspects of Mobile internet to create a better experience for consumers
  - o Better Leadership, Developers and Engineers with experience in developing new content services across Voice, Data and Video Platforms

- Create office Infrastructure across the country to support the new needs of the organization. This will be designed to encourage open and innovative culture
- Hiring of highly motivated talent across the country which is better suited to fulfill emerging consumer requirements

We strongly believe that SPICE needs to play a pivotal role in creating in the new Mobile Internet Economy. We believe that the empowered life style that Mobile Internet promises through new devices and application in both rural and urban markets cannot be ushered in without availability of affordable internet infrastructure across the length and breadth of our country.

In order to usher in the new age of Mobile internet and move from RingTone to Information Tone I look forward to working closely with Carriers, Government Agencies, Device Players, Software Platform Providers and other agencies to work closely with us to build highly affordable infrastructure to enable the Youth of this country. SPICE commits itself to this cause.

### **A Word of Appreciation**

We could not have weathered the challenging economic environment and survived the competitive business environment to move forward with renewed vigour without the contribution, commitment and support of our management team and staff, business associates and shareholders and Government organizations.

We appreciate your continued support, and steadfast belief in our mission and vision.

Thank You.

**Dr. B K Modi**  
**Chairman**



# From the CEO's DESK



## Dear Shareholders,

After a challenging previous year, we have taken this year as a fresh departure.

I and my team have identified key focus areas and have implemented an exhaustive execution plan at all levels to turnaround the situation and get the company back to profitability.

After a detailed analysis of the last year, we have identified 4 areas that need constant improvement.

### 1. Focus on Technology/ Products

The market for mobile phones has been traditionally divided into Feature Phones and Smart Phones. Smartphones operates on multiple operating systems like Android of Google, iOS by Apple, Symbian by Nokia, Windows by Microsoft etc. In the midst of this technology war, another element appeared as Smart Feature phones trying to combine both, spearheaded by some chip manufacturers. We entered this space along with our ODM vendors in China. But the technology was not successful and the products had to be discounted resulting in severe margin erosion, especially in the later part of the year.

### 2. Personnel Alignment

In line with the change in technology as enumerated above, the organizational and

cost structure that we had built to support the new initiatives was recognized. The same has been realigned in the current year to reflect the changes. But this was a critical factor in a depressed performance last year.

### 3. Foreign Exchange fluctuations

In the previous financial year rupee depreciated by more than 20% eroding the gross margins of our products significantly. Due to competitive market situation it was not possible to pass on the rupee depreciation to the end consumers resulting in lower margins. We have taken effective steps to manage the dollar rupee fluctuation in the short to medium term.

### 4. Margin Control

Last year, the focus was primarily on enhancing the revenue in a difficult market situation due to competition and new products/technology. With the streamlining of product selection and testing processes, the focus has now shifted to revenue and margin rather than just revenue.

Under the directions of the Board, I and my team members have been focusing on corporate governance in addition to operational efficiencies & value systems. We follow the 4 pillars – FIVO - “Fearless”, “Imaginative”, “Vibrant” & “Open”, in all spheres. The entire office environment has been restructured to reflect an open office atmosphere with no “Cabin Culture”. We encourage young team members to take part in sensitive business decisions to unleash their vibrant & imaginative powers.

The improvements arising out of above actions will be visible to you as we go along during the current year.

Many of the Board members with their respective expertise have helped in this transformational exercise during a critical year. On behalf of all team members, I would like to thank the Chairman and other Board members for their support and valuable directions.

With warm regards,

**R S DESIKAN**  
Chief Executive Officer

# THE VISION TO SWITCH FROM MOBILE TO MOBILE INTERNET

Smarter phones,  
greater value.

We continue to lead the  
consumer revolution and  
switch to Mobile Internet



HUAWEI *Ascend* Y100



Stellar



Stellar Horizon

# INFRASTRUCTURE

## S GLOBAL KNOWLEDGE PARK NOIDA





# INFRASTRUCTURE

## KOLKATA OFFICE



## MUMBAI OFFICE



**We see the Horizon  
it's Unlimited.**



# The Vision to Switch

Our only constant is to "Switch Up."  
And we continue to lead the way by making  
the smart phone smarter. We switched up to  
Mobile Internet and the value to the  
consumer greater.





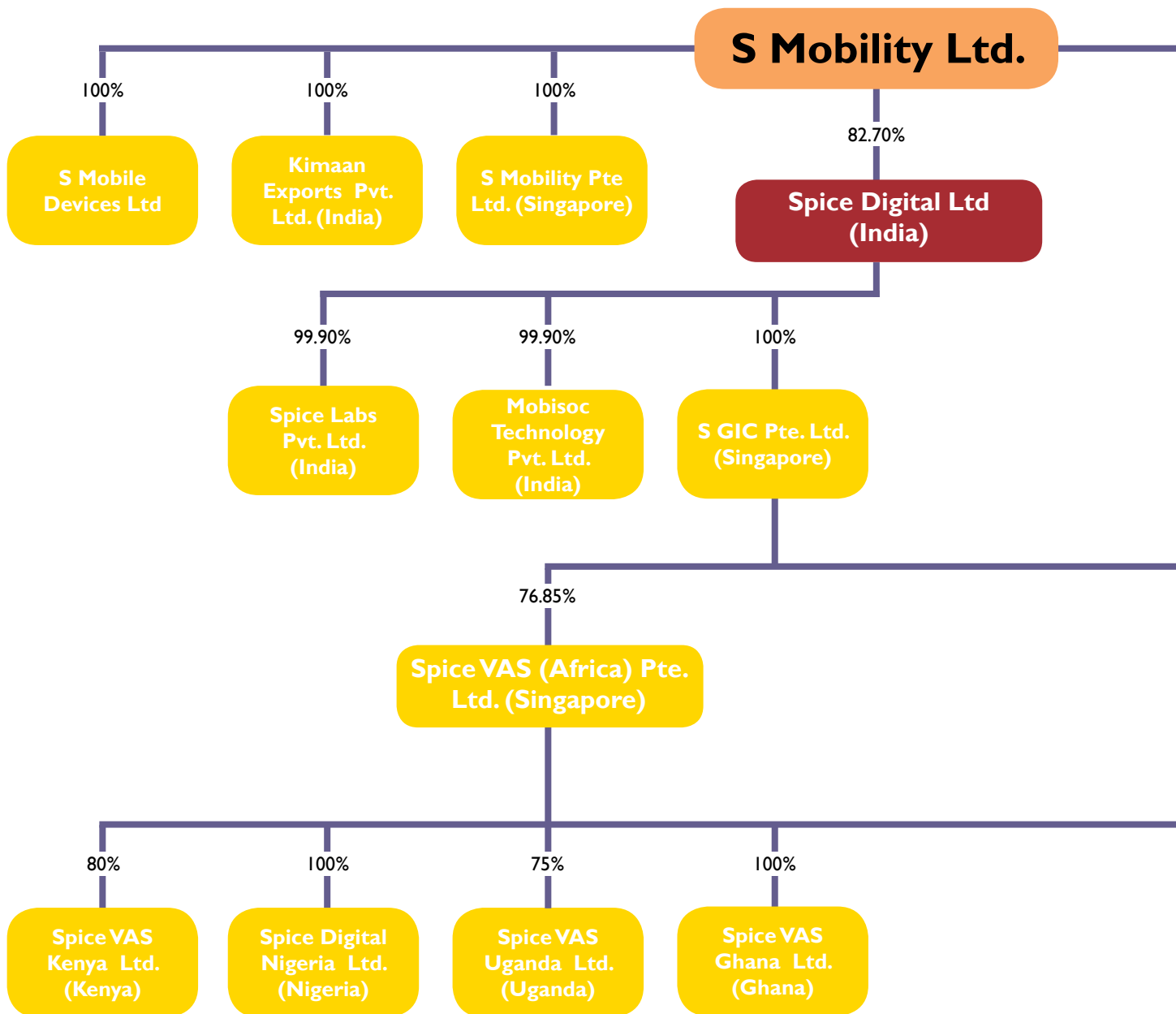
# Innovation to Infinity

From Innovation to Infinity.  
S Mobility Limited is always one step  
ahead of the pack.



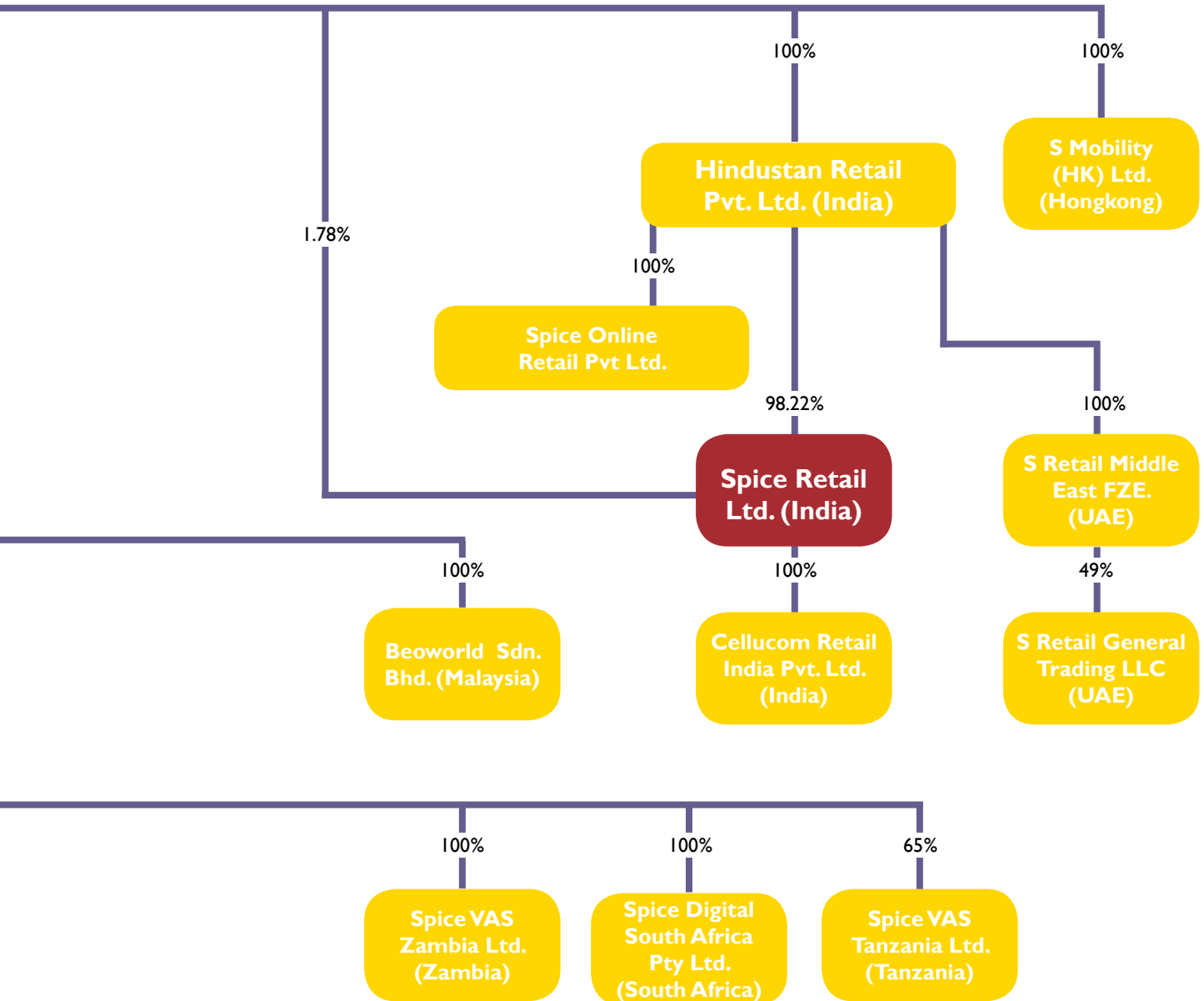


# S MOBILITY STRUCTURE





# S MOBILITY STRUCTURE





# COMPANY INFORMATION

## S Mobility Limited

### BOARD OF DIRECTORS

Dr. Bhupendra Kumar Modi – *Chairman*  
Mr. Dilip Modi  
Mr. Kashi Nath Memani  
Ms. Preeti Malhotra  
Mr. Saurabh Srivastava  
Mr. Subroto Chattopadhyay

### Company Secretary

Mr. Meghraj Bothra

### BOARD COMMITTEES

#### I) Audit Committee

Mr. Kashi Nath Memani – Chairman  
Mr. Dilip Modi  
Mr. Subroto Chattopadhyay

#### II) Remuneration Committee

Dr. Bhupendra Kumar Modi – Chairman  
Mr. Kashi Nath Memani  
Mr. Saurabh Srivastava  
Mr. Subroto Chattopadhyay

#### III) Shareholders Value Enhancement and Investors Grievance Committee

Dr. Bhupendra Kumar Modi – Chairman  
Ms. Preeti Malhotra

### Chief Executive Officer & Manager

Mr. R. S. Desikan

### Chief Financial Officer

Mr. Subramanian Murali

### Registered & Head Office

**S Global Knowledge Park, 19A & 19B, Sector 125,**  
Noida, District Gautam Budh Nagar, U.P.-201301  
Phone :0120-3355131  
E-mail : [complianceofficer@spicemobile.in](mailto:complianceofficer@spicemobile.in)  
Website : [www.spice-mobile.com](http://www.spice-mobile.com)

### Statutory Auditors

M/s S.R. Batliboi & Co.  
Chartered Accountants  
Golf View Corporate Towers – B  
Sector-42, Sector Road  
Gurgaon – 122 002 (Haryana)

### Internal Auditors

M/s Bansal Dalmia & Co.  
Chartered Accountants  
210, Gupta Tower, Commercial Complex  
Azadpur, Delhi - 110033

### Registrar & Share Transfer Agent

#### MAS Services Ltd.

T-34, 2nd Floor, Okhla Industrial Area  
Phase-II, New Delhi-110 020  
Phone : 011-26387281/82/83  
Fax : 011-26387384  
E-mail : [info@masserv.com](mailto:info@masserv.com)

### Factories:

#### Unit 1 and Unit 2

Village Billanwalli, Baddi P.O., Nalagarh,  
Distt. Solan, Himachal Pradesh-173205

### Bankers:

HDFC Bank Limited  
IndusInd Bank Limited

### Symbol/Scrip ID at NSE /BSE

NSE Symbol : SMOBILITY  
BSE Scrip ID : 517214

### Green Initiative

In order to enable the Company to send various documents through electronic mode, the members of the Company are requested to register/update their e-mail addresses with the Company in case the shares are held in Physical mode and with the concerned Depository Participant(s) in case the shares are held in Demat mode.



## BOARD OF DIRECTORS



**Dr. Bhupendra Kumar Modi**  
Chairman

**“Technology Futurepreneur”**

Dr. Bhupendra Kumar Modi (“Dr. BKM”) was appointed to the board on 24<sup>th</sup> April, 2010 as Non-Executive Director and Chairman.

From his early days, when he defied family business norms to introduce Photocopying to India or the first mobile service in the Country, Dr. BKM has always shunned conformity in order to embrace the future.

As a “Futurepreneur” with 30 years of business leadership behind him, Dr. BKM has always lived and worked on the principal philosophy of challenging conventional wisdom. In his words “I want to ensure that people everywhere enjoy the highest levels of personal productivity. And today the mobility of the Internet will drive this more than any other phenomenon.”

Over the last three decades Dr. BKM has consistently

demonstrated this intent through a series of very successful alliances with category leaders like Xerox, Alcatel, Telstra, Olivetti and more recently with Telekom Malaysia. He pre-empted the revolutions in Office Automation, Internet infrastructure, Wireless Telephony and Specialty Retailing.

In keeping with this thinking, Dr. BKM now wants to foster Western levels of personal productivity for the youth in the exciting geography that extends from the Ivory Coast to Indonesia. To this end, he has created a US \$ 2 bn organisation built on some exciting acquisitions to the Spice Group which include successful entrepreneurial brands that together provide a brilliant orchestra of passionate professionals who will drive leadership in the region.

Dr. BKM is a Chemical Engineer and an MBA from university of South California (U.S.C), and was awarded a Ph D in Financial Management. He has also been conferred a D Litt in Industrial Management.



**Mr. Dilip Modi**  
Non-Executive Director

Mr. Dilip Modi was appointed to the board on 21<sup>st</sup> August, 2006 as Director and has been the Managing Director of the Company till 8<sup>th</sup> February, 2012.

Mr. Modi started his professional career in 1996 working closely with McKinsey to help restructure the BK Modi Group businesses. This led to formation of Spice Corp (formerly Mcorp Global) and its vision to grow in the ICE (Internet, Communications and Entertainment) domain. He has since executed instrumental roles, amalgamating the inherited business acumen with contemporary professionalism to build the Group into a vibrant, energetic business entity with a highly skilled team managing the core and strong businesses forming the periphery.

Mr. Modi built Modi Telstra, India’s first cellular service provider, and was later instrumental in divestment of this company through one of the smartest deals. As Chairman-MD of Spice Communications, he developed Spice Telecom into one of the most valuable and enduring brands in Punjab and

Karnataka, the two highly profitable mobile markets in India.

Over the past five years, Mr. Modi founded and set up Mobility businesses in the areas of Mobile Devices (S Mobility), Mobile Value Added Services (Spice Digital) & Mobile Retail (Spice Hotspot), which have since emerged as amongst the leading players in their respective domains in the fast growing Indian mobility landscape.

Currently Mr. Modi is working towards building a leading Mobile Internet and Digital Lifestyle company across i2i (Ivory Coast to Indonesia) with the objective of building solutions that reduces the digital divide across emerging markets of Asia and Africa.

Mr. Modi was the youngest President of ASSOCHAM (Associated Chamber of Commerce), a leading industry chamber and was also the youngest Chairman of the Cellular Operators Association of India (COAI). Awarded Youth Icon Award by the Gujarat Chamber of Commerce. Mr. Modi holds a BSc from Brunel University and MBA from Imperial College London.



## BOARD OF DIRECTORS



**Mr. Kashi Nath Memani**  
Independent Director

Mr. Memani was appointed to the Board w.e.f. 24th April 2010 as Independent Director. Mr. Memani is former Chairman and Country Managing Partner of Ernst & Young, India from where he retired on 31<sup>st</sup> March 2004.

Mr. Memani specializes in Business and Corporate Advisory, Financial Consultancy etc. and is consulted on the corporate matters by several domestic and foreign companies. He has helped several multi-national companies in setting up businesses in India.

Mr. Memani is member of the boards of various listed Companies besides being a member of governing bodies of some business schools, social, educational and charitable organizations and Foundations.

He is actively associated with various Chambers of Commerce. Currently, he is member of the Managing Committees of Federation of Indian Chambers of Commerce and Industry, Indo American Chamber of Commerce, PHD Chamber of Commerce etc. Mr. Memani has been the Past President of American Chamber of Commerce, Indo American Chamber of Commerce, PHD Chamber of Commerce & Industry, etc. He was member of External Audit Committee of International Monetary Fund (IMF), Washington in the year 1999 and its Chairman in the year 2000, the only Indian so far to sit on this committee.

Mr. Memani holds Bachelor's Degree in Commerce from Calcutta University and is fellow member of the Institute of Chartered Accountants of India ("ICAI").



**Ms. Preeti Malhotra**  
Executive Director

Ms. Preeti Malhotra was appointed to the Board on 24<sup>th</sup> April 2010 as Executive Director.

She is also Non- Executive Director of S i2i Ltd., a Company listed on Singapore Stock Exchange. Ms. Malhotra

is responsible for instituting good Corporate Governance in Spice Group entities and during her tenure with the Group she has handled a number of re-structuring transactions including IPO's, takeovers, Mergers and other JV initiatives of the Group.

Ms. Malhotra is the past President of the Institute of Company Secretaries of India (ICSI) & was the first and still the only woman to be elected as President amongst the premier National Professional Bodies in India.

Ms. Malhotra was a member of the Dr. J J Irani Expert Committee constituted by the Ministry of Corporate Affairs (MCA), Government of India, to advise the Government on the New Company Law being framed.

She specifically drove the discussions on Management, Board

Governance and Shareholders democracy. She is a member on various expert panels in corporate laws, Governance & regulation and regularly interacts with the Government on new laws being framed. She is/has been Chairperson/Member of various Committees of ICSI and of various Chambers of Industries in India and is presently also the Chairperson of the National Council of Corporate Governance, CSR & Corporate Affairs of ASSOCHAM.

Ms. Malhotra has received several awards and citations and was awarded the Bharat Nirman Talented Ladies Award in the field of profession in the year 2003 and the prestigious Vocational Service excellence Award by Rotary Club of New Delhi in the year 2009. She also received on behalf of ICSI as its Past President "Recognition of Excellence Award" from Her Excellency Smt. Pratibha Devisingh Patil (Hon'ble President of India) during the Celebration of India Corporate Week 2009 by Ministry of Corporate Affairs.

Ms. Malhotra is a Fellow Member of the Institute of Company Secretaries of India. She is a Commerce (Hons) Graduate and a Law Graduate from Delhi University.





## BOARD OF DIRECTORS



**Mr. Saurabh Srivastava**  
Independent Director

Mr. Saurabh Srivastava was appointed to the Board on 30<sup>th</sup> May, 2011 as Independent Director.

Mr. Srivastava is one of India's leading IT entrepreneurs, angel investors and venture capitalists. He founded and chaired IIS Infotech which was ranked amongst the top 20 Indian software companies within 4 years of inception and was the first Indian IT company to get international quality certification. He has since founded/ invested in over 50 start up ventures.

He is a cofounder and past Chairman of NASSCOM, the Indian Software Industry Association as also NASSCOM Foundation, the IT industry's community service arm. He serves/has served on the National Executive Committee of the two apex industry chambers in India, CII and FICCI. He serves on various Boards and Chairs the Board in India of CA Technologies Inc, a \$4.5 Bill US software MNC, is on the board of Xchanging plc, a \$1 Bill UK IT major listed on LSE and on the Board of Info Edge (India) Limited, listed on BSE and NSE.

He serves / has served on several government committees / task forces / boards such as the Indo EU Round Table, PM's National Innovation Council, IT Ministry's Committee on software exports, Planning Commission and SEBI Committees on Venture Capital, National and State VC Funds, Media Lab Asia, Railway Expert Committee, CSIR Tech Ltd. (set up by the Council for Scientific and Industrial Research to commercialise its technologies), Government's Multimodal Transport Task Force and Task Forces for two of India's largest states, UP and Bihar.

He serves/has served on the Advisory Board of Imperial College Business School, London, on the Entrepreneurship / Incubation boards of IIT Delhi and IIT Kanpur and on the Advisory boards of Uttarakhand and Himachal Universities. He has a Masters from Harvard University and a B Tech from the Indian Institute of Technology (IIT) Kanpur. Awards include "Distinguished Alumnus" from IITK, Honorary Doctorate in Technology from the University of Wolverhampton, UK and Lifetime Achievement award from the IT Industry in India.



**Mr. Subroto Chattopadhyay**  
Independent Director

Mr. Chattopadhyay was appointed to the Board w.e.f. 24th April 2010 as Independent Director.

He is Chairman of The Peninsula Foundation, which incubates consumer goods, entertainment and knowledge and insights businesses. As an Independent Director, he is the Chairman of S Mobile Devices Limited, Wall Street Finance Limited and Plus Paper Foodpac Limited.

Mr. Chattopadhyay's executive career has been with Brooke Bond (now Unilever), ITC Ltd. (associate of British

American Tobacco) and PepsiCo South Asia where he was an Executive Director. He was Member, Management Board, RPG Enterprises.

He is the former Chairman of Audit Bureau of Circulation and Indian Music Industry. He is an active member of Indian Polo Association. Mr. Chattopadhyay has produced films like Japanese Wife and Khela and music albums with Ustad Amjad Ali Khan.

Mr. Chattopadhyay holds a Hons Degree in Economics, with Mathematics and Statistics from the University of Calcutta and has done a course in finance for senior management in BAT.

# SENIOR MANAGEMENT TEAM

## @ S MOBILITY



### **R.S. Desikan – CEO**

Held top management positions in various organizations in India and abroad for over 35 years. A graduate from IIM, Ahmedabad and RVB Institute, Delft, Holland.

### **Ajeet Chauhan – President, Human Resources**

An ex army officer and an IIM-L alumni with over 17 years of experience across industries.

### **Subramanian Murali – CFO**

An FCA with over 25 years of professional experience. Is a business transformation and startup specialist, amply demonstrated during his 21 year stint at HCL.

### **Meghraj Bothra – GM, Corporate Affairs & Company Secretary**

FCS, ACMA with more than 20 years of rich experience in functions like Corporate Affairs, Investors Relations, Accounts & Finance and General Administration.

### **T M Ramakrishnan – Business Head, Devices**

An IIM – B grad and has an extensive experience of over 16 yrs in Distribution and Retail business in the Indian market with some of the leading telecom and devices companies.

### **Anand Krishnan – Head, Middle East, S Retail**

A management graduate from the Kellogg School. Has launched and led several brands in Middle East in his 16 years of experience.

### **Saket Aggarwal – Global Head, Services**

Leading figure of the mobile VAS industry. He is a BITS Pilani passout with senior management programs from XLRI & IIM.

### **Zulfi Ali Bhutto – Cluster Head, Mumbai**

An XLRI alumni, Zulfi honed his skills during his stint in India & Africa over last 10 years.

### **Arun Nagar – CEO, Spice VAS Africa**

A 'new business' expert with 2 decades of experience in telecom industry in Africa region.

### **Ajay Gupta – Cluster Head, Delhi**

An engineer and MBA with rich telecom retail experience of over 15 years.

### **Krishna Kumar – Business Head, Retail**

Has rich experience of organised retail operations in both in India and abroad. Has successfully run the spice retail operations for the last 7 yrs selling multi branded mobile phones and telecom accessories.

### **Divya Gupta – National Sales Head and Cluster Head, Jaipur**

Over 16 years of experience with leading telecom companies.

### **Dr. Abhinav Mathur – Lead, Device VAS**

PhD (IIT-D) and MBA (IIM-L) with 2 decades of experience. Has created several start ups.

### **J. Murali – Cluster Head, Bangalore and Chennai**

Over 17 years of experience in channel management, sales and business development.

### **Rajneesh Arora – Lead, M i Retail**

A CFA with leadership programs from IIM and ISB and over 15 years of experience.

### **Naveen Mathur – Cluster Head, Kolkatta**

Over 15 years of experience across geographies and industries with leading telcos.



# DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Fourth Annual Report together with the Audited Financial Statements and Accounts for the financial year (Fifteen Months) ended on 30<sup>th</sup> June 2012.

## FINANCIAL RESULTS

The Board of Directors of the Company has extended the current financial year of the Company by 3 months with the current financial statements covering 15 months period from 1<sup>st</sup> April 2011 to 30<sup>th</sup> June 2012. The financial performance of the Company for the financial year ended 30<sup>th</sup> June 2012 is summarized below:-

PARTICULARS	(Rs.'000)	
	For the Financial year ended 30.06.2012 (15 months)	For the Financial year ended 31.03.2011 (12 months)
<b>Total revenue</b>	<b>10,236,007</b>	9,708,400
<b>Earnings before interest, tax, depreciation &amp; amortization</b>	<b>(376,236)</b>	958,067
Depreciation and amortization expense	88,439	16,743
Finance costs	2,422	6,763
<b>(Loss)/Profit before tax</b>	<b>(467,097)</b>	934,561
<b>Tax expenses</b>		
Current tax	-	157,901
Fringe benefits tax credit for earlier years	-	(12)
Deferred tax charge/ (credit)	6,846	(4,582)
<b>(Loss) / Profit for the Period</b>	<b>(473,943)</b>	781,254
Balance brought forward from previous year	1,753,464	673,612
Balance brought forward of Spice Televentures Private Ltd. pursuant to Scheme of Amalgamation	-	800,635
(Loss) after tax for the period 1 <sup>st</sup> January 2010 to 31 <sup>st</sup> March 2010 of Spice Televentures Private Ltd. pursuant to Scheme of Amalgamation	-	(80,092)
Reversal of Dividend pursuant to Scheme of Amalgamation	-	70,813
Reversal of proposed dividend on equity shares	52,952	-
Reversal on tax on proposed dividend reversed	8,590	-
<b>Profit available for appropriation</b>	<b>1,341,063</b>	2,246,222
<b>Appropriations:</b>		
Proposed dividend	304,178	357,130
Tax on dividend	49,345	57,503
Transfer to General Reserve	78,125	78,125
<b>Net Surplus in the Statement of Profit &amp; Loss</b>	<b>909,415</b>	1,753,464

During the year, the Company achieved a revenue of Rs. 10,236 million for the 15 months period ended June 2012 as against Rs. 9,708 million for the 12 months period ended March 2011. The Company has incurred a loss of approx Rs. 474 million during the financial year ended on 30<sup>th</sup> June, 2012 as against the profit of Rs. 781 million in previous year.

With a view to switch as a leader in mobile internet space and to grab the opportunity in mobile handset market particularly to tap the new developments expected in mobile handset industry including 3G introduction, the Company made major investments in people and marketing resulting in higher Manpower and Administrative cost. During the year, the depreciation of Rupee against Dollar by more than 20% resulted in erosion of margins of the Company. Some high end models introduced by the Company also did not do well resulting in liquidation of stock at a reduced margin leading to losses during the year.

Your Company is taking a number of steps to improve its market position especially by constantly undertaking innovations towards enriching its product portfolio and rationalization of costs through reduction in manpower and other administrative cost and it is confident that these will yield positive results in the current fiscal.



# DIRECTORS' REPORT

## CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company have been prepared as per Accounting Standard AS 21 notified under the Companies (Accounting Standards) Rules, 2006 (as amended). The key financial highlights of the consolidated financial results for the year ended 30<sup>th</sup> June 2012 is summarized below:

(Rs '000)

PARTICULARS	For the Financial year ended 30.06.2012 (15 months)	For the Financial year ended 31.03.2011 (12 months)
Total Revenue	27,670,847	20,506,770
Profit Before Tax	73,373	1,415,147
Profit/(Loss) for the period	(97,098)	1,040,317

At the consolidated level the company achieved a revenue of Rs. 27,671 million for the 15 months period ended June 2012 as against Rs.20,507 million for the 12 months period ended March 2011. The loss after tax for the 15 months period ended on 30<sup>th</sup> June, 2012 is Rs 97 Million as against profit of Rs. 1,040 million for 12 months period ended on 31<sup>st</sup> March, 2011. The drop in margins during the year at the consolidated level is attributable to significant margin erosion in device business as mentioned above, failure of certain products at the high end of our range resulting in liquidation of stock and Reduction in revenue share and margin on the VAS segment due to market situation.

The multi brand retail business achieved an impressive revenue growth over the previous year. The retail business achieved turnaround at EBITDA level by earning EBITDA of Rs. 83 million this year against a loss of Rs. 126 million previous year. The loss (PAT) has further reduced to Rs. 46 million for fifteen months period ended on 30<sup>th</sup> June, 2012 as compared to loss of Rs. 327 million previous year. The number of stores have increased to 869 across 172 cities in India.

The VAS business witnessed decline in profits and margins due to the implementation of stringent Regulatory Guidelines and consistent rationalization on the revenue shares by the telecom operators. During the year, the VAS business has been further expanded in Africa region and the international revenue from the VAS business has continued to grow to 17% of the total VAS revenue as against 7% in the previous year.

## DIVIDEND

Despite the losses incurred in the current financial year, your Directors are pleased to recommend a dividend @ 50 % on paid-up Equity Share Capital of the Company (i.e. @ Rs. 1.50 Per share) for the 15 months period ended on 30<sup>th</sup> June, 2012 to be paid out of the accumulated profits of the Company. Independent Non- Promoter Trust which holds 35,301,215 Equity Shares of the Company has waived off its right to receive dividend on the equity shares held by them and accordingly no dividend has been recommended on these shares for the financial year ended on 30<sup>th</sup> June 2012.

## LISTING OF SECURITIES

The Equity Shares of the Company are presently listed on BSE Limited (BSE) and National Stock Exchange of India Ltd (NSE). The Annual Listing Fee for the Year 2012-13 has been paid to both the stock exchanges.

## HOLDING COMPANY

During the year, Spice Global Investments Private Limited has transferred its entire shareholding in the Company to its wholly owned subsidiary Company “S i2i Mobility Private Limited” and accordingly “S i2i Mobility Private Limited” has become the holding Company of your Company. As at 30.06.2012, S i2i Mobility Private Limited holds 71.14% of the issued share capital of the Company.

## SUBSIDIARY COMPANIES

During the year, the Company has incorporated a wholly owned subsidiary in the name of S Mobility Pte. Limited in Singapore. Spice VAS (Africa) Pte. Limited, a step down subsidiary of the Company, has acquired/established Spice VAS Zambia Limited, Spice VAS Tanzania Limited and Spice Digital South Africa Pty Limited as its subsidiaries and accordingly these three Companies have also become step down subsidiaries of the Company. Hindustan Retail Private Limited, a Subsidiary of the Company, has incorporated a wholly owned subsidiary in the name of S Retail Middle East FZE.

Subsequent to the end of financial year, the Company incorporated a wholly owned subsidiary in the name of “S Mobile Devices Limited” and has obtained an enabling approval of the members of the Company through Postal Ballot to sell or transfer the whole or part of the undertaking(s) pertaining to mobile handset business of the Company, as a going concern or otherwise to said Company. Further, Hindustan Retail Private Limited has acquired entire share capital of Spice Online Retail Private Limited and consequently this Company has become a step down subsidiary of your Company. Hon'ble High Court of Himachal Pradesh vide its order dated 10<sup>th</sup> July, 2012 approved the Scheme of Amalgamation of Spice Distribution Limited with Spice Retail Limited (both subsidiaries of the Company) and the said Scheme became effective w.e.f. 31<sup>st</sup> July, 2012. The appointed date of the said scheme is 1<sup>st</sup> April, 2011.



## DIRECTORS' REPORT

The Ministry of Corporate Affairs (MCA) vide its General Circular No. 2 dated 8th February, 2011 granted a general exemption under Section 212(8) of Companies Act, 1956 to companies from attaching the Accounts etc. of their subsidiary companies in the Annual Report subject to fulfillment of certain conditions prescribed therein. The necessary information relating to subsidiary companies have been disclosed in the consolidated balance sheet. The annual accounts of the subsidiary companies and the related detailed information shall be made available to the members of the Company seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any member of the Company at the Registered Office of the Company on any working day during business hours.

The Statement relating to Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956 is attached as a part of the Annual Accounts of the Company.

### FIXED DEPOSITS

During the year under review, the Company has not accepted any Deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

### AUDITORS AND AUDITORS' REPORT

M/s. S.R. Batliboi & Co., Chartered Accountants (Registration No.: 301003E), who are the Statutory Auditors of the Company, shall hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a letter from them to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for reappointment within the meaning of Section 226 of the said Act.

The Statutory Auditors in the Annexure to the Auditors' Report has mentioned about a slight delay in deposit of statutory dues in a few cases. Steps have been taken to ensure that all such delays are eliminated in future.

About the observation of the Statutory Auditors regarding non payment of Madhya Pradesh Entry Tax, the Company would like to inform that the matter is pending in a legal petition in the Hon'ble High Court of Madhya Pradesh. Depending upon the outcome of the Court case, the Company will take appropriate action in this matter.

The Company has incurred cash losses in the current period. The cash loss is primarily due to the demand challenge faced by the industry at large, foreign exchange loss due to depreciation of Indian Rupee vis-à-vis US\$ and liquidation of slow/non moving models. This is seen as a temporary blip and the Company is taking adequate measures to address these issues effectively.

The Notes on Accounts referred to in the Auditors' Report are self explanatory and do not call for any further comments.

### CASH FLOW STATEMENT

In conformity with the provisions of Clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended on 30<sup>th</sup> June 2012 is attached as a part of the Annual Accounts of the Company.

### DIRECTORS

During the year, Mr. Dilip Modi has resigned from the post of the Managing director of the Company w.e.f. 9<sup>th</sup> February, 2012. However, Mr. Modi continues to be a director on the Board of the Company. The Board of Directors places on record its sincere appreciation for the leadership provided by him in his capacity as Managing Director of the Company in achieving the tremendous growth in spite of difficult and challenging business and market scenario.

During the year, Mr. Rajiv Makhni was appointed as an additional Director of the Company w.e.f. 9<sup>th</sup> February, 2012 who resigned from the Board w.e.f. 14<sup>th</sup> September, 2012. Mr. Thomas Henrik Zilliacus, Ms. Divya Modi, Mr. Devendra Raj Mehta and Mr. Krishan Lal Chugh have resigned from the post of the Director of the Company w.e.f. 9<sup>th</sup> February, 2012; 17<sup>th</sup> July, 2012; 22<sup>nd</sup> October, 2012 and 5<sup>th</sup> November, 2012 respectively. The Board of Directors places on record its sincere appreciation for the guidance and contribution provided by them to the Company during their tenure as Directors of the Company.

