

Date: 22<sup>nd</sup> July 2019

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M/S . / Bursa Kuwait Company

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

**Subject: Analysts/Investors Conference minutes  
for the Second Quarter of 2019**

**الموضوع: محضر مؤتمر المحللين/المستثمرين للربع السنوي الثاني من  
العام 2019**

With reference to the aforementioned subject, and to our letter sent to you on 17/07/2019, we attach to you the minutes of the analysts / investors conference on the second quarter of 2019.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 2019/07/17، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن الربع الثاني لعام 2019.

Yours Sincerely,

وتفضلوا بقبول فائق الاحترام،،



دلال حسن السبتي  
رئيسة مجلس الإدارة

**Dalal Hasan Al Sabti**  
**Chairperson of the Board of Directors**

**Conference Title: Humansoft 2Q2019 Results Conference Call (Edited transcript)**

**Moderator: Omar Maher**

**Date: Wednesday, 17 July 2019**

**Conference Time: 15:00 (UTC+03:00)**

Operator: Good day, everyone, and welcome to the Humansoft 2Q 2019 Results Conference Call.

Today's conference call is being recorded. And at this time, I would like to turn the conference call over to Omar Maher. Please go ahead sir.

Omar Maher: Thank you. Good morning and good afternoon everyone. This is Omar Maher from EFG Hermes. On behalf of my colleague, Hatem Alaa, I would like to welcome everyone to Humansoft's 2Q 2019 Results Conference Call. I'm pleased to be joined by Mr Mayank Baxi, Chief Executive Officer of Humansoft. As usual, the conference call will begin with a discussion of the key highlights for 2Q19 and this will be followed by a brief Q&A session.

I would now hand the call over to Mr Baxi. Thank you very much.

Mayank Baxi: Hello everybody. Welcome to the Humansoft Holding Q2 2019 Results Analysts Conference Call. Thank you, team at EFG, for facilitating this call. I'm Mayank Baxi, CEO of the company, and I would like to run through the Q2 2019 highlights in brief and then leave the floor open for questions and answers.

At the outset, I would like to mention that any forward-looking statement or views discussed during this call are subject to risks and uncertainties that may cause the actual results to differ. Humansoft does not assume any obligation to update such views or statements, nor make any announcements regarding any revised circumstances.

The total revenue of KWD18 million in Q2 2019 has resulted into a 7.3% growth over the same period in the previous year. EBITDA of KWD10.1 million shows a growth of 23.5% over Q2 of

2018, and the EBITDA margins have increased from 48.8% during Q2 of 2018 to 56.2% for the Q2 of 2019. This is mainly due to the revenue and cost efficiency.

The net profit margins have improved from 39.2% in Q2 of 2018 to 46.5% in Q2 of 2019 and the net profit of KWD8.4 million is higher by 27.3% compared with the net profit of Q2 2018. The total equity of KWD61.6 million has increased by 23.4% over the Q2 2018 balance. The total assets at KWD107.5 million are higher by 9% over the Q2 2018 balance. Deferred income of KWD9.9 million is higher by 13.8% compared with Q2 2018. Deferred income represents the unearned revenue and the same shall be recognised as revenue upon execution.

On half-yearly basis, also the results have shown an overall improvement compared with the half year of 2018. Revenue of KWD36.4 million is higher by 7.2%. EBITDA of KWD20.6 million is higher by 17.7% and the net profit of KWD17.1 million is higher by 18.6%. The earnings per share until the first half of 2019 is 140 fils per share compared with 118 fils per share during the first half of 2018. Shareholders at the AGM held on 7<sup>th</sup> April have approved the cash dividend of 185 fils, which was subsequently paid.

AUM has offered the civil engineering major, starting fall of 2019 semester, for the prospective new students. Both institutions, AUM and ACM, continue to focus on quality enhancement and overall development of its students. Students have won several prizes in various events locally and internationally in robotics, artificial intelligence, sports, etc., during the quarter two of 2019.

With this, now I open the floor for questions and answers. I request that please introduce yourself with the name and the institution you represent when you have any question. Thank you.

