MPS Limited
A-1, Tower A, 4th Floor, Windsor IT Park, Sector 125, Noida
Tel: +91 120 4599 750 Fax: +91 120 4021 280

Ref: MPSL/SE/57/2024-25
Date: 07 November 2024

National Stock Exchange of India Limited	BSE Limited
Exchange Plaza, 5th Floor, Plot no. C/1,	Department of Corporate Services
G Block, Bandra – Kurla Complex, Bandra (East),	Phiroze Jeejeebhoy Towers
Mumbai - 400 051, India	Dalal Street, Mumbai- 400001, India
Symbol: MPSLTD	**Scrip Code:** 532440
ISIN: INE943D01017	**ISIN:** INE943D01017

Dear Sirs,

Sub: Transcript of the Earnings Conference Call inter-alia on the Un-Audited Financial Results of the Company for the Second Quarter (Q2) and Half Year (H1) ended 30 September 2024.

Pursuant to the provisions of Regulation 30 read with Para A of Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Earnings Conference Call, held on Wednesday, 30 October 2024, at 05:00 P.M. (IST), inter-alia on the Un-Audited Financial Results of the Company for the Second Quarter (Q2) and Half Year (H1) ended 30 September 2024.

This is for your information and record.

Yours Faithfully,
For **MPS Limited**

RAMAN SAPRA

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

Raman Sapra
Company Secretary and Compliance Officer

Encl: As Above

"MPS Limited Q2 and H1 FY25 Earnings Conference Call"

October 30, 2024

MANAGEMENT: **MR. RAHUL ARORA – CHAIRMAN AND CEO**
MR. SUKHWANT SINGH – CHIEF OPERATING OFFICER
MR. ANTONY ALVES – SENIOR VICE PRESIDENT, PRODUCT MANAGEMENT
MS. ARCHANA JAYARAJ – CHIEF OPERATING OFFICER, MPS INTERACTIVE AND MPS EUROPA
MS. PRARTHANA AGARWAL – CHIEF FINANCIAL OFFICER

Moderator: Ladies and Gentlemen, good day, and welcome to the Q2 and H1 FY ’25 Earnings Conference Call of MPS Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" 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 and CEO. Thank you, and over to you, sir.

Rahul Arora: Thank you, Del. Good morning from New York and a warm welcome to our Q2 and H1 FY '25 earnings call.

Today on the call, I have with me, Prarthana Agarwal who is the CFO, of MPS Limited; Sukhwant Singh - Chief Operating Officer (India) at MPS Limited; Tony Alves - Senior Vice President and Head of Product Management at HighWire, which is our platform division; Archana Jayaraj, Chief Operating Officer of MPS Interactive and MPS Europa.

Prarthana joins us from our corporate office in Noida, Sukhwant from Dehradun, Tony from the Greater Boston area, and Archana from Chennai. This global representation underscores our commitment to serving our diverse stakeholders across the world.

Prarthana will kick things off in our opening segment today by discussing our “Financial Performance”. Then, Sukhwant will update us on Content Solutions Business Developments. Tony will then follow up on the impressive progress in our Platform business. Next, Archana will discuss the rapid transformation in our eLearning business. And finally, I will provide an update on the progress of AJE and Liberate and my perspective on the first half of FY '25.

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

Prarthana Agarwal: Thanks, Rahul.

On a quarterly basis, Q2 FY '25 showed robust revenue growth. We recorded revenues of INR 177.9 crores on an FX-adjusted basis representing 37.42% Y-on-Y growth. EBITDA margins bounced back to 30.11% in Q2 FY '25 and overall EBITDA grew by 31.90% in Q2 FY '25 compared to last year.

Reflecting on the quarter, I would like to highlight three vital strategic achievements:

1. Our top 10 customers now contribute to 48% of our revenue, a much lower customer concentration than when we started this journey in 2012.
2. Revenue quality is also improving with platforms responsible for 28% of the consolidated revenue and even more impressively 40% of the consolidated PBT.

3. The theme of improvement in the quality of revenue can also be observed through improvement on DSO to 44 days.

I would now like to hand it over to Sukhwant to discuss the developments in our Content Solutions business.

Sukhwant Singh: Thanks, Prarthana. Revenue in the Content Solutions business grew by ~37% in Q2 of FY '25 compared to last year. EBITDA margins expanded to 38.36% as AJE settled well into MPS.

In addition to the acquisition of AJE, at the journals component of our Content Solution business, we continued to lead the charge toward revenue growth. Volumes and revenue from our premier customer base grew because our service delivery has been among the best in the supply chain as it has consolidated.

Additionally, the recently established revenue stream catering to the Journal Editorial Office has furthered the growth momentum of the Content Solution business. The new offering placed us in a more strategic position in the value chain and improved the stickiness and quality of our revenue with existing customers.

Our Global Education business, now branded as OWL, which stands for One with Learning, also saw significant growth in Q2 of FY '25. The business unit achieved a much healthier EBITDA margin and the team recorded healthy sales during the quarter, indicating that the new momentum is here to stay.

Our world languages content development, accessibility solution, and production services capabilities have supported the expansion of OWL. The team's efforts to diversify the customer profile and the successful launch of the OWL brand in the higher education marketplace further underscore our strong performance.

I would like to now hand it over to Tony to discuss the impressive progress made in our Platform business.

