



MPS Limited

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National Stock Exchange of India Limited
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Symbol: MPSTLTD
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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 First Quarter ended 30 June 2025.

Pursuant to 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 Friday, 18 July 2025, at 01:30 P.M. (IST), inter-alia on the Un-Audited Financial Results of the Company for the First Quarter ended 30 June 2025.

This is for your information and record.

Yours Faithfully,
For **MPS Limited**

Raman Sapra
Company Secretary and Compliance Officer

Encl: As Above

www.mpslimited.com



“MPS Limited
Q1 FY'26 Earnings Conference Call”
July 18, 2025



MANAGEMENT: **MR. RAHUL ARORA – CHAIRMAN AND CEO**
MR. SREENIVAS TV – CHIEF OPERATING OFFICER
MS. PRARTHANA AGARWAL – CHIEF FINANCIAL OFFICER
MS. ARCHANA JAYARAJ – CHIEF OPERATING OFFICER
– MPS INTERACTIVE AND MPS EUROPA

Moderator: Ladies and Gentlemen, good day, and welcome to MPS Limited Q1 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the “*” then “0” on your touch-tone 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, Mr. Arora.

Rahul Arora: Thank you, Renju. Good evening from Singapore, and a warm welcome to our Q1 FY'26 earnings call. Today on the call, I have with me:

- Prarthana Agarwal, CFO of MPS Limited;
- Sreenivas TV, COO of MPS Limited. A warm welcome to Sreenivas to his first earnings call at MPS Limited.
- Archana Jayaraj, Chief Operating Officer, MPS Interactive and MPS Europa.

Prarthana joins us from our corporate office in Noida, and Sreeni and Archana from Bengaluru. Prarthana will kick things off in our opening segment today by discussing our financial performance. Then, Sreeni will update us on our Education and Research Solutions business segments. Archana will discuss the progress in our Corporate Learning business segments. Finally, I will provide an update on the outcome of our Board meeting held earlier today before opening the call to questions.

Let's get going. Over to you, Prarthana.

Prarthana Agarwal: Thanks, Rahul.

Q1 FY'26 was a soft start to what should be a remarkable year for MPS. Revenue growth was muted at 3.9% over the previous year, though EBITDA grew by as much as 22.51%. Headcount has grown from 3,007 employees to 3,263 employees, reflecting the scale-up we expect as we progress through the FY. We brought DSO (Days) back to 45 in Q1 FY'26. An achievement my team and I are proud of and are looking forward to sustaining. The excellent corporate governance around the redistribution of surplus capital is being followed through by tight execution from finance and operations on working capital management.

I would like to highlight that we have reset our Segment reporting to reflect how the management team views the business today and towards Vision 2027. Our reporting will now be on a market-based approach rather than a product-based or service-based approach. Our core business segments, based on the markets we target, are Research Solutions, Education Solutions, and Corporate Learning.

Research Solutions include

1. Content and eLearning solutions for journals, books, and MRWs inherited from Macmillan's ownership of MPS.
2. Platform Solutions from legacy Macmillan, the acquisition of THINK in 2017 from Digital River, and the acquisition of HighWire from AKKR and Stanford University in 2020.
3. The acquisition of AJE from Springer Nature was completed in February 2024.

Education Solutions include

1. The Content, Platform, and eLearning solutions business, servicing education clientele, was inherited from Macmillan's ownership of MPS.
2. Acquisitions of Element in 2013, EPS in 2014, and TSI Evolve in 2015.
3. Acquisition of Magplus from Bonnier Corporation in 2016.
4. India operations that support the US Education business;
5. Acquisition of TOPSIM GmbH from Tata Industries in 2018.

Corporate Learning includes

1. Acquisition of Tata Interactive Systems Limited and AG in 2018,
2. Acquisition of EI Design in 2022,
3. Acquisition of Liberate Learning in 2023.

Our revised Go-To-Market (GTM) strategy focuses on representing firm-wide capabilities to the marketplace rather than our previous product-based approach. We unlocked this strategy first in 2022 and have since then scaled its execution.

The CODM has evaluated the business activities and accordingly has re-aligned the composition of the business segments to reflect the changes in the internal organisation structure. Accordingly, the segment revenue and results have been reclassified for all the reportable periods.

I want to now hand it over to Sreeni to discuss the developments in our Education and Research Solutions business.

