

CMP: INR 692

Outlook: Positive

Stock Info

BSE	532440
NSE	MPSLTD
Bloomberg	MPS.IN
Reuters	MACI.BO
Sector	Printing & Stationery
Face Value (INR)	10
Equity Capital (INR Cr)	18.05
Mkt Cap (INR Cr)	1,259
52w H/L (INR)	808/ 342
Avg Yearly Vol (in 000')	31

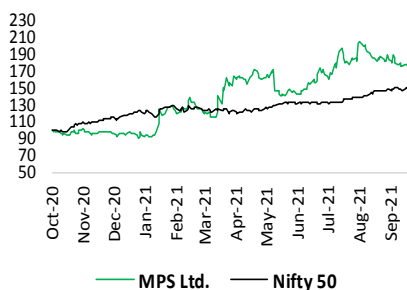
Shareholding Pattern %

(As on June, 2021)

Promoters	67.99
FII	5.14
DII	0.85
Public & Others	26.02

Stock Performance (%)	1m	3m	12m
MPS	1.4	7.6	77.9
Nifty	5.2	15.4	52.8

MPS Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

MPS, a leading global provider of platforms, and content, and learning solutions for the digital world with more than 2,700 professionals power MPS across seven delivery centers in India, four offices in Europe, and six client-servicing offices in the US. After the 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 seven successful acquisitions in the same number of years. The business is completely diversified. While North America continues to be the largest market, customer concentration continues to improve, with the top 5, top 10, and top 15 segments accounting for 38%, 50%, and 59% of the revenue, respectively.

Investment Rationale:

M&A: 1) In 2020 the company has acquired **HighWire** Press for new and meaningful capabilities, enhanced presence in the Academic and STM publishing market, and to advance the company goal to help Make Learning Smarter. 2) In 2018 the company has acquired **Tata Interactive** Systems Group was a definitive expansion into the Corporate Learning market. 3) In 2016-2017, The Company acquired **Mag+**, a leading mobile platform company for creating and distributing content apps, and **THINK** Subscription, leading order management, and customer service platform company focused on the Academic and STM Publishing market. 4) In 2013-2015, The company has established a wholly-owned subsidiary in Florida called **MPS North America LLC (MPSNA)**. MPSNA then acquired three Content Development and Design houses (Element, EPS, and TSI Evolve) in quick succession. These acquisitions allowed to expand the scope of offerings to include end-to-end publishing solutions, from content authoring to delivery; all provide on a global scale.

Content Business: The company content solutions is the highest margin business and continue to be the largest. Any positive sign in this business vertical does proportionally impact the consolidated business. Sustainable growth in the Content Solutions business is a great sign of the core strengthening.

Strong growth in financials : MPS total revenue increased by `27% YoY to INR 423 Cr FY21, and that too in the year of a pandemic has been a immense feat indeed. In addition to the acquisition of HighWire, the Content Solutions business grew by 11.6%. And while EBITDA margins improved slightly. EPS was suppressed by as much as INR 6.5 due to the one-time tax events in Q3 and Q4.

Ratios: In FY21, operating cash flows of INR 99 crores and being debt-free also ensured that MPS leverage related financial ratios (Debt/Equity Ratio, Debt/Capital ratio, and Debt/Assets ratio) are zero, that is quite impressive. Low leverage and adequate cash in the balance sheet helps company to maintain a current ratio of 3 and a cash ratio of 1.09, higher than any peer in the industry.

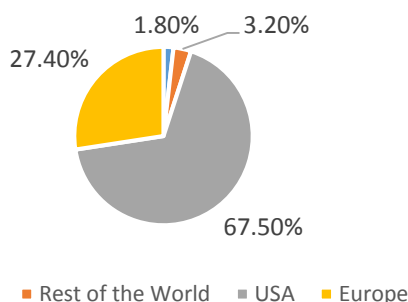
Valuation & View:

At CMP of INR 692, MPS is trading at a PE of 15.3x/12.9x to its FY22E/23E EPS of 45.1/53.7 (Bloomberg consensus estimates). Covid-19 has accelerated the driven for learning administration to be mainly automated and digital. The part of technology in learning extends beyond learning deployment to integration, personalization, tracking, and security. With a push for expand business outsourcing, consulting will increase to encompass all learning areas and be more strategic in focus. This push is likely to result in more market segmentation, as eLearning organizations select to specialize in the strong areas of learning as the demand for niche subject matter increases. We are Positive on the stock. One can add in tranches.

