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PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the first quarter 2012 Genpact Limited earnings conference call. At this time all participants are in a listen only mode. We will be facilitating a question and answer session. (Operator Instructions). I would now like to turn the presentation over to your host for today's call, Mr. Shishir Verma, head of Investor Relations. Please proceed.

Shishir Verma - *Genpact Limited - VP of IR*

Thank you. Welcome, everyone, to Genpact's earnings call to discuss the results for the first quarter ended March 31, 2012. With me I have Tiger Tyagarajan, our President and Chief Executive Officer, and Mohit Bhatia, our Chief Financial Officer.

Our agenda for today is as follows - Tiger will begin with an overview of our results in relation to our long-term strategy, with a perspective on the current environment, followed by Mohit, who will discuss our financial performance in greater detail, and then Tiger will have some closing comments. Finally, Tiger and Mohit will be available to take your questions. We expect the call to last about an hour.

Please note that some of the matters we will discuss today are forward-looking. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause the actual results to differ materially from those in such forward-looking statements. Such risks and uncertainties include, but are not limited, to general economic conditions and those factors set forth in our press release and discussed under the Risk Factors section of our Annual Report on Form 10-K and other SEC filings. Genpact assumes no obligation to update the information presented on this conference call.

In our call today we will refer to certain non-GAAP financial measures which we believe provide additional information for investors and better reflect the way Management views the operating performance of the business. You can find a reconciliation of these measures to GAAP, as well as related information in our news release on the investor relations section of our website, genpact.com. Please also refer to the investor fact sheet on the front page of the IR section of our website for further details on our quarter results.

With that, let me turn the call over to Tiger.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Thanks, Shishir. Good morning, good afternoon and good evening everyone and thank you for joining us on our call today.

Genpact had a great first quarter with more than 30% growth in both revenues and adjusted operating income. The market environment overall is stable, with increasing interest in long-term transformative Business Process Management engagements. We are seeing continued strong demand for our Smart Decision Services offerings and accelerating demand for IT services. We established 25 new client relationships this quarter, up from 16 in Q1 of 2011. These results were in line with our expectations and a great start to the year.

We have evolved our growth strategy over time and I want to talk about our results in the context of the key elements of this strategy. With consistent implementation and investment, we are winning client engagements and creating a clearly differentiated business model that will help drive sustainable growth beyond 2012. The five key elements of this growth strategy are -

Guide to global enterprises to best-in-class through our proprietary Smart Enterprise Processes framework that delivers improved outcomes for them;

Invest in and build targeted vertical industry and horizontal domain expertise;

Combine data analytics and process expertise to create meaningful insights;

Expand geographically in terms of both markets and delivery capabilities; and

Finally, add new capabilities through acquisitions.

I will now discuss these elements and give examples of how they work for us this quarter.

1. Guiding the enterprise to best-in-class through our propriety SEP framework. As clients get focused on adjusting their business and operations to the "new normal", they tell us that they are looking for partners who can help them with a number of challenges, including migrating their businesses to a more valuable cost structure; taking innovative solutions to help them balance the challenges of lower growth in developed economies, and capturing higher growth in emerging markets; and driving a comprehensive agenda of the transformation to achieve all of this. In each of these cases, the key differentiator is delivering better outcomes and effectiveness, not just in the services we manage for the client but across the client's entire delivery footprint.

All this leads to deeper client relationships over time and a much bigger impact for them.

As an example, in the first quarter we established a new client relationship with a large global pharma major based on our demonstrated expertise and differentiated approach in improving effectiveness and delivering outcomes. We used SEP to build a road map to take them on a journey to best-in-class, including assessing the health of their finance and procurement processes globally, and building an operating platform to support future rapid growth. Based on our extensive knowledge of the pharma industry, and process expertise, during the assessment phase we were able to significantly expand the engagement into running the full range of finance and procurement processes.

2. A second key element of our growth strategy is to invest in and build targeted vertical industry and domain expertise.

Clients value insights and experience in their specific industries and their competitive environment and an intimate knowledge of their business models, and deep domain expertise in the context of their industries, for example, in Finance & Accounting or Risk Management. We have identified key growth verticals, CPG, Retail, Pharma, Healthcare, Manufacturing, Capital Markets, Insurance, Banking and Financial Services. Within this vertical industry structure we are investing and expanding our "front-end" business development and relationship management teams with experienced professionals who have deep domain expertise in our targeted verticals to improve client intimacy and increase mining and cross sell opportunities. While it is still "early days" in this investment phase, we are already beginning to see the impact.

As an example this quarter, we established a new client relationship based on our focus on Healthcare and domain expertise in revenue cycle management. The goal is to help the client drive efficiency and effectiveness through reduced leakage in their reimbursement operations, which is integral to their revenue model. We won the engagement because of our end-to-end view of their entire reimbursement process, and our suite of customizable and integrated applications within a technology framework that is fully compliant with new regulatory requirements of HIPAA 5010 and ICD-10. We will provide the solution as a business process as a service, which will avoid the large capital expenditure required to implement a totally new ERP system for reimbursement. 3. Another vital element of our growth strategy is to combine data analytics and process expertise to create meaningful insights for our clients.

Technology advances and proliferation, including social media and cloud computing, have enabled clients to easily collect, store, and access large volumes of data about their customers, end-users, operations, competitors and suppliers. This explosion in so-called "big data" has produced greater demand for insights. Smart Decision Services combines insights drawn from data with our in-depth understanding of business processes and outcomes in areas such as sales and marketing effectiveness, risk management and reporting, and supply-chain effectiveness. The intelligence we provide is exactly what clients are looking for today, as they face an environment where they must drive topline growth and profitability without adding cost.