Sreenivas TV:

Thanks, Prarthana.

The Education Solutions segment recorded remarkable growth, with revenue soaring by 56.64% in Q1 of FY'26. Given the operating leverage available in the business, EBITDA more than doubled compared to the previous year, and EBITDA margin was 36% in Q1 of FY'26. What was even more heartening was that this extraordinary success was entirely driven by organic growth since the last acquisition in this segment was way back in 2018. This impressive growth is driven by strategic collaborations with top-tier educational platforms, continuing education institutes, and globally recognized learning companies. The infusion of new high-profile clients and a robust pipeline underscores our relentless pursuit of excellence in this business segment.

Moving on to Research Solutions, the aggregate snapshot in Q1 does not do justice to the remarkable business performance. We did witness a small decline in Revenue over the previous year in Q1 in the Research Solutions. This decline was entirely due to intentional rightsizing of AJE, which is now operating at an annual run rate of USD12 million in revenue at impressive margins. The growth in the rest of the portfolio, particularly Journal Editorial Office and peer review and content, platform solutions for journals, books, and MRW, is lost in the AJE noise. However, for the diligent analysts, it does show up in EBITDA growth, which was nearly 10% in Q1 FY'26 over the previous year in the Research Solutions business segment. The EBITDA growth was driven by the unlocking of operational leverage due to impressive Revenue growth in the non-AJE business in Research Solutions and the complete transformation of AJE, which, though truncated in size, is much healthier in margins, quality of revenue, and customer satisfaction.

I would like to hand it over to Archana to discuss the impressive progress made in our Corporate Learning business.

Archana Jayaraj:

Thanks, Sreeni.

We entered FY'26 with a clear focus on innovation-led differentiation and a deliberate effort to further tighten our operational levers for long-term scalability in a dynamically evolving landscape. In Q1, that translated into decisive progress across both our product strategy and our efficiency agenda.

Structurally, we continued to drive greater agility, reflected in a leaner team, with headcount reduced from 288 in Q1 FY'25 to 202 in Q1 FY'26, while maintaining delivery strength and accountability. These shifts have allowed us to optimize workflows, improve throughput, and strengthen governance across projects.

Innovation has been central to our agenda. We have expanded our suite of AI-powered client-facing tools, including interactive dashboards for real-time analytics and visibility, bots for operational excellence enablement, and the rollout of our Gen AI Studio, a growing ecosystem of curated free tools for both internal and external use. These initiatives are already opening doors to larger and more strategic conversations and are laying the groundwork for scalable differentiated revenue in the quarters ahead.

On the solutioning front, we launched offerings such as adaptive learning pathways and KAM simulations tailored to address diverse enterprise needs in a range of domains across FMCG, energy, and the public sector.

Across the various entities, we onboarded 12 new customer logos in Q1. Early strategic bets are beginning to convert into tangible outcomes, including the earlier invitation to join a prestigious conglomerate supplier panel, now resulting in work north of USD1 million to be executed in 2025 and an experience centre project valued at USD 850K.

In summary, we are moving with intent. We are innovating boldly, delivering intelligently, and scaling with precision. We're building for resilience, not reaction, and that long-term discipline gives us confidence in our FY'26 trajectory.

I would like to hand it over to Rahul to conclude this opening section.

Rahul Arora:

Thanks, Archana, and thank you for the rich update team.

Q1 was soft for MPS, particularly in the context of what we expect to be a banner year for us. Though the headlines do brush over some strong indicators, AJE has declined in Q1, but other things have not.

- North America is growing again for us. After dipping to 48% of our total revenue in Q4 FY25, we saw a major bounce back in Q1 FY'26, with a geography accounting for 51% of our consolidated revenue.
- 60% growth in the Education business was entirely organic. We now have a superior profile of customers, including top-tier educational platforms, continuing education institutes, and globally recognized learning companies.
- Margins in Research Solutions continue to expand despite a one-time contraction in AJE in FY26, which was well planned and intentional.
- In the Corporate Learning business, the Order book and pipeline are moving in the right direction with some sizable orders around the corner.
- Total headcount is now at 3,263 from 3,007 PY, reflecting what we expect as we progress through FY26.
- Finally, we have a robust acquisition pipeline that should result in multiple deals in FY'26.

Let's now move to Board outcomes.

