“MPS Limited Q4 FY 2021 Earnings Conference Call”

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Ladies and gentlemen, good day, and welcome to the MPS Limited Q4 FY 2021 Earnings Call. As a remainder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions, after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Arora. Thank you. And over to you sir.

Good morning everyone from New York. Welcome to the MPS Q4 and FY21 Earnings Call. I hope everyone is staying safe and exercising caution, particularly through this second surge of the Pandemic in India. Our thoughts and prayers go out to everyone who has been impacted by the Pandemic. At MPS, we launched our Business Continuity Plan several weeks ago including a daily stand-up that I personally run every day at 6:30 am EDT.

In our opening segment today, I will discuss our consolidated performance in FY21 and also shed light on key developments as we transitioned from Q3 into Q4.

Then, Anna Kuehl, Senior Vice President at MPS Interactive will discuss how our eLearning business is going through a revival and focus on key developments. And John Doherty, Senior Vice President at HighWire will then update us on integration of HighWire into MPS.

We look forward to interacting with all of you over the next hour!

MPS achieved a new scale in FY21. The consolidated revenues on an FX-adjusted basis were recorded at INR 424 crores in the FY. The achievement of this expansion came in a year where the COVID-19 Pandemic posed severe humanitarian challenges for the world and significantly impacted the short- and long-term economics of several industries. This tremendous achievement of establishing a new scale for MPS is the combined effort of the 2,500+ employees that live and breathe MPS. In addition to recognition, this moment also deserves inflection.

I vividly recall reporting Revenues of INR 223 crores in May 2015. And the past five years have been a tremendous BUILD phase of MPS.
What have we gained?

- Scale: Revenue has grown from ~INR 223 crores to ~INR 424 crores
- Capabilities and Revenue Streams: From Content-alone to Content + Platforms+ eLearning.
- Diverse Customer Base: 125 to 897 customers (billed). Top 5 - 66% to 37% and Top 10 - 90% to 49%.
- Management Depth: SMT + next three levels
- Geographic Footprint: Added presence in UK, Germany, Switzerland, Mumbai, Kolkata, Texas, and California.

The past five years have then really been about building a business that can withstand turbulent times (as seen in 2020 and the continued Pandemic), but equally important, capture the opportunity and ride the wave when available. For example, the acquisition of HighWire and the growth in our Educational Publishing Practice in financial year 2021. The road ahead looks promising as well.

I will now transition to Anna to talk about the eLearning business. Over to you, Anna

Anna Kuehl:

FY21 was a challenging year for MPS Interactive due to attrition in key industry sectors such as Energy, Aviation, Manufacturing, and Travel caused by the pandemic economy. New orders came to a standstill and movement to accrue existing order book was also significantly delayed or reversed. For some of our strongest accounts, we saw significant delays to delivery and accruals due to lack of available client personnel. However, as part of the strategic plan, we sought and gained several new logos and developed lovely new client relationships. We also took steps to market several high value, high impact solutions. We were able to hold the total new orders steady as compared to the prior year. We also placed organizational focus on significantly reducing our expenses. These actions, along with a reawakening in some sectors, have put us on the right footing for a profitable and strong start to FY2022. And now, over to JD to talk about the platform business of HighWire

John Doherty:

I had been with HighWire for over 5 years, when MPS acquired HighWire on July 1, 2020, I was asked to manage the Integration into MPS. It has been a positive journey as we move towards the 1 year mark. Over the last year we have focused on customer satisfaction by listening to our customers, scaling up our operations capabilities, improving our process, cost efficiencies, and implementing product improvement initiatives. Our initiatives have shown strong results as we reported a PBT level of INR 18 crores for the period of July 1, 2020 to March 31, 2021 as against losses at
the PBT level under previous ownership. In Q4 FY21 we have focused on our sales and account management activities including contract renewals and RFP responses. We have made considerable progress in streamlining our RFP submissions process leading to better proposals and further engagement than in previous years. We are also leveraging the additional capabilities within MPS to deliver Production Servers to some of our customers, which we will continue to explore within our combined customer base.

Rahul Arora: Thank you, JD. I am sure everyone is happy to hear that the integration process of HighWire into MPS is moving ahead of plan, and that we are seeing opportunities for growth through the acquisition of HighWire, not just for the Platform business, but also for other parts of our business, including content solutions. And thanks Anna, for sharing the update on the eLearning business. I am sure everyone is happy to hear that the eLearning business is back on track and FY 2022 looks promising.