Dr. Bhupendra Kumar Modi and Ms. Preeti Malhotra retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

As required under Clause 49 of Listing Agreement, brief profile, details of experience and other Directorships / Committee memberships held by the Directors in other Companies, whose re-appointment is due in the forthcoming Annual General Meeting (AGM) of the Company, forms part of the Notice convening AGM.



# DIRECTORS' REPORT

## DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, the Directors hereby confirm that:

- (i) in the preparation of annual accounts for the financial year ended 30<sup>th</sup> June 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30<sup>th</sup> June 2012 and of the loss of the Company for the period ended on that date;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors had prepared the annual accounts on a going concern basis.

## CORPORATE GOVERNANCE

A separate report on Corporate Governance is enclosed as a part of this Annual Report. The Company has appointed M/s. Sanjay Grover & Associates, Practicing Company Secretaries, to conduct the Corporate Governance Audit of the Company. A certificate from them regarding compliance with Corporate Governance norms stipulated in Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

## SECRETARIAL AUDIT

As a measure towards good Corporate Governance Practice, the Company has appointed M/s Sanjay Grover & Associates, Practicing Company Secretaries, to conduct the Secretarial Audit for the financial year 2011-12. The Secretarial Audit Report received from them forms part of this Annual Report.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under Clause 49 of the Listing Agreement is given in Annexure-A and forms an integral part of this report.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are annexed hereto in Annexure-B and forms an integral part of this report.

## PARTICULARS OF EMPLOYEES

In terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the names and particulars of employees as prescribed thereunder are required to be given in the Directors' Report. However, pursuant to the provisions of Section 219(1) (b)(iv) of the Companies Act, 1956, the Annual Report is being sent to all the members of the Company excluding the aforesaid information. The same would be made available for inspection at the Registered Office during working hours for a period of twenty one days before the date of Annual General Meeting. Any member interested in obtaining a copy of the same may write to the Company Secretary.

## ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for assistance and cooperation received from the Banks, Government Authorities, Customers, Vendors and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Executives, Staff and Workers of the Company.

**For and on behalf of the Board of Directors of  
S Mobility Limited**

**Date: 5<sup>th</sup> November, 2012**

**Dr. B K Modi  
Chairman**





## I. INDUSTRY SCENARIO & OPPORTUNITIES

Your Company operates in one of the world's fastest growing industries Indian wireless telecommunication industry, which has over 677 million mobile phone subscribers as on June 2012. India is witnessing a growth of 4.6 million subscribers per month based on the data for the quarter ending June, 2012. The total number of mobile phone sold in a month is more than 16 million handsets. It is projected that India will have more than 1.2 billion mobile subscribers by 2013 exceeding the total subscriber count in China. Your Company operates in two segments:

- (a) Mobile Devices
- (b) Mobile Value Added Services

### Mobile Devices

Your company operates in own branded devices (Spice Brand) and also retails in multi brand mobile devices through its network of 869 retail stores across the country. The market for mobile devices can be broadly divided into 2 categories (a) Feature Phones (b) Smart Phones. While the feature phone market is expected to grow at an average of 3% per annum in volume terms, smart phone is expected to witness over 100% year on year growth in 2012. In value terms, Smart phone market accounted for 20% of the market size in 2011 and it is expected to increase to 30% in 2012. There is also an increasing adoption of mobile Tablets and Tablets together with Smart phones is increasing the availability of internet connectivity in the country. In majority of the rural area access to internet has happened first time through mobile devices bypassing the broad band wired internet services.

#### Retail

The organized Retail of Mobile Handsets is growing rapidly in line with the increase in market share of smart phones as customers prefer to buy smart phones from organized retail stores which offer better buying experience and understanding the functions of a smart phone. Organized retail currently holds close to 13% of the value share of total hand set market and it is expected to increase to 35% to 40% over a period of next 3 years. Spice Hotspot is one of the largest player in the industry with 869 stores in more than 150 cities making it the largest organized retail store chain in this category. Your company has been investing in retail business heavily over the past 7 years and finally we have started making cash profits. We are one of the few companies in this space and size to make cash profits.

### Value Added Service (VAS)

The Value Added Service industry is a significant focus area for mobile service providers resulting in several new initiatives in this area. The launch of 3G has brought in superior internet experience, access to data services, video and live streaming, video conferencing and many other data centric services giving the subscribers access to a range of new services. VAS industry is undergoing a change over the last 12-15 months, moving towards a model which is based on customer experience and usage rather than subscriber led model. TRAI is also actively participating in laying Guidelines and processes to ensure that the value added services are properly regulated and the services made available to the consumers in a free and fair manner.

More and more new services like mobile banking, money transfers, utility payment services are likely to be introduced by various service providers to give a rich internet experience to the consumers.

## 2. THREATS, RISKS, CONCERNS AND OPPORTUNITIES

The mobility industry has become very competitive in the last few years with the entry of many domestic players, 3G roll out, etc. Absence of entry barrier in the mobile handset industry has resulted in many players coming into this industry and using price as their key success factor for gaining market share. On the other hand international giants like Nokia, Blackberry, etc. have seen a rapid decrease in market share in India. The Rupee depreciation of over 20% in the last 12 months has also eroded the margins in the industry. The combination of all the above has led to significant reduction in profits for the mobile device players. With the volatility of the Rupee things are likely to remain difficult for this industry in the short and medium term. The growth of smart phone market is likely to invite new multi national players into Indian market giving severe competition to domestic brands.

Government policies regarding retail trade has changed over the last 1 month. With opening of FDI in multi brand retailing, new opportunities open up in retail space. Given our scale and cash positive situation, Spice Hot Spot chain is an attractive destination for future growth with FDI inflow.

Value Added Services is undergoing a change from the subscription model to a usage model and also regulatory restrictions by TRAI. This is also likely to have a short to medium term impact on the prospects of revenue growth of VAS industry. However, in the long term new value added services focused on 3G is likely to bring in additional revenue stream in value added service providers. At the same time expansion of services in international markets like Africa and LatAm are very encouraging signs.



### 3. PRODUCT PERFORMANCE

S Mobility is predominantly focused on feature phones which were well received by the users, industry and research organizations. S Mobility in the past is credited with many first by launching numerous innovative products ranging from Dual SIM phones – across GSM, CDMA, Triband / Touch Screen PDA and smart devices on Android platform, etc. The Company has got very good reviews on its Android phone range like Stellar, MI-350n etc from top tech media houses. The company has been successful in launching series of Touch Phones with Analog TV which has been very well accepted by the consumer. Mobile phone market is broadly classified into feature phones and smart phones. Feature phone markets are divided between large MNC players and Indian marketing companies. But Smart phone markets are highly concentrated in MNC players with negligible share for others like Spice. In spite of such challenges, we did attempt to break into Smart phone segment, investing heavily but we have not had significant success so far.

On the retail front the company's product launch include all recent and successful launch of multi branded phones like Nokia, Samsung, Blackberry, HTC, etc. The Company also opened 16 outlets with new format which are termed as "Version 2" stores offering rich experience for the consumers in terms of product display, attractive pricing and demo experience.

On the VAS front the Company launched various new services during the year. The company's main product category mobile radio has been appreciated over the last 5 years in India and has Eight million subscribers generating 60 million minutes of usage. It also offers around 250,000 songs across multiple languages and multiple operators. New services like Live Aarti, live FM, 139, Music Mania, youtube channel called SPICE, constituted 27% of Domestic Revenue from new products.

#### Business Review & Outlook

At the consolidated level the company achieved a revenue of Rs. 27,422 million for the 15 months ended June 2012 as against Rs.20,165 million for the 12 months period ended March 2011. The loss after tax for the 15 months period is Rs 50 Million as against profit for the 12 months of Rs.1118 million. The reason for significant drop in margins are as follows:

- (a) Significant margin erosion in device business due to rupee depreciation over 20% during the last financial year
- (b) Certain product failure at the high end of our range resulting in liquidation of stock
- (c) Reduction in revenue share and margin on the VAS segment due to market situation

#### Business Outlook

The Company will continue to focus on feature phones market for the own branded (Spice branded) devices. The Company has put in place various measures to overcome the difficult situation during the last financial year. The following are some of the strategies that will enable us to strengthen the company's competitive position and presence :-

#### Product

- Focus would be to launch new innovative feature phones at competitive prices in India;
- On the Smart phone the company would aim to work with multi national brand and bring products in their brand or joint brand leveraging on the product and technology experience of the multi national brands.
- The Company is working to consolidate the supply chain and work with fewer vendors who offer state of the art innovative products at competitive prices
- The Company is also looking to reduce the number of SKUs to ensure better inventory planning and logistics.
- On the retail side the company would continue to focus on latest launched products from multi national brands and making it available at company network of stores including the Version 2 stores for better customer experience.
- On the VAS front the Company would continue to focus on 2G services and also come out with 3G VAS offerings through operators and also directly to the consumers through the retail presence

#### Sales and Distribution

As a part of the strategy embarked in the last financial year, the Company has now created Pan India network consisting over 40000 retail outlets reach through distributors and micro distributors. The company operates in 7 clusters in India headed by seasoned professionals who have been responsible for creating this distribution network.

Spice Hotspot is presently operating 869 stores covering 172 cities/towns, metro, mini metros and class one cities. The Company will continue to focus on creating dominance in the top 10 cities in the near future by increasing reach and presence.

On the VAS front the Company would continue to work with operators as the main strategy for reaching out to consumers.



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Apart from the above the company also aims to reach out to consumers through our retail presence and also through embedded services on the devices.

### Marketing

The Company continues to focus heavily on below the line marketing campaigns and has signages at the prominent locations in the geography of its operation. With customer base of 20 million and handset volume of 6 million devices company has a market share of 4% in the Indian mobile segment. Moving forward your company aims to achieve further brand acceptability amongst its target segments through a combination of cutting edge products and focus on marketing campaigns. The Company brand 'Spice' is well known in the market, with presence in over 40000 outlets and also presence through our own 870 retail stores branded Spice Hotspot.

### After Sales Service

With the continued focus and commitment of the philosophy of 'Customer First' the company continue to expand its service network with total 9459 service centres across the country. The Company has also partnered with Spice Hotspot to support customers who have purchased Care Pack from our retail stores. We also have 10 L4 support centres across the country to take care of higher level of repair with one of the fastest turn around time in the industry.

### Intellectual Property Development

Your Company has a management team which possesses in-depth industry-wide knowledge and extensive managerial experience of the mobile and internet industry. The Company has structured its operations to encourage and enable innovation, product updations, idea generation, at various levels. Your Company has invested significantly in human resources and have a performance driven reward system in place which especially recognizes and rewards contributions made to innovation and creation of Intellectual property.

The Company has filed for several Trademarks applications for registration in the areas of Mobile Devices, Mobile Applications, Software's and Product Marks of the Company. An in-house Innovation and Product Development department constantly focuses on adaptation of new technology & solutions to improve all aspects of our organization's operations especially focusing on Product Development and Service delivery, thereby enhancing the overall consumer experience. This team has been a front runner in driving new technology and product innovations and has launched amongst other things, Live Streaming Services, Android Phones and Tablets, 3G VAS with MTNL - the first Indian VAS company to do so.

The Company has a well documented IPR policy to identify, govern, monitor, regulate and safeguard the interests of the Company with respect to the various IPRs created during the normal course of business and also Specialized & Concerted efforts for creation of IPRs. The Policy also focuses on training our employees, utilizing information technology to improve our operations.

## 4. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your company has put in place adequate systems of internal control which is commensurate with its size and the nature of its operations and is staffed by a seasoned team of professionals. The systems and process that have been implemented have been benchmarked against best practices for Internal Control and have been designed to provide adequate assurance .

The assurance provided includes assurance with regards to recording and providing reliable financial and operational information, complying with corporate governance practices, applicable statutes, safeguarding assets from unauthorized use or losses, prevention and detection of fraud, executing transactions with proper authorization and ensuring compliance of corporate policies.

The Company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down and implemented.

The internal audit is carried out based on a plan, which is reviewed and approved by the Audit Committee each year in consultation with the Statutory Auditors. The planning and conduct of internal audit is oriented towards the review of controls in the operations of the Company and management of risks in the Company's operations such as sales, purchases, inventory, debtors, creditors, fixed assets etc.

The Company has an Audit Committee, which regularly reviews the findings and recommendations of the internal auditors and follows up on the implementation through action taken reports working very closely with individual business units.

The Company attaches a lot of importance for corporate governance. As a part of the same initiative, independent directors have been appointed as Non-Executive Chairman of the three major operating subsidiaries.



## 5. FINANCIAL PERFORMANCE

Financial performance has been provided separately in the Director's Report.

The Company has a Financial Management Information System in place based on an advanced implementation of the SAP, which involves preparation of a detailed Annual Business Plan for current year for each of the business segments. This plan is formulated after detailed discussions at various levels and includes investments and capital expenditure plan. The Board and Management of your Company and its subsidiaries regularly review the performance of the Company against the budgeted figures in the Plan.

### Research and Development

In order to create value for our customers, the Company continuously invest in Research and Development of new and existing products, fully dedicated R&D centres across our various locations and business units. Our efforts in R&D have helped us develop our own intellectual property which is well protected in defined geographies of our business interest. Our development technologies typically incorporate specialized proprietary know-how that we have developed and improved over a period of time.

## 6. TALENT DEVELOPMENT

Recruitment and Retention of the right talent pool is by far one of the most critical elements of our operations. All our Human Resource initiatives are focused on enhancing the skills of our team and ensuring that the motivation remains high and focus remains very sharp which greatly improves the overall productivity of the organization.

A special task team was then incorporated to drive the growth agenda named as 'A Team' comprising of professionals from different business units. Their core focus is to monitor growth and expedite actions keeping quality of efforts intact. As an obvious outcome the 'A Team' has further taken the agenda of monitoring and improving Employee Productivity and Performance apart from business focus on execution of Strategic Initiatives.

The Company has 365 employees in June, 2012 and there were 3129 employees in the Company including its subsidiaries in June 2012.

### Health and Safety Measures

The Company continues to focus on the health and safety of its workers and staff at its factories and establishments. At all our plants, adequate safety measures for prevention of any untoward incidents have already been tended to. We are very conscious in terms of health management at all levels as a part of the Human Resource Development Program. We have also invested in Group Medclaim and Accidental Insurance for our employees.

## 7. CAUTIONARY STATEMENT

Statements in this report on Management Discussion and Analysis describing the Company's objectives, outlook, estimates, expectations, predictions, belief and management perceptions may be forward looking statements within the meaning of application securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to Company's operations include, among others, economic conditions in the market in which the Company operates, changes in the Government Regulations, Tax Laws and other statutes and incidental factors.

The Company assumes no responsibility in respect of the forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

**STATEMENT OF PARTICULARS UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988****(A) Conservation of Energy**

- (a) Energy conservation measures taken:  
The operation of the Company involves low energy consumption. Adequate measure have, however, been taken to conserve energy.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:  
N.A.
- (c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:  
N.A

**(B) Technology Absorption**

Efforts made in technology absorption as per Form B

The information that is required to be disclosed under rule 2 of the aforesaid rules is given hereunder in Form B.

**(C) Foreign exchange earnings and outgo**

- (a) Activities relating to exports; initiatives taken to increase exports : development of new export markets for products and services; and export plans:  
During the year export earning has increased from Rs 720.62 Lacs to Rs 1,044.80 Lacs
- (b) Total foreign exchange used and earned  
The Company used foreign exchange amounting to Rs 81,833.54 Lacs and earned foreign exchange of 1,044.80 Lacs during the year under review.

**FORM B****Form of Disclosure of particulars with respect to Technology Absorption and Research and Development (R & D)****Research and Development (R & D)****1. Specific area in which R&D carried out by the Company**

No R & D was carried out during the period

**2. Benefits derived as a result of the above R&D**

Not applicable

**3. Future plan of action**

To add some more technical skills to provide better solutions to customers.

**4. Expenditure on R&D**

- |   |   |     |
|---|---|-----|
| a) Capital  | : | Nil |
| b) Recurring  | : | Nil |
| c) Total  | : | Nil |
| d) Total R&D expenditure as a percentage of total turnover. | : | N.A |

**Technology absorption, adaptation and innovation****1. Efforts, in brief, made towards technology absorption, adaptation and innovation**

We at spice, are well aware of latest technology being available in our field of operation. Necessary training is imparted to the relevant people from time to time to make them well acquainted with the latest technology.

**2. Benefits derived as a results of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.**

We are able to provide latest products available in the market and maintain higher standard of quality.

**3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), the following information may be furnished.**

- |  |   |     |
|--|---|-----|
| a) Technology imported   | : | Nil |
| b) Year of Import  | : | NA  |
| c) Has technology been fully absorbed  | : | NA  |
| d) If not fully absorbed, areas where this has taken place, reasons therefore and future plan of action. | : | NA  |



# CORPORATE GOVERNANCE REPORT

## I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is about achieving the highest standards of transparency, accountability, fairness and integrity in all spheres of business conduct aimed towards sustained growth and long term benefit for all the stakeholders.

The Company is committed to sound corporate practices in building the confidence of its various stakeholders thereby paving the way for its long term success. We believe that Corporate Governance is important for enhancing and retaining investors trust and our Corporate Structure, business and disclosure practices have been consistently aligned to our Corporate Governance Philosophy.

The Company is in complete compliance with the Corporate Governance norms and disclosures as prescribed under Clause 49 of the Listing Agreement with the Stock Exchanges. The Board of Directors of the Company is active and well informed and follows highest standards of Corporate Governance Practices to formulate strategies and policies having focus on optimizing value for its stakeholders.

## 2. BOARD OF DIRECTORS

### a) BOARD'S COMPOSITION

The Composition of Board of Directors of the Company is in conformity with the requirements of Clause 49 of the Listing Agreement. The Board has an optimum combination of Executive and Non-Executive Directors with majority of them being Independent Directors. The Chairman of the Board is a Non-Executive Director. As on 30<sup>th</sup> June 2012, the Board consisted of Ten (10) Directors, of which Nine (9) are Non-Executive Directors {including Six (6) Independent directors} and One (1) Executive Director. The Independence of a Director is determined by the criteria stipulated under the Clause 49 of the Listing Agreement. The Non-Executive Independent Directors are eminent professionals, drawn from amongst persons with expertise in business, finance, law, marketing and other key functional areas and play a critical role in enhancing balance to the Board processes besides providing the Board with valuable inputs. The Board represents an optimal mix of professionalism, knowledge and experience.

### b) Board Meetings, Other Directorship and Attendance of Directors

During the year, the Board of Directors of the company met 7 (seven) times on 4<sup>th</sup> April, 2011, 30<sup>th</sup> May, 2011, 6<sup>th</sup> August, 2011, 10<sup>th</sup> November, 2011, 9<sup>th</sup> February, 2012, 13<sup>th</sup> February, 2012 and 11<sup>th</sup> May, 2012. The intervening period between the Board Meetings were within the maximum time gap prescribed under Companies Act, 1956 and Clause 49 of Listing Agreement.

Necessary disclosures regarding Directorship and Committee positions in other Companies as at 30<sup>th</sup> June, 2012 have been made by the Directors. As per the disclosure received from them, none of the directors of the Company is a member of more than ten Committees or Chairman of more than five Committees across all Public Limited Companies in which he / she is a Director.

The composition of the Board during the year under review and position held by Directors on the Board / Committees of Public Limited Companies as on 30<sup>th</sup> June, 2012 along with their attendance at Board meetings and Annual General Meeting of the Company during the year under review is given below:

Name of Directors	Category	No. of Positions held as on 30 <sup>th</sup> June, 2012@			Attendance at Board Meetings held during the year	Attendance at last AGM
		No. of other Directorship	Committee@@ (including the Company)			
			Membership	Chairmanship		
Dr. Bhupendra Kumar Modi	Promoter Non-Executive	2	2	2	7	Yes
Mr. Dilip Modi	Promoter Non-Executive	3	4	1	7	Yes
Ms. Divya Modi	Promoter Non-Executive	1	2	-	6	No
Ms. Preeti Malhotra	Executive	3	3	1	7	Yes
Mr. Kashi Nath Memani	Independent	12	10	5	7	Yes
Mr. Krishan Lal Chugh	Independent	5	1	1	7	Yes





# CORPORATE GOVERNANCE REPORT

Name of Directors	Category	No. of Positions held as on 30 <sup>th</sup> June, 2012@			Attendance at Board Meetings held during the year	Attendance at last AGM
		No. of other Directorship	Committee@@ (including the Company)			
			Membership	Chairmanship		
Mr. Devendra Raj Mehta	Independent	6	1	1	7	Yes
Mr. Subroto Chattopadhyay	Independent	5	4	1	7	Yes
Mr. Saurabh Srivastava*	Independent	2	1	-	3	No
Mr. Rajiv Makhni**	Independent	Nil	Nil	Nil	3	N.A
Mr. Vijay Brijendra Chopra^	Independent	N.A.	N.A.	N.A.	Nil	N.A.
Mr. Thomas H. Zilliacus^^	Independent	N.A.	N.A.	N.A.	3	Yes

\* Appointed as Additional Director w.e.f. 30.05.2011.

\*\* Appointed as Additional Director w.e.f. 09.02.2012.

^ Appointed as Additional Director w.e.f. 04.04.2011 and resigned from the directorship of the Company w.e.f. 01.05.2011.

^^ Appointed as Additional Director w.e.f. 04.04.2011 and resigned from the directorship of the Company w.e.f. 09.02.2012.

@ Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956 are excluded for the above purpose.

@@ The committees considered for the purpose are those prescribed in the Listing Agreement i.e. Audit Committee and Shareholders/Investors' Grievance Committee.

None of the Directors of the Company has any relationship with other Directors of the Company except Dr. Bhupendra Kumar Modi, Mr. Dilip Modi and Ms. Divya Modi, who are relatives of each other within the meaning of Schedule IA of the Companies Act 1956.

### c) Information supplied to the Board

During the year, all the relevant information required to be placed before the Board of Directors as per Clause 49 of the Listing Agreement are considered and taken on record / approved by the Board. Further, the Board periodically reviews Compliance Reports in respect of all Laws and Regulations applicable to the Company.

## 3 DIRECTORS' REMUNERATION

Remuneration / Sitting fee paid to Director(s) for the financial year ended 30<sup>th</sup> June, 2012 is given below:

### a) Executive Directors:

(Amount in Rs. '000)

Name of Director	Salary	Contribution to Provident fund	Perquisites/ Allowances	Bonus*	Total Salary
Mr. Dilip Modi**	3576	-	24	-	3600
Ms. Preeti Malhotra	5061	720	219	5000	11000

\* Amount relates to the financial year 2010-11.

\*\* ceased to be Managing Director w.e.f 09.02.2012.

The above details exclude the provision for gratuity and leave encashment, as the same is calculated for the Company as a whole. The appointment of Executive Directors is contractual and may be terminated by either side on three months notice or on payment of three months salary in lieu thereof. There is no separate provision for payment of severance fees. The Company has not granted any stock option to any of the Directors.

### b) Non-Executive Directors :

The Independent Directors are paid a sitting fees of Rs. 20,000 per meeting for attending the meetings of the Board of



Directors and Committees thereof. The details of remuneration paid by way of sitting fee to the Non Executive Directors for attending Board Meetings, Remuneration Committee Meetings and Audit Committee Meetings during the financial year ended 30<sup>th</sup> June, 2012 and the number of shares held by them as on 30.06.2012 is as under:

Name of Director	Sitting Fees (Amount/Rupees)	No. of shares held
Mr. Kashi Nath Memani	300,000	Nil
Mr. Krishan Lal Chugh	180,000	80,944
Mr. Devendra Raj Mehta	140,000	Nil
Mr. Subroto Chattopadhyay	300,000	Nil
Mr. Saurabh Srivastava	60,000	Nil
Mr. Thomas H. Zilliacus	60,000	N.A.
Mr. Rajiv Makhni	60,000	Nil

There were no pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company.

#### 4. INFORMATION ABOUT THE DIRECTORS SEEKING RE-APPOINTMENT

The required information regarding the details of Directors seeking re-appointment is set out in the Explanatory Statement annexed to the Notice.

#### 5. COMMITTEES TO THE BOARD

##### Audit Committee

##### a) Terms of Reference

As a measure to good Corporate Governance and to provide assistance to the Board of Directors in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company, an Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the provisions of Clause 49 of the Listing Agreement. The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors of the Company. The Audit Committee is responsible for effective supervision of the financial reporting process, the appointment, independence, performance and remuneration of the Statutory Auditors including the performance and remuneration of Internal Auditors ensuring financial and accounting controls and ensuring compliance with the financial policies of the Company. The Committee reviews the financial statements and Quarterly and Annual Results with special emphasis on accounting policies and practices, ensuring compliance with Accounting Standards and other legal requirements concerning financial statements before they are submitted to the Board. The Internal Audit Reports on various matters covered by the internal auditors are regularly discussed in detail in the Audit Committee meetings. The terms of reference of the Audit committee includes the matters specified under Clause 49 (II) of the Listing agreement. Further, the Audit Committee also reviews such matters as considered appropriate by it or referred to it by the Board from time to time.

##### b) Composition and Meetings of the Committee:

As on 30<sup>th</sup> June, 2012, the Audit Committee comprised of three Directors out of which two are Independent Directors. The Chairman of the committee is an Independent Director. All members of the committee are financially literate.

Members of the Audit Committee met Six (6) times during the year on 30<sup>th</sup> May, 2011, 04<sup>th</sup> June, 2011, 06<sup>th</sup> August, 2011, 10<sup>th</sup> November, 2011, 8<sup>th</sup> February, 2012 and 10<sup>th</sup> May, 2012. The intervening period between Audit Committee Meetings was within the maximum time gap prescribed under Clause 49 of Listing Agreement. The attendance of each member at the meetings held during the year under review is as follows:

Name of Director	Designation	Category	Attendance at the meetings held during the financial year ended June 30, 2012
Mr. Kashi Nath Memani	Chairman	Independent	6
Mr. Subroto Chattopadhyay	Member	Independent	6
Mr. Dilip Modi	Member	Non-Executive	6

The Company Secretary acts as the Secretary to the Committee.



The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

The Chief Financial Officer, Chief Executive Officer, General Manager - Corporate Affairs of the Company and Representatives of the Statutory and Internal Auditors normally attended the meetings by invitation.

The Minutes of the Audit Committee meetings were noted by the Board of Directors of the Company at the subsequent Board Meetings.

## Shareholders Value Enhancement and Investors Grievance Committee

The Committee has been formed by the Board of Directors to look into the matters relating to transfer/transmission of shares and the redressal of shareholders/investors complaints and also the matters relating to shareholders value enhancement. The meetings are held on fortnightly basis to consider and approve the transfer/transmission /other matters relating to shares of the Company held in physical form and to resolve the Investors Grievances / Shareholder complaints related to transfer of shares, non- receipt of annual reports, non receipt of declared dividend etc. The Minutes of the Committee meetings are placed before the Board.

As on 30<sup>th</sup> June, 2012, the Investors' Grievance/ Share Transfer Committee comprised of the following as its members:

Name of Directors	Designation	Category
Dr. Bhupendra Kumar Modi	Chairman	Non-Executive
Ms. Divya Modi	Member	Non-Executive
Ms. Preeti Malhotra	Member	Executive

Ms. Preeti Malhotra, Executive Director and Company Secretary is also designated as Compliance officer of the Company.

The Committee approves transfer / transmission of shares issued by the Company, issue of duplicate certificates and certificates after split /consolidation/ rematerialisation. During the year ended on 30<sup>th</sup> June, 2012 the Company has received 60 (sixty) complaints which were properly attended and resolved to the satisfaction of the shareholders. There is no pending complaint and transfer relating to the year ended 30<sup>th</sup> June, 2012.

## Remuneration Committee and Remuneration Policy

The Remuneration Committee reviews and recommends the remuneration and performance linked bonuses of the Executive Directors and CEO & Manager of the Company and also evaluates their performance based on the overall performance and financial results of the Company and on the assessment of the personal contribution and achievements of the individual. The Remuneration Policy of the Company is directed towards rewarding performance, based on review of achievements on a periodic basis. The remuneration policy is in consonance with the existing industry practice. During the period under review, the Company has paid remuneration to Mr. Dilip Modi, as Managing Director till the date on which he ceased to be Managing Director of the Company, Ms. Preeti Malhotra, Executive Director and Mr. R.S Desikan, CEO & Manager from the date of his appointment, as approved by the Remuneration Committee.

The members of the committee met twice during the year on 30<sup>th</sup> May, 2011 and 9<sup>th</sup> February, 2012. As on 30<sup>th</sup> June, 2012, the Remuneration Committee comprised of the following as its members:

Name of Directors	Designation	Category	Attendance at the meetings held during the financial year ended 30 <sup>th</sup> June, 2012
Dr. Bhupendra Kumar Modi	Chairman	Non-Executive	2
Mr. Kashi Nath Memani	Member	Independent	2
Mr. Krishan Lal Chugh	Member	Independent	2
Mr. Subroto Chattopadhyay	Member	Independent	2

The Company Secretary acts as Secretary to this committee.



## 6. GENERAL BODY MEETINGS

### I. Meeting details

Location and time where last three Annual General Meetings were held:

Year	Location	Date	Time
2011	'Spice World', I-2 Sector-25A, Noida-201,301, Uttar Pradesh	Wednesday 28/09/2011	10.30 A.M.
2010	'Spice World', I-2 Sector-25A, Noida-201,301, Uttar Pradesh	Wednesday 29/09/2010	10:30 A.M.
2009	'Spice World', I-2 Sector-25A, Noida-201,301, Uttar Pradesh	Friday 25/09/2009	09.30 A.M.

The following Special Resolution(s) were passed by the members in the past three Annual General Meetings:

#### Annual General Meeting held on 28<sup>th</sup> September, 2011

- Revision of terms of the remuneration of Mr. Dilip Modi as Managing Director of the Company.
- Revision of terms of the remuneration of Ms. Preeti Malhotra as Executive Director of the Company.
- Substitution of Clause 149 of the Articles of Association for Declaration of Dividend.

#### Annual General Meeting held on 29<sup>th</sup> September, 2010

- Appointment of Mr. Dilip Modi as Managing Director for a period of 3 years w.e.f. 24<sup>th</sup> April, 2010.
- Appointment of Ms. Preeti Malhotra as Whole Time Director liable to retire by rotation and designated as Executive Director for a period of 3 years w.e.f. 24<sup>th</sup> April, 2010.
- Payment of commission upto 1% per annum of net profits of the Company in the aggregate to Independent Directors.

#### Annual General Meeting held on 25<sup>th</sup> September, 2009

- Amendment in Articles of Association of the Company for:
  - Deletion of Article 2(y) i.e., meaning of promoter;
  - Substitution of Article 96 'Number of Directors' shall not be less than 3 and not more than 12 (excluding alternate Directors);
  - Deletion of Article 97 (a) and (b) for appointment and election of non-retiring directors;
  - Deletion of Article 98 (a), (c) and (d) for non-retiring Directors of Promoters;
  - Substitution of Article 119 i.e. quorum for the Board shall consist of 1/3rd of Directors or 2, whichever is higher.

### II. Postal Ballot

Subsequent to the end of financial year, the Company had sent the Postal Ballot Notice dated 6<sup>th</sup> July, 2012 for obtaining the approval of members by way of Ordinary Resolution under Section 293 (1) (a) of Companies Act, 1956, to sell or transfer the whole or part of the undertaking(s) pertaining to mobile handset business of the Company, as a going concern or otherwise, to S Mobile Devices Limited, a wholly owned subsidiary of the Company.

The procedure for Postal Ballot was carried out in accordance with the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, as amended. Mr. Sanjay Grover, FCA & FCS, Company Secretary in whole time practice, was appointed as scrutinizer for the Postal Ballot, who carried out the Postal Ballot process in fair and transparent manner. The results were announced on 24<sup>th</sup> August, 2012.



Summary of the Voting Pattern is as under:

Voting	No. of Shares	% of total valid votes
Votes cast in Favour	22,04,10,551	99.9999
Votes cast Against	228	0.0001
Total	22,04,10,779	100

Result: Resolution passed with the requisite majority.

None of the businesses proposed to be transacted at the ensuing Annual General Meeting requires passing of resolution through Postal Ballot.

## 7. CEO and CFO CERTIFICATION

As required under Clause 49 of the Listing Agreement, the CEO/CFO certification for the financial year ended 30<sup>th</sup> June, 2012 is enclosed at the end of this Report.

## 8. CODE OF CONDUCT

The Company has laid down a Code of Conduct for all Board members and senior management personnel of the Company. A copy of the said Code of Conduct is available on the Company's website ('www.spice-mobile.com').

All Board Members and Senior Managerial Personnel have affirmed compliance with the Code of Conduct as applicable to them for the year under review. A declaration to that effect duly signed by the CEO of the Company is attached at the end of this report.

## 9. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING:

Pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, the Company has framed a 'Code of Conduct for Prevention of Insider Trading'. The Code is applicable to all Directors and Designated Employees as defined thereunder who may have access to unpublished price sensitive information. The Company Secretary has been appointed as the Compliance Officer for monitoring adherence to the said Regulations.

## 10. DISCLOSURES

- **Disclosures on materially significant related party transactions that may have potential conflict with the interest of the Company at large**

The Company has not entered into any transaction of material nature with the Directors or the management, subsidiaries or relatives of Directors during the year under review that have potential conflict with the interest of the Company at large. A statement in summary form of the transactions with related parties in the ordinary course of business is placed periodically before the Audit Committee. Further, the details of the related party transactions (as per AS-18) of the Company in the ordinary course of business during the year ended 30<sup>th</sup> June, 2012 are given in Notes on Accounts forming part of Annual Report.

All related party transactions entered are on arms length basis and are intended to further the interest of the Company.

- **Details of non-compliance by the Company**

The Company has duly complied with all the requirements of the Listing Agreement of the Stock Exchanges as well as Regulations and Guidelines issued by Securities and Exchange Board of India (SEBI) from time to time. There have neither been any instance of non-compliance nor any penalty or stricture have been imposed on the Company by Stock Exchange or by SEBI or by any other statutory authorities on any matter related to the capital markets during the last three years.

- **Risk Management**

In compliance with Clause 49 of the Listing Agreement, the Company has a properly defined framework for risk management. The Company in its Audit Committee & Board Meeting reviews the risk assessment and minimization policy and procedures to assess the same and periodically discusses the various risks associated with different businesses of the Company and the steps taken to mitigate the same.

- **Details of Compliance with mandatory requirements**

The Company has fully complied with the mandatory requirements of Clause 49 of the Listing Agreement of the Stock Exchanges relating to Corporate Governance.





- **Details of Adoption of Non-Mandatory requirements**

The Company has complied with the following non-mandatory requirements under Clause 49 of the Listing Agreement:

(1) The Board

A separate office is maintained for the Chairman at the Company's expenses. There is no fixed tenure for Independent Directors.

(2) Remuneration Committee

The Company has a Remuneration Committee constituted by the Board and comprises of four Non-Executive Directors out of which three are Independent Directors. The Chairman of the Remuneration Committee was present at the last Annual General Meeting to answer the Shareholders' queries.

(3) Shareholders' Rights

The quarterly financial results are published in the newspapers as mentioned under the heading "Means of Communication" at Sl. No. 11 herein below and also displayed on the website of the Company. The results are not separately circulated to each of the shareholders.

(4) Audit qualifications

The Company believes in maintaining its accounts in a transparent manner and aims at receiving unqualified report of auditors on the financial statements of the Company.

(5) Training of Board Members

The Company provides complete information and details to the Board Members about the business model of the Company. All the matters relating to the businesses conducted by the Company including its subsidiaries and risks associated with these businesses are discussed in detail in the meetings of the Board and Audit Committee.

(6) Whistle Blower Policy

While the Company has not formally established a Whistle Blower Policy as a mechanism for its employees to report to the management about any actual or suspected violation of the Company's Code of Conduct or business principles or concerns about unethical behavior, the employees are free to access the Management or the Audit Committee to report any such instances.

## 11. MEANS OF COMMUNICATION

The quarterly and annual financial results are normally published in "Financial Express" or "Business Standard" (National dailies - English) and "Jansatta" or "Business Standard/Veer Arjun" (Regional dailies - Hindi).

All material information about the Company and its business is promptly sent to the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) where the Equity Shares of the Company are listed so as to enable them to put the same on their website. The Company regularly updates the media and investor community about its financial as well as other organizational developments. In addition to the above, quarterly and annual results and results of postal ballots are displayed on our website at [www.spice-mobile.com](http://www.spice-mobile.com) for the information of all the stakeholders.

The Management of the Company regularly holds Investors'/Analysts' Conference Call for discussing the performance of the company subsequent to declaration of its quarterly & yearly financial results. The transcripts of the conference call and presentations made to the investors are also posted on the website of the company.

The Management Discussion and Analysis Report forms part of the Annual Report.