Firstly, I'd like to talk about the scheme of amalgamation. I'm pleased to announce that the Board has approved the amalgamation of ADI BPO Services Limited with MPS Limited, subject to stock exchange, statutory, and other requisite approvals. As ADI BPO is the holding and promoter company of MPS, this merger will simplify the shareholding structure, enhance operational flexibility, and strengthen direct promoter alignment, all without affecting public shareholding. The removal of the intermediate holding company eliminates structural complexity and overcomes restrictions under current layering rules, clearing the path for inorganic growth for MPS and better strategic execution. This is a key step in building a more agile, growth-focused, and efficient organization.

Next, I'd like to talk about the Restructuring of the overseas subsidiary- transfer of shareholding in MPS Europa AG to MPS Interactive Systems Limited. In continuation, I'm pleased to share that the Board has also granted its in-principle approval for the restructuring of our overseas subsidiary, MPS Europa AG, through the transfer of its entire shareholding to MPS Interactive Systems Limited, another material wholly owned subsidiary of MPS. This strategic realignment is a first step that aims to consolidate the Group's eLearning business under a single, focused entity, thereby enabling a unified, scalable, and globally competitive eLearning solutions

platform, with the potential to unlock operational synergies, revenue synergies, streamline governance, and enhance global market positioning. MPS Europa AG will now operate as a step-down subsidiary of MPS Interactive Systems, enabling a more streamlined structure and sharper execution capability within the Corporate Learning vertical. The transaction will be executed at arm's length and remains subject to valuation, due diligence, and requisite regulatory and statutory approvals.

Let's now open the call to questions.

Moderator: The first question comes from the line of Navid Virani, Bastion Research.

Navid Virani: I wanted to understand the overall growth in the last few years. If I look at the overall top-line growth, it looks like it is mostly driven by acquisitions. Additionally, as an outsider, what I'm able to see is that this growth is mostly one-time in nature.

My understanding was that once we acquire an entity, there will also be some part of organic growth that will come with that entity. But that is not something that I'm able to see right now. I can be completely wrong. So, can you just throw some light here and improve my understanding?

Rahul Arora: During Q1 FY'26, what's taken place is with AJE, and I'm ballparking here, there's been a year-on-year decline of about INR20 crores in revenue, and that has been highly intentional. We have exited things that were not profitable, and the focus has been entirely on making an unprofitable asset highly profitable.

We have now hit EBITDA margins of 23% standalone at AJE. So, if you take AJE out, the business would have grown organically, at 10% for the Research Solutions and 15% overall.

The business is growing organically, except for AJE. This AJE overhang is expected to continue through FY'26. But fundamentally, the rest of the business is growing, and this growth does not include any acquisitions. So this is pure organic growth.

Navid Virani: Perfect. So if I understood your answer correctly, what you're saying is that we are still taking some measures in terms of on-the-job revenue as far as AJE is concerned, but the profitability will continue to improve if I look at AJE on a stand-alone basis. Is that understanding correct?

Rahul Arora: Correct, keeping AJE aside, the business is growing organically at 10%-15%. With AJE, as a result, the growth is flat for this quarter. AJE standalone is about 23% EBITDA margin in Q1. This will continue to improve as we progress through the year and heading to north of 30% EBITDA margin at AJE.

The Research Solutions business without AJE is backed by its robust ~40% EBITDA margin. AJE's current position can be significantly improved. To give the margin numbers, AJE standalone today is 23%, heading to north of 30% soon. And without AJE, the Research Solutions business has an EBITDA margin of 40%.

