



MPS Limited

A-1, Tower A, 4th Floor, Windsor IT Park, Sector 125, Noida
Tel: +91 120 4599 750 Fax: +91 120 4021 280

Date: 03.02.2023

✓	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot no. C/1, G Block, Bandra - Kurla Complex, Bandra (East), Mumbai - 400 051, India Symbol: MPLSLTD ISIN: INE943D01017	BSE Limited Department of Corporate Services Phiroze Jeejeebhoy Towers Dalal Street, Mumbai- 400001, India Scrip Code: 532440 ISIN: INE943D01017
---	--	--

Dear Sirs,

Sub: Transcript of the Earnings Call inter-alia on the Un-audited Financial Results of the Company for the Third Quarter (Q3) and Nine Months ended December 31, 2022.

Pursuant to the provisions of Regulation 30 read with Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015, please find enclosed herewith the Transcript of the Earnings Call, held on Friday, January 27, 2023, at 06:00 P.M. (IST), inter-alia on the Un-audited Financial Results of the Company for the Third Quarter (Q3) and Nine Months ended December 31, 2022.

This is for your kind information and records.

Thanking you,

Yours Faithfully,
For MPS Limited

Raman Sapra
Company Secretary & Compliance Officer

Encl: As Above

www.mpslimited.com



“MPS Limited
Q3 & 9M FY23 Earnings Conference Call”
January 27, 2023



MANAGEMENT: MR. RAHUL ARORA – CHAIRMAN, CEO & MD

MR. SUNIT MALHOTRA – CHIEF FINANCIAL OFFICER

MR. SUKHWANT SINGH – CHIEF DELIVERY OFFICER

MR. RAJESH JUMANI – CHIEF REVENUE OFFICER

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '23 Earnings Call of MPS Limited. 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, please signal an operator by pressing star then zero, on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Arora, Chairman, CEO and Managing Director. Thank you, and over to you, sir.

Rahul Arora: Good morning from wintry New York, and welcome to our Q3 FY '23 earnings call. Today on the call, I have with me our CFO, Sunit Malhotra; our Chief Delivery Officer for our India operations, Sukhwant Singh; and our Chief Revenue Officer for our eLearning business, Rajesh Jumani.

Sunit will kick things off in our opening segment today by discussing our Q3 FY '23 financial performance. Then Sukhwant will update us on the Content business. Next, Rajesh will discuss our robust performance in the eLearning business. Finally, I will discuss how FY '23 is shaping up overall. Let's get going. Over to you, Sunit.

Sunit Malhotra: Thanks, Rahul. We made a solid start to H2 FY '23 with robust financial performance in Q3. At INR 17.28 per share, we recorded our highest quarterly EPS in our history for the second consecutive time. At INR 132.4 crores, FX-adjusted revenues were up by 18.16% against the previous year, primarily driven by three factors: number one, growth in the Content business, particularly in our Scholarly customers, including Journals and Books; then growth in the eLearning business standalone and in EI design; and third is more stability in the Platform business.

I would like to now hand it over to Sukhwant to discuss the Content Solution performance in this quarter.

Sukhwant Singh: Thank you, Sunit. Our Content business serves two primary markets, Education and Scholarly. Revenue in the Content Solutions business grew by almost 10% in Q3FY23 over the same period last year, and segment profit, during the same period grew by almost 44%, due to the significant operating leverage, available in this business. So close to 10% growth in revenue, leading to a 44% expansion in the overall margins.

Our Journal division continued to lead the growth in the Content Solutions business in Q3FY23, and given the scale and highly profitable nature of this business, the scale-up also meant margins continued to improve for the Content Solutions business. The Scholarly Books business also did well in Q3FY23.

The trend towards offshoring continued in our Education business, which is another significant part of our Content business, and the drive towards making content more accessible, supported growth in the Education segment.

I would like to now hand it over to Rajesh Jumani to take us through the eLearning business performance in Q3 of FY '23. Over to you, Rajesh.

