

Date: 11<sup>th</sup> February 2020

التاريخ: 11 فبراير 2020

M/S . / Boursa Kuwait

المحترمين

السادة/ شركة بورصة الكويت

Greetings,

تحية طيبة وبعد،،

**Subject: Analyst/Investor Conference minutes for  
the Financial year ending 31/12/2019**

**الموضوع: محضر مؤتمر المحللين/المستثمرين للسنة المنتهية  
2019/12/31**

With reference to the aforementioned subject, and to our letter sent to you on 6 February 2020, please find enclosed the minutes of the analyst / investor conference for the Financial year ending 31/12/2019.

بالإشارة إلى الموضوع أعلاه، وإلى كتابنا المرسل لكم بتاريخ 6 فبراير 2020، نرفق لكم محضر مؤتمر المحللين/المستثمرين عن السنة المنتهية 2019/12/31.

Yours Sincerely,

وتفضلوا بقبول فائق الاحترام،،،

دلال حسن السبتي

رئيسة مجلس الإدارة

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

**Company:** EFG Hermes Securities Brokerage

**Conference Title:** Humansoft 4Q19/FY2019 results conference call (Edited Transcript)

**Date:** Thursday, 6<sup>th</sup> February 2020

**Conference Time:** 3pm (Kuwait time)

Operator: Good day and welcome to the Humansoft 4Q19/FY2019 Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. 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 Full Year 2019 Results Conference Call. I am pleased to be joined by Mr. Mayank Baxi, Chief Executive Officer of Humansoft; and Mr. Rachad Challah, Deputy CEO.

As usual, the call will begin with a discussion of the key highlights of the period, and this will be followed by a brief Q&A session. I will now hand the call over to Mr. Baxi. Thank you very much.

Mayank Baxi: Thank you. Hello everybody, welcome to the Humansoft Financial Year 2019 Results Conference Call. Thank you, team at EFG, for facilitating this call. I am Mayank Baxi, CEO of the Company, and I would like to run through the Financial Year 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 statements 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.

We at Humansoft are pleased to report another successful year. We delivered strong results in 2019 with net profit growing by 14%, and we made strides in building for the future with the new Board and new senior management appointments.

On financial performance, we have 6% growth in revenue at KD73 million for the year 2019, as against KD69 million for the year 2018. EBITDA has also grown by 13%, EBITDA of KD43 million as against KD38 million for the year 2018. A net profit of KD36 million is 14% higher, against KD32 million for the year 2018. Earnings per share is 295 fils. The Board of Directors have approved and recommended cash dividends of 200 fils per share and, along with it, a share dividend of 10%. This is subject to approval of shareholders and the regulatory procedures.

The senior management team was strengthened significantly in 2019. On the academic side, a new president for AUM was appointed, as well as a new president for ACM. At the Holding Company level, Mr Rachad Challah joined Humansoft as Deputy CEO. We have taken measures to strengthen the Investor Relations function at Humansoft, and a dedicated person is currently in place. We have attended five major investor conferences in Dubai and London during the course of 2019.

In terms of capital market performance, Humansoft was upgraded to Boursa Kuwait's Premier Market effective 10<sup>th</sup> February 2019. Market capitalization was KD366 million as at December 31<sup>st</sup>, 2019, which makes Humansoft the 12<sup>th</sup> largest company on Boursa Kuwait's Premier Market.

We are proud of our achievements on environmental and social fronts and would highlight a few key indicators.

Over 60% female students at the campus, and this was possible due to investments in health and safety measures within the campus.

Over 70 nationalities working within the Company and its subsidiaries, thus supporting the diversity of culture within the organization.

Over 700 trees planted on campus as part of a commitment towards the environment and good quality campus life.

We continue to focus on three core pillars; namely academic excellence, operating efficiency and shareholder value.

As for academic excellence, we are building new capabilities and developing new offerings to secure our long-term prospects. This includes widening the undergraduate offering by introducing new majors, proposing offering of new master's programs in Engineering, securing accreditations for the remaining programs and developing our academic research capabilities.

