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The Manager - Listing Department National Stock Exchange of India Limited Exchange Plaza, 5 th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051	The Manager - Listing Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
NSE Symbol: MPLTLD	BSE Scrip Code: 532440

Sub.: Transcript of Investor Call held on Thursday, July 28, 2022

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof), please find attached the transcript of the Investors Call, which was held on Thursday, July 28, 2022, post announcement of financial results for the quarter ended June 30, 2022. The audio recording of the Investors call along with the Transcript has been uploaded on the Company's website www.mpslimited.com.

Please take the above document on record

Yours faithfully,
For **MPS Limited**



Sunit Malhotra
CFO & Company Secretary

Enclosed: a/a



“MPS Limited Q1 FY-23 Earnings Conference Call”

July 28, 2022



**MANAGEMENT: MR. RAHUL ARORA – CHAIRMAN AND MANAGING
DIRECTOR, MPS LIMITED
MR. SUNIT MALHOTRA – CHIEF FINANCIAL OFFICER,
MPS LIMITED
MR. SUKHWANT SINGH – CHIEF DELIVERY OFFICER
OF INDIA, MPS LIMITED
MR. RAJESH JUMANI – CHIEF REVENUE OFFICER,
MPS INTERACTIVE SYSTEMS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 Financial Year 2022-2023 Earnings Call of MPS Limited. As a reminder, all participant lines will be in a 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 *, then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Arora, Chairman, CEO, and Managing Director. Thank you, and over to you, sir.

Rahul Arora: Good afternoon from Noida, and welcome to our Q1 FY23 earnings call. Today, I have with me:

- Sunit Malhotra, CFO of MPS Limited.
- Sukhwant Singh, Chief Delivery Officer, India
- Rajesh Jumani, Chief Revenue Officer, MPS Interactive, joins us from New Jersey.

Sunit will kick things off in our opening segment today by discussing our Q1 FY23 performance. Then Sukhwant will update us on the Content business. Next, Rajesh will discuss our robust performance in the eLearning business. Finally, I will discuss how FY23 is shaping up and will also articulate and quantify Vision 2027.

Let's get going! Over to you, Sunit.

Sunit Malhotra: Thanks, Rahul. Q1 FY23 was somewhat muted for MPS after a record-breaking FY22. At INR 114.04 crores, FX-adjusted Revenues were down by 3.3 percent against PY, primarily driven by three factors:

1. Movement of large K-12 projects to the balance part of the year, which largely impacted the Content Solutions business.
2. Delay in delivery for a sizeable eLearning customer from our Swiss entity, which somewhat picks up in Q2 but starts to perform in the H2 FY23.
3. A decline in the HighWire business, which is now expected to be soft all of FY23.

I would like to now hand it over to Sukhwant to discuss the Content Solutions performance in Q1 FY23 and overall prospects for the business in FY23.

Sukhwant Singh: Thanks, Sunit. Our Content business serves two primary markets – Education and Scholarly. As you shared, Content Solutions made a soft start to FY23 because of the lopsided nature of how the Education vertical is expected to perform this FY. The Scholarly business outperformed and is expected to do well in a sustainable way. For example, Revenues in Journals grew by 15 percent over PY in Q1 FY23, while Operating Profit increased by 47 percent over PY. Similarly, Scholarly Books' revenues grew 8 percent over PY in Q1 FY23, while Operating Profit increased by 77 percent over PY.

I would like to now hand it over to Rajesh Jumani to discuss the MPS Interactive Systems' performance in Q1 FY23 and overall prospects for the business in FY23.

Rajesh Jumani:

Thanks, Sukhwant. As Sunit shared, our Swiss subsidiary made a soft start to the year due to a delay from a sizeable strategic customer in Switzerland. That business is a small element and is expected to bounce back in the second half of FY 23. At MPS Interactive Systems, we are all elated with the progress in the business and are looking forward to a full year and seamless expansion in FY23. In Q1 alone, our Revenue grew by 15.2 percent from a consistent flow of projects from our Star accounts. Profitability improved as the business recorded an EBITDA north of 30 percent in Q1. Our Order Book expanded by over 20 percent as we booked significant orders. Our pipeline is robust across different types of work, including Learning Advisory and Consulting, Immersive Learning, Continuous Learning, Learning Technologies, and Training Delivery. And apart from geographic diversity, the pipe is varied across training strategies, including - onboarding, product training, sales enablement, soft skills, DEI, sustainability, leadership, and compliance.