Operator: And at this time, we will move into the question and answer session. Ladies and gentlemen, to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your

signal to reach our equipment. Once again, press star one at this time. We'll pause for a moment to allow everyone an opportunity to signal.

Again, that is star one. And we will now take our first question. Caller, your line is open. Please go ahead.

Taher Safieddine: Hello?

Mayank Baxi: Yes.

Taher Safieddine: Yes. Hi, Mr Baxi. This is Taher from Citi. Couple of questions. And congratulations on a solid set of numbers. First question from my end is just on the deferred income. It's a 14% year-over-year growth and clearly, this is the unearned revenue for the next three months, which mainly highlights, I would say, maybe the summer semester and September which is the beginning of the fall. My question is, what explains this strong 14% growth, especially if we look at what you've achieved in terms of top line growth of 7% this quarter? Does this just give an indication that summer enrolments have been very solid? Just want to get some colour on why this strong 14% growth in deferred income. This is my first question.

And my second question, Mr Baxi, is just on the operating margins, EBITDA margins. Again, very solid growth. Maybe last year there were a couple of some one-off expenses in terms of moving the security staff and all of this. But even with that, I mean, some huge efficiencies on advertising in terms of staff salaries and the SG&A. Is this level of SG&A sustainable, in your opinion, what you've achieved in this quarter and should we look at the EBITDA margins of 57% as something you can achieve for the remainder of the year? Just want to get some colour there.

And just finally if you can just give us an update on the engineering majors, we know that you got approval for two majors. Are these going live in September? Thank you.

Mayank Baxi: Thank you. Taher, first of all, let me clarify regarding deferred revenue. You have a little misconception there. This deferred revenue that is shown in the financials of June represents the revenue that we will amortise for this summer semester. So far, there is no deferred revenue element related to the September fall semester because the registrations are going on and we do not have any numbers related to the September and fall semester. So, this is purely the growth in the summer months summer revenue.

And the phenomenon there is, again, summer is an optional semester. We encourage students to take summer classes and the summer enrolments, again, follow a little cycle. This year, fortunately, the Ramadan was behind us when the summer started. So, I guess that has also helped us in getting better utilisation of summer classes.

Coming to the EBITDA margins, yes, EBITDA margins have improved substantially and that is as a result of two factors mainly. The 7% revenue growth, when you translate that into the bottom line, it also almost helps to improve the net margin by about 12% or so. Similarly, that gets reflected in EBITDA.

And the second element is the cost efficiencies that have been noticed so far. The cost efficiencies are arriving out of the couple of measures that have been undertaken in the past, like the IT upgrade, the improvements in the processes and also the effect of the one-off expenses which was there in the last year are no more continuing. So, all these collectively has helped us to achieve and attain a very good EBITDA margin.

Now, going forward, again, the EBITDA margins will more or less oscillate between the annual average that we have seen in the current year so far and maybe a little plus or minus but not a major fluctuation is expected there.

In the engineering major, we had received the approval for civil engineering and architecture engineering. The petroleum engineering is still under process. For the semester beginning in September, we have offered the civil engineering programme for enrolments. The architecture programme is not offered right now because it requires some special preparations for the labs which are specific to that programme. And for that we felt that we will not be ready by September, hence that has not been offered to these students.

Taher Safieddine: And we shouldn't expect this to be offered in spring, right, because your strategy has always been not to launch any new majors or take major uptake in the spring semester. So, architectures could be next year rather than this September.

Mayank Baxi: That's right.

Taher Safieddine: Okay, all right. Thank you.

Operator: And we'll take our next question. Caller, your line is open. Please go ahead.

Ankur Agarwal: Hi. This is Ankur Agarwal from HSBC. Couple of questions from my side. So, the first question is your – on your capital allocation plans, right. If you look at your balance sheet, it's a net cash balance sheet. Your CAPEX as a percentage of revenue is around 1.9% in the first half. It used to be double digit 11% last year and above 20% in the – between 2015 and 2017. So, what are you planning in terms of leveraging up your balance sheet either for M&A, higher dividend payout? What are – how should we think of the options that you have in front of you? So that's my first question.

And secondly, if you can kindly update us on the changes in the Board and the implications of that for the shareholders? Thank you.