## 12. GENERAL SHAREHOLDER INFORMATION

- |                                  |   |   |
|----------------------------------|---|---|
| <b>a) Registered Office:</b>     | : | S Global Knowledge Park, 19A & 19B, Sector-125, Noida, Distt Gautam Budh Nagar, Uttar Pradesh -201301 |
| <b>b) Annual General Meeting</b> |   |   |
| <b>Date</b>                      | : | Monday, 10 <sup>th</sup> December, 2012   |
| <b>Time</b>                      | : | 10:30 A.M.  |
| <b>Venue</b>                     | : | 'Spice World', I-2, Sector-25A, Noida-201 301, Uttar Pradesh.   |



**c) Financial calendar  
(tentative and subject to change)**

Financial Year	:	July 2012 – June 2013
Financial reporting for the quarter ending 30 <sup>th</sup> September, 2012	:	Mid November 2012
Financial reporting for the quarter ending 31 <sup>st</sup> December, 2012	:	Mid February 2013
Financial reporting for the quarter ending 31 <sup>st</sup> March, 2013	:	Mid May 2013
Financial reporting for the quarter ending 30 <sup>th</sup> June, 2013	:	End August 2013

**d) Date of book-closure** : 4<sup>th</sup> December, 2012 to 10<sup>th</sup> December, 2012  
(Both days inclusive)

**e) Dividend payment date**

The dividend @ Rs. 1.50 per equity share as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be paid within 30 days of the declaration to those members whose names appear in the Register of Members as on 10<sup>th</sup> December, 2012 after giving effect to all valid transfers in physical form lodged on or before 3<sup>rd</sup> December, 2012 with the Company and/or its Registrar & Share Transfer Agent and in respect of shares held in electronic mode on the basis of beneficial ownership of shares as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business hours on 3<sup>rd</sup> December, 2012.

**f) Listing at Stock Exchanges :**

The Equity shares of the Company are listed at the following Stock Exchanges :

**BSE Limited**

Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai-400 001

**National Stock Exchange of India Limited**

Exchange Plaza, Bandra-Kurla Complex,  
Bandra(E), Mumbai-400 051

**g) Scrip Code/Scrip Symbol of the Company as on 30.06.2012:**

**BSE Limited:**

Scrip ID           SMOBILITY  
Scrip code       517214

**National Stock Exchange of India Limited:**

Scrip Symbol     SMOBILITY

**h) Market price data and performance of share price of the Company :**

The details of monthly highest and lowest quotations of the equity shares of the Company and the number of shares traded during each calendar month at the Stock Exchange(s) where the shares of the Company are listed and the relevant Index of the respective stock exchanges during the Financial Year (fifteen months) ended 30<sup>th</sup> June, 2012 are as under:



# CORPORATE GOVERNANCE REPORT

## BSE Limited (BSE)

(Face Value Rs. 3/- per share)

Month	BSE Prices		Volume	BSE SENSEX	
	High Price (Rs.)	Low Price (Rs.)		High	Low
April 2011	107.50	97.55	179843	19811.14	18976.19
May 2011	112.80	88.50	471191	19253.87	17786.13
June 2011	108.00	97.00	117653	18873.39	17314.38
July 2011	121.25	101.00	948286	19131.70	18131.86
August 2011	114.00	92.30	209646	18440.07	15765.53
September 2011	109.45	98.20	1164427	17211.80	15801.01
October 2011	105.85	98.20	586871	17908.13	15745.43
November 2011	101.90	85.75	206702	17702.26	15478.69
December 2011	95.30	64.90	142693	17003.71	15135.86
January 2012	88.20	78.00	20296	17258.97	15358.02
February 2012	90.00	70.00	328574	18523.78	17061.55
March 2012	76.00	63.05	104968	18040.69	16920.61
April 2012	78.60	62.50	847837	17664.10	17010.16
May 2012	68.00	37.00	291860	17432.33	15809.71
June 2012	50.10	35.05	250779	17448.48	15748.98

(source:www.bseindia.com)

## National Stock Exchange of India Limited (NSE)

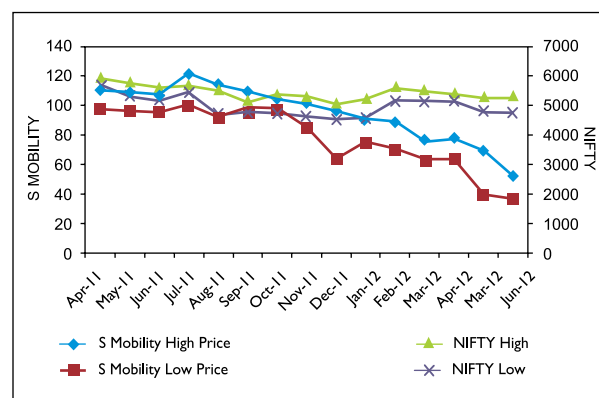
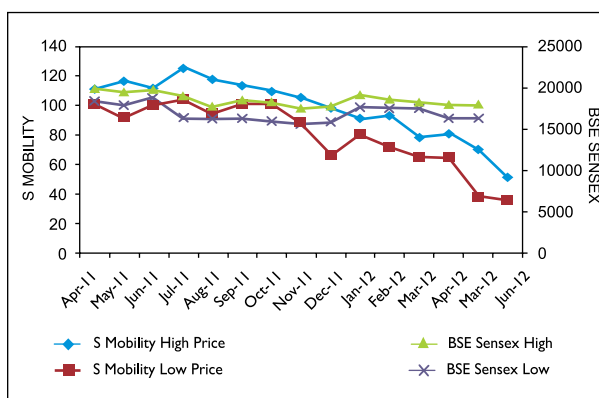
Face Value Rs.3/- per share

Month	NSE PRICES		Volume	NIFTY	
	High Price (Rs.)	Low Price (Rs.)		High	Low
April 2011	110.00	97.55	437239	5944.45	5693.25
May 2011	109.00	96.50	897190	5775.25	5328.7
June 2011	108.00	95.50	278314	5657.9	5195.9
July 2011	121.40	101.05	1689594	5740.4	5453.95
August 2011	114.70	92.50	438408	5551.9	4720
September 2011	109.80	98.50	1291853	5169.25	4758.85
October 2011	104.90	98.15	1073332	5399.7	4728.3
November 2011	101.70	85.05	417624	5326.45	4639.1
December 2011	96.70	63.40	298333	5099.25	4531.15
January 2012	90.00	75.65	44563	5217	4588.05
February 2012	88.80	70.00	405145	5629.95	5159
March 2012	76.50	63.05	216116	5499.4	5135.95
April 2012	78.00	62.95	1405844	5378.75	5154.3
May 2012	69.00	39.10	199691	5279.6	4788.95
June 2012	51.95	36.80	132655	5286.25	4770.35

(source:www.nseindia.com)



## Performance of the Share price of the company in Comparison to BSE Sensex and Nifty



### i) Registrar and Transfer Agents:

#### MAS Services Limited

T-34, 2nd Floor, Okhla Industrial Area, Phase-II, New Delhi-110 020

Tel: (011) 26387281/82/83; Fax: (011) 26387384

E-mail: mas\_serv@yahoo.com, info@masserv.com

Contact person - Mr. S.K. Mangla.

All transfer/transmission and dematerialization requests and other communications regarding change of address, dividend and other queries related to investor services may be sent at the above address.

### j) Share Transfer System

Transfers of shares in physical form are registered and sent back within the stipulated time limit from the date of their lodgement, subject to the documents being valid and complete in all respects. The Shareholders Value Enhancement and Investors Grievance Committee looks into the issues relating to Share Transfers and Investor Grievances and the Committee meets fortnightly.

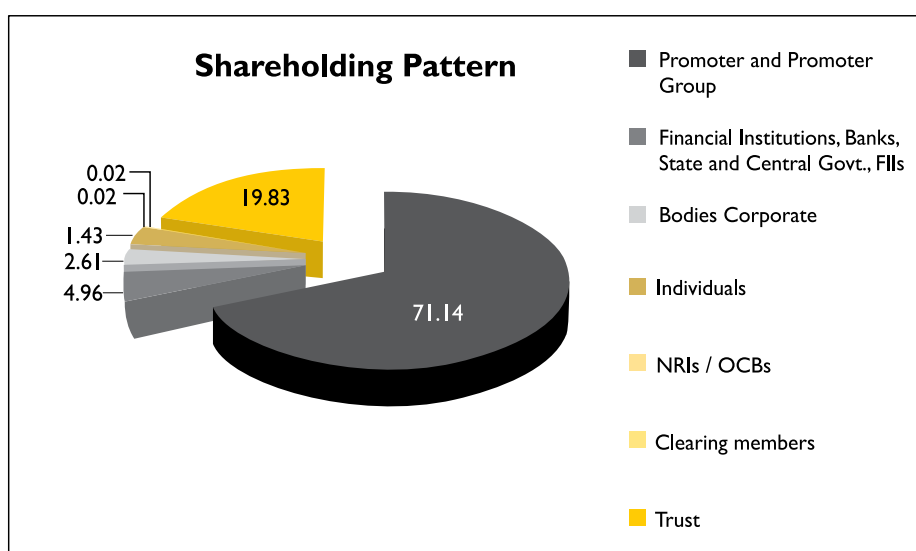
### k) Distribution of Shareholding as on 30<sup>th</sup> June 2012:

Share Holding of Nominal Value of Rs.3/- each	Number of Shareholders	% to Total No. of Shareholders	No. of Shares Held	Amount in Rs.	% to Total Paid-up Capital
UPTO 5,000	24068	98.623	3676757	11030271	1.544
5,001 TO 10,000	188	0.770	438259	1314777	0.184
10,001 TO 20,000	70	0.287	333349	1000047	0.140
20,001 TO 30,000	24	0.098	211295	633885	0.089
30,001 TO 40,000	6	0.025	66463	199389	0.028
40,001 TO 50,000	8	0.033	117606	352818	0.049
50,001 TO 1,00,000	12	0.049	262997	788991	0.110
1,00,001 AND ABOVE	28	0.115	232979559	698938677	97.855
<b>Total</b>	<b>24404</b>	<b>100.000</b>	<b>238086285</b>	<b>714258855</b>	<b>100.000</b>



## Shareholding pattern as on 30<sup>th</sup> June, 2012:

Category	No. of shares held	% of total Capital
Promoter and Promoter Group	169365976	71.14
Financial Institutions, Banks, State and Central Govt., FIs	11809409	4.96
Bodies Corporate	3404869	1.43
Individuals	6207302	2.61
NRIs / OCBs	40723	0.02
Clearing members	55039	0.02
Trust	47202967	19.83
Total	238086285	100.00



### l) Dematerialization of shares and Liquidity:

The trading in equity shares of the Company is permitted compulsorily in dematerialized mode w.e.f. 29<sup>th</sup> January, 2001 as per notification issued by SEBI. The International Securities Identification Number (ISIN) of the Company, as allotted by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) is INE927C01020. As on 30<sup>th</sup> June, 2012, 98.72% of the Share Capital of the Company is held in dematerialized form with NSDL and CDSL. The Equity shares of the Company are regularly traded on the Stock Exchanges and any person interested in the shares of the company can deal in the same as per the applicable Rules and Regulations.

### m) Convertible Instruments:

There are no outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, which are likely to have an impact on the equity of the Company.

### n) Plants Location:

Unit I and II at Village Billanwalli, Baddi P. O, Teh . Nalagarh, Distt. Solan, Himachal Pradesh

### o) Address for correspondence:

The Company Secretary  
S Mobility Limited,  
S Global Knowledge Park, 19A & 19B, Sector-125, Noida (U.P.) – 201 301.  
Tel : (0120) 3355131

The designated E-mail id exclusively for the purpose of registering complaints by investors is investors@smobility.in.

The above Report has been placed before the Board at its meeting held on 24<sup>th</sup> August, 2012 and the same was approved.





## CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members,  
S Mobility Limited

We have examined the compliance of conditions of Corporate Governance of M/s. S Mobility Limited, for the financial year ended 30<sup>th</sup> June, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our review has been limited to review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the condition of the certificate of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company, nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **SANJAY GROVER & ASSOCIATES**  
**COMPANY SECRETARIES**

**Sanjay Grover**  
**C.P.No. 3850**

Dated: 24<sup>th</sup> August, 2012  
Place : New Delhi

To,  
The Board of Directors  
S Mobility Limited  
S Global Knowledge Park  
19A & 19B, Sector – 125, Noida – 201 301

## SUB: CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF S MOBILITY LIMITED

Sir,

We, R. S. Desikan, CEO and Subramanian Murali, CFO of S Mobility Limited [‘the Company’], to the best of our knowledge and belief certify that:

1. We have reviewed the Balance Sheet and Profit & Loss Account and all its Schedules and Notes on Accounts as well as the cash flow statement for the Financial Year ended on June 30, 2012.
2. Based on our knowledge and information, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
3. Based on our knowledge and information, the financial statements and other information included in this report, present a true and fair view of the company’s affairs and are in compliance with existing accounting standards and/or applicable laws and regulations;
4. To the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company’s code of conduct;
5. We are responsible for establishing and maintaining internal controls over financial reporting for the Company and we have evaluated the effectiveness of internal control systems of the company;
6. We have disclosed based on our most recent evaluation, wherever applicable, to the Company’s Auditors and the Audit Committee of the Company:
  - i. all deficiencies in the design or operation of internal controls and any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
  - ii. significant changes in internal control over financial reporting during the period covered by this report;
  - iii. significant changes in accounting policies during the period under review and that the same have been disclosed in the notes to the financial statements; and
  - iv. instances of significant fraud of which we are aware that involves, the management or other employees who have a significant role in the company’s internal control system over financial reporting.

Date : 20<sup>th</sup> August, 2012  
Place : Noida

**Subramanian Murali**  
Chief Financial Officer

**R. S. Desikan**  
Chief Executive Officer & Manager

## DECLARATION REGARDING COMPLIANCE WITH THE CODE OF CONDUCT

It is hereby declared that the Company has received affirmation from the Board Members and the Senior Management Personnel with regard to compliance of the Code of Conduct for Directors and Senior Management Personnel, in respect of the financial Year ended on 30<sup>th</sup> June, 2012.

For **S Mobility Limited**

Place: Noida  
Date: 20.08.12

**R S Desikan**  
Chief Executive Officer & Manager



# SECRETARIAL AUDIT REPORT

## The Board of Directors

### S Mobility Limited

#### Noida

We have examined the Registers, Records and Documents of S Mobility Limited (hereinafter referred to as “the Company”) for the financial year ended on **June 30, 2012** according to the provisions of-

- The Companies Act, 1956 (hereinafter referred to as “the Act”) and the Rules made thereunder;
- The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’)
  - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as replaced with The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; and
- The Equity Listing Agreements with BSE Limited and National Stock Exchange of India Limited.
- The regulations as contained in Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000 (FEMA Regulations).

I. Based on our examination and verification of the Registers, Records and Documents produced before us and according to the information and explanations given to us by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company during the audit period covering the financial year ended on 30<sup>th</sup> June, 2012 has complied with the provisions of the Act and the Rules made thereunder and the Memorandum and Articles of Association of the Company, with regard to:

- I. maintenance of various statutory registers and documents and making necessary entries therein;
- II. closure of the Register of Members;
- III. forms, returns, documents and resolutions required to be filed with the Registrar of Companies, Uttar Pradesh and Uttrakhand and the Central Government;
- IV. service of documents by the Company on its Members;
- V. notice of the Board meetings and Committee meetings of Directors;
- VI. the meetings of Directors and Committees of Directors;
- VII. the 23rd Annual General Meeting held on September 28, 2011;
- VIII. minutes of proceedings of General Meetings and of Board and its Committees thereof;
- IX. approval of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required;
- X. constitution of the Board of Directors/Committee(s) of Directors and appointment, retirement and reappointment of Directors including the Managing Director;
- XI. payment of remuneration to the Directors including the Managing Director, Whole- time Directors and Manager;
- XII. appointment and remuneration of Auditors;
- XIII. transfer and transmission of the Company's shares;
- XIV. declaration and payment of dividend;
- XV. form of balance sheet as prescribed under Part I of Revised Schedule VI to the Act and requirements as to Statement of Profit & Loss as per Part II of the same;
- XVI. contracts, common seal, registered office and publication of name of the Company; and
- XVII. generally, all the other applicable provisions of the Act and the rules made thereunder.

## 2. We further report that:

- I. The Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in other entities;
- II. The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Conduct for Directors and Senior Management.
- III. The Company has obtained all necessary approvals under the various provisions of the Act, wherever applicable.
- IV. During the period of Audit, there was no prosecution initiated against or show cause notice received by the Company, its Directors and Officers under the provisions of the Act, SEBI Act, FEMA Regulations and Listing Agreement(s).



# SECRETARIAL AUDIT REPORT

### 3. We further report that :

- I. The Company has complied with the requirements under the Equity Listing Agreements entered into with the BSE Limited and the National Stock Exchange of India Limited.
- II. The Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- III. The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations.
- IV. The Company has complied with the provisions of Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000. Further, the Company has also complied with the Master Circular No. 11/2011-12 regarding Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) abroad in connection with establishment of wholly owned subsidiaries in Singapore and Hong Kong respectively.

### 4. We further report that :

M/s Si2i Mobility Private Limited acquired 16,34,48,285 shares i.e. 68.65% of the share capital of the company from Spice Global Investment Private Limited. Hence, M/s Si2i Mobility Private Limited became the holding company of the company.

**For SANJAY GROVER & ASSOCIATES**  
COMPANY SECRETARIES

**SANJAY GROVER**

FCS No.4223

C.P No.3850

Date : 24<sup>th</sup> August, 2012

Place : New Delhi



# AUDITORS' REPORT

To

**The Members of S Mobility Limited (Formerly Spice Mobility Limited)**

1. We have audited the attached Balance Sheet of S Mobility Limited (Formerly Spice Mobility Limited) ('the Company') as at June 30, 2012 and also the Statement of profit and loss and the cash flow statement for the fifteen months period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we draw attention to Note No. 42 of the financial statements. The Company has made investments of Rs. 1,264,587 thousand in, given unsecured interest free loans of Rs. 2,470,640 thousand to and has outstanding receivable of Rs. 210,736 thousand from its subsidiary companies whose net worth as per books is lower than the carrying value of the Company's investments in these companies. As more fully discussed in Note No. 42, no provision has been made against the above in view of strategic long term investment of the Company in these subsidiaries, their future profitable projections and / or the fair value of these companies as at June 30, 2012.
5. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - v. On the basis of the written representations received from the directors, as on June 30, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the balance sheet, of the state of affairs of the Company as at June 30, 2012;
    - b) in the case of the statement of profit and loss, of the loss for the fifteen months period ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the fifteen months period ended on that date.

**For S.R. Batliboi & Co**

Chartered Accountants

Firm registration number: 301003E

**per Anil Gupta**

Partner

Membership No.: 87921

Place: New Delhi

Date: 24<sup>th</sup> August, 2012



## Annexure referred to in paragraph 3 of our report of even date

### S Mobility Limited (Formerly Spice Mobility Limited) ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the period.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the period.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has granted loan to four wholly owned subsidiary companies covered under Section 301 of the Companies Act, 1956. The maximum amount involved during the period was Rs. 2,672,080 thousand and the closing balance of loans granted to such companies was Rs. 2,470,640 thousand.
- (b) The Company has made interest free loans to four wholly owned subsidiaries. According to the information and explanations given to us, and having regard to management's representation that the interest free loans are given to wholly owned subsidiaries of the Company in the interest of the Company's business, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- (c) The loans granted and interest thereon, are re-payable on demand. We are informed that the Company has not demanded repayment of any such loan during the period, and thus, there has been no default on the part of the parties to whom the money has been lent. The loans given to three companies are interest free.
- (d) There is no overdue amount of loans granted to the companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- (e) The Company had taken unsecured loan from a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the period was Rs. 1,500,000 thousand and the period end balance of loan taken from such party was Rs. NIL.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for the above loan were prima facie not prejudicial to the interest of the Company.
- (g) In respect of loan taken, there was no default in the repayment of principal and interest amount.
- (iv) Purchase of raw materials for manufacturing mobile handsets and the major portion of the traded goods including mobile handsets are stated to be of proprietary nature, and hence, in such cases, the comparison of prices with the market rates or with purchases with other parties cannot be made. Read with above, in our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and inventory and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct major weakness in the internal control system of the Company in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial period at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.



# AUDITORS' REPORT

- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, related to the manufacture of mobile handsets, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, custom duty, service tax, excise duty, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities *though there has been a slight delay in a few cases.*
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the period end, for a period of more than six months from the date they became payable *except for an amount of Rs. 4,038 thousand in respect of Madhya Pradesh entry tax, which has not been paid since September 2010.*
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. 000)	Period to which the amount relates	Forum where dispute is pending
Tamil Nadu General Sales Tax Act, 1959	Tax on transfer / replacement of material under Annual Maintenance Contract	814	1993-94 & 1996-97	High Court, Chennai
West Bengal Sales Tax Act, 1956	Demand for Local Sales Tax	394	2005-06	Joint Commissioner of Commercial Taxes, Kolkatta
Central Sales Tax Act, 1975	Demand for Central Sales Tax	7,267	2005-06 & 2007-08	Joint Commissioner of Commercial Taxes, Kolkatta
Delhi Sales Tax Act, 1975	Demand against non submission of Form 'C' and treating exempted sales as sales	408	2002-03	Additional Commissioner Appeals, Delhi
Central Sales Tax Act, 1956 read with the Delhi Sales Tax Act, 1975	Demand against non submission of Sales Tax forms	4,864	2002-03 to 2004-05	Additional Commissioner Appeals, Delhi
Central Sales Tax Act, 1975	Demand against non submission of Form 'F'	850	2005-06 to 2008-09	Joint Commissioner of Commercial Taxes, Bhubaneshwar
Central Sales Tax Act, 1975	Demand against Sales Tax	1,500	2006-07	Joint Commissioner of Commercial Taxes, Patna
Entry Tax Act, 1976	Demand for Entry Tax	833	2008-09	Deputy Commissioner of Commercial Taxes (Appeals), Raipur
Entry Tax Act, 1976	Demand for Entry Tax	4,523	2011-12 & 2012-13	Hon'ble High Court of Himachal Pradesh, Shimla
Central Excise Act, 1944	Demand for excise duty including penalty	64,263	1990-91 to 1993-94	CESTAT, Delhi
Foreign Trade (Development and Regulation) Act, 1992	Penalty on account of non-fulfillment of export obligation	40,860	1991-92	High Court, Delhi

- (x) The Company has no accumulated losses at the end of the financial period. However, *it has incurred cash losses in the current period.* The Company has not incurred cash losses in the immediately preceding financial year.
- (xi) The Company did not have outstanding dues to any financial institutions or banks and did not have any outstanding debentures during the period.



# AUDITORS' REPORT



- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the period.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the period.
- (xx) The Company has not raised any money by way of a public issue during the period.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the period.

**For S.R. BATLIBOI & CO.**

Chartered Accountants

Firm registration number: 301003E

**per Anil Gupta**

Partner

Membership No.: 87921

Place: New Delhi

Date: 24<sup>th</sup> August, 2012



# BALANCE SHEET

as at June 30, 2012

	Notes	30-Jun-12 Rs. '000	31-Mar-11 Rs. '000
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	714,258	714,258
Reserves and surplus	4	5,322,344	6,088,268
		<b>6,036,602</b>	<b>6,802,526</b>
<b>Non-current liabilities</b>			
Long-term liabilities	5	18,685	12,490
Long-term provisions	6	22,225	46,029
		<b>40,910</b>	<b>58,519</b>
<b>Current liabilities</b>			
Trade payables	7	1,422,049	1,500,764
Other current liabilities	7	123,173	125,940
Short-term provisions	6	462,151	557,906
		<b>2,007,373</b>	<b>2,184,610</b>
		<b>8,084,885</b>	<b>9,045,656</b>
<b>TOTAL</b>			
<b>Assets</b>			
Non-current assets			
Fixed assets			
Tangible assets	8	987,915	96,976
Intangible assets	9	20,796	17,789
Capital work-in-progress		73,232	385,173
Intangible assets under development		1,588	-
Non-current investments	10	1,808,906	1,711,439
Deferred tax assets (net)	11	-	6,846
Long-term loans and advances	12	26,418	20,577
Amount recoverable from Employee Benefit Trust		126,052	126,052
Other non-current assets	13.2	3,415	27,141
		<b>3,048,322</b>	<b>2,391,993</b>
<b>Current assets</b>			
Current investments	14	441,707	980,703
Inventories	15	436,024	520,943
Trade receivables	13.1	939,545	1,306,857
Cash and bank balances	16	407,799	1,094,059
Short-term loans and advances	12	2,779,696	2,702,073
Other current assets	13.2	31,792	49,029
		<b>5,036,563</b>	<b>6,653,663</b>
		<b>8,084,885</b>	<b>9,045,656</b>
<b>TOTAL</b>			
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S.R. BATLIBOI & CO.**  
Chartered Accountants  
Firm Registration No. 301003E

per **Anil Gupta**  
Partner  
Membership No. 87921

Place : New Delhi  
Date : 24<sup>th</sup> August, 2012

**For and on behalf of the Board of Directors of S Mobility Limited**

**Dilip Modi**  
Director

**Preeti Malhotra**  
Executive Director and Company Secretary

**Subroto Chattopadhyay**  
Director

**R S Desikan**  
Chief Executive Officer and Manager

**Subramanian Murali**  
Chief Financial Officer



# STATEMENT OF PROFIT AND LOSS

for the fifteen months period ended June 30, 2012

	Notes	For the fifteen months period ended June 30, 2012 (Rs.'000)	For the year ended March 31, 2011 (Rs.'000)
<b>Income</b>			
Revenue from operations (gross)	17	10,105,862	9,453,643
Less: excise duty		23,250	5,714
<b>Revenue from operations (net)</b>		<b>10,082,612</b>	<b>9,447,929</b>
Other income	18	153,395	260,471
<b>Total revenue (I)</b>		<b>10,236,007</b>	<b>9,708,400</b>
Expenses			
Cost of raw materials and components consumed	19	1,634,713	358,778
Purchase of traded goods		6,648,364	6,161,030
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods	20	(19,662)	779,308
Employee benefit expense	21	499,621	282,187
Other expenses	22.1	1,825,693	1,263,928
Exceptional items	22.2	23,514	(94,898)
<b>Total (II)</b>		<b>10,612,243</b>	<b>8,750,333</b>
<b>Earnings before interest, tax, depreciation and amortization (EBITDA) (I) – (II)</b>		<b>(376,236)</b>	<b>958,067</b>
Depreciation and amortization expense	23	88,439	16,743
Finance costs	24	2,422	6,763
<b>(Loss) / Profit before tax</b>		<b>(467,097)</b>	<b>934,561</b>
<b>Tax expenses</b>			
Current tax		-	157,901
Fringe benefit tax credit for earlier years		-	(12)
Deferred tax charge / (credit)		6,846	(4,582)
<b>Total tax expense</b>		<b>6,846</b>	<b>153,307</b>
<b>(Loss) / Profit for the period</b>		<b>(473,943)</b>	<b>781,254</b>
<b>Earnings per equity share</b> [nominal value of share Rs. 3 (31 March 2011: Rs. 3)]	25		
<b>Basic and diluted (Rs.)</b>		<b>(1.99)</b>	<b>3.28</b>
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S.R. BATLIBOI & CO.**  
Chartered Accountants  
Firm Registration No. 301003E

per **Anil Gupta**  
Partner  
Membership No. 87921

Place : New Delhi  
Date : 24<sup>th</sup> August, 2012

**For and on behalf of the Board of Directors of S Mobility Limited**

**Dilip Modi**  
Director

**Subroto Chattopadhyay**  
Director

**Subramanian Murali**  
Chief Financial Officer

**Preeti Malhotra**  
Executive Director and Company Secretary

**R S Desikan**  
Chief Executive Officer and Manager



# CASH FLOW STATEMENT

for the fifteen months period ended June 30, 2012

	For the fifteen months period ended June 30, 2012 (Rs. '000)	For the year ended March 31, 2011 (Rs. '000)
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>		
Net Profit before taxation	(467,097)	934,561
Adjustments for :		
– Depreciation / amortisation	88,439	16,743
– Loss on disposal of fixed assets (net)	596	140
– Diminution in the value of current investments	2,344	–
– Diminution in the value of non-current investments	23,514	–
– Unrealised exchange loss/(gain) (net)	17,007	(22,645)
– Interest expense	2,422	6,763
– Interest income	(72,746)	(69,236)
– Dividend Income	(43,646)	(33,136)
– Income from Investment in fixed maturity plan investments	–	(122,432)
– Profit on sale of investments in a subsidiary company	–	(94,898)
– Loss on sale of current investments	834	125
– Provision for doubtful debts and advances (net)	49,092	14,408
– Bad debts and advances written off	–	8,109
<b>Operating (loss) / profit before working capital changes</b>	<b>(399,241)</b>	<b>638,502</b>
<b>Movements in working capital:</b>		
Decrease in inventories	84,919	675,750
Decrease / (Increase) in trade receivables	322,631	(263,823)
(Increase) / Decrease in non-current loans and advances	(10,152)	180,915
(Increase) in current loans and advances	(82,984)	(10,580)
(Increase) in current assets	(2,002)	(1,154)
Increase / (Decrease) in non-current other liabilities	6,195	(21,376)
(Decrease) in current other liabilities	(1,105)	(50,837)
(Decrease) in trade payables	(67,447)	(836,497)
(Decrease) in non-current provisions	(23,804)	(14,806)
(Decrease) in current provisions	(34,035)	(10,541)
Cash (used in) / generated from operations	(207,025)	285,553
Direct taxes paid (net of refunds)	(67,904)	(207,792)
<b>Net cash (used in) / from operating activities</b>	<b>(A) (274,929)</b>	<b>77,761</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		
Purchase of fixed assets (including capital work in progress and capital advances)	(668,727)	(423,839)
Proceeds from sale of fixed assets	412	84
Purchase of investments in subsidiaries	(81,781)	(534,407)
Purchase of non-current investments	–	(1,762,078)
Purchase of current- investments	(4,191,433)	(3,127,030)
Sale of current investments	4,727,251	2,237,025



# CASH FLOW STATEMENT

for the fifteen months period ended June 30, 2012

	For the fifteen months period ended June 30, 2012 (Rs. '000)	For the year ended March 31, 2011 (Rs. '000)
Sale of non-current investments	–	5,496,969
Loans to bodies corporate	(580,000)	(2,654,833)
Loans repaid by body corporate	578,193	367,115
Share application money paid	–	(132,750)
Share application money received back	–	366,400
Interest received	91,987	89,239
Dividend Received	43,646	33,136
Fixed deposits refunded by banks	(222,606)	424,990
Fixed deposits made with banks	904,122	(587,652)
<b>Net cash flow / (used in) investing activities</b>	<b>(B) 601,064</b>	<b>(297,631)</b>
<b>CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES</b>		
Interest paid	(2,422)	(9,971)
Dividend paid	(302,837)	(39,784)
Taxes on dividend paid	(49,345)	(18,595)
Loans taken from body corporate	1,500,000	–
Loans repaid back to body corporate	(1,500,000)	–
<b>Net cash (used in) financing activities</b>	<b>(C) (354,604)</b>	<b>(68,350)</b>
Net (decrease) in cash and cash equivalents (A + B + C)	(28,469)	(288,220)
Cash and cash equivalents at the beginning of the period	153,536	434,165
Cash and cash equivalents of the transferor company as at the beginning of the period	–	7,591
<b>Cash and cash equivalents at the end of the period</b>	<b>125,067</b>	<b>153,536</b>
<b>Components of cash and cash equivalents:</b>		
Cash on hand	143	158
With banks		
– on current account	120,558	150,352
– unpaid dividend accounts*	4,366	3,026
<b>Total cash and cash equivalents (note 16)</b>	<b>125,067</b>	<b>153,536</b>
Summary of significant accounting policies	2.1	

\*The Company can utilize these balances only toward settlement of the unpaid dividend.

As per our report of even date

**For S.R. BATLIBOI & CO.**  
Chartered Accountants  
Firm Registration No. 301003E

per **Anil Gupta**  
Partner  
Membership No. 87921

Place : New Delhi  
Date : 24<sup>th</sup> August, 2012

**For and on behalf of the Board of Directors of S Mobility Limited**

**Dilip Modi**  
Director

**Preeti Malhotra**  
Executive Director and Company Secretary

**Subroto Chattopadhyay**  
Director

**R S Desikan**  
Chief Executive Officer and Manager

**Subramanian Murali**  
Chief Financial Officer



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 1. Nature of Operations

The Company is primarily engaged in the trading and manufacturing of Mobile handset and accessories. The Company has set up a plant at its facility in Baddi, in the state of Himachal Pradesh, for manufacturing of mobile handsets. On June 7, 2011, the name of the Company was changed from Spice Mobility Limited to S Mobility Limited.

## 2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies have been consistently applied by the Company and are consistent with those of previous year, except for the change in accounting policy as explained below:

### 2.1 Summary of significant accounting policies

#### (a) Change in accounting policy

##### *Presentation and disclosure of financial statements*

During the period ended 30 June 2012, the Revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. Except accounting for dividend on investments in subsidiary companies (see below), the adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current period.

##### *Dividend on investment in subsidiary companies*

Till the year ended 31 March 2011, the Company, in accordance with the pre-revised Schedule VI requirement, had a policy of recognizing dividend proposed by subsidiary companies after the reporting date in the current year's statement of profit and loss if such dividend pertained to the period ending on or before the reporting date. The Revised Schedule VI, applicable for financial years commencing on or after 1 April 2011, does not contain this requirement. Hence, to comply with AS 9 Revenue Recognition, the Company has changed its accounting policy for recognition of dividend income from subsidiary companies. In accordance with the revised policy, the Company recognizes dividend as income only when the right to receive the same is established by the reporting date.

Had the Company continued to use the earlier policy of recognizing dividend, the credit to the statement of profit and loss after tax for the current period would have been higher by Rs.176,255 thousand and other current assets would correspondingly have been higher by Rs.176,255 thousand.

#### (b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

#### (c) Tangible Fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

#### (d) Depreciation on fixed assets

- i) Depreciation is provided using the straight line method as per the estimated useful lives of the assets estimated by the management, which results in depreciation rates being equal to the corresponding rates prescribed under Schedule XIV of the Companies Act, 1956; except for the following, where the rate of depreciation is higher than the rates prescribed under Schedule XIV of the Companies Act, 1956.





# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

	Rates (SLM)	Sch XIV Rates (SLM)
Technical equipments (included in Plant and Machinery)	10.00%	4.75%
Building at Baddi in the State of Himachal Pradesh	7.27%	3.34%

- ii) Leasehold improvements are depreciated on straight line basis over the primary lease period ranging from 2-9 years or its useful life whichever is lower.
- iii) All individual assets costing Rs. 5,000 or less are depreciated in full in the year of addition.

## (e) Intangible Fixed assets

Intangible Fixed Assets (Softwares) acquired separately are measured on initial recognition at cost. Such assets are amortised over their useful lives on straight line basis not exceeding six years.

## (f) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

## (g) Leases

*Where the Company is lessee*

Leases, where the lessor effectively retains substantially all risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

*Where the Company is the lessor*

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Statement of Profit and Loss.

## (h) Investments

Investments that are readily realisable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

## (i) Income Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflects the impact of timing differences between taxable income and accounting income originating during the current period and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

In the situations where the Company is entitled to a tax holiday under the Income Tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the period in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

## (j) Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on transaction moving weighted average method.

Work-in-progress and finished goods (manufactured) are valued at lower of cost and net realizable value. Cost includes direct materials (determined on transaction moving weighted average basis) and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Traded Goods are valued at lower of cost and net realizable value. Cost is determined on transaction moving weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

## (k) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

### *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with their delivery to the customers. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the period.

### *Interest*

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

### *Dividends*

Revenue is recognised when the Company's right to receive dividend is established by the balance sheet date.

### *Income on Fixed Maturity Plan Investments*

Income on investments made in the units of fixed maturity plans of various schemes of mutual funds is recognised based on reasonable certain yield as at the balance sheet date.

## (l) Foreign currency translation

### *Foreign currency transactions and balances*

#### (i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

(ii) Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contract is amortized and recognized as an expense/ income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or as expense for the period.

**(m) Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the statement of profit and loss for the period when the contributions are due. The Company has no obligation, other than the contribution payable to the provident fund.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial period. The liability as at the period end represents the difference between the actuarial valuation of the gratuity liability of continuing employees and the fair value of the plan assets with the Life Insurance Corporation of India (LIC) as at the end of the period. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

**(n) Segment reporting**

*Identification of segments*

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

*Segment accounting policies*

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

**(o) Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(p) Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

**(q) Warranty**

Warranty costs on mobile handsets are provided on an accrual basis, taking into account the past trend of warranty claims received by the Company, to settle the obligation at the balance sheet date.

**(r) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

**(s) Cash and cash equivalents**

Cash and cash equivalents in the cash flow statement comprise cash at bank and cash in hand and short term investments with the original maturity of three months or less.

**(t) Derivative instruments**

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss is charged to the income statement. Net gains are ignored.