In 2019, a number of achievements were made in this regard; the appointment of a new president for AUM, and a new president for ACM; AUM introduced Civil Engineering in the fall of 2019; launching of 2+2 transfer program for the ACM graduates. There were ABET accreditations for AUM and ACM engineering programs. There was also ACBSP accreditation for the ACM's business program. Participating and winning in various competitions and events, AUM became the first institution in Kuwait and GCC to get full membership of the European Organization for Nuclear Research.

As for the operating efficiency, we are always trying to improve our operating performance. Our EBITDA margins have consistently been strong, and we aim to maintain high efficiency levels. In 2019, a number of achievements were made in this regard: EBITDA margin of 59%, net profit margin of 49% and return on average equity of 49%.

We continue to focus on shareholder value. We have grown dividend distribution and aim to deliver sustainable dividends going forward, whilst maintaining financial flexibility. The proposed 200 fils cash dividend per share represents an 8% increase over 2018. This is in addition to the proposed 10% bonus share. This is subject to shareholder and regulatory approval.

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

Operator: Thank you, sir. Ladies and gentlemen, if you would like to ask a question over the phone, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, please press star one at this time if you wish to ask a question. We will pause for a brief moment to allow everyone the opportunity to signal for questions.

As a reminder, ladies and gentlemen, please press star one on your telephone keypad if you wish to ask a question.

Omar Maher: Maybe while we're waiting for questions to cue up, if I can ask a couple of questions from our end. First of all, on the Civil Engineering major, can you just tell us how many students have enrolled in this one? And when do you expect to offer the other Engineering majors?

Mayank Baxi: Sure. Civil Engineering major just began this fall of 2019 and as expected initially in the first year, we enrolled around 80 new students. And I think this is in line with our expectations with new majors when they are introduced. The Architecture major will be offered from the fall of 2020, and as far as the Petroleum Engineering is concerned, we are still awaiting the regulatory clearance.

Omar Maher: Thank you. And how quickly do you expect the student numbers to ramp up for these new majors?

Mayank Baxi: Usually, with the past experience, whenever we have introduced new majors in Engineering, we have seen over two or three years the ramp-up reaches to around 300 to 350 students per major. So, we would expect something similar going forward.

Omar Maher: Thank you very much, Mr. Baxi.

Operator: We'll now take our first question over the phone from Belal Sabbah from Jadwa Investments. Please go ahead, your line is open.

Belal Sabbah: Yes. Hi, thank you for taking the call. Could you please explain what the 2+2 ACM to AUM transfer is, please?

Mayank Baxi: ACM is a two-year diploma program, and the students who join the two-year program sometimes may not have an opportunity to continue their studies after graduation. And we, being having an advantage of a diploma as well as the university degree offering, we have come up with a solution where a diploma graduate, if they meet a certain criteria and they are eligible, to then apply for the AUM undergrad program by way of transfer of credits. Thus, a student who initially, after high school graduate, may not have the ability to get into a university degree program for various reasons, can and may have an opportunity to get into the diploma program and then graduate as AUM degree holder as well, if he meets, or she meets, that criteria.

Belal Sabbah: Okay, that's very clear, thank you. And if you could maybe give us any comment on the new student enrollments that you saw in the fall semester. I think I'm looking at the presentation, I think I see the total number is flat. Does that mean that there was recently an increase in the number of student enrollments, given that there was, I think, a slight decline earlier in the year? Am I reading that correctly?

Mayank Baxi: The total enrollments are the result of the new students coming in and the graduating students going out of the system. What you have seen, yes, 12,385 is more or less in consistency and flat compared with last year. And the new enrollments for AUM were around 2,005 this year in the fall, whereas for ACM we had about, I would say, 644 new students. So, taking this together

and deducting from there the students who graduated, or students who would have dropped out, we are seeing a total of 12,385 students.

Belal Sabbah: Okay, thank you. And the last question for my part, please. I think previously there was a plan to add Nursing at AUM. Is that still on the table? Is that being discussed, or is that really something that's going to be like a long-term plan?

Mayank Baxi: At AUM, in their license, we have the Health Sciences majors included, and Nursing is part of that Health Science majors. Now, as we have told you earlier – that our focus currently was more towards developing the Engineering stream, where a lot of investments were already made. And we felt that it is better for us initially to strengthen the Engineering school, and therefore the majors in the Engineering school are, as priority, being addressed. We haven't abandoned the plan yet for the Nursing program but as of now, as we talk at this point of time, our focus will be more towards the Engineering majors, which are in pipeline, and the master's degree program.