Rajesh Jumani:

Thank you, Sukhwant. The eLearning business significantly grew in Q3 FY '23 due to the addition of EI Design, impressive double-digit growth at standalone MPS Interactive, and continued scale-up of product revenue at TOPSIM. Revenue grew from a consistent flow of projects, both from our Star accounts as well as new customers.

We also secured a large project to build an experience center for a consortium of PSUs in India, and the project will be completed ahead of a major event in February, which is next month. While margins significantly expanded in eLearning, we have yet to reach their true potential as we strive to expand this further in Q4FY23 and H1 FY '24.

Back to you, Rahul.

Rahul Arora:

Thanks, Sukhwant and Rajesh. As Sunit shared at the top of the call, we recorded our highest quarterly EPS in our history for the second consecutive time, quite an achievement considering how the macroeconomic environment is shaping up. We continue to be on target to beat our stated goal of INR 100 crores in PAT in FY '23, as we shared earlier in 2022.

As revenue grows, margins continue to expand given the significant operating leverage available in the business. As a learning and platforms business, three factors are giving us confidence. First, our Content business is doing exceptionally well with our Scholarly customer base. We continue to be at the early innings of the growth story for the customer base and growth will continue to unfold in Q4 as well as in FY '24. After a steady pickup in FY '23, performance will be even more impressive in the Scholarly Content business in FY '24.

Second, while we reported growth and rich margin expansion in Q3 in the eLearning business, our ambitions continue to be higher and will begin to be unlocked in the first half of FY '24, as Rajesh pointed out. And finally, our Platform business stabilized upon the commencement of the third year of ownership of the HighWire business. Modest growth in Q3 over Q2 in FY '23 confirmed that the transformation of HighWire is running on par with its five-year course per the acquisition playbook. We saw a massive ROIC during an impressive payback period of less than three years. The true growth will only unfold in the fourth and fifth year of ownership.

Finally, our culture is our greatest asset. My teams are truly empowered and perform their duties with an ownership mindset. Keeping this context in mind, we recommended an ESOP program and the shareholders of the company approved the employee stock option scheme 2023 on January 21, 2023. The scheme shall be supervised by the Nomination and Remuneration Committee, including finalizing eligibility criteria, terms, and conditions related to the grant, vesting and exercise options by the employees under the scheme.

The scheme shall be implemented in due course and administered by an employee welfare trust, for which a loan will be granted by the company. The shares for this scheme will be sourced through a combination of secondary acquisition and primary issue of shares. We look forward to your continued support in this exciting new growth phase of building scale for MPS.

I would now like to open the call to your questions.

Moderator:

We'll take our first question from the line of Keshav Garg from Counter-Cyclical PMS.

Keshav Garg:

So firstly, many congratulations for all-time high-profit numbers. Sir, I wanted to understand that taking from our initial commentary, so you said that the ESOP trust will buy shares, some of which is from the secondary market and some through primary issuance. Sir, so what is the need for primary issuance? Why can't the trust just buy shares from the secondary market, so that the equity dilution can be avoided?

Rahul Arora:

So the total number of shares that we've sought approval for is about 4,00,000 shares. And we plan to use upto 2,00,000 shares from the secondary acquisition and upto 2,00,000 from the primary. And we don't anticipate going to primarily for another couple of years. But the reason we are having to go to primary is because of SEBI and regulatory guidelines.

We can only acquire a certain value for this purpose through secondary, which is based on our balance sheet, is up to 2,00,000 shares. So, it's more compliance related. Our preference, of course, is to maximize secondary acquisition.

Keshav Garg:

Sir, also, you just mentioned that the quantum jump in the eLearning division, some part of it was due to some one-time project that we are doing for a consortium of PSUs, which is expected to be concluded in this quarter. So is this a one-off revenue, some portion on, is this INR 37 crores quarterly run rate, is this sustainable going forward for eLearning division?

