

**MPS Limited**

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Dear Sirs,

Sub: Transcript of the Earnings Call inter-alia on the Un-Audited Financial Results of the Company for the First Quarter (Q1) ended 30 June 2023.

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 Wednesday, 02 August 2023, at 11:00 A.M. (IST), inter-alia on the Un-Audited Financial Results of the Company for the First Quarter (Q1) ended 30 June 2023.

This is for your kind information and record.

Thanking you,

Yours Faithfully,
For **MPS Limited**

Raman Sapra
Company Secretary and Compliance Officer

Encl: As Above

www.mpslimited.com

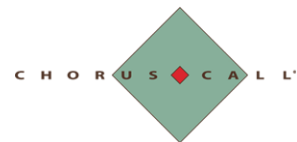
MPS

“MPS Limited

Q1 FY ‘24 Earnings Conference Call”

August 02, 2023

MPS



MANAGEMENT: MR. RAHUL ARORA – CHAIRMAN AND CEO
MR. SUNIT MALHOTRA – CHIEF FINANCIAL OFFICER
MR. SUKHWANT SINGH – CHIEF OPERATING OFFICER
MR. RAJESH JUMANI – CHIEF REVENUE OFFICER

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '24 Earnings Call of MPS Limited. As a reminder, all participant lines will be in 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 and 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 and CEO. Thank you, and over to you, sir.

Rahul Arora: Thank you. Hello from Melbourne, Australia, and welcome to our Q1 FY '24 earnings call. Today on the call I have with me:

- Sunit Malhotra, CFO of MPS Limited, who joins us from Noida, India;
- Sukhwant Singh, Chief Operating Officer of our eLearning and content operations in India at MPS Limited, who also joins us from Noida;
- Rajesh Jumani, Chief Revenue Officer of our eLearning practice, who is currently visiting India and joins us from Mumbai.

Today, Sunit will kick things off in our opening segment by discussing our financial performance. Then, Sukhwant will update us on the continued momentum in our content solutions business. Rajesh will then discuss our growth in the eLearning business. Finally, I will provide an update on progress regarding the platform business, AI/ML progress, acquisitions, capital allocation, and also an update on the QIP process.

So, let's get going. Over to you, Sunit.

Sunit Malhotra: Thanks, Rahul. MPS delivered robust growth in Q1, FY '24, well ahead of the previous year. Revenue grew to INR133 crores on an FX-adjusted basis and EPS was at INR17.84 per share, reflecting 16.61% and 47.8% growth, respectively. With underlying organic growth in the business preceding the planned acquisitions, the expectation now is that the acquisitions can genuinely be accretive to business performance.

Reflecting on Q1 FY '24, here are my top 3 favorite themes:

1. All business segments and lines of business are performing.
2. We have returned to our roots as a high-margin business.
3. Our top 15 customers now contribute towards 56% of our revenue, a much lower customer concentration than we started this journey in 2012.

I want to hand it over now to Sukhwant to discuss content solution performance in Q1 FY '24.

Sukhwant Singh: Thank you, Sunit. Revenue in the content solutions business grew at ~10% in Q1 FY '24 compared to last year. Given the significant operating leverage in the business, our PBT grew faster at ~28% in Q1 FY '24 compared to the same period in the previous year. The emphasis on STAR accounts was a core lever that was unlocked to drive growth in Q1 FY'24. 7 of our top 10 accounts in the content solutions business grew at double digits.

Unlike FY '23, where most of the growth in this segment was driven by the scholarly business unit, which is primarily our journals and scholarly books, the growth in Q1 FY '24 was more balanced.

- Revenue in the scholarly business units grew at ~15% in Q1 FY '24,
- The educational business units have started to find their way back with ~11.5% growth in Q1 FY '24.
- Also, smaller business units like digital solutions saw a decent margin expansion.

I want to hand it over now to Rajesh to discuss the eLearning solution performance in Q1 FY '24.

Over to you, Rajesh.

