48TH ANNUAL REPORT 2017-18

CULTURE OF AGILITY

MPS Limited

KEY **INFORMATION**

Chairman & Non-Executive Director
Mr. Nishith Arora

Vice Chairman & Independent Director
Mr. D. E. Udwadia

Independent Director
Mr. Vijay Sood

Independent Director
Mr. Ambarish Raghuvanshi

Chief Executive Officer & Whole Time Director
Mr. Rahul Arora

Non-Executive Director
Ms. Yamini Tandon

Chief Financial Officer & Company Secretary
Mr. Sunit Malhotra

Compliance Officer
Mr. Utkarsh Gupta

Auditors
BSR & Co. LLP
Building 10, 8th floor, Tower B
DLF Cyber City, Phase II,
Gurugram 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

709, DLF Corporate Greens, Sector -74A,
Narsinghpur, Gurgaon-122004, Haryana

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

Branch Office
MPS North America
5728, Major Boulevard,
Suite 528, Orlando, FL-32819, USA

Subsidiaries
MPS North America LLC
5728 Major Blvd., Orlando, Fl 32819

MPS Interactive Systems Limited
RR Towers IV, Super-A, 16/17,
Thiru-Vi-Ka-Industrial Estate, Guindy,
Chennai-60032

Registrar and Share Transfer Agent
Cameo Corporate Services Limited
Subramanian Building, 1 Club House Road,
Chennai – 600002

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VISION **2023**

Business Transformation through Smarter Publishing: MPS' objective is to power the differentiation and competitiveness of our customers through smarter publishing.
We will transform publishing by making it transparent, real-time, and focused on the learning outcome. Through the successful execution of this vision, we will grow to be the undisputed market leader by 2023, loved and admired by all our stakeholders.

MPS **VALUES**

Our ambitions will be powered by our values. The Triple E Values define who we are today and will shape our future. These are principles we will not compromise on, but will depend on.

Excellence is a way of life. It means respecting our colleagues, owning our responsibilities, and committing our best to our customers. Excellence is not perfection but rather the simplicity in committing our best to every interaction, deliverable, and decision.

Efficiency is who we are. It means driving automation, smarter workflows, innovative operating models, and not allowing any job to be grunt work at MPS.

Empathy is caring. It means caring to understand things deeply, absorbing the unwritten, and going the extra mile for people who depend on us. While Empathy is intuitive, we believe it can be developed intellectually through impactful learning programs.

11 things you need to know about MPS Limited

01 Heritage

MPS is a leading global provider of platforms and content solutions for the digital world and was established as an Indian subsidiary of Macmillan (Holdings) Limited in 1970. The long service history as a captive business to Macmillan allowed MPS to build unique capabilities and talents through strategic partner programs. After change of majority stake in 2011-12 and with an entrepreneurial mindset, MPS developed significant momentum as a result of consistent reinvestment in the business and five successful acquisitions in the same number of years.

02 Acquisition

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

03 Management

Mr. Nishith Arora transitioned into a Non-Executive Chairman position effective from May 15, 2017 even as he continues to be a part of the Investment Committee empowered to evaluate acquisition opportunities. Mr. Rahul Arora assumed executive responsibilities, supported by a

seasoned professional management team heading strategic business units and key functions.

04 Presence

MPS Limited 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's international offices are located in the USA (Portland, Provo, Effingham, Orlando, Durham, and New York). This makes the Company one of the most dispersed in the global publishing outsourcing sector for its size.

05 Knowledge Capital

MPS Limited had 2352 employees as on 31 March 2018 (globally); 98% of the Company's employees were located in India and 2% across international operations (USA). Some 69% of the Company's senior management was located in India and 31% across international geographies (USA).

06 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.

07 The Business

Content Solutions

Content Authoring and Development

The talented content team at MPS works from beginning to end to deliver exceptional content, on time, on spec, and on budget, in print and digital formats. They keep abreast of educational trends and curriculum standards, and work with publishers as content development partners to create, develop, design, and produce content that is well conceived, organized, current, and accurate.

Publishing Solutions

MPS has been partnering with leading companies on their publishing requirements for almost 50 years. Clients benefit from US-based editorial and project managers, as well as our offshore production and technology teams (or even a hybrid model that combines the best of both). These units work seamlessly as an in-house extension of clients' teams, enabling clients to focus on their core business areas. MPS understands that client requirements can vary greatly and take pride in working strategically with every client to ensure their highest quality standards are met in supporting both print and digital strategies.