- Moderator:** Next question comes from the line of Krushi Parekh with BugleRock PMS.
- Krushii Parekh:** I can stick to AJE right now. So when you said INR20 crores was the impact on a quarter-on-quarter basis. So on a yearly basis, this would be around INR80 crores?
- Rahul Arora:** The run rate for AJE we are expecting for FY'26 is USD12 million, and the impact that I was giving you was Q1 FY'26 versus Q1 FY'25; the INR20 crores is a ballpark. The run rate for FY '26, we're expecting about USD12 million.
- Krushii Parekh:** Sure, and on the same line, what is the rationale for the margins part? Was this planned and intentional, or was it that the client to whom we were catering was not ready to help us with more margins? Or was it something else?
- Rahul Arora:** At an overall MPS level, we've always been disciplined with capital allocation and therefore margins, given that we are in an industry where you can grow organically at 10%- 15%. You can't grow more than that organically. To grow at a higher clip, you need inorganic growth, and to fund that inorganic growth, you need cash flow. We've always had the discipline to run high-margin businesses and reinvest surplus cash into acquisitions to drive 20%-25% overall growth.
- Anytime a business is operating at a low margin, we try and solve the issues in the business that are leading to a low margin. That's what we've done with AJE. There were clear, definitive measures taken, which meant that the revenue has declined, but we are constantly looking to improve the margins.
- Moderator:** Next question comes from the line of Grishma Shah with Envision Capital.
- Grishma Shah:** Good afternoon to the management team, and thanks for taking my question. I'm curious to know what is this entire amalgamation leading to in terms of dilution and any other outgo from MPS at the moment?
- Rahul Arora:** There is no change in shareholding. There is no tax impact or any commercial impact to MPS. This is a corporate restructuring at the Holding Company level. The way it was structured was that between the ultimate promoter group and MPS, there was an intermediary called ADI BPO. That intermediary is getting eliminated and collapsing into MPS. So commercially and financially, even in terms of shareholding, there is no change. There will be one less entity between the promoter group and MPS.
- Grishma Shah:** Will the promoter shareholding in terms of percentage also remain the same in the company?
- Rahul Arora:** Yes, it will remain the same.
- Grishma Shah:** What was the revenue of AJE when we acquired as currently, it is USD12 million.
- Rahul Arora:** Last year, it was USD18 million, and this year, we're doing USD12 million, which is what we expect on a conservative basis.

Moderator: Next question comes from the line of Saurabh Surendra Shah with AUM Fund Advisors.

Saurabh Surendra Shah: Hi, Rahul. When do you expect to start seeing some growth in AJE, which means your kind of lower-end clients are completely taken off, and you're either able to increase business with existing clients or add more clients? Do you expect to see any in FY '26, and if not, then when do we start seeing growth that you are normally delivering?

Rahul Arora: A lot of activity has taken place last year and is taking place in FY '26. Those activities are of three forms. One is that we're entering today, the B2B partnership that we have in AJE is the Springer Nature. We're looking to expand that partnership to multiple publishers. Extensive conversations, discussions, and negotiations are currently underway. We expect more B2B revenue. Today, B2B revenue is less than 10% at AJE. Almost all of it is B2B2C. So we expect that to grow.

Secondly, our product Rubriq, which is a DIY, AI platform, we expect that to scale as well and contribute to the overall revenue of AJE. And finally, on the B2B2C side, we are now looking to expand beyond China, given that China is the predominant market for B2B2C for AJE right now. We are unlocking three levers. We expect results primarily to show up from Q1 of FY'27. This year, on a conservative basis, we're forecasting USD12 million for AJE.

Saurabh Surendra Shah: Okay. So, from what you said, from USD18 million down to about USD12 million. So we expect this to be about 33% down on a full-year basis and FY'27, any order of magnitude, if you consider, could go to USD20 million from the three acquisitions?

Rahul Arora: If you look at the Research Solutions business without AJE, it's growing at 10%- 11% right now. We would expect similar growth from AJE once this transformation settles. From Q1, it is expected to be back to 10%-11%.

Moderator: Next question comes from the line of Vikas Mistry with MoonShot Ventures.

Vikas Mistry: Last time when we did the AJE acquisition, we had clear criteria to increase the revenues. Earlier, the revenue of AJE was USD20 million, so we didn't take part in the business. Then our revenue was USD18 million. Now it dropped down to USD12 million. One year ago, we were doing an acquisition, we had discussions that we would continue to cross our EBITDA and continue to have clients to give further services of AJE to other clients, but it is not happening. What has been happening there? Do you think that sharp downturn is because some new competition has arrived and they are giving services at a slightly lower rate, and your margins are getting out?

Rahul Arora: When we acquired AJE, there were two parts. One was Research Square, which was a preprints platform, and the other was AJE. We did not acquire the preprints platform because it was not a profitable venture. We acquired the AJE piece of the total company. The revenue has dropped from USD 18 million to USD12 million, primarily because of cost-cutting measures and making the operations more efficient. So that was the first exercise, and the revenue has dropped to USD12 million.