Back to you, Rahul.

Rahul Arora:

Thanks, Jums. While the start to FY23 has been soft, we continue to be bullish about the FY. To summarize, here are the factors that are giving us much confidence:

1. Our content business is doing exceptionally well with our Scholarly customer base. We are at the early innings of the growth story for this customer base, and this will continue to unfold through the rest of FY23. The Education practice is having a lopsided year with a few delayed projects. After a steady pick-up in Q2, things will genuinely roar in the content business in the later part of FY23.
2. While we reported double-digit growth in Q1 in the eLearning business, our ambitions are higher and will only be unlocked when all aspects of the eLearning business do well, including the two EU subsidiaries. We have still not reported a full quarter of EI's earnings. This will show up in its entirety for the first time in Q2.
3. The Platform business will have a final decline in FY23 due to HighWire. And that's the one issue with our previous acquisition strategy of acquiring distressed assets at distressed prices. While you see a massive ROIC during an impressive payback period of three years, growth only unfolds in the fourth and fifth years. We are seeing growth in the Scholarly content business due to the acquisition of HW.

To conclude my comments on FY23. Our theme for the year is to cross the INR 100 crore in PAT in FY23. Market stalwarts tell me that this new scale will open up new doors for MPS. And all of us at MPS are diligently working on crossing this milestone in FY23.

Now moving on to Vision 2027. Some of you may have noticed that this was articulated in our Annual Report as:

"To create a compelling learning company at a meaningful scale that helps the world learn smarter. We aspire to be the provider of choice in our markets that powers experiential learning experiences with the latest technology innovations".

Our Triple E Values of Excellence, Efficiency, and Empathy continue to endure and serve as guiding principles toward Vision 2027. And while we have not shared this quantification with the markets just yet, we aspire to be north of USD INR 1,500 in Revenues at expanded margins by the end of FY27.

We look forward to your continued support in this exciting new growth phase, Building Scale. I would now like to open the call to your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Rishikesh Kale, an Individual Investor. Please go ahead.

Rishikesh Kale: I was just checking your cash balance which has gone down from Rs. 182 crores to Rs. 125 crores in this quarter. But I assume that is after factoring in the acquisition of Rs. 40 crores and dividend payment of Rs. 52 crores. So, you seem to have generated cash of Rs. 30-plus crores or Rs. 18-plus cash earnings per share this quarter. So, why is there such a divergence between your cash earnings per share and your reported earnings per share?

Sunit Malhotra: There are two developments here. One is the acquisition cost for the EI design and another is the dividend payment spillover. The part payment of the dividend has been made on July 22, thus this divergence.

Rishikesh Kale: Okay. So, what would be the cash earnings this quarter, after factoring in the spillover?

Sunit Malhotra: We have not exactly worked it out. However, based on last year's standalone financials, it would be comfortably north of Rs. 80 crores cash that is generated out of the business for FY23.

Rishikesh Kale: And this year, do you expect it to be higher?

Rahul Arora: The cash generated was on the PAT of Rs. 87 crores. We should follow the same ratios going forward as well. There is no change in the nature of the business in terms of working capital.

Rishikesh Kale: So, we would expect around Rs. 100 crores cash generation this year?

Rahul Arora: We are gunning for more than Rs. 100 crores of PAT. We are not really monitoring the cash flow because that is not a concern in our business. We have a very strong balance sheet and we are aiming for north of Rs. 100 crores PAT.

Moderator: Thank you. We have our next question from the line of Umang Shah from Sarath Capital AIF. Please go ahead.