I will now share an update on our content solutions business. Interestingly, our Content Solutions business reported revenues of INR 229.22 crores on a FX adjusted basis compared to INR 205.29 crores in the previous year, a growth of 11.6%. This growth in Content Solutions is an excellent sign of the core business strengthening ahead of Vision 2023. The positive change can be attributed to the successful implementation of a robust business continuity plan and stabilizing our customers businesses after the initial lockdown setbacks. Step up in the volume of work from several of our core customers and onboarding of new customers.

On quarterly movement, we essentially held our own as we transition from Q3 to Q4. Q3 is typically our strongest quarter every year. For this year, the reason we are making the comparison with Q3 to Q4 is because last year Q4 was not a good quarter for MPS. So, while we did not hit any operational speed bumps as we transition from Q3 to Q4, our EPS was suppressed by as much as INR 3.11, because based on the Finance Act 2021, depreciation of goodwill is not deductible while computing taxable business profits. And this is true for past transactions and was made effective April 2020. This effect has then been captured in our Q4 results, though minimal cash movement is expected.

Let’s now open the call for some questions that can help us be better at what we do.
Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of the Dipen Shankar from Trustline PMS. Please go ahead.

Dipen Shankar: Just wanted to understand how are we planning to invest, build and grow our HighWire standalone business? And what are the key revenue growth drivers for this business?

Rahul Arora: On the HighWire side, essentially, as we do with every acquisition, our initial focus is to figure out what is the core purpose and mission of the organization, what made the HighWire business successful in the past. And what we have discovered is that HighWire was founded on three core principles: innovation, service and community. And we are essentially trying to reinvigorate those three principles. On the innovation side, there have been significant investments that are being made to make sure that the products are not just at par with the market, but ahead of the market. We have also recently onboarded a senior domain specialist; his name is Tony Alves as the Head of Product Management, to perform the role of a thought leader in the community in partnership with John Sack, who is the Founding Director. We have improved our service levels, so when we bought HighWire we had over 450 tickets open on the support side. Today, we have less than 200 tickets open on the support side. On the community side as well, we are reinvigorating HighWire to be the organizer of the scholarly community through a mini marketing series that we have launched this financial year.

Our goal really is to bring HighWire back to its roots, help HighWire rediscover its identity, which has kind of lost over the last two or three years. All of our efforts have been very welcomed by our customers, but also by the larger scholarly community. We are making steady progress. We have had active renewals take place, as JD described, and we have also been winning new proposals and RFPs as well. From our perspective, the business that we have acquired is definitely at a much smaller scale than what HighWire used to be. We acquired something like a $13 million business. But we know that in the history of HighWire, not so long ago, three, four years ago, HighWire was at $25 million in revenue. Our first milestone then, as in every acquisition, is really going to be about moving this $13 million to $15 million of revenue back to the $25 million of revenue. And then we would probably achieve normalcy in organic growth. In terms of efforts, really, our
efforts have been more to return HighWire back to its identity based on which it was founded.

Dipen Shankar: Okay, thanks a lot. And just to understand more on these revenue growth drivers from the perspective of this business. Who are our real subscribers for this business? Is it PhDs or scientists, or these publishers who are mainly the subscribers for this thing?

Rahul Arora: These are publishers serving the scholarly community. The content that is being published is research content - PhDs creating content for other PhDs. But the vehicle is the publisher, and we are then servicing the publisher.

Dipen Shankar: Okay. And finally on the Platform business, so, is this revenue stickiness there? How is the revenue model, it is an entity-based revenue model, how does that work in the Platform business overall?

Rahul Arora: Typically what we have seen in the Platform business, a customer when they sign the contract with you, they either sign a three-year contract or a five-year contract, sometimes also seven-year contracts, though, those are rare. But we have easily seen most customers go into three, maybe four terms of the contract and renew them. In terms of the revenue, really 60% to 70% of the revenue that we capture is captured through licensing and providing the access to the platform. But publishers like to also specifically customize or even sometimes just configure the platform for their own use. Then the balance 30% of the revenue comes on top of the annuity revenue, which again is built out in collaboration between us and the customer.

