

MPS LIMITED
ANOTHER YEAR OF STEADY
GROWTH

— 46TH ANNUAL REPORT 2015-16 —

KEY INFORMATION

Executive Chairman & Whole Time Director

Mr. Nishith Arora

Vice Chairman & Independent Director

Mr. D. E. Udawadia

Independent Director

Mr. Ashish Dalal

Independent Director

Mr. Vijay Sood

Chief Executive Officer & Whole Time Director

Mr. Rahul Arora

Non-Executive Director

Ms. Yamini Tandon

Chief Financial Officer

Mr. Sunit Malhotra

Company Secretary

Mr. Hitesh Kumar Jain

Auditors

Messrs Deloitte Haskins & Sells

7th floor, Building 10, Tower B

DLF Cyber City Complex

DLF City Phase II

Gurgaon 122 022

Haryana

Bankers

BNP PARIBAS

Salarpuria Windsor, Ground Floor, No.3, Ulsoor Road, Bengaluru – 560 042, Karnataka

Kotak Mahindra Bank Limited

Kotak Aerocity, Asset Area 9, 1st Floor, Corporate Banking, Ibis Commercial Block, Hospitality

District, IGI Airport, New Delhi - 110 037

Corporate Office

C-35, Sector-62, Noida-201 307, Uttar Pradesh

Registered Office

RR Towers IV, Super A, 16/17, Thiru-vi-ka Industrial Estate, Guindy, Chennai – 600 032

Other Offices

• HMG Ambassador, 137 Residency Road, Bengaluru – 560025, Karnataka

• 340 Udyog Vihar, Phase IV, Gurgaon, Haryana 122016

• 33, IT Park, Sahastradhara Road, Dehradun - 248001, Uttarakhand

USA

1717 NE 42nd Avenue, Suite 2101, Portland, Oregon 97213

Subsidiary

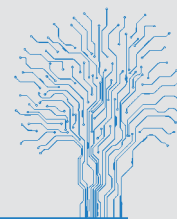
MPS North America LLC

5750 Major Blvd., Suite 100, Orlando, FL 32819

Registrar and Share Transfer Agent

Cameo Corporate Services Limited

Subramanian Building, 1 Club House Road, Chennai – 600002



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The global publishing industry is passing through its most interesting transformation.

An increasing number of people are reading online, buying online, and learning through visual media.

This break from a longstanding past is compelling global publishers to evolve from the conventional to the contemporary; in turn, this is warranting vendor partners to make sweeping changes in their mindsets and models.

In this dynamic environment, MPS Limited reinforced its position as one of the most trusted service providers to the global publishing industry.

In 2015-16, when some of the largest service providers encountered challenges, MPS Ltd. reported a 15 per cent growth in revenue and 16 per cent growth in PAT, its fifth successive year of profitable growth following ADI's acquisition of the company.

**PROACTIVE.
PASSIONATE.
PROFITABLE.**

MPS Limited is one of the most trusted vendor partners to the global publishing industry.

Because it provides complete end-to-end publishing solutions.

Because it has successfully powered its services business with smart technology.

Because its platforms combine technical expertise with publishing knowledge.

Because it is helping clients reduce costs, achieve faster time-to-market and enhance competitiveness.

The result is that MPS is being increasingly considered indispensable to the success of some of the largest publishing companies in the world.

Heritage

MPS Limited was established as an Indian subsidiary of Macmillan (Holdings) Limited in 1970. Over the years, the company has carved out a distinctive reputation for a combination of domain insight and technology capability, making it a go-to service provider in the global

publishing services outsourcing sector.

In October 2011, the Company was acquired by ADI BPO Services Limited from Macmillan (Holdings) Limited, led by Nishith Arora, who is the largest shareholder and promoter of ADI BPO Services Limited.

Management

The Company is headed by Nishith Arora (Executive Chairman) and Rahul Arora (Chief Executive Officer) supported by a senior professional management team heading strategic business units and key functions. This team is based in India and US.

Presence

The Company is headquartered out of NOIDA in India's National Capital Region. The company's offices are located across India (Bengaluru, Chennai, Gurgaon, Noida and Dehradun). The company also has international offices in USA (Portland, Orlando, Durham, and Effingham). In May 2015, Rahul Arora was promoted as CEO to drive a customer-focused strategy from Orlando, US.

Human capital

The Company's employee strength was in excess of 3,000 as on March 31, 2016; 98.6% of the company's employees were located in India and 1.4% across international operations (USA).

