



“MPS Limited Q1 FY22 Earnings Conference Call”

**July 29, 2021**



**MANAGEMENT: MR. RAHUL ARORA – CHAIRMAN, CEO & MANAGING  
DIRECTOR, MPS LIMITED  
MS. ROBIN BLAKELY – CHIEF OPERATING OFFICER,  
MPS NORTH AMERICA LLC  
MR. SUNIT MALHOTRA – CFO & COMPANY  
SECRETARY, MPS LIMITED  
MR. SUKHWANT SINGH – SENIOR VICE PRESIDENT,  
MPS LIMITED  
MR. RATISH SHARMA – SENIOR VICE PRESIDENT  
FINANCE, MPS LIMITED**

**Moderator:** Ladies and gentlemen, Good Day and welcome to the MPS Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, you may signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Arora. Thank you and over to you, Mr. Arora.

**Rahul Arora:** Good morning everyone from New York. Welcome to the MPS Q1 FY22 Earnings Call. I hope everyone is staying safe and getting closer to being completely vaccinated. At MPS, more than 65 percent of our associates have been vaccinated with at least one dose of a COVID-19 vaccine either through private means or through the vaccination camps MPS has organized.

In our opening segment today, I will discuss our consolidated performance in Q1 FY22. Then, Robin Blakley, Chief Operating Officer at MPS North America will discuss how our Educational Publishing business has seen transformative growth over the past 15 months and focus on key developments. And Sukhwant Singh, Senior Vice President, who has recently taken additional ownership of our Indian eLearning operations will update us on the MPS Interactive business. They will then circle back to me and I will provide updates on the Platform business before we open the call to questions.

Before we begin, I would once again like to thank you and extend my gratitude to the MPS Board of Directors, shareholders, and investors for their vote of confidence and support in the successful transition of leadership from first- to second-generation, and my appointment as Chairman and CEO of MPS. Quite serendipitously, the business performance in Q1 FY22 sets us up for a robust year ahead and confirms that MPS has genuinely entered a thriving phase of business expansion.

Our Fx adjusted Revenue in Q1 was just shy of INR 118 crores, which is 43.4 percent above PY; while absolute PBT growth was ~52 percent, compared to Q1 FY21, reflecting margin expansion.

My top three takeaways from Q1 are:

1. HighWire contributed the most toward the group’s profitability in absolute terms across our business units.
2. MPS North America and North Books (MPSNA’s backend in India), grew at a phenomenal double-digit clip.
3. All lines of business were healthy and profitable including the eLearning business segment, where not only did the India entity do well but TOPSIM GmbH also made an unprecedented start to FY22.

I will now hand it over to Robin to shed some light on the Educational Publishing Practice.

**Robin Blakely:**

Thanks Rahul. The Educational Publishing Practice came out of the gate in Q1 with a strong quarter. The successful start of both the onshore and offshore teams led to a revenue increase of 35% as compared to Q1 FY 21. This success is largely due to a collaborative and seamless approach to our global services. Functional and subject-matter expertise is provided by our US-based offices, with expertise frequently operationalized from our India-based facilities. The ongoing day-to-day communication and knowledge transfer between onshore and offshore teams has led to successful global integration.

During the last 15 months we've seen an unprecedented growth in the Educational Publishing Practice, with the scale of business on both the revenue and profitability side. We've been able to strengthen our position as a market leader in the space by both expanding our customer base and building additional volume with existing customers through vendor consolidation across the publishing landscape.

With the dependency on adoption cycles for the US K-12 education sector, we continue to focus on expanding our client base to include publishers in the global market as well as those focused on adult-based education, high school equivalency, and employability skills. That said, there are large opportunities headed our way this fiscal year due to upcoming Math and Science adoptions looming. We are also seeing a lot of growth in the higher education content development space as we increase the scope of our services with existing key clients.

**Sukhwant Singh:**

Thank you Robin and hi everyone. MPS Interactive made a strong profitable start to FY22, though our expectations on Revenues continue to be higher than the run rate in Q1. On the Revenue side, we grew primarily due to addition of new clients in North America, and two of our top 10 accounts did much better than expected – each contributing significantly this quarter. On the expenses side, we are unlocking the learnings associated with operational efficiencies on the content side of our business, and are already seeing some early positive results. While North America continues to be the largest market for MPS Interactive, we secured some great business in Australia, Singapore, and the Middle East this past quarter. The Opportunity Pipeline is at its highest in two years and the Order Book is also at a much better place than same time last year or even last quarter for that matter.