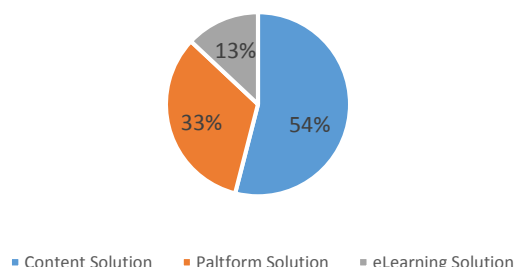
Q1 FY22 Conference Call Highlights

- **North America** continues to be the largest market for the company and Had also secured great business in Australia Singapore, the Middle East in the past quarters.
- **Opportunity** pipeline is highest and the order book is in a much better place compared to last year and even from the last quarter.
- The company aspiration to step up revenue and expand margin further.
- **Platform business:** Profit for the platform business significantly improve from 34.70% against 28.44%. THINK grew double-digit led by platform upgrade.
- **Platform solution:** Mag+, THINK, and HighWire Press, and essentially the company provides a platform as a service, which the company provides the publisher to the globe. The platform uses for content creation, platform delivery. Platform business largely for the publisher also has customers from fortune 500 companies as well as some educational firms but a large part is a publisher.
- **Revenue model** is licensing and implementation. The recurring charge is 70% of annual revenue for the services the company provides on the platform.
- **Order book:** 30% of revenue from the education.
- **PBT:** 1st goal 20-25% average and then 30%.
- **eLearning gets** to the 100cr by this year and 10-12% for the next 2-3 years. Platform business 10-15% growth.
- **Tax Rate** 25.7% in Q1 FY22 against 47.3% in Q4 FY21.
- Headcount almost done, only on the director level is pending.
- **Education platform:** the company has eco system analytics and content ecosystem and each of the models of has revenue \$ 15 mn. The company expects double-digit growth for the HighWire business.
- **Switch from online to offline:** No negative impact from it and even positive impact on the content selling side.
- **Acquisition:** The focus is to acquire the company with upward of 10 mn dollars, something below \$10 mn, or at least look at \$ 5 mn but the company is not looking to 100% structured business but with looking for the growing business.
- The company will share policy for the dividend and buyback from the next quarter.
- **Outlook:** The company expects double-digit growth for the eLearning and highwire business. Bullish on the content solution .

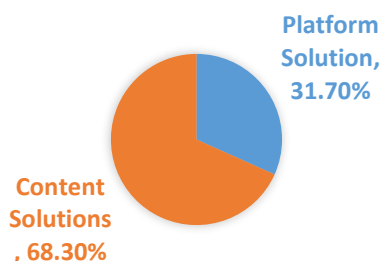
Location Wise Break-Up



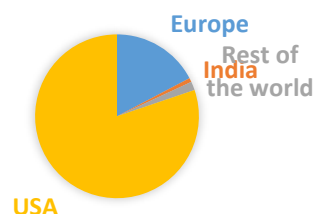
Revenue Mix



OPERATING PROFIT BREAK-UP



LOCATION WISE BREAK-UP - CONTENT SOLUTIONS



Quarterly Performance

INR Cr (consolidated)	Q1FY22	Q1FY21	Y-o-Y	Q4FY21	Q-o-Q
Net Revenue	117	82	43.27%	114	2.54%
EBITDA	31	21	51.81%	29	10.05%
EBITDAM %	26.8%	25.3%	151bps	25.0%	151bps
PAT	21	14	54.47%	13	66.10%
PATM %	18.3%	16.9%	133bps	11.3%	133bps
EPS	11.9	7.4	59.41%	7.1	66.11%

Total Cash and Cash equivalents (including investment in Mutual funds) as on 30-June-2021 are INR 227 Crores and INR 180 Crores as on 31-Mar-21.