Belal Sabbah: Okay, thank you so much.

Operator: Ladies and gentlemen, if you do find your question has been answered at any stage, you may remove yourself from the queue by pressing star two. We'll now take our next question from Zohaib Pervez from Al Rayan Investment. Please go ahead, your line is open.

Zohaib Pervez: Thank you, gentlemen, for the presentation. This is Zohaib Pervez from Al Rayan Investment in Qatar. I have got a question regarding the fee increase. Any development on that, Mayank? Do you – should they increase?

Mayank Baxi: We do not have any update as of now, we do not have anything further to share at this moment.

Zohaib Pervez: Okay. And could you elaborate a little bit on your international expansion plans?

Mayank Baxi: As of now, this focus on the local Kuwait Engineering school has been the main thrust area. The growth plans beyond Kuwait does not come as a pressure, as a priority at this point in time, because we have a lot to address within the Kuwait operations.

Zohaib Pervez: Okay. Could you elaborate? What do you mean by a lot has be addressed?

Mayank Baxi: See, there are two or three new majors under pipeline, which is the Architecture will happen next fall; we have applied for the Petroleum major; we have also applied for the master's program in all the Engineering streams. So, we are talking of several things to be addressed. Along with it, just new presidents have recently joined. So, we need to first look at our internal abilities to strengthen the AUM and ACM and ensure that this is long-term sustainable; and then definitely keep our eyes and ears open towards any opportunity outside of Kuwait. But we wouldn't like to just lose our focus on the existing assets. And then with the good cash flow, it should not be that we start to deploy it and do not contribute to the overall addition of Humansoft.

Zohaib Pervez: Okay. My last question is regarding your dividends, and you've increased the dividends and given a bonus dividend also – thank you so much. However, your payout ratio continues to decline; this is the third year that the payout ratio again declined. Now, for some – I mean, for an organization like yours where CAPEX is limited for the next couple of years, as you have mentioned, and stable cash flows, why are you declining, the payout ratio?

Mayank Baxi: See, for the cash dividend, we factor in our cash requirements on a month-to-month basis, taking into consideration the repayment obligations, the additional working capital requirements. And you have to understand and appreciate that our collection cycle takes almost four months or more, so we have to ensure that the cash is sufficient to cover those months where we will not have any collections coming in. And as a policy, we do not borrow to pay dividends. And at the same



time, we are looking at this shareholder value holistically, and we believe this year's mix of cash and share dividend will deliver a sustainable shareholder value. And as a company, we take a long-term and sustainable view. And the payout of 200 fils this year is again 8% increase over the actual cash paid out last year, which was 185 fils. So, in absolute terms, that is a net positive growth.

Zohaib Pervez: That's correct. However, if you see a payout ratio that comes – that has come down from 76% – 81% in 2016 to 68% currently, and with limited CAPEX, I would have assumed, you should be increasing this payout ratio; that – that would pay for that.

Mayank Baxi: See, you would have noticed that almost all our CAPEX was financed through long-term borrowings, and we are structurally financing in such a way that repayment obligations only start once the asset, where we have deployed this money, starts producing. So, what you are seeing now, the repayment cycle is coming up and we want to ensure that we have smooth cash flow operations continuously. And therefore, you see a little drop in the payout ratio.

Zohaib Pervez: All right, thank you. Thank you, Mayank, thank you.

Mayank Baxi: You're welcome.

Operator: We'll now take our next question from Fatema Al Dosari from SICO. Please go ahead, your line is open.

Fatema Al Dosari: Hi, this is Fatema Al Dosari from –

Mayank Baxi: I think, Operator, the line has gone.

Operator: Yes, sir, it does appear that line has gone. If that participant would like to re-press star one to reconnect.

We'll now take that question again. Please go ahead, caller. Your line is open.

Fatema Al Dosari: Hi, can you hear me?

Mayank Baxi: Yes.

Fatema Al Dosari: Hello

Mayank Baxi: Yes, sure. Go ahead, please.

