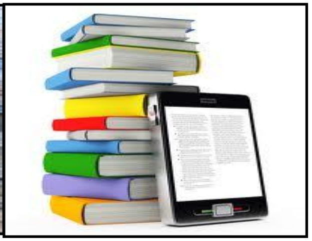
MPS Limited

Q4 and FY'13 Earnings Presentation



Safe Harbor

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This presentation and the discussion that follows may contain certain words or phrases that are forward – looking statements, based on current expectations of the management of MPS Limited. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We therefore caution against placing substantial reliance on the forward-looking statements contained in this presentation.

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Agenda

Business Overview

End-to-end service portfolio

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- **Journal Publishing Services**
  - End-to-end, print and digital publishing services for STM and academic publishers.
- **Book Publishing Services**
  - Prepress publishing services including editorial services, typesetting, project management, indexing , etc
- **Digital Services**
  - Content conversion team for books, journals, directories, and a wide variety of other applications.
- **Fulfillment & BPO Services**
  - Customer support and fulfillment services for print and online publishing products
- **MPS Technology (MPST)**
  - Develops and maintains custom and plug-n-play technology platforms for all stages of the publishing
- **Learning & New Media Services (LNMS)**
  - Focused on powering engaging and interactive learning products for educational publishers.
- **Database and Directory Services (Ad Studio)**
  - Advertisement design and production services via print, online, and mobile platforms for database & directory publishers.

Facts and figures

Journals and magazines:
10 million pages in the past decade

Award-winning products:
- ESU President's Award 2010 for Macmillan Education's Global eWorkbook
- 2008 Webbys - Best Website for Nature.com

Digital conversion:
8 million pages a year

Certified for:
- ISO 9001:2008
- ISO/IEC 27001:2005
- PCI-DSS (credit cards)

Books and major reference works:
1.2 million pages a year

~2,500 employees across Delhi, Bangalore, Chennai, Gurgaon, Noida and Dehradun in India, and Portland, Oregon in North America

Fulfillment:
- 400,000 subscriptions
- 250,000 customer service inquiries
- 120,000 site license and consortia orders

758 PhDs, MBAs/PGDMs, and science/engineering degrees

Q4 and FY'13 Performance

Q4FY'13 margins significantly up

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In Rs Mn	Q4FY12	Q4FY13	Growth YoY
Total Operating Income	365.8	401.9	9.9%
EBITDA	47.1	119.3	153.3%
EBITDA %	12.9%	29.7%	-
PAT	57.2	73.6	28.7%
PAT %	15.6%	18.3%	-
Basic & Diluted EPS (Rs.)	3.40	4.38	28.7%

- **Total Income during the quarter up by 9.9%**
  - The growth was driven by growth in Journals, Books, MPST and Digital Services divisions.
- **EBITDA grows by 153.3%; Margin up from 12.9% in 29.7%**
  - Other expenses declined by 24% YoY. Higher other expenses in Q4 FY12 included fixed assets write-off of Rs 15mn.
- **PAT growth of 28.7%; PAT Margin up from 15.6% to 18.3%**
  - PAT growth was lower than EBITDA expansion because of lower other income during Q4FY13 of Rs 3.5mn as compared to Rs 53.8mn in Q4 FY12. The decrease is mainly due to higher forex gain in Q4 FY12.

FY13 profits increase by 3x; margins doubles

In Rs Mn	FY12*	FY13	Growth YoY
Total Operating Income	1,574.8	1,640.0	4.1%
EBITDA	211.0	429.2	103.4%
EBITDA %	13.4%	26.2%	-
PAT	105.1	318.9	203.4%
PAT %	6.7%	19.5%	-
Basic & Diluted EPS (Rs.)	6.25	18.96	203.4%

*To provide an easy comparison the figures for the previous period are for the 4 quarters ended 31 Mar 2012 and taken from the quarterly results that were published. The audited results for the period ended 31 Mar 2012 were otherwise for a 15 month period.

- **Total Income up 4.1% in FY13**
  - The growth was primarily driven by strong demand of digital services and technology products. The 2 divisions grew at 10.1% and 8.0%, respectively.
- **EBITDA grows by 103.4%%; EBITDA Margin doubles**
  - Employee cost declined by 9% YoY during FY'13 due to ongoing efforts by the company to streamline cost including shifting jobs to competitive Dehradun location.
  - Other expenses declined by 11% YoY.
- **PAT growth of 203.4%; PAT Margin up from 6.7% to 19.5%**
  - Other income of Rs 49.8mn in FY13 (including forex gain of Rs 13mn) compared to Rs 31.4mn in FY12. Further there has been an increase in dividend income of Rs 8.8mn in FY13.