Our aspiration for rest of the Financial Year is to step-up Revenues and also expand margins further as Revenue increases through enhanced operational efficiency. We would also like to continue to further augment on the marketing momentum. Thank you and over to you Rahul

**Rahul Arora:**

Thanks Robin, thank you Sukhwant. I will now share an update on our Platform business:

As per segment results, the profitability margin for the Platform Solutions segment significantly improved from 28.44 percent in Q4 FY21 to 34.72 percent in Q1 FY22. I have used the sequential quarter lens because Q1 FY21 did not include HighWire Press. And while Revenue was down in Q1 FY22 compared to Q4 FY21, this was better than what we had

expected. The incumbent platform business saw double-digit growth in Q1 with an increase in business from core customers.

Revenues from THINK also grew in double-digits, primarily due to platform upgrades and professional services. The acquisition of HighWire has definitely helped in growing our incumbent platform business in the short-term.

Let's now open the call to some questions that can help us be better at what we do.

**Moderator:** Thank you very much sir. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Piyush Mehta an Individual Investor. Please go ahead.

**Piyush Mehta:** Just a very simple question, in the Platform business there is a shift from TOPSIM®. platforms to eLearning, so my first what is the revenue for this company and like-to-like what is the impact given this would eLearning be positive if this restated numbers were not given?

**Rahul Arora:** We cannot disclose what the TOPSIM® numbers are for competitive reasons - it is a very competitive market place. Having said that the movement had also been reflected in the comparable past quarter, so the numbers are like-to-like and that is the way they have been managed. Overall, the reason for this move is because we believe TOPSIM® fits closer into the eLearning segment, and also our chief decision maker for TOPSIM® is part of our eLearning business so it made more sense for us to have TOPSIM® that we acquired through the Tata Interactive Systems group.

**Piyush Mehta:** Second part we have done really well on the eLearning side this time and Platform business was kind of flat, and I believe there is most excitement in terms of kind of margins that the business offers and the kind of growth that we foresee, so if you look at over the next 4 to 6 quarters what is it something that management sees on the Platform business side?

**Rahul Arora:** While we do not give quantitative forward-looking guidance, I can share some qualitative aspects that may help your arrive at your quantitative analysis. I will also speak for a minute on the eLearning segment. In the eLearning segment while we have done well on the profitability side, Revenue is still below our expectations and we are expecting Revenue to pick up through the rest of the year, and as revenues pick up on eLearning margins will also improve. We are optimistic about the eLearning business in general. Coming to the Platform business, two things are taking place here. We acquired HighWire Press, which is now the bulk of the Platform business and as we all know we acquired a declining business. The HighWire business has still not bottomed out and it will probably bottom out later in the year, but interestingly what is happening is that because of the acquisition of HighWire our existing Platform business has actually started to grow in double-digits because we are getting more credibility in the market place as a platform company. I think this will be a wait and watch kind of year on the Platform side. We have to see to what extent, does the HighWire business finally decline, and to what extent are we able to replace the revenue with our incumbent

Platform business. And then next FY, we should see more stable and double-digit revenue growth in the Platform business. And on the margin side of course there is still a lot of improvement to be done, we have made a good start in the first quarter, but we would be looking to step it up through the end of the year.

**Piyush Mehta:** My question was that we made some really good hiring across this segments so are we done with most of the top hiring or we are still looking to add more people?

**Rahul Arora:** We are complete from a senior management perspective. Having said that, we are looking to strengthen our people operations, so we are planning to add a Head of Global People Operations at the VP-level, given that we are more diverse now. We are also looking to add some people in sales and marketing, but that is not at the senior management level, it is more at the director level.

**Moderator:** Thank you. We have the next question is from the line of Anup Kulkarni from Pine Bridge. Please go ahead.

**Anup Kulkarni:** My question is regarding our core eLearning business so before this restructuring of TOPSIM® moving to eLearning, so how is that business shaping up, is there any improvement after the pandemic because we were talking about corporate hurting their learning operations, so have we seen any improvement in that?