Rajesh Jumani:

Thank you, Sukhwant. eLearning continued as the second-largest business segment. Revenues were at INR32.35 crores in Q1 FY '24, amounting to ~25% of our total revenue. Our eLearning business is also the fastest growing business segment and revenue grew by ~31% in Q1 FY '24 compared to the same period in the previous year. We also added 2 new customer logos to a top 10 accounts.

The eLearning operations in Europe are doing much better than expected. TOPSIM revenue grew by 26.4% in Q1 FY '24. MPS Europa has now completely recovered. Revenue grew by 23.6% in Q1 FY '24 compared to the same period last year. We went from a loss-making position in the previous year to a PBT margin of 28.4% in Q1 FY '24.

The acquisition of E.I. Design confirmed the validity of a new acquisition playbook, wherein we acquire growing assets at compelling valuations. In addition to substantial financial indicators, including significant margin improvement, operational indicators also showed highly positive results. We are now market-leading in-service delivery and quality in the eLearning practice, reflected in the high CSAT scores across our portfolio. Growth operations in the eLearning practice have matured and now are setting the benchmark for the other business units.

The continued advancement of Magineu, our experienced centre and marketing communications business has been highly successful with new project wins and growth in existing projects. My team and I are committing to scaling Magineu to a sizable fourth business segment for marketing communications by FY '25.

Back to you, Rahul.

Rahul Arora:

Thanks, team. I'll start with an update on the platform business before giving other updates.

Revenue in the platform business grew in double digits for the first time since the acquisition of HighWire back in 2020. Since the operating leverage is a maximum in the platform business, PBT grew even faster at ~58% in Q1 FY '24 compared to last year.

The execution of product road maps proceeded on schedule for the entire platform suite in Q1 FY '24. The marketplace has well received the new features and functionalities, presenting numerous monetization opportunities from implementation projects and migration programs. To further enhance our offerings, we have 3 product launches planned in this business segment, one each quarter through the rest of the financial year, and we are hopeful that these will create new revenue streams for us in the long term.

Our engagement in the platform business with our core customers has significantly improved with various discussions underway on cross-selling. We also have a robust pipeline of RFPs in the platform business with new customers for the very first time in a long time. Overall, the platform business is gradually progressing from a consolidation phase to a growth phase.

To conclude my remarks on the platform business, I would like to highlight that:

1. Our mission has now transitioned from being a Support/Delivery organization to a product development and innovation organization. This includes new product launches, active product road maps, and upgrades.
2. Our new customer acquisition strategy that involves Product/Service bundling and Price Warrior ship is gaining traction in the platform business and helping us develop a new customer base.
3. The feedback from the industry and the scholarly community is highly encouraging. HighWire and MPS now stand as the only “serious” independent choice since 2 of our larger competitors have been acquired by publishers.

Now, let's shift the focus to our progress on AI/ML, acquisitions, capital allocation, and the QIP process.

The advances in AI/ML have a proportionate impact on the entire ecosystem, affecting our customers, competitors, industry, and the macroeconomic environment alike. There is no unique risk to MPS on its own. Instead of perceiving AI/ML as a threat, we view it as an opportunity to once again differentiate ourselves in a fragmented market, which is ripe for consolidation. To spearhead this transformation, we have launched a new initiative called MPS Labs, a pioneering initiative headquartered in Bangalore, consisting of a team of over 100 professionals with relevant expertise.

Our progress here can be classified into 3 categories; established, emerging, and pilot initiatives. MPS Labs has played a pivotal role in scaling up AI/ML applications in content profiling, workflow routing, and the composition of standard layout products. Our teams are running pilots in collaboration with our customers leveraging AI/ML as a creation of Alt-text, content development for abstracts, summaries, assessment, and learning objectives as well as for image creation and image forensics. Interestingly, some of these pilots have now transitioned to emerging trends, including content structuring, content tagging, automated language assessment, and also a cognitive quality model, which first of its kind in the industry.

With MPS Labs as our innovation hub, we are driven to continuously push the boundaries of AI/ML capabilities, ultimately enhancing our offerings and cementing our leadership equation in the market.

Moving on to acquisition, QIP, and capital allocation.