Antony Alves: Thank you, Sukhwant. Primarily due to the acquisition of AJE, the platform business grew by ~67% in revenue in Q2 of FY '25, compared to the same period last year. Our collaboration with MPS Labs is going exceptionally well in content hosting and AI integrations.

Product roadmaps were scheduled throughout the quarter and respond well to customer and market demands. Several clients are using our latest product, DigiCore Pro's sandbox implementation toward its final iteration. Our focus is now shifting towards implementations, particularly for transitioning BenchPress clients.

Another highlight was the success of our business development efforts. For example, earlier this financial year, we won a new logo away from our largest Content Hosting Platforms space competitor.

We are witnessing an influx of activity in new RFIs and RFPs in the platform business. There is a positive perception of us in the research community, which is highly encouraging. HighWire and MPS offer the only serious independent choice in the market as others are either publisher or private equity-owned, which are not popular choices in the research community.

I would like to now hand it over to Archana to discuss the rapid transformation taking place in our eLearning business.

Archana Jayaraj: Thanks, Tony. I am pleased to report meaningful improvement in the eLearning business. Revenue grew by 8.8% in Q2 FY '25 compared to the same period last year, and EBITDA margins recovered to 19% in the quarter.

In the India entity MPS Interactive Systems, revenues were ahead of our internal estimates and the EBITDA margin nearly touched 20% in the quarter and is expected to only improve from here. And while the business is still not back to previous levels, it is reassuring to note that we are slightly ahead of our turnaround schedule.

The business acquired 15 new logos. Collections have also improved. The average DSO is now 36 days. The teams maintained an average CSAT score of 4.5, and that has also led to recovery from some of the core accounts.

The eLearning operations in Europe made steady progress. At the Swiss entity MPS Europa, EBITDA margins surpassed all other eLearning interests. Moreover, the team is now in deep collaborations with the India entity, working on impressive solutions, and recently won a few orders with MPSI's customers.

TOPSIM GmBH made steady progress towards its FY '25 goals. This business is now one of the most diverse business interests at MPS, with the top 10 customers accounting for less than 40% of the revenue. The business is also expected to start paying dividends to MPS Limited from FY '25 for the first time since its acquisition in 2018.

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

Rahul Arora: Thanks, Archana. I will begin this section by discussing the progress of the two acquisitions. We completed the acquisition of Liberate in September of last year, a move that has significantly shaped our entry into Australia. This successful acquisition of a growing business led to a refreshing change in our modus operandi. We had an opportunity to learn much about what it takes to operate and drive a corporate learning business, which differs from our other business interests.

At Liberate Learning, the top 10 accounts now include a Large Banking Customer that was dormant for the past several months due to their internal corporate development activities. The Liberate team has also onboarded new logos that have scaled in quick time to be in their top accounts.

As Archana described earlier, taking a cue from the Liberate management team, the rest of the eLearning business has also embraced gig workers. The positive impact has already started to show and we are bullish about the change in the operating model and its positive impact on our business in the long run.

The integration of AJE into MPS has been rapid and successful. We are ahead of our schedule in terms of operational and financial metrics. Our formal launch in China this past quarter, followed by a customer roadshow, has helped us develop momentum in the region. The presence in China is unique for MPS and helps us participate in actual global agreements with our customers, who have historically had to compromise on their preferred vendor strategy in the region.

We are now closer to the most critical stakeholder in the Research value chain- the funders. Additionally, the AI capabilities acquired through Curie, Lewis, and other AJE tools have tremendous synergies with MPS regarding efficiency and revenue.

Our new scale is opening new doors for us, and we expect to hit significantly positive financial metrics, exceptionally high ROIC, and robust organic growth, which are potent combinations for any acquisition.

After a flat EBITDA in Q1, despite a sharp increase in revenue, we have gained much ground in Q2. And we are back on track at the halfway mark, with 37% revenue growth and 15% EBITDA growth in H1, compared to the same period last year.

Our “Scaling Global” agenda has gotten off to a robust start in the first half, and its positive impact is already being felt. North America is now merely 45% of our total revenue, while the rest of the world, including APAC, is 26% of total revenue.

FY '25 is proving to be a year when we surpass several of our competitors in the markets that we serve, including research, education, and corporate learning. Markets have taken notice. We are being invited to RFPs and new opportunities that were previously unavailable to us. Scale implies resilience, business continuity, and future-proofing that have all become core pillars of supply chain decisions after the pandemic and the recent AI-driven innovations.

Our global reach into additional markets, including Australia, New Zealand, China, Brazil, and South Korea, implies global agreements with our customers, further bolstering our optimism about the future.

Let's now open the call to questions.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Mahesh, who is an individual investor. Please go ahead.

Mahesh: How is the landscape evolving within the segments that you operate from a technology/AI perspective?

Rahul Arora: I will quickly cover the overall landscape, and I will request Tony to talk about the AI landscape. So, while our financials are reported as business segments, content, eLearning, and platforms, our go-to-market strategy has been revised and we attack the market as research, corporate, and education. We are viewing AI as an enabler for growth across these three markets. I will let Tony talk about how we are embracing AI.

Antony Alves: My focus has been primarily on Platforms and Content Solutions and focusing on our research and publishing landscape, which has been evolving very rapidly with artificial intelligence and machine learning. The major emphasis has been the balance between innovation and maintaining the integrity of trusted research.

