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Ref: MPSL/SE/85/2023-24
Date: 30 January 2024

✓	**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:** MPSLTD **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 Conference Call inter-alia on the Un-Audited Financial Results of the Company for the Third Quarter (Q3) and Nine Months ended 31 December 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) Regulations, 2015, please find enclosed herewith the Transcript of the Earnings Conference Call, held on Tuesday, 23 January 2024, at 05:00 P.M. (IST), inter-alia on the Un-Audited Financial Results of the Company for the Third Quarter (Q3) and Nine Months ended 31 December 2023.

This is for your information and record.

Yours Faithfully,
For **MPS Limited**

RAMAN SAPRA

Digitally signed by RAMAN SAPRA
DN: c=IN, o=PERSONAL, title=9408, pseudonym=43dbd303263049bf818a076f6d838560, 2.5.4.20=18cf30a1544184712dd62ca166b9893ae39be03b72c0f4a44c907cf6e8f25d25, postalCode=201014, st=Uttar Pradesh, serialNumber=15cbe9dded45c032a01894d72a7cb7af4313fb2366016cd2de145cfc530838fc, cn=RAMAN SAPRA

Raman Sapra
Company Secretary and Compliance Officer

Encl: As above

"MPS Limited
Q3 FY '24 Earnings Conference Call"
January 23, 2024

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

Moderator: Ladies and Gentlemen, good day, and welcome to the Q3 FY '24 Earnings Conference 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 and CEO. Thank you, and over to you, sir.

Rahul Arora: Thank you, Seema. Good afternoon on a cold day in Gurugram, and welcome to our Q3 FY '24 Earnings Call. Today on the call I have with me Sunit Malhotra, CFO of MPS, who is with me at our Gurugram office; Sukhwant Singh, Chief Operating Officer of our India operations, joins us from our Corporate Office in Noida.

Sunit will kick things off in our opening segment today by discussing our financial performance. Then Sukhwant will update us on our Content Solutions business developments. I will then discuss the short-term disappointment in our eLearning business and follow up with progress in our platform business. Finally, I will provide an update on the progress of AI/ML in our business, acquisitions, and our overall philosophy on capital allocation. Let's get going. Over to you, Sunit.

Sunit Malhotra: Thanks, Rahul. Q3 FY '24 was a flat quarter for MPS at an EBITDA of INR44.64 crores, margins did expand and at 8.1%, EBITDA growth was faster than revenue growth. The margin expansion theme also held YTD as EBITDA grew at 14.40% even though revenue growth was limited to 6.62%.

Our diversification agenda launched in 2020, continued as our top 10 customers accounted for less than 50% of our revenue and revenue from the rest of the world was in the early double digit percentages in Q3 FY '24, even though North America was our largest market.

I want to hand it over now to Sukhwant to discuss the developments in our CS (Content Solutions) business.

Sukhwant Singh: Thank you, Sunit. Revenue in our Content Solutions business grew by almost 8% in Q3 of FY '24, compared to the last year. Given the operating leverage in the business, EBITDA margins expanded to 43%. The scholarly lines of our Content Solutions business continue to lead the charge towards revenue growth and margin expansion.

In the scholarly marketplace, we have launched new capabilities linked to the Journal Editorial Office that are placed in a more strategic position in the value chain, which has resulted in the new business from net new customers, and also improved the stickiness and quality of our revenue with existing customers. Together with the HighWire suite of products, this new JEO service compounds our capabilities and positions us as the only 'techno-service' provider at the front-end of the scholarly publishing value chain. Additionally, volumes and revenue from our STAR customers base grew because our service delivery has been among the best as the supply chain has consolidated.

Overall, the Content Solution momentum was held back only by a temporary blip in the education side of our Content Solutions business, which is expected to correct in FY '25. I continue to remain bullish about our Content Solution business over the next 3 years and particularly in FY '25, where we expect a level-up.

Thank you. And I want to hand it over now to Rahul to conclude our opening remarks. Over to you, Rahul.

Rahul Arora: Thank you, Sukhwant. eLearning continued as the second largest business segment, FX-adjusted revenues were similar to INR 99.50 crores in the first 9 months of FY '24. In complete transparency, we are behind our expectations in the scale-up of this business in FY '24.

The eLearning business has four operating entities, across India, Germany, Switzerland and now Australia. All the international subsidiaries outside of India have had a successful Q3; and in the first 9 months of FY '24, they've all been growing at double digits in revenues and at healthy margins. Our India entity has had a bumpy period because of the deferment of one large project.

In September of 2023, a premier Corporate in the energy space awarded us a contract to develop and deliver a state-of-the-art experience center. The contract's total value was expected to be INR 40 crores, all to be executed in this FY 2024. Unfortunately, this large project has been deferred to a later period, resulting in some short-term pain in this business. Overall, we expect revenues at the India in this entity in the eLearning business to get back to their pickup in Q1 of FY '25 and margins to improve as early as Q4 FY '24.

Moving on to our platform business, marketed as HighWire, has entered a new phase. On a 9-month basis, revenue in the platform business grew by ~5%, and margins stood firm at 45.47%. Execution of product road maps was on schedule for the entire platform suite in FY '24. The marketplace has well received new features and functionalities, and there are several monetization opportunities through implementation projects and migration programs. We launched 2 new SaaS products, DigiCore Pro and THINK Web in Q3 FY '24. We expect short-term revenue growth in FY '25 through customer migrations from older platforms and even more remarkable growth of this business from new customers from FY '26 onwards.