Rahul Arora:

Yes, so I would focus on the annual number, and the annual numbers are absolutely sustainable. In fact, they will only grow. And I shared the guidance in the past that the eLearning business for us should grow at 15%, 20%, which is much higher than the other lines of the business.

And with respect to this particular project, so we have a line of business called Experience Center. With the exception of perhaps one year for the last four or five years, we've been building Experience Centers every year. So it's not a one-off. It's just that it's getting executed in these two quarters, so in these six months. So we will have Experience Center projects every year. It will depend on the customer whether it's in Q1, Q2, Q3, or Q4. But it's a very healthy part of our business. We tend to work with either large corporates in India or with PSUs, large PSUs in India.

And we've been doing that for the past five years under the ownership of MPS. But previously also when the previous owners owned this eLearning division, this was happening. So this is a very steady business, it's an established business and will continue going forward as well. In fact, so far, we've been delivering this line of business only in India. And our goal for the next few years is also to expand into additional neighbouring markets within the Indian subcontinent, and also in the Middle East.

Keshav Garg:

Great, sir, and also lastly, it is very encouraging that the Platform Solution division has finally turned around and has grown Q-on-Q. And on the one-off element on expenses, is it done or things are still not stabilized?

Rahul Arora: So the one-off element on expenses is done with. In fact, if you take the one-off element out this quarter, our platform margins would have been at 36%. And we expect that to carry forward into Q4 as well as next year, 36% to 40% EBITDA margin for this business. So those one-off expenses are done with and they were absorbed entirely in Q3.

With respect to revenue, we are expecting some modest growth in the Platform business in FY '24. So continued, we'll hold the 36% EBITDA margin for sure. And of course, if revenue picks even more, that can go to 40%.

Keshav Garg: Great. And sir, lastly. Of course, last year, we did a share buyback in February. So now January is almost over. So should shareholders expect some news on that account of buyback?

Rahul Arora: So currently at this Board meeting, a lot of the focus was on the ESOP scheme. I like to keep my Board focused. So once this has been completed, at the next Board meeting, we will talk about the redistribution of proceeds to the shareholders, which includes buyback as well as dividend or any other form of redistribution. So we'll be exploring that at the Board meeting for the annual results in May, as we've done previously. And yes, there should be some form of redistribution. What that form will be discussed at the Board level.

Moderator: We have our next question from the line of Rishikesh Kale, an individual investor.

Rishikesh Kale: You mentioned about the impairment. I see that the other expenses have increased by almost INR 6 crores approximately. So what exactly is the exact quantum amount of that impairment?

Rahul Arora: You're referring to some impairment. There's been no impairment. Could you explain what your question was?

Rishikesh Kale: So there has been a spurt in other expenses from Q2 and Q3 for almost about INR 6 crores approximately. So I would like to know the reason for that.

Rahul Arora: Yes. so the reason for that is outsourcing. It's primarily outsourcing. So it's two items. One is outsourcing related to the large experience center project that I described. And the second would be the one-off expenses we've had in the HighWire business as we settled some cost items that these are exit costs from the cost item. So these are one-off expenses. So it's mostly a combination of outsourcing and this cost that I described.

Rishikesh Kale: And the other question is, there have been dramatic improvements in technologies in artificial intelligence like ChatGPT, etc. . So how would that affect our business in the future? And are we taking any steps to actually leverage on that?

Rahul Arora: Excellent question, So any drive towards efficiency and automation for us presents a massive opportunity because it allows us to differentiate ourselves and our competition. Remember, we operate in a highly fragmented market. There's lots of these small players at the tail and we're always looking for opportunities, where we can differentiate ourselves and consolidated that tail.

And of course, MPS tends to be at the forefront of new technology and new innovation, and machine learning and AI is no different. In fact, our R&D team based out at Bangalore, which is over 100 people strong, branded as MPS Labs, has made tremendous strides in this particular area.