Financially, this has been a remarkable acquisition. We are expecting a payback of two years. Within two years, MPS would have recovered whatever amount has been invested in AJE. That's a significant financial upside when you think of it, either from an IRR perspective or ROCE perspective. In terms of what's the revenue driver here, essentially, our competition in this market, B2B tends to be a healthy, stable revenue stream for our competition. For us, at AJE today, B2B is less than 10% of our revenue. As a result, most of our revenue is coming from B2B2C, which has been volatile based on the cost-cutting and things we've done.

The path for us is going to be the strongest lever to enhance the B2B arrangements. Today, we are entirely dependent on one publisher. Within Research Solutions, we have 20-star accounts that we are knocking on to get into revenue share agreements with them.

Unlike other parts of our business, where we essentially supply services and solutions and in return get compensated, this is a different type of arrangement that requires more time and strategic discussion, as we're essentially entering a partnership with our customers where they divert inbound inquiries about content services to us at AJE. The lead time essentially is around a combination of leadership and contracts, which are blessing it. Once they bless it, the IT teams will fire up the micro sites and the website to which this demand will be generated. There's a lot of setup and groundwork that needs to be done to get these B2B partnerships on the way.

On the previous question, we expect to use this financial year to form these B2B partnerships. Execution and demand generation from these partnerships will begin in earnest in the next financial year.

Vikas Mistry: Have we not done any work in the first year of acquisition, or are we moving slowly, because two years in a world where everything is moving fast?

Rahul Arora: There is a need to understand the domain and the overall construct of the market. I described already that without AJE, the Research Solutions business is growing at 10% -15%. I don't think MPS has ever been slow at anything. We have had a strong track record over the last decade. I don't think we are slow movers at all. It is a function of developing capability, a function of the customer entering a partnership. Remember, these are not client-vendor relationships. These are partnership agreements. They take time to set up and require sometimes even Board approval from the customer side. It requires an understanding of the nuance of the setup.

Moderator: Next question comes from the line of Darshit Surti with Girik Capital.

Darshit Surti: In your P&L, in the other expense line item, it has grown by 3% on a Q-on-Q basis. Can you elaborate on, like, which line item has impacted and what has caused it?

Rahul Arora: Sure. I'll just bring Prarthana, our CFO, in to answer the question about why other expenses have gone up.

Prarthana Agarwal: The other expenses have grown by INR 3.76 crores on a Q-on-Q basis. The increase is largely on account of the outsourcing cost by INR 2.8 crores, which is in line with business, and another INR 1.8 crores on account of hosting costs, which is largely our cloud and hosting costs for our

Platform and Journals business. This overall increase was compensated for by a decrease in marketing costs and overall translation costs. So, there's a net increase of about INR 3.76 crores.

Darshit Surti:

Will this cost stay in this range going ahead?

Rahul Arora:

As Prarthana was explaining, if you look at the side of the business that has grown, the Education business has grown significantly. As a result, outsourcing related to the Education business, as well as the standalone Research business, has grown. So this is in line with the revenue growth minus AJE. So, yes, this will continue in terms of this level.

Moderator:

Next question comes from the line of Jai Chauhan with Trinetra Asset Managers.

Jai Chauhan:

How are the conversations around AI impacting client budgets? Is AI being viewed as a tool for cost savings, leading to pressure on pricing, or as a value-added service that commands a premium? Can you give more insight into the same, please?

Rahul Arora:

We are seeing AI in terms of engagements in two ways. One of the more dominant ways is to drive operational efficiency, where essentially turnaround times and throughput times of processes are managed earlier by MPS.

There's much pressure to produce things faster as specifically in the Research business, where our customers essentially are subscription businesses. The more content they push, the more they can monetize. There's a much pressure on the supply chain to produce faster, and AI is an enabler that is driving that operational efficiency.

So far, MPS, through MPS Labs and its deep domain expertise, has been on the right side of capturing market share and growth in the business. I was pointing out earlier, on the Research side, there's good, solid growth without AJE, and a lot of that growth is coming from volume growth from existing customers, which is largely to do with not just AI, but also automation and leaner workflows.

On the Education side, the focus is more on product development and how AI can be unlocked in the development of products. That's less about efficiency and more about differentiation, and that's being embedded into the workflows. Finally, as Archana described on the Corporate Learning side as well, our teams are using AI towards driving operational efficiency, which is basically showing up in the margin expansion that you see across the board.