Annual Performance with estimates

INR Cr (consolidated)	FY20	FY21	*FY22E	*FY23E
Net Revenue	332	423	479	540
EBITDA	79	107	124.4	143.2
EBITDAM %	23.80%	25.30%	25.97%	26.52%
PAT	60	59	81.3	96.8
PATM %	18.07%	13.95%	16.97%	17.93%
EPS	32.2	31.9	45.1	53.7
PE	21.5	21.7	15.3	12.9

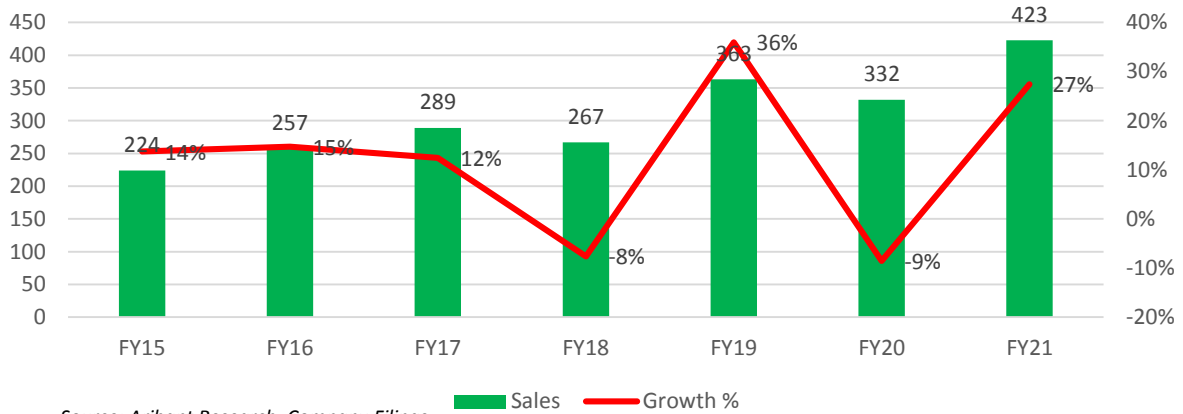
Source: Arianth Research, Company Filings, Bloomberg Consensus

Risk and concerns:

Industry Risk: Technological advances are happening at a rapid pace in the publishing and eLearning segments. Hence, to remain up to date, the company has a Central Technology team that stays abreast of innovations in the industry and their applicability to the businesses.

Currency Risk: Currency fluctuations can have an effect on the revenues, given the volatility of the Indian rupee. Hence, the company takes adequate foreign exchange forward covers to ensure that all operations are completed at conservative levels and that the company can withstand any unforeseen developments.

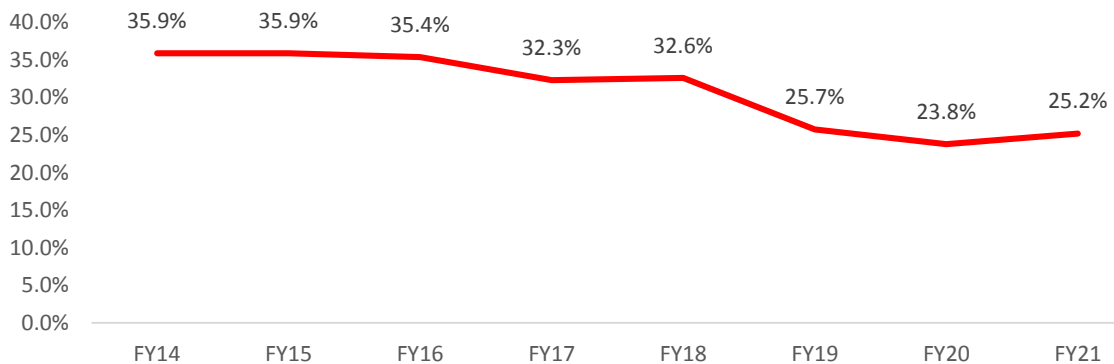
Sales & Growth (%)



Source: Arian Research, Company Filings

The new scale of the business was reflected in the consolidated, forex-gain-adjusted revenues of INR 423 crores in FY21. Revenue growth of 27% and that too in the year of a pandemic has been a tremendous feat indeed.

EBITDA Margin (%)



Source: Arian Research, Company Filings

The company is debt free. In addition to the acquisition of HighWire, the Content Solutions business grew by 11.6%. And while EBITDA margins improved slightly. Content Solutions is the highest margin business for the company and continues to be the largest. Any positive movement in this business segment does proportionally impact the consolidated business. Sustainable growth in the Content Solutions business is a great sign of the core strengthening ahead of Vision 2023.

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 E-5 Ratlam Kothi
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
Registration No.****Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.cominstresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
 1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800 Fax. 022-42254880