**Rahul Arora:** As Sukhwant mentioned in his opening remarks, we have seen a lot of improvement on the revenue side. As a standalone entity, in Q1, the India eLearning business grew by a modest 8% on the revenue side and profit margins were in double-digits after very long time. It was nice to see that the standalone India eLearning business did well both on Revenues and Profits. Some of our old customers are now again getting activated in terms of their learning and development program needs. Additionally, we have been able to secure lot of new logos this past year and a lot of that business is contributing to new revenue. Having said that while we made a good start to the year both on revenue and profitability, our expectations are still higher with this business. We are seeing a lot of positive signs. Our overall pipeline is at its highest in the last two years, our order book is also looking much better than what it was last year and also what it was last quarter. Our expectations are high from the eLearning business. Yes, we made a good start, but we are not done yet and there is a long way to go.

**Anup Kulkarni:** Taking a slightly longer-term view, this business used to be about I think 100 crores per year before we acquired them. So how long do you think we would take to reach that 100 crore level?

**Rahul Arora:** Two years.

**Moderator:** Thank you. We have the next question from the line of Suhas an Individual Investor. Please go ahead.

**Suhas:** Just wanted to check one thing I remember last time during COVID time execution was hit, so just to understand this time are these numbers despite execution getting hit or is there an upside beyond that you think coming up in the next quarter or you would be able to manage without any hit on the execution front?

**Rahul Arora:** No, we have not had (touchwood, fingers crossed) had any delivery challenges. Yes, again on the eLearning side of our business there is still some improvement that could happen both in operational efficiency and productivity, but that has got nothing to do with the pandemic. In general, we need to improve our operational efficiency in the eLearning business. The core business did not have any delivery challenges this past quarter.

**Moderator:** Thank you. The next question from the line of George John from Equity Intelligence. Please go ahead.

**George John:** Could you please share the revenue from the HighWire business for the quarter?

**Rahul Arora:** We do not provide business unit wise revenue details simply because this is a very competitive market place. We do provide business segment numbers and I hope those are available with you. A majority of the Platform business segment would be HighWire.

**George John:** So, is there a sustainable margin that would provide for the eLearning business?

**Rahul Arora:** For the eLearning business?

**George John:** Yes.

**Rahul Arora:** Most companies in this space operate between 20% and 25% margins and our first milestone of course is going to be to get to that range 20% to 25%. MPS is not an average company so our goal would of course be to perform above average. There are some changes we have to make to our operating model and those initiatives already underway.

**Moderator:** Thank you. The next question is from the line of Arvind R an Individual Investor. Please go ahead.

**Arvind R:** I just want to understand the attrition number and how are they shaping up to beat any risk?

**Rahul Arora:** For us I think last year last financial year our attrition numbers were very low because it was a pandemic year and people were not looking at moving jobs, on average. Last year we did not see much attrition compared to our usual trend. This year I think the attrition levels have gone back to the pre-Pandemic years. We have not seen attrition go higher than previous averages. For us, it is business as usual, we did see very little attrition last year which is out of the ordinary but this year it is per expectations.

**Arvind R:** Has the compensation cycle complete or is it planned in the next one or two quarters?

**Rahul Arora:** We complete that in Q1 of every year so that for us is completed in late April/early May effective April 1st.

**Moderator:** Thank you. The next question is from the line of Arun Shah an Individual Investor. Please go ahead.

**Arun Shah:** I am joining in the call for the first time so can you just briefly explain me about your two businesses about eLearning and Platform solutions?

**Rahul Arora:** Our core business was setup as content solutions business as an Indian subsidiary of Macmillan and then over the last 7-8 years we formed two new revenue streams. On the Platforms side, we acquired a lot of Proprietary and market leading IP from the Macmillan days. We invested a lot after that to grow the acquired base and also acquired three Platform companies MAG+, THINK, and HighWire Press. In this business segment, we provide Platform as a Service (PaaS), which provide to publishers, corporates, and educational institutions across the globe. The platforms' use cases range from content creation to content management to content delivery.