Moderator: Thank you very much. The next question is from the line of Bhavik Mehta from Root Ventures. Please go ahead.

Bhavik Mehta: My first question is around the Platform business, extending the previous caller's question, what would be the reason for de-growth specifically in this quarter sequentially? And what would be the correct comparison. And the margin, you think this is something related to this specific quarter or moving forward that would be the trend?

Rahul Arora: Sorry, I got your second question on margin, could you repeat the first part, please?
Bhavik Mehta: The first part is, extending the previous caller’s question that what would be the key reason for de-growth in this specific quarter? Is it related to a specific platform amongst various hosts of platforms? Or is it more to do with activity, as you mentioned?

Rahul Arora: Okay. So, I will cover revenue first. As I described previously, we have acquired HighWire back in July. And as we have seen in the past acquisitions as well, that revenue tends to drop because of the nature of assets we acquire. We typically acquire assets that when number one or number two in this space, have lost their way for some idiosyncratic reason, and then we help them find their way. HighWire is no different. While HighWire was the first independent scholarly platform provider, HighWire did lose its way in the last three or four years. And since we have acquired HighWire, we have reinvigorated the business. Having said that, there was a lot of revenue that was already lost by HighWire, prior to the acquisition, so some of that is now playing out where customers are exiting their agreements. And this will play out now for the next two or three quarters, even. On the margin side, we expect margins to be highest in the Platform business, and we will see improvements quarter-on-quarter and sequentially speaking, till we settle on a high margin for the Platform business.

Bhavik Mehta: In the previous call, I think 40% is a possibility that was mentioned, is that still a possibility going forward?

Rahul Arora: Yes, absolutely. That’s what we are shooting for.

Bhavik Mehta: Okay. My second question is around kind of companies you have acquired. Even the past caller today mentioned that the kind of companies you acquire are a bit different from companies who have lost their way. And given from 2015 to 2018 the company’s revenue growth was a bit muted and post that the acquisitions have added to growth So, going forward, is there any inherent limitation as to the kind of companies you acquire and the growth that brings to the table? Will it continue to be more B2B or is there a possibility that you could acquire B2C companies as well?

Rahul Arora: To answer your last question, we definitely have a focus on B2B, I don’t think we are large enough to pivot, yet. There is so much opportunity available in our current landscape, that we don’t see any reason to make those kind of pivots. Because we have only scratched the surface in terms of our size, we
are only $60 million in revenue. And some of our competitors are much larger. And our goal really then is to achieve a scale that reflects our potential. If you look at the period that you described, I think a few things happened. Our Content Solutions business kind of took a beating during that period, and some of the businesses that we acquired did not grow as soon as we expected. Having said that, our Content business is now reviving, we have already seen double-digit growth this past year, we expect that to continue going forward as well. And Content business is a high margin business and any addition to revenue is mostly margin accretive, because we already have a lot of fixed costs deployed.

In terms of acquisitions, our strategy is fairly straightforward. We do not acquire businesses for scale, we acquire businesses for scope. We acquire businesses that can provide us meaningful value, enhance our competitive advantage, and really allow us to then grow within this space. In each of the acquisitions, for example, that you have seen in the past seven or eight years, all have added new capabilities to MPS, which we have opened to our existing customer base. But also, we have unlocked synergies between groups. For example, if we look at the first three acquisitions we did, on the U.S. side, a lot of the growth actually didn't come from those businesses, it came from our India books business, which was a higher margin business.

And again, on the HighWire side as well, we are seeing similar things, as JD was describing at the beginning of the call, that yes, we are looking at growing HighWire standalone, but we are also seeing some very happy positive consequences on our content solutions business. For example, we have recently onboarded a new customer in the U.K., where we are providing access to our hosting platforms Scolaris. But what we are finding is that whilst Scolaris is a great growth avenue for HighWire, we have actually landed conversion revenue which is 2x or 3x of the Scolaris revenue for the first year. We have seen some very nice, ancillary kind of positive consequences on other parts of our business as well. Really that's the perspective with which we acquire a business, that not only should we be able to grow that business, but also that there should be synergies with the other businesses to make sure that the complete pie is growing.

Bhavik Mehta: Okay. And last question is what will be the current cash balance on the balance sheet as of March 31?
Rahul Arora: Sure. Ratish, could you answer that question? You are better situated to answer that.