**(u) Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.

**3. Share Capital**

	30-Jun-12 Rs. '000	31-Mar-11 Rs. '000
<b>Authorized</b> 330,000,000 (Previous year: 330,000,000) equity shares of Rs. 3 each	<b>990,000</b>	990,000
<b>Issued, subscribed and fully paid-up</b> 238,086,285 (Previous year 238,086,285) equity shares of Rs. 3 each	<b>714,258</b>	714,258
<b>Total issued, subscribed and fully paid-up</b>	<b>714,258</b>	714,258

**(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Equity shares

	30-Jun-12		31-Mar-11	
	Nos.	Rs. '000	Nos.	Rs. '000
At the beginning of the period	<b>238,086,285</b>	<b>714,258</b>	238,086,285	714,258
Issued during the period	-	-	-	-
Outstanding at the end of the period	<b>238,086,285</b>	<b>714,258</b>	238,086,285	714,258

**(b) Terms/ rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs. 3 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the period ended 30 June 2012, the amount of dividend per share recognized as distributions to equity shareholders is Rs. 1.50 (31 March 2011: Rs. 1.50).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## (c) Shares held by holding company

Out of equity shares issued by the Company, shares held by its holding company are as below:

	30-Jun-12 Rs. '000	31-Mar-11 Rs. '000
<b>Holding Company</b>		
S i2i Mobility Private Limited		
169,365,976 (31 March 2011: Nil) equity shares of Rs. 3 each fully paid	508,098	–
Spice Global Investments Private Limited		
Nil (31 March 2011: 163,448,285) equity shares of Rs. 3 each fully paid	–	490,345

## (d) Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	30-Jun-12 Nos.	31-Mar-11 Nos.
Equity shares allotted as fully paid-up pursuant to the Scheme of amalgamation for consideration other than cash	163,448,285	163,448,285

## (e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	As at 30 June 2012		As at 31 March 2011	
	Nos.	% holding in the class	Nos.	% holding in the class
<i>Equity shares of Rs. 3 each fully paid</i>				
S i2i Mobility Private Limited, the holding company	169,365,976	71.14%	–	–
Spice Global Investments Private Limited, the ultimate holding company (Esrtwhile holding company)	–	–	163,448,285	68.65%
Independent Non Promoter Trust	35,301,215	14.83%	35,301,215	14.83%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

## 4. Reserves and Surplus

	30-Jun-12 Rs. '000	31-Mar-11 Rs. '000
<b>Securities premium account</b>		
Balance as per the last financial statements	288,070	288,070
<b>Closing Balance</b>	288,070	288,070
<b>General reserve</b>		
Balance as per the last financial statements	4,046,734	155,474
Add : Transfer pursuant to scheme of amalgamation*	–	4,282,816
Add: Amount transferred from surplus balance in the statement of profit and loss	78,125	78,125
Less : Adjustment on account of scheme of amalgamation*	–	469,681
<b>Closing Balance</b>	4,124,859	4,046,734
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	1,753,464	673,612
(Loss) / Profit for the period	(473,943)	781,254



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

	30-Jun-12 Rs. '000	31-Mar-11 Rs. '000
Balance brought forward of erstwhile Spice Televentures Private Limited pursuant to Scheme of Amalgamation*	-	800,635
(Loss) after tax for the period Jan 1, 2010 to March 31, 2010 of erstwhile Spice Televentures Private Limited pursuant to scheme of amalgamation*	-	(80,092)
Reversal of Dividend pursuant to scheme of amalgamation*	-	70,813
Reversal of proposed dividend on equity shares**	52,952	-
Reversal of tax on proposed dividend reversed**	8,590	-
<b>Profit available for appropriation:</b>	<b>1,341,063</b>	<b>2,246,222</b>
Less: Appropriations		
Proposed final equity dividend (amount per share Rs. 1.50 (31 March 2011: Rs. 1.50))	304,178	357,130
Tax on proposed equity dividend	49,345	57,503
Transfer to general reserve	78,125	78,125
Total appropriations	431,648	492,758
<b>Net surplus in the statement of profit and loss</b>	<b>909,415</b>	<b>1,753,464</b>
<b>Total reserves and surplus</b>	<b>5,322,344</b>	<b>6,088,268</b>

\* Refer note no.40.

\*\* Independent non-promoter trust which holds 35,301,215 equity shares of the Company has waived off its right to receive entire dividend on the equity shares proposed during the current period and previous year. Accordingly, provision made in the previous year for proposed dividend of Rs. 52,952 thousand in respect of these shares and tax thereon of Rs 8,590 thousand has been reversed during the period and no dividend has been provided on these shares in the current period.

## 5. Long Term Liabilities

	30-Jun-12 Rs. '000	31-Mar-11 Rs. '000
Security Deposits	14,575	12,490
Rent Equalization Reserve	4,110	-
	<b>18,685</b>	<b>12,490</b>

## 6. Provisions

	Long-term		Short-term	
	30-Jun-12	31-Mar-11	30-Jun-12	31-Mar-11
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Provision for employee benefits</b>				
Provision for gratuity (Note 26)	745	4,589	2,058	417
Provision for leave benefits	-	-	18,254	13,525
	<b>745</b>	<b>4,589</b>	<b>20,312</b>	<b>13,942</b>
<b>Other provisions</b>				
Provision for warranties	21,480	41,440	88,316	128,720
Provision for Fringe benefit tax	-	-	-	179
Proposed equity dividend	-	-	304,178	357,130
Provision for tax on proposed equity dividend	-	-	49,345	57,935
	<b>21,480</b>	<b>41,440</b>	<b>441,839</b>	<b>543,964</b>
	<b>22,225</b>	<b>46,029</b>	<b>462,151</b>	<b>557,906</b>





# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## Provision for warranties

A provision is recognized for expected warranty claims on products sold during last one year, based on past experience of level of customer service expenses. It is expected that significant portion of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties are based on past trend of sales of mobile handsets and customer service expenses incurred.

	<b>30-Jun-12</b>	31-Mar-11
	<b>Rs. '000</b>	Rs. '000
At the beginning of the period	<b>170,160</b>	194,644
Arising during the period	<b>284,712</b>	314,240
Utilized during the period	<b>345,076</b>	338,724
<b>At the end of the period</b>	<b>109,796</b>	170,160
Current portion	<b>88,316</b>	128,720
Non-current portion	<b>21,480</b>	41,440

## 7. Other Current Liabilities

	<b>30-Jun-12</b>	31-Mar-11
	<b>Rs. '000</b>	Rs. '000
Trade payables (including acceptances) (refer note 33 for details of dues to micro and small enterprises)	<b>1,422,049</b>	1,500,764
	<b>1,422,049</b>	1,500,764
<b>Other liabilities</b>		
Investor Education and Protection Fund will be credited by following amounts (as and when due)		
Unpaid dividend	<b>4,366</b>	3,026
Creditors for capital goods	<b>18,662</b>	16,554
Advance from customers and their credit balances	<b>48,302</b>	23,152
Others		
Indirect Taxes and Duties Payable	<b>45,906</b>	66,978
Employee Statutory Deductions	<b>1,821</b>	1,195
Interest accrued but not due on income tax	<b>-</b>	3,002
TDS payable	<b>4,116</b>	12,033
	<b>123,173</b>	125,940
	<b>1,545,222</b>	1,626,704



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

	(Rs. ' 000)									
	Freehold Land	Buildings	Plant and Machinery	Furniture and Fittings	Office Equipments	Computers	Vehicles	Leasehold Improvements	Total	
<b>Cost</b>										
<b>At 1 April 2010</b>	9,456	18,755	34,966	1,338	2,199	15,918	20	6,690	89,342	
Assets acquired pursuant to amalgamation as at April 1, 2010*	-	-	-	596	825	1,596	8,568	-	11,585	
Additions	-	-	18,687	1,014	2,138	7,821	6,366	-	36,026	
Disposals	-	-	-	-	-	70	206	-	276	
<b>At 31 March 2011</b>	<b>9,456</b>	<b>18,755</b>	<b>53,653</b>	<b>2,948</b>	<b>5,162</b>	<b>25,265</b>	<b>14,748</b>	<b>6,690</b>	<b>136,677</b>	
Additions	91,545	417,560	52,610	36,674	47,843	20,167	-	301,822	968,221	
Disposals	-	-	-	496	1,246	727	-	-	2,469	
<b>At 30 June 2012</b>	<b>101,001</b>	<b>436,315</b>	<b>106,263</b>	<b>39,126</b>	<b>51,759</b>	<b>44,705</b>	<b>14,748</b>	<b>308,512</b>	<b>1,102,429</b>	
<b>Depreciation</b>										
<b>At 1 April 2010</b>	-	6,930	11,156	807	497	3,395	20	3,671	26,476	
Depreciation transferred pursuant to amalgamation as at April 1, 2010*	-	-	-	42	207	383	991	-	1,623	
Charge for the year	-	1,412	3,119	858	388	3,311	292	2,274	11,654	
Disposals	-	-	-	-	-	30	22	-	52	
<b>At 31 March 2011</b>	<b>-</b>	<b>8,342</b>	<b>14,275</b>	<b>1,707</b>	<b>1,092</b>	<b>7,059</b>	<b>1,281</b>	<b>5,945</b>	<b>39,701</b>	
Charge for the period	-	7,352	9,212	8,224	3,226	8,316	1,748	38,196	76,274	
Disposals	-	-	-	457	454	550	-	-	1,461	
<b>At 30 June 2012</b>	<b>-</b>	<b>15,694</b>	<b>23,487</b>	<b>9,474</b>	<b>3,864</b>	<b>14,825</b>	<b>3,029</b>	<b>44,141</b>	<b>114,514</b>	
<b>Net Block</b>										
<b>At 31 March 2011</b>	<b>9,456</b>	<b>10,413</b>	<b>39,378</b>	<b>1,241</b>	<b>4,070</b>	<b>18,206</b>	<b>13,467</b>	<b>745</b>	<b>96,976</b>	
<b>At 30 June 2012</b>	<b>101,001</b>	<b>420,621</b>	<b>82,776</b>	<b>29,652</b>	<b>47,895</b>	<b>29,880</b>	<b>11,719</b>	<b>264,371</b>	<b>987,915</b>	

Notes:

1. Fixed assets include following assets given on operating lease :

Particulars	Gross Block		Depreciation		Accumulated Depreciation	
	As at June 30, 2012	As at Mar 31, 2011	For the year ended June 30, 2012	For the year ended March 31, 2011	As at June 30, 2012	As at Mar 31, 2011
Factory Building	6,920	6,920	619	495	2,527	3,146
<b>GRAND TOTAL</b>	<b>6,920</b>	<b>6,920</b>	<b>619</b>	<b>495</b>	<b>2,527</b>	<b>3,146</b>

2. Computers include fixed assets having gross block of Rs. 7,290 thousand (Previous year Rs. 7,290 thousand) and written down value of Rs. 4,280 thousand (Previous year Rs. 5,799 thousand), which are held in joint ownership with others.

\* Refer note no. 40.



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 9. Intangible assets

	(Rs. '000)
	<b>Computer Softwares</b>
<b>Gross block</b>	
<b>At 1 April 2010</b>	<b>21,572</b>
Assets acquired pursuant to amalgamation as at April 1, 2010*	1,251
Addition	3,633
<b>At 31 March 2011</b>	<b>26,456</b>
Addition	15,171
<b>At 30 June 2012</b>	<b>41,627</b>
<b>Amortization</b>	
<b>At 1 April 2010</b>	<b>3,453</b>
Depreciation transferred pursuant to amalgamation as at April 1, 2010	125
Charge for the year	5,089
<b>At 31 March 2011</b>	<b>8,667</b>
Charge for the period	12,164
<b>At 31 March 2012</b>	<b>20,831</b>
<b>Net block</b>	
At 31 March 2011	17,789
<b>At 30 June 2012</b>	<b>20,796</b>

Note: Computer Softwares include fixed assets having gross block of Rs.18,833 thousand (Previous year Rs.18,833 thousand) and written down value of Rs. 10,966 thousand (Previous year: Rs. 14,890 thousand), which are held in joint ownership with others.

\* Refer note no.40.

## 10. Non Current Investments

	30-Jun-12 Rs. '000	31-Mar-11 Rs. '000
<b>Trade investments (valued at cost unless stated otherwise)</b>		
<b>Investment in subsidiaries (unquoted)</b>		
Spice Digital Limited		
35,249,827 (Previous year 34,558,473) equity shares of Rs.10 each fully paid up	<b>80,741</b>	11,431
Hindustan Retails Private Limited		
63,530,000 (Previous year 59,610,000) equity shares of Rs.10 each fully paid up	<b>635,282</b>	596,082
Spice Distribution Limited		
3,971,311 (Previous year 3,971,311) equity shares of Rs.10 each fully paid up**	<b>173,093</b>	173,093
Kimaan Exports Private Limited		
20,000 (Previous year 20,000) equity shares of Rs.10 each fully paid up	<b>456,212</b>	456,212
S Mobility (HK) Limited		
10,000 (Previous year Nil) equity shares of HKD 1 each fully paid up	<b>64</b>	-
S Mobility Pte. Limited		
285,000 (Previous year Nil) equity shares of SGD 1 each fully paid up	<b>12,406</b>	-
<b>In a Trust (unquoted)</b>		
Interest as sole beneficiary in an Independent Non Promoter Trust ***	<b>373,798</b>	373,798



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

	30-Jun-12 Rs.'000	31-Mar-11 Rs.'000
<b>Investment in equity instruments (quoted)</b>		
Godfrey Philips India Limited 17,300 (Previous year 17,300) equity shares of Rs.10 each fully paid up	24,925	24,925
Spicejet Limited 140,288 (Previous year 140,288) equity shares of Rs.10 each fully paid up* (at cost less provision for other than temporary diminution in value Rs. 3,096 thousand (previous year Nil))	4,693	7,788
	<b>1,761,214</b>	1,643,329
<b>Non-Trade investments (valued at cost unless stated otherwise)</b>		
<b>In Other Company (unquoted)</b>		
Plus Paper Foodpac Limited *	47,642	68,060
3,403,000 (Previous year 3,403,000) equity shares of Rs.10 each fully paid up (at cost less provision for other than temporary diminution in value Rs. 20,418 thousand (previous year Nil))		
<b>Government and trust securities (unquoted)</b>		
5 (Previous year 5) National Saving Certificates of Rs.10,000 each (Purchased in the name of an employee of the Company and pledged with sales tax department)	50	50
	<b>47,692</b>	68,110
	<b>1,808,906</b>	1,711,439
Aggregate amount of quoted investments (Market value: Rs. 65,502 thousand (31 March 2011: Rs. 38,589 thousand))	<b>29,618</b>	32,713
Aggregate amount of unquoted investments	<b>1,779,288</b>	1,678,726
* Aggregate provision for diminution in value of investments	23,514	-

\*\* Pursuant to amalgamation of Spice Distribution Limited (SDL) with Spice Retail Limited (SRL) with effect from July 31, 2012 (appointed date April 1, 2011), the Company has since received 794,262 equity shares against the shares of SDL in the ratio of 1 share of SRL for every 5 shares held in SDL.

\*\*\* The trust is holding 35,301,215 equity shares of the Company, the sole beneficiary of which is the Company.

## II. Deferred tax assets (net)

	30-Jun-12 Rs.'000	31-Mar-11 Rs.'000
<b>Deferred tax liability</b>		
- Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	27,802	8,999
<b>Gross deferred tax liability</b>	<b>27,802</b>	8,999
<b>Deferred tax assets</b>		
- Effect of expenditure debited to Statement of Profit and Loss in the current/ earlier periods but allowable for tax purposes in following years	10,191	9,425
- Unabsorbed losses and Depreciation	163,816	-
- Provision for diminution in the value of investments	8,390	-
- Provision for doubtful debts and advances	22,348	6,420
<b>Gross deferred tax assets</b>	<b>204,745</b>	15,845
Less: Deferred tax assets not recognized (Refer Note 43)	<b>(176,943)</b>	-
<b>Net deferred tax assets</b>	<b>-</b>	6,846



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 12. Loans and advances

	Non-current		Current	
	30-Jun-12	31-Mar-11	30-Jun-12	31-Mar-11
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Capital advances</b>				
Unsecured, considered good	1,340	5,652	-	-
	1,340	5,652	-	-
<b>Security deposits</b>				
Unsecured, considered good	4,034	3,779	2,131	1,256
Security deposit to related party (Note No. 31)	10,000	-	-	-
	14,034	3,779	2,131	1,256
<b>Loans and advances to related parties (Note No. 31)</b>				
Unsecured, considered good	-	-	2,535,028	2,582,297
<b>Advances recoverable in cash or kind</b>				
Unsecured considered good	-	-	120,831	53,726
Doubtful	-	-	9,380	5,380
	-	-	2,665,239	2,641,403
Provision for doubtful advances	-	-	9,380	5,380
	-	-	2,655,859	2,636,023
<b>Other loans and advances</b>				
Unsecured, considered good				
Advance income-tax (net of provision for taxation)	-	-	114,463	49,741
MAT credit entitlement account (Note No. 44)	8,978	8,978	-	-
Prepaid expenses	-	-	6,245	4,811
Loans to employees	-	-	998	10,242
Balances with statutory / government authorities	2,066	2,168	-	-
	11,044	11,146	121,706	64,794
<b>Total</b>	<b>26,418</b>	<b>20,577</b>	<b>2,779,696</b>	<b>2,702,073</b>



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 13. Trade Receivables and Other Assets

### 13.1. Trade Receivables

	Non-current		Current	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Unsecured, considered good unless stated otherwise</b>				
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Unsecured, considered good	-	-	31,562	7,374
Doubtful	-	-	19,500	3,431
	-	-	51,062	10,805
Provision for doubtful receivables	-	-	19,500	3,431
	-	-	31,562	7,374
<b>Other receivables</b>				
Unsecured, considered good	-	-	907,983	1,299,483
Doubtful	-	-	40,000	10,977
	-	-	947,983	1,310,459
Provision for doubtful receivables	-	-	40,000	10,977
	-	-	907,983	1,299,483
	-	-	939,545	1,306,857
<b>Trade receivables include:</b>				
Dues from a private company in which the Company's director is a director				
-Spice Global Investments Private Limited	-	-	-	24

### 13.2. Other assets

	Non-current		Current	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Unsecured, considered good unless stated otherwise</b>				
<b>Non-current bank balances (note no. 16)</b>	3,415	27,141	-	-
Unamortized expenditure				
Unamortized premium on forward contract	-	-	10,617	8,587
	-	-	10,617	8,587
<b>Others</b>				
Interest accrued on fixed deposits	-	-	9,695	22,133
Interest accrued on loan to others	-	-	1,200	8,002
Fixed assets held for sale (at lower of net book value and estimated net realizable value)	-	-	10,280	10,307
	-	-	21,175	40,442
	3,415	27,141	31,792	49,029





# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 14. Current investments

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Current investments (unquoted) (valued at lower of cost and fair value, unless stated otherwise)</b>		
Nil (Previous year 77,501,764) units of Rs.10 each of HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option-Dividend Reinvestment daily	-	781,288
Nil (Previous year 8,065,520) units of Rs. 10 each of Birla Sunlife Floating Rate Fund-Daily Dividend	-	80,655
Nil (Previous year 1,693,781) units of Rs. 10 each of SBI Magnum Income Fund - Savings Plus Bond Weekly Dividend	-	18,516
Nil (Previous year 9,541,256) units of Rs. 10 each of Birla Sunlife Magnum Dynamic Bond Fund-Retail Plan-Monthly Dividend	-	100,244
42,072,933 (Previous year Nil) units of Rs. 10.50 each of Birla Sunlife Dynamic Bond Fund-Retail Plan-Monthly Dividend *	<b>441,707</b>	-
	<b>441,707</b>	980,703
Aggregate amount of investments in units of Mutual Funds [Net Asset Value Rs. 441,707 thousand (31 March 2011: Rs. 980,875 thousand)]	<b>441,707</b>	980,703
* Net of provision for diminution in the value of investments	<b>2,344</b>	-

## 15. Inventories (valued at lower of cost and net realizable value)

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Raw materials and components (Including stock in transit Rs. Nil, Previous year Rs. 27,101 thousand)	<b>158</b>	104,739
Work-in-progress	<b>259</b>	1,601
Traded goods (Including stock in transit Rs.9,736 thousand, Previous year Rs. 18,577 thousand)	<b>368,756</b>	321,351
Finished goods	<b>10,949</b>	17,665
Service components and spares (Including stock in transit Rs. 739 thousand, Previous year Rs. 1,941)	<b>55,902</b>	75,587
	<b>436,024</b>	520,943



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 16. Cash and bank balances

	Non-current		Current	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Cash and cash equivalents</b>				
<i>Balances with banks:</i>				
– On current accounts			120,558	150,352
– On unpaid dividend account			4,366	3,026
Cash on hand			143	158
			<b>125,067</b>	153,536
<b>Other bank balances</b>				
– Deposits with original maturity of more than 3 months but less than 12 months	-	-	-	179,900
– Margin money deposit	3,415	27,141	282,732	760,623
	<b>3,415</b>	27,141	<b>282,732</b>	940,523
Amount disclosed under non-current assets (note 13.2)	<b>(3,415)</b>	(27,141)		
	-	-	<b>407,799</b>	1,094,059

### Margin money deposits given as security

Margin money deposits with a carrying amount of Rs. 286,147 thousand (31 March 2011: Rs. 787,764 thousand) are subject to first charge to secure the Company's letter of credits.

## 17. Revenue from operations

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Revenue from operations		
Sale of products		
Finished goods	2,010,234	415,770
Traded goods	8,082,811	9,020,500
Other operating revenue		
Commission Income	12,817	17,373
Revenue from operations (gross)	<b>10,105,862</b>	9,453,643
Less: Excise duty #	<b>23,250</b>	5,714
Revenue from operations (net)	<b>10,082,612</b>	9,447,929

# Excise duty on sales amounting to Rs. 23,250 thousand (31 March 2011: Rs. 5,714 thousand) has been reduced from sales in Statement of profit and loss.

### Detail of products sold

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Finished goods sold</b>		
Mobile Phones	2,010,234	415,770
	<b>2,010,234</b>	415,770
<b>Traded goods sold</b>		
Mobile Phones	8,053,464	8,930,580
Service components and spares	29,347	89,920
	<b>8,082,811</b>	9,020,500
	<b>10,093,045</b>	9,436,270



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 18. Other income

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Interest income on		
Bank deposits	65,333	51,083
On income tax refund	216	196
On loan to an Employee and Bodies corporate	7,197	17,957
Dividend income on		
Current investments	43,040	32,703
Long-term investments	606	433
Provisions and unclaimed balances written back (net)	3,103	-
Rent Received	33,532	531
Income from Long Term Investments in Fixed Maturity Plan investment (other than trade)	-	111,088
Income from Current Investments in Fixed Maturity Plan Investment (other than trade)	-	697
Income on foreign exchange fluctuation(net)	-	26,448
Profit on sale of Long Term Investments in units of mutual fund (other than trade)	-	10,647
Miscellaneous income	368	8,688
	<b>153,395</b>	<b>260,471</b>

## 19. Cost of raw materials and components consumed

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Inventory at the beginning of the period	104,739	1,181
Add: Purchases	1,530,132	462,336
	<b>1,634,871</b>	<b>463,517</b>
Less: inventory at the end of the period	158	104,739
Cost of raw materials and components consumed	<b>1,634,713</b>	<b>358,778</b>

### Details of raw materials and components consumed

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
PCBA	835,846	183,447
LCD	166,591	36,562
Battery	117,718	25,836
Cover	116,035	25,467
Others	398,523	87,466
	<b>1,634,713</b>	<b>358,778</b>



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## Details of raw materials and components inventory

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Raw materials and components		
PCBA	100	51,559
LCD	21	8,365
Battery	9	5,549
Cover	19	7,336
Others	9	31,930
	158	104,739

## 20. (Increase)/ decrease in inventories

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)	(Increase) / decrease
<b>Inventories at the end of the period</b>			<b>30-Jun-12</b>
Finished goods*	10,949	17,665	6,716
Traded goods*	368,756	321,351	(47,405)
Work-in-progress*	259	1,601	1,342
Service components and spares	55,902	75,587	19,685
	435,866	416,204	(19,662)
<b>Inventories at the beginning of the period</b>			<b>31-Mar-11</b>
Finished goods	17,665	-	(17,665)
Traded goods	321,351	1,139,734	818,383
Work-in-progress	1,601	1,557	(44)
Service components and spares	75,587	54,221	(21,366)
	416,204	1,195,512	779,308
	(19,662)	779,308	

\*Inventory of finished goods, traded goods and work-in process inventory is in relation to Mobile Phones.

## 21. Employee benefit expense

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Salaries, wages and bonus	442,614	245,323
Contribution to provident and other funds	20,176	11,780
Leave encashment expenses	6,488	8,673
Gratuity expense (note 26)	(219)	3,656
Staff welfare expenses	30,562	12,755
	499,621	282,187



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 22.1 Other expenses

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Customer service expenses	284,712	314,240
Power and fuel	2,281	793
Freight and forwarding charges	92,872	82,233
Rent	92,851	40,388
Rates and taxes	55,970	58,822
Insurance	6,205	4,279
Repairs and maintenance		
-Plant and machinery	636	-
-Buildings	2,020	-
-Others	16,015	10,302
Advertising and sales promotion	838,973	546,015
Travelling and conveyance	108,193	52,509
Communication costs	30,344	14,139
Printing and stationery	5,159	3,260
Legal and professional fees	46,636	29,245
Directors' sitting fees	1,112	503
Directors Commission	-	7,744
Payment to statutory auditors (Refer details below)	12,025	12,990
Loss on sale of Current Investments	834	125
Bad debts / advances written off	-	8,109
Provision for doubtful debts and advances	49,092	14,408
Loss on disposal of fixed assets (net)	596	140
Diminution in the value of current investments	2,344	-
Bank charges	12,532	6,349
Loss on foreign exchange fluctuation(net)	104,005	-
Brokerage & Commission	413	-
Miscellaneous expenses	59,873	57,335
	<b>1,825,693</b>	<b>1,263,928</b>
<b>Payment to Statutory Auditors</b>		
As auditor:		
Audit fee	3,371	4,302
Tax audit fee	843	662
Limited reviews	6,482	5,735
Other services (certification fees)	701	1,973
Reimbursement of expenses	628	318
	<b>12,025</b>	<b>12,990</b>



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 22.2 Exceptional items

Exceptional item of Rs 23,514 thousand in the current period represents the provision made for diminution in the value of long term investment in two companies.

Exceptional item of Rs 94,898 thousand in the previous year represented profit on sale of 35,818,763 equity shares of face value of Rs 10 each of Spice Distribution Limited, a 100% subsidiary of the company to Hindustan Retails Private Limited, another 100% subsidiary of the Company in view of internal restructuring of the Company.

## 23. Depreciation and amortization expense

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Depreciation of tangible assets	76,275	11,654
Amortization of intangible assets	12,164	5,089
	<b>88,439</b>	<b>16,743</b>

## 24. Finance costs

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Interest Cost (including Rs. 137 thousand (Previous year: Rs. 3,443 thousand) on Income Tax)	2,422	6,763
	<b>2,422</b>	<b>6,763</b>

## 25. Earnings per share (EPS)

The following reflects the (loss) / profit and share data used in the basic and diluted EPS computations:

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Total operations for the period</b>		
(Loss) / Profit after tax	(473,943)	781,254
<b>Net (Loss) / profit for calculation of basic and diluted EPS</b>	(473,943)	781,254
	<b>Nos.</b>	<b>Nos.</b>
Weighted average number of equity shares in calculating basic EPS	238,086,285	238,086,285
<b>Weighted average number of equity shares in calculating diluted EPS</b>	<b>238,086,285</b>	<b>238,086,285</b>

## 26. Disclosure under accounting Standard-15(revised) on 'Employee Benefits'

### a) Defined Contribution Plan

Particulars	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Contribution to provident fund	20,176	11,780
	<b>20,176</b>	<b>11,780</b>

### b) Details of employee benefits

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service or part thereof in excess of six months. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summaries the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity plans:



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## Statement of profit and loss

### Net employee benefit expense (recognised in personnel expenses) for Gratuity

Particulars	Gratuity	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Current service cost	4,561	4,462
Interest cost on benefit obligation	1,046	455
Expected return on plan assets	(553)	(309)
Net actuarial( gain) / loss recognized in the period	(5,273)	(952)
<b>Net benefit expense</b>	<b>(219)</b>	<b>3,656</b>
Actual return on plan assets	482	376

## Balance sheet

### Benefit asset/ liability

Particulars	Gratuity	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Present value of defined benefit obligation	10,392	9,842
Fair value of plan assets	7,589	4,836
<b>Plan asset / (liability)</b>	<b>2,803</b>	<b>5,006</b>

### Changes in the present value of the defined benefit obligation are as follows:

Particulars	Gratuity	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Opening defined benefit obligation*	9,842	8,896
Current service cost	4,561	4,463
Interest cost	1,046	455
Liability transferred (to)/from another Company	1,884	(2,644)
Benefits paid**	(1,597)	(375)
Actuarial (gains) / losses on obligation	(5,344)	(953)
<b>Closing defined benefit obligation</b>	<b>10,392</b>	<b>9,842</b>

\*includes Rs Nil (Previous year: 2,832 thousand) transferred on amalgamation of Spice Televentures Private Limited with the Company.

\*\*includes Rs 62 thousand (Previous year Rs Nil) paid directly by the Company.

### Changes in the fair value of plan assets are as follows:

Particulars	Gratuity	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Opening fair value of plan assets	4,836	4,193
Expected return	553	309
Contributions by employer	3,806	710
Benefits paid	(1,535)	(375)
Actuarial gains / (losses)	(71)	(1)
<b>Closing fair value of plan assets</b>	<b>7,589</b>	<b>4,836</b>

The Company expects to contribute Rs. 3,588 thousand to gratuity in the next year (31 March 2011: Rs. 6,358 thousand).





# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Gratuity	
	30-Jun-12	31-Mar-11
Investments with insurer	100%	100%

The principal assumptions used in determining gratuity for the Company's plans are shown below:

Particulars	Gratuity	
	30-Jun-12	31-Mar-11
Discount rate	8.50%	7.50%
Expected rate of return on assets	9.15%	9.15%
Employee turnover		
- Upto 30 years	4.00%	4.00%
- 30-44 years	4.00%	4.00%
- Above 44 years	1.00%	1.00%
Mortality rate	As notified by LIC	

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Gratuity obligation and plan assets at the end of current year and previous four periods are as follows:

Particulars	30-Jun-12	31-Mar-11	31-Mar-10	31-Mar-09	31-Mar-08
	Rs` 000	Rs` 000	Rs` 000	Rs` 000	Rs` 000
<b>Gratuity</b>					
Defined benefit obligation	10,392	9,843	6,064	4,127	3,571
Plan assets	7,589	4,836	4,193	3,780	437
(Surplus) / deficit	2,803	5,006	1,871	347	3,134
Experience adjustments on plan liabilities	2,837	764	205	623	NA
Experience adjustments on plan assets	(72)	(1)	6	(2)	NA

## 27. Leases

### Operating lease: Company as lessee

Office premises and office equipments are obtained on operating lease. There are no contingent rents in the lease agreements. The lease terms are for 1-10 years and renewable by mutual agreement of both the parties or at the option of the Company. There are no restrictions imposed by lease arrangements. There are no subleases and all the leases are cancellable in nature except for lease of one warehouse where there is a lock in period of three years.

Future minimum rentals payable under operating leases are as follows:

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Within one year	10,755	9,821
After one year but not more than five years	6,711	18,660
More than five years	Nil	Nil
	17,466	28,481

### Operating lease commitments – Group as lessor

The company has entered into commercial property leases on its factory building at Baddi in the state of Himachal Pradesh & leasehold improvement carried out at building located in Noida. These non-cancellable leases have remaining terms between 1- 20 years. There are no restrictions imposed by lease agreement and there are no contingent rents.



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

Future minimum rentals receivable under operating leases are as follows:

	<b>30-Jun-12</b> <b>(Rs. '000)</b>	31-Mar-11 (Rs. '000)
Within one year	<b>330</b>	529
After one year but not more than five years	<b>12</b>	427
More than five years	-	Nil
	<b>342</b>	956

## 28. Segment information

*Primary segments: Business Segments*

During the period, the Company is engaged mainly in telecommunications- Mobile business which represents the business of trading / manufacturing of mobile handsets. The entire business has been considered as a single segment in terms of Accounting Standard-17 on Segment Reporting issued by the Institute of Chartered Accountants of India.

*Secondary Segments: Geographical Segment*

The analysis of geographical segment is based on geographical location of the customers.

The following table shows the distribution of the Company's consolidated revenue and trade receivables by geographical market:

<b>Geographical Segment</b>	<b>30-Jun-12</b> <b>(Rs. '000)</b>	31-Mar-11 (Rs. '000)
Revenue from the Domestic market	<b>9,993,918</b>	9,318,383
Revenue from the Overseas markets	<b>111,944</b>	135,260
<b>Total Revenue</b>	<b>10,105,862</b>	9,453,643
Trade receivables of Domestic market	<b>993,179</b>	1,301,846
Trade receivables of Overseas markets	<b>5,866</b>	19,419
<b>Total Trade Receivables</b>	<b>999,045</b>	1,321,265

Note: The Company has common assets for producing goods for Domestic Market and Overseas Markets. Hence, separate figures for assets/ additions to fixed assets cannot be furnished.

## 29. Capital & other Commitments

- Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 787 thousand (Previous year Rs. 137,835 thousands).
- For commitments relating to lease arrangements, refer note 27 above.
- The Company has given comfort letter to its two subsidiary companies, whose net worth has been substantially eroded, to provide financial support in the future to enable them to settle their obligation as and when they fall due. (Refer note 42 below)

## 30. Contingent Liabilities

Contingent Liabilities (excluding interest, wherever applicable) not provided for in respect of:

- Various Sales Tax Demands being disputed by the Company Rs. 29,234 thousands (previous year Rs. 15,563 thousands).\*
- Income Tax Demand being disputed by the Company Rs. 27,078 thousands (previous year Rs. Nil thousands). The Income Tax Department has adjusted refund of subsequent year with the demanded amount.\*
- Penalty under Foreign Trade (Development and Regulation) Act, 1992, on account of non fulfilment of export obligation being disputed by the Company - Rs. 40,860 thousands (previous year Rs. 40,860 thousands).\*
- Demand raised by the Excise Authorities being disputed by the Company. The Company has deposited Rs. 2,000 thousand (Previous year Rs. 2,000 thousand) under protest and the same has been included in the note of Loans and Advances under balances with statutory / government authorities - Rs. 66,263 thousands (Previous year Rs. 66,263 thousands).\*
- Various other claims against the Company not acknowledged as debts - Rs. 4,327 thousands (Previous year Rs. 4,380 thousands)\*.

\* As per the management, the Company has fair chances of success in all these cases and hence no provision in respect thereof has been made in the books.



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 31. Related Parties

### Names of related parties where control exists irrespective of whether transactions have occurred or not:

Ultimate Holding Company	Spice Global Investments Private Limited (w.e.f. January 31, 2012)
Holding Company	S i2i Mobility Pvt Limited (w.e.f. January 31, 2012)* Spice Global Investments Private Limited (w.e.f. Jan 1, 2010 pursuant to Scheme of Amalgamation) till January 30, 2012)
Subsidiary including step down subsidiaries companies	Spice Digital Limited Spice Retail Limited Hindustan Retail Private Limited Kimaan Exports Private Limited (w.e.f. December 24, 2010) Spice Distribution Limited Spice Labs Private Limited Cellucom Retail India Private Limited S Retail Middle East FZE (w.e.f. August 02, 2011) Mobisoc Technology Private Limited SGIC Pte Ltd. Spice VAS (Africa) Pte. Ltd. Spice Digital Nigeria Limited Beoworld Sdn. Bhd (w.e.f. December 2, 2010) Spice VAS Uganda Ltd. (w.e.f. November 11, 2010) Spice VAS Kenya Limited (w.e.f. 31.03.2011) S Mobility (HK) Ltd. (w.e.f. May 12, 2011) S Mobility Pte Ltd. (w.e.f. October 20, 2011) Spice VAS Ghana Ltd. (w.e.f. April 15, 2011) Spice VAS Zambia Ltd. (w.e.f. September 1, 2011) Spice Digital South Africa (Pty) Ltd (w.e.f. October 15, 2011) Spice VAS Tanzania Limited (w.e.f. November 29, 2011)
Individual having significant influence on the Company and relatives of such individuals	Mr. Dilip Modi Mrs. Divya Modi Mrs. Veena Modi

### Names of other related parties with whom transactions have taken place during the year:

Fellow Subsidiaries	Spice Entertainment Limited Wall Street Finance Limited Spice Investment & Finance Advisors Ltd. Spice Online Retail Private Limited (w.e.f. December 20, 2010) G M Modi Hospitals Corporation Pvt Ltd Harjas Logic Systems Private Limited (ceased w.e.f. June 24, 2011)
Key Management Personnel	Ms. Preeti Malhotra- Executive Director Mr. Subramanian Murali – CFO Mr. Dilip Modi - Managing Director (Ceased to be MD w.e.f. February 9, 2012) Mr. Kunal Ahooja- Global Devices Head Mr. R S Desikan (Appointed CEO & Manager w.e.f. February 9, 2012)
Relatives of key management personnel	Mrs. Usha Murali
Enterprises over which individuals having significant influence over the Company is able to exercise significant influence	Spice BPO Services Limited Hollywood Travels Pte Ltd. Plus Paper Foodpac Ltd. S i2i Limited (Formerly known as Spice i2i and before that Media Ring) Bharat BPO Services Limited Bharat IT Services Limited V Corp Merchantile Limited

\* S i2i Mobility Pvt Ltd was the fellow subsidiary of the Company for the period January 12, 2012 to January 30, 2012.