The advances in AI/ML have a proportionate impact on the entire ecosystem, affecting our customers, competitors, industry, and the macroeconomic environment. Instead of perceiving AI/ML threat, we view it as an opportunity to differentiate ourselves again in a fragmented market, which is ripe for consolidation. To spearhead this transformation, we launched a new initiative called MPS Labs, a pioneering initiative headquartered in Bengaluru. The teams have made substantiative progress in 2023. In the coming months, we expect to make a significant announcement around a new launch related to AI. So do stay tuned in for that announcement.

I'm now moving on to capital allocation and acquisitions.

As I shared in 2023, we expect more acquisitions in 2024. The next phase of acquisitions will significantly enhance our revenue base and scale and therefore, enable a more rapid approach to Vision 2027 than we had originally planned.

On capital allocation, our priority is always to redistribute surplus funds to the shareholders of MPS, provided there are no eminent uses for those funds over the next 6 to 12 months. This approach allows us to stay focused, disciplined, and responsible. We believe that even after concluding the next upcoming transaction, MPS will possibly sit on surplus funds and plan a distribution at the next Board meeting.

Let us now open the call to your wonderful questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take our first question from the line of Keshav Garg from Countercyclical PMS. Please go ahead, sir.

Keshav Garg: Sir, with the setback in our eLearning division, probably a short-term setback. Is our guidance of consolidated PAT of over INR140 crores in FY '24, still stand which basically translates into INR50 crores PAT in the fourth quarter. So, are we on track to achieve that?

Rahul Arora: The short answer is, No. The guidance was north of INR 135 crores of PAT. We're trying our best to make up as much as possible. As you can imagine, INR 40 crores deferment of revenue, for a ~ INR 500 crores revenue business is significant.

And you'd appreciate that our Experience Center business operates at a premium on margin. So, if our eLearning business operates at 20% to 25%, Experience Center business operates at 30% to 35%. So yes, it is a bit of a short-term pain. We stay committed to Vision 2027 and the race to INR1,500 crores in revenue at similar margins, within 3 to 6 months, we feel determined that we will approach the Vision 2027 of INR 1,500 crores even more rapidly than we had planned before. Short-term bumps happen in any business.

Keshav Garg: Sir, this INR 40 crores order that you are talking about was there any contribution from this in the third quarter of last financial year?

Rahul Arora: We normally have 1 to 3 Experience Center business projects every year. Typically, we don't take on more than that, because it's a huge effort of not just internal capacity, but external capacity. So, we typically take on anything between 1 to 3 projects a year.

Last year, we were at India Energy Week around the same time, and we had powered India Pavilion in Bengaluru, which was delivered by us. We had a decent amount of revenue from this type of work last year, which we do not have this year. This year, we were supposed to do even better, as explained earlier about the contract award in September. The project was supposed to be executed between late October to early March, but that project has been deferred.

Keshav Garg: What's the reason for our margins going down to around 16% from mid-20s, even apart from the Experience Center, does the eLearning division was doing mid-20s margins?

Rahul Arora: Yes. We have prepared, a decent capacity for the project that I mentioned. As you can imagine to even win such a project, it takes a lot of management and delivery team bandwidth. You end up building prototypes and proof of concepts and knowing. We were expecting to go live in 90 days. To deliver INR 40crores Experience Center project in 90 days is no mean feat. So, we have already started to assemble that capacity and therefore, have had to incur some costs there. That capacity, of course, has now been disassembled.

Keshav Garg: Sir, whether the eLearning division revenues are inclusive of the Australian acquisition that we did recently?

Rahul Arora: Yes, it is inclusive of Australian acquisition.

Keshav Garg: What is the reason that year-on-year, our revenues are down despite of the acquisition. Apart from the eLearning Business order?

Rahul Arora: We've lost revenues of INR 40 crores. So, if you add those 30 plus 10 into the respective quarters, the numbers do add up. Kindly reconcile at your end.

Moderator: We take the next question from the line of Rushikesh Kale, an Individual Investor. Please go ahead, sir.

Rushikesh Kale: You have given a guidance of INR 130 crores for this year. Is there any revised guideline that you would like to give in terms of this temporary setback?

Rahul Arora: I don't think we'll be giving any guidance for this financial year. The miss is a setback, and we're all focused to deliver the best we can. I believe we are going to fall short, how much short; we'll update you once the numbers are out.

Rushikesh Kale: Okay. And you mentioned about another acquisition in North America. Is that still in process?

Rahul Arora: Yes. There are two upcoming acquisitions. I did not mention North America. I had mentioned that's in the platform business. To reiterate, we are now looking at acquisitions that give us a supercharge in scale up so that we can ramp up quickly.

We're only looking at companies north of USD 20 million in revenue i.e., anything near to INR 160 crores or INR 170 crores. We're hoping that we'll close two such acquisitions in 2024 and ideally one in the short term.

Moderator: The next question is from the line of Dhruv Bajaj from Smart Sync Investment Advisory. Please go ahead, sir.

Dhruv Bajaj: So, first question that currently split between content, platform and eLearning solution is 2:1:1. So going forward by FY '28, do we have a target split in mind?

Rahul Arora: No, I don't think we have a target in terms of the split. We are opportunistic and we want all segments to grow. Content is as much as 50%, and that number could be lower. In an ideal mathematic world, the ratio would be 1/3:1/3:1/3; but it's difficult to predict because the content business is also growing.

As Sukhwant pointed out, our scholarly business on the content side is growing north of 15%. The content business got held back because of a temporary blip in the education vertical. But once they both start to perform, which is expected as early as Q1 of next financial year, even content will be growing at double digits. As we grow and scale, you could see some dilution in the proportion of the content business. Now whether it will be at 40:30:30 or what that mix will look like, only time will tell.