The segments that are evolving are across the entire research ecosystem, but especially in the content preparation and content analysis areas, MPS is working on solutions that address ensuring research integrity.

We are focused on editorial services that address things like accessibility and content creation, including language polishing, translation, editorial preparation, summarizing content, and automated assessment creation.

Chatbot support is also a growing area for us and we are building tools into the publishing workflow process and chatbot tools into our hosting platform.

I have attended several industry meetings over the past few months and noticed that publishers have become more and more open to adopting AI and Machine Learning technology, while also being sensitive to content integrity and data privacy concerns. Their particular concern is the need to protect copyright, while still letting AI organizations innovate. So, there is increasing talk about licensing content to ensure that large language models and other technologies are working with certified facts.

The AI and ML security and privacy standards are constantly evolving and MPS has been adapting to those changing requirements. We have been making incremental changes while implementing artificial intelligence systems to support human-driven decision-making, particularly in the areas that I mentioned previously, and this helps mitigate the risk of relying too heavily on automated processes. I think that's a good summary of our approach to artificial intelligence and machine learning.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: The first question is slightly understanding the way the business should be evolving with the new transaction of AJE, a component that is still to complete its first year. So, are we getting a better flavor of how the current mix of business is seeing seasonality from the flow of business over the whole quarter across the segment, I think any color on that will be of great help.

Rahul Arora: The second half of the year has always been stronger for MPS, if you go even years back and whether Q3 is stronger or Q4 is stronger, ends up being a debate every year, but the second half of the year is the strongest for MPS. And the softest quarter tends to be the July-August-September quarter, which is Q2.

So, typically your number one, number two slot is either Q3 or Q4, the third slot is Q1 and Q2 tends to be the softest quarter. And the reason for that is across the various lines of business and markets, the summer months tend to be slow. So, July-August-September tends to be slow both from a revenue accrual standpoint and also from an order booking standpoint. So, as a result, the quarter ends up being slow. And AJE is no different with a similar customer profile. I expect the same seasonality that we have had over the last few years, will continue and the second half will be stronger than the first half.

Rahul Jain: We did quite well in terms of recouping the profitability of the business. So, is there meaningful scope even from this point on a near-term basis since we are going into a better growth in the H2, or do you think the bigger juice is already taken and we may see a small improvement in H2 from a profitability point of view?

Rahul Arora: A lot of the efforts have already been captured and executed, but they are not showing up in our results because those costs have been carried forward. Margins will continue to improve into Q3 and Q4 of this year on the AJE side. By Q4, we will have a stable margin profile and from Q4 onward, essentially revenue growth, specifically B2B revenue growth will drive the AJE margin profile, but we expect further improvement in both Q3 and Q4 and settling down into a nice margin profile in Q4 for AJE.

Rahul Jain: Moving to the eLearning part of the business, we have seen a significant reduction in the headcount. Is there anything specific that caused this decline in this quarter, or this is the base where it should continue to operate now?

Rahul Arora: Yes, the headcount is stabilizing at this new level. There may be small reduction that will carry forward as part of the same initiative. Again, the execution is done, but sometimes these things take time to show up in the results. There will be minor optimizations that will show up in Q3, but the execution has all been done. This is by design and not by accident. We are trying to follow the Liberate model.

I will let Archana, who is the Chief Operating Officer of our eLearning business in India and Europe, talk a little bit about what she is doing in terms of optimizing the headcount.

Archana Jayaraj: The reduction in headcount reflects the strategic shift in our operating model itself. As Rahul mentioned earlier, we are consciously transitioning from a model that is heavily reliant on full-time employees to a more flexible and elastic delivery structure where we leverage contractors and gig workers.

This leaner model efficient approach is effective in enhancing our operating margins, improving the adaptability to our client needs and volumes, while again supporting our commitment to quality and enabling more investments in the future in areas of innovation and growth.

Rahul Jain: There is always a constant debate on this part what is the best workable model given that we want to scale? If we are moving towards a more managed training kind of a model, would you see that this is a temporary fix to the problem and we might go to a more in-house model gradually, or do you think from a medium to long-term perspective, this is the optimal model of operation?

Archana Jayaraj: Well, we do believe that this is going to be the strategic shift for the medium to long term. It's not a short-term fix at all. We will continue to have our core team of full-time employees, and we will continue to expand our contractor base, and this will enable us to have a leaner model while being able to cater to diverse clients in different parts of the world.

Rahul Jain: Basically on the eLearning side, given that we are making meaningful changes to the operating model, and we have now a much wider canvas to offer to the client, how you see the growth profile and margin profile of the business should stabilize from a medium-term perspective, I am not asking for growth for this specific year, but maybe on a two, three-year basis, should it be a 15% growth, 20% margin, any color would be helpful.

Rahul Arora: In the long run, we want the business to be as close to the average EBITDA margin of the company, which is 30%- 32%. Even if it doesn't go all the way to 30%-32%, achieving 27%-28% would be a very strong step. This quarter itself, we touched a 22%-23% EBITDA margin in the eLearning segment.

We had some currency fluctuation, which had a one-time impact on our quarterly results. So, if the currency fluctuation had not happened in the eLearning business, we would have reported a 22.8% EBITDA margin in the past quarter. We seem to be making very good headway from a margin perspective.