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## Details of related party transactions

(Rs. '000)

Particulars		Ultimate Holding Company	Subsidiary									
			Spice Global Investments Private Limited	Spice Digital Limited	S Mobility HK Ltd	S Retail Middle East FZE	Mobisoc Technology Pvt. Ltd	Spice Retail Limited	Hindustan Retails Private Limited	Kimaan Exports Private Limited (w.e.f. December 25, 2010)	Spice Labs Pvt Limited	S Mobility Pte. Limited
<b>Transactions during the period</b>												
Sales of Goods	June 30, 2012	51	1,123	19,766	87	–	2,236,426	–	–	–	–	(1,438)
	March 31, 2011	101	–	–	–	–	722,204	–	–	–	–	291,680
Sales of Fixed Assets	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Purchase of Fixed Assets	June 30, 2012	–	1,357	–	–	–	101	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Purchases of traded goods and spares	June 30, 2012	–	919	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	21,702	–	–	–	150	–	–	–	–	–
Interest Expense	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Interest Income	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Remuneration	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Customer Service Expenses	June 30, 2012	–	–	–	–	–	23	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	352	–	–	–	–	–
Legal and Professional charges	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Recovery of branding cost (credit)	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
AMC/SAP maintenance reimbursement recovered	June 30, 2012	–	6,501	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	4,600	–	–	–	–	–	–	–	–	–
AMC/SAP maintenance reimbursement paid	June 30, 2012	–	2,478	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Advertisement and sales promotion	June 30, 2012	–	–	–	–	–	1,532	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	23,674	–	–	–	–	19,530
Miscellaneous Expenses	June 30, 2012	–	125	–	–	–	111	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Rent Expense	June 30, 2012	–	2,365	–	–	–	–	–	32,393	–	–	–
	March 31, 2011	–	2,482	–	–	–	–	–	–	–	–	–
Rent Income	June 30, 2012	–	11,900	–	–	2,100	10,400	–	–	6,820	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Dividend paid	June 30, 2012	245,172	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Loans taken during the period	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Loans Paid during the period	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Loans/advance given during the period	June 30, 2012	4,430	–	–	–	–	–	–	–	4,699	–	–
	March 31, 2011	10,000	–	–	–	–	376,753	1,807,090	–	–	–	191,440
Loans/advance repaid during the period	June 30, 2012	1,059	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Purchase of investment	June 30, 2012	–	–	64	–	–	–	–	39,200	–	12,406	–
	March 31, 2011	455,075	–	–	–	–	–	–	–	–	–	–
Sale of investment	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	400	–	–	–	–	1,656,090	–	–	–	–
Loan given during the year	June 30, 2012	–	–	–	–	–	550,000	30,000	93,550	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Loan received back during the period/adjusted	June 30, 2012	–	–	–	–	–	381,753	–	33,690	–	–	191,440
	March 31, 2011	10,000	–	–	–	–	–	–	–	–	–	–
Provision in the value of Investments	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Reimbursement of Expenses (recovered)	June 30, 2012	–	1,645	–	–	–	1,645	–	–	–	–	–
	March 31, 2011	112,360	–	–	–	–	–	–	–	–	–	–
Reimbursement of Expenses (provided)	June 30, 2012	–	8,442	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Reimbursement of Expenses	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	39,200	93,550	–	–	–
Share Application money refunded/Adjusted	June 30, 2012	–	–	–	–	–	–	39,200	93,550	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	200,000	–	–
<b>Outstanding balances at the end of period</b>												
Receivables Considered Good	June 30, 2012	–	8	–	–	377	209,062	–	–	6	–	–
	March 31, 2011	24	–	–	–	–	316,869	–	–	–	–	108,558
Payables	June 30, 2012	–	7,037	–	13	–	120	–	7,223	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Share Application money	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	39,200	93,550	–	–	–
Security Deposits	June 30, 2012	–	–	–	–	–	–	–	10,000	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Loan/advances receivable	June 30, 2012	–	–	–	–	–	545,000	1,837,090*	90,224	–	–	–
	March 31, 2011	–	–	–	–	–	376,753	1,807,090*	30,363	–	–	191,440
Provision in the value of Investments	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–
Interest Receivable	June 30, 2012	–	–	–	–	–	–	–	–	–	–	–
	March 31, 2011	–	–	–	–	–	–	–	–	–	–	–



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## Details of related party transactions

(Rs. '000)

Particulars		Fellow Subsidiary						KMP				
		Kimaan Exports Private Limited (Till December 24, 2010)	Spice On-line Retail Pvt. Ltd.	Spice Investments & Finance Advisors Pvt. Ltd.	Spice Entertainment Limited	Wall Street Finance Limited	G M Modi Hospitals Corporation Pvt Ltd	Harjas Logic Systems Private Limited	Mr. Kunal Ahooja	Mr. R S Desikan	Ms. Preeti Malhotra	Mr. Subramaniam Murali
<b>Transactions during the period</b>												
Sales of Goods	June 30, 2012	-	6,605	-	42	-	-	-	-	-	-	-
	March 31, 2011	-	-	3	33	-	-	-	-	-	-	-
Sales of Fixed Assets	June 30, 2012	-	-	-	-	-	441	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Purchase of Fixed Assets	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Purchases of traded goods and spares	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Interest Expense	June 30, 2012	-	-	2,260	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Interest Income	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Remuneration	June 30, 2012	-	-	-	-	-	-	1,050	1,596	6,000	18,612	-
	March 31, 2011	-	-	-	-	-	-	32,351	-	8,884	16,395	-
Customer Service Expenses	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Legal and Professional charges	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Recovery of branding cost (credit)	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	286,701	-	-	-	-	-	-	-
AMC/SAP maintenance reimbursement recovered	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
AMC/SAP maintenance reimbursement paid	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Advertisement and sales promotion	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Expenses	June 30, 2012	-	-	-	-	2,257	10	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Rent Expense	June 30, 2012	-	-	-	-	-	-	1,306	-	-	-	-
	March 31, 2011	(6,228)	-	-	-	-	-	7,839	-	-	-	-
Rent Income	June 30, 2012	-	1,650	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	June 30, 2012	-	-	-	-	-	-	-	-	324	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	216	-	-
Loans taken during the period	June 30, 2012	-	-	1,500,000	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Loans Paid during the period	June 30, 2012	-	-	1,500,000	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Loans/advance given during the period	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	30,363	-	-	-	-	-	-	-	-	-	-
Loans/advance repaid during the period	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Purchase of investment	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Sale of investment	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	50,000	-	-	-	-	-	-	-
Loan given during the year	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Loan received back during the period/adjusted	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Provision in the value of Investments	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of Expenses (recovered)	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	17,496	-	-	-	-	-	-	-
Reimbursement of Expenses (provided)	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	1,816	-	-	-	-	-	-	-	-
Reimbursement of Expenses	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Share Application money refunded/ Adjusted	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
<b>Outstanding balances at the end of period</b>												
Receivables Considered Good	June 30, 2012	-	3,289	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Payables	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	2,940	-	-	21,000	-	2,808	5,000	-
Share Application money	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Security Deposits	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Loan/advances receivable	June 30, 2012	-	-	-	-	-	-	-	-	-	3,640	-
	March 31, 2011	-	-	-	-	-	-	10,000	-	-	-	-
Provision in the value of Investments	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Interest Receivable	June 30, 2012	-	-	-	-	-	-	1,666	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	1,050	-	-	-	-



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## Details of related party transactions

(Rs. '000)

Particulars		Individuals having significant influence over the company and their relatives			Relatives of key management personnel	Enterprises over which individual having significant influence over the Company is able to exercise significant influence						Total
		Mr. Dilip Modi	Mrs. Veena Modi	Mrs. Usha Murali		Plus Paper Foodpac Ltd.	Hollywood Travels & Tours Pte Ltd.	Spice BPO Services Limited	Bharat IT Services Ltd.	S 12i Limited (formerly Spice 12i & before that Media ring)	V Corp. Merchante Limited	
<b>Transactions during the period</b>												
Sales of Goods	June 30, 2012	-	-	-	-	-	-	-	-	-	-	2,262,662
	March 31, 2011	-	6,336	-	-	-	-	-	634	-	-	1,020,992
Sales of Fixed Assets	June 30, 2012	-	-	-	-	-	-	-	-	-	-	441
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Purchase of Fixed Assets	June 30, 2012	-	-	-	-	-	-	13,510	48	-	-	15,016
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Purchases of traded goods and spares	June 30, 2012	-	-	-	1,551	-	-	-	1,110,880	-	-	1,113,349
	March 31, 2011	-	-	-	885	-	-	-	3,255,309	-	-	3,278,045
Interest Expense	June 30, 2012	-	-	-	-	-	-	-	-	-	-	2,260
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Interest Income	June 30, 2012	-	-	-	-	-	6,581	-	-	-	-	6,581
	March 31, 2011	-	-	-	-	-	-	-	-	-	17	1,067
Remuneration	June 30, 2012	3,600	-	135	-	-	-	-	-	-	-	43,091
	March 31, 2011	23,434	-	-	-	-	-	-	-	-	-	81,064
Customer Service Expenses	June 30, 2012	-	-	-	-	-	6,862	-	-	-	-	6,885
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	352
Legal and Professional charges	June 30, 2012	-	-	-	-	-	-	-	1,130	-	-	1,130
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Recovery of branding cost (credit)	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	286,701
AMC/SAP maintenance reimbursement recovered	June 30, 2012	-	-	-	-	-	-	-	-	-	-	6,501
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	4,600
AMC/SAP maintenance reimbursement paid	June 30, 2012	-	-	-	-	-	-	2,978	-	-	-	5,457
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Advertisement and sales promotion	June 30, 2012	-	-	-	-	-	-	-	-	-	-	1,532
	March 31, 2011	-	-	-	-	-	-	-	1,040	-	-	44,243
Miscellaneous Expenses	June 30, 2012	-	-	-	-	-	-	22	-	682	-	3,206
	March 31, 2011	-	-	108	-	2,382	-	-	-	-	-	2,490
Rent Expense	June 30, 2012	-	-	-	-	-	-	-	-	-	-	36,065
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	4,093
Rent Income	June 30, 2012	-	-	-	662	-	-	-	-	-	-	33,532
	March 31, 2011	-	-	-	529	-	-	-	-	-	-	529
Dividend paid	June 30, 2012	1,500	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	1,500	-	-	-	-	-	-	-	-	-	1,716
Loans taken during the period	June 30, 2012	-	-	-	-	-	-	-	-	-	-	1,500,000
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Loans Paid during the period	June 30, 2012	-	-	-	-	-	-	-	-	-	-	1,500,000
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Loans/advance given during the period	June 30, 2012	-	-	-	-	-	-	-	-	-	-	9,129
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	2,415,646
Loans/advance repaid during the period	June 30, 2012	-	-	-	-	-	-	-	-	-	-	1,059
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Purchase of investment	June 30, 2012	-	-	-	-	-	-	-	-	-	-	51,670
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	455,075
Sale of investment	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	1,706,490
Loan given during the year	June 30, 2012	-	-	-	-	-	-	-	-	-	-	673,550
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Loan received back during the period/adjusted	June 30, 2012	-	-	-	-	-	-	-	-	-	-	606,883
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	10,000
Provision in the value of Investments	June 30, 2012	-	-	-	20,418	-	-	-	-	-	-	20,418
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of Expenses (recovered)	June 30, 2012	-	-	-	-	-	-	-	-	-	-	3,289
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	129,856
Reimbursement of Expenses (provided)	June 30, 2012	-	-	-	-	-	-	-	-	-	-	8,442
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	1,816
Reimbursement of Expenses	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	132,750
Share Application money refunded/ Adjusted	June 30, 2012	-	-	-	-	-	-	-	-	-	-	132,750
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	200,000
<b>Outstanding balances at the end of period</b>												
Receivables Considered Good	June 30, 2012	-	-	-	593	-	-	-	-	-	-	213,335
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	425,451
Payables	June 30, 2012	-	-	-	-	-	-	-	97,334	-	-	111,727
	March 31, 2011	-	-	-	529	-	-	-	31,477	-	-	63,754
Share Application money	June 30, 2012	-	-	-	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	132,750
Security Deposits	June 30, 2012	-	-	-	-	-	-	-	-	-	-	10,000
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Loan/advances receivable	June 30, 2012	15,174	-	-	-	-	-	43,900	-	-	-	2,535,028
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	2,415,646
Provision in the value of Investments	June 30, 2012	-	-	-	20,418	-	-	-	-	-	-	20,418
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	-
Interest Receivable	June 30, 2012	-	-	-	-	-	-	-	-	-	-	1,666
	March 31, 2011	-	-	-	-	-	-	-	-	-	-	1,050



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 32. Derivative Instruments and Unhedged Foreign Currency Exposure as at the reporting date

(A)

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Sell	
US \$ 17,888,373 (Previous year US\$ 22,153,933)	Hedge of Import Creditors / pending purchase commitments

The amounts of foreign currency exposure that are not hedged by a derivative instrument are as under:

Particulars	Currency	30-Jun-2012		
		Amount in FC	Ex. Rate	Amount (in ₹000)
(i) Payable to suppliers	USD	Nil	55.62	Nil
(ii) Advance to suppliers and other receivable*	USD	1,746,538	55.62	94,946
(ii) Receivables	USD	88,054	55.62	4,897

Particulars	Currency	March 31, 2011		
		Amount in FC	Ex. Rate	Amount (in ₹000)
(i) Payable to suppliers	USD	7,309,656	44.60	326,011
(ii) Advance to suppliers and other receivable*	USD	8,329,832	44.60	371,511
(ii) Receivables	USD	435,414	44.60	19,419

\* Rs. Nil thousand at the year end (Previous year Rs 359,413 thousand (USD 8,058,585)) have been adjusted from balances of the creditors in the financial statements.

(B) A sum of Rs. 10,617 thousand (Previous year Rs.8,587 thousand) on account of unamortized foreign exchange premium on outstanding forward exchange contracts is being carried forward to be charged to Statement of Profit and Loss of subsequent year.

## 33. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

Particulars	30-Jun-12	31-Mar-11
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
-Principal amount due to micro and small enterprises	NIL	NIL
-Interest due on above	NIL	NIL
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	NIL	NIL
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006.	NIL	NIL
The amount of interest accrued and remaining unpaid at the end of each accounting year	NIL	NIL
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	NIL	NIL





# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 34. Value of imports calculated on CIF basis

Particulars	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Traded and Service Goods	6,672,449	6,261,118
Raw Materials and components	1,490,317	444,433
Capital Goods	-	13,685
<b>Total</b>	<b>8,162,766</b>	<b>6,719,236</b>

## 35. Expenditure in foreign currency (accrual basis)

Particulars	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Travelling and Conveyance	9,958	5,081
Legal & Professional Expenses	7,729	3,377
Advertisement and sales promotion	2,245	1,040
Miscellaneous expenses	656	-
<b>Total</b>	<b>20,588</b>	<b>9,498</b>

## 36. Supplementary Statutory Information

### Remuneration to Directors/Manager

Particulars	30-Jun-12	31-Mar-11
<b>Whole Time Directors*</b>		
Salaries	8,636	33,591
Contribution to Provident Fund	720	589
Perquisites Value (Actual paid / or evaluated as per Income Tax Rules, 1962)	244	67
<b>Independent Directors</b>		
Commission	-	7,742
<b>Total</b>	<b>9,600</b>	<b>41,989</b>

\* Relates to Mr Dilip Modi and Ms Preeti Malhotra in the current period and Mr Dilip Modi, Ms Preeti Malhotra, Mr Kunal Ahooja and Mr Subramanian Murali in previous year.

Particulars	30-Jun-12	31-Mar-11
<b>Manager*</b>		
Salaries	1,580	-
Contribution to Provident Fund	4	-
Perquisites Value (Actual paid / or evaluated as per Income Tax Rules, 1962)	13	-
Independent Directors		
Commission	-	-
<b>Total</b>	<b>1,597</b>	<b>-</b>

\*Relates to Mr R S Desikan in the current period, the appointment of which is subject to approval of shareholders in the ensuing general meeting.

\*\*The Company had paid remuneration aggregating to Rs. 28,574 thousand to two directors which was in excess of the limit laid down under Schedule XIII of the Companies Act, 1956 by Rs 18,974 thousand. The directors have agreed to refund the excess remuneration to the Company. accordingly, the excess remuneration has been debited to the accounts of respective directors.

Note: As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as a whole, the amounts pertaining to the Whole Time Director are not included above.



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

## 37. Earnings in foreign currency (accrual basis)

Particulars	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
FOB Value of Export	91,793	114,644
Discount/incentive received on purchases (adjusted in purchase of traded goods)	-	179,939
Commission Income	12,687	17,373
<b>Total</b>	<b>104,480</b>	<b>311,956</b>

## 38. Imported and Indigenous raw materials and components consumed

	30-Jun-12		31-Mar-11	
	Amount '000	%age	Amount '000	%age
Imported	1,607,923	98.36%	350,788	97.77%
Indigenous	26,790	1.64%	7,990	2.23%
	<b>1,634,713</b>	<b>100.00%</b>	<b>358,778</b>	<b>100.00%</b>

## 39. Net dividend remitted in foreign exchange

Particulars	30-Jun-12	31-Mar-11
Period to which it relates	April 1, 2010 to March 31, 2011	April 1, 2009 to March 31, 2010
- Number of non-resident shareholders	85	100
- Number of equity shares held on which dividend was due	10,032,440	8,818,916
- Amount remitted in foreign exchange (Rs. in thousand)*	Nil	Nil
<b>-Currency in which dividend was remitted</b>	<b>Not Applicable</b>	Not Applicable

\*An amount of Rs 15,049 thousand (Previous year Rs 13,228 thousand) has been paid as dividend to the Non Resident shareholders (including Foreign Institutional Investors).

40. Pursuant to the Scheme of Amalgamation ["the Scheme"] U/s 391/394 of the Companies Act 1956, Spice Televentures Private Limited (Transferor Company), the erstwhile Holding Company of the Company, was merged with the Company w.e.f. January 01, 2010 ["the appointed date"] in terms of the Orders dated November 2, 2010 and October 8, 2010 of the Hon'ble High Courts of judicature at Allahabad and New Delhi respectively, sanctioning the Scheme and was effective from November 4, 2010. With effect from the appointed date, all the business undertaking, assets, liabilities, rights and obligations of the Transferor Company stood transferred to and vested in the Company. The accounting of said scheme of amalgamation was carried out in the last years' accounts.
41. Subsequent to financial year end, the members of the Company has accorded their approval with requisite majority by Postal Ballot for sale/transfer of mobile handset business of the Company to "S Mobile Devices Limited" a wholly subsidiary Company of the Company.
42. The Company has investment a sum of Rs. 1,264,587 thousand in the equity shares of some of the subsidiaries. Further, the Company has receivable by way of loans, trade receivables and advances of Rs. 2,681,376 thousand from these companies. As per the latest audited financial statements of these subsidiaries, accumulated losses of these subsidiaries have resulted in erosion of their net worth fully/ substantially.

These being long term investments and also in view of the projected profitable operations of the above companies and / or fair value of the companies as at June 30, 2012, management is of the view that the diminution in the value of these investments is temporary in nature and hence no provision is required to be made against the investments made, loans given and outstanding receivables.



# NOTES TO FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

43. The Company follows Accounting Standard (AS-22) - "Accounting for taxes on Income, notified by Companies (Accounting Standards) Rules, 2006, (as amended). Due to losses incurred during the current period, the Company has net deferred tax assets. Since there is no convincing evidence which demonstrates virtual certainty of realization of such deferred tax assets in the near future, the Company has not recognized the same.
44. In an earlier year the asset of Rs. 8,978 thousand (net of Rs.50,802 thousand utilised during the previous year) recognized by the Company as 'MAT Credit Entitlement' under 'Loans and Advances', in respect of MAT payment by Spice Televentures Private Limited, amalgamated with the Company w.e.f. the appointed date January 1, 2010, for the year 2009-10, represents that portion of MAT liability which can be recovered and set off in subsequent years based on the provisions of Section 115JAA of the Income Tax Act, 1961. The management based on future profitability projections, is of the view that there would be sufficient taxable income in foreseeable future, which will enable the Company to utilize MAT credit assets.
45. Loans and advances in the nature of loans given to subsidiaries and companies in which directors are interested

Name of the Company	Balance as on June 30, 2012 (Rs. '000)	Balance as on March 31, 2011 (Rs. '000)	Maximum amount outstanding during the period ended June 30, 2012 (Rs. '000)	Maximum amount outstanding during the year ended March 31, 2011 (Rs. '000)
Hindustan Retail Private Limited	1,837,090	1,807,090	1,837,090	1,807,090
Spice Retail Limited	545,000	376,753	550,000	376,753
Spice Distribution Limited	-	191,440	191,440	191,440
Kimaan Exports Private Limited	88,550	-	93,550	-

Note: Loans are repayable on demand and are interest free.

46. Till the year ended March 31, 2011, the Company was using pre-revised Schedule VI of the Companies Act, 1956 for the preparation and presentation of its financial statements. During the period ended June 30, 2012, the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company. The Company has reclassified the previous year figures to conform to this year's classification. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for the preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of the balance sheet.

Current year's accounts are prepared for the fifteen months period April 1, 2011 to June 30, 2012. However, the Statement of profit and loss of the Company for the last year was for the year ended March 31, 2011. Hence, current period's figures are not comparable with those of the previous period.

As per our report of even date

**For S.R. BATLIBOI & CO.**  
Chartered Accountants  
Firm Registration No. 301003E

per **Anil Gupta**  
Partner  
Membership No. 87921

Place : New Delhi  
Date : 24<sup>th</sup> August, 2012

**For and on behalf of the Board of Directors of S Mobility Limited**

**Dilip Modi**  
Director

**Preeti Malhotra**  
Executive Director and Company Secretary

**Subroto Chattopadhyay**  
Director

**R S Desikan**  
Chief Executive Officer and Manager

**Subramanian Murali**  
Chief Financial Officer

# AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



## The Board of Directors of S Mobility Limited (Formerly Spice Mobility Limited)

1. We have audited the attached consolidated balance sheet of S Mobility Limited (Formerly Spice Mobility Limited) and its subsidiaries (collectively “the Spice Group” or “Group”), as at 30 June 2012, and also the consolidated statement of profit and loss and the consolidated cash flow statement for the fifteen months period ended on that date annexed thereto. These financial statements are the responsibility of the Spice Group’s management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 4,413,343 thousand as at 30 June 2012, the total revenue of Rs. 688,194 thousand and cash flows amounting to Rs. 102,704 thousand for the period then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.
4. Without qualifying our report, we draw attention to Note No. 41 of the consolidated financial statements. The group has recognized and is carrying forward a goodwill of Rs. 2,026,269 thousand in respect of Hindustan Retail India Private Limited, a wholly owned subsidiary of the Company and its two subsidiaries. Based on the financial statements of these subsidiaries, their net worth is substantially lower than the group’s investment in these companies. No provision for impairment has been made against the above in view of strategic long term investment of the Group in these subsidiaries, their future profitable projections and / or the fair value of these companies as at 30 June 2012.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet, of the state of affairs of the Spice Group as at 30 June 2012;
  - (b) in the case of the consolidated statement of profit and loss, of the loss for the fifteen months period ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the cash flows for the fifteen months period ended on that date.

## For S.R. Batliboi & Co.

Chartered Accountants

Firm registration number: 301003E

## per Anil Gupta

Partner

Membership No.: 87921

Place: New Delhi

Date: 24<sup>th</sup> August 2012



# CONSOLIDATED BALANCE SHEET

as at June 30, 2012

	Notes	30-Jun-12 Rs. 000	31-Mar-11 Rs. 000
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	4	714,259	714,259
Reserves and surplus	5	7,147,503	7,490,659
		<b>7,861,762</b>	<b>8,204,918</b>
<b>Minority Interest</b>	6	<b>562,788</b>	<b>555,048</b>
<b>Non Controlling Interest</b>		<b>2,334</b>	<b>–</b>
<b>Non-current liabilities</b>			
Long-term liabilities	7	82,824	77,077
Long-term provisions	8	35,578	66,820
Deferred tax liabilities (net)	14.1	6,371	7,092
		<b>124,773</b>	<b>150,989</b>
<b>Current liabilities</b>			
Short-term borrowings	9	20,272	–
Trade payables	10	2,801,271	2,491,572
Other current liabilities	10	212,111	271,737
Short-term provisions	8	596,422	605,377
		<b>3,630,076</b>	<b>3,368,686</b>
<b>TOTAL</b>		<b>12,181,733</b>	<b>12,279,641</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	11	1,723,492	770,891
Intangible assets	12	138,605	188,470
Capital work-in-progress		129,250	403,440
Intangible assets under development		22,779	19,414
Goodwill on Consolidation		2,655,863	2,616,230
Non-current investments	13	451,108	474,622
Deferred tax assets (net)	14.2	–	6,846
Long-term loans and advances	15	693,737	462,698
Amount recoverable from Employee Benefit Trust		126,052	126,052
Other non-current assets	16.2	11,195	221,440
		<b>5,952,081</b>	<b>5,290,104</b>
<b>Current assets</b>			
Current investments	17	701,265	1,090,952
Inventories	18	1,117,430	1,155,658
Trade receivables	16.1	1,571,864	1,488,517
Cash and bank balances	19	1,174,226	1,947,467
Short-term loans and advances	15	1,149,782	757,614
Other current assets	16.2	515,085	549,330
		<b>6,229,652</b>	<b>6,989,538</b>
<b>TOTAL</b>		<b>12,181,733</b>	<b>12,279,641</b>
Summary of significant accounting policies	3.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S.R. BATLIBOI & CO.**  
Chartered Accountants  
Firm Registration No. 301003E

per **Anil Gupta**  
Partner  
Membership No. 87921

Place : New Delhi  
Date : 24<sup>th</sup> August 2012

**For and on behalf of the Board of Directors of S Mobility Limited**

**Dilip Modi**  
Director

**Subroto Chattopadhyay**  
Director

**Subramanian Murali**  
Chief Financial Officer

**Preeti Malhotra**  
Executive Director and Company Secretary

**R S Desikan**  
Chief Executive Officer and Manager

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS



for the fifteen months period ended June 30, 2012

	Notes	For the fifteen months period ended June 30, 2012 (Rs. '000)	For the year ended March 31, 2011 (Rs. '000)
<b>Income</b>			
Revenue from operations (gross)	20	27,402,505	20,087,749
Less: excise duty		23,250	5,714
<b>Revenue from operations (net)</b>		<b>27,379,255</b>	<b>20,082,035</b>
Other income	21	291,592	424,735
<b>Total revenue (I)</b>		<b>27,670,847</b>	<b>20,506,770</b>
<b>Expenses</b>			
Cost of raw material and components consumed	22	1,634,713	358,778
Purchase of traded goods		19,398,764	13,956,496
(Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods	23	(66,006)	627,466
Employee benefits expense	24	1,719,025	1,085,412
Connectivity and content cost	25	1,284,893	784,300
Other expenses	26.1	3,185,878	2,158,754
Exceptional items	26.2	23,514	(239,269)
<b>Total (II)</b>		<b>27,180,781</b>	<b>18,731,937</b>
<b>Earnings before interest, tax, depreciation and amortization (EBITDA) (I) – (II)</b>		<b>490,066</b>	<b>1,774,833</b>
Depreciation and amortization expense	27	413,504	333,851
Finance costs	28	3,189	25,835
<b>Profit before tax</b>		<b>73,373</b>	<b>1,415,147</b>
<b>Tax expenses</b>			
- Current Income Tax		107,093	386,392
- MAT Credit Entitlement for the current period		(3,671)	(2,820)
- MAT Credit Entitlement for earlier years		-	(60,885)
- Excess Income tax provision of earlier years now written back		(373)	(16,822)
- Fringe benefit tax (credit) for earlier years		-	(445)
- Deferred tax charge / (credit)		5,885	(7,864)
<b>Total tax expense</b>		<b>108,933</b>	<b>297,556</b>
<b>(Loss)/ Profit for the period</b>		<b>(35,560)</b>	<b>1,117,591</b>
Share of Minority in profits		61,538	77,274
<b>(Loss)/ Profit for the period attributable to equity shareholders</b>		<b>(97,098)</b>	<b>1,040,317</b>
<b>Earnings per equity share [nominal value of share Rs. 3 (31 March 2011: Rs. 3)]</b>	29		
<b>Basic and diluted (Rs.)</b>		<b>(0.41)</b>	<b>4.37</b>
Summary of significant accounting policies	3.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S.R. BATLIBOI & CO.**  
Chartered Accountants  
Firm Registration No. 301003E

per Anil Gupta  
Partner  
Membership No. 87921

Place : New Delhi  
Date : 24<sup>th</sup> August 2012

**For and on behalf of the Board of Directors of S Mobility Limited**

**Dilip Modi**  
Director

**Subroto Chattopadhyay**  
Director

**Subramanian Murali**  
Chief Financial Officer

**Preeti Malhotra**  
Executive Director and Company Secretary

**R S Desikan**  
Chief Executive Officer and Manager

# CONSOLIDATED CASH FLOW STATEMENT



for the fifteen months period ended June 30, 2012

	Notes	For the fifteen months period ended June 30, 2012 (Rs. '000)	For the year ended March 31, 2011 (Rs. '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Profit before taxation		73,373	1,415,147
Adjustment for :			
- Depreciation / amortization		413,504	333,851
- (Profit) / Loss on disposal of fixed assets (net)		(12,205)	5,386
- Interest expense		3,189	25,835
- Interest income		(172,179)	(127,453)
- Dividend Income		(57,134)	(40,513)
- Unspent liability written back		(41,391)	(69,482)
- Foreign Currency Translation reserve		80,373	(1,120)
- Equity shares issued to employees as bonus		3,669	-
- Income from Investment in fixed maturity plan investments		(275)	(133,063)
- Profit on sale of investments in a Joint Venture Company		-	(239,269)
- Diminution in the value of non-current investments		23,514	-
- Diminution in the value of current investments		3,515	-
- Loss on sale of investments		834	125
- Profit from sale of Units in Mutual Funds		(3,302)	(14,818)
- Provision for doubtful debts and advances (net)		62,333	32,158
- Bad debts and advances written off		53,948	44,588
<b>Operating profit before working capital changes</b>		<b>431,766</b>	<b>1,231,372</b>
<b>Movements in working capital:</b>			
Decrease in inventories		38,228	523,909
(Increase) in trade receivables		(108,973)	(310,532)
(Increase) / Decrease in loans and advances		(309,471)	56,550
Decrease / (increase) in other current assets		14,352	(256,903)
Decrease / (increase) in long term / current liabilities		161,717	(723,001)
(Decrease) in provisions		(55,362)	(13,313)
<b>Cash generated from Operations</b>		<b>172,257</b>	<b>508,082</b>
Direct taxes paid (net of refunds)		(156,372)	(420,754)
<b>Net cash from operating activities</b>	(A)	<b>15,885</b>	<b>87,328</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (including capital work in progress and capital advances)		(1,382,253)	(612,174)
Purchase of Investment in Subsidiaries		(69,310)	(813,567)
Proceeds from sale of fixed assets		88,795	1,107
Share Application Money Paid		-	(93,550)
Proceeds from Share Application Money Refund		-	166,400
Purchase of investments		(4,420,742)	(904,050)
Proceeds from sale of Investment in Joint Venture		-	50,000
Redemption of Investment		4,809,496	2,567,136
Advance for investment		56,440	(14,582)
Loan received back from bodies corporate		-	98,926



# CONSOLIDATED CASH FLOW STATEMENT



for the fifteen months period ended June 30, 2012

	Notes	For the fifteen months period ended June 30, 2012 (Rs. '000)	For the year ended March 31, 2011 (Rs. '000)
Interest received		192,751	123,629
Dividend Received		56,590	40,940
Fixed Deposit refunded with banks		1,177,981	1,396,385
Fixed deposits made with banks (including those pledged with banks and others)		(222,999)	(2,085,791)
<b>Net cash from / (used in) investing activities</b>	( B )	<b>286,749</b>	<b>(79,190)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Capital subsidy received		–	3,000
Proceeds from issuance of share capital to Minorities by subsidiaries		–	12,695
Proceeds from Short Term Borrowings		20,272	–
(Repayment) of short term borrowings (net)		–	(196,540)
Loans taken from body corporate		1,500,000	–
Loans repaid to body corporate		(1,500,000)	–
Interest paid		(6,191)	(23,887)
Dividend paid		(302,837)	(39,784)
Taxes on dividend paid		(49,345)	(18,595)
<b>Net cash (used in) financing activities</b>	( C )	<b>(338,101)</b>	<b>(263,111)</b>
Net (decrease) / increase in cash and cash equivalents (A + B + C)		<b>(35,467)</b>	<b>(254,972)</b>
Cash and cash equivalents at the beginning of the period		502,326	758,681
Cash and cash equivalents of subsidiaries acquired during the period on the date of acquisition		–	3,211
Cash and cash equivalents of joint venture company disposed off during the period		–	(4,594)
Cash and cash equivalents of subsidiaries acquired during the period on the date of acquisition		6,963	–
Cash and cash equivalents at the end of the period		<b>473,823</b>	<b>502,326</b>
<b>Components of cash and cash equivalents:</b>			
Cash on hand		17,643	19,465
Cheques on hand		–	48,512
Balances with scheduled banks:			
On current accounts		359,870	380,004
On Deposits with original maturity of less than three months		91,944	51,319
On unpaid dividend accounts		4,366	3,026
		<b>473,823</b>	<b>502,326</b>

The accompanying notes are an integral part of the financial statements.

As per our report of even date

**For S.R. BATLIBOI & CO.**  
Chartered Accountants  
Firm Registration No. 301003E

per **Anil Gupta**  
Partner  
Membership No. 87921

Place : New Delhi  
Date : 24<sup>th</sup> August 2012

**For and on behalf of the Board of Directors of S Mobility Limited**

**Dilip Modi**  
Director

**Subroto Chattopadhyay**  
Director

**Subramanian Murali**  
Chief Financial Officer

**Preeti Malhotra**  
Executive Director and Company Secretary

**R S Desikan**  
Chief Executive Officer and Manager

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## 1. Nature of Operations

The Group is primarily engaged in the trading and manufacturing of Mobile handsets, IT products and their accessories and the Information and Communication Technology business providing Value Added Services to the Telecom Operators. It also undertakes development and sale of telecom related software. The Group has plant at its facility in Baddi, in the state of Himachal Pradesh, for manufacturing of mobile handsets. On 7 June 2011, the name of the Parent Company was changed from Spice Mobility Limited to S Mobility Limited.

## 2. Principles of Consolidation

The Consolidated Financial Statements relate to S Mobility Limited (hereinafter referred as "Parent Company" or "the Company") and its subsidiary companies (hereinafter together referred as the "Spice Group" or "the Group") and a joint venture Bharat BPO Services Limited (disposed on April 1, 2010).

The Consolidated Financial Statements have been prepared on the following basis:

- (i) The financial statements of the Parent Company and its subsidiary companies have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra group balances, intra group transactions and unrealized profits or losses, if any, as per Accounting Standard – 21, Consolidated Financial Statements, notified under the Companies (Accounting Standards) Rules, 2006 (as amended).
- (ii) The subsidiary companies which are included in the consolidation and the Parent Company's holding therein is as under:

S. No.	Name	Country Name	Holding %	
			As at June 30, 2012	As at March 31, 2011
1	Spice Digital Limited	India	82.19%	80.58%
2	Spice Retail Limited (Refer (a))	India	100.00%	100.00%
3	Spice Distribution Limited (Refer (a) and (d))	India	100.00%	100.00%
4	Mobisoc Technology Limited (Refer (b))	India	99.90%	99.90%
5	Spice Labs Limited (Refer (b))	India	99.90%	80.00%
6	Kimaan Exports Private Limited	India	100.00%	100.00%
7	Hindustan Retail Private Limited	India	100.00%	100.00%
8	Cellucom Retail India Private Limited (Refer (a))	India	100.00%	100.00%
9	S GIC Pte Limited (Refer (b))	Singapore	100.00%	100.00%
10	Spice VAS Africa Pte Limited (Refer (b))	Africa	77.50%	81.25%
11	Beoworld Sdn.Bhd (Refer (b) and (f))	Republic of Malaysia	100.00%	100.00%
12	Spice VAS Kenya Limited (Refer (c), (g) and (f))	Republic of Kenya	100.00%	100.00%
13	Spice Digital Nigeria Limited (Refer (c) and (f))	Nigeria	100.00%	100.00%
14	Spice VAS Uganda Limited (Refer (c) and (f))	Uganda	75.00%	75.00%
15	Spice VAS Ghana Limited (Refer (c) and (f))	Ghana	100.00%	-
16	S Mobility Pte. Limited (Refer (e))	Singapore	100.00%	-
17	S Mobility (HK) Limited (Refer (e))	Hong Kong	100.00%	-
18	S Retail Middle East FZE (Refer (a) and (e))	Dubai	100.00%	-
19	S Retail General Trading LLC (Refer (a), (e) and (i))	Dubai	49.00%	-
20	Spice VAS Zambia Limited (Refer (c) and (f))	Zambia	100.00%	-
21	Spice VAS Tanzania Limited (Refer (c), (f) and (h))	Tanzania	100.00%	-
22	Spice Digital South Africa Pty Ltd (Refer (c) and (f))	South Africa	100.00%	-

(a) Subsidiary through Hindustan Retail Private Limited

(b) Subsidiary through Spice Digital Limited

(c) Subsidiary through Spice VAS Africa Pte Limited

(d) Pursuant to amalgamation of Spice Distribution Limited (SDL) with Spice Retail Limited (SRL) with effect from July 31, 2012 (appointed date April 1, 2011), the Parent Company has received 794,262 equity shares against the shares of SDL in the ratio of one share of SRL for every five shares held in SDL.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



Audited financial statements for the fifteen months period ended June 30, 2012 have been considered for consolidation except as stated in Note (e) and (f) below.