Fatema Al Dosari: Hi, this is Fatema Al Dosari. My first question is regarding your 2+2 program. When was this introduced?

Mayank Baxi: See, on a pilot scale, we mentioned it about two years back; we started to get the students who are eligible to join into the university degree program. But, these are very strategic things that require a lot of work at both the ends, so it was always on a pilot scale being studied, being reviewed again. And at least this year by fall, we were able to make it more popular among the students by ensuring that almost all the credits get transferred.

Fatema Al Dosari: So, how many students got transfers into the AUM this year from ACM?

Mayank Baxi: I think roughly around 140 students transferred this year.

Fatema Al Dosari: And if they were on a scholarship in the ACM program, are they automatically entitled to the scholarship under AUM, or do they have to apply again?

Mayank Baxi: They do have to apply; it's not automatic. They need to follow process of scholarship program of the government, and they will have to follow that guideline.

Fatema Al Dosari: Okay. And you've also mentioned that you're applying for a masters in all of your Engineering courses at the moment. Does the government provide scholarships for masters in private schools?

Mayank Baxi: To the best of my knowledge, it has to be sponsored by the corporates where they start working, and, as of now, I think master's program are not the regular scholarships that we see.

Fatema Al Dosari: Okay. And in terms of your Nursing license – you mentioned that you have a Nursing license. If you decide to offer this program in the future, will you have to get regulatory approval, or your approval's already in place?

Mayank Baxi: There has to be – see, the license covers the Nursing program. As for the regulatory requirements, when we decide actually to launch, we need to get some clearances.

Fatema Al Dosari: Okay. And my last question is regarding your capital commitments for 2020 and 2021, if you can just give us the guidance.

Mayank Baxi: As mentioned earlier, we have done a major part of our CAPEX in the past years, and for the coming year 2020, we have not made much commitments on the capital expenditure for adding capacity. You will have maybe, sure, some maintenance CAPEX, which we usually tend to plan around 3% of the revenue, which will be there. As of now, there are no other major CAPEX plans.

Fatema Al Dosari: Okay, thank you.

Mayank Baxi: Thank you.

Operator: Our next question comes from Taher Safieddine from Citi. Please go ahead, your line is open.

Taher Safieddine: Good afternoon, gentlemen, it's Taher from Citi. A couple of questions from my end, Mr. Baxi. First, looking at the quarterly numbers, I mean, it's very clear that the growth momentum is slowing down, especially if you look at it on the top line. Q4 19 was up 3% year over the year, and that's almost a record low in terms of growth. I just want to get your thoughts. Enrollments have been on a downward trend for two years, and graduates are growing. So, I mean, assuming – looking at Q4 numbers, should we expect this to continue into the next two or three quarters up until maybe the new academic year opens up, and potentially new majors come through? So, that's my first question, if you can give us some color.

And second, on the cost efficiencies, you've done a great job in terms of cost efficiencies. Is there more room to cut costs and potentially improve margins, or should we look at the 2019 EBITDA margins as more of the new norm for FY20 – of course, assuming no tuition price increase. That's my second question.

And the third question, if I just look – I mean, something technical – on your interest income, I mean, given your cash balance and the term deposits which you've mentioned and interest rate of 3.5%, the number – the cash you're getting on the interest to income seems to be low. Is there any explanation? Am I missing anything?

And finally, Kuwait University, is there anything for you to add on that, assuming that the university seems to be more or less almost 100% construction complete as per their website, and it looks like new majors or the new campus will come through. If you can give us some color on that, it should be very helpful. Thank you.

Mayank Baxi: Sure. Coming to your first part, see, 3% revenue growth in quarter four, this is the result of the total enrolled students, which were – is 12,385. And that growth is mainly coming out of the mix between the foundation year students and the undergrad degree program students.

And you're right, our business is very, I would say, transparent in that sense. Once you have enrolled these students in the fall, they have to be there until the next year, and in between, there will be some graduations. And thereafter, only in the next year, 2020 fall, you will have new enrollments coming in, in a big way. So, as of now, it would be – I would say, the trend will continue.