In terms of revenue streams, we are getting consulting projects where customers are asking us to advise them on how AI can be used in their workflows. We are getting good eLearning projects around helping the organization prepare for the implementation of AI, as well as gauging the organization's work towards AI. So the majority today is to drive operational efficiency, which is helping us acquire market share, but also margin expansion. And some of it has much to do with new revenue streams that we have developed, but currently, the revenue streams are small.

Moderator:

Next question comes from the line of Ravi Nareddy with Nareddy. Please go ahead.

Ravi Nareddy:

I have been a shareholder for the last 15 years. And in the last 10 years, you have so much confidence now than you had previously. Thank you very much for this nice pickup. Sir, is there any specific reason why this Corporate Learning volume is down 32%?

Rahul Arora:

I'll let Archana comment about the turnaround, she is orchestrating on the Corporate Learning side. But essentially, we have intentionally started to turn around the Corporate Learning division. We planned to turn the whole thing around by Q1 and start to see some revenue growth through Q2. We are possibly trending one quarter behind. But overall, margins have started to look better. Q2 margins look good, too, and things are operating fairly to plan. So, I'll let Archana comment and talk more about the Corporate Learning business.

Archana Jayaraj:

Continuing to what Rahul mentioned, during Q1, we had a threefold priority. The first was, of course, to continue strengthening our operational foundation so that we could continue expanding margins as planned. And in parallel, we also accelerated our innovation, especially around AI. We have built a suite of AI-powered learning tools that could also be offered to our customers in addition to enhancing our in-house operational efficiency. And the third is, we're also focused on a strategic growth opportunity, and we believe that this will have a significant upside in the quarters to come.

Ravi Nareddy:

Whatever target you give for 2028-29, is this 5 years ago, it is intact?

Rahul Arora:

Yes, absolutely intact and hoping to give strong guidance next quarter for FY'26 as well. I understand the shareholder base and everyone who follows MPS has now seen 6- 8 quarters of phenomenal growth, and this quarter appears to be a stutter. I had prepared to share strong guidance for FY'26 but my CFO encouraged me to be more conservative and wait another quarter. So next quarter, we'll also give guidance for FY'26. But overall, we are confident about this financial year. The muted growth in Q1 is limited to the decline because of AJE and the softness in the Corporate Learning business. But overall, bullish about Vision 2027 and confident about FY '26.

Moderator:

Next question comes from the line of Rahul Jain with Dolat Capital. Please go ahead.

Rahul Jain:

You mentioned that you would like to come out with official guidance, probably in Quarter 2. But you also said in some other interaction, some other answer that ex of AJE, the business has already grown 10%. So you expect the AJE business also to post normalization into this growth trajectory. So, is it safer to assume that 10%-12% growth should not be a problem ex of AJE this year, and that should be the going forward run rate for the growth irrespective of the macro that we are facing?

Rahul Arora:

Correct. Our Education business segment, with respect to the macros, has been more favorable. If you consider our Education business segment, which has no acquisitions. The last acquisition that we did in the Education vertical was back in 2018 of TOPSIM GmbH. That business has almost grown by 60%. A lot of that has to do with the macro environment. Typically, in such macro environments, there's much of emphasis on Education, particularly higher education in the U.S., which has worked in our favor.