We are now pursuing acquisitions of healthy companies at least with 15% EBITDA that are growing at least 10% over 3 years. The qualifying criteria for us now as potential buyers for these types of assets has become even more important and the deal sizes are also increasing. In this context, we have taken the conservative approach and armed ourselves with enabling approval for the QIP. The approval was never meant to imply a definitive raise and perhaps we could have been tighter in our communication.

At this point, we are actively pursuing a couple of acquisitions that will be funded from internal accruals. We intend to utilize a QIP as an instrument of last resort only when pursuing a relatively higher deal size that cannot be funded from internal accruals and debt. As I've shared previously, we are comfortable raising debt in the range of INR100 crores to INR130 crores. But I don't think it's appropriate for me to comment on the likelihood of a QIP. I can confirm that based on the current visibility, internal accruals will be the first lever for us to unlock the next couple of acquisitions. Debt would be the next. Finally, if additional funds are required to pursue a large deal, then a QIP would be our last resort.

On capital allocation, our priority has always been to redistribute surplus funds to the shareholders of MPS, provided there is no imminent use for those funds over the next 6 to 12 months. This approach allows us to stay focused, disciplined, and responsible, and we will continue the same policy.

Let us now open the call to questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Namit Arora from Indgrowth Capital.

Namit Arora: Thank you for the very helpful opening remarks. I have 2 questions. One was around the theme of the Supercharging Scale. Now I'm conscious that you've done 8 acquisitions in the last 10 years. Is it fair to say that irrespective of your ability to conclude more acquisitions in the future, given there is always some amount of deal risk, you would continue to pursue a very robust organic strategy to deliver scale. That is one question. The second question was around larger acquisitions. Give us some thought process on that.

Moderator: I'm sorry, it seems we have lost the line of the current participant, Just a moment. Sorry, Namit, can you please repeat your question? You are unmuted now.

Rahul Arora: Yes. We got your first question on the Supercharging Scale. Your next question was on acquisitions, If you could repeat that, then I'll answer both together.

Namit Arora:

So, my second question was, I am cognizant you've done 8 acquisitions in the last 10 years. Going forward, since you may be pursuing larger acquisitions, your thought process in terms of criteria and de-risking may be through earn outs or trying to retain the management team for 3 to 5 years. Some color around that because some of the larger Indian companies have struggled with larger acquisitions. So, just some thought process to de-risk that.

Rahul Arora:

Great question. So, on Supercharging Scale, as I shared before, the goal is to get from INR 500 crores to INR 900 crores organically; and then add another INR 600 crores through acquisitions to achieve INR 1,500 crores in Revenue by FY28.

The INR 400 crores represent 12% -13 % organic growth. We expect that the content business will continue to grow at 10%-12%. The platform business will grow at 10%-15%, and then the eLearning business will grow in the range of 15%-25%. And then, within eLearning, the Magineu business will potentially grow at a higher clip-on in the range of 20%-30% because there's a small base effect. And there's a full-blown strategy that you can read about in the Annual Report of how we're pursuing this organic growth. We already see results from the excellent execution of our growth strategy, as Sukhwant talked about the content side. Jums talked about the eLearning side, and I summarized it for the Platform side in our Opening Remarks.

So, you're already seeing early signs of that in FY '23 and Q1 FY '24. As you rightly pointed out, we are looking at acquisitions where there is at least a 15% EBITDA margin at the minimum. The company should have grown at a CAGR of 10% minimum over a sustainable 3-year period and have a strong outlook going forward. And as you rightly said, when you look at businesses like this, typically, you have a competent management team. Our role then changes from being an operator to supporting the management team. So that's a significant change on the execution side of the strategy. We did this at a small scale last year with EI Design, which has given us confidence that this is a successful path for us to pursue.

One of the things that we are doing differently now, which is unique in our new approach to acquisitions, is determining the cultural fit, which has become a very significant variable as we select companies beyond the financial parameters I described. So, cultural fit and trying to figure out the alignment between us and the acquired management team. Can we get along and work together? That's something that we've started to study, and for the very first time, we also have our HR teams as part of the deal process.