As far as the second question, you mentioned about the cost efficiencies. As we mentioned earlier, there are two parts – two components of the costs in our business. One is the variable component which is the faculty costs, and the faculty costs tend to depend on the phase in which the new majors that we introduce are getting into. We have a couple of majors from the past getting into stability, and therefore getting into a more efficient utilization of faculty. But as we go forward and introduce new majors, some inefficiencies in the utilization will be there, because the students will not have the full capacity to justify a complete efficiency, which is the norm until the time all the majors get into the final stability period

And the second component is the non-variable, which is fixed, and semi-variable costs. You have seen good efficiency improvements on that, and we will continue to look at areas where we can still strengthen and improve efficiencies. But, for sure, the kind of improvements that you have seen in the last couple of years, it cannot be said that will continue in the same momentum. Also, one of the facts you have to understand, that we believe in qualitative growth and a long-term sustainable growth. And for that reason, if any required investments are there, be it classified as revenue expenditure in the short-term, but which will add value over a period of time, I think as management we should not hesitate. Therefore, I would not give you an indication that the margins can keep on improving from where we are right now.

Third question you are mentioning about is the interest income. You have to understand that the fixed deposit that you are seeing in the balance sheet is not held for the entire year; we try to place it as and when we have surplus cash and try to at least earn out of that. Because, as I mentioned to you, that cash that you see in the quarterly financials are not the cash that are always the surplus cash that will continue throughout the period. We have to finance our working capital on a monthly basis out of those cash. So, it's not that these cash fixed deposits are for the whole year, and therefore you don't see the correct calculation there. But we try to maximize, and we try to see that we earn interest on those surplus funds.

And as far as Kuwait University is concerned, no, whatever information, it's available in public domain. We understand that this year about five colleges have been transferred from the old campus to the new campus, and they have been operated from the new Kuwait University campus. But as far as the construction, etc., is concerned, I think they still may have room to complete their entire infrastructure. For sure, the medical school is not yet started, and the remaining schools, eventually, they will migrate, they will move; that's what is being understood in the market. And this year, they started September fall semester for these five or six colleges from the new premises, and we haven't seen any major impact of that on our registrations.

Taher Safieddine: Okay, perfect, thank you. Just a follow-up on this one. I mean, just looking at the KPIs in general, from what we have from the government or the statistical bulletins, it doesn't look like the high school numbers are growing at the rates you've been talking about, which is somewhere closer to the 5%, 6%. And I mean, is this – does this have to do with the weak enrollment growth trends that were actually negative for you in the last two years? Is there a weakness in general in the number of high school graduates? I mean, given you operate in this business, if you can just give us some insight on that, that would be helpful.

And the second follow-up question, in terms of capacity, I mean, your current campus is at 14,000 students. Is it fair to assume that you want to launch the new majors – Engineering majors within the existing campus before exploring any growth CAPEX, potentially?

Mayank Baxi: Yes. Since we have enough room to absorb these students, right now we should not commit any CAPEX until the time we are required to, because it will just idle and it will just – as I say, the buildings will be sitting idle. So, we shouldn't be doing that, and we have capacity and capability to build up any buildings that are required for such classrooms in a short duration of time. So, I don't see – therefore, we have not committed any CAPEX this year.

And as far as the KPI that you mentioned, see, the students' growth – high school graduates – is a function of two things: these statistics do not capture all the private schools, as well the international schools. And the plan here is also that you'll see good registrations and growth happening in the international schools as well. So, a complete picture of the students graduating from high school may not be very easily available from these publications. But you are right, the number is ranging around 3% to 4%. The past ten-year plan would have shown a little higher number; that's what we used to tell before. And going forward, if this trend continues, it's fine but our emphasis will be always to balance between the quantitative and qualitative growth.

Sure, numbers are important, and numbers do matter so don't get me wrong. But just focusing on the numbers and not allowing our focus or diluting our focus from the qualitative aspects is, in the long-term, not a sustainable model. And, therefore, our always – the approach is to maintain a good balance in the qualitative aspects as well.

And therefore, you have seen, even with this little drop in the new enrollment number for – compared with last year, the students that have come to us are all students who would otherwise have got admission to KU, or would have gone for foreign scholarships. And still, they chose AUM

as first choice. So, this is something which is of value and long-term sustainability, and we will maintain and continue with that kind of focus.