Mayank Baxi: Sure. See, as far as the cash balance is concerned, yes, we are generating good cash flows. And as you have seen in the past, if there is no specific commitment on the cash for CAPEX or any other commitments, a substantial portion has been coming out as dividend and that dividend payout ratio has been high in that context.

Going forward, to the extent cash flow permits, the same trend will continue unless some new commitments come up. But as of now, we don't see any other commitment on CAPEX made and no other commitment on or development on the M&A side as of now. So, as of now, as the matter stands, if permitting the cash flows, to the extent cash flows permit, there will be a good payout of dividend.

As far as the Board composition is concerned, as per the regulatory guidelines, every three years your Board has to be re-elected, and the same was done during this AGM. The new Board more or less continued except that we have a new member now, Ms Dalal, who is the Chairperson. And Dalal has over 15 years of experience working in Humansoft in various capacities, and for the past several years, she's the CEO of Al Arabia Educational Enterprise, which owns and manages AUM and ACM.

So, with this, we feel that it will be all good for the company under her leadership except that there is no other major change. Mr Othman Al Abdullah was a Board member previously but due to his personal reasons he had to resign. And Mr Hasan Ali, who has been on the Board in the past for several years, he was an alternate member elected in the AGM, so he has been on the Board now. Otherwise, three of us continue to be from the past. Mr Hasan also very well aware of the organisation since the very early days.

So, there is no major substantial change on the Board in that context. So, we see no major impact on the company operations. If at all, it will be all positive.

Ankur Agarwal: All right. Thank you.

Operator: Once again, it is star one if you'd like to ask a question. We'll take our next caller. Your line is open. Please go ahead.

Umar Faruqi: Hi. This is Umar Faruqi from Al Imtiaz Investment Company. I would like to follow-up, first of all, on the CAPEX question. I mean, can you give guidance for the next three, four years? I mean, as you mentioned, there are no commitment right now. So, can we expect CAPEX to be around 3% of revenues for the next three, four years?

And my second question is on the number of enrolled students. The last figure that was released is that AUM plus ACM has around 12,300 students. So, I mean, what increment or how much increase can we expect going forward, like 500 or 600 or 1,000 every year? I mean, can you just give some light on it?

Mayank Baxi: Yes. Thank you, Umar. See, as far as the CAPEX is concerned, as I mentioned, as of now, we have not made any major CAPEX commitments. So, what will continue is the maintenance CAPEX. And for that, about 2% to 3% of the revenue is a safe CAPEX assumption.

Coming to the student enrolments, the numbers are not yet available for the fall season and therefore, the projected students I'm unable to make a statement on that. We will have to wait until the September month when entire enrolments and the new semester begins. By that time, we will be able to give you the numbers that will start and continue during the fall of 2019.

Umar Faruqi: Then just to confirm the capacity, what is the maximum number of students can be – that can be accommodated right now?



Mayank Baxi: See, in terms of the land base, the land capacity we have is it can go up to 21,000 students. But for that we will need to construct additional buildings. So far, whatever we have constructed is good enough for almost 13,500 to 14,000 students, depending on how you have used the facilities. But we are well covered for the capacity.

Umar Faruqi: Okay, thank you.

Operator: Again, ladies and gentlemen, it is star one to ask a question. And we'll take our next caller. Your line is open. Please go ahead.

Divye Arora: Hello. Hi, this is Divye from Daman Investments. My first question is linked to the fees increase. So what is the visibility on it? Will this be happening early next year or there is a delay in that? That's number one.

Number two, you mean to say that on the EBITDA margins that the – we can assume that the margins could hover around 56% level going forward. And just to understand the advertising and promotions that you have been able to reduce over the second quarter. So, can this sort of a reduction continue going forward?

And also if you can highlight some colour on the staff and salaries, the admin staff and salaries. Thank you.

Mayank Baxi: Just if you repeat, what was your first question related to, please?

Divye Arora: The fees increase for the AUM.

Mayank Baxi: Yes. See, as far as the fee increase is concerned, as of now, we do not have any development to share with. As and when we have something to announce and available data, we

will let you know. We'll come back to you on that. So today, as of now, there is no major development. I cannot make any statement on that.

Divye Arora: When are you scheduling?