And yes, in most cases, we are looking either at staged buyouts, where we step up our shareholding over a period of time, or we're also looking at an earn-out approach as well, depending on the objectives of the founders. Those two are our dominant use cases, and we are looking at these deals. And then, there are a couple where we are looking at a combination of both earn-out and staged buyout, but mostly; it's either of these two things. The goal, of course, is for us to extend the management team in the future. And for us to play more of a support advisory rather than an operating role. So yes, that's a significant change in our strategy.

Namit Arora:

Got it and this is most helpful. I really appreciate your candid and detailed perspective and all the best to the entire Team.

- Moderator:** The next question is from the line of Arun Maroti from Subhlabh Research.
- Arun Maroti:** Sir, my question is on the Magineu part that in AGM also you said that we are growing by 30% year-on-year. So, if you can share some more details on it, it will be quite helpful.
- Rahul Arora:** I can share some ballpark numbers, and Jums can give more color on what's happening behind the scenes. Our Magineu numbers were in the range of INR 12 crores-INR 13 crores in FY23. Our expectation in FY '24 is that, at the minimum, we'll grow at 30%, possibly even more. And what's giving us that confidence is that we are winning new projects. We are also doing better with some existing customers and building out existing centers.
- Jums, if you'd like to back me up here and give more color on the Magineu business.
- Rajesh Jumani:** So, the big difference between the Magineu business versus our existing eLearning business is that in the eLearning business, we are focusing purely on the training and the learning fraternity. In contrast, the Magineu business caters to the marketing fraternity, which means the budgets are much larger, and the value sizes are much more significant. Even during a slow year, the marketing budgets are enormous. The difference is that we can augment a fair amount of the same staff we currently have and cater to a new line of business that's much larger.
- Arun Maroti:** And one question on the employee side that despite having a decrease in the number of employees, our employee costs have increased a little bit. So, what is the reason behind that?
- Rahul Arora:** Sunit, you want to talk about that? Is it ESOPs?
- Arun Maroti:** So, can you quantify the impact of ESOPs on it because it is a one-time?
- Sunit Malhotra:** Yes, two things have impacted. One is that in the same quarter last year, E.I. Design was there for a month and is now there for three months. That 2-month impact has also come. The second is an impact of ESOP charges, which have come for the first time in this quarter, and that amount is closer to INR 32 lakhs. The third is the standard increment.
- Moderator:** The next question is from the line of Rahul Jain from Dolat Capital.
- Rahul Jain:** So firstly, how do you see the seasonality of the business now, Rahul the way some of these businesses have settled and you have a certain growth in your mind. So, what are the puts and takes in the different quarters for different business units? And what is the right seasonality that you have in your mind?
- Rahul Arora:** Yes. Q3 and Q4 tend to be our biggest quarters. This is in sync with many of our customers closing out their respective financial years. Some close it out on December 31, and some close it out on March 31. So, as a result, there's a push at the end. So typically, we see Q3 and Q4 as our most significant quarters. Historically, Q1 has been our softest. So, we'll have to see how that plays out. But definitely, Q3 and Q4 tend to be our strongest quarters.

- Rahul Jain:** So, this Q1, are you slightly positively surprised by this performance in the Content and Platform?
- Rahul Arora:** I'm happy with the performance. I'm not surprised. We expected this. We also had a weak Q1 last year, which was uncharacteristic as well. So, there's that aspect as well.
- Rahul Jain:** And on the eLearning side, the same pattern?
- Rahul Arora:** Yes. On the eLearning side, the pattern is similar. Platform, it's slightly different. Platform tends to be more uniform because a large chunk of the platform business is recurring. So, Content and eLearning, Q3 and Q4 are the most significant. Q1 and Q2 are similar; possibly, Q1 is softer. And then, on the platform side, reasonably uniform. In Q1 of this year, we had some exciting project revenue in Platforms outside of recurring revenue. So yes, I would say Q3 and Q4 Content and eLearning are expected to be strong, and the Platform will be more balanced throughout the year.
- Rahul Jain:** You just mentioned that there was an increment kind of an impact. So, is this the annual cycle that we have gone through in this quarter? Or there is some more to come during the year in different geography or something?
- Rahul Arora:** All our increments are done in the same cycle. So, it's done with. So, April is our increment cycle. For the first time, we've introduced an ESOP program. So, it's a combination of increments and ESOPs.
- Rahul Jain:** And if you could say how many people are covered in this program as of now?
- Rahul Arora:** The ESOP program?
- Rahul Jain:** Yes.
- Rahul Arora:** I think it's 50-55, I'm not sure the exact number. Maybe Sunit, you can share the exact number, and how many people have been covered.
- Sunit Malhotra:** As of now, 50 employees have been covered.
- Rahul Jain:** The last question from my side is related to the comment and explanation that you gave about your acquisition strategy. So, is it safer to assume that you would be open to doing a 51% stake kind of transaction, or you will only go for the one where you would have a clear part to 100% because now you want that support model rather than an operator model?
- Rahul Arora:** So, we want majority control. The conversations that we've been having are 60%, 65%, 75%, type of stake, not 51%. But yes, definitely trying to get majority control in the beginning. And, of course, I'm only sharing with you based on the conversations we've had so far. That could change in the next 6 or 12 months. But based on the visibility as of today, we're looking at majority control in some conversations with 65% and some with 75%.