From a growth perspective, currently, the eLearning business is growing at 8%- 9%. Our goal is to start to grow this business in the range of 12%- 15% once this operating model is underway, which is very similar to how our business in Germany is growing within MPS, with TOPSIM, how our business in Australia is growing. Within the MPS e-learning portfolio, the German business, as well as the Australian business are growing at 15%. We would like the rest of the business, the India entity and the Swiss entity also to grow at a similar level.

Moderator: Thank you. The next question is from the line of Navid Virani from Bastion Research. Please go ahead.

Navid Virani: The first one was on AJE. Now that we have seen a strong margin across all these segments, that is content and platform, I just want to understand how the business is looking like and really from a margins perspective, I mean, what is the diagnosis between our core business and the AJE piece, which we have recently added? And now that the turnaround is taking place well, and that is what is reflected in numbers, what is the growth plan? That is something which I would want to understand a bit better from you.

Rahul Arora: Because of the acquired business, I would like to point out that APAC as a region, is now ~25%-26% of our total revenue. From a profit perspective, the region is contributing to more than 35% of our PBT. This expansion has happened particularly through the acquisitions of AJE and Liberate. The acquired businesses are now improving margin profile of the business. I feel very comfortable sustaining this level of margin profile 30%-32%.

We could potentially be operating the business at a much higher margin profile. Having said that, to drive organic growth, we have to reinvest back into the business, which includes innovation. Most of our reinvestment goes into MPS Labs, which is our R&D hub. And that allows us to future-proof ourselves but also allows us to future-proof our customers. As a result, we are going to continue to operate this business at a 30% EBITDA margin to drive organic growth.

In terms of segment-wise, even though that's not how we approach the market, Content Solutions has now started to grow at about 10% more reliably. Historically, there have always been parts of the content business that are growing, parts of the business that are not growing, and parts of the business that are declining. We have always had that flavor and as a result, the overall CS business growth was modest.

We have solved a lot of issues within the content business. For example, our education business which Sukhwant was talking about in the opening remarks, has made a strong comeback. Our expectation is now that those issues in the content business have been cured, and ~10%-12% should be a reliable number for the content business to grow at.

From a platform's perspective, we again expect that there should be a premium both in the platform vertical as well as the eLearning vertical. Platforms will continue to grow, and we expect that number to be upwards of 12%. With eLearning, we will probably need another six months or two quarters for things to settle into where we are raising the margin profile of the business. I have humbly learned over the last decade of running MPS that you have to chase one of these two things. Either you improve the margin profile, or you chase growth. And with the eLearning business for the next six months, we are going to buckle down and improve the margin profile. And then FY '26, we are going to take that strong leap of growth, and we have good early signs that will play out.

As Archana described, we have already onboarded 15 new logos in MPS Interactive alone in the first half of the year. So, FY '26 should be a big banner year for the eLearning business where we can start to get that 14%-15% growth that we have been hoping for. To summarize, content 10%-12%, platform 12%-14%, and then eLearning 14%-15% organic growth. In addition to that, of course, most of our inorganic activity is focused either as a platform play or an eLearning play, and that will further add to this growth.

Navid Virani: You mentioned at the end of your answer about the inorganic growth, and we were also targeting an acquisition maybe in the second half of this financial year. So, where are we on that? Can you share some progress?

Rahul Arora: Yes, I hope to report something in the next quarter. All I can report is the deal pipeline is robust, there are multiple transactions in pursuit. We are not dependent on one transaction. So, hopefully, one of those will close.

Navid Virani: In the content business we have witnessed a slight moderation in headcount. So, just wanted to understand if is this a part of normal activity related to cost optimization, or are we looking at a strategic move here, something that is similar to what we have done in the eLearning business?

Rahul Arora: These is the normal ebbs and flows of the business. As you know, the content business this last quarter alone grew by ~10%. The headcount efficiencies will improve over some time because MPS Labs continues to invest in automation and system-based delivery. So, as automation becomes more severe and efficient, the reliance on humans obviously reduces. So, that is just regular ebbs and flows of the business and an overall efficiency drive.

Moderator: The next question is from the line of Kiran from Tabletree Capital. Please go ahead.

Kiran: We watched your interview today with one of the business channels as well. So, two-part question, right? One is, are we seeing any significant headwinds in the eLearning solution because the margins don't seem to improve at all, Q-o-Q or Y-o-Y? That is one despite a substantial reduction in headcount.

Question number two. In today's interview, you said Q2 is the start of something very big. So, was it just a TV channel thing or was it something that I missed? So, if you have said that in the opening remarks, I would probably request you to repeat it.

Rahul Arora: I will answer the second question first. In the interview, they were pressing us to share very tactical, forward-looking guidance, and we have received a lot of feedback over the past six months from the minority shareholders that there is no value in sharing quarterly/short-term guidance. It helps the analysts and news channels, but it doesn't help the company in any way. One of the minority shareholders went on to quote examples of various companies that have suffered because of sharing this type of guidance.

We discussed it at the Board meeting this quarter as well. We are tracking against our bold vision, and that's the insight that we should be providing. Your questions were answered today and similarly helped people understand the business. Of course, we should, and we will answer them, but we will not be giving tactical, forward-looking guidance that's essentially just helping run models for analysts. That's not our goal. Our goal is to build a strategic communication channel that not only helps understand the business but also helps the company as you get a lot of feedback from these calls and engagements.