Mayank Baxi: Schedule, there is no schedule. There is a guideline that you are eligible to apply. Eligible to apply means from then on you have open end to apply. So, schedule is something which we have to work out internally, which we are not ready yet to decide and let you know.

Divye Arora: So, we can't even expect in 2020 or...

Mayank Baxi: As I told you, I do not have any data today to share with you. So, please bear with me on that.

Divye Arora: Okay, all right.

Mayank Baxi: As far as EBITDA margin is concerned, I explained very well in the previous question of Taher of Citibank and I think we will see more or less same range that we have experienced in the past annual average, which comes to around 55% - 56%. There could be a plus or minus of 1% or 2% but more or less we don't see any major fluctuation happening there.

As far as the advertisement and sales promotion expense is concerned, as we had explained earlier, also, that the nature of promotion and nature of reaching out to the community undergoes a change as the institution matures and as develops any goodwill in the market. With that background, naturally you don't need to continue spending same amount on your advertisement and promotion purely for attracting students.

Now there are different avenues through which you reach out and you communicate with the society about your achievements, about your placements. So, naturally, you see an advantage in the expense coming down. And moreover, also, there are now various cost-effective ways of reaching out to the segment. Like social media is a very good example, which previously you had to do a lot of, say, media advertisement and other costly expensive advertisement measures, which right now we are experiencing some additional features in various promotions where you do a cost-effective way of reaching out to the prospective students.

Divye Arora: Fine. Clear. Thank you. Just one more question on the debt side. So, the existing debt that you have right now, is there a plan to pay this debt fully over the next one to two years from the cash you're going to generate?

Mayank Baxi: See, as of now this – there is a good repayment cycle available. In any case the debt gets over in next three or four years. So, most of the debt will get over in two years' time. As of now, we haven't decided on prepayment as yet.

Divye Arora: Okay, fine. So, it's an automatic amortisation of debt as per the schedule as it happens?

Mayank Baxi: Absolutely.

Divye Arora: All right, thank you.

Operator: As a final reminder everyone, it is star one to ask a question. We'll take our next question. Caller, your line is open. Please go ahead.

Manoj Shroff: Hello sir. Manoj here sir. I wanted to ask for new capacity, how long does it – how long and how much CAPEX will take for a new building phase to go from 14,000 to 15,000 for example?

Mayank Baxi: See, more or less our designs are standard. And what we have experienced in the past that a building with a capacity of about 2,000 students, as you are suggesting, should take us around KWD5.5 million in today's cost.

Manoj Shroff: And it will take six to eight months also?

Mayank Baxi: Yes. We have, in the past, experienced that from the start until end, maximum in about eight months also we are able to construct a building of this size.

Manoj Shroff: And any notification on the petroleum approval? Because what we hear is that Kuwait University may want to keep it for itself and therefore doesn't want to share petroleum with the private sector. Is that something that can happen?

Mayank Baxi: I don't know where you came across this statement but our process, our application is still under review. We haven't received any negative reply on that or any such indications what you are suggesting.

Manoj Shroff: Okay. So, the sponsors are now no more on the Board and so their involvement in the company is also not as much now?

Mayank Baxi: What do you mean sponsors?

Manoj Shroff: So, the Othman family, sir.

Mayank Baxi: See, Mr Fahad Al Othman was not on Board for a long time. If you have followed the previous composition of Board. What we have Mr Tareq Al Othman is his son. He continues to be on the Board.

Manoj Shroff: Okay. Got it sir. But civil engineering will be in AUM as well as ACM?

Mayank Baxi: For this semester it will be AUM. We are still awaiting clearance for the ACM, approval is not yet available.

Manoj Shroff: Thank you so much sir.

Operator: We'll take our next question. Caller your line is open. Please go ahead.

Ankur Agarwal: So, Ankur from HSBC again. Just a follow-up question on the competitive landscape. So, any new update on the Kuwait University new campus or any private sector competition that you see as a threat or a challenge in the short-term for Humansoft?

Mayank Baxi: Yes, as far as the Kuwait University new campus is concerned, it is progressing in terms of constructions. And what we hear that some of the colleges, they may shift this fall also. We do not have exact details about which colleges and how is their detail plan but that is happening, sure. And other than that, new private university licenses, I think you may refer the PUC website. There, there is more detail about the applications and people who would have received the licenses, etc.