- Umang Shah:** Sir, the first question was, if I look at FY '22 numbers and if I remove TOPSIM out of it, our platform division revenues have pulled down from Rs. 120 crores to Rs. 108 crores approximately. So, sir, is this entire decline attributable to the HighWire? Or are the THINK360 and other platforms also reasons for the same?
- Rahul Arora:** TOPSIM is part of the e-learning business. Yes, your observation is correct that all of the declines in the platform business are from HighWire.
- Umang Shah:** Okay, sir. And sir, this is for FY '22, right? So, what was the reason for this decline?
- Rahul Arora:** That requires sort of a big deeper understanding of the acquisition strategy, and I will step back and explain that to you. So, historically before the acquisition of E.I. Design the 7 acquisitions that we did, we were looking at acquiring distressed assets at distressed prices, which meant that, on average, our payback period would be 3 years. During that payback period, we have a very high ROIC, and growth would start to unfold in the fourth or fifth year. That was our old acquisition strategy as we have now pivoted toward growth opportunities.
- We acquired HighWire in July of 2020 during the middle of the pandemic. Still in 2022, we are on the 2-year mark. So, with HighWire, we see that same incumbent acquisition playbook is playing out. Of course, going forward, we have modified the acquisition strategy toward acquiring growing assets like EI Design at compelling valuations. But yes, with HighWire, we will see that the 5-year cycle plays out and growth to be only coming in the fourth and fifth years.
- Umang Shah:** Sir, the second question, Mr. Jumani has been with TATA Interactive for a very long time. And now when he has been assigned the role of a Global Revenue Officer, is it for the entire group? Or is that only for the learning division?
- Rahul Arora:** It is for the MPS Interactive business, which is part of the eLearning vertical.
- Umang Shah:** Not for the entire MPS? How will this evolve? Like it is not a CEO role, right? So, what does it entail?
- Rahul Arora:** He is responsible for developing the revenue of the eLearning business.
- Umang Shah:** Right, sir. So, in the overall chain of command, who would be the one taking care of the eLearning business?
- Rahul Arora:** We have split responsibilities. The revenue responsibility sits with Rajesh Jumani, and the delivery responsibility for India sits with Sukhwant, who shared the opening remarks. And the European business responsibility sits with Attila Varga, who is the Managing Director of the entities in Europe.

Umang Shah: And the last question is, sir, the E. I. Design acquisition, is it on the timeline as you envisaged with respect to indications?

Rahul Arora: Yes. That is the beauty of acquiring a growing asset. There is not much integration to be done. But yes, we are about 8 weeks into the process. Everything seems to be on track. We are running ahead of schedule on the limited integration that we do have to complete. So, we are very satisfied with the progress of the acquisition. And like I said, there is no turnaround required here. It is more around driving growth, and we are on track for that.

Moderator: Thank you. We have our next question from the line of Arjun Goyal, an individual investor. Please go ahead.

Arjun Goyal: I have a couple of questions. Firstly, on the EI Design, now that the acquisition is complete, can you share the financials for FY '22, what was the revenue, EBITDA, and PAT for the company? I think in the presentation, it was only up to 9 months.

Rahul Arora: Okay. And what is the second question?

Arjun Goyal: The second question was regarding the vision for 2027, which you highlighted. I think you said that the revenue will be Rs. 1,500 crores, right?

Rahul Arora: Yes.

Arjun Goyal: So, that is 3x in 5 years which is a CAGR of about 25%. So, I wondered if you can throw some more color on how you are going to achieve that. That would be very helpful. Because from what I understand is that the content business is a mid-single-digit CAGR kind of business. So, if you could throw some more color on that?

And finally, I have a question on the possible dividend, which I will get back to if you can just answer these two first.

Rahul Arora: So, I will answer the question on the vision for 2027, why do we feel confident about revenues north of Rs. 1,500 crores at expanded margins? And then I will also touch upon the dividend question. Meanwhile, Sunit will prepare to talk about the EI Design numbers for FY '22.

As you rightly pointed out, we have three business segments, content, platforms, and eLearning. Your observation that the content business is a single-digit growth type of business was our conclusion as well pre-pandemic. But as we have seen in the last couple of years that started to change, and we expect this business to continue to grow in double digits now, including FY '23. I understand we have had a bit of a lopsided situation this FY2, with growth coming more in the second half of the year, but we are feeling very confident about the content business growing at double digits.

And we believe it is sustainable. What has essentially happened in this particular business segment is that customers have reviewed their supply chain and now looking to consolidate with scale partners that have serious tech IT. So, that is the big change that is taken place. We are getting more volume from existing customers and also acquiring new customers. So, we are more bullish about the content business in general.

The eLearning business as a market, depending on what report you look at, is growing between 15% and 20%. We feel that, organically, our business can also grow at that same clip. And keeping the two European subsidiaries aside, we actually did grow to north of 15% in Q1 alone, as Sukhwant described or rather Jums described. So, we expect our eLearning business to grow at a 20% CAGR without new acquisitions. And on the platform side, once we hit the 4-5 year mark with HighWire, we expect that business also to grow at a 20% clip.