Dhruv Bajaj: What is aiding the margins in the platform business? In Q2 and Q3, there is slow growth in revenues. Even then margin has expanded by 13%, and we have also seen a decent headcount, so what is aiding the margins?

Rahul Arora: Firstly, on the technical side, there are 2 things that are happening. We have modernized and standardized the technology stack to make sure we are managing fewer technologies. As a result, we've had productivity gains.

So earlier, we had many more different types of technologies because we have done so many acquisitions. Each acquisition came with its own tech stack. And now we've created some harmony across those tech stacks. And therefore, we've seen some productivity gains as we've done that.

Engineering teams may not just be one product specific. They could be working on multiple products at the same time. The second thing we've done is, we've modernized some of the platforms. As a result, we've had some of the customers moved on from old platforms to new generation platforms. And therefore, our support tickets and support headcount has reduced. So, it's really been operational efficiency that's contributed to lower headcount. And, in a SaaS business, as revenue increases, margins increased faster because the marginal costs are significantly lower than the margin revenue.

Dhruv Bajaj: In our vision to take our revenues from INR 500 crores in FY '24 to INR 1,500 crores by FY '28. We have mentioned that 60% will be from inorganic. So what will be the valuation criteria for acquiring firms? Like do we want to acquire firms that are dirt cheap or buy high-quality firms having 10% CAGR in sales, 15% margin profile. Then integrate and improve the margin profile considering our blended margins are high.

Rahul Arora: Yes. I thank you for your excellent research and thoughtful question. So, from our perspective, our goal is to acquire businesses that allow us to basically further our growth momentum. We are looking to acquire companies that have inherent financial strength. While we are going to end up probably paying more than we have traditionally, we are still very disciplined in our negotiation, and we'll make sure that we don't overpay.

And overall, the thought process is that falling a broad range from anything from 4x to 8x of EBITDA. And for someone to be at the higher end of that range, two things must happen. Firstly, there must be phenomenal growth historically. Secondly, in those types of situations, we are trying to have a situation where the founder team or the management team continues, and it's a staged buyout and earnout process so that the future is assured.

We are also making sure that in addition to revenue growth and EBITDA margin, we're also looking to acquire certain size of company because we realize that whether it is a small company or a large company, its integration takes same amount of effort. So, we're only looking at companies north of USD 20 million in revenue and hoping that in the short term, we conclude one acquisition and more medium term, we'll conclude another one.

Dhruv Bajaj: Okay. So last, very impressed by your capital allocation policy in terms of high dividend payout. But have you thought about doing buybacks instead of dividends? Are they more tax accretive or do you have some other thoughts?

Rahul Arora: Yes. Thank you for the question. Yes, the Board will obviously discuss that in the next board meeting as we get closer to the capital distribution. We have done buybacks before. So it's not unprecedented in the company. And of course, we will take that into account. For us, it's important to make sure that we are considering the interest of all minority shareholders and not just the larger of minority shareholders. So, we will take a balanced view as a Board when we meet next.

Dhruv Bajaj: Do we plan on doing further fund raises in future? Or these acquisitions will be done through internal accruals and current cash returns?

Rahul Arora: It will depend on the cheque size for acquisitions. On fund raise we've gotten the wonderful feedback on calls and while meeting with some of the minority shareholders, I think our preference would be, if we did have to raise capital, it would be in the form of debt. I've shared on previous calls that we're comfortable in raising debt to the tune to our PAT, which is now significant number compared to previous years, it was INR 109 crores. So, we feel that between internal accruals and debt, we should be okay for the next couple of acquisitions. But yes, it's possible that if these 2 acquisitions happen very close to each other, we may have to use the debt route.

Moderator: The next question from the line of Gunit Singh from CCIPL. Please go ahead, sir.

Gunit Singh: Sir, in the last concall, you mentioned that we will complete one more acquisition in FY '24 in the range of INR 60 crores to INR70 crores in the platform business side. So are you on track for that?

Rahul Arora: Yes, we are well ahead of that because we're contemplating an acquisition north of USD 20 million in revenues. So, we feel that we are ahead of what we had guided.

Gunit Singh: All right. That is very helpful. Sir, secondly, like the previous participant mentioned, in the next redistribution that the company planned for the shareholders. Why don't we consider a buyback like we have done previously? And it has been more than 1 year since we did the previous buyback because the share has corrected about 20% to25% on the top and doing a buyback is more tax efficient. And it is also EBIT accretive as shares get permanently exhausted from the market.

And moreover, it will also show us the confidence of our management in the Vision 2027. If stock is available at a relatively cheaper price for a company which is in a growth phase and in a transition journey as ours right now. So, I mean, my suggestion would be to consider a share buyback in the next Board meeting, if possible. And what are your thoughts about the same?

Rahul Arora: Yes. Again, thank you for the suggestion. As you know, we take all these recommendations and suggestions very seriously. So, we will absolutely deliberate over this at the next Board meeting.

To ensure we all have equal information, I would also like to highlight another aspect. We also have a situation where we have excess cash located in our foreign subsidiaries. So, at some point, and I don't know whether this will be in the next board meeting, but at some point, we also have to solve for that problem, where cash available in the foreign subsidiaries has to be brought back, and I'm told by our advisors that the most efficient way of distributing those type of funds is actually through dividends.

So, there are a couple of other complexities that we're solving as well. One of them is some of our funds are in foreign subsidiaries. So, we'll have to see whether what is more likely the dividend or the buyback and all the pros and cons of the same.

Moderator: The next question is from the line of Abhilasha Dhananjay Satale from Quantum AMC. Please go ahead.

Abhilasha D. Satale: So, I have question regarding the platform business. Even I see on a year-on-year basis, the platform business growth has also decelerated. So, can you cite the reason for this? And how do you expect this segment to grow over a period?