Specifically, with machine learning, we've been applying machine learning in content production for a few years now. So it's a very well-established practice, which has allowed us to achieve turnaround times much better than our competitors, and it also helps with margin expansion.

More recently, we started making AI explorations in areas like creating supplementary content from core content, research integrity, assessing the quality of language as we get varied formats of inputs and interest, from the manuscripts, creating images but also using AI to check, how images have been possibly manipulated. So we tend to do a review of the inputs that we get and the AI allows us to do that fairly quickly. As well as generating alternative text through AI for accessibility.

So we have a series of initiatives. some are operating at a pilot level, where we are co-developing things with our customers. Some are operating to an emerging level, where we've had a certain amount of volume go through the AI-enabled workflows and we are trying to figure out, how do we now scale up to the next level. And then there are certain areas like typesetting and composition, where things are more established.

So lots of initiatives on board. We see it as a massive opportunity for MPS, because while the Chennai floods and the Pandemic allowed us to differentiate ourselves, as a business that has resilience, this particular opportunity allows us to differentiate ourselves in terms of how quickly we can get our customers' content to market, so speed, but also the kind of the predictability of the quality.

So, we are totally embracing this. We have built products on top of this. And we see this as a massive opportunity to gain market share for MPS.

Rishikesh Kale:

That's really great to hear. And so actually, it's not a threat. It's more like an opportunity you're seeing?

Rahul Arora:

Yes, basically, the way we're looking at it is that there are hundreds and hundreds of players in this space. Our customers obviously want to work with fewer vendors at some point, the supply chain is going to get consolidated. And whenever you get these shocks to the system, each shock is an opportunity for the organized and resilient, and professional players like MPS to gain market share. So this is another shock to the system, and we welcome the shock!

Rishikesh Kale:

That's really nice to hear. And in one of the previous meetings, you had said that you would have a 40%-30%-30% operating margins target. So roughly, that would mean that we would again touch our all-time high of 35% operating margins in the next year. Are we still on the course to achieve that?

- Rahul Arora:** We're getting there, as you can see. I'm not going to be sharing any guidance for next year. I have shared guidance for the end of 2027, which is that we are going to get to INR 1,500 crores in revenue and at similar margins. Now whether those are 30%, or 35%, those are things that will play out every quarter every year. But the broad vision is to get to INR 1,500 crores top line, at a similar margin. Yes. And I think margin expansion continues to happen at MPS across the different lines of business.
- Rishikesh Kale:** Thanks and congratulations on the excellent results.
- Moderator:** We have a question from the line of Mahesh B P, an Individual Investor.
- Mahesh B P:** Post the acquisition of EI Design, it was mentioned that they had a revenue estimate of around 6.7 million for FY '23. And MPS has around 10 months of revenue contribution from EI Design. MPS eLearning had INR 83.5 crores in revenue in FY '22. So do you think with INR 95 crores for nine months FY '23, is there some miss in terms of the growth for EI Design?
- Rahul Arora:** No, there's no miss. All lines of business are growing. We're very happy with the growth that we have in the eLearning business. And we are not seeing these as different lines of business because EI which was our fastest integration helped us form one combined eLearning business in India. So MPS Interactive acquired EI Design in May/June of 2022 and we integrated teams within three months, our fastest.
- And so we are actually not even thinking of these as different lines of business. We're thinking of this as one eLearning business, and this kind of pie is growing. It's very difficult now to differentiate what is EI, what is MPSI. It's almost impossible because it's all blended in now. Same teams, same leadership, that kind of thing. So it's difficult to make that kind of cut, yes.
- Mahesh B P:** My second question is, you had articulated a vision of USD 50 million revenue for eLearning by 2027. Are there any factors other than the valuation that's holding up the deals that you're pursuing?
- Rahul Arora:** Nothing is being held up. We just did an acquisition like six, eight months ago. So nothing is getting held up. Everything is working fairly well. We have no issues on the acquisition side. I'm sorry, maybe I didn't understand your question.
- Mahesh B P:** No, so the USD 50 million revenue vision that you have for eLearning, does it still hold up?
- Rahul Arora:** Yes, absolutely.
- Mahesh B P:** Because any delay in acquisition will warrant a higher growth or a bigger acquisition?
- Rahul Arora:** I'm not understanding what delay you're referring to. We just did one in May or June, right? So there's no delay.
- Mahesh B P:** No, in the sense in terms of the run rate that you need to get to USD 50 million. That's what I'm referring to.