Ratish Mohan Sharma: On fund side, we have INR 181 crores in cash, mutual funds and FDs combined together.

Moderator: Thank you very much. Next question is from the line of Abhay Jain from Dolat Capital. Please go ahead.

Rahul Jain: This is Rahul Jain. Congrats on to take the questions in the U.S., especially in the content side. So, two perspective on the content side, one, you said that, of course, we have seen far better momentum, and then you gave example of this opportunity that is coming from the HighWire side also, which is boosting landscape for content. So, with these kinds of things, do you expect the three-year, five-year CAGR opportunity for this business improving to a higher number than what we used to envisage earlier? Or it is too early to call that out?

Rahul Arora: We can definitely make a two-year call, in the sense that the Content Solutions business used to be much larger. Today, we are at like $30 million mark, if I could speak in dollars. On the content side, we used to be at $38 million. We hit $37-$38 million in one year, several years ago. Our first milestone here would be to get to the $38-$40 million level. Till we get to $40 million on the Content business, I think we can definitely expect the similar type of growth that we have seen this past year. That's definitely expected. And the reason for that, Rahul, really is an expanded customer base. We used to be working with 125 customers, and we now work with almost 900 customers. If you step back and look at the big picture, there is an opportunity to capture a higher share of the newly added customers, that's what is really giving us the confidence that this line of business will grow. And then we will have to see, after the $40 million mark. It will be very difficult to speculate beyond that level. But yes, absolutely, as we raise from $30 million to $40 million on the Content side, we definitely expect the same level of growth that we have seen this past year.

Rahul Jain: Right. And if either Anna or you could share what could be the expected roadmap in the Interactive business for the two to three-year perspective.
Rahul Arora: I will let Anna to chip in, in a minute. Of course, Rahul, you know we don't provide forward-looking guidance, but we can, of course, share some qualitative information. Just from a numbers perspective, this past year, we have seen a significant drop in revenue. And again, we expect the revival to be faster than the drop. FY 2022 is looking strong; we are expecting good double-digit growth. And again, our goal would then be able to scale the Interactive business, the India piece; I am not adding the other entities here, but the India Interactive business. Our goal over the next two or three years would be to get this back to the INR 90 crores, INR 95 crores level, which should be possible, again, because that was the level at which Tata Interactive was operating for many years. That is really going to be the goal over the next two-to-three-year period to get this business entity back to INR 90 crores, INR 95 crores. Anna, if you would like to share anything from the business side, feel free to chip in.

Anna Kuehl: Sure. I think one of the key elements that are contributing to growth again is the reawakening of some of our core business sectors, that we are seeing significant opportunities in. And additionally, as mentioned, we have acquired some new logos, those are already in place. Plus, we have a number of new logos and we are diversifying to seek out additional industry customers. Those things, plus our higher impact value options, are going to really help us meet some of our growth targets.

Rahul Jain: Okay. But will this be good enough to take us back to where we started and eventually grow? I mean, how does the market perceive us from our offering standpoint?

Rahul Arora: Just seeing how the market is perceiving us, we are getting very positive responses, and particularly from customers that are new to us, they are giving us feedback that they have not seen the type of service and solutions from any other folks or competitors in the market. That’s giving us good insight that we are on the right track with what we are offering and how we are delivering.

Rahul Arora: Just to add to that, Rahul, I know you like data. And I want to make sure that you have caught what Anna said in the opening remarks. While our accruals and revenue execution was really slow in this past financial year, Anna and her team were able to ensure that the orders or the order book did not fall. They have been able to maintain the orders, it is just that the execution of
the orders has been slower because of the pandemic. And that's what Anna's describing that the new order book looks different, because it's a different set of customers, it's new logos. And the execution of the order book really is giving us the confidence.

The second piece, just to add, again, more data to what Anna described. In terms of how the market is perceiving us, every year MPS Interactive applies to Brandon Hall, which governs awards that unofficially are called the Oscars of learning. We won 34 Brandon Hall awards in April of 2020. And we are expect to continue the same trend ahead as well. From a perception, positioning, market acceptance standpoint, I think we are definitely positioned to be at a much higher scale. When we say over 30 awards, there are possibly only two, maybe three companies in the world that got those number of awards. I hope that answers your question, Rahul.