So, this will be an ongoing process where some people may apply, may get licenses. Now, the way we look at it is that when we started AUM and ACM, at that point of time also Kuwait University was in existence with almost 40 to 50 years in existence. And along with us, private universities have also started and maybe four of them prior to us.

And we had to carve out our niche by demonstrating our quality, our offering etc., which we will have to continue. You can't say that there will not be a competition or there will not be any

newcomer coming up, but you have to continuously work and strive for improvement in your facilities, improvement in your curriculum, improvement in your placements etc., which we'll continue to do.

Ankur Agarwal: Yeah. Hi. So, just a follow-up. So, on the Kuwait University expansion, there's been an increase in their petroleum engineering seats, which is more substantial than the other majors. So, I think therefore, there is some sort of concern that maybe petroleum engineering delay has got something to do with the significant increase in capacity on the petroleum engineering side, yes?

Mayank Baxi: See, what you have to see, Kuwait major thrust is in the oil sector and oil sector is undergoing major expansion. Also, in the oil sector, you are seeing a major replacement of expat manpower by the locals. So, with all these background, naturally engineering majors and petroleum majors will have demand. So, if Kuwait University has increased some capacity there, it's logical for them. Anybody can – it doesn't require much study. It is the Kuwait market, which will drive.

Now, is that the reason? I don't think that is the reason because still the requirement at the oil companies would be much more. Because what I understand that as of now Kuwaiti employment among the total engineers is only 10% to 15% and with the initiatives of localisation, there is a big scope and big room for more employment generation in the oil companies.

Ankur Agarwal: All right.

Mayank Baxi: Therefore, you need graduates.

Ankur Agarwal: Okay. Thanks a lot. Thank you.

Operator: We'll take our next question. Caller, your line is open. Please go ahead.

Meera Reddy: Good afternoon, Mr Baxi. This is Meera from SICO Bank, Bahrain. Congratulations on the strong results. I just had a follow-up question on the operating expenses, specifically the staff salaries and advertising expenses. I just wanted to know if we can expect this to be the new normal going forward.

Mayank Baxi: See, staffs costs naturally, as I explained earlier, has substantially come down. But going forward, you have to also understand that this kind of reduction cannot continue. There will be some element of cost escalations and inflationary cost adjustments also for the staff. So, you can't continue with the same kind of efficiency going continuously.

On advertisement expenses, sure, the total spend more or less can remain same but as a percentage of revenue, if the revenue grows, then that will have an advantage. And also, the spending pattern, as I explained, that we try to find innovative cost effective ways to reach out to the student. So, more or less, the KWD spend can be in that range.

Meera Reddy: Okay. But just going back to the staff costs, again, since you've mentioned cost escalation, would that be probably because of the new courses? What exactly could drive these costs higher?

Mayank Baxi: It's not the new courses. New courses will drive the number of faculty, and as a result, the total faculty can increase. And that will continue as a ratio of the revenue because this is more of a variable element. As far as the costs of the non-teaching staff is concerned, there will be some kind of promotions, increases, etc. So, these things you cannot say that will remain freezed or will remain forever at the same level. So, that is what I meant in this.

Meera Reddy: Okay, great. All right, thank you.

Operator: We'll take our next question. Caller, your line is open. Please go ahead.

Speaker: Hello. Thank you, Mr Baxi for the call. My questions have been answered.  
So, thank you.

Mayank Baxi: Thank you.

Operator: And once again, it is star one to ask a question. If you do find that your question has been answered, you may remove yourself from the queue by pressing star two. We'll take our next question. Caller, your line is open. Please go ahead.

Taher Safieddine: Yes. Hi, Mr Baxi. This is Taher from Citi again. Just a follow-up question. Just looking at – I mean, there has been some debt repayments. Clearly, your cash flow position is very solid. CAPEX is coming down, so we would expect stronger cash improvement. I mean, I just want to understand how you look at dividend policy. Is there a certain limit that you are looking at, I mean, in light of the underleveraged balance sheet, very solid cash generation? Or we should expect payout ratios to increase this year, I mean, unless there are any CAPEX commitments? So this is my first question.