- Rahul Arora:** We are on track based on our business plan. In fact, we are ahead of the curve.
- Moderator:** We have a question from the line of Jagvir Singh from Shade Capital.
- Jagvir Singh:** Sir, congratulations for the good set of numbers. And actually, I joined late on conference call. So my question is regarding your Q4. So we have achieved a 31% EBITDA margin in the Q3 in this quarter. So these are sustainable? Or we can see some kind of improvement in the Q4 in FY '24?
- Rahul Arora:** We normally don't provide this type of guidance. But qualitatively what I can say is I think Q4 will be very similar to Q3 in the sense that there was an outlier where we had these one-off expense in the Platform business. So Platform will go back to 36%. So with the exception of that one change, Q4 will be very similar to Q3.
- And again, like I was describing at the top of the call, the eLearning business should improve margins in the first half of FY '24. So Content margins should hold. Platform exit margin should be close to 36%, of this year. And then next year, eLearning margin should continue to improve.
- Our goal, of course our next milestone is to move this from 25% to 30% on the eLearning side. And we're hoping that by the second half, so the first half of the year we take all the actions, and through the second half of the year we start seeing a result of those actions. So yes, margins will only continue to improve from here.
- Jagvir Singh:** And sir, any guidance for the next year on the revenue front?
- Rahul Arora:** Not right now. I think the bold vision continues to be on track to get to INR 1,500 crores, by the end of 2027. And then, of course, once we've closed Q4 out I mean, possibly, we can have this conversation when we're talking about our Q1 results of FY '24.
- Moderator:** We have a follow-up question from the line of Keshav Garg from Counter-Cyclical PMS.
- Keshav Garg:** Sir, just wanted to understand what are you hearing from our major customers, on the demand side and as well as on the pricing side?
- Rahul Arora:** I heard the demand side. What was the second part?
- Keshav Garg:** Sir, pricing. Is there any pricing pressure? Are the customers asking us to reduce our prices?
- Rahul Arora:** No. So on the demand side, not yet. But having said that, we have stepped up our customer interactions. So wherever we were doing quarterly meetings, we're now doing monthly meetings. We're trying to get our account managers to meet with our customers physically and in person as much as possible. So we've definitely stepped up the activity in terms of being in front of our customers. So far, nothing yet on the demand side.
- On the pricing side also not as much. There is a lot of conversation around improving speed to market on the content side. In a response to a different question, I was talking about how there's applications of machine learning and AI, that enables some of that. But there's a lot of

conversation around how do we go quicker to market. But there's so far not been too much conversation around demand side.

On price, of course, that happens every year, we get more volume at lower prices. But that's been par for the course. Nothing unusual related to a recession where people would ask for price cuts without an upside. So there, of course, price cuts do happen where there's potential volume upside. Those have happened already.

So yes, we are, of course, studying the macro and making sure that we are in front of our customers as much as possible. And also now that in-person meetings are possible, we are trying to do as many physical meetings as possible, attending a lot of events as well. Nothing yet. And definitely, if and when we do hear something, we'll report that on the earnings call.

Moderator: We have our next question from the line of Rahul Jain from Dolat Capital.

Rahul Jain: First of all congrats on very spark numbers. Of course, you told about your prospects and all in terms of what kind of growth you see and all. But just to get a little deeper in terms of what aspect of the markets are helping you achieving this kind of growth, especially on the Content side, and also what is lifting up the traction on the Platform side of the business?