Digital Transformation

MPS delivers an enriched digital user experience across various devices and platforms for its clients. The Company works in collaboration with its customers to design and develop engaging content that incorporates interactivity and creative design, while also ensuring accessibility compliance.

The Company also converts pre-existing print content to the media of choice. MPS is a preferred content partner of iBookstore and has a partnership with Gutenberg, the digital publishing platform. The Company works with its proprietary, clients', and third party platforms to enable digital transformation.

Accessibility Solutions

For all accessibility requirements, MPS is a one-stop shop. The Company works as a thought partner across the spectrum of various outputs that need to be made accessible. MPS has extensive experience in supporting leading publishers to comply with the WCAG 2.0 Standards and Section 508 guidelines. The Company can carry out a gap analysis of existing assets that includes art, animations, interactivities, HTML files, and other content elements. The extensive experience in bringing assets into WCAG compliance enables MPS to anticipate probable challenges and highlight them accurately.

Platforms

The platform segment is the fastest growing part of the MPS business. In FY18 alone, this segment grew by 20 percent. The Company's platform business has grown, thanks to customers switching from other third-party providers, homegrown systems, and archaic forms of technology. The underlying value proposition of the platform business is Product Leadership, which is achieved through active customer groups and committees, flexible engineering, dedicated, and highly responsive support, intuitive user experience powered by domain expertise, scalable architecture, and highly secure hosted environments.

08 Customer base

At the time of the Company's acquisition in 2011, the customer base largely comprised science and scholarly publishers in the UK and Europe. Following the acquisition, the MPS customer base expanded

globally in geographic and market presence. Nearly 57 per cent of the Company's revenues are now derived from the US, while the Educational Publishing Practice has become as large as the science and scholarly business. MPS has opened its platforms and content solutions to the global enterprise market; the transition from publishing solutions to platforms and content solutions allows MPS to diversify its client mix.

09 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 Limited for listing on NSE was Rs. 922.84 crores and on BSE was Rs. 922.93 crores as on March 31, 2018.

10 Certifications

MPS has long recognized the importance of meeting the highest standards for quality and data security. We are certified for the following standards:

- ISO 9001:2008 (Quality Management System)
- ISO/IEC 27001:2013 (Information Security Management System)
- PCI-DSS (Secure Credit Card Processing Environment)
- COUNTER 4 Compliant

11 Acquisitions

MPS made six acquisitions in six years. The US-based acquisitions (Element, EPS, TSI, and Mag+ Inc.) were completed through MPS North America LLC, a wholly-owned subsidiary incorporated in May 2013. Mag+ AB and THINK Subscription were acquired directly.

2013-15: The Company acquired Element LLC, Electronic Publishing Services Inc (EPS), and TSI Evolve (USA) through MPS North America LLC. These acquisitions enabled MPS to strengthened its content and media asset development offrings for educational purposes.

The combined entity has been the fastest growing business unit for two years, cross-selling offerings from other units in India (learning platforms and content production services).

2016-17: The Company acquired Mag+ and THINK Subscription. These acquisitions reinforced MPS' platform capabilities, deepening its reach into publishing, science and scholarly markets.

2018 (post-Balance Sheet development): Tata Interactive Systems is a global leader in the eLearning industry with extensive experience and a strong presence in multiple geographies. TIS' offerings feature diversified and innovative learning and technology solutions (simulations, serious games, augmented / virtual reality, 3D virtual worlds, web portals, and LMS). TIS serves corporations, universities, schools, publishers, and government institutions (70+ Fortune 500 companies).

THE GLOBAL PUBLISHING OUTSOURCING SECTOR AND **A CULTURE OF AGILITY**

The global publishing outsourcing industry is passing through a challenging phase. For the enterprising, this challenge presents a rare opportunity.

An opportunity to integrate deeper into the business model of our customers.

An opportunity to transform from vendorship to strategic partnership.

An opportunity to help them moderate costs and enhance competitiveness.

An opportunity to adapt to changing market needs.

An opportunity to transform projects into multi-year relationships.

This sectoral inflection point is placing a premium on the competence of outsourcing companies – a premium that is encapsulated in demanding customer requirements.

A culture of agility is needed to be ahead of the change.

MPS AND A CULTURE OF **AGILITY**

At MPS, we have made a culture of agility central to our existence.

Over the last few years, the Company has demonstrated this responsiveness through various initiatives.

The Company made six acquisitions (including Tata Interactive Systems) in the last six years.

The Company mobilized Rs 150 crores through a qualified institutional placement to be acquisition-ready.