Coming to the comment on start of something big, I think for a couple of years now, we have had an overhang in our business. In our content business because the education business has been suffering margins and growth has been more muted than I'd like. That overhang is gone, and so now the education business is performing. On the eLearning side, while you pointed out that the margins have not improved, the margins have improved. The margins at the EBITDA level were upwards of 18% this past quarter compared to some lows we had previously. And I was pointing out, it would have been upwards of 22%. We just had some currency fluctuation. So, the margin profile is improving, and then on the platform side, we are starting to acquire new logos, and the business started performing.

All lines of business are doing what they are supposed to do. And therefore, when all of this comes together, you no longer have this story where one business does well, and another one doesn't do so well. The reason I said that it's potentially the start of something very big is because intuitively, all of us who are representing MPS in the marketplace can feel the momentum. When we are at trade shows, in customer meetings, at road shows, you are getting a feeling from the market that we are being viewed very differently, specifically after the acquisition of AJE. Perhaps it's scale and it's how diverse we are now across the various markets that we operate in.

On the numbers side we are now seeing in our financials, but there is an intuitive feeling that we are getting when we interact with customers and the marketplace of how they perceive us. Therefore, we feel that Q2 is the start of something significant, given that all lines of business are performing.

I will let Prarthana, who is the CFO, to explain to you, what you have seen this past quarter, the eLearning business has seen a recovery in EBITDA, but the PBT margins have been suppressed, and she will explain why the EBITDA margins are going up, but the PBT hasn't gone up that significantly.

Prarthana Agarwal: Starting with the eLearning business, as Rahul explained, we have a deferred liability on account of the acquisition of Liberate, and due to the exchange fluctuation on that, we had a 4.3% impact, which in value terms is almost INR 1.5 crores. Because of this impact in Q2, our EBITDA margins were 18.6% which otherwise would have been upwards of 22% for eLearning business.

On an overall piece, if we look at the conversion from EBITDA to PBT, the same is impacted largely on account of two factors. One is the amortization expense on the intangible assets which is because of the acquisitions that we have done in the past year. On a quarter-on-quarter basis, that impact is roughly INR 2 crores, and the other impact is the reduced Other Income of INR 3.36 crore in the current quarter vs the same quarter last year.

On a half-year basis, if we look at the conversion of EBITDA to PBT, the depreciation impact of intangibles is ~INR 4.3 crores, and the reduction in the other income is INR 4.46 crore. Because of these two factors, the overall EBITDA to PBT conversion is lower.

Rahul Arora: So, to summarize, the operating margins have significantly improved in the eLearning business, and a lot of the noise that Prarthana is describing will start to move out in the next 6 to 18 months. So, you will start to see improvement in every quarter, one in the operating margin of the eLearning business which will continue to improve plus a lot of the noise that she is describing will start to taper out.

Kiran: In terms of the goal, FY '28 we said 1,500 crore, today in the interview we said we will reach half that number by the end of this year. So, we have three years, to double our revenues. Standing where you are, in terms of your three platforms or you look at education, research, and training, irrespective of how you cut the cake. Are you still confident of reaching that 1,500 crores mark with a 30% plus EBITDA? Is that still achievable given there are only three years left so that would involve 25% CAGR including acquisitions?

Rahul Arora: Yes, it's interesting how different people look at data differently. You are asking if it is achievable and from our perspective, we think three years is a lot of time. As a management team, we are very comfortable in terms of the vision that we have shared. Again, it's an aspiration. My team and I would be deeply disappointed if we didn't get there. But we are doing our best to get there. You are saying three years, how are you going to do it and we think three years, is comfortable. So, at this point, we feel comfortable with the vision that we shared.

Moderator: Thank you. The next question is from the line of Krushi Parekh from Pentacle Family Office. Please go ahead.

Krushi Parekh: When we have the aim of having a 30% - 32% EBITDA margin for eLearning business as well, is it largely as a result of cost optimization, first, or also as a result of growth that we envisaged over some time?

Rahul Arora: There are three legs. The one is the quality of revenue. The second is the growth. And third is cost optimization. So, the cost optimization will be done this financial year. But that's more tactical. As you rightly pointed out, the major appreciation is going to come from the other two.

In terms of quality of revenue, just for everyone's knowledge, immersive learning is an education method where you are recreating real-life scenarios through technology, such as simulation, gamification, AR, VR, etc. So, immersive learning, as a proportion of our total eLearning business is increasing. And given the premium positioning that we have in immersive learning, it tends to be a higher margin business for us. So, as immersive learning continues to become a higher proportion, and accordingly within the eLearning the quality of revenue and the margin will improve.

The second perspective is the significant operating leverage available in our business. So, as long as the business can grow at 8% -10%, we will always see margin expansion. So, quality of revenue and revenue growth will be the leap, that will take us from 25% to 30%.

Krushi Parekh: The corporate eLearning, how is the funnel and the budget shaping up? Considering we are all reading about the layoffs and the corporate slowdown, especially in the developed market, so are we witnessing any impact on the budget of our customer base or our clientele?

Rahul Arora: We are having to work much harder for the same level of order book. So, I think decision-making is slower. Having lived through '08, '09, and other experiences like this, typically, education and training get a boost when there is a slowdown. So, we are expecting that we will have to justify a lot on how we price things, but we are finally winning the deal.