We also have a fairly active acquisition strategy. We are hoping to do a couple of acquisitions a year over the next 5 years and we believe we can get that done because of our modified acquisition strategy, which includes acquiring growth assets rather than distressed assets. So, with the blend of organic and inorganic growth, we would be very comfortable with this projection of revenue north of Rs. 1,500 crores at expanded margins.

Just to reflect also, when we started this journey back in 2011-12, this was Rs. 120 - 125 crores business. If you look at last year, it was Rs. 450 crores. So, we have done this before. Yes, it took us 8, 9 years to do. But now we have a certain scale, which gives us confidence that we can do it again but at a faster clip. Of course, there are lots of moving parts in our business. Having said that, the number that we are pointing out here, the management team feels very comfortable with that.

I know this question will come up after this, so I will preempt and proactively answer it. In terms of financing some of this growth, especially on the inorganic side, our focus is, of course, internal accruals. But if a sizable opportunity, presents itself, we are also looking at options of debt and equity both. So, there is another nuance to financing where, historically, we only looked at internal accruals.

On redistribution, dividend and buyback is something that the Board talks about periodically. I think our track record is strong on this front. If we do not see any deployment of capital possible, we tend to redistribute surplus funds very quickly. I believe we will carry forward that track record. Again, the focus here, of course, is to beat Rs. 1500 crores revenue at expanded margins in the next 5 years. And of course, if during the journey, we find that we are sitting on surplus funds, we will redistribute those funds.

I will just transition to Sunit to talk about the EI Design numbers for FY '22.

Sunit Malhotra:

For FY 22, EI design revenue was Rs. 38.88 crores and PBT of Rs. 8.20 crores.

- Arjun Goyal:** Sir, I just have a couple of follow-up questions. Firstly, regarding the vision part of it, my follow-up is basically that ex any acquisitions, assume that you do not do any acquisition in the future, then do you think that 15% to 20% growth on the current assets that we have, is that sustainable for the next 5 years? Would you think that be fairly accurate?
- Rahul Arora:** Sorry, could you repeat that question, please?
- Arjun Goyal:** So, let us assume that you do not do any acquisitions in the future, right, and you are guiding for a 25% CAGR for the next 5 years. So, ex of any acquisition, do you think or 15% to 20%-odd growth is sustainable on the current business that we have?
- Rahul Arora:** So, the numbers I gave were a blend of organic and inorganic. And what we have assumed is, again, a ballparking here, but like a 50-50 split, 50% coming from organic and 50% coming from inorganic.
- Arjun Goyal:** And sir, just a follow-up lastly on the dividend policy. I mean, on a couple of calls back, I think you mentioned that you want to maintain an approximately Rs. 150-odd crores cash balance just for acquisitions. So, assuming you make about Rs. 100 crores of cash profits this year, can we expect the same sort of policy that anything north of Rs. 150-odd crores will be paid out? Would that be fair?
- Rahul Arora:** Yes, I would confirm that right now, but if suddenly I am presented a \$25 million business at a 25% EBITDA margin, and if want to pursue it because it is in line with Vision 2027, I will. I confirm what I said last quarter with the caveat that if an opportunistic play presents itself which allows us to go faster towards our Vision 2027, we will execute on the opportunity.
- Moderator:** Thank you. We have our next question from the line of Rahul Jain from Dolat Capital. Please go ahead.
- Rahul Jain:** Congratulation on the strong numbers. I just wanted to clarify. I think just a moment back, you said half of the incremental revenues that you are envisioning would come from organic and the rest from inorganic. So, is it safe to assume organic will go from Rs. 500 crores to Rs. 1,000 crores? Is that what you are trying to interpret?
- Rahul Arora:** Yes. Again, ballparking around, but roughly, yes.
- Rahul Jain:** Okay. And secondly, from the segmental outlook, that you gave that content can sustainably grow in double-digits. I understand that we had done decently in the last 1 or 2 years in this business. But what is adding to the confidence that it is sustainable? Because you are saying that this is coming from a volume share expansion with the customers, so are there significant opportunities left for us where we are smaller in an account and we could expand to those growth volumes? What is driving that?

Rahul Arora:

Yes, I will answer that in two ways. So, as Sukhwant explained in his opening remarks, the content business has two markets, the education market, and the research market. The research market post-pandemic organically is growing at 10%. So, there is far more research content being published today on average. Because there is an organic lift happening in the market itself, it is giving us some confidence.