**Arun Shah:** It is only publishers or anyone else also?

**Rahul Arora:** Our Platform business is largely focused on publishers, but we also have customers such as Fortune 500 companies and educational institutions as well, but a large component of it would be publishers and then the revenue model is licensing plus configuration and implementation. The recurring charge tends to be about 70% of the annual revenue and the rest of it is services that we provide on top of the platforms.

**Arun Shah:** Acquisition of HighWire which you did that is the similar business or that is different to your core which is we used to do earlier?

**Rahul Arora:** Highly complementary. Like MPS was the first Content Solutions Outsourcing Company in the world established in 1970 established by Macmillan. HighWire was the first Platform Solutions Company in the world established 25 years ago established at Stanford University. So, highly complementary business, same domain, same market place, but at premiership status. MPS in the publishing domain was understood to be a content solutions leader and HighWire was known as the platform solution leader. This has been a great combination for us and what we have done after the combination is that we have taken some of our Platform solutions and are now marketing those solutions under the HighWire umbrella brand, which has been very successful for us in the short-term. HighWire of course has lot of credibility in the market place, a Stanford founded organizations, and known as a Thought Leader and an innovator in the publishing domain.

**Arun Shah:** So, Stanford is one of your clients?

**Rahul Arora:** Stanford University was where HighWire was founded. They are not a client.

**Arun Shah:** So, who is your client so can you name one of the companies or something which is your client?

**Rahul Arora:** Our top customers would include some of the large publishers like Elsevier, Wiley, Taylor & Francis, but also medium-size publishers like Royal Society of Chemistry, British Medical Journal, and American Chemical Society.

**Arun Shah:** So, you manage the website also like on the content side?

**Rahul Arora:** We provide Platforms in a white label format, and one component is the website which is the front end. Though we provide an entire Platform ecosystem through which content is delivered and disturbed. So, if I am a publisher and my website is called publisher.com the entire ecosystem – backend and front-end that powers publisher.com is provided by us.

**Arun Shah:** Can you just elaborate on the eLearning side and what are you doing?

**Rahul Arora:** On the eLearning we support the operations and objectives of the Learning and Development function of a Corporation. The function is focused on making sure that as employees are going through the typical employee life cycle of selection, recruiting, onboarding, retention, and growth; they are also focusing on their learning and development needs. MPS Interactive provides content and technology solutions that enable the learning and development in an experiential way. So, for example if an organization is looking at the onboarding phase of a learning and development program, we build the content and the technology assets to ensure that the digital learning is an experience for the person joining the company. We power the entire content and technology side of learning and development for corporate on the eLearning side of our business.

**Moderator:** Thank you. The next question is from the line of Dharmesh Kant from Aart Ventures. Please go ahead.

**Dharmesh Kant:** What is the size of the order book you are sitting on right now in the eLearning business?

**Rahul Arora:** We do not share business unit wise information as it is very competitive market place. What I can confirm is in previous years, most of our order book on the eLearning side was corporate, but now we are seeing 70-30 split where 30% of our revenue or order book is from educational institutions, which for us is a wonderful development because this is an area, we have great expertise in.

**Dharmesh Kant:** One more follow up here, what effective tax rate you are expecting for the company going forward. I think there have been a bit of fluctuations out there and I think this quarter the tax rate was low because of that 4 crores of additional profitability was added to the PAT, so going forward what base we can take as a tax rate percentage on your PBT?



**Rahul Arora:** I think last year our tax rates were higher because we had two big events that took place. One, we had gone for a government scheme called 'Vivad Se Vishwas' to settle an old tax matter that we had inherited from the Macmillan days; and second because of what has been introduced in the latest version of the finance act on treatment of goodwill. So, last year was an abnormally high tax rate year for us. I think what you are seeing in Q1 is fairly indicative of the path forward.

**Moderator:** Thank you. The next question is from the line of Ajay Kapadia from Motilal Oswal Financial Services. Please go ahead.

**Ajay Kapadia:** Rahul as you rightly said that you will compare these results with the fourth quarter rather than the first quarter YoY I would just like to know for the whole year under which segment we think the growth would come other than the eLearning side. On the platform side, you said that this year would be wait and watch so I am assuming that the Platform side we might not grow and for the content you have always said that it is like 3% to 4% growth area so how do you look out how where the growth will come from for this year?