And second question, can you just share with us some views in terms of M&A? I mean, clearly what you're looking, is it more Kuwait or outside Kuwait, if any K-12, higher education? I mean, just some colour there in terms of – because we are seeing some M&A activity around. I mean, if you look at the news, GEMS ,and Saudi Arabia and so on. Is this something you keep an eye on or for now, there are no M&A discussions on the table?

Mayank Baxi: Coming to the first part of your question, I explained earlier also, to the extent cash flows permit there will be – if there is no other commitment, then cash will be used for paying out dividend. That's the way I look at it. At the end of the day, it will be the decision at the AGM, so



you can't take a decision. We can only recommend at this point of time. But this is what, as management, we see as of now.

Coming to the M&A activity, we do not have anything specific as of now on hand which we can discuss or we have something specific to talk about. But we are in this learning space, so naturally we should always have an open mind to look at opportunities in the learning space. And for that, all the sectors are open to look at on a case-to-case basis. But so far we do not have anything specific to discuss or to talk about.

Taher Safieddine: Okay, thank you.

Operator: We'll take our next caller. Your line is open. Please go ahead.

Speaker: Hello?

Mayank Baxi: Yes.

Speaker: Hi. Thank you for the call. I just have two questions. One, what's your current student to staff ratio and what's the target there? And second just to be clear, this fall you're just going to be offering one new course which is the civil engineering?

Mayank Baxi: Yes. Our staff – the teaching staff to student currently is around 24 is to one; for every 24 students around one total teaching staff. And this semester we have opened up civil engineering for enrolments, which is a new major. From the existing majors already they will be continuing. But as a new major, civil engineering will be there at AUM.

Speaker: Okay. And regarding the student to staff ratio, is this the target or could we see further improvement there?

Mayank Baxi: See, in the terms of the faculty ratio, you have to understand that this depends on the phase through which the institution is going through. When you introduce a new major, initially there will be some inefficiencies and therefore, the staff ratio can be adverse – will not improve. It may be adverse. And as you mature, you get to see efficiencies coming up. But that is on a complete maturity cycle of all the majors when they reach to that stability phase.

So, I would say, if you have to look at it on a very stable environment where almost all the majors get into maturity, you can still go up to 26-27 without affecting the quality. But as of now, since we introduced new majors, you have to understand that we can't have a total efficiency level reached at a short duration.

Speaker: I understand. Thank you.

Operator: We'll take our next question. Caller your line is open. Please go ahead.

Manoj Shroff: Hello?

Mayank Baxi: Yes.

Manoj Shroff: Manoj again, sir. Sir, in the Architecture first year is foundation, so we couldn't have just taken the intake .

Mayank Baxi: See, you have to understand that still around 8% - 10% students get directly into the freshmen class. And as far as architecture is concerned, we do not have any labs which will fit into that course, unlike the other engineering majors where the first year is EPP for most of the students. But for the students who can get directly into the freshmen class, the labs which are existing for the other engineering courses more or less can do the job there because their

subjects will be common. Non-core and core subjects there are quite similar. But for architecture, you need some specialised labs which are 3D studios, etc. So, that takes time.

Manoj Shroff: Sure sir. Thank you. for Summer – so if I'm correct, so, say for a four, five year course we have 125 engineering credit and on an annual basis we will divide it. But summer also – that doesn't include summer. So, on an average, what percentage of annual credits or the full five-year credits comes in summer?

Mayank Baxi: See, you have to assume a student on an average would take about 29 credits per year, including summer.

Manoj Shroff: And this will be for engineering?

Mayank Baxi: See, engineering has got about 134 credits for the graduation and for the business school, if I recollect, it is about 128. So, more or less the range will remain around that.

Manoj Shroff: Okay, so 29 is an average for AUM?

Mayank Baxi: This is – yeah, as AUM students total. I'm not differentiating between engineering and business but as a ball park factor of 29 for your calculation, that should be good enough.

Manoj Shroff: Then ACM, sir?