Rahul Arora: Sure. Thank you for your question. I would like to humbly make a factual correction and share total context. The platform business went through a scale up back in 2020. We acquired a distressed asset called HighWire Press and as we know through our old acquisition playbook, any distressed asset takes 3-5 years to turn around. So, in the first 3 years, you see a steep revenue decline. In the fourth year, you start to see some consolidation of revenue. And from the fifth year onwards, you start to see revenue growth.

In the platform business, we are following that same sequence and same playbook. In fact, we're slightly ahead since our revenue is actually growing. And then once this revenue stabilizes, we will start to take off from the following year.

If anyone is new to MPS or looking at the MPS business, I'd encourage you to look at year-on-year rather than sequential quarters. There is an element of seasonality in our business. And therefore, it's always more relevant even in the platform business because in short term, some of the revenue gains that are coming are moved from migration projects.

So even the platform business, it's best to look at year-on-year and not sequential quarters. And maybe that's why your conclusion is different. Overall, the platform business is growing on a 9-month basis.

Abhilasha D. Satale: We just see for the quarter also; we have seen some decline in revenue for the platform business. So, on year-on-year basis So any seasonality aspect there? And over say, as the scale-up is largely happening. So how do we see this business going forward growing?

Rahul Arora: Yes. I think, 2020 was our first year where we had a true scaled business on the platform side. Going forward, this period is the period of consolidation. So, we're expecting some modest 5% to 10% growth. In the coming financial year, we expect growth to pick up and be in the double digits. We do have some large RFPs that have been submitted, and we're hoping to hear favorably in the next few months.

Moderator: The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Balance result in hard times, I can say this is the hard time going on and you have predicted good growth in the next few years. Sir, main growth didn't come in eLearning solution. Top line de-grew INR3.09 crores and that reduced our bottom line by INR3.5 crores. So, want to know the reasons for this.

Rahul Arora: As you rightly pointed out, this is a marathon, and we feel that we have the momentum that in this marathon toward INR 1,500 crores in Revenues, even though we have the short-term blip, we will approach our final finish line much faster than we had originally planned.

On the eLearning side, as I was pointing out on the previous question, one of our customers deferred an opportunity that's close to INR 40 crores this financial year and we actually won the contract. The project has been deferred for now. Hopefully, that project does start up in 2024. And as a result, we were not able to accrue revenue from that project, so that there's been a miss in revenue and a corresponding miss in earnings.

In fact, we had some extra burst capacity available that was going to work on that project, and we have kept it as an investment because we realized that to deliver a INR 40 crores Experience Center project in 90 days is no mean feat. And that's why we were invested in capacity upfront. We have not been able to use that capacity. Since then that capacity has been disassembled. But of course, short term, it's given some pain. Our goal is that from Q4 onwards, in the eLearning business, to improve margins and Q1 of next year to improve both revenue and margins.

Ravi Naredi: This is the main dilemma, INR 30 dividend you had given. It is a really wonderful gift to shareholders. But so many times, you tell the acquisition is on the card and we will raise the equity. So, my dilemma is why you declared the dividend when you have something to buy and something to acquire?

Rahul Arora: Yes, the short answer to that is we have more cash in the system than we need for the acquisition, and we factored that in. So, we had surplus funds. We believe that holding any surplus funds that we don't plan to use in 6 months is not good corporate governance. Till we don't anticipate something and a need to raise debt, we won't raise capital through debt. So, it was mostly out of it being surplus.

Ravi Naredi: My request is always raising the debt because the equity is always costlier than debt. That is my request.

Rahul Arora: I completely agree with you. Thank you so much.

Moderator: The next question is from the line of Ayur Bohraa from Dolat Capital.

Ayur Bohraa: So two questions. First is I just want to understand about the star account strategy, which we discussed in last quarter, how is it progressing? And how are we scaling up on that part? And second question is for acquisition in platform business, which subsegment or geography we are targeting? And any detailed color on that?

Rahul Arora: Sure. So, the star account strategy for those who are not aware is basically, we've identified a certain number of accounts as a star account, if it meets 1 out of 3 conditions. It is of a certain size today. It has a certain potential tomorrow or it has some strategic element that improves the quality of the total business. If an account can check 2 out of these 3 boxes, we call them a star account.

We've identified Star accounts specific for each vertical, for each business segment. And we've started to go deeper with these customers. When we have a Star Account, we make sure that not only do they have a delivery team, but they also have a dedicated account manager. They have an executive sponsor from the senior management team, who then has a corresponding executive sponsor from the clients and senior management team. And together, we figure out how to unlock value in the partnership. Success is measured basically in the lines of business that we're involved in.

Today, on average, when we have Star accounts, we have anything between 4 or 5 lines of business engagement. And our goal is to increase that to 7 or 8 lines of business engagement in the coming years. The Star account strategy has been extremely successful in the content business, particularly in the scholarly side of a content business, and we are now looking to scale up the Star account strategy to other parts of the business, including platforms, eLearning and as well as education on the content side.

So, in terms of success, we've seen this in the scholarly content side of our business. And as we scale, this will start to contribute even more. To give you an example, in Q3 of FY '24, our scholarly journals business grew upwards of 20% and so did our scholarly books business as well. So, both lines, where the strategy has worked.

With respect to the platform business, there are 2 product areas where we are making a heavy emphasis. The first product area is the next generation of DigiCore, which we call DigiCore Pro which is a unified platform that streamlines and optimizes the publishing process from manuscript or article submission to its production to delivery. So that's one product that we feel we're going to see excellent market share in the next 3 years.