**Rahul Arora:** I am not sure if you have joined the last call, but I made a correction to that statement on the content side. Like you rightly said the Platform business this year is more a wait and watch game because this year we will basically understand what is the true scale of the business. This is because we have a declining business where we are trying to arrest the decline, and we have a growing business, but we do not know how much growth we will get in our business. So, it should average out and we should know more in Q3 and Q4 on the Platform side. On the eLearning side, like I was describing at the beginning, the kind of growth we have seen on the revenue side in Q1- we are satisfied but not elated. We are hoping that through the rest of the year growth will pick up further than what we saw in Q1. On content side last year we grew at ~11%, and expect that trend to continue this year. If you had asked me the question what is your vision for the content business two or three years ago; I would have answered modest single digit growth, but the Pandemic has really differentiated us as content solutions business. This includes our ability to relentlessly deliver on schedule, on quality, and on budget to our customers in all-weather conditions. Because of this differentiation point that we have created between us and some of our smaller competitors; we are now again bullish about the content solutions business and we expect this trend to continue and our customers continue to park more volume with us. We are also getting into agreements where customers are not just sharing numbers or volumes for one year, but they are also talking about what the volumes could grow over a two-to-three-year period particularly on the journals side of our business. This financial year, revenue growth will definitely come more from the content and eLearning business. Having said that, we are expecting significant margin improvement in the Platform business, as we proceed through the year

**Moderator:** Thank you. The next question is from the line of Manjit Buaria from Solidarity Investments. Please go ahead.

**Manjit Buaria:** I had one question on the eLearning piece when we reach the scale of 100 crores odd which you mentioned what is the kind of margins we would make in this business in a most steady state manner because I am not worried about next quarter or year?

**Rahul Arora:** Like I was saying earlier, 20% to 25% margin is what an average company in the space makes in the eLearning space. Our milestone will be to hit that range sometime by end of this year. Ultimately when we get to Revenues ~ INR 100 crore levels in the standalone India entity, we would obviously want the margins to be closer to 30% not 25%.

**Manjit Buaria:** My other question was on eLearning piece again what are the challenges for us to get to the 100 crores mark whether it is two years or three years, but from a business perspective what kind of challenges the team is facing to get to that mark?

**Rahul Arora:** It is a pure sales and marketing challenge and the reason for that is that this business is project-based. So, every year you have to build up an order book from scratch. Yes, you do get some carry through from the previous year, but it is almost like every year you have to build up an order book from scratch. On the marketing side we are definitely seeing much more momentum as Sukhwant described in his opening remarks we want to make sure we carry forward our momentum. On the sales side we have appointed a Chief Revenue Officer for the MPS Interactive Business, this is someone who is already in the business and has been with the company since the late 1990s; so he has been appointed Chief Revenue Officer and we now have clear leadership for revenue growth. Interestingly, our new CRO has been one of the most successful business development folks in our group since change of ownership from Tata to MPS; and we also under him adding two sales professionals - one in the US and one in potentially in India or Middle East. I do not think we have any delivery challenges, it is more on the sales and marketing side, and that we have several actions underway addressing that.

**Manjit Buaria:** And how do we stack up here again key competitors in terms of gaps on the sales and marketing side are we very close to fill up vis-à-vis then or still a lot more to do over there, if you could give some industry perspective as well in the first place that is the competitors here?

**Rahul Arora:** You are talking about the eLearning space?

**Manjit Buaria:** eLearning business on the sales and marketing?

**Rahul Arora:** I think what is different between us and competition is that we have a compact team, but it is a high performing team unlike some of the competitors that may have a few high performers. The big challenge ahead for us is to scale this team without losing our high-performance culture. In terms of marketing, I would say we are now inching ahead of our competition. Last year for example, we were one of the top three companies in terms of number of awards that we receive from Brandon Hall. We received about 34 awards last year in the learning space. On the marketing side, we are now inching above our competition and it is just a matter of time.

**Manjit Buaria:** Rahul just two more questions and I will come in the queue the first one was in terms of incentivization of our core team, I am not sure how we do it, but is it by ESOPs so how do we kind of ensure that the long-term goals are aligned with the incentivization structure some thoughts on that. And the second question was on our traditional business content solutions, do we still see a low single digit kind of growth over the next three years in this segment or there could be potentially higher growth rate?