- (e) Management financial statements (audited / unaudited) have been considered for consolidation
  - (f) Audited financial statements for the twelve months period ended March 31, 2012 and reviewed financial statements for the three months period ended June 30, 2012 have been considered for consolidation.
  - (g) An equity interest of 20% in the Company is held by a third party on behalf of Spice VAS (Africa) Pte Limited
  - (h) An equity interest of 35% in the Company is held by a third party on behalf of Spice VAS (Africa) Pte Limited
  - (i) Majority composition of the Board of Directors is with the Group, hence, the company has been consolidated as subsidiary company.
- (iii) The difference of the cost to the Parent Company of its investment in Subsidiaries and Joint Venture over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be.
  - (iv) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Group's shareholders.
  - (v) Minorities' interest in net profit / loss of consolidated subsidiaries for the period has been identified and adjusted against the profits in order to arrive at the net profits attributable to the shareholders of the Parent Company. Their share of net assets has been identified and presented in the Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, the same have been accounted for by the Parent Company.
  - (vi) As far as possible, the Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's separate financial statements. Differences in the accounting policies, if any, are disclosed separately.
  - (vii) The financial statements of the group entities used for the purpose of consolidation are drawn up to same reporting date as that of the Parent Company i.e. period ended June 30, 2012.

### 3. Basis of preparation

The financial statements of the Group have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Group has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies have been consistently applied by the Group and are consistent with those of previous year, except for the change in accounting policy as explained below:

#### 3.1 Summary of significant accounting policies

##### (a) Change in accounting policy

###### *Presentation and disclosure of financial statements*

During the period ended 30 June 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Group, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Group has also reclassified the previous year's figures in accordance with the requirements applicable in the current period.

##### (b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

##### (c) Tangible Fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of tangible asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing tangible assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized as part of the construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto, is charged to the Statement of Profit and Loss.

## (d) Intangible Fixed assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the period in which the expenditure is incurred.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Group uses a rebuttable presumption that the useful life of an intangible assets will not exceed 10 years from the date when the asset is available for use. Such intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5 Net Profit or Loss for the Period, Prior Period items and Changes in Accounting Policies.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

## (e) Goodwill

Goodwill represents the difference between the Parent Company's share in the net worth of the subsidiary company and the cost of acquisition at the time of making the investment in the subsidiary company. For this purpose, the Parent Company's share of net worth of the subsidiary company is determined on the basis of the latest financial statements of the subsidiary company prior to acquisition, after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.

## (f) Depreciation on fixed assets

- i) Cost of leasehold land is amortised on straight line basis over the period of lease ranging from 18 - 90 years or their useful lives whichever is lower.
- ii) Leasehold improvements are depreciated on straight line basis over the period of lease ranging from 1 - 7 years or their useful lives whichever is lower.
- iii) Intangibles including computer software (excluding installed at site as mentioned in (vii) below), trademarks, goodwill and website development costs are amortised over their estimated useful lives of three years on straight line basis.
- iv) In respect of three subsidiaries, accelerated depreciation on leasehold improvements/ furniture and fixtures related to stores/ warehouses under closure is calculated till the notice period of respective lease of the leased premises.
- v) In case of the Parent Company and its Indian subsidiaries, assets costing Rs 5 thousand or less are depreciated fully in the year of purchase. However in case of two Indian subsidiaries, such assets are depreciated over the period of one year from the date of acquisition.
- vi) Intellectual Property Rights and computer software and hardware installed at site by some of the subsidiaries (including step subsidiaries) are amortised over a period of five years.
- vii) Costs incurred towards in-house Software Development are charged to Statement of Profit and Loss as and when incurred except in case of one subsidiary where it is recognized and capitalized in the books of account as "Intangible Assets". The cost of developed software is determined on the basis of actual time spent by the technical persons on each software and capitalized on technical/marketing evaluation basis. Such in-house developed software are amortised on straight line basis over a period of three years. ( 25.11% of net block of intangible assets at Spice Group as at June 30, 2012 and 19.17% of total amortization expense for the Spice Group for the fifteen months period ended June 30, 2012)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



- viii) Depreciation on all fixed assets other than leasehold land, by one subsidiary is provided on written down value basis at the rates prescribed under Schedule XIV of the Companies Act, 1956. (4.65% of total Net Block of tangible fixed assets at Spice Group as at June 30, 2012 and 1.75% of total depreciation expenses for the Spice Group for the fifteen months period ended June 30, 2012)
- ix) Except in case of one subsidiary as mentioned in (viii) above, depreciation on all other assets is provided using the straight line method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.
- x) In the following cases, the depreciation rates of the Parent Company are higher than the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956:

	Rates (SLM)	Sch XIV Rates (SLM)
Technical equipments (included in Plant and Machinery)	10.00%	4.75%
Building at Baddi in the State of Himachal Pradesh	7.27%	3.34%

- xi) In respect of Hindustan Retail Private Limited and its subsidiaries, depreciation is provided on straight line method as per the useful lives of the assets estimated by the management, which are as follows.

Asset Class	Rates (SLM)	Sch XIV Rates (SLM)
Plant and Machinery	10.00%	4.75%
Computers	20.00%	16.21%
Furniture and Fittings	12.50%	6.33%
Office Equipment	10.00%	4.75%
Mobile Handsets (included under office equipments)	50.00%	4.75%

- xii) In respect of Spice Digital Limited and its subsidiaries including overseas subsidiaries, depreciation is provided on straight line basis as per the useful lives estimated by the management, which are as follows:

Asset Class	Useful Life	Rates (SLM)	Sch XIV Rates (SLM)
Computers	3-5 years	19% - 31.67%	16.21%
Furniture and Fittings	7-8 years	13.57%	6.33%
Office Equipment	3-7 years	13.57% - 31.67%	4.75%
Vehicle - Motor Bus	10-11 years	13.57%	11.31%
Motor Vehicle (others)	7-8 years	9.50%	9.50%

## (g) Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future, cash flows are discounted to their present value using a pre-tax discount rate that reflects current market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories are recognized in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

## (h) Leases

*Where the Spice Group is lessee*

Leases, where the lessor effectively retains substantially all risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

*Where the Spice Group is the lessor*

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Statement of Profit and Loss.

## (i) Investments

Investments that are readily realisable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

## (j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## (k) Inventories

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on transaction moving weighted average method.

Work-in-progress and finished goods (manufactured) are valued at lower of cost and net realizable value. Cost includes direct materials (determined on transaction moving weighted average basis) and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Traded Goods are valued at lower of cost and net realizable value. Cost is determined on transaction moving weighted average method. In case of a subsidiary company, cost is determined on first in first out basis. (0.03% of total inventories of traded and finished goods at Spice Group as at June 30, 2012)

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

## (l) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

### **Sale of goods**

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with their delivery to the customers. The Group collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Group. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the period.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## **Sale of Telecom Related Software**

Revenue is recognised at the time when the “User Acceptance Test Certificate” is received from the customer.

## **Income from Services**

Revenue from value added services are recognized at the end of each month in which the services are rendered. The Group collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Group. Hence, it is excluded from revenue.

## **Interest**

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head “other income” in the statement of profit and loss.

## **Dividend**

Revenue is recognised when the Group’s right to receive dividend is established by the balance sheet date.

## **Income on Fixed Maturity Plan Investments**

Income on investments made in the units of fixed maturity plans of various schemes of mutual funds is recognised based on reasonable certain yield as at the balance sheet date.

## **(m) Foreign currency translation**

*Foreign currency transactions and balances*

### **(i) Initial recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

### **(ii) Conversion**

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

### **(iii) Exchange differences**

Exchange differences arising on the settlement of monetary items or on reporting Group’s monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise.

### **(iv) Forward exchange contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contract is amortized and recognized as an expense/ income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or as expense for the period.

### **(v) Translation of integral and non-integral foreign operation**

The Group classifies all its foreign operations as either “integral foreign operations” or “non-integral foreign operations.”

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operations have been those of the Group itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss are translated at exchange rates prevailing at the dates of transactions or weighted average weekly rates, where such rates approximate the exchange rate at the date of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the statement of profit and loss.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

## **(n) Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the statement of profit and loss for the period when the contributions are due. The Parent Company has no



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

obligation, other than the contribution payable to the provident fund except where the deficit, arises in making the statutory payment by the Trust to its members, the same is borne by the Parent Company in terms of the provisions under Employee Provident Fund and Miscellaneous Provisions Act, 1952.

- (i) In case of subsidiaries, Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss of the period when the contributions to the Provident Fund are due. There are no other obligations other than the contribution payable to the Provident Fund Authorities.
- (ii) In respect of the Group, retirement benefit in the form of gratuity is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial period. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred.

The Parent Company and two of the subsidiaries have taken insurance policy under the Gratuity scheme with the Insurers to cover the gratuity liability of the employees. The liability as at the period end in respect of these companies represents the difference between the actuarial valuation of the gratuity liability of continuing employees and fair value of plan assets with the insurers as at the end of the period.

- (iii) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the period-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

## (o) Income Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the Group operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current period and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situation where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the Group is entitled to a tax holiday under the Income Tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which timing differences originate. However, the Group restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Group re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Group recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the period in which the Group recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

**(p) Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**(q) Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

**(r) Warranty**

Warranty costs on mobile handsets are provided on an accrual basis, taking into account the past trend of warranty claims received by the Group, to settle the obligation at the balance sheet date.

**(s) Segment reporting**

**Identification of segments**

The Spice Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on geographical location of the customers.

**Intersegment Transfers**

The Spice Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

**Allocation of common costs**

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

**Unallocated items**

The unallocated items include general corporate income and expense items which are not allocated to any business segment.

**(t) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

**(u) Cash and cash equivalents**

Cash and cash equivalents in the cash flow statement comprise cash at bank and cash in hand and short term investments with the original maturity of three months or less.

**(v) Derivative instruments**

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-II, are marked to market on a portfolio basis, and the net loss is charged to the statement of profit and loss. Net gains are ignored.

**(w) Government Grants and Subsidies**

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attached conditions will be complied with.

Government grants of the nature of promoter's contribution are credited to capital reserve and treated as a part of the shareholder's funds.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

## (x) Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Group has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Group measures EBITDA on the basis of profit/ (loss) from operations. In its measurement, the Group does not include depreciation and amortization expense, finance costs and tax expense.

## 4. Share Capital

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Authorized</b>		
330,000,000 (Previous year: 330,000,000) equity shares of Rs. 3 each	990,000	990,000
<b>Issued, subscribed and fully paid-up</b>		
238,086,285 (Previous year 238,086,285) equity shares of Rs. 3 each	714,259	714,259
<b>Total issued, subscribed and fully paid-up</b>	<b>714,259</b>	<b>714,259</b>

### (a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares

	30-Jun-12		31-Mar-11	
	Nos.	(Rs. '000)	Nos.	(Rs. '000)
At the beginning of the period	238,086,285	714,259	238,086,285	714,259
Issued during the period	-	-	-	-
Outstanding at the end of the period	238,086,285	714,259	238,086,285	714,259

### (b) Terms/ rights attached to equity shares

The Group has only one class of equity shares having par value of Rs. 3 per share. Each holder of equity shares is entitled to one vote per share. The Group declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the period ended 30 June 2012, the amount of dividend per share recognized as distributions to equity shareholders is Rs. 1.50 (31 March 2011: Rs. 1.50).

In the event of liquidation of the Group, the holders of equity shares will be entitled to receive remaining assets of the Group, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

### (c) Shares held by holding company

Out of equity shares issued by the Parent Company, shares held by its holding company are as below:

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Holding Company</b>		
S i2i Mobility Private Limited 169,365,976 (31 March 2011: Nil) equity shares of Rs. 3 each fully paid up	508,098	-
Spice Global Investments Private Limited Nil (31 March 2011: 163,448,285) equity shares of Rs. 3 each fully paid up	-	490,345

### (d) Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	30-Jun-12 Nos.	31-Mar-11 Nos.
Equity shares allotted as fully paid-up pursuant to the Scheme of amalgamation for consideration other than cash	163,448,285	163,448,285

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## (e) Details of shareholders holding more than 5% shares in the Parent Company

Name of the shareholders	As at 30 June 2012		As at 31 March 2011	
	Nos.	% holding in the class	Nos.	% holding in the class
<i>Equity shares of Rs. 3 each fully paid up</i>				
S i2i Mobility Private Limited, the holding company	<b>169,365,976</b>	<b>71.14%</b>	-	0.00%
Spice Global Investments Private Limited, the ultimate holding company (Erstwhile holding company)	-	<b>0.00%</b>	163,448,285	68.65%
Independent Non Promoter Trust	<b>35,301,215</b>	<b>14.83%</b>	35,301,215	14.83%

As per records of the Parent Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

## 5. Reserves and Surplus

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Securities premium account</b>		
Balance as per the last financial statements	<b>576,150</b>	576,150
<b>Closing Balance</b>	<b>576,150</b>	576,150
<b>General reserve</b>		
Balance as per the last financial statements	<b>4,103,677</b>	4,025,552
Add: Amount transferred from surplus balance in the statement of profit and loss	<b>78,125</b>	78,125
<b>Closing Balance</b>	<b>4,181,802</b>	4,103,677
<b>Foreign Currency Translation Reserve</b>		
Balance as per last financial statements	<b>(1,890)</b>	-
Add: Transfer from subsidiary companies on Consolidation	-	(988)
Add: Created during the period	<b>91,749</b>	(902)
	<b>89,859</b>	(1,890)
<b>Capital Reserve</b>		
<i>On consolidation</i>		
Balance as per last financial statements	<b>57,378</b>	57,378
Less: Adjustment during the period*	<b>17,281</b>	-
	<b>40,097</b>	57,378
<i>Capital Investment Subsidy</i>		
Balance as per last financial statements	<b>2,417</b>	-
Add: Received during the period	-	2,417
Add: Transferred from Minority Interest	<b>48</b>	-
	<b>2,465</b>	2,417
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	<b>2,752,928</b>	2,134,556
(Loss)/ Profit for the period	<b>(97,098)</b>	1,040,317
Reversal of Dividend pursuant to scheme of amalgamation**	-	70,813
Reversal of proposed dividend on equity shares***	<b>52,952</b>	-

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

	<b>30-Jun-12</b> <b>(Rs. '000)</b>	31-Mar-11 (Rs. '000)
Reversal of tax on proposed dividend reversed***	<b>8,590</b>	-
<b>Profit available for appropriation:</b>	<b>2,717,371</b>	3,245,686
Less: Appropriations	-	
Proposed final equity dividend (amount per share Rs.1.50 (31 March 2011: Rs. 1.50))	<b>304,178</b>	357,130
Tax on proposed equity dividend	<b>77,938</b>	57,503
Transfer to general reserve	<b>78,125</b>	78,125
Total appropriations	<b>460,241</b>	492,758
<b>Net surplus in the statement of profit and loss</b>	<b>2,257,130</b>	2,752,928
<b>Total reserves and surplus</b>	<b>7,147,503</b>	7,490,659

\*Excess of consideration paid for acquisition of further equity shares in a subsidiary company, Spice Digital Limited over the proportionate additional shares acquired in the equity of the company, has been adjusted from capital reserve recognized earlier on acquisition of shares of the subsidiary company.

\*\* Refer note no.33.

\*\*\* Independent non-promoter trust which holds 35,301,215 equity share of the Parent Company has waived off its right to receive entire dividend on the equity shares proposed during the current period and previous year. Accordingly, provision made in the previous year for proposed dividend of Rs. 52,952 thousand in respect of these shares and tax thereon of Rs 8,590 thousand has been reversed during the period and no dividend has been provided on these shares in the current period.

## 6. Minority Interest

	<b>30-Jun-12</b> <b>(Rs. '000)</b>	31-Mar-11 (Rs. '000)
<b>Share in :</b>		
Equity Share Capital	<b>110,173</b>	96,188
Securities Premium Account	<b>63,665</b>	69,428
General Reserve	<b>19,826</b>	14,678
Foreign Currency Translation Reserve	<b>19,459</b>	(456)
Capital Investment Subsidy	<b>534</b>	583
Statement of Profit and Loss *	<b>349,131</b>	374,627
	<b>562,788</b>	555,048

\* Net of proposed dividend (including tax) of Rs. 44,384 thousand, previous year Rs. NIL)

## 7. Long Term Liabilities

	<b>30-Jun-12</b> <b>(Rs. '000)</b>	31-Mar-11 (Rs. '000)
Security deposits	<b>79,824</b>	76,529
Creditors for capital goods	<b>3,000</b>	-
Rent Equalisation Reserve	-	548
	<b>82,824</b>	77,077

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

## 8. Provisions

Name of the shareholders	Long-term		Short-term	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Provision for employee benefits</b>				
Provision for gratuity (Note 30)	14,098	25,380	13,691	15,841
Provision for leave benefits	-	-	44,007	45,572
	14,098	25,380	57,698	61,413
<b>Other provisions</b>				
Provision for warranties	21,480	41,440	88,316	128,720
Provision for Contingencies	-	-	20,000	-
Provision for Fringe benefit tax	-	-	-	179
Provision for Income Tax	-	-	3,903	-
Proposed equity dividend	-	-	342,371	357,130
Provision for tax on proposed equity dividend	-	-	84,134	57,935
	21,480	41,440	538,724	543,964
	35,578	66,820	596,422	605,377

### Provision for warranties

A provision is recognized for expected warranty claims on mobile handsets sold during last one year by the Parent Company, based on past experience of level of customer service expenses. It is expected that significant portion of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties are based on past trend of sales of mobile handsets and customer service expenses incurred.

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
At the beginning of the period	170,160	194,644
Arising during the period	284,712	313,888
Utilized during the period	345,076	338,372
<b>At the end of the period</b>	<b>109,796</b>	<b>170,160</b>
Current portion	88,316	128,720
Non-current portion	21,480	41,440

### Provision for contingencies

Provision for contingencies represents provision made in respect of a legal claim filed by a vendor against usage of content.

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
At the beginning of the period	-	-
Arising during the period	20,000	-
Utilized during the period	-	-
<b>At the end of the period</b>	<b>20,000</b>	<b>-</b>
Current portion	20,000	-
Non-current portion	-	-

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

## 9. Short-term borrowings

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Interest free loan and advances from others repayable on demand (unsecured)</b>	<b>20,272</b>	-
	<b>20,272</b>	-
<b>The above amount includes</b>		
Secured borrowings	-	-
Unsecured borrowings	<b>20,272</b>	-

## 10. Other Current Liabilities

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Trade payables (including acceptances)	<b>2,801,271</b>	2,491,572
	<b>2,801,271</b>	2,491,572
<b>Other liabilities</b>		
Investor Education and Protection Fund will be credited by following amounts (as and when due)		
Unpaid dividend	<b>4,366</b>	3,026
Unaccrued Income	<b>12,288</b>	10,999
Advances from customers and their credit balances	<b>57,198</b>	59,710
Creditors for Capital Goods	<b>46,631</b>	18,941
Others		
Indirect Taxes and Duties Payable	<b>55,238</b>	119,525
Employee Statutory Deductions	<b>12,786</b>	7,993
Interest accrued and due on income tax	-	3,002
TDS payable	<b>23,604</b>	48,541
	<b>212,111</b>	271,737
	<b>3,013,382</b>	2,763,309

## 11. Fixed Assets

(Amount in Rs. '000)										
Particulars	Freehold Land	Leasehold Land	Building	Plant and Machinery	Furniture and Fittings	Office Equipments	Computers	Vehicles	Leasehold Improvements	Total
<b>Gross Block:</b>										
At April 1, 2010	9,456	42,980	145,218	199,490	187,558	142,193	392,721	15,702	306,584	<b>1,441,902</b>
Adjustments	-	30,899	81,402	-	139	158	11,237	1,098	-	<b>124,933</b>
Foreign Currency Translation Reserve	-	-	-	-	-	65	243	-	-	<b>308</b>
Additions	-	-	-	18,793	29,919	12,916	60,976	6,917	29,236	<b>158,756</b>
Disposals	-	-	-	155,653	52,799	4,315	38,792	206	34,575	<b>286,340</b>
<b>At March 31, 2011</b>	<b>9,456</b>	<b>73,879</b>	<b>226,620</b>	<b>62,630</b>	<b>164,817</b>	<b>151,017</b>	<b>426,385</b>	<b>23,511</b>	<b>301,245</b>	<b>1,439,560</b>
Adjustments*	-	-	-	-	554	498	24,350	3,418	-	<b>28,820</b>





# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012

(Amount in Rs. '000)										
Particulars	Freehold Land	Leasehold Land	Building	Plant and Machinery	Furniture and Fittings	Office Equipments	Computers	Vehicles	Leasehold Improvements	Total
Foreign Currency Translation Reserve	-	-	-	-	333	267	7,841	853	-	9,294
Additions	91,545	14,050	419,072	52,669	69,098	69,321	193,444	8,497	384,342	1,302,038
Disposals	-	-	32,166	115	42,656	22,239	7,840	8,109	76,692	189,817
<b>At June 30, 2012</b>	<b>101,001</b>	<b>87,929</b>	<b>613,526</b>	<b>115,184</b>	<b>192,146</b>	<b>198,864</b>	<b>644,180</b>	<b>28,170</b>	<b>608,895</b>	<b>2,589,895</b>
Depreciation:										
At April 1, 2010	-	4,569	19,261	53,611	52,231	42,069	224,921	4,322	127,128	528,112
Adjustments	-	1,535	5,341	-	40	33	1,898	96	-	8,944
Foreign Currency Translation Reserve	-	-	-	-	-	-	-	-	-	-
Charge for the period	-	2,476	8,645	3,987	35,537	18,591	56,051	977	132,758	259,022
Disposals	-	-	-	40,405	29,730	1,311	22,658	22	33,282	127,408
<b>At March 31, 2011</b>	<b>-</b>	<b>8,580</b>	<b>33,247</b>	<b>17,193</b>	<b>58,078</b>	<b>59,382</b>	<b>260,212</b>	<b>5,373</b>	<b>226,604</b>	<b>668,669</b>
Adjustments*	-	-	-	-	173	151	7,540	466	-	8,331
Foreign Currency Translation Reserve	-	-	-	-	86	171	3,786	94	-	4,137
Charge for the period	-	3,428	19,790	10,302	46,578	24,585	99,178	2,860	91,810	298,532
Disposals	-	-	5,351	39	31,712	11,189	5,318	3,983	55,673	113,266
<b>At June 30, 2012</b>	<b>-</b>	<b>12,008</b>	<b>47,686</b>	<b>27,456</b>	<b>73,203</b>	<b>73,100</b>	<b>365,398</b>	<b>4,810</b>	<b>262,741</b>	<b>866,403</b>
Net Block:										
At March 31, 2011	9,456	65,299	193,373	45,437	106,739	91,635	166,173	18,138	74,641	770,891
<b>At June 30, 2012</b>	<b>101,001</b>	<b>75,920</b>	<b>565,840</b>	<b>87,728</b>	<b>118,943</b>	<b>125,764</b>	<b>278,781</b>	<b>23,360</b>	<b>346,154</b>	<b>1,723,492</b>

## Notes:

- Fixed assets include following assets given on operating lease :

(Amount in Rs. '000)						
Particulars	Gross Block		Depreciation		Accumulated Depreciation	
	As at June 30, 2012	As at March 31, 2011	For the Fifteen Months period ended June 30, 2012	For the year ended March 31, 2011	As at June 30, 2012	As at March 31, 2011
Factory Building	6,920	6,920	619	495	2,527	3,146
Total	6,920	6,920	619	495	2,527	3,146

- \* Adjustments in the current period represents fixed assets / accumulated depreciation of subsidiary company, Spice VAS Tanzania Limited acquired during the current period.
- Deletions from Computers include tangible fixed assets of the cost of Rs 1,724 thousand, WDV of Rs. 1,365 thousand (Previous year Rs. 214 thousand and Rs. 113 thousand respectively) transferred to Cost of goods sold.
- Addition includes tangible assets of the cost of Rs. 11,478 thousand (Previous year capital work in progress of Rs. 4,987 thousand), bills of which are in the name of agency.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## 12. Intangible Assets

(Amount in Rs. '000)						
Particulars	Computer Softwares	Intellectual Property Right	Web site Development Cost	Trade mark	Goodwill	Total
<b>Gross Block:</b>						
At April 1, 2010	389,483	-	811	10,764	15,000	<b>416,058</b>
Additions	67,467	-	-	-	-	<b>67,467</b>
Disposals	64,129	-	-	-	-	<b>64,129</b>
<b>At March 31, 2011</b>	<b>392,821</b>	<b>-</b>	<b>811</b>	<b>10,764</b>	<b>15,000</b>	<b>419,396</b>
Additions	62,922	2,201	-	-	-	<b>65,123</b>
Disposals	224	-	-	-	-	<b>224</b>
<b>At June 30, 2012</b>	<b>455,519</b>	<b>2,201</b>	<b>811</b>	<b>10,764</b>	<b>15,000</b>	<b>484,295</b>
<b>Amortisation:</b>						
At April 1, 2010	176,879	-	263	698	973	<b>178,813</b>
Charge for the period	65,970	-	270	3,588	5,000	<b>74,828</b>
Disposals	22,715	-	-	-	-	<b>22,715</b>
<b>At March 31, 2011</b>	<b>220,134</b>	<b>-</b>	<b>533</b>	<b>4,286</b>	<b>5,973</b>	<b>230,926</b>
Foreign Currency Translation Reserve	5	-	-	-	-	<b>5</b>
Charge for the period	103,899	104	217	4,492	6,260	<b>114,972</b>
Disposals	213	-	-	-	-	<b>213</b>
<b>At June 30, 2012</b>	<b>323,825</b>	<b>104</b>	<b>750</b>	<b>8,778</b>	<b>12,233</b>	<b>345,690</b>
<b>Net Block:</b>						
At March 31, 2011	172,687	-	278	6,478	9,027	188,470
<b>At June 30, 2012</b>	<b>131,694</b>	<b>2,097</b>	<b>61</b>	<b>1,986</b>	<b>2,767</b>	<b>138,605</b>

### Notes :

- In case of a subsidiary, which is engaged in developing computer / mobile softwares for use by mobile / Internet Users, the cost of softwares, developed during the current financial period of Rs 19,794 thousand (Previous year Rs. 50,648 thousand) has been capitalised as Intangible Asset as per Accounting Standard-26 on Intangible Assets notified by Companies Accounting Standard Rules, 2006 (as amended). The costs have been determined on the basis of actual time spent by the technical persons on each software and technical / marketing evaluation basis. The costs have been appropriated from software development account where such cost are being debited when incurred by way of Salaries and other administrative expenses.
- Addition includes intangible assets of the cost of Rs.1,970 thousand (Previous year Rs. Nil), bills of which are in the name of agency.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## 13. Non Current Investments

	30-Jun-12 (Rs.'000)	31-Mar-11 (Rs.'000)
<b>Trade investments (valued at cost unless stated otherwise)</b>		
<b>Investment in equity instruments (quoted)</b>		
Godfrey Philips India Limited 17,300 (Previous year 17,300) equity shares of Rs.10 each fully paid up	24,925	24,925
Spicejet Limited 140,288 (Previous year 140,288) equity shares of Rs.10 each fully paid up*	4,693	7,788
(at cost less provision for other than temporary diminution in value Rs 3,096 thousand (Previous year Nil))		
	<b>29,618</b>	<b>32,713</b>
<b>Non Trade investments (unquoted) (valued at cost unless stated otherwise)</b>		
<b>In Other Company</b>		
Plus Paper Foodpac Limited *	47,642	68,060
3,403,000 (Previous year 3,403,000) equity shares of Rs.10 each fully paid up (at cost less provision for other than temporary diminution in value Rs 20,418 thousand (Previous year Nil))	-	-
<b>In Government Security</b>		
5 (Previous year 5) National Saving Certificates of Rs.10 thousand each (Purchased in the name of an employee of the Company and pledged with sales tax department)	50	50
<b>In a Trust</b>		
Interest as sole beneficiary in an Independent Non Promoter Trust **	373,798	373,799
	<b>421,490</b>	<b>441,909</b>
	<b>451,108</b>	<b>474,622</b>
Aggregate amount of quoted investments in equity shares [Market Value Rs 65,502 thousand, (Previous year Rs 38,589 thousand)]	29,618	32,713
Aggregate amount of unquoted investments	421,490	441,909
* Aggregate provision for diminution in value of investments	23,514	-

\*\*The trust is holding 35,301,215 equity shares of the Company, the sole beneficiary of which is the Company.

## 14.1 Deferred tax liabilities (net)

	30-Jun-12 (Rs.'000)	31-Mar-11 (Rs.'000)
<b>Deferred tax liabilities</b>		
- Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	27,591	32,356
<b>Gross deferred tax liabilities</b>	<b>27,591</b>	<b>32,356</b>
<b>Deferred tax assets</b>		
- Effect of expenditure debited to Statement of Profit and Loss in the current / earlier periods but allowable for tax purposes in following years	5,967	8,745
- Provision for doubtful debts and advances	15,253	16,519
<b>Gross deferred tax assets</b>	<b>21,220</b>	<b>25,264</b>
<b>Deferred tax liabilities (net)</b>	<b>6,371</b>	<b>7,092</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

## 14.2 Deferred tax assets (net)\*

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Deferred tax assets</b>		
- Effect of expenditure debited to Statement of Profit and Loss in the current / earlier periods but allowable for tax purposes in following years	-	9,425
- Provision for doubtful debts and advances	-	6,420
<b>Gross deferred tax assets</b>	-	15,845
<b>Deferred tax liabilities</b>		
- Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	-	8,999
<b>Gross deferred tax liabilities</b>	-	8,999
<b>Deferred tax assets (net)</b>	-	6,846

\* Refer Note No. 39

## 15. Loans and advances

	Non-current		Current	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Capital advances</b>				
Unsecured, considered good	322,262	5,652	-	-
	322,262	5,652	-	-
<b>Security deposits</b>				
Unsecured, considered good	186,606	247,785	8,609	1,256
Doubtful	35,336	35,260	-	-
	221,942	283,045	8,609	1,256
Provision for doubtful security deposits	35,336	35,260	-	-
	186,606	247,785	8,609	1,256
<b>Loan and advances to related parties (note 37)</b>				
Unsecured, considered good	-	-	62,714	43,901
<b>Advances recoverable in cash or kind</b>				
Unsecured considered good	-	-	162,538	97,246
Doubtful	-	-	34,571	31,096
	-	-	259,823	172,243
Provision for doubtful advances	-	-	34,571	31,096
	-	-	225,252	141,147
<b>Other loans and advances</b>				
Unsecured, considered good				
Advance income-tax (net of provision for taxation)	-	-	453,816	415,628
Advance against Investment	-	-	-	56,440
Prepaid expenses	187	107	69,432	14,358
MAT Credit Entitlement (note 40)	182,491	177,380	-	-
Loans to employees	125	29,606	7,472	12,205
Balances with statutory / government authorities	2,066	2,168	385,201	116,580
	184,869	209,261	915,921	615,211
	693,737	462,698	1,149,782	757,614

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

## 16. Trade Receivables and Other Assets

### 16.1. Trade Receivables

	Non-current		Current	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Unsecured, considered good unless stated otherwise</b>				
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Secured, considered good	-	-	3,554	-
Unsecured, considered good	-	-	82,941	74,443
Doubtful	-	-	86,965	69,719
	-	-	173,460	144,162
Provision for doubtful receivables	-	-	86,965	69,719
	-	-	86,495	74,443
<b>Other receivables</b>				
Secured, considered good	-	-	26,945	-
Unsecured, considered good	-	-	1,458,424	1,414,074
Doubtful	-	-	62,418	20,883
	-	-	1,547,787	1,434,957
Provision for doubtful receivables	-	-	62,418	20,883
	-	-	1,485,369	1,414,074
	-	-	1,571,864	1,488,517

### 16.2. Other assets

	Non-current		Current	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Unsecured, considered good unless stated otherwise</b>				
<b>Non-current bank balances (note 19)</b>	11,195	221,440	-	-
<b>Unamortized expenditure</b>				
Unamortized premium on forward contract	-	-	10,617	8,587
	-	-	10,617	8,587
<b>Others</b>				
Interest accrued on fixed deposits with banks	-	-	15,257	26,195
Interest receivable on Income Tax Refund	-	-	19,092	21,963
Interest accrued on loan to others	-	-	1,308	8,072
Income accrued on Fixed Maturity Plan Investments	-	-	1,125	964
Dividend receivable on current investments	-	-	615	70
Unbilled Revenue	-	-	437,301	437,757
Incentive Receivable on purchases	-	-	15,194	30,491
Inventory of Promotional items	-	-	4,296	4,924
Fixed assets held for sale (at lower of net book value and estimated net realizable value)	-	-	10,280	10,307
	-	-	504,468	540,743
	11,195	221,440	515,085	549,330

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## 17. Current investments

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Current investments (unquoted) (valued at lower of cost and fair value, unless stated otherwise)</b>		
<b>Units in Mutual Funds of Rs 10 each</b>		
43,976,788 (Previous year Nil) Birla Sunlife Dynamic Bond Fund-Retail Plan-Monthly Dividend *	461,695	-
Nil (Previous year 77,501,764) HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option-Dividend Reinvestment daily	-	781,288
Nil (Previous year 8,065,520) Birla Sunlife Floating Rate Fund-Daily Dividend	-	80,655
Nil (Previous year 1,693,781) SBI Magnum Income Fund - Savings Plus Bond Weekly Dividend	-	18,516
Nil (Previous year 9,541,256) Birla Sunlife Magnum Dynamic Bond Fund-Retail Plan-Monthly Dividend	-	100,244
Nil (Previous year 3,000,000) ICICI Prudential FMP Series 55 - 6 Months Plan A Dividend	-	30,000
1,040,357 (Previous year 24,853) HDFC Cash Management Fund Treasury Advantage Plan- Wholesale - Daily Dividend, Option Reinvest	10,436	249
3,739,102 (Previous year 2,000,000) K Multi Asset Allocation Fund-Quarterly Dividend	40,000	20,000
4,298,220 (Previous year Nil) SBI Dynamic Bond Fund - Dividend	49,563	-
1,026,021 (Previous year Nil) Religare credit opportunities Fund - Institutional Daily Dividend	10,263	-
1,946,814 (Previous year Nil) Religare credit opportunities Fund - Regular Monthly Dividend	19,883	-
697,005 (Previous year Nil) Reliance Regular Saving Fund-Debt Plan-Growth option	10,000	-
835,995 (Previous year Nil) UTI Bond Fund Dividend Plan Payout	9,963	-
559,538 (Previous year Nil) Birla Sun Life Dynamic Bond Fund -Retail- Growth	10,000	-
<b>Units in Mutual Funds of Rs 10 each</b>		
884,580 (Previous year Nil) Tata MIP Plus Dividend- Quarterly	9,773	-
1,937,046 (Previous year Nil) ICICI Prudential Regular Saving Fund Quarterly Dividend	19,689	-
Nil (Previous year 1,000,000) BNP Paribas MF Fixed Term Fund - Ser 21 H Cal Quarter Dividend	-	10,000
89,111 (Previous Year Nil) Birla Sun Life Dynamic Bond Fund - Quarterly Dividend	10,000	-
<b>Units in Mutual Funds of Rs 1000 each</b>		
8,733 (Previous Year Nil) Templeton India Short Term Income Plan - quarterly dividend	10,000	-
<b>Current portion of long-term investments (unquoted) (valued at cost)</b>		
<b>Units in Mutual Funds of Rs 10 each</b>		
Nil (Previous year 1,000,000 ) SBI Debt Fund Series -370 Days- 9 -Dividend	-	10,000
Nil (Previous year 1,000,000) IDFC Fixed Maturity Plan Yearly Series 37 - Dividend	-	10,000
Nil (Previous year 2,000,000) Kotak FMP Series 35 - Dividend	-	20,000
2,000,000 (Previous year Nil) DWS Fixed Maturity Plan - Series 5 - Growth Plan	20,000	-
1,000,000 (Previous year Nil) IDFC FMP-YEARLY SERIES-50-Quarterly Dividend	10,000	-
Nil (Previous year 1,000,000) ICICI Prudential FMP - Series 55-13 Months Plan B Dividend	-	10,000
	<b>701,265</b>	<b>1,090,952</b>
Aggregate amount of unquoted investments in units of Mutual Funds [Net Asset Value Rs. 704,645 thousand, (Previous year Rs. 1,20,664 thousand)]	<b>701,265</b>	<b>1,090,952</b>
* Aggregate provision for diminution in the value of investments	<b>3,515</b>	-

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## 18. Inventories (valued at lower of cost and net realizable value)

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Raw materials and components (Including stock in transit Rs. Nil, Previous year Rs. 27,101 thousand)	158	104,739
Work-in-progress	259	1,601
Traded goods (Including stock in transit Rs. 10,082 thousand, Previous year Rs. 55,715 thousand)	1,050,162	956,066
Finished goods	10,949	17,665
Service components and spares (Including stock in transit Rs. 739 thousand, Previous year Rs. 1,941 thousand)	55,902	75,587
	<b>1,117,430</b>	<b>1,155,658</b>

## 19. Cash and bank balances

	Non-current		Current	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Cash and cash equivalents</b>				
<i>Balances with banks:</i>				
– On current accounts	-	-	359,870	380,004
– Deposits with original maturity of less than three months	-	-	91,944	51,319
– On unpaid dividend account	-	-	4,366	3,026
Cheques/ drafts on hand	-	-	-	48,512
Cash on hand	-	-	17,643	19,465
	-	-	<b>473,823</b>	<b>502,326</b>
<b>Other bank balances</b>				
– Deposits with original maturity for more than 12 months	-	-	358	40,303
– Deposits with original maturity for more than 3 months but less than 12 months	-	-	417,313	644,215
– Margin money deposit	11,195	221,440	282,732	760,623
	<b>11,195</b>	<b>221,440</b>	<b>700,403</b>	<b>1,445,141</b>
Amount disclosed under non-current assets (note 16.2)	<b>(11,195)</b>	<b>(221,440)</b>		
	-	-	<b>1,174,226</b>	<b>1,947,467</b>

### Margin money deposits given as security

Margin money deposits with a carrying amount of Rs. 293,927 thousand (Previous year Rs. 982,063 thousand) are subject to first charge to secure the Group's letter of credits and bank guarantees.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

## 20. Revenue from operations

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Revenue from operations		
Sales of finished goods	2,010,234	415,770
Sales of traded goods	22,379,034	17,432,381
Sale of telecom related software	23,801	1,244
Value Added Service Revenue	2,817,757	2,063,870
Income from Services	171,679	174,484
Revenue from operations (gross)	27,402,505	20,087,749
Less: Excise duty #	23,250	5,714
Revenue from operations (net)	27,379,255	20,082,035

# Excise duty on sales amounting to Rs. 23,250 thousand (Previous year Rs. 5,714 thousand) has been reduced from sales in Statement of profit and loss.