Traditional contiues to dominate; high growth in tech divisions

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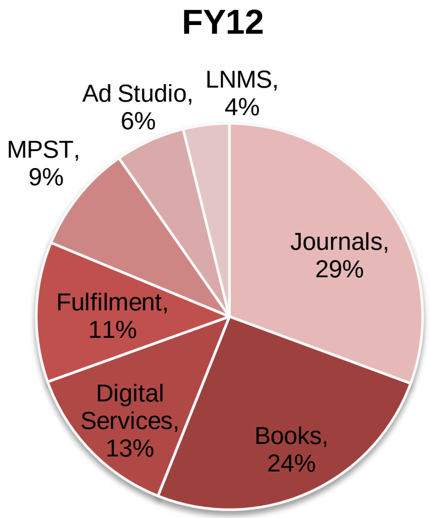
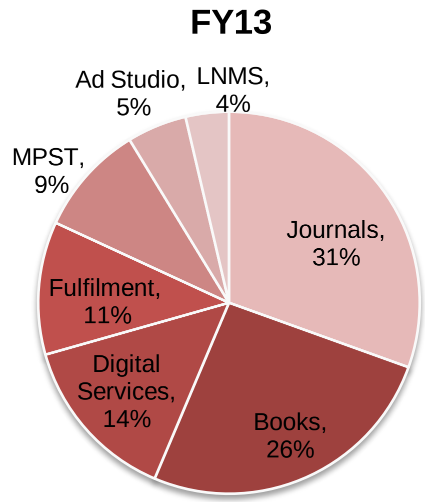
Revenue Break-up by Divisions





- Journals continue to be the largest business for MPS with 31% revenue share in FY13, followed by books (26%)
- Digital and technology witnessed higher growth at 10.1% and 8.0%, respectively
- Digital services demand is being driven by increasing use of eReaders, iPhone, Kindle, etc., margin pressures on publishers, and increasing demand for customized or disaggregated content
- The Technology SBU is focused on building more products to drive growth and also push its flagship products such as MPSInsight and ContentStore to existing clients

In Rs Mn	FY13	YoY
Journals	500.0	3.7%
Books	424.5	6.1%
Digital Services	233.7	10.1%
Fulfillment & BPO	184.6	-0.1%
MPST	154.1	8.0%
Ad Studio	83.0	-9.7%
LNMS	60.1	-1.0%

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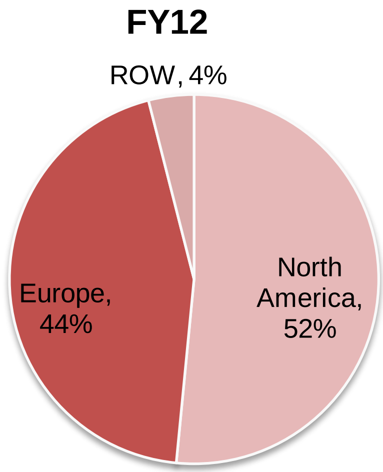
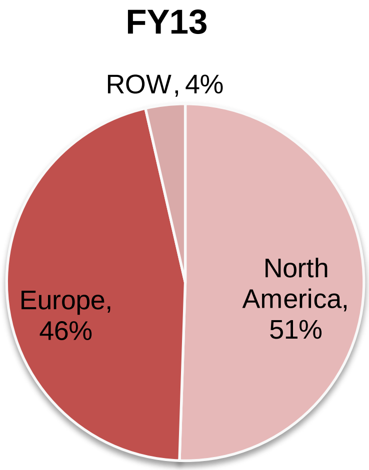
Geographic break-up of revenues

Revenue Break-up by Geography





- MPS derives the majority of revenues from North America with 51% revenue share in FY13
- The Europe market witnessed the highest growth of 7.5% YoY in FY13, increasing market share from 44% in FY12 to 46% in FY13

In Rs Mn	FY13	YoY
North America	828.5	2.1%
Europe	752.8	7.5%
ROW	58.7	-6.2%

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Cost reduction initiatives improves margins

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% of sales	FY09	FY10	FY12*	FY13
Operating Expenditure	93.2%	109.0%	86.6%	73.8%
Staff Costs	57.3%	65.9%	53.8%	47.0%
EBITDA	8.9%	-1.8%	13.4%	26.2%