Credentials

MPS Limited has been certified as per ISO 9001:2008 for quality, ISO/IEC 27001:2005 for information security as well as PCI Data Security Standard (PCI DSS) for all its credit card payment gateways.

Clientele

The client list of the Company comprises almost all leading publishers located across the world like Springer Nature, Elsevier, Cengage Learning, McGraw-Hill, Wolters-Kluwer, Houghton Mifflin Harcourt, Apple, Amazon, Oxford University Press, Cambridge University, American Chemical Society,

Royal Society of Chemistry, and Institute of Physics Publishing, among others.

Acquisitions

MPS Limited made three US-based acquisitions (Element, EPS, and TSI) that were completed through MPS North America LLC, a wholly-owned subsidiary incorporated in May 2013.

2013: Element LLC, based in Orlando (USA) specialized in content and media asset development for educational publishers, focusing on science and math.

2014: Electronic Publishing Services Inc (EPS), a leading US-based content services provider to the higher educational and STM publishing markets.

2015: TSI Evolve (USA), specializing in content development and media asset development for educational publishing, focusing on Reading, Language, Arts and World Languages.

The Company integrated these entities under the umbrella of product development, opened up acquired capabilities to its existing customers, and expanded inherent capabilities to acquired customers.

The business

Content Creation and Development: The content creation and development teams at MPS North America partner with publishers to create and develop engaging content for print and digital delivery. Our subject matter experts and instructional designers bring their curriculum and classroom expertise to projects across disciplines for Educational and Professional Publishers.

Content Production and

Transformation: The content production and transformation teams across the facilities in India provide end-to-end delivery across all print and digital formats through smart workflows powered by relevant platforms.

Platform Development and Technology Services: MPS has an in-house platform development and technology division for publishers powered by 300+ experience developers and client support teams that combine

technical expertise with publishing domain knowledge. This group enjoys a rich history of developing and implementing various software and technology services programs with some of the world's leading publishers.

Learning Media Solutions: This business unit at MPS develops/supports learning and collaborative platforms, web and mobile applications, interactive eBooks, animations, assessment products and ADA compliance. The overarching

focus for this business unit is to power engaging and interactive learning products for educational publishers.

Customer Support and Order Management: MPS provides complete end-to-end customer support and subscription management services for print and online products that encompasses order fulfillment, customer support and subscription management.

Listing

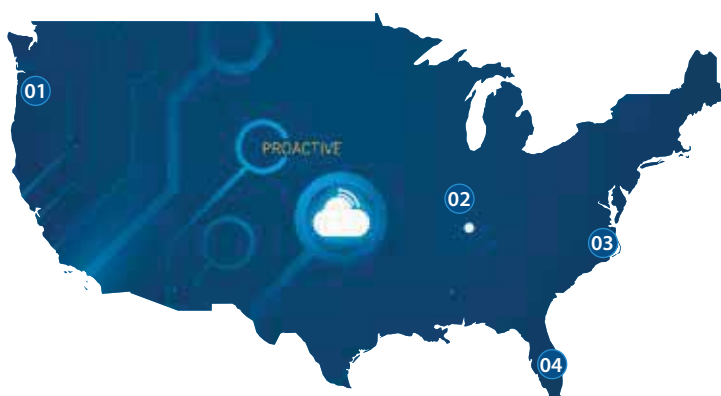
MPS Limited shares are listed and actively traded on the National Stock Exchange of India Limited and BSE Limited. The market capitalization of MPS Ltd. was ₹1,230 crores as on March 31, 2016.

Presence



India

01 Gurgaon ● 02 Noida (Headquarters)
03 Dehradun ● 04 Bengaluru ● 05 Chennai



USA

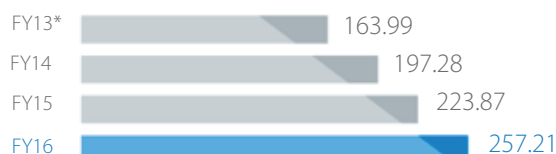
01 Portland [OR] ● 02 Effingham [IL]
03 Durham [NC] ● 04 Orlando [FL]

Clientele



MPS. DELIVERING STEADY GROWTH

Higher revenues



Revenues (₹ / crores)

Definition

Sales growth from all our businesses.

Why we measure

This measure reflects the result of our capacity to understand market needs and service them with corresponding services and products, customer proximity, domain and technology understanding as well as competitive back-ending of operations out of India.