**Moderator:** We will move on to our next question, which is from the line of Manan Shah from MoneyBee Investments. Please go ahead.

**Manan Shah:** Yeah. I wanted to understand how our Platform business is growing ex of HighWire. Because we have been in the range of INR 12 crores to INR 15 crores on a quarterly basis for the past many quarters. And how do we plan to grow that forward? If you can just throw some light on that

**Rahul Arora:** Yes, and I think we have described this earlier as well, that on the Platform business you need a certain scale to really have an inflection point for growth. And basically, our big problem on our Platform business standalone, minus HighWire, has always been that we haven't had the scale. And the HighWire business is also giving us opportunities to grow our standalone Platform business, in fact, one of the things that we are actively pursuing is marketing our entire Platform business, particularly on the scholarly side, under the HighWire umbrella brand. For example, we have rebranded MPS Trak, which is our workflow solution, into Ampere. And Ampere is going to be a sub-brand of the HighWire umbrella brand. We are going to be leveraging on the HighWire brand to really push some of our existing products into the marketplace as well. And the HighWire team has also then, on the sales side been oriented and inducted on these offerings. And we are already starting to see interesting synergies where, particularly some of the larger HighWire customers have shown a lot of interest on the MPS product side, and there's over 100 customers there. So, really, we are aiming that this combined
entity, HighWire plus MPS platforms, the pie to grow. Now, in terms of which products grow faster than the others, it's going to be a combination of market externalities, right place, right time and those kinds of things. There is definitely a plan for each product, every product has a product owner, and we are actively pushing these products into the marketplace.

Manan Shah: And if you can just throw some more light on these platform solutions that we have, what is the revenue model over there, is it like subscription-based revenue or is it annual revenue? And if you can just throw some light on the stickiness and the competitive scenario for those solutions that we offer.

Rahul Arora: In terms of revenue it's fairly straightforward. Like I was describing at the top of the call, agreements tend to be minimum three years, can go up to as much as seven years in some cases. Most customers, once they are on your platform, they tend to renew for three, maybe four terms, is what we have seen. And the only reason that they would exit, is if for some reason the technology is not moving at the same pace as a market. But we have customers in our Platform business that have been with us for over two decades, so that's the level of stickiness that we are seeing. In terms of revenue model, really, what we have is the recurring revenue, which includes license fees, support fees, maintenance fees, is about 70% of the revenue. And I am purely talking platform revenue; of course you could have other forms of revenue where you are converting content to make it ready for the platform. I am not adding that type of revenue into this; I am only talking pure platform revenue. The platform revenue recurring is about 70%, then we build out new tech services on top of the platform, which could be, for example, if I am a customer, I might want certain special search and discoverability features on a platform, I might want my analytics dashboard to look in a different way. I might do certain different things with how I consume the platform. And then those services tend to average at 30% of the value of the customer in that year. And then of course, we also have migration, setup, and implementation fees, but that's only for the first year, where we migrate the customer onto a platform, and that's typically equal to or a little bit less than the recurring fees.

Manan Shah: Okay. And on the competitive scenario, on the kind of solutions we offer?

Rahul Arora: That's a very good question. Just to give you some insights there. Pre-acquisition, HighWire was considered to be prohibitively expensive. In fact,
as much as 20% to 25% of some of the most expensive competitors. Post-acquisition, of course, we have made some corrections. In the Platform business we are not looking to be a price warrior, unlike our Content business where we are happy to be price warrior to pull business. But we are looking to be fair and competitive to get market share. We have made changes to the operating model, which is allowing us to be far more competitive as HighWire post acquisition by MPS than we were prior to the acquisition. Yes, that’s one of the reasons why we have seen some very good results on RFPs recently.

**Manan Shah:** Okay. And just one last question from my side, I believe that we are looking to do one more acquisition, probably on the eLearning side, with the cash that we have.

**Rahul Arora:** Acquisitions are part and parcel of our business; it is something that we work on every day every week. For us, it’s not a special event; it’s just something that we do. From our perspective, we have certain factors that we look at, we want to make sure that the business that we are acquiring has had some premier status at some point of the journey, so number one, number two at some point in the space. Second, the business adds meaningful capabilities to MPS, so it’s not just more of the same. And thirdly, there’s a motivated seller, you might have seen our track record, we are pretty competitive on the way we allocate our capital. The acquisition has to check all the boxes, and only once the target checks those boxes do we proceed. We have always been opportunistic, we never panic, we never rush. And when the opportunity presents itself, we convert it very quickly. Typically, we close an acquisition in three to four months, that’s how quick we go. And it’s usually the seller setting the pace, not us. As and when opportunities present themselves, we engage, and as we speak, we are engaging with many parties, and if it plays out, it plays out.