In a situation like this, you invest more in education and training as a large corporate. And the second is, when our customers reduce internal headcount, the work needs to be done, right? So, you would outsource more. And where a company like MPS Interactive comes in, where training is outsourced. that creates an opportunity for us. We feel comfortable at this point.

Moderator: Thank you. The next question is from the line of Arpan Agrawal, who is an individual investor. Please go ahead.

Arpan Agrawal: My first question is on the internal team structure. So, there are two ways to understand the company. So, one is through capability, which is platforms, content, and eLearning. The other is the end market, which is research, corporate, and education. And third, is where the acquisitions that we have done over the last 10 years or so. So, my question is how are the teams internally structured?

Rahul Arora: We are more structured functionally and geographically. For example, on my executive leadership team, we have David who is the Managing Director of our Education business, but also heads the North America region. We have Tony who is the head of our Product Management for the overall business.

We have Naren who is the CTO and heads all our technology interests. We have Sukhwant who is the Chief Operating Officer for our India business across content and platforms. We have Archana who is the Chief Operating Officer of the eLearning business. And then we have a new Chief People Officer joining shortly, and of course, Prarthana who is our CFO.

We are more designed at an intersection of function and geography rather than segments. That allows us to be more efficient in our approach. For example, when Sukhwant is running the Content and Platform business together in India, he can unlock synergies between those two divisions. And that's one example of why we chose this approach.

Arpan Agrawal: If we do an acquisition, the acquired company is not operated independently, like it's merged with entities wherever it is logically fit.

Rahul Arora: Again, it depends on the specific acquisition. We are now following two routes. One is acquire and operate, which is the established route. When it's acquired and operated, typically, even during the evaluation and diligence phase, I would have the business head, the CFO, and the HR Head join me in the evaluation and the pursuit of the acquisition. And there is a second route, which is what we did with Liberate, where we are acquiring to invest and support. So, in that case, we are acquiring a majority stake in the company. We make sure that the promoter group is contributing to the overall growth of the company.

So, it depends on the specific acquisition. If it is acquired and operate, it is integrated from day one, like we did with AJE. If it is required to invest and support, we follow more passive positions where Prarthana, and I will be supporting that setup, potentially with HR, Legal, and IT as well because you centralize the function, but other than that they don't get fully integrated into the business.

Arpan Agrawal: My second question is about the platform. So, the platform segment serves all three end markets, which are research, corporate, and education, but I also read that we are rolling up all of the platforms under the umbrella brand of HighWire. However, the HighWire's website says that it serves the scholarly community. So, my question is what would happen to the offering for education and corporate markets if all of the platforms are being rolled up into HighWire?

Rahul Arora: The platform vertical, the way it is structured today, the bulk of it caters to the research market. So, while we have offerings in education and corporate, the majority of the platform business is space for the research market and that is branded as HighWire.

Within education, we, do have offerings that are more product centric. Our education brand is OWL (One With Learning), and then we have individual products like digiRMS. So, we are following a product strategy under the OWL brand.

Similarly, on the corporate side, we have XR Optimus and a couple of other small offerings, which are then also a sub-brand of the AI vertical. But as of today, a large part of our platform business is focused on the research marketplace.

We are working on acquisitions, which are a platform play either for education or corporate. So, we are looking to bridge that gap and that will probably be bridged through an acquisition.

Moderator: The next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: My first question would be regarding AJE. So, I would like to understand if AJE is PAT positive right now, and also I would like to understand the scope of margin improvement that we have in AJE currently. So, in this quarter, we did about 28% EBITDA margins consolidated. With the kind of cost optimization or improvement efficiency in AJE, what kind of EBITDA margins can be reached by the end of FY '25? And also sir, even though our revenues have increased by about 38% in this quarter Y-o-Y, I see that the headcount has only increased by about 4.5%. Is this also related to some layouts in AJE? Can you please throw some light on that?

Rahul Arora: From AJE's perspective, we are already PAT-positive. The business is performing well. There is already a high double-digit EBITDA margin. And yes, it will improve incrementally between Q3 and Q4, as I shared in the previous call. So, we have a good sense of the AJE margin profile at the end of this financial year.

Since AJE business is a split between content and platform, so, our goal would be to run the same at an average EBITDA of those two businesses segments. So, the margin profile will continue to improve into Q3 and Q4. And yes, we are PAT-positive and running a very healthy business in AJE already.

From a headcount perspective, a few things are happening, both in the AJE and eLearning business. We are relying more on outside workers, contractors, and freelancers. So, some of that headcount is reducing. As a result, the same are driving our efficiency and margins.

And secondly, with MPS Labs' larger intervention in the content business, based on the automation that's getting unlocked, we are seeing a steady decline in the headcount in the content solutions space while the revenue per FTE is increasing. This will continue to go on further as the year progresses.

Gunit Singh: And sir, previously you had guided off about a 25% increase in PAT in FY '25. So, if you look at right now, we are at 61 CR PAT was a 60 CR in H1 of FY '24. So, are you confident of still achieving that or would you like to revise the guidance?

Rahul Arora: We are not revising any guidance. We have given EBITDA and revenue guidance.

Gunit Singh: It is 25%.

Rahul Arora: We are not revising guidance. The second half of the year is always better in terms of performance as compared to the first half of the year.