Rahul Jain: And just clarification on the QIP comment you mentioned. Are you trying to say that for now, you are not pursuing it? Only if you have those sizes of transactions available to you, then only you go ahead with the plan.

Rahul Arora: Yes. Based on the visibility today, the thinking and the approach are that we feel comfortable that for the next two acquisitions, we will probably fund from internal accruals. After that, the internal accrual will also increase because these acquisitions will be EPS accretive and cash flow positive acquisitions. The next goal will be to fund the next acquisitions from accruals and possibly take on some debt, INR 100 crores- INR 130 crores at the most. Only if all those funds are insufficient and we've got some compelling case for executing Vision 2027 in one shot for example, would we proceed with a QIP. And the background of why we armed ourselves with an enabling QIP resolution is to have a right to sit at the table to participate in large deals. There are certain types of transactions where you can only sit at the table once you can prove that you have a certain amount of financial strength.

Rahul Jain: Sure, understand that, Thank you so much, and Best of Luck.

Moderator: The next question is from the line of Pulkit Chawla from Emkay Global.

Pulkit Chawla: So, Rahul, first on the platform, I think good to see double-digit growth finally coming in. I just wanted to understand the near-term future of this segment. I mean, how are you planning to grow? Could you throw some color around the 3 products that you mentioned as part of your initial remarks? Second, some things about your eLearning segment, Are you seeing any short-term pain given that the macroeconomic environment is not the strongest? And just a small clarification, eLearning segment margins are a bit weaker this quarter. So, some clarification on that.

Rahul Arora: Yes. So, for the overall Platform business, as I was sharing, we expect 10% and 15% growth toward Vision 2027 by FY '28, as we charted out. We expect it to be closer to 10% in the near term. As we head closer to FY '28, it will be closer to 15%. But broadly, that's what we're expecting in the short term.

Regarding new product launches, we are not expecting any revenue from them this year because they will be fresh launches. Even if we sign up customers, we will only record Revenue in the next financial year by when we set them up. What are the three launches? The first one is THINK Web, a next-generation version of our THINK platform, which manages the order-to-cash cycle for our customers with subscription revenue. So, this next-generation Platform is entirely cloud-based and web-based, which is unprecedented in this industry. We expect to launch that in the next quarter or rather this quarter now. We already have existing customers planning to migrate to this next-generation Platform. The second one is a product that unifies our Ampere workflow product, which is focused on production, and our Bench Press product, which is focused on manuscript submission and peer review. So, it's unifying both products in a new use case where we're learning that on the publishing side, the line between editorial and production is blurring. So, we're creating a unified platform that helps in the execution of that type of thinking. The new product will help takes a manuscript from submission/peer review through the publishing

process to the Platform. When I say unifying, I don't mean we will integrate two disparate products. We're creating a brand-new product with fresh modular architecture based on microservices. The goal is to launch it at the Frankfurt Book Fair in October. Finally, we are launching a new SaaS product in the last quarter of this year, focused on the Author Office side. So, it helps manage the author payments, as we're learning that a new revenue stream is being created through the author community. So, it's an author-centric platform that allows an author to self-publish and provides support services to the author, such as editorial, layout, and those publishing services. So, it's an author-centric platform. These are three launches planned for this year.