The second product is THINK Web, which is an order to cash management software, which we have now taken to the cloud, and we expect, again, growth from here.

With respect to market segments, we expect most of the growth to come from North America for these 2 products. We expect universities, societies, and some medium-sized publishers to participate in these products. So that's the overarching thinking on the platform business.

Moderator: The next question is from the line of Mahesh, an Individual Investor. Please go ahead.

Mahesh: What are the technical changes that you are seeing in each of the verticals that you operate? Could you elaborate?

Rahul Arora: By technical, do you mean from a technology perspective?

Mahesh: Yes. The AI/ML changes, the conversations that you are listening to, and things like that?

Rahul Arora: Sure. So, on the content side of our business, I think the biggest contribution of technology is toward speed of market, and how quickly we're able to make content more available on the publishers' platform, on the customer's platform.

And here, the opportunity really is to help the customer monetize that content sooner. We've estimated that for some customers, they could produce as much as 10% to 15% more content with existing capacity if they were able to use some of the software that we've developed for them.

So, with the same amount of capacity, they could produce 10% to 15% more, if the workflows, the processes, and the software were diligently stitched together. On the platform side of our business, we are seeing more opportunity to integrate as well as build on top of existing AI frameworks. And a large reason is that the platform business is the final stop where the end learner or the end consumer of content, interacts with the content. So, the level of risk appetite of customers in this business to experiment is very low.

So therefore, the opportunities that are being sought are opportunities where things are not experimental in nature but rather seeded and well established. So, there are more integration type of opportunities, more building on top of a framework type of opportunities rather than greenfield opportunities.

On the eLearning side of our business, what we are seeing is a variety of opportunities. One opportunity is, what does AI mean in learning and development for a large corporate, which is starting to build training and materials around the subject itself as well as to help upskill learning and development teams in this new area of artificial intelligence.

The second, again, like our content business is, how can we build the eLearning that we are delivering more efficiently and at greater speed. And then finally, again, integrating with third-party services. So, for example, today, you can create some animations, videos on the fly through some of the AI frameworks. So how can we use some of the frameworks to bring the overall cost of production down, but also improve the speed of the process.

Unlike some of our competitors in eLearning business, we have very little L1 type of eLearning. Most of our eLearning is L2, L3, and some even L4 (uncommon). And therefore, from a pricing and speed standpoint, we're not getting disrupted as much. Since we don't have L1, we are able to disrupt the L1 space and enter this market.

So L1 market our approach is through a software and AI framework implementation that becomes an attractive market share opportunity, something that we previously avoided because the price levels were too low. But now we're looking to attack this market.

Mahesh: Could you please elaborate on the L1 and L2 market please?

Rahul Arora: The development of content and technology for the learning and development function of large corporate is estimated to be a USD250 billion market growing at 10% to 11% every year. There is a lower end of this market where basically a lot of the work that is being requested is because of wage and cost arbitrage reasons.

We don't play in this market today simply because we don't enjoy the same level of arbitrage that some of our smaller competitors do. We are now looking to enter this market through a software approach where instead of physically getting people to build the eLearning, our software will enable a large end-to-end delivery of the eLearning. So, it's going to be a new market opportunity for us.

Mahesh: Are there any capabilities gap that you have mapped out at MPS currently?

Rahul Arora: Yes, there are. Our acquisition strategy is a large part of that. Of course, for competitive purposes, I would not provide what those capability gaps are. But yes, for each of the markets that we operate in, scholarly, education and content, we have capability gaps that we plan to address.

And, for each of the business verticals, content, platform, eLearning, we've done a total analysis to figure out what the white spaces are. Wherever we can build things efficiently, we're building things and wherever we feel that we can't build efficiently and it will take too long because its important, we're looking to acquire new companies.

Mahesh: You said you're looking for greater than USD 20 million revenue. Is this for 2 acquisitions put together or is it that excludes the INR 170 crores platform acquisition that you have mentioned previously?

Rahul Arora: It's not two acquisitions. It's each acquisition. So, USD 20 million for each of the next 2 acquisitions is the base number in revenue.

Mahesh: So, the total acquisitions for calendar year '24 could be USD40 million. Is that what you're saying?

Rahul Arora: Yes, when we say two acquisitions, we're talking calendar year, and this is the aspiration.

Moderator: The next question is from the line of Keshav Garg from Countercyclical PMS. Please go ahead.

Keshav Garg: What has been the experience from the Liberate acquisition in Australia that we did till now? How good is the response and so on?

Rahul Arora: Yes, I think the short answer is, phenomenal. It's been an excellent experience to be able to partner with an organization that has tailwinds. Their standalone EBITDA margin is north of 30%. They're a growing company and we are very satisfied with this development. We had pointed out in our briefing when we had acquired Liberate that this is a combination of stage buyouts and earnings, there's also some short-term earnings milestones.

We are pleased to report that they seem to be on track when it comes to their milestones. Unusually, profitable business and growing.

Keshav Garg: Since we have acquired 65% in our consolidated numbers, there is no minority interest that we have subtracted from our profits. So why is that?

Rahul Arora: I'll let our CFO respond to that question.

Sunit Malhotra: Yes. We consider that in the consolidated financials because we are going to acquire 100%. So, we account for the 100% and minority share is also being suitably adjusted there. It is considered both ways. Revenue and profitability 100% are considered. And for the 35% margin, we consider the profitability of the minority, which is not reported separately.