Rahul Arora: So when we look at our growth strategy, we don't think of our business as Content, eLearning, and Platform. That was one big change we made a couple of years ago and possibly that mindset change has helped. We've started to look at our customers in market segments instead of business segments.

So while we report our results as Content, eLearning and Platform, when we go to the market and we fight for market share, we look at the market as Scholarly, Education, and Corporate. And there are different approaches for each of these markets.

For the Scholarly market, we are following a price warrior approach, where we are undercutting the competition to get more revenue and also to build more volume. In addition to that, we are following a product bundling approach. So we have a complete product ecosystem, a SaaS-based product ecosystem. So we're trying to cross-sell as much across that ecosystem. And finally, we are also trying to cross-sell across our Content and Platform business for the Scholarly customer base.

So the market view is enabling us to sell different things to our customers across MPS versus trying to sell individual products or services. So let's say, we go to a university press. We try to get more volume through the price volume approach, and then we cross-sell.

So if there is a content customer, we'll try and sell them a platform. Or if there is a platform customer, we'll try and sell them content or an additional module or platform. So that's the approach for the Scholarly market, which is kind of helping us quite a bit.

On the Education side, there's a couple of things that we're doing. With the current customers, we are following an approach where we are taking the onshore the US-based capabilities around

content development and design and combining that with our digital expertise that we acquired through our eLearning business. So, taking our eLearning capabilities and our content capabilities and unlocking that synergy for our customer based on the Education side.

In addition to that, we are focusing more on immersive learning, so really learning by doing. Those solutions tend to be high end, also tend to be more recurring in nature. As well as within the Education space, we are targeting not just the publishing community, but also educational institutions. So we're now directly working with community colleges, universities, and continuing education institutions. So that's on the education side.

And then on the Corporate side, through the acquisition of EI Design, we've kind of inherited a marketing-led approach. There's a new proprietary capability that we've acquired from EI, where, basically, through their approach, we get a lot of awareness and interest, in the company.

And then we've always been good at converting that awareness and interest into business. So we're using the EI go-to-market approach that we acquired and are now spending more dollars in there, to get even more leads and then converting the interest into business.

In addition to that, we're expanding into newer geographies on the eLearning side. So we started doing business in India. We have new customers in Australia. So the rest of the world for the eLearning business has picked up, which is, again was something that we were not a focus for us before. But again, EI had a very strong customer base in the rest of the world, and we've been building on top of that.

Again, on the corporate side, we've also been leveraging many industry partnerships. So we have partnerships with industry associations. We tend to be an award-winning vendor partner. We participate in many industry award processes. And also we have been very picky about the industries that we go after, on the corporate side. We're trying to go after industries where there's heavy spending on learning and development.

So again, I think the big structural change that we've made is that instead of thinking of this as business lines, where we're trying to sell Content, Platform and eLearning to individual customers, we're now approaching it from a customer perspective from outside in, saying, that if you are a Scholarly customer, what is your business problem and how can we as a comprehensive business solve that problem in an efficient way.

And likewise, for education and corporate. And then within each of those markets, we are following different approaches that are custom to the market dynamics. So yes, it's been a very thoughtful exercise and it's been years in the making. Of course, we're seeing the results now.

Rahul Jain:

Thanks for the detailed clarification. Just to add a little bit more here. If you could divide some of this incremental opportunity? Of course, the capability additions, and new additions, those are fresh perspectives. But if you see from a client perspective, what is driving the traction? Is it simple market share win for us? Or is it even better budget on their part? Or some behaviour change in terms of how they are consuming some of this thing earlier versus a third party? Any such lever from a client perspective if you could have?

Rahul Arora: Again, different things for those three markets. So for our Scholarly customer, there's a desire to work with fewer partners, and we are one of the few partners that have both content and tech expertise. Normally, you go to a tech vendor for the platform and you go to a content vendor for the content expertise. Here, they're able to work with us across both things. It's like having two partners in one company or multiple partners in one company.