Your next question was on eLearning. We do not see any slowdown. We are much smaller and possibly more diversified than some competitors. We're growing, as you can see from the numbers; as Jums mentioned, Magineu is also part of this business segment, and that's growing even faster. In terms of margins on the eLearning side, good observation. We are setting ourselves up for an expansion this year. So, we are sitting on some excess capacity in Q1 because we're expecting some disproportionate growth in the second half of this year. Because of this, Q1 margins are soft, but as the year closes out, at an annual level, our margin will be where it needs to be. So, we are sitting on excess capacity because orders are getting unlocked in the second half of the year.

Pulkit Chawla:

Thank you

Moderator:

The next question is from the line of Akshada Deo from Vivog Commercial Ltd.

Akshada Deo:

Congratulations. It was a good quarter this year. I just wanted to know the platform's growth that you are looking at, roughly 10% for the near term. Are you expecting this to come from new projects or recurring revenue?

Rahul Arora:

Short term, the growth is mainly from Projects. Let me explain the nuance. So, what's happening is that we are doing two things. One, we are upgrading many of our customers to the next generation of technologies. As a result, as we migrate them into the next generation, there's a cost and a project associated with it. Obviously, because it is a next-generation technology, they also end up paying more over time. So, in the short term, we are getting this bump because we are migrating them, so that's the first aspect. And the second aspect is that we've onboarded new customers. Currently, we're in the setup phase. So, in the short term, we will see more project revenue associated with setup. But once the setup is complete and the customer goes live, we will also see a lift in the recurring revenue. The short answer is that it's more project-based. But it will be more recurring and less project-based from next year onwards. So, it's a short-term anomaly because we're scaling up.

Akshada Deo:

So, is this due to HighWire or pre-HighWire

Rahul Arora:

All our SaaS products are now marketed under the umbrella brand called HighWire. HighWire now includes everything we got from Macmillan in 2012 that we've improved upon. HighWire also includes THINK, which we acquired in 2017, and what we got acquired directly as the

HighWire product suite. All our products are now marketed under one brand, and we have the same team working across this as one business.

Akshada Deo: So, HighWire, would you say as per the 5-year plan, you are currently at the third year, would you say it going according to plan as of now? Or is it better?

Rahul Arora: It is going as per plan, and I am delighted with the progress. We are doing much better now. We have also gotten a bit lucky. We've gotten a few lucky breaks; we won RFPs we usually would not receive. We had customers who were unwilling to go to the next generation, and suddenly, out of the blue, they decided to go to the next generation—so, going as per plan and even better because of a couple of lucky breaks.

Akshada Deo: That's great and follow-up for acquisition, regarding the 2 acquisitions that you are looking at, can you give a range of the deal size, on the probable deal size, and which vertical they would be for?

Rahul Arora: We are mainly looking at eLearning and platforms. It is not easy to give you a forward-looking estimate. But as I shared previously, we are no longer looking at distressed acquisitions. So, we're looking at a multiple of EBITDA now. This could range anything from 4x to 8x depending on what is the level of growth as a track record, but also what is the growth potential of the business. So, it's a large range. In terms of size, we're looking at businesses with Revenues of more than USD 10 million in Revenue and at least a 15% EBITDA margin. Hopefully, you can run some math around the information I shared to develop a forward-looking outlook.

Akshada Deo: So, the content growth was great this quarter, especially. Do you expect this to continue?

Rahul Arora: Yes. As Sukhwant described in his opening remarks, our growth last year in Content came from one area of our business. Our content business has three significant buckets—Scholarly focuses on publishing scientific research; Education focuses on education institutes, learning companies, and publishers; and smaller business lines that perform a specific function, like our digital solutions business, a conversion business.