**Manan Shah:** Okay, thanks. That was helpful. Just one bookkeeping question, what can be the tax rate for us going forward?

**Rahul Arora:** I think we can share information on the past, actually it will be a bit difficult for us to talk about what is going to in the future. We can share what it was past year.
**Ratish Mohan Sharma:** So, what I can say is that our tax rate as per the tax laws, the bracket in which we fall is close to 26%.

**Manan Shah:** We have been fairly on the higher side for this year, so that was the reason for this question.

**Ratish Mohan Sharma:** Rahul spoke about that in Q4 we had a one specific one-time hit. So, just to let you know, there is an amendment in the Income Tax Act, introduced by the Finance Bill 2021 earlier in February this year, which has taken out goodwill from the purview of tax depreciation with retrospective effect from 1st April 2020. This has resulted in a one-time hit of INR 5.61 crores and has impacted one of our subsidiaries, which is called MPS Interactive Systems Limited. This is with respect to the business we acquired from Tata Interactive Systems in financial year 2018-2019. Consequent to that particular enactment, we have recognized a deferred tax expense of INR 5.61 crores in Q4 this year. Having said that, this is more of a book entry and has not resulted in any direct cash outflow, because the MPS Interactive Systems is having carried forward losses to the tune of INR 9 crores and the other point which we should like to let is that, because we can’t book the tax depreciation anymore, and the resulting losses, we will not be getting the benefit of carrying forward of such losses, and setting those off against the future taxable income, which would have been otherwise allowed had there been no change in the law. In a nutshell, this was one-time expense which has hit in this particular quarter.

**Moderator:** Thank you. The next question is from the line of Piyush Mehta from Incred Capital. Please go ahead.

**Piyush Mehta:** So, my question is more related to the numbers. So, I have been tracking the company since 2014 and there has always been a lot of promise with MPS. But since 2014, when we did the QIP, there actually has been just one trajectory to earnings growth and shareholder return, which has been close to zero. And we have, of course, made some really good acquisitions over the period and have always showed that growth could be promising. But when you look at the overall performance in terms of earnings growth or return, it has always eluded us. All these awards are good for the company. But as a shareholder, the performance of course has been disappointing. Having said that, of course, it essentially implies that running any business is difficult and it is easier said than done. So, question to Rahul is, as you look back over the past
five years, what have been the mistakes or the reasons for us to be where we are? And as we look ahead, with Anna and John being there on the team, where do you see the largest opportunity for our business?

Rahul Arora: Piyush, thank you for your critique, and it's a free world; you are not forced to be a shareholder of MPS. From our perspective, we are looking to grow the business. We are seeing all lines of business having lots of opportunity. While we are respectful and are reflective of the past, our eyes are on the future. And from our perspective, the future is very promising. MPS has really done a great job of diversifying itself over the past five years that allows it to grow over the next five years. And from my perspective, we have a committed team, we have all the right strategies in play. And we also have, fortunately, many supportive institutional investors and shareholders that have seen this right through us in the good days and bad days. Some have been not so supportive and exited. And our role then, really, is to steer the business in the right direction. And that's what we are focused on.

Piyush Mehta: Just to add, when I say what is the largest opportunity for our business over the next three years, HighWire has come in, where do you see in terms of the overall percentage of revenues, because that is something that all of us are excited about. So, when we look at HighWire, how big a percentage of revenue could that be, considering we will make more acquisition, and that is how we have always grown.

Rahul Arora: So, like I described, on the HighWire side, it's a $13 million to $15 million business what we ended up acquiring. In the past they were at $25 million. So, our first milestone to hit as a team is really getting HighWire from $13 million to $15 million to $25 million, that's going to be our first milestone.

Moderator: Thank you. Next question is from the line of Anup Kulkarni from Pine Bridge Investments. Please go ahead.