Gunit Singh: We aspire to achieve 1,500 CR by FY '28. So, in the past, we have acquired companies that were probably loss-making or not operating at very high margins. Going forward, would we be making any acquisitions of that kind? Or do we want to maintain the 30% kind of margins while achieving the 1,500 CR target by FY '28?

Rahul Arora: When we now look at acquisitions, we look at companies that have a 3-year revenue CAGR of 10%, and EBITDA margin of at least 15%, and then we come in and we improve the margin from 15% to 30%. That's a pure fit. And our entire focus.

But if something magical like MPS or AJE comes our way where we have an obvious win in 6 months, I would be opportunistic and react quickly to take that bite. AJE was MPS 2.0. But again, those types of things are something that happens once in a decade. As of right now, we are focused on businesses that have at least a 15% EBITDA margin that we can then come in and improve from a margin perspective. But again, if something like AJE or MPS comes in, we will take that bite.

Gunit Singh: So, basically we are open to both kinds of opportunities.

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

Karan Kapooria: I have two questions. One is regarding the currency fluctuation side. As our revenue is coming from different, different countries, can we do something on the hedging side so that we can mitigate this risk going ahead? What are your thoughts on that?

Rahul Arora: Earlier our coverage was US dollar and GBP, and we mostly were covering US dollar because that was the bulk of our receivables. As that is changing, we now have exposure to both the Australian dollar and the Chinese Yuan. And we are actively working to create some protection around, that we will start to see from next calendar year onwards.

Yes, we probably should have been more prudent in getting our act together, but this growth just came so quickly. We have been talking to bankers already, and hopefully, we will be able to book forwards starting as early as the Q1 calendar year.

Karan Kapooria: The Industry is in a consolidation phase right now, So, we are trying to gain the market share through acquisitions. Our competitors are also following the same strategy. So, I want to ask one thing. If an opportunity comes, if they want to acquire a majority stake in our company in the future, So what will be your plans? Would you be still keeping the majority of a stake or how do you see that?

Rahul Arora: Your question has two elements, from a promoter perspective and an MPS perspective. I believe we are at the start or ground floor of something significant. Someone asked me on a different earnings call what beyond FY '28? FY '28 is a milestone. The first milestone is you get to INR 1500 crores in revenue at similar margins. The next milestone is you get to a USD 1 billion valuation. The third milestone is to get to USD 1 billion in revenue. So, there is a long way to go before we start contemplating any of the things that you are describing simply because there is so much opportunity and so much optimism at the table. So, we want to be on the right side of the consolidation where we are consolidated in the marketplace.

And there is no thought or consideration of the promoter group doing anything differently. I am the person representing the promoter group in the business. I just turned 40. So, I have a long way to go. So, from my perspective, the next decade is about, first getting to Vision 2027, then getting to a USD 1 billion valuation, and then getting to USD 1 billion in revenue.

Till those three milestones are achieved, you know, we are going to be at it. From my perspective, the competitors that are consolidating are the people where there is some ownership friction, as I pointed out in previous calls where there are some partners who don't get along or the first generation doesn't have a second generation or a large company divesting a non-core asset. We have none of that going on in our promoter group. So, there is no reason for us to consider any of that.

Karan Kapooria: So, it means you will be keeping the majority stake, right, going forward ahead.

Rahul Arora: Absolutely, Yes.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical PMS. Please go ahead.

Keshav Garg: If we see our goodwill and other intangible assets have reduced from 31st March 2024 by 37 crores. But the depreciation during the half year is only less than 14 crores. So basically, where is the difference between the reduction in goodwill and other intangible assets?

Rahul Arora: Keshav, it is the technical question, and let my CFO answer the question. Prarthana, can you answer the question, please?

Prarthana Agarwal: As you pointed out, the goodwill and intangible assets have been reduced. While there is no major significant movement in the intangible assets other than depreciation, the major reduction that you see in Q2 is on account of the goodwill reduction. The goodwill has been reduced because there is a corresponding increase in the deferred tax assets. When we acquired AJE, we got our tax benefit for the next 15 years as per U.S. laws. While this was under finalization in Q1, this was finalized in Q2. Once all the filings were done, we created a deferred tax asset of INR 29 crores, and correspondingly, goodwill was reduced by that amount and our DTA is there in the balance sheet. Hence, you see the reduction. Other than that, intangible reduction is only on account of depreciation.

Keshav Garg: Sir, now the other question is that you mentioned previously about the cross-selling opportunity in AJE and also the increase in the wallet shares with Springer Nature. So, are we on track for both of these counts?

Rahul Arora: It depends on how you define on track. Are we getting good body language? Yes. Are we very busy with lots of presentations, follow-ups, and demos? Yes. Do I have live Purchase Order against all this interest? No. But having said that, we know this research business. It takes time to develop. As we have seen in our journals business, teams have been at it for a few years now, and now suddenly we are seeing some 20% growth in our journal business after much consistency. So, I think a similar approach is what's probably going to happen. We are going to land this revenue and then once we land it, it will keep growing. So, I am the executive sponsor at MPS for Springer Nature. So, I manage that mandate. My counterpart is the Chief Operating Officer of Springer Nature. So, that relationship is super strong. But yes, like I said, lots of good conversations on the B2B side for AJE, and lots of good conversations on the Springer Nature side. Now, how that will converge in 2025, time will tell, and we look forward to your best wishes.