What was happening last year was that out of these 3, only the Scholarly business was growing. So, while that growth gave us an excellent lift; everything was not performing. What's different this year is that the two most prominent, like 95% of the revenue of Content, Scholarly plus Education, are growing. So Q1 Scholarly grew by 15%, and Education increased by 11.5%. As a result, we're seeing more consistent growth and expect it to continue throughout the year. As I had shared in the previous question, our strongest quarters for Content usually are Q3 and Q4. So, we have yet to see the best for this year.

Akshada Deo: That's great and the last question from my side. Are you seeing any order book for Experience Centre, any new orders?

Rahul Arora: Imminent we'll share it with you when things are confirmed. We won some orders in Q1. But yes, close on large orders. If it's something that's material, we will share it with you.

- Akshada Deo:** Thank you, that's it from my side.
- Moderator:** The next question is from the line of Mohammed Hassan from Fairdeal.
- Mohammed Hassan:** Thank you for the opportunity, I just had the question regarding the margin side. For the past few quarters, we have seen a very good margin past the 40% plus levels. So, do we expect the same? Can you throw some light on it?
- Rahul Arora:** With Content, we want the margins to be in the 40s. Historically, we've even been in the mid-40s. A large part of that is now going to come from Revenue growth. So, as long as the Revenue keeps growing, margins will continue to expand, and the stable level for Content is in the 40% to 45% range. For Platforms, we've hit an excellent level. We like to sustain it from here, so again, 40% to 45%.
- With eLearning, as I explained earlier, we slipped a little bit in Q1 FY '24. And the reason was that we are ramping towards a significant scale-up for the year's second half. And sometimes you have to invest in the ramp-up, and that's what we're doing.
- So overall, our goal for eLearning will be to sustain the 25% -27 % margin this year. And, in the longer term, break the 30% barrier on the eLearning side as well. So overall, 35% is something that we'd be happy with at a consolidated level. Now that 35% could be 37%, that's something that we'll flex towards.
- Mohammed Hassan:** Thank you So much
- Moderator:** The next question is from the line of from Hrishikesh Kale as an Individual Investor.
- Hrishikesh Kale:** So last year, you had given a target of INR100 crores PAT. Would you be in a position to give similar guidance this year?
- Rahul Arora:** Thank you for holding us responsible, Hrishikesh. So, if you remember, last year, we gave that guidance when we reported Q2 FY23, and we may give some guidance when we report Q2FY24.
- Moderator:** The next question is from the line of Mahesh, as an Individual Investor.
- Mahesh:** Rahul, sometime back, you had expressed a desire to get into managed services within eLearning. What's the progress on that front?
- Rahul Arora:** Thank you for the question. Yes, from our perspective, that's our goal as we climb up on the eLearning value chain. We are pursuing that through an acquisitive strategy because it's a new capability area. We've had conversations with strategic customers trying to build it out organically. But it is most likely something we will have to develop through acquisition and that we're actively working on.
- Mahesh:** My second question is, have you managed to increase the wallet share of your top 5 or top 10 eLearning customers after your acquisition of E.I. Design?

- Rahul Arora:** So, a couple of things. One is within the top 10; we now have two new logos we did not have before or after the acquisition of EI Design. Though the combination helped. As a result of the synergies we've unlocked, we've also scaled a couple of smaller customers. As Jums described in his opening remarks, we are getting more reliable.
- We were always very creative in the type of work that we did. We've always known to be different in our approach and the experiences we create. But after the acquisition of E.I. Design, we've become more reliable in our delivery and quality. As a result of being at the intersection of reliability and creativity, we are gaining more wallet share with our top 10 accounts. And yes, we're seeing much traction with our customer base.
- Mahesh:** Rahul, can you give some more information on the 2 new logos, name geography, or something more?
- Rahul Arora:** Names, I may not be able to give. One is just more out of respect for the customer but also for competitive reasons. In terms of geography, interestingly, both customers are customers from India.
- Mahesh:** Thank you, Rahul.
- Moderator:** The next question is from the line of Jyoti Singh from Arihant Capital Markets.
- Jyoti Singh:** Thank you for the Opportunity, Congratulations on the good set of numbers. So, sir, my question is more on the margin front. So, like we did a good margin in this quarter. So, what are your expectations going forward?
- Rahul Arora:** As I shared previously, margin expansion is now primarily a function of revenue growth. At a consolidated level, we'll be happy at 35%. We want content to be between 40%-45% and platform to be between 40%-45%. This year, eLearning will be at 25% -27 % and hopefully break the 30% barrier at some point. Also, it's important to note that Q3 and Q4 tend to be our strongest quarters in terms of revenue. So, as I pointed out, margins expand as revenue grows.
- Jyoti Singh:** And sir, this platform business that we have seen consolidation and now we are expecting 10% in the near term and 10%-15% by FY '28. So, which other segment, we are seeing more traction?
- Rahul Arora:** So, as Jums pointed out in his opening remarks, our fastest-growing segment continues to be eLearning in terms of revenue growth. And there, we work primarily with large corporates.
- Jyoti Singh:** Thank you, Sir, Recent development more on the generative AI front. So, how we are benefiting from that?
- Rahul Arora:** Yes, I explained in my opening remarks that there's much activity that we are pursuing as an organization. We set up a dedicated unit called MPS Labs, which is headquartered in Bangalore and has over 100 people that have the relevant expertise. The team is working on three types of projects - established projects, where we've been able to execute them for a decent customer