Anup Kulkarni: So, I have two questions, one is regarding Content Solutions business. So, three-four years ago we used to have about 35% to 37% EBIT margins. Now, as you said that you see double-digit growth potential in this business in the medium term, assuming that kind of growth, what is the sustainable margin level for this business? That is my first question.
Rahul Arora: Let me answer that first, Anup, so I can stay focused. So, very good question. Thank you for making that observation. So, two things, definitely we want to be able to bring the Content Solutions business back to the 37% - 38% EBITDA margins. And as long as we continue to grow at the level we are growing, that seems very achievable. Just to give you some insight into what happened, why the margins fell down. Essentially, we have seen some churn over the last three to four years in our journals business, which I think we described before that on certain RFPs we did not play the price warrior that we would typically play, and we have kind of learned that long-term lesson. If you look at every INR 100 of profit that we make today, our journals business contributes INR 21 to the total profit. It’s a very high contribution, even though the journal business is not 21% of the Revenue. That was the reason for the decline. The reason we are feeling positive about the future is because the journals business is also growing. So, every year the volume of research grows by about 4% to 5%. In 2020, because of the COVID-19 pandemic, that number on average was as much as 15%. There was so much more research being published. And what the market and industry experts are telling us, that it is expected to continue for the next several years, because of not just COVID related research, but also other scientific research being published. So, definitely if we are able to sustain the level of double-digit growth, we will get back to the 37%, 38%. And also, journals is going to be an active contributor towards that growth.

Anup Kulkarni: Okay, thanks. My second question is about eLearning business. So, currently, we are about breaking even. Correct me if I am wrong, this incremental revenue that flows in, will that involve any variable cost, or it will directly flow to PBT?

Rahul Arora: There is always a temptation to reduce cost when a business declines. We’ve kind of maintained a certain level of fixed cost because we knew this was a one-off event. By 2020 some of our revenue slowed down. We have maintained a critical core base on the cost side. Any revenue should be pretty much go to the margin. Having said that, MPS Interactive Systems Limited business has an outsourcing ratio of 7% to 8% of revenue. That outsourcing ratio is the only piece that will probably not be margin accretive.

Anup Kulkarni: Okay, Rahul, just one suggestion. These SFDR regulations that have come up from Europe and these regulations will apply to all investors who have European money. So, our suggestion would be, we already track a lot of
things about all our CSR, all our MNCs, whatever data we have, my only request is if we can disclose as much as possible, that would be very helpful, not just for us, but also for attracting new investors.

Rahul Arora: Thank you so much for that feedback. We will definitely take your input. In fact, as you know, two of our largest customers are based out of Netherlands and Germany; on the Content side they contribute a very large amount. They have also approached us with the same thought process. We are absolutely taking the feedback and we will be putting it forward in the coming financial year. Thank you so much.

Moderator: Thank you. Next question is from the line of Naman Jain, an individual investor. Please go ahead.

Naman Jain: Just wanted to understand if you could emphasize more on your Vision 2023. And are we on track to achieve that.

Rahul Arora: Yes, definitely. Vision 2023, for us is really about getting to a certain scale. I know, we have not shared what that scale is publicly. We were concerned at the beginning of 2020, is 2023 Vision going to be shipped out by a year or two. But seeing how the last financial year has played out, we are very happy to report that we are on track. The acquisition of HighWire in the past year, and the revival of the Content Solutions business is what is really giving us the confidence that we are on track.

Naman Jain: Okay. And just now so that we are already in FY 2022, if you could share what the specifics were of that vision?

Rahul Arora: No, we don't. We have done that before, and it has not served us well. So, just as a strategy we like to keep that information internal. But of course, when we do achieve it, we will celebrate with you.

Moderator: Thank you. Next question is from the line of Bhavin Vakil from New Age Statfin. Please go ahead.

Bhavin Vakil: For each of the segment, if you could just help me with maybe the name of the client, or what kind of revenue model there is? The platform you have already mentioned, but if you could just throw some light on Content and eLearning.
Rahul Arora: Okay. So, on the Content side, we largely work with publishers. We work with educational publishers, which include K-12, college, as well as continuing education and professional. We work with academic and STM publishers. And, just to back up. On the educational side publishers produce content, both digital but also they have print products. And on the academics, we also work with academic and STM publishers, which is essentially content related to research. There seems to be a bigger bias towards journals. We also work with some trade publishers, so the fictional, nonfiction type of publishers. We also work with databases and directories.