Keshav Garg: We already have a clear path in front of us till FY '28 wherein, we want to reach INR 1,500 crores top line out of which INR 60 crores will come from roughly from acquisitions. Sir, so even if there is no acquisition for the next 6 months or even, let's say, more than that, it makes sense to convert the cash because it's clear that ultimately, we are going to do that acquisition. So, it really doesn't make much sense that you pay today dividend and shareholders pay 35% tax on that dividend? And then two months down the line, then the company goes for capital raising. Sir, so that just jolts the investor confidence on the capital allocation side. As far as the concern about the funds being there in the subsidiaries, due to which we are considering dividend. Why can't that subsidiary make the acquisition or part of the acquisition proceeds, the subsidiary can pay. So that will resolve those issues of cash remaining in the subsidiaries?

Rahul Arora: We haven't shared anything definitive. We were basically sharing all the thoughts that we are deliberating on. There's obviously pros and cons to everything. I just presented additional information on the foreign subsidiary bit so that everyone has equal information.

It was more for information sharing.

Please appreciate that we have subsidiaries in Germany, Switzerland, Australia, India, and U.S. So, it's not that all the monies are sitting in one subsidiary. So, there is that element. Beyond a certain point, cross-border transfer of funds etc. especially when it's in the form of debt, can be more complex.

To put it simply, I think our core competency is content, learning, and technology. Our core competency is not treasury or cash management. We want to make sure that as a business, we are focused on our core competency. Our capital allocation policy is simple and straightforward, which is as long as we don't have visibility for 6 months or even 12 months, we will distribute surplus funds. We don’t see value in sitting on excess funds.

Even today, if you see the amount of cash, we're sitting with in our balance sheet, the only reason we have that cash is because we foresee an acquisition or two eminent acquisitions soon. Otherwise, we would not be sitting on cash.

It's good corporate governance to not sit on excess funds for more than 12 months, and that's all that we're doing. As you will note, we also have a relatively higher-margin business. So, we are generating upwards of INR 100 crores in cash every year. So, the business will continue to generate cash as well. It's not just a snapshot where this is the level of cash.

Also from an integration standpoint, we don't see ourselves doing more than two (maybe three) acquisitions a year because of management bandwidth. You also don't want a situation where you're acquiring businesses, but the standalone business is not growing. We want organic and inorganic growth. So we're only looking at it from that perspective and we're not sitting on surplus funds for no good reason.

Moderator: The next question is from the line of Jalaj from Svan Investments. Please go ahead.

Jalaj: If we were to break down the INR 300 crores target, which we are targeting in FY '27. You said that 40% would come from organically we will grow. So that comes out and stands with a CAGR of almost 15% to 16%.

So could you talk a little about what would lead to that growth or what would be the driver? Because have things changed historically or the industry structure has changed? Because even if I were to see the phase from FY '22 to FY '23, where we had a CAGR of similar range. There were acquisitions we were which were involved in it. So has anything structurally changed or there's some other drivers that would give us the confidence for this growth?

Rahul Arora: There are 2 ways to think of this. One is what has changed in the structure and the second is what has changed in terms of our strategy and execution as a company.

So, from a structure standpoint, there are a few things that I'd talk about. Our most mature part of our business, which is the content business, has seen few structural changes. First, with the Chennai floods and the pandemic following in such close succession, our customers have now started to revisit their supply chain choices, looking for more resilience. Looking for scaled partners like MPS that have a continuous improvement mindset and resilient infrastructure that make sure that their revenue generation through content is not disrupted. So as a result, it's not just MPS, other scale partners like MPS as well have seen this lift on the demand side coming in because our customers are being more sensitive to how they manage and orchestrate the supply chain rather than just finding the cheapest solution. So, on the content side, that's one big structural change that's taken place.

On the education side of our business, there is this new emergence of disintermediation, where traditionally, our market share from our target market ended as a publisher. Increasingly, we are seeing that our partnerships are now extending to educational institutes, but also some of the new ed tech and learning companies. And that has created a whole new demand side of business for us.

The third structural change that we've seen is our customers are slowly becoming subscription businesses. And therefore, the speed that they need in the production of content and the volume that they desire, can only be achieved by partners that have significant technical expertise but also have IP that can deliver on their promise. As a result, we're seeing a significant increase on the demand side because of that.

The fourth thing is, on the eLearning side of our business, which is a corporate learning and development side, we are seeing corporates now understanding the need to consolidate the supply chain with a few suppliers that can actually take over a large part of the learning and development function. Almost in a managed services format rather than outsourcing individual eLearning modules to individual eLearning vendors. So that's like a fourth big change.

And then the fifth big change we're seeing is more on the platform side of the business, where it's more around our ability to future-proof customers against disruptions like AI and ML as they exist today. For example, investing heavily through our MPS Labs division, in incubating new products and new innovations. So, it's mostly around future proofing. Those are the kind of the structural benefits that we are getting from the market. Those are the secular tailwinds that exist in the marketplace.

From a strategy perspective, I think we are pulling many more levers now. We're launching on average, 4 to 5 new capabilities/products every year, which is resulting in a higher share of wallet for us. We are now serving over 500 customers. And we are following what we call a star account strategy, which basically covers 10% to 20% of our customer base. Where we're trying to basically unlock all the IP that we have acquired over the years for that customer base and trying to give them efficiencies and returns. So going deeper across a strategic customer base.

The third thing we're doing is from a geography standpoint, we expanded, and we are trying to become more global. We expanded into Australia through the acquisition of Liberate. Through the acquisition of EI Design, we strengthened our position in India as well as the Middle East. So, there's also a geographic play that's taking place.

It's a combination of being in a market that has tailwinds and having the right strategy to unlock opportunity, but most importantly, having the right teams, the right culture of ownership, that can unlock the combination of excellent strategy and excellent opportunity. We are creating that culture of ownership by recognizing that. So last year, we identified about 50 to 55 people that were awarded ESOPs. That list will only grow in the coming April. So, it's a combination of market opportunity, strategy, but most importantly, execution.