**Rahul Arora:** On the compensation side for anyone that can actively contribute to revenue or EPS they are incentivized with both fixed compensation and variable compensation. We currently do not have an ESOP scheme, but it is something that is being actively discussed internally. On the content business like I was describing earlier if the same question would have been asked of me pre-pandemic, I would have said this business will probably see low to mid-single digit growth at the best. Having said that this past 12 to 18 months have been phenomenal for us on the content side, in the sense that the strong players in this market have become stronger and the weak players in the market have become weaker because on the delivery side we have been able to deliver a higher volume of work even through the pandemic and because of that our customers are viewing us differently. Customers are placing more emphasis both in terms of visibility, and in terms of the commitment to us as a strategic supplier. We are now again for the next three years bullish about content solutions and expect double-digit growth. So, while earlier we had provided a guidance a couple of years ago that we will see most of our growth come from the eLearning business, we have now have several reasons to believe that we can grow the content business in the same clip as the eLearning business.

**Manjit Buaria:** And this growth in the content business – is this because the pricing pressure is eased off or will it be mixed of volumes coming through and pricing pressure still continuing which we saw in the last couple of years?

**Rahul Arora:** I would not call it pricing pressure I would call it a pricing gift in the sense that pricing for us has always been something that we have used to our advantage. As you know we have a significant operating model in Dehradun, we more than 1,000 employees there and there is lot more capacity in Dehradun. Secondly, we take a lot of pride in automating things on the content side - whether things to do with workflow or to things that are mechanical, we tend to automate them. So, between automation and our Dehradun model, we use pricing as an advantage. Yes prices will continue to go down, but it will also mean increase in volumes and overall we are confident that in the revenue equation of  $P*Q$  as  $P$  reduces  $Q$  will increase at a faster clip. So, we have done the entire math and the forecasting around and when we are firm when managing our agreements with the customers. Yes, it could mean continued pressure for the industry in general, but from an MPS perspective we are using it as an advantage.

**Moderator:** Thank you. The next question is from the line of Jyoti Singh from Arihant Capital. Please go ahead.

**Jyoti Singh:** I just wanted to understand the education Platform opportunity and what is the size of the opportunity if you can throw some light on that?

**Rahul Arora:** There is not much research out there on the publishing platform landscape. Our Platform ecosystem is broken into various sub modules, so there is a content distribution and delivery ecosystem, there is an analytics ecosystem, there is content authoring and content creation ecosystem, and we have a content workflow/management ecosystem. And while we do not know what each of these modules or each of these sub markets could be valued at; what we do know is that in each of these modules I described, our largest competitor has revenues north of USD 50 million. So, for every module we have a unique and larger competitor and each of those competitors has revenues North of USD 50 million. If I were to just add that the number one player across the entire platform ecosystem that we have the sum would be north of USD 300 million. We are seeing our incumbent Platform business growing in double-digits now. So, once things do stabilize with HighWire, we expect the comprehensive Platform business also to grow at double-digits.

**Moderator:** Thank you. The next question is from the line of Tanay Bheda from Right Time Consultancy. Please go ahead.

**Tanay Bheda:** I had a question regarding the business side, so you mentioned having Wiley as a client so I wanted to understand what kind of service we are providing to a giant like Wiley.

**Rahul Arora:** Wiley of course is a very strategic customer for MPS. Our relationship goes back over two decades. The business started off with us providing content management services for their journal business and their books business as well. So, we engaged with them across different lines of their business and our offerings included content and platform solutions, even prior to the acquisition of HighWire. After the acquisition of HighWire, our relationship has grown even further because we now manage and host a couple of additional platforms on HighWire technology. Overall, it is a fairly comprehensive relationship and the only area of business that we do not engage with Wiley today is on the eLearning side and that is something that we are trying to nurture and develop. Our vision with all of our strategic customers is to be truly end-to-end and engage with them across our various lines of business. And that is one of our big goals over the next couple of years to be able to navigate that type of growth with the existing client base.

**Tanay Bheda:** So, from this academic year onwards most of the universities on schools in the US are switching to in person from online, so would we see any negative impact due to that shift?