- Rahul Jain:** What Prarthana said on the other expenses side, given that the nature of those costs is usual, so it's safer to assume that remains the cost of the run rate?
- Rahul Arora:** Yes, correct. So those are in line with revenue growth. A large part of that was outsourcing and cloud costs, both have to do with the underlying revenue growth, so they have moved in the same proportion.
- Rahul Jain:** Would this outsourcing cost be more pertaining to the Corporate Learning business or Education, Corporate, or Research?
- Rahul Arora:** Education, Corporate, and Research, All three. Education would have the highest proportion of outsourcing. And then there's outsourcing in Research and Corporate also.
- Rahul Jain:** In general outlook, if you could share in terms of what the trends are right now to drive the Research part of our business, which we have triggered the momentum in this offering?
- Rahul Arora:** Three major drivers. The first driver is essentially the volume growth in the core. We used to call the core production business, where we are producing content for journals and books, and major reference works (MRWs). Because there's much pressure on our customers to produce more content, they're looking at scaled vendor partners like MPS that can deliver that content through a technological approach rather than a human approach. And therefore, we're able to execute that philosophy and deliver to the turnaround time and the quality levels, which you cannot deliver through a human approach.
- For example, you cannot produce an article that you get as a manuscript in 4 hours if you're using a human approach. Now, customers are talking about producing articles in 30 minutes. So that's the level of transformation we've seen in turnaround times. Turnaround times that used to be 30 days, first came down to 2 weeks, then they came down to days. Now we're talking about minutes. So as a result, volume is growing significantly, and therefore, we are seeing more market share expansion for MPS because our proprietary DigiCore platform enables most of that.
- The second type of growth that we're seeing is a brand-new revenue stream called Journal Editorial Office and Peer Review. This part of the value chain was never outsourced. It was kept in-house. This has gotten unlocked over the last couple of years in a significant way. Initially, this was outsourced to small companies, and then our customers realized that mom-and-pop stores can't deliver on the scale that they require, and now this outsourcing is moving more to organizations like MPS. So as of today, this is the fastest-growing part of our Research Solutions business. We have two customers for whom we are billing over USD 1.5 million for this work. We've added a third customer already, and gradually we'll scale to 20 customers through the course of the next couple of years. So the second lever is Journal Editorial Office and peer review, which is a brand-new high-growth revenue stream for MPS. And here, the solution offering is subject matter expertise. We're employing seasoned research professionals, Today, we have employed almost 200 PhDs that provide this kind of service to the publisher.

And the third lever around the growth is through the acquisition of AJE. We now are also participating to service the needs of the individual researcher. Historically, this market was about solving a small problem of improving the language of a researcher's paper. We are trying to leverage our expertise over the last 55 years in scientific publishing. We are trying to step up the value proposition to helping improve the likelihood of getting a researcher's paper published. After improving, the chances of the researcher's paper getting published, which includes not just improving the quality of the paper, but also improving the quality of the entire submission, which is beyond just the paper itself.

So those are the levers within Research, which give us tremendous confidence that once AJE stabilizes that 10%-15% growth that we're seeing, it will continue to power forward.

Rahul Jain:

We saw this McGraw filing for IPO a few days back. We have earlier seen one of your largest customers going for an IPO. So what explains the trend in this space? And does it directly, indirectly help our business because these are very mature businesses, but going public much later in their journey. Is there any development happening at their end that would directly, indirectly impact us?

Rahul Arora:

Both the customers that you mentioned are in our top five customers. Both events have significantly benefited MPS. In one case, there was a strong push on margin expansion, which is focused on STM, which we helped deliver to them through transforming workflows and automation. As a result, our business has done exceptionally well, and our maturity as a supplier has improved for them. So, revenue with them has grown over 20% between them filing for the IPO and actually the IPO happening. So, we saw remarkable growth. With the other customer that you mentioned, unlike the first customer, where the focus is on margin improvement, for the other customer, the focus is on product development and differentiation. If you see our education business grew at 60%, Education is a large reason for extensive product development in the United States. So because our customers are producing more product, and in the case of this particular customer is producing more product ahead of the IPO, it's resulting in larger spends with us. One of them has signed a 3-year agreement with us, i.e. volume agreement, which is leading to much of revenue growth for us.

In terms of why IPO, I think historically many of these companies were family-owned for many years. They then went to private equity ownership, and after going through two, sometimes even three rounds of private equity backing, an IPO becomes the natural next step in their evolution. So it's been an evolution where family-owned businesses went to private equity or family offices, then they went to another private equity/family office.

And then finally, the second or the third group has now listed the company for their exit. Most of these companies are performing well. Margins are higher or like MPS. Valuations, of course, are higher given that they're listed on exchanges in Germany and London. But yes, that's been the evolution from our standpoint.