Mayank Baxi: ACM also more or less in the similar range because ACM needs 60 credits for graduation. EPP is a separate year, so don't calculate the foundation here. But for the graduation, you need about 60 credits so, more or less, there also student, if they take summer, then they would take anything around 28 to 30 credits.

Manoj Shroff: Thanks so much, sir.

Operator: We'll take our next question. Caller, your line is open. Please go ahead.

Divye Arora: Hi. This is Divye from Daman Investments. Just a question on fees again. So, just to get it correctly, are you saying right now you don't have any idea on the fees increase for both AUM and ACM?

Mayank Baxi: Yeah, I told you very clearly, I do not have anything to share at this moment, so please don't repeat this question again.

Divye Arora: All right. Second is regarding the majors. So, obviously, we understand that civil is going to start in fall. But can you let us know the majors which you started maybe one to two years back, so, how much more growth do you expect from there?

Mayank Baxi: See, over the past three, four years if you go through the website, we have introduced electrical engineering, mechanical engineering and chemical engineering at AUM. And this year will be the civil engineering.

Divye Arora: But my question is that how much growth can we expect from these three majors and is any of them mature right now?

Mayank Baxi: See, maturity is something which is again a flexible thing. You have to see the in and out. Now, we haven't started to see the graduates and the intake on the same level because it takes a five-year cycle for a student to graduate. So, we haven't reached the maturity levels in these majors yet.

Divye Arora: Okay, thank you.

Operator: We'll take our next caller, your call is open. Please go ahead. Caller, please check your mute function.

Pandidurai Marimuthu: Hello?

Mayank Baxi: Yes.

Operator: Yes.

Pandidurai Marimuthu: Hello?

Mayank Baxi: Yes.

Pandidurai Marimuthu: Hi, Mr Mayank. This is Pandidurai from A'Sharqiya Investment Holding, Oman. I have a query regarding the total student capacity. You told it is around 13,500 to 14,000. First, can you give me a break-up of the total capacity between AUM and ACM?

And my second question would be you have reached – like for example, the 2018 fall semester, your total student enrolment reached 12,350, which is almost more than 90% of your total capacity. And from – if you see the last seven years, from CAGR of 25% in student enrolment growth, last year it had fallen down to 5%, which is understandable given that you're almost reaching your total capacity. So, is this a kind of growth or is this a number of student, the total student enrolment number we can safely assume for our projections for, say, next two to three years? Or will there be increase in student capacity as you keep adding new courses?

Mayank Baxi: Sure. See, as we told earlier, our – both the institution, AUM and ACM share the common campus infrastructure. So, in terms of the individual capacity, we will have a little flexibility there. So, there is no specific, right now, earmarking of separate capacities as such.

Coming to the CAGR that you have noticed in the past, you have to understand that in the past, as we were growing and the students' enrolment – the new student enrolment was also growing each year, the graduating batch was the one which we had enrolled five years prior. And therefore, that escalated growth was noticed there.

As we go forward, that narrows down because your intake and also the graduation which is happening now is coming from the scale at which the students had been increasing at that point of time.

Going forward, the capacity will be planned based on the student enrolments and the new majors and what we see as a total growth that will happen. But sure, it will not be the same CAGR because in the past years we were fresh. We had totally started the institution new. So, any student that you will enrol for the first five years will go on accumulating without any student leaving, except for some dropouts, going out of the system.

But now as you go forward, there will be always graduation and this graduation numbers keep growing, so naturally you saw last year a differential of 5% as a total.

Pandidurai Marimuthu: So, would there be – as a follow-up to my earlier question, would there be any increase in CAPEX as you add these new programmes, especially – let's say, if you add petroleum engineering next year, would there be increase in CAPEX as a percentage of revenue from the current low level of 1.9%?

Mayank Baxi: See, we will have to – we will – as we explained in the previous question, that we need for a 2,000 capacity almost KWD5.5 million kind of an investment which we can build in seven to eight months. So going forward, we will look at the enrolments, look at the growth in the numbers that we see and therefore, commit accordingly the cash CAPEX for that, which is not a difficult situation from the stage at which we are. Because your campus is ready with the other infrastructure. See, so far to build the opera, the library, the research centre, the sports centre, all this is done now. So, what you need is only the classroom and labs as an incremental, which is not a major issue.