Now within that market, we have two types of customers, customers that are large in scale and want to work with providers like MPS that are also large in scale from a relative standpoint. Then there is another customer base, which is a mid-sized publisher or university press, or society. They want to work with vendor partners that are more complete, and the acquisition of HighWire Press has made us more complete.

We are seeing, for example, a lot of growth on the content side of our business coming from the HighWire customer base. So, between the market pie expanding, large customers within that market wanting to work with scaled players like MPS, and small customers wanting to work with players like MPS that are more comprehensive, we are very bullish about the research part of our business, which also tends to be a higher-margin business compared to other parts of our business.

On the education side of our business, again, we are witnessing publishing companies turning into subscription-based learning companies. And as they become subscription-based companies, the volume of content they need to produce is going up. So, think of the volume of content that used to get produced, for example, on the cable network side compared to the Netflix model. You are seeing companies on Netflix produce far more content than what was produced during the old era. Similarly, as publishers move to a subscription model, they would have to produce more content on the education side. And as they produce more content, there is more work for us. So, that is one part of the education story.

The second part of the education story is that we are now starting to work with educational institutions directly. So, for example, we are working with many U.S.-based and European-based educational institutes where we are developing a lot of their courseware. This is an entirely new market for us that we entered about 18 months ago, and we already now developed customers that are north of \$1 million in revenue in this particular market.

So, again, a combination of traditional publishers becoming subscription-based platforms producing more content, therefore more opportunity for us; plus, us serving a new customer type, which is education institutes, are giving us more optimism about this market. So, that is really on the content side of our business.

Having said that, there is also this element of the small base effect. Our content business is much smaller than some of our larger competitors. And some of them are 2x or 3x of our size. So, as we play catch up, we will definitely be growing faster than them. So, there is also a small base effect element to this as well. So, very bullish about content, including FY '23.

Rahul Jain: Just a small clarification. You said the U.S. European-based education institute that you started working with 18 months back, and then you mentioned something like \$1 million. What was that? I missed that part.

Rahul Arora: We are working with a U.S.-based university to develop over 50 of their courses. These courses are targeted at working professionals, who consume these courses as part of their professional development. So, these are more professional development courses. So, we are developing over 50 of these courses for a university. Traditionally, we would develop these courses for publishers, but now we are also working with the university directly.

Rahul Jain: And the size of such a deal could be \$1 million? This is what you are trying to say?

Rahul Arora: Yes. And what I am trying to say is that we have developed a few customers, and these customers are over \$1 million on average. There is only a handful of such customers today. There is a huge potential to scale this business. That is the point I was just trying to make.

Rahul Jain: And on the platform side, what excites you? Does the HighWire part once post normalization will do better? Or are there more legs to that?

Rahul Arora: Definitely, more legs to that. Of course, HighWire will settle down, as I described. We were hoping that we would go faster than our previous acquisition playbook, but it is kind of running its normal course. What is giving us confidence is that while we have lost customers that historically were associated with HighWire, we are also gaining new customers.

On the HighWire side and the platform side of the business, we have a 3-pronged approach. We are playing a price warrior approach given that on the platform side of our business, most of our competitors are based outside of India. Because of wage arbitrage, we are able to play a price warrior approach to create market share. The second is that we are following a product bundling approach. We are combining a lot of our SaaS products and opening up opportunities as a result of that. And the third approach is that wherever possible, we are combining the platform offering with the content services offering, which, again is giving us momentum. We have cracked several deals in the last 6 to 12 months across these three strategies. So, as the decline stops, the growth will start to show up because while we have churn, we also have added customers. Currently, the net is negative, and we are hoping that by the fourth year, it will be positive.

Moderator: Thank you. Our next question is from the line of Rishikesh Kale, an individual investor. Please go ahead.

Rishikesh Kale: In the Q3 con call, I had asked a question and you had said that you will be beginning the journey to 35% operating margins. But this quarter, there has been a slight drop. In fact, it has gone down to 25.8%. Is there any specific reason for this? Or are there any one-offs?

Rahul Arora: As I said, at the beginning of the call, the education business is expected to be performing better in the second half of the year even though the research business has already picked up. So, it is

more seasonality of revenue, not really seasonality even, it is more delaying of certain projects but on average, we should be okay by the end of the year.

Moderator: Thank you. We have the next question from the line of Keshav Garg from CCIPL. Please go ahead.

Keshav Garg: Just wanted to understand how is the demand looking in our various segments in the context of the recession and economic slowdown in Western markets.