Opex as % of revenues comes down in FY12 and FY13

Cost reduction initiatives taken over the course of last 18 months:

- Overhauls sales team in the US
  - Reduces number of sales & marketing people, leading to lower selling cost
- Cuts marketing arrangement with Macmillan
  - Leads to saving of Rs 30-40 million per annum
- Reduces offices in India
  - Consolidated operations by moving from 2 offices to 1 office in Bangalore and from 3 offices to 1 in Chennai
  - A part of current owned surplus property in Bangalore is leased out, and the company plans to lease the rest soon
- Shifts some roles in the books division to new Dehradun facility
  - Cost is 30 - 40% lower in Dehradun, and with lower attrition risk

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Operational highlights

Client Details

Client concentration	FY12	FY13
Revenue % from Top 5 clients	47%	55%
Revenue % from Top 10 clients	69%	72%

- MPS has been a trusted vendor for publishing groups across the globe including Elsevier, Nature Publishing Group, Wolter Kluwer, Cengage Learning, etc. During FY13, revenue share of top 10 clients aggregated 72% and top 5 clients aggregated 55%.
- Total number of clients as on 31st March'13: 60

Manpower & Facilities

	31st Mar'10	31st Mar'11	31st Mar'12	31st Mar'13
Manpower	2,265	2,291	2,143	2,591

- 6 production facilities: Bangalore (1), Chennai (1), Gurgaon (1), Delhi (1), Dehradun (1) and Portland (1)
- Corporate and sales & marketing office at Noida
- Sales force in US and UK

Acquisition of Element LLC – entry in K-12 publishing

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Deal details

- In May 2013, MPS entered into a binding membership purchase agreement with US based company Element, LLC, for acquisition of 100% of the units of Element for an aggregate consideration of approximately Rs 100 million. The proposed transaction is subject to the fulfillment of certain conditions precedent that include the receipt of regulatory approvals.

Business of Element

- Element provides full-service editorial, design and production services to the educational publishing market (with specialization in pre-K and K-12 markets) with expertise in developing turnkey solutions for print and online products.

Strategy behind the acquisition

- The acquisition, upon successful completion, will enhance MPS Ltd's presence in the US educational publishing market. The acquisition has been made in line with the company’s strategy to tap the growing K-12 publishing market.

Comments on the performance FY2013 - from Mr. Nishith Arora, Chairman & Managing Director of the Company:

“We are pleased with our performance in FY13. We have been able to successfully turn around the company and improve its operating profitability to 25% level. This has been a result of our strong focus on reducing overheads by streamlining and rationalizing operations. Going forward we strive to maintain margins at these levels.

We are trusted partner of top publishers across the globe and aim to strengthen our position by strongly focusing on growing organically by upgrading our products and services as well as pursue inorganic growth opportunities to enter new service areas”.

Annexure

Income statement – Q4FY13 & FY13

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Particulars (Rs mn)	Q4 FY'13	Q4 FY'12	Q3 FY'13	% Chg YoY	% Chg QoQ	FY'13	FY'12*	% Chg YoY
Total Operating Income	**401.9**	**365.8**	**434.3**	**9.9%**	**-7.5%**	**1,640.0**	**1,574.8**	**4.1%**
Total Expenditure	**282.6**	**318.70**	**310.2**	**-11.3%**	**-8.9%**	**1,210.8**	**1,363.8**	**-11.2%**
(Increase) / Decrease In Stock In Trade & WIP	(1.5)	11.5	8.0	NM	NM	3.5	26.1	-86.6%
Employees Cost	178.9	168.7	193.8	6.0%	-7.7%	771.3	847.2	-9.0%
Other Expenditure	105.2	138.5	108.4	-24.0%	-3.0%	436.0	490.5	-11.1%
EBITDA	**119.3**	**47.1**	**124.1**	**153.3%**	**-3.9%**	**429.2**	**211.0**	**103.4%**
Depreciation and Amortization	20.8	23.9	19.0	-13.0%	9.5%	73.6	88.3	-16.6%
EBIT	**98.5**	**23.20**	**105.1**	**324.6%**	**-6.3%**	**355.6**	**122.7**	**189.8%**
Interest & Finance charges	1.0	2.7	1.4	-63.0%	-28.6%	5.9	9.4	-37.2%
Other Income	3.5	53.8	26.2	-93.5%	-86.6%	49.8	31.4	58.6%
PBT	**101.0**	**74.30**	**129.9**	**35.9%**	**-22.2%**	**399.5**	**144.70**	**176.1%**
Tax Expense	27.4	17.1	33.9	60.2%	-19.2%	80.6	39.6	103.5%
PAT	**73.6**	**57.2**	**96.0**	**28.7%**	**-23.3%**	**318.9**	**105.1**	**203.4%**
Basic & Diluted EPS (Rs.)	4.38	3.40	5.71	28.7%	-23.3%	18.96	6.25	203.4%