Performance

Our aggregate revenues (including subsidiaries) increased 15 per cent to ₹257.21crore in 2015-16, which compares favourably with de-growth of the largest players in the global publishing services industry.

Operating margins



Operating margin (%)

Definition

The movement in percentage points in operating profit before interest, depreciation, exceptional items, and tax when divided by the company's revenues.

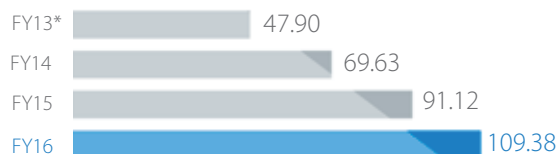
Why we measure

This movement essentially indicates whether the business is becoming more efficient or not. MPS is focused on a consistent increase in operating margins, higher than the market average.

Performance

The company's operating profit margin increased every single year through the last four years. The company reported a 183 bps increase in operating profit in 2015-16. This was the result of higher productivity across the business.

Operating profit



Operating profit (₹ / crores)

Definition

What the company earned before the deduction of interest, depreciation, extraordinary items and tax.

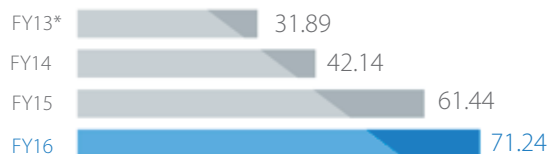
Why we measure

This measure is an index of the company's operating profits, which can be easily compared with sector peers.

Performance

The company's operating profit grew every single year through the last four years. The company reported a 20 per cent increase in its operating profit in 2015-16, reflecting the results of acquisitions, customer acquisitions, cost reduction and revenue mix improvement.

Post-tax profit



Post-tax profit (₹ / crores)

Definition

This is derived after all expenses and all liabilities have been accounted for – the quantum available with the company for reinvestment and distribution.

Why we measure

This indicates our ability in convincing our stakeholders of the robustness of our business model.

Performance

The company's profit after tax increased 16 per cent to ₹71.24 crores in 2015-16.

*FY 13 numbers are based on standalone financials. Numbers for other periods are based on consolidated financials.

People cost



People cost as % of revenues

Definition

This is derived by dividing the quantum of people cost by the company's revenues, expressed as a percentage.

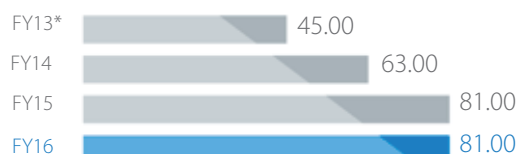
Why we measure

This highlights the company's competitiveness in managing its single biggest cost item.

Performance

People costs as a percentage of the company's revenues have been maintained around the same level even as the company's revenues have grown, strengthening competitiveness.

Return on capital employed



ROCE (%)

Definition

This is derived from dividing EBIDTA by the capital employed in the business, expressed as a percentage. In this case, the company has deducted QIP proceeds from employed capital and deducted the corresponding treasury income to generate a true and fair picture of the company's profitability.

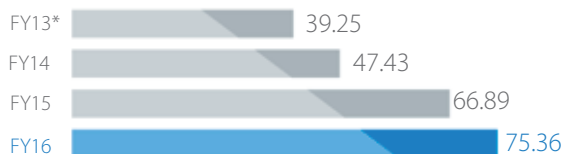
Why we measure

This percentage indicates whether our business is generating a return superior to what may be generated in alternative forms of capital deployment.

Performance

The ROCE generated by the company has progressively strengthened and then maintained, validating its business model.

Cash profit



Cash profit (₹ / crores)

Definition

This is derived through the addition of depreciation to profit after tax.

Why we measure

This indicates the quantum available the company that can be potentially reinvested in the business.

Performance

The company increased its cash profit 13 per cent during the year under review to ₹75.36 crores.

*FY 13 numbers are based on standalone financials. Numbers for other periods are based on consolidated financials.

"MPS LIMITED IS AT A SWEET SPOT IN THE MIDST OF RAPID MARKET TRANSFORMATION."

MPS Ltd has reported another year of steady growth in 2015-16 while maintaining operating margins. We continue to leverage the rich 46-year legacy, deep customer relationships, technology and platform strengths, wide services range, large footprint of facilities in India and offices in the United States, and our team of over 3,000 passionate associates.

MPS has been exploring opportunities to grow faster through acquisitions and while we are proceeding cautiously, we see acquisitions as an integral part of our growth strategy. We are excited about the opportunities that are coming our way and our cash reserves provide comfort that we will be able to execute our growth plans.