Rahul Arora: Something that we are actively monitoring both on the sales side and also on the operations side. Currently, we still are not seeing any manifestations of the recession. Yes, on the education side, certain projects have been delayed, but they have not been canceled or abandoned. So, as of today, not seeing any impact. But it is something that we are actively monitoring.

Academics say that people tend to spend more on education and learning during a recession. Now whether that academic concept plays out in the real world or not, time will tell. But so far, we are not seeing anything different for us at least yet. But of course, time will tell.

Keshav Garg: Sir, and in the December 2020 quarter, we made the highest EBITDA per quarter of Rs. 33 crores, and since then it has been stagnating at around Rs. 31 crores or Rs. 32 crores. And last quarter, June quarter, we did Rs. 30 crores. So, going forward on a quarterly run rate basis, what kind of EBITDA should one expect?

Rahul Arora: Yes, it is very difficult to give quarterly guidance. Again, I will go back to my opening remarks that we are gunning for north of Rs. 100 crores of PAT this financial year.

Keshav Garg: Great. And lastly, in the AGM, it was mentioned that in our platform business, we are expecting growth from the fourth quarter of this financial year or the first quarter of next financial year, we will start growing at 15% to 20%. So, do you think that still holds?

Rahul Arora: No, that does not hold. As I was saying, we were more optimistic that this acquisition will play out better than what we have seen in the past. But this seems to be playing out at par. So, we will start to see growth in the fourth year, which is 2024.

Moderator: Thank you. We have our next question from the line of Arjun Goyal, an individual investor. Please go ahead.

Arjun Goyal: Sir, in the recent past the rupee has depreciated so much against the dollar, what impact will it have on our revenues and profitability assuming it stays at this level for the rest of the year? If you can talk a little bit about the Forex element of the financials.

Sunit Malhotra: So, our hedging strategy is very straightforward. Our goal is to cover our receivables. But if the rupee stays at this level or continues to depreciate, of course, it will go straight to the bottom

line. And we are seeing that happen as other export businesses and other IT businesses are seeing. So, it should go straight to the bottom line.

Arjun Goyal: But I mean, I think other IT companies are also facing an attrition problem and wage inflation to counter it, right? So, are you also facing similar issues? And like what is the attrition? How much is the wage inflation, things like that?

Rahul Arora: We have a unique setup, where we have about 2,600 employees. 97% of them are based in India. In India, we have 7 centers. For our competitors, or the IT space in general, if you had 2,000, 3,000 employees, you would be at the most in three locations, if not two. And we have done this fairly intentionally, while this happened through acquisitions, we have maintained it with fair deliberation. And the reason for that is that if a talent shock does take place in a local environment, we are hedging ourselves by being present in 7 different centers. And same goes for us internationally.

We have 3 centers in Europe and 5 in the U.S. as well. So, while I would not say our attrition levels have reduced, what I will say is that for many of our competitors, the attrition levels in our industries have been at 2% - 2.5% a month for many, many years now. For some of our competitors, it has gone up over 3%.-3.5%. In our case, it just stayed at the same level. It has not improved. It has not declined. This is a competitive advantage for us, being so distributed. We have not seen the same impact yet because of the distributed workforce.

Arjun Goyal: Right. So, I mean, sir, the delta in the margins for the next quarter, assuming the rupee-dollar rate remains at about Rs. 80, should lead to a massive delta, right, in EBITDA margins. Am I reading it correctly? Or is the hedge rate also at about Rs. 80? I am not entirely sure how it works, but is that fair reading?

Rahul Arora: Yes, it is fair. So, as the rupee depreciates, it goes straight to the bottom line. Our internal budgets are prepared at Rs. 74, if that helps. When we plan our expenses, we budget at Rs. 74.

Moderator: Thank you. We have our next question from the line of Sachit from Param Capital. Please go ahead.

Sachit Motwani: First thing I wanted to check with you is, in this particular quarter, there would be some contribution from EI Design, right? Is it possible for you to quantify? I believe it would be a one-month revenue, right?

Rahul Arora: Yes. \$400,000 revenue, again giving you a ballpark estimate, Sachit.

Sachit Motwani: Second, this is a more structural kind of a thing that I wanted to understand that now you are talking about your vision of Rs. 1,500 crores revenue.