base; emerging, where we are serving a smaller customer base; and pilot projects, where we are collaborating with customers. However, we have yet to go live in production.

The innovations around AI/ML are an opportunity to consolidate the supply chain for our customer base. As we saw in the pandemic and coming out of the pandemic, there was a significant consolidation in the supply chain. And with every shock the supply chain gets, the market consolidates, and scaled players like MPS tend to benefit. So, we are seeing it as a positive. We're investing in a meaningful way. We're adapting as well. It's more a medium-term type of situation where we hope to have the market consolidate and gain more market share. In the near term, we are primarily investing to future-proof ourselves and our customers.

Jyoti Singh: Ok, Thank you, Sir

Moderator: We'll take the follow-up question from the line of Mahesh as an Industrial Investor.

Mahesh: Rahul, how many inorganic opportunities have you let go in the last 12 months that you looked at?

Rahul Arora: About 6. Again, I'm giving you a ballpark estimate, don't hold me to it, but around 6.

Mahesh: Any qualitative reasons?

Rahul Arora: Yes. A few reasons. The numbers, for one, we didn't have confidence around the future growth potentials of the business. A couple of them were more B2C focused. We're very sensitive to not breaking this momentum. So, we are conservative about the type of acquisitions that we do. So, we're not going to do anything entirely dissimilar from us. We want to do things that are closer to our business model. So, a couple of them were more B2C focused. And for a couple of them, we did not see a cultural fit. And in a growing setup, closely working and collaborating with the founder/management team is essential. So, a combination of various reasons. But at about six that we walked away.

Mahesh: My last question is, what is your assessment of the existing run rate of MPS eLearning against the context of the total addressable market?

Rahul Arora: Yes, today, we are a small player in this massive ocean of eLearning. eLearning is valued, depending on what report you look at, upwards of \$300 billion in total addressable market. The most significant player is in the \$300 million-\$400 million range. We are far from that. In a \$300 billion market, if your most considerable player is \$300 million-\$400 million, that shows you how fragmented the market is and how ripe it is for consolidation.

It is a positive opportunity for MPS to play the role of a consolidator. To sum up that comment, managed services will potentially be the play here, where a few vendors will aggregate near-shore expertise that will allow them to execute and perform managed services globally. So, that's the forward-looking play.

Mahesh: Thank you very much that's it from my end.

Moderator: Ladies and gentlemen, that would be our last question for today. I now hand the conference back to Mr. Rahul Arora for closing remarks. Thank you, and over to you, sir.

Rahul Arora: Thank you, everyone. Thank you for your active participation at our Q1 FY '24 earnings call. We appreciate, as always, your thoughtful questions, and your unique outside-in perspective helped us to learn and improve. I want to express my gratitude to each of you for all your deep questions, and also for some of those questions where you held us accountable. So, thank you for that. Our journey together has been remarkable, and we see a tremendous opportunity here for MPS to Supercharge Scale. We look forward to your continued support, feedback, and partnership mindset. Thank you so much.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of MPS Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

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