And what it does for them is they're trying to push more content out there, so it increases their speed to market. So that's why on the Scholarly side, I think, it's market share, but it's basically almost a new market that we've created. So there's a Content market, there's a Platform market, and there's a Content plus Platform market that, and almost only MPS is operating in this third market that combines both these markets. So that's the play on the Scholarly side.

On the Education side, the play is Digital, historically, they had different vendors for content and different for digital, and very few vendors that can provide both. So there's an element, again, similar to Scholarly, that we've created a third pie. But another element to Education is that we've entered in an entirely new market.

Also previously, our entire revenue from Education used to come from the major educational publishers. Today, we are working with new age learning companies that are emerging globally. We are working with universities, we're working with colleges. So there is a market expansion that happened on the Education side for us.

And then on the corporate side, the market is growing at 10%, 12% on its own. The pie is increasing. Of course, we're winning more market share in that expanding pie.

Moderator: Mr. Jain, does that answer your question?

Rahul Jain: Yes, it does. Just last question, if I may, which is related to I think Rahul you spoke a couple of quarters back that there is more content that is now getting created post-COVID in terms of research. Is there any change to that view in terms of your observation? Is that traction continuing, slowing down as well as accelerating. Any views for that?

Rahul Arora: Yes, it's definitely continuing. And in fact, I think the customers are also becoming more thoughtful in their approach. So for example, a lot of the recent conversations are about speed to market. How do we push more content to the market faster? And that shows that this is not just something that they're flirting with, but they're committed to.

So earlier, the conversations were more discovery. Now it's more about, "Okay, we know we want to do this. What's the engagement model? And what's the tech behind that engagement model that will make sure our vision actually kind of fructifies?" So absolutely, if anything, I think we've moved from discovery to now implementation.

Moderator: We have our next question from the line of Naveen Bothra, an Individual Investor.

Naveen Bothra: Congratulations for a good set of numbers. Sir, my question is regarding the growth guidance, which we are saying that by FY '27, we want to be an INR 1,500 crores revenue company. When

we see our current revenues of around INR 500 crores, INR 520 crores range, in the next four years it entails a huge compounding growth for the next four years.

When we see our current revenues, except eLearning, that EI Design the major growth in MPS is coming through the inorganic part, EI Design. So if you can throw some more light on this growth guidance. How do we want to achieve organically as well as inorganically? If you can throw some more light on it, it will be helpful?

Rahul Arora:

Sure, I'll do that. And before I respond specifically; I want to correct a data point that you shared. The eLearning business has not just grown because of the acquisition of EI Design. If we take EI Design out, the standalone eLearning business in the India entity grew at 27% in Q3. Just to make sure that we're all on the same page, the standalone eLearning business for the India entity for MPS without EI Design grew at 27%, which is a pretty phenomenal feat organically. So definitely, the eLearning business is growing faster than the rest of the segments. So it's not just inorganic. It's a blend of organic and inorganic.

And what we envision is, as we scale from INR 500 crores to INR 1,500 crores, about 60% of the incremental revenue will come inorganically and 40% will come organically. So we envision it's going to be a 60/40 split in the favor of inorganic as we take it from INR 500 crores to INR 1,500 crores.

Naveen Bothra:

And the capital allocation for the 60% part as well as the return to shareholders and all these things, if you can throw some light?

Rahul Arora:

So in what I described I should mention the underlying assumption is that the profile of acquisitions will be in the \$15 million to \$30 million range in revenue and will be funded from internal accruals. So that's the current assumption when I talk about our scale up from INR 500 crores to INR 1,500 crores, that's the underlying assumption on the inorganic side.

Now having said that, if suddenly we find this great opportunity, which is greater than \$30 million in revenue and checks all my boxes of it's a growing company, it's EPS-accretive, it strategically enhances our capability portfolio, etc., then we would look at even a combination of debt and equity financing.