Key Ratios	Q4 FY'13	Q4 FY'12	Q3 FY'13	FY'13	FY'12*
EBITDA Margin	29.68%	12.88%	28.57%	26.17%	13.40%
Net Margin	18.31%	15.64%	22.10%	19.45%	6.67%
Total Expenditure/ Total Income	70.32%	87.12%	71.43%	73.83%	86.60%
Staff Cost/ Total Income	44.51%	46.12%	44.62%	47.03%	53.80%
Other Expenditure/ Total Income	26.18%	37.86%	24.96%	26.59%	31.15%

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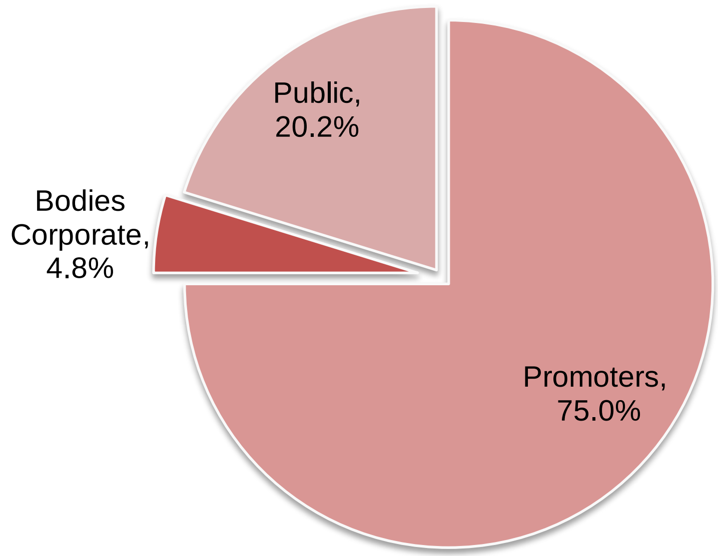
Balance sheet – 31st March 2013

Particulars (Rs mn)	As at 31-Mar-2013	As at 31-Mar-2012
A EQUITY AND LIABILITIES		
(a) Share capital	168.2	168.2
(b) Reserves and surplus	658.2	534.9
Sub-total - Shareholders' funds	**826.4**	**703.1**
(a) Long-term borrowings	1.3	5.1
(b) Deferred tax liabilities (net)	-	0.9
(c) Other long-term liabilities	0.9	13.4
Sub-total - Non-current liabilities	**2.2**	**19.4**
(a) Short-term borrowings	44.1	44.1
(b) Trade payables	194.8	156.4
(c) Other current liabilities	64.7	40.8
(d) Short-term provisions	1.7	76.5
Sub-total - Current liabilities	**305.3**	**317.8**
TOTAL - EQUITY AND LIABILITIES	**1,133.9**	**1,040.3**
B ASSETS		
(a) Fixed assets	217.7	265.0
(b) Deferred tax assets (net)	6.6	-
(c) Long-term loans and advances	178.3	146.5
(d) Other Non Current Assets	1.7	2.0
Sub-total - Non-current Assets	**404.3**	**413.5**
(a) Current investments	177.3	122.0
(b) Inventories	89.0	92.5
(c) Trade receivables	273.1	242.4
(d) Cash and cash equivalents	111.0	89.3
(e) Short-term loans and advances	67.3	80.5
(f) Other current assets	11.9	0.1
Sub-total - Current Assets	**729.6**	**626.8**
TOTAL - ASSETS	**1,133.9**	**1,040.3**

Shareholding pattern

As on March 31, 2013
Outstanding shares – 16.82 mn



About MPS Ltd: Over the 42 years of its dominant presence, MPS has evolved to be a trusted partner for publishers at every stage of the publishing process. Our service portfolio includes print and digital publishing services, transformation of content for usability across multiple platforms, custom and plug-n-play technology platforms for different stages of the publishing process, engaging and interactive media products, and customer support services for educational, academic, trade, and directory publishers.

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