Nishith Arora,
Executive Chairman

NOWHERE WAS OUR 'SEEING- OPPORTUNITIES-WHERE-OTHERS- SEE-CHALLENGES' MINDSET BETTER REFLECTED THAN IN A CHALLENGING 2015-16.

Several global publishing services companies struggled.

MPS grew revenues by 15 per cent.

Several publishing services companies indicated increasing competition.

MPS increased its wallet share with top customers and acquired prestigious clients.

Most global publishing services companies continue to provide commoditized services.

MPS powered production and transformation through smarter workflows and DigiCore.

Most global publishing services companies struggled to excite customers.

MPS deepened offerings across services, products, and annuity engagements.

Most global publishing services companies complained of stressed Balance Sheets.

MPS reported profitable growth for the fifth successive year – with no debt.

"WE ENHANCED THE QUALITY OF OUR BUSINESS IN 2015-16"

Rahul Arora, *Chief Executive Officer*, analyses the Company's 2015-16 performance

Q: Were you pleased with the performance of the company during the year under review?

A: Yes, I am pleased that we delivered another year of steady revenue growth at dependable margins. A number of publishers are realizing that they need to reinvent themselves through a lean operating model with increased outsourcing to specialized vendor partners. This represents a wonderful opportunity for MPS. We are working closely with publishers to identify new areas of outsourcing and made some early progress in FY15-16. Additionally, publishers are looking to consolidate their business with fewer vendor partners and MPS has been on the right side of such consolidation in all cases.

Q: What were the financial highlights of this performance?

A: MPS delivered another year of steady revenue growth in 2015-16. On a consolidated basis, forex-gain adjusted revenue grew by 14% to ₹261.25 crores in 2015-16 against ₹229.72 crores in 2014-15. Broadly, we maintained our margins through this steady growth. We raised no debt, continued to hold our QIP funds of ₹150 crores, managed capital expenditure requirements through internally generated funds and sustained our dividend outlay of ₹22 per share on a higher capital base. The biggest highlight for us was our ability to consistently deliver a strong and dependable financial performance.

Q: How is the business progressing with MPS' core customers?

A: MPS continues to relentlessly follow a large account strategy and our top 10 accounts are steadily growing. This growth is a consequence of deeper strategic partnerships that define the strength of MPS. We are acquiring a larger wallet share

of these customers; the size of the pie is also increasing with us contributing to the identification of new outsourcing areas. Our Macmillan heritage, enhanced capabilities as a result of the US-based acquisitions, and dependable performance have positioned us to emerge as trusted advisors to our core customers.

Q: Can you provide an update on the progress of the US-based acquisitions? Are you satisfied?

A: We are delighted with the progress of the three US-based acquisitions.

In their prime, all three entities were considered as premier partners in their domains. Within educational publishing, Element and TSI were content development houses that publishers would approach first, and only if they were otherwise occupied, would they go to the next layer of vendors. Similarly, for Higher Ed and Professional Publishers, EPS was a dependable partner for content and media asset development for the Higher Sciences.

Interestingly, at a certain point, all three entities started to suffer financially because

their sole US-based delivery models became unsustainable. Publishers nudged us to complete the acquisitions in the final stages of our negotiations with each of these entities. Thereafter, post-acquisition integration has included attention to detail, relentlessness and courage on key strategic decisions.

From an organizational perspective, we are in a strong position. We have integrated our North America operations. Jamie West heads product development for all disciplines for Educational Publishing, Victor Ortiz heads Media Asset development for all markets, Eileen Mitchell continues to lead the Higher Ed and Professional Publishing Practice with her business owner mindset. Yamini Arora leads the expansion of these businesses. All silos have been broken and these leaders have seamlessly integrated with our operations in India. In the context of our market, this is a remarkable achievement and has been recognized by all our customers.

As a consequence, the MPS North America subsidiary is contributing directly to the growth of the company and also supporting the growth of our larger offshore business.

Q: What was the big take-home for the company's performance during the year under review?

A: The quality of our business improved - for some good reasons.

One, in what is essentially a sticky business where customers prefer to work with select vendors across extended tenures, the company made early inroads into some large customers across the Educational and Professional Publishing markets.

Two, the company enhanced its strike rate across prospective customers, which endorses our track record in enhancing customer value and ability to outperform in a challenging market.

"We are delighted with the progress of the three US-based acquisitions. In their prime, all three entities were considered as premier partners in their domains."