Taher Safieddine: Okay, all right. That's very clear, thank you.

Operator: Our next question comes from Ankur Agarwal from HSBC. Please go ahead, your line is open.

Ankur Agarwal: Good evening everybody, I'm Ankur Agarwal from HSBC. Two questions. So, my first question is on the appointment of two presidents from ACM and AUM. What's the rationale for that? How does it optimize, for example, something like acceptance rate, which you suggested is around – something between 40% to 45%? Is there room to increase that? I mean, obviously it's an optimization between quality of students and earnings growth or enrollment growth, so how does that – those appointments affect this aspect? So, that's my first question.

My second question is more of a confirmation, and you were talking about it. Is the current margin sustainable, or there's room for improvement from current level? Thank you.

Mayank Baxi: Yes. See, appointment of presidents for AUM and ACM is mainly to ensure a dedicated focus and allow both to grow independently, and that has not much bearing on what you were trying to connect. This is – basically, the idea here is that ACM also has a good potential, and we need to ensure a full-time focus there, and therefore a separate president for ACM.

And coming to the margins part, as we said in the previous – I replied in the earlier question also that we have two parts: the variable part and the fixed part. Going forward, in summation, the margins, there is a little room for improvement, but at the same time we will be spending to upgrade the qualitative areas wherever required. So, I would say that we should not expect too much



improvement for them, but they will oscillate around this time maybe a couple of points down or up, but more or less in that range only.

Ankur Agarwal: All right. I think this question was asked as well. Just on the payout ratio, what is the hesitation in leveraging up in a low interest rate environment? I mean, have you stated the seasonal working capital requirement to increase the payout ratio, for example, right? So, I think the dividend in absolute terms went up, but I think given the kind of balance sheet you have right now, acknowledge the seasonal uptick in working capital, what is the hesitation in increasing the payout ratio over time?

Mayank Baxi: See, you have been analyzing in the region; there has been a tendency of many companies to borrow and pay dividends, and we don't come from that school of thought. We want to ensure a long-term sustainable dividend, and we believe that that is more important than just getting one-off increases, and then not be able to sustain it on a regular basis.

So, it is a balance between ensuring a healthy cash flows and a healthy cash position. And at the same time, it is still growing in terms of the KD. So, I would say it's basically a mix of these two aspects. Holistically, if you look at it, still the shareholder value is growing, because we also offer a 10% bonus share.

Ankur Agarwal: Okay. Final question, what do you think the old campus of Kuwait University is likely to be used for? Has it been completely vacated? And, I mean, is it a possibility of that land being granted to another private university?

Mayank Baxi: No, unfortunately, I am not in a position to talk much about the land or the premises, which is owned by Ministry of Education. What we hear right now, in the newspaper or other places, is that they wanted to migrate the colleges into one bigger campus, and this is what they have done. And now, the future plan with that premises, we do not have much idea.

But one thing was also there, that these – some of the colleges are in the very thick residential areas. And I think one of the reasons could be that they wanted to decongest those areas, and therefore they would have thought about it. I have no idea whether they plan to give this to other private colleges, but nothing of this kind has been coming to our notice.

Ankur Agarwal: Thank you, Mayank, very much appreciated. Thank you very much; thank you, sir.

Mayank Baxi: Okay, thank you.

Operator: Our next question comes from Divye Arora from Daman Investments. Please go ahead, your line is open.

Divye Arora: Hi, so I'm just going back into the dividend question again, so a couple of times it has been asked about. Even if you don't go into the payout –

Operator: It does seem we also have lost this line. If Divye would like to press star one again please, to come back into the queue.

Divye Arora: Hello?

Operator: Please go ahead, Divye, your line is now open.

Divye Arora: Yeah, hi. So, just going back into the dividend question again, if you look at it not from the payout perspective, just from the angle of the cash available to be paid out. So, your EBITDA is around KD43 million for the nine – for the full year. And then, if it's – so take out the CAPEX, the interest expense, you probably have around KD40 million available to be paid, plus the debt payment that you have to do. I think the short-term debt is around KD8 million, and next year it's

around KD6 million. And after that there is nothing much; it's around KD2 million – KD3 million in 2022. So, you still have a lot of scope of a level to grow your dividends on an absolute basis. You paid around KD24 million this year; you can easily take it up to KD28 million to KD38 million. So, what is stopping you from doing that?