But again, we will have to detail out when the right opportunity presents itself. So far, the numbers I'm giving you assume we will acquire businesses in the \$15 million, \$30 million range and be funded from internal accruals.

Moderator:

We have a question from the line of Mahesh B P, an Individual Investor.

Mahesh B P:

Hi Rahul, will you look at inorganic growth in Content vertical given that it is a very high-margin business?

Rahul Arora:

Yes. So we are actually looking at acquisitions across all verticals. But the thing is that on Content side, we would do an acquisition if it provides us some meaningful capability, something new

that we don't have. So on the Content side, as Sukhwant was describing in his opening remarks, we're focused entirely on Education and Scholarly.

So if there's anything out there that gets us into a new market or capability; there's lots of content at several different types of fields. So if something gets us into an additional field or within Education and Scholarly if there's some new capability that we do not possess, absolutely. From our perspective like I described, it has to be a growing company. It has to be EPS accretive. We're not looking at rescuing sinking ships anymore. We want acquisitions to add to the momentum. And finally, it should add some strategic advantage where we go to the market and say, "This is what each of us was standalone, but now this is, this plus this," and therefore, there's sort of a multiplier effect.

Absolutely looking at that as well, but the boxes a Content acquisition would need to check would obviously be far more than an eLearning acquisition or a Platform acquisition.

Mahesh B P: Is new logos also a factor for acquisitions?

Rahul Arora: On the eLearning side and the Platform side, yes. But on the Content side, I think that's a lazy approach given the maturity of the business. So if the acquisition only provides us new logos on the content side, that's not very interesting for us because that we should ideally just be doing organically.

Moderator: We have our next question from the line of Parth Chawda, an Individual Investor.

Parth Chawda: First of all, congratulations on the amazing sets of numbers. I've been following the company for the last two, or three years. And you set the right expectations and delivered on them. So congratulations on that. So my question is, as of now, we are on three line of business: Platform, Content and eLearning. So is there any plan to expand the line of business through organic or inorganic ways?

Rahul Arora: So organically, we've kind of already expanded into one more line, which is Marketing Communication. So like I was explaining in a previous question on a different context, we operate this business where we build these large physical and virtual experience centers for many of the leading brands, in India, including large corporates as well as PSUs.

So that vertical is now emerging organically as a vertical called Marketing Communications. Currently, all of that revenue is sitting within the eLearning segment. When it becomes material, we can potentially make it a fourth segment. Currently, it's not material enough for us to call it a fourth segment. If it does, we will look at that.

And of course, if an opportunity on the acquisition side presents itself to accelerate that aspect, we will pursue that. But other than that we're currently looking at Content, eLearning and Platforms. And of course, the fourth one is Marketing Communications, which we organically already invested and created. But the focus really is on these three plus one segments that we have.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Rahul Arora for closing comments. Over to you, sir.

Rahul Arora: Thank you, everyone, for your excellent observations and thoughtful questions. To conclude my comments, I'm delighted with our continued progress in this new phase of building scale for MPS. Market-leading margins in the Content business, sustainable organic and inorganic growth in the eLearning business, and untapped potential in the Platform business, form a potent combination towards Vision 2027, which I have articulated previously. But to reiterate my vision for MPS in 2027 is to create a compelling learning company at a meaningful scale that would help the world learn smarter.

We aspire to be the provider of choice in our markets and power experiential learning experiences with the latest technology and innovation. What you're seeing today is the result of the hard work, diligence, and ownership mindset of me and my team over the last five years, very similar to the bamboo plant when you are at it and suddenly you start to see the results. I think this we are now at the bamboo moment for MPS where things are finally starting to fructify and grow.

So thank you for all your support and patience over the years, and look forward to your continued support going forward as well.

Moderator: Thank you. On behalf of MPS Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility for such errors, although an effort has been made to ensure a high level of accuracy. No unpublished price-sensitive information was shared/discussed on the call.