In terms of what are the services we are providing these customers; we are providing them content authoring and content development services. If it’s an educational publisher, it’s mostly delivered in the U.S., for some other type of publishers we also do this activity in India. Then we have what we call content production, which is basically once the content is finalized, the entire journey from the manuscript to the delivery of the content, and the delivery could be digital, it could be print, it could be multiple formats, that entire activity is called content production. And all of that activity is delivered through our India operations. And our largest operations in India for content production are in Dehradun.

In terms of the revenue model, while our pricing tends to be per page or per screen or per project, much of our revenue has a recurring nature to it, in the sense that there are certain customers with which we are impaneled as vendor partners, so most publishers work with a certain select vendor pool. So, while we do not know 100% what the type of revenue will be at the beginning of the year, we are able to predict the volume of revenue on the content side. That is the nature of the business on the Content business.

Bhavin Vakil: On that Content Solutions, what is our revenue model?

Rahul Arora: We could have pay per page, we could have it per screen, it could be per project, it varies, it depends from customer to customer.

Bhavin Vakil: You said there are various pools of companies who are providing that solution, right? So, from what I heard, that is RFQ which was floated, is that for the Content Solutions or solutions or for a different thing?
Rahul Arora: On the Content Solutions side, most publishers work with a panel of vendors, and they empanel vendors every three to five years. That’s how the flow works. And once you become a panel vendor, you get a certain volume of work, depending on your delivery and quality. The empanelment process is very important on the Content side.

If it's okay, just for the interest of time and everyone else, I will move to eLearning now. On the eLearning side, we mostly work with corporates. Much of our revenue is in North America, we also have revenues coming in from Europe, Australia, the Middle East, and some in India as well. But the eLearning, majority of our business is focused on corporate, so we work with companies in the energy space in the financial services space, in the hospitality space, essentially the Fortune 500 type of companies. And there what we are really doing is, we are providing them with solutions that are consumed by the learning and development vertical. If you look at a Fortune 500 company, and they have a learning objective to drive empathy, for example, in the organization, they will work with us, and then we would come up with a solution, which would be an entire program of how to drive empathy within the organization, it could be a combination of just a straightforward web-based training, it could be simulations, games, it could even be extended reality, so AR/VR type of work.

And on the eLearning side, it’s essentially project based revenue. Every year there is a certain type of sales activity that has to be done to build up the order book. So, it’s a project-based business. Having said that, we do have customers that have been working with us for over a decade. Our top 10, for example, would account for 50-60% of our revenue, and they would tend to give us a certain volume of work every year. And that will be priced per project, so you would basically calculate the number of hours and then apply the rate per hour and then do that at a project level.

Moderator: Thank you. I now hand the conference over to Mr. Rahul Arora for closing remarks. Over to you, sir

Rahul Arora: Thank you. The past five years have then really been about building a business that can withstand turbulent times (as seen in 2020 and the continued Pandemic), but equally important, capture the opportunity and ride the wave when it is available. For example, acquisition of HighWire and growth in MPS North America and North Books in FY21
The 5-year build phase that I like to describe as “Diversify to Survive” now needs to actively transition into a phase of organic growth described as TIME to Thrive.

My personal mission for FY22 is to lead the return of organic growth to MPS. How will we achieve that? The Time framework provides a neat overview:

1. **T** stands for **Transform**. Support lagging businesses in finding their True North

2. **I** stand for **Innovate**. Launch new business streams linked to market developments. For example, a Digital Studio focused on Online Education, an Experience Center business, and explore new applications for existing products and services.

3. **M** stands for **Maximize**. Help strong performing businesses capture new heights. And empower the teams to connect the dots between business streams.

4. **E** stands for **Elevate**. Position MPS as a Platform business. And establish the identity of a value creator rather than a cost arbitrage business.

So, really, our goal for FY 2022 is to return organic growth back to MPS as we have seen in the past, and we look forward to all your support in the coming months and coming quarters to make this a successful financial year. Thank you so much.

**Moderator:** Thank you very much, Mr. Arora and members of management. Ladies and gentlemen, on behalf of MPS Limited, that concludes today’s conference call. Thank you all for joining us. And you may now disconnect your lines.