**Rahul Arora:** No, we do not see any negative impact. If anything there may be some positive impact because on the educational publishing side any product that the customer was selling to universities that may have been impacted because of people sitting at home, those products will come back into action. Additionally, most publishers and institutions have moved to digital-first work flows so they produce a digital version first and then the print version everything; and everything has a

digital version today. So, yes we do not see any impact on people going back into the physical infrastructure impacting our business in anyway.

**Moderator:** Thank you. The next question is from the line of Sachit Motwani from Param Capital. Please go ahead.

**Sachit Motwani:** My question was on now you are sitting on INR 227 crores of cash so like obviously in the past you have made acquisitions where either the revenues are not growing or declining and you get them at a reasonable valuation, but any thoughts on incremental acquisition, any change in strategy in terms of trying to acquire a company which is growing and like might as well pay a better valuation, any thoughts on that?

**Rahul Arora:** On the acquisition side, one change in strategy that has taken place is that we now recognize that whether it is a company that has USD 3 million in revenues or USD 20 million in revenues, for us as a management team it takes the same amount of effort in the integration of the business into MPS. We have taken a call that we want to pursue acquisition opportunities that are upward of USD 10 million in revenues because they end up being more meaningful. Having said that, if there is something below USD 10 million that helps us augment capability we would make that play. Though smaller acquisitions is not something that we are actively pursuing, and even in that play we would at least look at revenues of USD 5 million. This is one change in strategy and we want to get a meaningful bite versus small acquisitions that we pursued in the early days. In terms of an acquisition of a business that is growing versus declining, yes, we are having those types of conversations, but we are looking to structure them slightly differently where we may not complete the acquisition outright as a 100% cash type of acquisition. Such conversations are being pursued particularly on the eLearning side of our business because most of the companies in this space are growing and this is an area that we want to grow as well. So, yes absolutely we are looking at those types of companies, but we are not looking at a Big Bang approach because we want to ensure that we are genuinely acquiring a growth business. Then in the second part of your question which you did not specifically ask, but I would still like to share information on is that our Board in next quarter will be evaluating a dividend distribution policy. We will also be evaluating if there is any excess cash at the end of the year, what is the most efficient form of the distribution - whether it is dividend or buyback.

**Moderator:** Thank you. The next question is from the line of Mohit Rathi an Individual Investor. Please go ahead.

**Mohit Rathi:** I have two questions. On the last call there a discussion on reviving the HighWire business, but still, I think the Platform form is on a decline. What is your initiative and how will you get back to stabilizing it somewhere? And second, you just mentioned on the dividend/buyback. Last we did a buyback at around 600 and company has done well so why do not we look into another buyback?

**Rahul Arora:**

I will take the first question on the platform side. See, we must appreciate that in HighWire we acquired a business that was declining and a loss-making business. Our first goal really has been to arrest the decline and to stop the bleeding and make the business profitable. We have been able to successfully turnaround things and become profitable very quickly. In fact, under MPS ownership HighWire has not had a loss-making month. From the first month itself we were profitable. For us it was a proud moment that we have actually gotten things right from the first month itself. On the Revenue side in terms of arresting the decline we have understood that many of the issues that the HighWire customers were facing were on the support side and that had to do more with a capacity problem. We have managed for that by increasing capacity and support in India. We now have the employees that are dedicated to the HighWire business in India. When we bought HighWire, the total head count was between 75 and 80. Just the team in India today is more than 90 people. We have significantly scaled the support function as well as the operations function. Many customers are starting to see positive signs. To give you one data point - when we bought the company our total number of support tickets in HighWire were hovering between 450 and 500. Today as I speak, the support ticket count is less than 200. We have been able to significantly reduce the tickets and support is seeing that kind of lift. One of the things we obviously cannot control is any customer that decided to terminate their agreement with HighWire prior to acquisition. We have not been able to turn them around because normally with the Platform supplier customers only terminate an agreement when things become really bad. Having said that we did have at least half a dozen customers that were on the fence and did not terminate, that we have either been able to renew or upgrade through additional offerings. We have started to course correct. Now how that plays out in terms of if HighWire hitting its bottom or the core MPS Platform business achieving its new high - all of that will play out through FY22. What we expect is that at a consolidated level once we achieve a base, we should be able to grow in 10% - 15% fairly comfortably. On the dividend, buyback question really my understanding is that two sequential buybacks based on the regulations need to have a 12-month gap. We have not clocked out of the previous 12 months yet. So, of course in the next board meeting, I described on the previous question, be announcing a dividend distribution policy. Depending on when the buyback opportunity becomes available based on the rules and regulations and the surplus funds at that time, we will pursue the buyback option accordingly.