Jalaj: Just on the follow-up on to that, so are clients able to or ready to sell out more money for the same services. So that structural change gives us a fair idea of how things are changing and where we are positioned in that change?

But are the customers ready to spend more of what the services or the new services say, platform or even on the content side, are they ready to spend more? And secondly, how do you see the competition evolving over there?

Rahul Arora: Yes. I think the short answer is the customers are willing to spend more. but they're not being silly about it. So as the spends have grown, the line of questioning and the detailing around that spend has only increased. We are very detailed oriented in terms of what we are providing the value that we're promising or are we just charging higher for the current service that we provide.

So yes, I think our customers are spending more with existing suppliers, but they're also getting more value out of the partnership, and they are ensuring through their studies and their processes that the value is increasing at a greater pace than the spend. And they're exceptionally good at this.

We have limited view or vantage point on what is the value for them. We understand that it is a combination of speed, which results in monetization of content quicker, plus it's, of course, the advantages that you're saving that you get from a more resilient supply chain.

Jalaj: How do you see the industry growth rates for all three verticals, if you could talk a little about them, content learning, eLearning and platform?

Rahul Arora: Yes. I think I'd like to stick with my original guidance despite the minor blip in eLearning, like I said, this is a marathon, not a sprint. I'm equally disappointed that this quarter. But it is what it is. You just power through and make sure that this is not systemic. And I know we're going to bounce back quickly.

So, I'm very comfortable with where we are today. Of course, I would be delighted if we were reporting a different (higher) set of numbers, but I'm feeling very comfortable because it's only a matter of time where we will be on this very call, reporting something different.

So, from my perspective, content will get back to the double-digit revenue growth. In fact, Q3, we grew at 8%. It's just that we have this ripple in the education business that pulled us back, but content, we expect to be between 10% to 15%, platform at 15%, and eLearning at 15% to 20% revenue growth. eLearning, I understand, is difficult to swallow in the short run, but we're confident that the 15% to 20% is highly achievable based on the information we have today.

Jalaj: This from a perspective of the company, but the industry growth rate also in the same swing or is it higher or lower?

Rahul Arora: On the corporate eLearning side, depending on what industry report you read, it tends to be 10% to 12%. We, of course, had a combination of a few premium assets, that's why we feel confident that our growth rate will be higher.

On platforms, it's pretty like what the market is growing at. So, nothing extraordinary. And then on content, again, it depends whether you look at the total market or whether you look at the opportunity available for scale players like MPS, I think total market would be lower. But if you look at scale players like MPS, we're consistent with how other players are growing.

Moderator: We'll take the next question from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: In case of 40 Crores project, what are the readings out of it in terms of why that someone would have gone into that process? And what are the opportunities in terms of recouping some of it at a later point? And what are the potential risks that may come because of the macro uncertainty that we're living into?

Rahul Arora: Yes. Just to clarify, the project has been delayed. It's not been cancelled. I can't go into the individual reasons. All I can say is that a strategic partnership is delayed.

We've been working with them. I have no reason to question why they've delayed it. They've given us very good reasons to the extent that they've given us more information than what we needed. So, it's delayed, and we will wait for the project to start up. We're not giving up. We do have a signed piece of paper that gives us some comfort. The biggest learning is to make sure that when you're in a situation like this where you're expecting a major scale up, you also have other eggs or other players available to you rather than having so much dependency on one project. But again, would I have not chased this project? It's just such a good opportunity to scale our Experience Center business. There's no reason why we should have not proceeded.

Again, it's got little do with the macroeconomic environment. It has more to do with their corporate and communication strategy. It is very custom to their situation, and it's more delayed. It's not been cancelled.

Rahul Jain: Did you somewhere said that this would have ideally contributed around roughly INR 10 crores in this quarter, if this was on track?

Rahul Arora: I was thinking more INR 30 crores, rather than INR 10 crores but again it's difficult to predict because the number in total is INR 40 crores and we are right now talking hypotheticals. It was supposed to start late October and early March. Now it's difficult to predict how it would have gone.

Rahul Jain: And since there's no timeline, as you said, you have also come back to some of the costs which you were kind of building into it. So what is the reversal of a cost savings that could come into next quarter, assuming this is not ramping up in this quarter as well?

Rahul Arora: Yes. I think for competitive reasons, I wouldn't want to get so granular on those numbers. I'm sure, with some intelligence, you can arrive at what those numbers are. I can share a high-level Experience Center business is a 30% margin business for us, unlike the eLearning business, which is more like 20% to 25%. I'm sure you can do some back of the envelope calculations. The information we do have is that we do know this center is not going to be launched in this fiscal year. But we are also aware that this project has not been cancelled.

Rahul Jain: We had a higher number of days of consolidation, in the Liberate Learning Group transaction, is it safe to assume it would have trended on the similar lines in this quarter? Or is there any seasonality for which this could be higher or lower in this quarter?

Rahul Arora: Liberate is the strongest in Australia. Their financial year is July 1 to June 30, and their strongest quarters in their terminology are their Q4 and their Q1. There is some seasonality. But yes, the business is performing well.

Moderator: The next question is from the line of Yashi Lohia from Ayush Agarwal Research. Please go ahead.

Yashi Lohia: Can you provide me your profit margins that are associated with like your Content Solutions, platform and eLearning?

Rahul Arora: If you look at our investor presentation, slide 5 provides information of Q3 which includes, our EBITA, margin as 43.08% of Content, 42.45% of platform, and 16.15% of eLearning.

Yashi Lohia: I was going through the presentation; I saw that in the eLearning segment the headcount numbers have reduced from 425 to 357. Can you provide us an insight about this thing?