Keshav Garg: Any update on the exhibition project business mainly the business that the order got deferred, so any clarity on that?

Rahul Arora: We landed a new order. So, we are currently in Phase 1 of the order. So, typically what happens is, that you have Phase 1 where you are conceptualizing the experience center, and you have Phase 2 where you are executing the development of the experience center.

So, our assessment is this calendar year, we will submit our consulting report on what that experience center should look like, and then calendar year 2025, we will be executing on the experience center. So, it's a very large undertaking, I don't think we have permission to disclose the customer's name, but once we do, we will disclose the name as well. It's a big marquee name in India.

Moderator: The next question is from the line of Pankul Sood from Satya Wealth Advisors. Please go ahead.

Pankul Sood: I just wanted to know like when do we expect our margins to go back to our previous levels?

Rahul Arora: Our EBITDA margins are already north of 30% in Q2 FY25 and will only continue to improve from here. We will be at a stable margin profile in Q4 when the AJE business is even more settled, and the e-learning business has gone through all the changes that they have been making. Q2, we hit consolidated with a margin of ~30% and that will improve by another few percentage points by the end of this financial year.

Pankul Sood: And our previous guidance is in that trade for FY '28, 1,500 crores revenue, and for FY '25 roughly 750, right?

Rahul Arora: Correct. Yes, so there is no revision to any guidance that we shared previously.

Moderator: Thank you. The next question is from the line of Mahesh, who is an individual investor. Please go ahead.

Mahesh: Rahul, just a while ago you mentioned an order from a large banking customer within the corporate learning segment. Can you share more details on that? Is it a managed training credit-based contract?

Rahul Arora: That is not a new contract, so Liberate Learning which is the Australian company that we acquired last year, one of their customers had gone quiet because they were going through some corporate development activity. That customer has now woken up and is now part of the top 10 customers again for Liberate. Again, it hasn't gone back to the previous levels, but we are hoping that through the course of this financial year, it will get back to previous levels. They are a large

Australian bank. So, we are hoping that we can use that as a case study for expansion into other regions, not with a specific bank, but with other customers.

Mahesh: You mentioned 15 new logos in eLearning. Can you share any more details on the logos or the size of the contracts or something like that?

Rahul Arora: Yes, so all I can share is that currently each of these logos is small business for us. In the corporate learning business, we typically track new logos that do one of three things. Either they employ at least 10,000 people, their revenue is upwards of USD 3 billion, or they are in a strategic sector where we are not present. So, each of these 15 new logos has one of these elements.

Our current engagement with all these logos is very small. So, I think that was the point that Archana was trying to make that we have onboarded them, and now it's about how we grow these logos within the MPS ecosystem.

Mahesh: You mentioned in the last quarter about using AI as a revenue stream. What kind of progress has been made on that front?

Rahul Arora: While the scale of projects isn't as significant, we have been doing a few types of projects. So, we are doing some AI consulting assignments. We have done workshops around the impact of AI specifically for corporates. So, while these have been smaller projects, we have been doing consulting assignments as well as workshops around AI so far. So, those are more on the learning part of our business. On the platform part of the business or rather the MPS Labs part of the business, we are now, a lot of the growth in the education space is coming from AI-powered workflows. So, for example, the world languages content development that I was talking about, or rather Sukhwant was talking about, and the accessibility solutions that Sukhwant was talking about, all relates to AI-enabled workflows. While we are not selling these as software-as-a-service, we are using AI to power the service. So, again, these are good revenue indicators.

So, on the content side of the business and platform side of the business, this is now mainstream and a part of our core offering. On the learning side of our business, we are doing more consulting assignments and workshops.

Moderator: The next question is from the line of Kiran from Tabletree Capital. Please go ahead.

Kiran: Rahul, just a follow-up question, but a completely left-field question. So, given the advancements primarily in research both on the content, journal side, and as well as HighWire, is there a step increase in research publications and research journalism because of the significant advancement in technology and biology because of LLM, GenAI and so on and so forth? Do you care or you don't care as long as the volume is coming in?

Rahul Arora: From our perspective the more content that is there in the marketplace we see as a big enabler for our business. Whenever someone says, what do you think of the content business, my answer first starts with a question - Do you think that in five years will there be more content or less content? And the answer always is more content. So, if there is more content out there, we will find a way to monetize enablement and delivery of content.

But another nuance is happening, we have built a whole new business around research integrity. So, this has both a platform offering as well as a content offering where we are helping some of our customers and making sure that the research that they are receiving does not lack integrity. So, we are kind of helping them enable that. So, yes, it has had some short-term positive gains where we are supporting the research integrity process.

Kiran: The 1,500 to 750, the data that we currently have from 25 to 28, what percentage do you think is via acquisitions, and what percentage is organic? Roughly again, things can change very rapidly. But as of today, as you stand on the post today, how do you look at the split in terms of how much acquisition, how much organic?

Rahul Arora: 60/40, 60 is acquisition, 40 is organic.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Rahul Arora for closing comments.

Rahul Arora: Thank you for your active participation in our earnings call. We appreciate all your thoughtful questions. Your unique, outside-in perspective helps us to learn and improve. I want to thank all our stakeholders for their continued support and respect. Our journey together has been truly remarkable. Wish you a Happy Diwali and look forward to your continued support, feedback, and partnership mindset.

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