- Moderator:** Next question comes from the line of Deepak Agrawal with Param Capital. Please go ahead.
- Deepak Agrawal:** The First question was on geographical concentration. North America is now 51%. Where do you see this settling? So is this a fair number, or could it still go further for North America specifically?
- Rahul Arora:** The business segment that has the highest exposure in North America is the Education business. As the proportion of the Education business is increasing, North America is becoming a more important geography again. In Corporate learning as well, we're expecting the next wave of growth to come from North America. We'll probably settle closer to 60%-65% from North America even as growth continues to kick in. North America revenue tends to be the highest margin revenue in the overall portfolio. So, yes, we had a bit of a change when we acquired AJE and Liberate, where a large proportion was Asia-Pacific, particularly China and Australia.
- Deepak Agrawal:** My second question was on the number of clients billed. So we do see a substantial dip. That clients billed excluding B2C customers, so is it we are looking like-on-like or is it, say, 514 in Q1 FY'25 had those customers and now we don't have?
- Rahul Arora:** Wherever we have unprofitable partnerships, we tend to exit them. So, we're disciplined in terms of making sure that whatever customers we are serving, those relationships are profitable.
- Moderator:** Next question comes from the line of Abhilasha Satale with Quantum AMC. Please go ahead.
- Abhilasha Satale:** I have a question on the inorganic expansion. So, if you can just discuss your pipeline in brief. And lastly, as you have paid 95% of the dividend, then how are you expecting any inorganic acquisition to be funded through?
- Rahul Arora:** The pipeline is robust. At any given point in time, we're always evaluating multiple deals. We have 3 deals that are at an advanced stage right now. We're hopeful that some of them or most of them will conclude this financial year. So looking forward to that. In terms of the type of acquisitions, we are primarily looking at Education as the market; these are the intersection of Education and Technology. And we're looking at companies that have at least USD10 million of revenue and at least 15% EBITDA margin and that have some tailwinds. So that's the kind of assets that we're looking at. In terms of financing these acquisitions, unlike previously, our philosophy was to acquire and operate. In these cases, we're looking to invest and support the management teams and the promoters. We will most likely be acquiring a majority stake and not the entire company. The outlay will be lower, so it could be anything from 51% to 60% range in the first tranche. And in terms of cash and how we're going to fund this, obviously, there are cash accruals, also we are open to raising debt if that is something that we need to do. And we've stated before that we are comfortable taking on INR150 crores of debt (range).

- Abhilasha Satale:** Whatever payback you would be looking for the acquisition, that will be in the range of that 2-3 years, which you have been maintaining?
- Rahul Arora:** With the distressed acquisition, you see a rapid payback in 2- 2.5 years. I would not call AJE a distressed acquisition; I would call it an acquisition that had financial and strategic upside, and that's why we pursued it. So AJE is trending towards 2. We think that these growth assets would be more like 3 to 5 years; essentially, we are acquiring a vehicle for future growth. So I don't expect these growth assets to have these 2-year type of paybacks. Distressed asset acquisitions are massive turnarounds and essentially, you're getting paid back to take that pain on. There is no pain here that we're taking on, and I don't think we'll be getting those 2-year payback-type assets anymore.
- Moderator:** Next question comes from the line of Arjun Balakrishnan, an Individual Investor. Please go ahead.
- Arjun Balakrishnan:** That's continuing on the acquisition pipeline. Can you give any idea whether it's going to be in the first half or the second half?
- Rahul Arora:** No, that's forward-looking price-sensitive information. I can't share that. We are trying our best to close whatever we can this financial year.
- Arjun Balakrishnan:** The Second question I had was the stock; it is very liquid in the market. Today, you can see the reaction has been quite, the results have not been so bad for an adverse reaction. It's all down to liquidity. Is there a possibility of considering a split to increase liquidity? Otherwise, it's very hard to acquire more shares without being careful.
- Rahul Arora:** Yes. We have discussed this earlier at the Board level as well. And the thought is clear that how many slices the pie has doesn't affect the size of the pie. MRF is a great example of a stock that was expensive. Again, the management team and the Board are entirely focused on improving the quality of the business and focusing on the earnings and the revenue. What the stock price is and those kinds of things are really what the market determines. We don't think of that as something in our control.
- Our focus is on building a compelling learning company of meaningful scale. We don't track short-term movement in the stock price. Our focus is entirely on building a resilient business.
- Moderator:** Thank you. Ladies and Gentlemen, due to time constraints, we have reached the end of the question-and-answer session. I would now like to hand the conference over to Mr. Rahul Arora for closing comments.

Rahul Arora: Thank you so much for a wonderful earnings call. We look forward to your active participation subsequently as well. We appreciate all your thoughtful questions. Your outside-in perspective always helps us to learn and improve. I want to thank all our stakeholders for their continued support and respect. Our journey together has been quite remarkable and looking forward to taking your confidence forward and supercharging the scale of this company. I look forward to your continued support, feedback, and partnership mindset. Thank you so much.

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

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