Rahul Arora: Yes, we were about to get a pretty massive project worth INR 40 crores from a premier energy corporate. That project has been delayed. We had to disassemble that capacity and that's the reduction.

Yashi Lohia: We have recently diversified in Australia. So, are we planning for the other two acquisitions that are going to be there in financial year '24, are we planning to diversify where are we exactly planning to diversify?

Rahul Arora: One of the acquisitions is focused on the platform business. At this point I feel slightly uncomfortable given more information that because its forward-looking and price sensitive to share more detail. Having said that, it is one of our goals to continue to expand geographically.

Moderator: The next question is from the line of Karan, an Individual Investor. Please go ahead, sir.

Karan: On the annual report, I have noticed that there are two property names, in the name HMG Ambassador Property Management Private Limited. And the second one is Brigade Marketing Company Private limited. So I want to know, are these a couple of companies are they subsidiary of MPS? Or what are these entities?

Rahul Arora: So these are properties that came to us from Macmillan when we bought MPS and they're partly are owned by MPS. We have, over a period, tried to monetize these assets, not had good luck. And on these calls, I always say, if you have any leads, please send them to our CFO, we're very interested in monetizing these assets.

Karan: So are you looking to sell these assets or like do you want to use them?

Rahul Arora: Both options are open to us if we can get a good return.

Moderator: We take the next question from the line Shubam Singela, an Individual Investor.

Shubam Singela: You have a very aggressive long-term guidance. And in the economic environment, like how do you view that long-term guidance? And what are the steps that you are taking to ensure that we are on track on that guidance?

Rahul Arora: If you look at our overall guidance that we gave last year, it was a step up from INR 500 crores to INR 1,500 crores. INR 500 crores to INR 900 crores organically and INR 900 crores to INR 1,500 crores inorganically.

Given the current macroeconomic conditions, we are in a situation where it's a buyer's market when it comes to acquiring new companies. So, we are going to double-down on that strategy. And use the macroeconomic conditions in the short term to acquire as much as we can because we have the right conditions in which you want to be a buyer. We're feeling very confident about our inorganic strategy. And we feel that it's going to be more near term and short term rather than the long term when it comes to in-organic.

On the organic side, we're doing 2 things. One, overarching, if you look at it, the aspiration represents roughly 12% CAGR. It's very achievable. The market and the industry that we are operating in are growing at this industry percentage. If we can grow at the industry percentage, we'll get there. The other thing that we're making sure is that the companies we're acquiring are company that are growing at 10% to 12%. So that gives us some comfort on the organic growth as well. This is an opportune moment for MPS to use its impressive balance sheet. And we get more aggressive on acquisitions in the short term.

Shubam Singela: My second question is regarding your acquisition strategy, only, right, in the last call, you mentioned that you're looking to follow a model, very similar to PDS Limited or you're at least thinking in that direction where you onboard entrepreneurs who are having some vested interest in growing the company. Do you some concrete steps that you have taken in that direction. Like, have you onboarded some people on your team who are looking particularly in that direction? Like your inorganic strategy direction, which have you formed the team for that like some steps in that direction?

Rahul Arora: We have an efficient corporate development team and we're not following a mass market strategy here. We are following a thoughtful and targeted strategy. We have deep relationships with industry specific investment banks that make sure that they know our criteria for any of those type of deals that come to us.

The second thing we're making sure is, we know the promoters who we want to work with, who we think, we will have a collaborative future together. We have already approached most of them. I personally have good relationships with most players in our community and we have other than the senior management team like Tony Alves and Kelly Lake who are a thought leaders among others as well as David Goodman, who's joined recently in our education business.

We have these personalities that are considered thought leaders in the space, and they then in turn are connecting us to promoters and entrepreneurs as well. In fact, one of the more recent deals that we've been working on was brought to us by someone from our senior management team. And from an overall approach standpoint, again, the goal is to partner up with entrepreneurs.

Sometimes it's not entrepreneurs, it's management teams because, we could have a management team that is part of a very large company. The large company does not think of this division as a core asset and therefore divest from the core asset. And then you are just taking over the management team. So, it's a combination of owners, promoters, but also some management teams that we've known over the years that are part of large companies that don't really feel this is the right type of business or division for them. In today's market condition, the power in the buyer-seller relationship sits more with the buyer and we recognize that there's a small window of opportunity. We have 6 to 12 months and we're trying to convert this window of opportunity into something real and significant for MPS.

Shubam Singela: Do we have a buyback strategy as well, like if the stock price dips then you do a buyback or is it just like yearly stuff?

Rahul Arora: Yes, of course, the MPS board and management team is confident about Vision 2027. Like I said, the small blip aside, we're racing and charging towards that vision and are feeling even confident that we'll get there sooner rather than later because there's new window of acquisitive opportunity that certainly presented itself to us. So yes, we're not speculators, but of course, we've been decent in our capital allocation over the last 10 to 12 years. So, when we see a window of opportunity, we will absolutely jump at that opportunity.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Rahul Arora for closing comments.

Rahul Arora: Thank you for your active participation in our earnings call for being supportive in quarters like this one and for being patient with us. We appreciate your thoughtful questions. You make us learn and improve. Your outside-in this perspective is very helpful. Again, I want to thank all the stakeholders who have contributed toward our success and thank them for their continued support, their respect.

Our journey together over the years has been truly remarkable. MPS has a unique opportunity, specifically in 2024 to build serious scale. I think our theme for 2024 is really supercharging scale. And with your kind support and patience, we will use this calendar year to build and unlock that serious scale.

Thank you again for your continuous support, feedback, and partnership mind-set.

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