Pandidurai Marimuthu: Thanks, Mr Mayank.

Operator: We'll take our next question. Caller, your line is open. Please go ahead.

Vrajesh Bhandari: Hello. This is Vrajesh from Al Mal Capital. Thank you Mr Baxi for the call. I dialled in a bit late so it's still possible that my question was answered earlier. Basically, nothing to do with operations but we understand that one of the shareholders, Al Imtiaz Group, continues to sell and has been very aggressive in the market and in fact, has pushed the stock price lower. Now, the management may not have a view on this but don't you think it's in the best interest of shareholders that the big shareholder make a block transaction with interested counterparties and institutional investors? And also, if you have any indication on what their target shareholding is?

Mayank Baxi: See, unfortunately, these questions you're addressing us as management, we do not have any answer to this, nor we cannot reach out to any investors, they are also as good as you as one of the investors or maybe the major portion of investments held by them. You cannot go and influence anybody. They are like you. You could have also gone and bought in the market in your interest if you had to protect the share. So, this is something which I cannot, as a management, guide you anything on that.

Vrajesh Bhandari: Okay. So, there is no communication between the big shareholders and the management on this particular situation as to what they are interested stake or what their target stake would be in the company?

Mayank Baxi: Certainly. The management is professionally managed, so we don't have that kind of discussions. And rightly so, we are not going to have such discussions with the investors or any other owners.

Vrajesh Bhandari: Okay, thank you. Fair enough. Thanks.

Operator: And we'll take our next question. Caller, your line is open. Please go ahead.

Umar Faruqi: Hi. This is Umar from Imtiaz again. I just wanted to touch on the student registered – number of registered students again. I mean, when do you think you will have to increase your capacity? As the previous – one of the previous callers said, that you have almost reached 90% of the capacity. So, when do you think this point will come when you will have to invest, like in 2020 - 2021? And secondly, I mean, there was a 5% growth last year. So, can we expect it to go down to 3% going forward? As you said, there'll be many graduations happening now.

And my second question is regarding Kuwait University, the new campus. I mean, how big is it? I mean, we hear varying figures from different sources. Some say 20,000 additional capacity. Some say around 40,000. So, I mean, what's your take on it?

Mayank Baxi: See, as far as the student is concerned and the capacity is concerned, we'll have to see the enrolments going forward. We'll get the figures clear by September and then we will be able to make an assessment of what kind of additional constructions, etc. we need. But as of now, I don't see – in this fall we are covered for it, so there is no other commitment made for the CAPEX as of now.



Coming to the Kuwait University campus, you are also very much in Kuwait and we also have the access to the same media or newspaper reports that come into this market. And it's a very, very difficult situation to get exact number on the capacity or what is happening there. So, we are also not fully aware. What we had also read in the newspaper earlier that this is going to be the consolidation of their scattered campuses into one, and wherein some of all the existing capacity is getting shifted to one campus under one umbrella. So, we'll have to wait and watch. There is no other authentic data that I have, which we can really share with anybody or we can have more discussions on that. Because we do not also have any specific details about it.

Umar Faruqi: But is it considered a big threat? I mean, I'm sure we see the same media but sometimes you can get, like, on-the-ground information, see the construction work and everything. So, I mean –

Mayank Baxi: See, I explained.

Umar Faruqi: You consider as it as a big threat or –?

Mayank Baxi: See, threat was there when we started also, right? When we started from a zero background without any academic background and Kuwait University was in existence with almost 30,000 to 40,000 enrolled students. So, from that stage if we have come to this level, I think we are better equipped to position ourselves on merits, on quality. And we have also now established ourselves with so many diversified majors, our graduates getting placed. Our campuses may be not and will not be of the size of the new campus of KU, but at least we have a fairly good comparable campus of an international standard. So, I guess, we'll have to compete as we go forward.

Umar Faruqi: Okay, thank you very much.

Operator: And there are no further questions at this time. I'll turn the call back over to today's presenters for any additional or closing remarks.

Mayank Baxi: Thank you everybody. It was pleasure to have you all on this call. I think we will end this call at this point of time. Thank you very much.

Operator: And this concludes today's call. Thank you for your participation. You may now disconnect.