## 21. Other income

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Interest income on		
Bank deposits	140,465	81,323
Loan to employees and bodies corporates	11,164	23,147
Income tax refunds	20,550	22,984
Income on Long-term investments in Fixed maturity plan (other than trade)	275	111,667
Income on Current investments in Fixed maturity plan (other than trade)	-	21,397
Dividend income on		
Current investments (non- trade)	52,356	40,080
Long-term investments (trade)	606	433
Long-term investments (non trade)	4,173	-
Exchange difference (net)	-	25,333
Provisions and unclaimed balances written back (net)	41,391	69,482
Rent Received	4,145	850
Profit on sale of Current Investments in units of mutual fund (other than trade)	3,302	4,171
Profit on sale of Long Term Investments in units of mutual fund (other than trade)	-	10,647
Profit on disposal of Fixed Assets (net)	12,205	-
Miscellaneous income	960	13,221
	291,592	424,735

## 22. Cost of raw materials and components consumed

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Inventory at the beginning of the period	104,739	1,181
Add: Purchases	1,530,132	462,336
	1,634,871	463,517
Less: inventory at the end of the period	158	104,739
Cost of raw material and components consumed	1,634,713	358,778

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## 23. (Increase)/ decrease in inventories

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)	(Increase) / decrease
<b>Inventories at the end of the period</b>			<b>30-Jun-12</b>
<i>Traded goods</i>	<b>1,049,815</b>	956,066	<b>(93,749)</b>
Finished goods	<b>10,949</b>	17,665	<b>6,716</b>
Work-in-progress	<b>259</b>	1,601	<b>1,342</b>
Service components and spares	<b>55,902</b>	75,587	<b>19,685</b>
	<b>1,116,925</b>	1,050,919	<b>(66,006)</b>
<b>Inventories at the beginning of the period</b>			<b>31-Mar-11</b>
<i>Traded goods</i>	<b>956,066</b>	1,622,607	<b>666,541</b>
Finished goods	<b>17,665</b>	-	<b>(17,665)</b>
Work-in-progress	<b>1,601</b>	1,557	<b>(44)</b>
Service components and spares	<b>75,587</b>	54,221	<b>(21,366)</b>
	<b>1,050,919</b>	1,678,385	<b>627,466</b>
	<b>(66,006)</b>	627,466	

## 24. Employee benefit expense

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Salaries, wages and bonus	<b>1,550,373</b>	947,064
Contribution to provident and other funds	<b>86,586</b>	55,524
Leave encashment	<b>7,342</b>	20,636
Gratuity expense (note 30)	<b>(5,010)</b>	16,104
Staff welfare expenses	<b>79,734</b>	46,084
	<b>1,719,025</b>	1,085,412

## 25. Connectivity and content cost

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Value added service charges	<b>1,271,903</b>	784,165
Sub contract charges	<b>12,990</b>	135
	<b>1,284,893</b>	784,300

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

## 26.1 Other expenses

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Power and fuel	2,281	793
Rent	531,348	291,595
Rates and taxes	66,672	65,284
Insurance	19,707	13,921
Repairs and maintenance		
-Buildings	3,052	2,064
-Plant & Machinery	636	60
-Others	95,546	76,732
Freight and forwarding charges	98,573	86,520
Advertisement and sales promotion	961,186	650,714
Commission on sales - other than sole selling agent	61,521	26,033
Travelling and conveyance	304,976	164,557
Director's Commission	-	7,744
Directors' sitting fees	2,255	1,024
Payment To Auditors (Refer details below)	24,549	22,852
Legal and professional expenses	135,192	79,309
Customer service expenses	284,712	313,888
Donation and contributions to charitable institutions	360	283
Provision for doubtful debts and advances	62,333	33,675
Bad debts and advances written off	53,948	44,588
Less :Adjusted against provision for doubtful debts and advances	-	(1,517)
Exchange difference (net)	87,324	-
Diminution in the value of current investments	3,515	-
Software Development Expenses Written off	5,954	-
Loss on sale of Current Investments	834	125
Loss on disposal of fixed assets (net)	-	5,386
Credit Card Charges	42,360	32,997
Bank charges	15,577	8,412
Miscellaneous expenses	321,467	231,715
	<b>3,185,878</b>	<b>2,158,754</b>
<b>Payment to statutory auditors</b>		
As auditor:		
Audit fee	9,499	8,299
Tax audit fee	1,612	1,213
Limited review	10,800	8,259
In other capacity:		
Other services (certification fees)	1,248	4,388
Reimbursement of expenses	1,391	693
	<b>24,549</b>	<b>22,852</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## 26.2 Exceptional items

Exceptional item of Rs 23,514 thousand in the current period represents the provision made for diminution in the value of long term investment in two companies.

Exceptional items of Rs. 239,269 thousand in previous year represented the profit on sale of investment in Bharat BPO Services Limited, a joint venture company disposed on April 1, 2010. The amount represents the excess of sale proceeds over the Group's proportionate share in the net worth of the joint venture company.

## 27. Depreciation and amortization expense

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Depreciation of tangible assets	298,532	259,023
Amortization of intangible assets	114,972	74,828
	<b>413,504</b>	<b>333,851</b>

## 28. Finance costs

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Interest Cost (including Rs. 2,285 thousand (Previous year Rs. 3,443 thousand) on Income Tax)	3,189	25,835
	<b>3,189</b>	<b>25,835</b>

## 29. Earnings per share (EPS)

The following reflects the (loss)/profit and share data used in the basic and diluted EPS computations:

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Total operations for the period</b>		
(Loss)/ Profit after tax	(97,098)	1,040,317
<b>Net (Loss)/profit for calculation of basic and diluted EPS</b>	<b>(97,098)</b>	<b>1,040,317</b>
	<b>Nos.</b>	<b>Nos.</b>
Weighted average number of equity shares in calculating basic EPS	<b>238,086,285</b>	238,086,285
<b>Weighted average number of equity shares in calculating diluted EPS</b>	<b>238,086,285</b>	<b>238,086,285</b>

## 30. Disclosure under accounting Standard-15(revised) on 'Employee Benefits'

### a) Defined Contribution Plan

Particulars	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Contribution to provident fund	77,398	30,902
	<b>77,398</b>	<b>30,902</b>

### b) Details of employee benefits

The Parent Company and its Indian subsidiaries have defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service or part thereof in excess of six months.

The following tables summaries the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity plans.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

## Statement of profit and loss

### Net employee benefit expense (recognized in the employee cost) for gratuity

Particulars	Gratuity	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Current service cost	15,270	16,763
Interest cost on benefit obligation	5,528	2,832
Expected return on plan assets	(1,228)	(579)
Net actuarial( gain) / loss recognized in the period	(24,581)	(3,003)
Past Service Cost	-	91
<b>Net benefit expense</b>	<b>(5,010)</b>	<b>16,104</b>
Actual return on plan assets	1,210	654

## Balance sheet

### Detail of Provision for Gratuity - Funded

Particulars	Gratuity	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Present value of defined benefit obligation	29,008	33,526
Fair value of plan assets	18,514	10,812
<b>Plan asset / (liability)*</b>	<b>(10,494)</b>	<b>(22,714)</b>

\* Net of Gratuity Recoverable of Rs 40 thousand in a subsidiary company, included under loans and advances in Note 15.

### Detail of Provision for Gratuity - Non Funded

Particulars	Gratuity	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Present value of defined benefit obligation	17,254	18,507
Fair value of plan assets	-	-
<b>Plan asset / (liability)</b>	<b>(17,254)</b>	<b>(18,507)</b>

### Changes in the present value of the defined benefit obligation are as follows:

Particulars	Gratuity	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Opening defined benefit obligation	52,033	39,100
Adjustments*	-	(489)
Current service cost	15,270	16,763
Interest cost	5,528	2,832
Liability transferred from/ (to) another company **	1,954	(2,644)
Past Service Cost	-	91
Benefits paid***	(3,922)	(711)
Actuarial (gains) on obligation	(24,599)	(2,909)
<b>Closing defined benefit obligation</b>	<b>46,264</b>	<b>52,033</b>

\* Relating to Bharat BPO Services Limited, a joint venture company disposed on April, 2010.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



\*\* Previous year figure represents liability transferred to another company pursuant to transfer of employees to that company. The current year figure represents liability transferred from another company pursuant to transfer of employees from that company.

\*\*\*includes Rs 1,219 thousand (Previous year Rs 75 thousand) paid directly by the Group.

**Changes in the fair value of plan assets are as follows:**

Particulars	Gratuity	
	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Opening fair value of plan assets	10,812	8,446
Expected return	1,228	579
Contributions by employer	9,195	2,330
Benefits paid	(2,703)	(636)
Actuarial (losses)/ gains	(18)	93
<b>Closing fair value of plan assets</b>	<b>18,514</b>	<b>10,812</b>

**The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:**

Particulars	Gratuity	
	30-Jun-12	31-Mar-11
Investments with insurer	100%	100%

**The principal assumptions used in determining gratuity obligations for the Group's plans are shown below:**

Particulars	Gratuity	
	30-Jun-12	31-Mar-11
Discount rate	7.5% - 8.5%	7.5% - 8%
Expected rate of return on assets	8% - 9.15%	8% - 9.15%
Rate of Escalation in salary	8%	10% - 15%
Employee turnover		
- Upto 30 years	4% - 20%	4% - 20%
- 30-44 years	4% - 20%	4% - 20%
- Above 44 years	1% - 20%	4% - 20%
Mortality rate	<b>As notified by LIC</b>	

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

**Amounts for the current and previous four periods are as follows:**

Particulars	30-Jun-12	31-Mar-11	31-Mar-10	31-Mar-09	31-Dec-07
	Rs` 000	Rs` 000	Rs` 000	Rs` 000	Rs` 000
<b>Gratuity</b>					
Defined benefit obligation	46,264	52,033	39,099	4,127	3,571
Plan assets	18,514	10,812	8,446	3,780	437
Surplus / (deficit)	27,751	41,221	30,653	347	3,134
Experience adjustments on plan liabilities	10,536	3,975	Not Available	623	Not Available
Experience adjustments on plan assets	(76)	77	Not Available	(2)	Not Available

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

## 31. Leases

### Assets taken under Operating Leases

Office premises and office equipments are obtained on operating lease. There are no contingent rents in the lease agreements. The lease terms are for 1-9 years and renewable by mutual agreement of both the parties. There is no escalation clause in the lease agreements. There are no restrictions imposed by lease arrangements. The total of future minimum lease payments under the non cancellable operating leases is as under:

Particulars	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Within one year	20,754	13,761
After one year but not more than five years	12,632	18,660
More than five years	-	-
	<b>33,386</b>	<b>32,421</b>

### Assets given on Operating Leases

The Parent Company has given some portion of factory building at Baddi in the state of Himachal Pradesh on operating lease. The initial lease terms are for 3 years and renewable at the option of the lessee for a maximum renewal period of 6 years. There are no restrictions imposed by lease agreement and there are no contingent rents.

Particulars	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Within one year	330	-
After one year but not more than five years	12	427
More than five years	-	-
	<b>342</b>	<b>427</b>

## 32. Accounting of amalgamation

- Pursuant to the Scheme of Amalgamation ["the Scheme"] U/s 391 to 394 of the Companies Act 1956, Spice Distribution Limited (Transferor Company), a Subsidiary of the Subsidiary (Hindustan Retail Pvt. Ltd.) of the Company stands merged with fellow Subsidiary Spice Retail Limited (Transferee Company) w.e.f. April 1, 2011 ["the appointed date"] in terms of the orders dated July 10, 2012 of the Hon'ble High Court of Himachal Pradesh, sanctioning the Scheme and is effective from July 31, 2012. With effect from the appointed date, all the business undertaking, assets, liabilities, rights and obligations of the Transferor Company stood transferred to and vested in Spice Retail Limited.
- The amalgamation has been accounted for by applying the pooling of interest method of accounting, where in all the assets and liabilities of the Transferor Company has been accounted for at their book values as on April 1, 2011. The accounts of the Transferor Company has been merged with the accounts of the Transferee Company w.e.f. April 1, 2011 i.e. the appointed date based on the audited accounts for the year ended March 31, 2011.

- Pursuant to the Scheme of Amalgamation ["the Scheme"] U/s 391/394 of the Companies Act 1956, Spice Televentures Private Limited (Transferor Company), the erstwhile Holding Company of the Company, was merged with the Company w.e.f. January 01, 2010 ["the appointed date"] in terms of the Orders dated November 2, 2010 and October 8, 2010 of the Hon'ble High Courts of judicature at Allahabad and New Delhi respectively, sanctioning the Scheme and was effective from November 4, 2010. With effect from the appointed date, all the business undertaking, assets, liabilities, rights and obligations of the Transferor Company stood transferred to and vested in the Company. The accounting of said scheme of amalgamation was carried out in the last years' accounts.

## 34. Segment information

### Primary segments: Business Segments

The Spice Group has organized its operations into two primary business segments, -

- Devices – The segment is engaged in trading and manufacturing of mobile handsets, IT products and their accessories.
- Value Added Services - The segment is engaged in Information and Communication Technology business providing Value Added Services to the Telecom Operators and development and sale of telecom related software.

These are the reportable segments as per Accounting Standard-17 on Segment Reporting issued by the Institute of Chartered Accountants of India. These have been identified taking into account the nature of activities carried out.

### Secondary Segments: Geographical Segment

The analysis of geographical segment is based on geographical location of the customers. Costs directly attributable to either segment are accounted for in the respective segment.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## Segment Information

The following table presents segment revenues, results, assets and liabilities in accordance with AS- 17.

Business Segments	Amount in Rs. 000					
	Devices		Value Added Services		Consolidated Total	
	Jun'12	Mar'11	Jun'12	Mar'11	Jun'12	Mar'11
<b>Revenue</b>						
External Revenue / Sales*	24,510,204	18,076,028	2,915,064	2,158,867	27,425,268	20,234,895
Less : Inter Segment Revenue/ Sales					3,663	43,977
Net Revenue	24,510,204	18,076,028	2,915,064	2,158,867	27,421,605	20,190,918
Unallocated Corporate Revenue					249,242	315,848
Total Revenue					27,670,847	20,506,766
<b>Results</b>						
Segment result	(450,580)	378,528	251,673	517,390	(198,907)	895,918
Unallocated Corporate Revenue/( Expenses) (net)					53,887	(10,051)
Operating Profit					(145,020)	885,867
Interest Income					172,179	127,453
Dividend					57,134	40,513
Exceptional Item -						
Profit on sale of Investment in a Joint Venture Company					-	239,269
Provision for diminution in the value of investments.					(23,514)	-
Income from Investments in Mutual Fund units					3,576	147,881
Profit on disposal of Fixed Assets (net)					12,205	-
Interest Expenses					(3,189)	(25,835)
Net Profit Before Tax					73,372	1,415,148
Income Tax (Expense)					(103,049)	(305,865)
Deferred Tax Credit/(Charge)					(5,885)	7,864
Fringe Benefit Tax					-	445
Net Profit / (loss) after Tax					(35,561)	1,117,590
<b>Other Information</b>						
Segment Assets	6,442,219	5,673,975	2,585,479	1,873,478	9,027,698	7,547,453
Unallocated Corporate Assets					3,154,032	4,732,189
Total Assets					12,181,730	12,279,641
Segment Liabilities	2,612,942	2,607,272	680,486	481,872	3,293,428	3,089,144
Unallocated Corporate Liabilities					1,026,541	985,579
Total Liabilities					4,319,969	4,074,723
Capital Expenditure	1,131,960	489,178	280,984	122,986	1,412,944	612,164
Depreciation/ amortisation	213,252	200,068	195,015	132,693	408,267	332,761
Unallocated Depreciation/ amortization					5,237	1,090
Other Non Cash Expenses						
Provision for Doubtful debts and advances	55,954	24,741	6,379	7,417	62,333	32,158
Bad Debts and Advances Written off	4,520	13,589	49,428	30,999	53,948	44,588

\*External revenue/sales of a segment also include other operating revenue which are directly attributable to the segments.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



for the fifteen months period ended June 30, 2012

## Secondary Segment Reporting (by Geographical Segments)

The following table shows the distribution of the Group's consolidated revenue and debtors by geographical market:

Geographical Segment	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Revenue from the Domestic market	26,748,327	19,828,503
Revenue from the Overseas markets	630,927	253,531
Total Revenue	27,379,254	20,082,034
Debtors of Domestic market	1,381,656	1,417,085
Debtors of Overseas markets	190,208	71,432
Total Debtors	1,571,864	1,488,517

Note: The Group has common assets for producing goods for Domestic Market and Overseas Markets. Hence, separate figures for assets/ additions to fixed assets cannot be furnished.

## 35. Capital and other Commitments

	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
Estimated amount of contracts (Net of advances) remaining to be executed on capital account and not provided for.	10,315	147,593

## 36. Contingent Liabilities

Particulars	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Demand and claims from Government Authorities*</b>		
<b>Demand from Excise/ Service Tax Authorities</b>		
a) Demand raised by the Excise Authorities. The Parent Company has deposited Rs 2,000 thousand (Previous year Rs 2000 thousand) under protest and the same has been included in note no. 15 under balances with statutory/ government authorities.)	66,263	66,263
b) Demand in respect of non charging the service tax on the Short messaging peer-to-peer service including penalty thereon, (including Rs 8,600 thousand previous year Rs 6,000 thousand paid under protest which is appearing in note no. 15 under balances with statutory/ government authorities.) The management is of the view that it is an 'information technology service' and thus is exempt from the service tax. Based on discussions with the solicitors/ legal opinion taken by the subsidiary company, the management believes that the company has a good chance of success in the above mentioned case and hence, no provision there against is considered necessary.	86,571	83,184
c) Demand in respect of non-registration of corporate office as a input service distributor and availment of input service CENVAT credit. The management is of the view that since it is having central registration so there is no requirement for separately registering the corporate office as input service distributor.	16,113	14,420
d) Show cause notice in respect of non-payment of service tax on unbilled revenue The subsidiary company is of the view that the service tax liability becomes payable only on the actual billing	58,430	48,530
e) Show cause notice in respect of wrong availment of input service tax credit on various expenses The subsidiary company is of the view that the service tax are in relation to the output services provided and service tax paid hence can be availed.	2,068	4,074
<b>Demand from Sales Tax Authorities *</b>		
Various Sales Tax Demands	36,177	15,563

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



Particulars	30-Jun-12 (Rs. '000)	31-Mar-11 (Rs. '000)
<b>Demand from Income Tax Department *</b>		
Income Tax Demand being disputed by the Parent Company. The Income Tax Department has adjusted refund of subsequent year with the demanded amount.	27,078	-
<b>Penalty under Foreign Trade (Development and Regulation) Act, 1992, on account of non fulfillment of export obligation *</b>	40,860	40,860
<b>Various other claims against the Parent Company and a subsidiary not acknowledged as debts *</b>	6,969	6,099

\* As per the management, the Company has fair chances of success in all these cases and hence no provision in respect thereof has been made in the books.

## 37. Related Parties

### Names of related parties where control exists irrespective of whether transactions have occurred or not:

Ultimate Holding Company	Spice Global Investments Private Limited (w.e.f. January 31, 2012)
Holding Company	S i2i Mobility Pvt Limited (w.e.f. January 31, 2012)* Spice Global Investments Private Limited (w.e.f. Jan 1, 2010 pursuant to Scheme of Amalgamation) till January 30, 2012)
Individual having significant influence on the Group and relatives of such individuals	Mr. Dilip Modi Mrs. Divya Modi Mrs. Veena Modi

### Names of other related parties with whom transactions have taken place during the period:

Fellow Subsidiaries	Spice Entertainment Limited Wall Street Finance Limited Spice Investment & Finance Advisors Pvt. Ltd. Spice Online Retail Private Limited (w.e.f. December 20, 2010) G M Modi Hospitals Corporation Pvt Ltd Kimaan Exports Private Limited (Till December 24, 2010) Harjas Logic Systems Private Limited Goldman Securities Private Limited
Key Management Personnel	Ms. Preeti Malhotra- Executive Director Mr. Subramanian Murali – CFO Mr. Dilip Modi - Managing Director (Ceased to be MD w.e.f. February 9, 2012) Mr. Kunal Ahooja- Global Devices Head Mr. R S Desikan (Appointed CEO & Manager w.e.f. February 9, 2012) Mr. Saket Agarwal (CEO- Spice Digital Limited )
Relatives of key management personnel	Mrs. Usha Murali
Enterprises over which individuals having significant influence over the Company is able to exercise significant influence	Spice BPO Services Limited Hollywood Travels & Tours Pte Ltd. Plus Paper Foodpac Ltd. S i2i (Formerly known as Spice i2i and before that Media Ring) Bharat BPO Services Limited Bharat IT Services Limited V Corp Merchantile Limited

\* S i2i Mobility Pvt Ltd was the fellow subsidiary of the Group for the period January 12, 2012 to January 30, 2012.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## Details of Consolidated related party transactions

(Rs. '000)

Particulars		Ultimate Holding Company	Fellow Subsidiary							
		Spice Global Investments Private Limited	Spice Online Retail Pvt. Limited	Goldman Securities Private Limited	Spice Investments & Finance Advisors Pvt. Limited	Spice Enfotainment Limited	Wall Street Finance Limited	Kimaan Exports Private Limited (Till December 24, 2010)	G M Modi Hospitals Corporation Pvt Limited	Harjas Logic Systems Private Limited
<b>Transactions during the period</b>										
Sales of Goods	June 30, 2012	51	6,605	--	--	42	--	--	--	--
	March 31, 2011	101	--	--	3	33	--	--	--	--
Sales of Fixed Assets	June 30, 2012	--	--	--	--	--	--	--	441	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Purchase of Fixed Assets	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Purchases of traded goods and spares	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Interest Expense	June 30, 2012	--	--	--	2,260	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Interest Income	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Security Deposits/Given	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	40,500	--	--	--	--	--	--	--	--
Security Deposits/Refund	June 30, 2012	40,500	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Remuneration paid	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Customer Service Expenses	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Legal and Professional charges	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Recovery of branding cost (credit)	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	286,701	--	--	--	--
AMC for SAP maintenance reimbursement	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Advertisement and sales promotion	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Miscellaneous Expenses	June 30, 2012	--	--	--	--	--	2,257	--	10	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Rent Expense	June 30, 2012	--	--	--	--	--	--	--	--	2,527
	March 31, 2011	--	--	--	--	--	--	--	--	15,165
Rent Income	June 30, 2012	--	1,650	470	--	--	1,363	--	--	--
	March 31, 2011	--	--	319	--	--	--	--	--	--
Dividend paid	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Loans taken during the period	June 30, 2012	--	--	--	1,500,000	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Loans/advance given during the period	June 30, 2012	4,430	--	--	1,500,000	--	--	--	--	--
	March 31, 2011	10,000	--	--	--	--	--	30,363	--	--
Loans/advance repaid during the period	June 30, 2012	1,059	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Purchase of investments	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	455,075	--	--	--	--	--	--	--	--
Sale of investments	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	50,000	--	--	--	--
Provision in value of investments	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Loan received back during the period	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	10,000	--	--	--	--	--	--	--	--
Reimbursement of Expenses (recovered)	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	112,360	--	--	--	17,496	--	--	--	--
Reimbursement of Expenses (provided)	June 30, 2012	--	--	150	--	--	--	--	--	--
	March 31, 2011	--	--	--	1,816	--	--	--	--	--
<b>Outstanding balances at the end of period</b>										
Receivables Considered Good	June 30, 2012	--	3,289	--	--	--	--	--	--	--
	March 31, 2011	24	--	4	--	--	--	--	--	--
Payables	June 30, 2012	--	--	63	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	2,940	--	--	--	--
Loan/advances receivable	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	40,500	--	--	--	--	--	--	--	--
Provision in value of investments	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--
Interest Receivable	June 30, 2012	--	--	--	--	--	--	--	--	--
	March 31, 2011	--	--	--	--	--	--	--	--	--

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## Details of Consolidated related party transactions

(Rs. '000)

Particulars		KMP					Relatives of key management personnel	Individuals having significant influence over the company and their relatives	
		Mr. Kunal Ahoja	Mr. R S Desikan	Ms. Preeti Malhotra	Mr. Subramanian Murali	Mr. Saket Agarwal	Ms. Usha Murali	Mr. Dilip Modi	Mrs. Veena Modi
<b>Transactions during the period</b>									
Sales of Goods	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	6,336
Sales of Fixed Assets	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Purchase of Fixed Assets	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Purchases of traded goods and spares	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Interest Expense	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Interest Income	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	1,050	-	-	-	-	-	-	-
Security Deposits/Given	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Security Deposits/Refund	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Remuneration paid	June 30, 2012	13,148	1,596	6,000	18,612	15,625	135	3,600	-
	March 31, 2011	32,351	-	8,884	16,395	12,500	-	23,434	-
Customer Service Expenses	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Legal and Professional charges	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Recovery of branding cost (credit)	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
AMC for SAP maintenance reimbursement	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Advertisement and sales promotion	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Miscellaneous Expenses	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	108	-	-
Rent Expense	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Rent Income	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Dividend paid	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	216	-	-	-	1,500	-
Loans taken during the period	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Loans/advance given during the period	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Loans/advance repaid during the period	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Purchase of investments	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Sale of investments	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Provision in value of investments	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Loan received back during the period	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Reimbursement of Expenses (recovered)	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Reimbursement of Expenses (provided)	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
<b>Outstanding balances at the end of period</b>									
Receivables Considered Good	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Payables	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	21,000	-	2,808	5,000	-	-	-	-
Loan/advances receivable	June 30, 2012	-	-	3,640	-	-	-	15,174	-
	March 31, 2011	10,000	-	-	-	-	-	-	-
Provision in value of investments	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	-	-
Interest Receivable	June 30, 2012	-	-	-	-	-	-	-	-
	March 31, 2011	1,050	-	-	-	-	-	-	-

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## Details of Consolidated related party transactions

(Rs. '000)

Particulars		Enterprises over which individual having significant influence over the Company is able to exercise significant influence						Total
		V Corp Mercantile Limited	Plus Paper Foodpac Limited	Hollywood Travels & Tours Pte Limited	Spice BPO Services Limited	Bharat IT Services Ltd.	S i2i (Formerly known as Spice i2i and before that Media Ring)	
<b>Transactions during the period</b>								
Sales of Goods	June 30, 2012	-	-	-	-	-	-	6,698
	March 31, 2011	-	-	-	-	-	634	7,108
Sales of Fixed Assets	June 30, 2012	-	-	-	-	-	-	441
	March 31, 2011	-	-	-	-	-	-	-
Purchase of Fixed Assets	June 30, 2012	-	-	-	-	13,510	48	13,558
	March 31, 2011	-	-	-	-	-	-	-
Purchases of traded goods and spares	June 30, 2012	-	1,551	-	-	-	1,110,880	1,112,430
	March 31, 2011	-	885	-	-	-	3,255,309	3,256,194
Interest Expense	June 30, 2012	-	-	-	-	-	-	2,260
	March 31, 2011	-	-	-	-	-	-	-
Interest Income	June 30, 2012	-	-	-	-	6,581	-	6,581
	March 31, 2011	-	-	-	-	-	-	17
Security Deposits/Given	June 30, 2012	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	40,500
Security Deposits/Refund	June 30, 2012	-	-	-	4,472	-	-	44,972
	March 31, 2011	-	-	-	-	-	-	-
Remuneration paid	June 30, 2012	-	-	-	-	-	-	58,716
	March 31, 2011	-	-	-	-	-	-	93,564
Customer Service Expenses	June 30, 2012	-	-	-	6,862	-	-	6,862
	March 31, 2011	-	-	-	-	-	-	-
Legal and Professional charges	June 30, 2012	-	-	-	-	-	1,130	1,130
	March 31, 2011	-	-	-	-	-	-	-
Recovery of branding cost (credit)	June 30, 2012	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	286,701
AMC for SAP maintenance reimbursement	June 30, 2012	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	2,978	-	2,978
Advertisement and sales promotion	June 30, 2012	-	-	-	-	-	-	-
	March 31, 2011	130	-	-	-	-	1,040	1,169
Miscellaneous Expenses	June 30, 2012	98,182	-	-	-	22	-	100,471
	March 31, 2011	-	-	2,382	-	-	-	2,490
Rent Expense	June 30, 2012	-	-	-	-	-	-	2,527
	March 31, 2011	-	-	-	-	-	-	8,936
Rent Income	June 30, 2012	-	662	-	-	-	-	4,145
	March 31, 2011	-	529	-	-	-	-	848
Dividend paid	June 30, 2012	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	1,716
Loans taken during the period	June 30, 2012	-	-	-	-	-	-	1,500,000
	March 31, 2011	-	-	-	-	-	-	-
Loans/advance given during the period	June 30, 2012	-	-	-	-	-	-	1,504,430
	March 31, 2011	-	-	-	-	-	-	40,363
Loans/advance repaid during the period	June 30, 2012	-	-	-	-	-	-	1,059
	March 31, 2011	-	-	-	-	-	-	-
Purchase of investments	June 30, 2012	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	455,075
Sale of investments	June 30, 2012	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	50,000
Provision in value of investments	June 30, 2012	-	20,418	-	-	-	-	20,418
	March 31, 2011	-	-	-	-	-	-	-
Loan received back during the period	June 30, 2012	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	10,000
Reimbursement of Expenses (recovered)	June 30, 2012	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	129,856
Reimbursement of Expenses (provided)	June 30, 2012	-	-	-	-	-	-	150
	March 31, 2011	-	-	-	-	-	-	1,816
<b>Outstanding balances at the end of period</b>								
Receivables Considered Good	June 30, 2012	-	593	-	-	-	-	3,882
	March 31, 2011	-	-	-	-	-	-	28
Payables	June 30, 2012	-	-	-	-	-	97,334	97,397
	March 31, 2011	-	529	-	-	-	31,477	63,755
Loan/advances receivable	June 30, 2012	-	-	-	-	43,900	-	62,714
	March 31, 2011	-	-	-	-	-	-	50,500
Provision in value of investments	June 30, 2012	-	20,418	-	-	-	-	20,418
	March 31, 2011	-	-	-	-	-	-	-
Interest Receivable	June 30, 2012	-	-	-	-	-	-	-
	March 31, 2011	-	-	-	-	-	-	1,050

### Notes :

- No amount has been provided as doubtful debts or advances/written off or written back in respect of debts due from/to above parties.
- The Company has interest as sole beneficiary in an Independent Non- Promoter Trust, which holds 3,53,01,215 equity shares of the Company {refer Note no. 6d.(ii)}

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



## 38. Derivative Instruments and Unhedged Foreign Currency Exposure as at the reporting date

(A)

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Sell	
US \$ 17,888,373 (Previous year US\$ 22,153,933)	Hedge of Import Creditors / pending purchase commitments

The amounts of foreign currency exposure that are not hedged by a derivative instrument are as under:

Particulars	Currency	30-Jun-12	
		Amount in FC	Amount (in ₹000)
Payable to suppliers	USD	27,865	1,550
Advance to suppliers and other receivable	USD	1,746,538	94,946
Receivables	USD	791,343	44,798
Receivables	MUR	525,130	915
Receivables	SGD	100,000	5,375
Receivables	Euro	16,034	1,130
Receivables	Taka	64,349,770	43,355
Receivables	IDR	94,543,075	583
Balance with banks	USD	116,115	4,440
Balance with banks	SGD	94,823	4,174

Particulars	Currency	31-Mar-11	
		Amount in FC	Amount (in ₹000)
Payable to suppliers	USD	7,384,756	329,363
Payable to suppliers	SGD	12,851	461
Advance to suppliers and other receivable	USD	8,329,832	371,510
Receivables	USD	641,744	28,632
Receivables	MUR	928,201	1,538
Receivables	SGD	16,286	584
Receivables	Euro	6,822	431
Advance for Investments	USD	1,264,063	56,440
Cash	USD	1,928	86
Balance with banks	USD	121,532	5,426

39. Consequent to the adoption of the Accounting Standard 22 'Accounting for taxes on Income', the Parent Company and some of the subsidiary companies have a net deferred tax asset comprising of carry forward of losses and unabsorbed depreciation under tax laws. However, as the subsequent realization of such asset is not virtually certain in the near future, the management is of the view that it is prudent not to recognize deferred tax assets. Accordingly, no deferred tax asset has been recognised.
40. The asset of Rs. 182,491 thousand (Previous Year Rs. 177,380 thousand) recognized by the Group as 'MAT Credit Entitlement' under 'Loans and Advances', in respect of MAT payment for earlier years, represents that portion of MAT liability which can be recovered and set off in subsequent periods based on the provisions of Section 115JAA of the Income Tax Act, 1961. The management based on the present trend of profitability and also the future profitability projections, is of the view that there would be sufficient taxable income in foreseeable future, which will enable the respective group companies to utilize MAT credit assets.
41. The Group has recognized and is carrying forward a goodwill of Rs. 2,026,269 thousand (Previous year Rs. 2,026,269 thousand) in respect of Hindustan Retail India Private Limited, a wholly owned subsidiary of the Parent Company and its two subsidiaries. Based on the financial statements of these subsidiaries, their net worth is substantially lower than the group's investment in these companies.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the fifteen months period ended June 30, 2012



In respect of these entities, such goodwill has been tested for impairment using the cash flow projections, which are based on most recent financial budgets/ forecasts approved by the management and/ or the fair value of the companies as on June 30, 2012.

42. During the current period, the Group has acquired Spice Vas Tanzania Limited which has effect of increase in assets and liabilities by Rs. 117,376 thousand and Rs. 120,214 thousand respectively and increase in net profit attributable to shareholders by Rs. 1,681 thousand in Consolidated Financial Statements. Further, during the period, the Group has floated S Retail FZE, S Retail LLC, S Mobility Pte Limited, S Mobility (HK) Limited, Spice Vas Ghana Limited, Spice Vas Zambia Limited, Spice Digital South Africa Pty. Limited.
43. A sum of Rs 319,436 thousand (USD 6,000 thousand) has been given to a party by a subsidiary during the current period towards technical knowhow and technical support relating to mobile handset technologies. The services under the agreement has not yet started and hence, no amortization for such technical know how has been provided during the current period. The amount has been disclosed as advances in note no 15 of the financial statement.
44. Till the year ended March 31, 2011, the Group was using pre-revised Schedule VI of the Companies Act, 1956 for the preparation and presentation of its Consolidated financial statements. During the period ended June 30, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Group. The Group has reclassified the previous year figures to conform to this period's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for the preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of the balance sheet.