**Moderator:**

Thank you. The next question is from the line of Dhruv Shah from Ambika Fincap. Please go ahead.

**Dhruv Shah:**

I just had one question you said that you do not give guidance, but considering the growth you have shown in eLearning and you are saying that content solution growth is also coming back, can we expect mid double-digit growth in this year and then next year maybe Platform solutions coming back with HighWire contributing so can we expect more than 20% growth just a rough guidance?

**Rahul Arora:**

I can give you some data that might help you arrive at numbers. Due to the competitive nature of the marketplace, we do not provide forward-looking guidance, and it would not be prudent

to spoon-feed the numbers. Also, in the past we have found that sharing guidance limits our aspirations because once you have a guidance you try to hit the number not beat the numbers. We do not want to have any ceiling to our aspirations. Now in terms of some data points as I described to Anup from Pine Bridge earlier in the call, in our eLearning business we want to get to Revenues of INR 100 crores in a couple of years, which means by the end of next financial year, our goal will be to get to that scale, so you can do some math on the eLearning side, In our content solutions business, we should grow at the same clip of 11%, 12%, 13% for the next two to three years. And then once the Platform business stabilizes through the end of the year, we can expect 10% to 15% growth in the Platform business. I hope this information was helpful in answering your question.

**Dhruv Shah:** My question was scaling eLearning at a run rate of 88 crores to 100 crores sounds a bit less?

**Rahul Arora:** Let me clarify that you are looking at the combined eLearning business which includes TOPSIM®, MPS Europa, and India eLearning business. We are talking only about the India entity to scale to INR 100 crores, and the corresponding combined value that we are talking about for all three entities is more like INR 130 crores. So, if we take the TOPSIM® and the Switzerland revenue and add them to the 100 it will probably come to INR 130 crores.

**Dhruv Shah:** And also, on the EBITDA margin side you have shown a tremendous improvement in your eLearning side so can we cross 30% and is this (+30%) kind of sustainable?

**Rahul Arora:** To clarify, I am talking PBT and not EBITDA because one of the things the new IndAS has done (which I still as a business person and not an accounting professional, do not completely understand, is that they have moved certain expenses into depreciation). Our business teams have in fact stopped looking at EBITDA. We now look at PBT as a management team because that is the bottom-line. The first goal is to get to 20% to 25% range. Once we get there we will reassemble, reassess, regroup and then try and see what we need to do at the 30 percent margin.

**Dhruv Shah:** No, I was talking on the consolidated part?

**Rahul Arora:** Yes, on the consolidated part, another area of possible betterment is our content solutions business. You will see we have increased headcount in this business and that is because we are expecting growth in the journals business unit at the end of the year. This additional headcount is currently not being billed. So, once it starts getting invoiced, those margins will improve. In our journals business you have to prepare headcount three, four months ahead of the work coming - that is just how the journal business works and when once the revenue comes you will get good margins. So, yes consolidated level 30% it should be fairly achievable milestone assuming we exceed 40% on the Platform business soon enough and we get back to the mid-30s in content business and the eLearning between 20% and 25%. So, 30% should be fairly achievable.



*MPS Limited  
July 29,2021*

**Moderator:** Thank you. As there are no further questions from the participant I now hand the conference over to Rahul Arora for his closing comments. Over to you, sir.

**Rahul Arora:** Thank you again. A big thank to you and lots of gratitude to everyone for all the support through our journey. As I shared in some of the calls MPS has genuinely entered now what we can call a thriving phase. Q1 has been an exceptional quarter both on revenue and profit terms and we hope to carry forward the momentum through the year and look forward to all your support and continued guidance. Thank you so much!

**Moderator:** Thank you very much members of the management. Ladies and gentlemen on behalf of MPS Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.