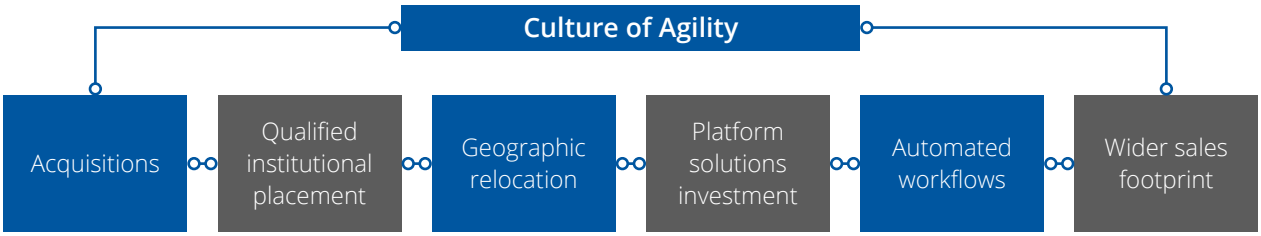
The Company was among the first in India's outsourcing sector to relocate from metro to Tier 2 urban location to moderate people costs.

The Company invested proactively in its platform solutions business, a segment that is now growing faster than the core business.

The Company invested in cutting-edge technologies to automate workflows, shrink time-to-market, and costs.

The Company widened its geographic footprint across the USA, its largest market to enhance proximity to customers.

The result is that even as the global publishing outsourcing sector is stretched on account of declining profitability, MPS continues to report sizable free cash with protected margins.



How the Culture of Agility has transformed MPS

From a publishing solutions vendor to a content solutions partner	From generic services to platforms and platform-centric services	From an implementation Company to a trusted advisor to our clients	From leading out of India to leading from the customer's soil
From a back-end assembler to a front-end technology-enabled product developer	From transactions to multi-year partnerships	From a simple delivery of solutions to a core vendor across diverse areas	From a content-driven growth model to a platform-driven approach

HOW WE MOVED WITH AGILITY TO ADDRESS A **CHALLENGING 2017-18**

1
Slow publishing outsourcing sector growth

Challenges

- Flat sectoral performance
- Need for companies to cover rising fixed costs
- Need for companies to address stakeholders' demand for growth
- Weakening Balance Sheets

Counter-challenges

- MPS selected to acquire Tata Interactive Systems
- Acquisition to kick-start MPS growth starting 2018-19
- Will create MPS' presence in the enterprise space
- Automated workflows to optimize costs
- Operating headcount headroom of nearly 50% in current infrastructure.
- No significant capital expenditure to increase operations
- Economies of scale through cost-effective Dehradun location
- Marginal costs minimal through cloud hosting of solutions

Looking ahead

- Considerably larger addressable market of close to $160 billion opening up through the acquisition
- Rs 229 crores cash on the books as on March 31, 2018

2
Rising competition in the publishing outsourcing sector

Challenges

- Declining realizations, margins, and profits
- Industry consolidation
- Sectoral flux

Counter-challenges

- Acquisitions in complementary competence spaces
- Growing scale through automation despite industry wide shrinkage
- Powering customers through differentiation
- Focus on through smarter publishing and e-learning initiatives

Looking ahead

- Existing appetite for more complementary acquisitions
- Evolution from vendor to consulting and implementation partner

3
Traditional revenue streams under pressure

Challenges

- Content solutions revenues declined in 2017-18

Counter-challenges

- Acquired platform companies
- Grew platform solutions revenues by 18% in 2017-18
- Leveraged three platforms (Mag+, THINK360, and DigiCore).
- Faster time to market; reduction in manual touch points; lower errors and costs

Looking ahead

- Expect to rapidly grow platform solutions revenues
- DigiCore increasingly respected as a Software-as-a-Service (SaaS) platform

"The vision of the Company is to emerge as an **undisputed market leader,** loved and admired by all stakeholders by 2023"

Rahul Arora, CEO,
reviews the Company's FY18 performance and looks ahead at the future

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

FY18 was pretty much a flat year. Given the rich talents and comprehensive capabilities that we possess, the performance was disappointing. We are relentless and used the revenue decline as an opportunity to improve our margins. Our EBITDA Margins grew from 32.7 percent in FY17 to 33.8 percent in FY18. Given that the currency headwinds seem to be decapitating, this places us in a strong position for FY19. To summarize the performance, consolidated revenue declined by 5.7 percent in constant currency terms, while our consolidated profit after tax was almost unchanged at around INR 70 crores in FY18.