Current year's accounts are prepared for the fifteen months period April 1, 2011 to June 30, 2012. However, the Statement of profit and loss of the Group for the last year is for the year ended March 31, 2011. Hence, current year's figures are not comparable with those of the previous period.

As per our report of even date

**For S.R. BATLIBOI & CO.**  
Chartered Accountants  
**Firm Registration No. 301003E**

**per Anil Gupta**  
Partner  
Membership No. 87921

Place : New Delhi  
Date : 24<sup>th</sup> August, 2012

**For and on behalf of the Board of Directors of S Mobility Limited**

**Dilip Modi**  
Director

**Subroto Chattopadhyay**  
Director

**Subramanian Murali**  
Chief Financial Officer

**Preeti Malhotra**  
Executive Director and Company Secretary

**R S Desikan**  
Chief Executive Officer and Manager

# STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Sr. No.	Name of Subsidiary Company	Reporting Currency	Exchange Rate (Rs.)	Capital	Reserves	Total Assets	Total Liabilities	Details Of Investments ( Except in case of Subsidiary Company)	Turnover/ Total Income	Profit Before Taxation	Provision For Taxation	Profit After Taxation	Proposed Dividend	Country
1	Spice Digital Limited	INR	-	428,897	2,548,527	3,627,675	3,627,675	2,19,705	2,698,935	441,634	84,132	357,501	2,14,448	India
2	Hindustan Retail Pvt Limited	INR	-	635,300	(16,373)	2,456,175	2,456,175	-	734	(2,241)	-	(2,241)	-	India
3	Kimana Export Pvt Limited	INR	-	200	8,216	184,583	184,583	-	32,446	26,574	7,357	19,217	-	India
4	S Mobility Pte. Limited	SGD	44.07	12,406	(11,773)	633	633	-	-	(11,545)	-	(11,545)	-	Singapore
5	S Mobility (HK) Limited	USD	55.62	64	2,159	8,427	8,427	-	41,283	2,517	404	2,113	-	Hong Kong
6	Spice Retail Limited	INR	-	447,174	(30,539)	2,303,494	2,303,494	-	16,538,277	218,783	-	218,783	-	India
7	Mobisoc Technology Private Limited	INR	-	100,100	(14,810)	102,541	102,541	39,853	121,096	9,879	-	9,879	-	India
8	Spice Labs Private Limited	INR	-	100,500	(53,290)	70,704	70,704	-	37,674	(42,917)	-	(42,917)	-	India
9	S GIC Pte Limited	SGD	44.07	764,020	(89,193)	836,794	836,794	-	13,686	(72,663)	3,492	(69,171)	-	Singapore
10	S RETAIL FZE	AED	15.26	13,160	(11,922)	23,893	23,893	-	38	(12,752)	-	(12,752)	-	Dubai
11	S RETAIL LLC	AED	15.26	4,577	(10,443)	9,162	9,162	-	6,285	(9,499)	-	(9,499)	-	Dubai
12	Cellucom Retail India Pvt Limited	INR	-	200,000	(541,587)	116,175	116,175	-	1,241,383	(71,750)	-	(71,750)	-	India
13	Spice Vas Africa Pte Limited	SGD	44.07	171,145	(6,011)	384,342	384,342	-	182,335	40,981	8,623	32,358	-	Singapore
14	Beoworld Sdn.Bhd	MYR	17.52	6,081	42,529	55,568	55,568	-	73,959	19,231	40	19,191	-	Malaysia
15	Spice VAS Kenya Limited	KSH	0.66	66	(49,440)	48,134	48,134	-	10,330	(21,294)	-	(21,294)	-	Kenya
16	Spice Digital Nigeria Limited	NAIRE	0.34	3,439	(8,153)	69,298	69,298	-	51,398	4,345	2,018	2,327	-	Nigeria
17	Spice VAS Uganda Limited	UGX	0.02	22	5,081	58,797	58,797	-	55,300	10,950	2,178	8,773	-	Uganda
18	Spice VAS Ghana Limited	GHC	28.82	2,161	(3,486)	22,974	22,974	-	10,744	(3,486)	-	(3,486)	-	Ghana
19	Spice VAS Zambia Limited	ZMK	0.01	53	2,460	33,352	33,352	-	35,115	2,454	-	2,454	-	Zambia
20	Spice VAS Tanzania Limited	TZS	0.04	7,022	4,216	72,205	72,205	-	173,433	(531)	-	(531)	-	Tanzania
21	Spice Digital South Africa Pty Limited	ZAR	6.76	1	(14,533)	19,853	19,853	-	171	(14,533)	-	(14,533)	-	South Africa

Note: Hon'ble High Court of Himachal Pradesh vide its order dated 10th July, 2012 approved the Scheme of Amalgamation of Spice Distribution Limited with Spice Retail Limited (both subsidiaries of the Company) and the said Scheme became effective w.e.f. 31st July, 2012. The appointed date of the said Scheme is 1<sup>st</sup> April, 2011. In view of the same, the particulars of Spice Distribution Limited has not been shown separately.

## For and on behalf of the Board of Directors of S Mobility Limited

**Dilip Modi**  
Managing Director

**Preeti Malhotra**  
Executive Director & Company Secretary

**Subroto Chattopadhyay**  
Director

**R S Desikan**  
Chief Executive Officer and Manager

**Subramanian Murali**  
Chief Financial Officer

Place : New Delhi  
Dated : 24<sup>th</sup> August, 2012





## LIST OF CLUSTER OFFICES

NOIDA	S Mobility Limited S Global Knowledge Park, 19A & 19B, Sector-125, Noida-201301 delhicluster@smobility.in
JAIPUR	S Mobility Limited A-828-B, Frontier Colony, Opp-Indian Oil Office, Adarsh Nagar, Jaipur-302004 jaipurcluster@smobility.in
KOLKATA	S Mobility Limited Tower B - 0501, 5th Floor, Ecospace Business Park New Town, Kolkata 700156, WB, India kolkatacluster@smobility.in
MUMBAI	S Mobility Limited Boomerang Building, B-Wing, 1st Floor, Chandivali Farm Road, Chandivali, Near Oberoi Garden, Andheri(E), Mumbai-400072 mumbaicluster@smobility.in
CHENNAI	S Mobility Limited 571/2, G-A, Anna Salai, Teynampet -600018. Land Mark- DMS Bus Stop (Inside Planet Grande Hotel) chennaicluster@smobility.in
BANGALORE	S Mobility Limited #26,27,GoldTower, Residency Road, Bangalore 560025 bangalorecluster@smobility.in



## DEVICES

### Product of the year award 2011

Premium Phones - Spice S-1200

Value Mobiles - Spice View D (M-67 3D)

## VALUE ADDED SERVICES

### Aegis Graham Bell 2011 Award

“Mobile Radio” in “Innovation in mEntertainment”

### Aegis Graham Bell 2011 Award

“Angrezi Seekho” in “Innovation in mLearning”

### Mobile Messaging Awards 2011

SMS 139 Railway Enquiry Service under “Best Use of SMS for Social Use”

### India Radio Forum Awards 2011

Mirchi Mobile for “Excellence in New Media Initiative”

### eWorld 2011 Award

“Mobile Application of Railway Enquiry Service”

### IAMAI 2nd India Digital Awards 2012

“Hangman” wins “Best Mobile Game” (Spice labs)

### IAMAI 2nd India Digital Awards 2012

“Mobile Radio” is runner up in “Best Mobile Music Category”

### 2nd International conference VAS Asia 2012

Award for “Excellence in servicing the nation” – “139 Rail Sampark” Spice Digital Ltd

### M-billionth Award – 2012

“Mobile Radio” is runner up in “Best Mobile Music Category”

### Aegis Graham Bell Award 2012

139 - Innovative Value Added Service 2012

### VAS Asia 2012

Excellence in servicing the nation - 139 “Rail Sampark”

## RETAIL

Spice Retail listed in top 500 Retailers list of APAC region by Retail Asia



**S Mobility Limited**

[www.sizimobility.com](http://www.sizimobility.com)



## S Mobility Limited

Registered Office: S Global Knowledge Park, 19A & 19B, Sector 125, Noida, District Gautam Budh Nagar, U.P.-201 301

Notice is hereby given that the Twenty-Fourth Annual General Meeting of S Mobility Limited will be held on Monday, 10<sup>th</sup> day of December, 2012 at 'Spice World', I-2, Sector-25A, Noida-201 301, U.P. at 10:30 A.M. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 30<sup>th</sup> June, 2012, and the Profit & Loss Account for the financial year (fifteen months) ended on that date along with the Directors' and Auditors' Report thereon.
2. To declare dividend on Equity Shares for the financial year (fifteen months) ended June 30, 2012.
3. To consider and appoint a Director in place of Dr. Bhupendra Kumar Modi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and appoint a Director in place of Ms. Preeti Malhotra, who retires by rotation and being eligible, offers herself for re-appointment.
5. To consider and appoint Statutory Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration. M/s S. R. Batliboi & Co., Chartered Accountants, (Firm Regn. No. 301003E), the retiring auditors, being eligible, offer themselves for re-appointment.

### SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 387 and 388 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 ("the Act") (including any notification(s) or re-enactment thereof, for the time being in force) and subject to such approvals including the approval of the Central Government, as may be required, the consent of the Company be and is hereby accorded to the appointment of Mr. R.S. Desikan, as 'Manager' of the Company in terms of the provisions of Section 2(24) of the Act, designated as the "Chief Executive officer (CEO) and Manager" for a period of 3 (three) years with effect from February 09, 2012 on the terms and at remuneration as set out herein below:

**Basic Salary (including Special Allowance):** Such sum as may be decided by the Board of Directors of the Company or any Committee thereof in the scale of Rs. 24,00,000/- (Rupees twenty four lac only) to Rs.50,00,000/- (Rupees fifty lac only) per annum.

**Bonus:** Such sum as may be decided by the Board of Directors or any Committee thereof but not exceeding Rs.50,00,000/- (Rupees fifty lac only) per annum, based on achievement of such performance parameters as may be laid down by the Board of Directors or any Committee thereof.

**Perquisites & Other allowances:** Mr. Desikan shall be entitled to the following perquisites, benefits and allowances:

- A) Company leased accommodation (furnished or otherwise) or house rent allowance in lieu thereof; medical reimbursement, leave travel allowance/ concession for self and family including dependants and Medical Insurance as per policy of the Company.
- B) Company's car (whether leased or owned by the Company) together with reimbursement of expenses and/or allowances for fuel, car maintenance and driver's wages, and telephone at residence.
- C) Contribution to Provident Fund, Superannuation Fund and Gratuity Fund as per policy of the Company.
- D) Other Perquisites including Personal Accident Insurance and Allowances as per Policy of the Company.
- E) Participation in the Employee Stock Options Scheme, Employee Stock Purchase Scheme, Employee Benefit Scheme or any other such scheme as may be formulated by the Company or any Employee Benefit Trust will be as per policy of the Company/Trust.

**Reimbursement of expenses:** Reimbursement of expenses incurred for traveling, boarding and lodging, provision of car for use on the Company's business and expenses incurred towards business promotion, telephone and broadband expenses and club membership shall be reimbursed and not considered as perquisites.

All other terms and conditions of employment will be as per the Service Rules of the Company as applicable from time to time.





**RESOLVED FURTHER THAT** the Board of Directors of the Company or Committee thereof be and is hereby authorized to vary the terms and conditions of appointment including the remuneration payable to Mr. Desikan, provided however that such remuneration shall not exceed the maximum limits specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto, as may be made from time to time.

**RESOLVED FURTHER THAT** pursuant to paragraphs (B) and (C) of Section II (1) of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company be and is hereby authorized to pay the above remuneration as minimum remuneration to Mr. Desikan, for that financial year, in which there is inadequacy or absence of profits during the period of three years from the effective date of his appointment, subject to the approval of the Central Government as may be necessary.

**RESOLVED FURTHER THAT** the Board of Directors or Committee thereof be and is hereby authorized to take all such steps as may be considered necessary, proper or expedient in order to give effect to the above resolution.”

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“**RESOLVED THAT** the Share Reward Rules (“the Rules”) framed by the Trustees of the Independent Non Promoter (Spice Employee Benefit) Trust (hereinafter referred to as “the Trust”) in the best interests of the employees of the Company, its associates and subsidiaries, the broad principles of which are described in the Explanatory Statement annexed hereto, be and is hereby confirmed and approved.

**RESOLVED FURTHER THAT** any and all action(s) taken by the Trustees in formulating the Rules or awarding shares to certain employees based on the criteria in accordance with the Rules including the power to modify, amend or withdraw the said Rules, as may be required in the best interests of employees of the Company, its associates and subsidiaries, be and are hereby confirmed, ratified and approved as being fully consistent with the objectives of the Trust and powers granted to the Trustees thereunder.”

**By Order of the Board  
For S Mobility Limited**

**(M R Bothra)**

**General Manager-Corporate Affairs &  
Company Secretary**

Date: 5<sup>th</sup> November, 2012

Place: Noida

**NOTES:**

1. An Explanatory Statement as required pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH THE COMPANY’S REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. Only registered members carrying the attendance slip and the holders of valid proxies registered with the Company will be permitted to attend the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 4<sup>th</sup> day of December, 2012 to 10<sup>th</sup> day of December, 2012 (both days inclusive).
5. The dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid to those members whose names appear in the Register of Members as on 10<sup>th</sup> December, 2012 after giving effect to all valid transfers in physical form lodged on or before 3<sup>rd</sup> December, 2012 with the company and/or its Registrar & Share Transfer Agent and in respect of shares held in electronic mode on the basis of beneficial ownership of shares as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business hours on 3<sup>rd</sup> December, 2012.
6. (a) In order to provide protection against fraudulent encashment of dividend warrants, Members who hold shares in physical mode are requested to intimate the Company’s Registrar and Share Transfer Agent, MAS Services Limited, T-34, 2<sup>nd</sup> Floor, Okhla Industrial Area, Phase - II, New Delhi - 110 020, under the signature of the Sole / First joint holder, the following information to be printed on dividend warrants:
  - (i) Name of the Sole / First joint holder and the Folio number
  - (ii) Particulars of Bank Accounts, viz:
    - (a) Name of the Bank
    - (b) Name of the Branch



- (c) Complete address of the Bank with PIN code number
  - (d) Account type, whether Saving Bank (SB) or Current Account (CA)
  - (e) Bank Account Number
- (b) Members who hold shares in dematerialized mode may kindly note that their Bank Account details, as furnished by their Depositories to the Company, will be printed on their dividend warrant as per the applicable Regulations of the Depositories and the Company will not entertain any direct request from such Members for deletion of or change in such Bank Account details. Further instructions, if any, already given by them in respect of shares held in physical mode will not be automatically applicable to shares held in dematerialized mode. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participant about such change, with complete details of Bank Account.
7. Members are requested to bring their copy of Annual Report with them at the Annual General Meeting. Corporate members intending to send their authorised representative(s) are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
8. Members holding shares in physical mode are requested to quote their Ledger Folio No. in all their correspondence and intimate the following directly to the Company's Registrar and Share Transfer Agent i.e. MAS Services Ltd.
- i) Changes, if any, in their address with PIN code numbers.
  - ii) Request for Nomination Forms for making nominations as per amended provisions of the Companies Act, 1956.
- Members holding shares in dematerialized (electronic) mode are requested to intimate the aforesaid changes directly to their Depository Participant, as applicable.
9. Pursuant to Section 205A and 205C of the Companies Act, 1956, the dividend amount which remains unpaid/ unclaimed for a period of seven years from the date of transfer to unpaid dividend accounts of the Company, is required to be transferred to the Investor Education and protection Fund (IEPF) of the Central Government. After transfer of the said amount to IEPF, no claim of the members shall lie whatsoever on the said amount. Members who have not encashed their dividend warrants are therefore, requested to contact the Company's Registrar and Transfer agent, M/s MAS Services Limited, for revalidation/ issue of duplicate dividend warrant.
10. Pursuant to the requirements on Corporate Governance under Clause 49 of the Listing Agreements entered into with the stock exchanges, the information about the directors proposed to be reappointed is given in the Annexure to the Notice.
11. Members desiring any information with regard to Accounts/Reports are requested to submit their queries addressed to the Company Secretary of the Company at least 10 days in advance of the Annual General Meeting so that the information called for can be made available at the Meeting.
12. All documents, including those required to be kept for inspection, referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except Saturdays, Sundays and holidays, between 11.30 a.m. to 01.30 p.m. up to the date of the Annual General Meeting.
13. As a part of its green initiative in Corporate Governance, the Ministry of Corporate Affairs, Government of India through its Circular Nos. 17 / 2011 and 18/2011 dated 21<sup>st</sup> April 2011 and 29<sup>th</sup> April 2011 respectively had allowed companies to send various notices/ documents to their Members through electronic mail. Recognising the spirit of the circulars issued by the MCA, the Annual Report of the Company comprising of Notice, Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Reports, etc. are being sent on the email addresses of the members made available to the Company by the Depositories (NSDL/CDSL) or registered by the Members with the Company or RTA of the Company.
- Members are requested to keep informed to their Depository Participant in case the shares are held in demat mode and to the RTA of the Company or at the Registered Office of the Company in case the shares are held in physical mode, as and when there is any change in their email addresses, to ensure that the documents reach to them on their preferred email address.
14. The Annual Report of the Company for the year 2011-12 circulated to the members of the Company is available on the Company's website, viz. [www.spice-mobile.com](http://www.spice-mobile.com).

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

### **Item No. 6**

The Board of Directors of the Company in their meeting held on 9<sup>th</sup> February, 2012, appointed Mr. R. S. Desikan as the Manager of the Company under section 269 of the Companies Act, 1956, designated as "Chief Executive officer and Manager", on the terms of remuneration as recommended by the Remuneration Committee.

An engineer and an alumni from IIM Ahmedabad, having close to four decades of management experience, Mr. R. S. Desikan is a true technocrat. He has served as the brand mentor for various blue chip organizations at the apex levels and has been in corporate



leadership roles with fortune 500 companies like Rank Xerox and closer home, Modicorp amongst others. In view of his rich industry experience and distinguished career, the Board considers that the appointment of Mr. R. S. Desikan as Chief Executive officer (CEO) and Manager of the Company would be in the best interests of the Company.

Pursuant to the provisions of Sections 198, 269, 387 and 388 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, members' approval is hereby sought for the appointment and terms of remuneration of Mr. R. S. Desikan as the 'Manager' of the Company, designated as 'Chief Executive officer (CEO) and Manager', for a period of 3 (three) years with effect from February 09, 2012. He was appointed at a salary of Rs.48 lacs per annum divided into Basic Salary of Rs. 24 lacs per annum and the perquisites and allowances, to which he is entitled to as per the Rules of the Company, not exceeding Rs. 24 lacs per annum, which was revised w.e.f. 01.07.2012 to Rs. 60 lacs per annum divided into Basic Salary of Rs. 30 lacs per annum and perquisites and allowances not exceeding Rs. 30 lacs per annum.

Where in any financial year, during the tenure of Mr. Desikan as Manager of the Company, the Company has no profits or its profits are inadequate, the aforesaid remuneration including bonus, perquisites, allowances etc. shall be payable as minimum remuneration, subject to the approval of Central Government and such other approval(s), as may be required.

Any further increase or variation in the remuneration payable to Mr. Desikan shall be finalized by the Board or any Committee thereof subject to the overall limits detailed in the resolution.

This explanatory statement together with the Notice should be treated as an abstract of the terms and Memorandum of concern or interest under Section 302 of the Companies Act, 1956.

Mr. R. S. Desikan, Manager is concerned or interested in this Resolution. No Director is in any way concerned or interested in this Resolution.

The Board recommends the resolution for your approval.

#### **Item No. 7**

The Independent Non Promoter (Spice Employee Benefit) Trust was formed pursuant to the Scheme of Amalgamation of Spice Televentures Private Limited (Transferor Company) with S Mobility Limited (Formerly Spice Mobility Limited) (Transferee Company) that was sanctioned by the Hon'ble High Court of Allahabad vide its order dated 4th November, 2010.

Clause I (d) of Part IV of the said Scheme of Amalgamation provides that:

*"Upon this Scheme becoming effective, all the equity shares of the Transferee Company as are held by the Transferor Company ("Trust Shares") shall not get cancelled but shall stand transferred and vested in (to the effect that the Trust Shares shall be deemed to have been held by) two separate board of trustees, ("Independent Non-Promoter Trusts") to be settled by the Transferor Company after the date of filing the application before the Hon'ble High Court of Delhi at Delhi and Hon'ble High Court of Allahabad at Allahabad under Rule, 67 of the Company (Court) Rules, 1959 but before the Scheme becoming effective, as follows:*

- (i) *1,19,04,314 (One Crore Nineteen Lakh Four Thousand Three Hundred and Fourteen) equity shares of the face value of Rs.3/- (Rupees Three Only) each to the Independent Non-Promoter (Spice Employee Benefit) Trust, to have and hold such Trust Shares, in trust together with all additions or accretions thereto, exclusively for the benefit of the employees of the Transferor Company (or its successors) and its associates and subsidiaries;..."*

Accordingly, the Independent Non Promoter (Spice Employee Benefit) Trust was created vide Trust Deed dated 2<sup>nd</sup> November, 2010 (hereinafter referred to as the "Trust Deed") and approximately 1.19 crore equity shares as mentioned above were transferred to the Trust.

The Trustees believe that the employees have made dedicated efforts towards the growth of the Company and have continued to support and are loyal to the Company in extremely challenging business environment with restructuring of their salaries.

The Trustees in order to reward and incentivize certain select eligible employees (as described below in Point I of the broad principles) and to attract new talent have formulated the Share Reward Rules ("the Rules") whereby certain shares held by the Trust may be transferred to the eligible employees at such price and on such conditions as may be decided by the Trustees.

The Trustees, at their discretion, are entitled to use not only the income or other benefits arising out of the corpus but also the whole or any part of the corpus as may be considered desirable by the Trustees for application towards the objects of the Trust.

Although the Trustees believe that their actions are fully consistent with the objectives and terms of the Trust Deed and the same has been allowed as per the Scheme of Amalgamation approved by Hon'ble High Court of Allahabad vide order dated 4th November 2010, nevertheless as a matter of good corporate practice, given the importance of the Rules, they have requested the Board of Directors of the Company to seek the approval of the members for the aforesaid Rules and a confirmation that the Rules are consistent and in accordance with the objectives of the Trust.

Pursuant to the request made by the Trustees, the Board has presented this matter to the members for their confirmation, ratification and approval.



The broad principles based on which the proposed Rules is formulated are as below:

#### 1. Identification of Eligibility of employees

Under the Rules, differential amount of shares ("Award Shares") may be given to certain select employees based on the criteria and at such price as may be decided by the Board of Trustees. Employees have to be on the rolls of the concerned company as on 1st July 2012. The Trust may also grant further options to purchase the Award Shares on proportionate basis to the eligible employees joining during the three year period starting from 1st July 2012 who have become eligible based on the criteria as may be decided by the Board of Trustees and their last date for exercise of rights for entitlement may be extended accordingly, at the discretion of Trust.

#### 2. Time period for vesting the option to purchase the Shares

The option to purchase the Award Shares will vest in equal proportion over a period of 3 years i.e. 1/3 of Award Shares granted will be available for purchase every year or in such other proportion as may be decided by the Board of Trustees. The Board of Trustees may decide the last date for exercise of the option to purchase Award Shares. On termination of employment for any reason this option shall automatically and irrevocably terminate.

#### 3. Transferability of options to purchase the Shares

The option granted to purchase the Award Shares shall not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever.

In the event of the death of an employee while in employment with the Company, its associates and subsidiaries, all the shares of the relevant installment available for purchase at the time of the death of the employee may be exercised by the nominees or legal heirs of such employee immediately after, but in no event later than twelve months from the date of death. The said nominees or legal heirs shall submit requisite documents to the satisfaction of the Trust.

#### 4. Taxes and duties

Any stamp duty, depository charges and other transfer charges relating to purchase of shares by employee from the Trust shall be borne by the employee.

All taxes (both direct and indirect tax)/ levies in respect of the shares / option to purchase the shares will be to the Employee(s) account and will be borne solely by the Employee. The Trust shall have the right to deduct / recover, directly or through the Company, its associates and subsidiaries, all taxes at source as may be applicable under laws of India or elsewhere, as a consequence of grant, vesting or exercise of the option to purchase the Securities.

#### 5. General

The Rules shall be governed by and construed in accordance with the laws of India and the Courts of New Delhi, India shall have exclusive jurisdiction in respect of any and all matters, disputes or differences arising in relation thereto.

The Trust may, at its sole discretion, modify, amend or withdraw the said Rules, as may be required in the best interests of employees of the Company, its associates and subsidiaries provided that those amended terms will not apply in respect of those shares which might have already been transferred /released to the employees against the exercised right for purchase of the Award Shares.

None of the Directors or manager of the Company is interested in the above resolution except to the extent of the shares that may be awarded to them as per the Rules framed by the Trust.

The Board recommends the resolution for your approval.

The information as required under Schedule XIII Part II Section II (1)(B)(iv) and (C)(iv) is given below:

#### I. GENERAL INFORMATION

(1)	Nature of industry :	Mobile Devices
(2)	Date or expected date of commencement of commercial production :	The Company was incorporated on 23.12.1986 and has been in operation for last 25 years.
(3)	In case of new Companies expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:	Not Applicable



(4)	Financial performance based on given indicators :	Rs. in lacs		
	<b>Particulars</b>	<b>For the year (fifteen months) ended 30<sup>th</sup> June, 2012</b>	<b>For the year (twelve months) ended 31<sup>st</sup> March, 2011</b>	<b>For the year (twelve months) ended 31<sup>st</sup> March, 2010</b>
	Total Income	<b>102,360.07</b>	97,084.00	104,829.30
	Profit/ (Loss) before Tax	<b>(4,670.97)</b>	9,345.61	10,719.94
	Profit/ (Loss) after Tax	<b>(4,739.43)</b>	7,812.54	7,050.82
(5)	Export performance and net foreign exchange collaborations /Earnings:	The Company had net foreign exchange earnings of Rs. 1044.80 lacs during the financial year (fifteen months) ended June 30, 2012.		
(6)	Foreign investments or collaborators, if any.	There is no foreign collaboration in the Company. The total foreign holding in the share capital of the Company as on 30 <sup>th</sup> June, 2012 was as under:		
		Foreign Holders	No. of equity Shares	(%)
		79	11848737	4.98%

## II. INFORMATION ABOUT THE APPOINTEE:

1.	Background details	Mr. R. S. Desikan, aged around 62 years, holds a degree in B.E.- Electronics from University of Madras and Post Graduation in Business Administration from IIM Ahmedabad, the best business school in India. In addition, he also holds an Advanced Diploma in General management from R.V.B. Institute, Delft University, Holland.
2.	Past remuneration	Mr. Desikan was earlier working with Mastek Limited, Mumbai as Group CFO & Director, Finance till 2009 and his remuneration was Rs. 107 lacs per annum. He was also entitled to Stock Options as per the scheme of that Company.
3.	Recognition or awards	Nil
4.	Job profile and his suitability	Mr. Desikan being the CEO and Manager of the Company is responsible for S Mobility's business operations. He is also responsible to perform such other duties as may from time to time be entrusted by the Board. Taking into consideration the qualifications and expertise, he is best suited for the responsibilities assigned to him.
5.	Remuneration proposed	As per details in resolution no. 6.
6.	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)	Taking into consideration the size of the Company, the profile of the appointee, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level appointees in other companies.
7.	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	Mr. Desikan has no pecuniary relationship directly or indirectly with the Company.

## III. OTHER INFORMATION

(1)	Reasons of loss or inadequate profits	The business environment has been increasingly challenging and margins continue to remain under pressure. With a vision to switch as a leader in Mobile Internet space, the Company has invested in people and market which has resulted in higher manpower and administrative cost. The negative Rupee Dollar relationship has also resulted in foreign exchange losses during the year.
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(2)	Steps taken or proposed to be taken for improvement	To address these challenges, the Company has initiated several measures towards achieving organisational and operating efficiencies and strengthening core competencies, alongside working on improvements in processes and controls.
(3)	Expected increase in productivity and profits in measurable terms.	The above measures undertaken are expected to yield positive results in the coming years. While it is difficult to give precise figures, the above initiatives are expected to improve the financial performance of the Company. The same is already reflected in the improved margins in the quarter of June, 2012.

#### IV. DISCLOSURE

- (1) The shareholders of the Company shall be informed of the remuneration package of the Managerial Person: This information has been provided as detailed above.
- (2) The following disclosures shall be mentioned in the Board of Directors' Report under the heading 'Corporate Governance' if any, attached to the Annual Report:
  - i) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc. of all the directors: This has been fully covered under the Corporate Governance Report.
  - ii) Details of fixed component and performance linked incentives along with the performance criteria: Performance criteria are based on the net profits as specified under the Companies Act, 1956 and Schedule XIII of the said Act and the performance of the Managerial Personnel of the Company as may be determined by the Board from time to time.
  - iii) Service Contracts, notice period, severance fees: There is no severance fee and the employment may be terminated by either side on three months notice or on payment of three months salary in lieu thereof. All other terms and conditions of employment will be as per the service rules of the Company as applicable from time to time.
  - iv) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: Not applicable.

#### DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 IV (G) OF THE LISTING AGREEMENT)

##### Directors' Profile:

A brief resume and nature of expertise in specific functional areas of all Directors including the Directors seeking appointment/re-appointment in the Annual General Meeting as required under Clause 49 IV (G) of the Listing Agreement is given in the Annual Report.

##### Date of Birth, Date of Appointment, Shareholding in the company, Directorship in Companies and Chairman/Membership of the Committees:

Name of the Director	Dr. Bhupendra Kumar Modi	Ms. Preeti Malhotra
Date of Birth	02.01.1949	09.04.1964
Date of Appointment	24.04.2010	24.04.2010
No. of shares held	Nil	75,243
List of Directorship in Companies (Other than S Mobility Limited)	<ol style="list-style-type: none"> <li>1. S i2i Mobility Private Limited</li> <li>2. Spice Impex Private Limited</li> <li>3. Spice Investments &amp; Finance Advisors Private Limited</li> <li>4. Spice Innovative Technologies Private Limited</li> <li>5. G. M. Modi Hospitals Corporation Private Limited</li> <li>6. Global Health Village Private Limited</li> <li>7. Modipur Devices Private Limited</li> <li>8. S i2i Limited (Singapore)</li> <li>9. S Global Holdings Pte Ltd (Singapore)</li> <li>10. Spice-CSL Pte Limited (Singapore)</li> </ol>	<ol style="list-style-type: none"> <li>1. S Mobile Devices Limited</li> <li>2. Spice Retail Limited</li> <li>3. Spice Digital Limited</li> <li>4. Wall Street Finance Limited</li> <li>5. S i2i Mobility Private Limited</li> <li>6. Spice Innovative Technologies Private Limited</li> <li>7. S i2i Limited (Singapore)</li> <li>8. S GIC Pte Limited (Singapore)</li> <li>9. S Mobility Pte Limited (Singapore)</li> </ol>



	<ul style="list-style-type: none"> <li>11. Armorcoat Technologies Pte Ltd (Singapore)</li> <li>12. Innovative Management Pte Ltd (Singapore)</li> <li>13. Smooth Rise Enterprises Pte Ltd (Singapore)</li> <li>14. S Global Innovation Centre Pte Ltd (Singapore)</li> <li>15. S GIC Pte Ltd (Singapore)</li> <li>16. S Mobility Pte Ltd (Singapore)</li> <li>17. Hollywood Travels Pte Ltd (Singapore)</li> <li>18. Mcorp Investments Pte Ltd (Singapore)</li> <li>19. Spice Bulls Pte Ltd (Singapore)</li> <li>20. Spice Circle Pte Ltd (Singapore)</li> <li>21. Spice Global Pte Ltd (Singapore)</li> <li>22. Spice Studios Pte Ltd (Singapore)</li> <li>23. Affinity Capital Pte Ltd (Singapore)</li> <li>24. PT Selular Global Net (Indonesia)</li> <li>25. Spice CSL International Sdn Bhd (Malaysia)</li> <li>26. Newtel Corporation Co. Ltd (Thailand)</li> <li>27. GCORP FZE (UAE)</li> <li>28. Buddha Films Ltd (Mauritius)</li> </ul>	<ul style="list-style-type: none"> <li>10. Affinity Capital Pte Limited (Singapore)</li> <li>11. PT Selular Global Net (Indonesia)</li> <li>12. Spice CSL International Sdn Bhd (Malaysia)</li> <li>13. Newtel Corporation Co. Ltd (Thailand)</li> <li>14. THC International Co Limited (Thailand)</li> </ul>
<p><b>Chairman/ Member of the Committees of the Board of Directors of Companies (Other than S Mobility Limited) on which he/ she is a director</b></p>	<ul style="list-style-type: none"> <li>1. <b>Audit Committee</b> S i2i Mobility Pvt Ltd – Member</li> <li>2. <b>Remuneration/Nomination Committee</b> S i2i Mobility Pvt Ltd – Member</li> <li>3. <b>Shareholders Value Enhancement Committee</b> S i2i Mobility Pvt Ltd - Member</li> </ul>	<ul style="list-style-type: none"> <li>1. <b>Investors' Grievance Committee</b> Spice Retail Limited – Chairperson Spice Digital Limited – Chairperson</li> <li>2. <b>Shareholders' Grievance Committee</b> Wall Street Finance Ltd – Chairperson</li> <li>3. <b>Audit Committee</b> Spice Retail Limited - Member Spice Digital Limited - Member S i2i Limited – Member</li> <li>4. <b>Remuneration Committee</b> Spice Retail Limited – Member Spice Digital Limited - Member Wall Street Finance Ltd – Member S i2i Ltd – Member</li> <li>5. <b>Compliance and Risk Management Committee</b> Wall Street Finance Limited – Member</li> <li>6. <b>Nominating Committee</b> S i2i Limited - Member</li> </ul>

**Disclosure of Inter se relationship of Directors:**

None of the directors other than Mr. Dilip Modi, who is son of Dr. B K Modi, has any relationship with other directors.



**S MOBILITY LIMITED**

Regd. Office : S Global Knowledge Park, 19A &amp; 19B, Sector 125, Noida, Distt. Gautam Budh Nagar, U.P. - 201301

**Attendance Slip**

(THIS ATTENDANCE SLIP, DULY FILLED IN, IS TO BE HANDED OVER AT THE MEETING)

Master Folio No.		D.P. ID*	
No. of Shares held		Client ID*	

Name of attending member \_\_\_\_\_  
(in block letters)Name of Proxy (s) \_\_\_\_\_  
(in block letters)  
(to be filled in, if a Proxy attends instead of the member)I/We hereby record my / our presence at the Annual General Meeting of S Mobility Limited held on Monday, the 10<sup>th</sup> day of December, 2012 at 10:30 a.m. at 'Spice World' 1-2, Sector-25A, Noida-201301, U.P.\*Applicable for investors holding shares in electronic form. Member's/Proxy's Signature  
(to be signed at the time of handing over this slip)**S MOBILITY LIMITED**

Regd. Office : S Global Knowledge Park, 19A &amp; 19B, Sector 125, Noida, Distt. Gautam Budh Nagar, U.P. - 201301

**Proxy Form**

Master Folio No.		D.P. ID*	
No. of Shares held		Client ID*	

I/We \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ being a member / members of S Mobility Limited, hereby appoint Mr./Miss/ Mrs. \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ or failing him / her, Mr./Miss/Mrs. \_\_\_\_\_ of \_\_\_\_\_

in the district of \_\_\_\_\_ as my / our proxy to vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held on Monday, the 10<sup>th</sup> day of December, 2012 at 10:30 a.m. at 'Spice World' 1-2, Sector-25A, Noida-201301, U.P. or at any adjournment thereof.

I wish my above proxy to vote in the manner as indicated in the box given below:

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>
1.	Adoption of Accounts, Reports of Board of Directors and Auditors		
2.	Declaration of Dividend on Equity Shares		
3.	Re-appointment of Dr. Bhupendra Kumar Modi, Director retiring by rotation		
4.	Re-appointment of Ms. Preeti Malhotra, Director retiring by rotation		
5.	Appointment of Statutory Auditors		
6.	Approval for appointment and remuneration of Mr. R.S. Desikan as 'Manager' of the Company		
7.	Approval of Share Reward Rules framed by Independent Non Promoter (Spice Employee Benefit) Trust		

Signed this \_\_\_\_\_ Day of \_\_\_\_\_ 2012

Please affix  
Rs 1/-  
Revenue  
Stamp

Specimen Signature of the Proxy \_\_\_\_\_

Note :The Proxy Form must be duly signed and deposited at the Registered office of the Company not less than 48 hours before the time for holding the Meeting.

\*Applicable for investors holding shares in electronic form.