Rahul Arora: Sachit, first, you did not thank me for quantifying the vision! You have been chasing me for 9 months now

Sachit Motwani: Yes. Thank you so much for doing that. Sir, I just wanted to understand what organization-level changes you would want to change to get to that vision. Because when you talk about competing with larger players in the content space, so just wanted to get your sense of this. The second level of management, it's readiness and the bandwidth that can be handled by you. That is what I wanted to understand.

Rahul Arora: Very good question. Excellent question. So, we have been working on this now since 2018. We formed a senior management team, firstly, around 2018, right, after the acquisition of Tata Interactive. We have 9 people on the senior management team. Three of them have been with MPS since we started our story, Sunit, Naren, and myself - our CTO, CFO, and Chairman and CEO. Three of them came from acquisitions, two of them from Tata Interactive, and one of them from HighWire Press.

And three of them were external hires, two of them from much larger competitors, which says a lot about MPS, that people in senior management positions are willing to move to a smaller company. And the last ninth one is Sukhwant, who is a graduate of our management program that we have in collaboration with ISB. So, every year, with ISB, we onboard 4 to 6 management professionals to be the future leadership of the company. We started this program again, back in 2018. Again, Sukhwant is a graduate of the ISB program.

So, there was one initiative which was forming the senior management team. There was another initiative that we are doing in collaboration with ISB. The third piece that we have done is we have looked at the next 3 levels of the organization, so from the senior management team then the next 3 levels, and we have made sure that across each of those levels, we are well represented, people have the bandwidth and we have good management depth. So, that has been an exercise that we have been carrying out very intentionally now for many years.

On top of that, we are also exploring an ESOP program to make sure that this massive talent pool that we have created over the last 3 - 4 years performs as co-owners rather than as employees. So, that program is currently under discussion at the NRC of MPS and hopefully will be launched sometime this financial year. There has been a lot of thoughtfulness, and effort gone into building the best team in the industry. And now it is about making sure that this team continues to grow and prosper.

Moderator: Thank you. We have the next question from the line of Umang Shah from Sarath Capital AIF. Please go ahead.

Umang Shah: Sir, we have two divisions which are content and eLearning. In content, we have a limited number of customers and a limited number of competitors because it is a fairly consolidated space, while in eLearning we have a very fragmented industry and a large number of customers. So, when we are looking for new deals or when you are pitching for new deals, what are the key determinants in both sets of segments? And can the sales force be fungible in both these segments?

Rahul Arora:

Yes. Content gets broken into two ways, research and education. Yes, the research side of the business, is pretty spread out. So, you rightly pointed out that with the large and mid-sized publishers, it is a finite set of customers. But then there is this whole universe of university presses, and societies, which is much larger. On the research side, there is definitely an opportunity to grow within this customer base. And from a representation standpoint, the HighWire relationship base has given us a springboard to unlock this particular market segment.

And then on the education side, again, there are different dynamics. You have the traditional education publisher that is trying to pivot to a subscription-based business, you have an educational institution type of business that is slightly different, and then you have an EdTech business. So, what we have done essentially is we have created a different sales type of organization for each of these markets. So, we have our sales and marketing teams focused on research. Similarly, we have sales and marketing teams focused on education. So, that is on the content side. Having said that, like you rightly pointed out, on the content side of our business, whether it is research or education, a lot of it is referral and word of mouth - more old school!

On the corporate side of our business, it is more marketing-led rather than sales-led. In EI Design, while we acquired a great asset in terms of an operational delivery model, what we also acquired is an asset that has a great digital marketing engine. For example, every year, they generate about 1,000 leads on average. So, a very mature marketing model! Because the market is so fragmented both in terms of vendors and customers, marketing is a strong sort of driver towards creating growth because it is impossible to attack this with a feet-on-the-street model as there is so much opportunity. Our focus is more on having a compelling marketing message, which then builds inbound interest, which then is unlocked by our sales team versus the content side of our business, which is more outbound.

Moderator:

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

Rahul Arora:

Thank you so much to everyone for all the support and insightful questions. Your questions always allow us to introspect and do better. Like Sunit pointed out, we have had a muted start to FY '23. Although our eyes are set on FY '23 to cross Rs. 100 crores in PAT, we have now also quantified our vision for 2027, which is to be over Rs. 1,500 crores in revenue at expanded margins.

We look forward to your support. This next phase of MPS is about building a serious scale. And again, thank you for the past several years where you have been really patient with us, and look forward to your support going forward as well. Thank you so much.

Moderator:

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