Mayank Baxi: You see the quarterly financials, we have to look at on a monthly basis, and whatever you said, we have to also understand that our collections come after four months or so. So, four months you have to sustain your expenses, you have to sustain your repayment obligations and any CAPEX that comes in. So, all these when you factor in, KD24 million itself is a good number that we could sustain. It's not that we don't want to do, or we are hesitant for any other reason, but we want to be prudent in managing our cash flows, and therefore we came up with this recommendation.

Divye Arora: So, this is four months of collection cycle; this is because the scholarship payment from the government takes four months, basically.

Mayank Baxi: Yes, four months, and it can stretch. Also, see, you have to understand, there are Ramadan months, there are summer months and things can get delayed also. You know? So, we have to be wise and manage the cash flow accordingly, and therefore this is the maximum that we felt is sustainable.

Divye Arora: Okay, all right. Thank you.

Mayank Baxi: Thank you.

Operator: We'll now take our next question from Khaled Alnuwihed from Public Institution for Social Security. Please go ahead, your line is open.

Khaled Alnuwihed: Hi, good evening, everyone. I have a question regarding – do you hear me?

Mayank Baxi: Yes.

Khaled Alnuwihed: Yeah, regarding the land in Sharq. What is the plan of this land?

Mayank Baxi: Yeah. Okay, this land in Sharq was originally bought when we were doing the training business; it was for building a training center there. And thereafter, we moved into higher education, and this is operated out of Egaila – the campus is in Egaila and a much bigger campus. So, as of now, there is no other plan as such laid out, and that land was mortgaged for getting the long-term loans from the Company for the construction.

Going forward, we will study the various options and then take an appropriate decision, but as of now we haven't much thought of it. This is KD5.2 million or so in our books.

Khaled Alnuwihed: Okay, thank you.

Operator: We will now take our next question from Deepak Babu from BNH. Please go ahead, your line is open.

Deepak Babu: Hi, Mr. Baxi, this is Deepak from Bahrain National Holding Company; I just had a couple of queries. One is regarding what is the current teaching faculty number at the university, and how do you see this evolving in the next 12 to 24 months?

And my second question is regarding the statutory reserve. So, the statutory reserve was already at 50% of the share capital as required under regulations as on September 2019. However, there was a transfer of 10% of your pre-tax profits for 2019, or around KD3.8 million in this quarter. So,

I just want to know what is the reason for this, because even assuming the recommended 10% bonus issue, the additional transfer should have amounted to just around KD600,000, isn't it?

Mayank Baxi: Yes, the current total faculty at the beginning of fall was something around 550 teaching faculty between AUM and ACM as a total. And that translates into a ratio of 23s to 1. There is a little room for improving that going forward. But still, as I mentioned that as we introduce new majors, there can be little phases of efficiencies and inefficiencies, so we do not immediately expect a big improvement all of a sudden.

Number two, you mentioned about the statutory reserve. See, on a plain reading, what you say is right, but the Kuwait commercial law says that you should continue providing 10% until the time your reserve exceeds 50% of the capital. And in our case last year, we thought that by just providing a part of it – KD1,000 – we would have crossed it, so there is no need. But the Commerce Ministry had made an observation on that, that no, that is not the interpretation of the law; you should have continued, and you should continue and then stop. So, therefore, we had to provide for the 10% this year.

Deepak Babu: Okay, that's great. Thank you so much, Mr. Baxi.

Mayank Baxi: Thank you.

Operator: Just as a reminder, ladies and gentlemen, if you would like to ask a question please press star one. We'll now take our next question from Belal Sabbah from Jadwa Investments. Please go ahead, your line is open.

Belal Sabbah: Yes, hi. Thank you, my questions have been answered.

Operator: Thank you. Mr. Baxi, there are no further questions in the queue at this time. I'll hand the call back over to yourself for any additional or closing remarks.

Mayank Baxi: Thank you everybody, and I think we can end the call now.

Operator: Thank you. Ladies and gentlemen, this concludes today's call. Thank you for your participation, you may now disconnect.