As an example, for a large telecom services provider we won a contract to increase the capacity and customer satisfaction of their front-end sales and customer service organization without adding headcount. Leveraging our Smart Decision Services capabilities, we implemented sophisticated analytics to identify underlying drivers of inbound call volume. Based on this, we reconfigured their operations and IVR technology using visualization methods to optimize call routing, and implemented technology solutions which utilize alternate channels of customer communication such as Web and SMS. We also redesigned their reporting processes and dashboards to provide more accurate and timely insight into their operations. Our engagement has already led to a 6% increase in capacity and is headed towards a 20%+ increase in the next 12 to 18 months.

4. The fourth element of our growth strategy is to expand geographically in both our markets and delivery capabilities.

We continue to invest in adding new markets for growth, such as Latin America, the Middle East, and South Africa. We are also adding to our delivery and domain-led capabilities across geographies. For example, as clients look for a mix of onshore and offshore services, we are investing in domain-led onshore delivery centers to build expertise in specific industries, and add complex high-end work that requires client collaboration. We recently opened a new delivery center in Richardson, Texas, where Genpact will provide technology services, business analytics and mortgage underwriting for a growing number of US-based clients, thereby establishing a new hub for these high-end capabilities.

5. The fifth key element of our growth strategy is to add capabilities through acquisitions.

We will continue to expand our targeted vertical industry domain and geographic capabilities through acquisitions that meet our disciplined criteria for strategic, operating, cultural and financial fit. We are excited about the acquisition of Accounting Plaza in Europe, which closed on April 25th . This business provides a huge runway for growth by adding retail industry focused capabilities in finance and accounting, IT and HR, along with a $40 billion-a-year global retailer to our client base. The global retail industry is just beginning to undergo business transformation and these capabilities, combined with our current portfolio of services, will help drive our growth with other clients in Europe and globally. The acquisition also benefits our geographic expansion strategy by adding Dutch language capabilities.

Other recent examples of adding capabilities through acquisitions include - enhancing Genpact's mortgage domain expertise with a technology platform that has improved processing efficiency and created a mortgage business process as a service offering; another example is adding a new cloud-based order to cash platform which has been leveraged for SaaS and BPaaS solutions; and lastly, expanding our analytics business into social media monitoring and measurement.

Our results in the first quarter demonstrate that these key 5 elements of our growth strategy are resonating with the marketplace. We believe that these are extremely well-aligned with the needs of enterprises today.

The market environment for our business appears to be broadly stable. While the overall global GDP growth forecast had been lowered, our clients continue to see a slow recovery path in the US, continuing strength in emerging markets, and country-specific challenges in Europe. In capital markets, we are seeing a clear reining in of discretionary spend. While these trends continue to give us some reason for caution, they are leading corporations in a range of industries across the globe to embark on driving transformative agendas, which will allow their organizations to build flexibility and adapt to the environment. This means selecting partners who demonstrate thought leadership and execution around transformation, deep understanding of their specific industries, and who can provide insights and technology to make better decisions while creating and taking them on a journey to best-in-class -- all of this in the context of broad global delivery capabilities.

With this as a backdrop, our pipeline remains healthy, as we're beginning to see some early results from the investments we have been making in the front end. Client decision cycle bands remain stable, and deal sizes have been steady. From an industry perspective, demand is broad-based from CPG, life sciences, health care, banking and financial services, where we are beginning to see some new infusion from US retail banking clients. In capital markets we are seeing clients focused less on discretionary projects, but engaging in discussions around long-term partnerships that will help them permanently reduce their cost structure as that industry goes through a secular change. We see demand from all geographies, including the US, and across all major service lines, particularly finance and accounting, core banking and insurance operations, Smart Decision Services and IT.

With that let me turn the call over to Mohit.

Mohit Bhatia - *Genpact Limited - CFO*

Thank you, Tiger, and good morning everyone. Today I will review our first-quarter performance, followed by a summary of key highlights on the balance sheet and statement of cash flow.

We closed the first quarter of 2012 with net revenues of $435.5 million, an increase of 31.7% year-over-year and 13.4% excluding Headstrong, which we acquired in May of 2011.

Business Process Management revenue increased 15% driven by strong Global Client BPM growth of 20%, within which Smart Decision Services grew 61%. In addition, our IT business continues to gain momentum, growing 18% this quarter excluding Headstrong, and 148% on a reported basis. Within this category our Global Client IT business grew 33% and the GE IT business grew 6%.

Global Clients continued to be our growth engine. Global Client revenue increased 46.6% in the first quarter 18.9% excluding Headstrong and represented 73% of Genpact's total revenue. Growth was driven by strong demand for nearly all major service lines and industries including SDS, banking and insurance operations, IT, and F&A, and all industry verticals. We also saw double-digit growth across all major geographies including the US, but particularly strong growth in Asia Pacific and Europe.

Revenue from GE in the first quarter totaled $116 million, up 3% year-over-year driven by growth from Smart Decision Services and IT. In the first quarter, revenue from GE represented 27% of our overall revenues. Our expectation for the full year is that GE revenue growth will be flat to low single digits. You will have noticed a slight change in how our financial statements are presented, where revenues from GE are no longer shown to be from a related party. This is simply due to US GAAP accounting standards on stock ownership and how revenue is characterized. Our relationship with GE is strong and is reflected in our results.

Annualized revenue per employee for the first quarter of 2012 was $32,200, up from $30,700 in 2011, reflecting our growing onshore presence and higher value offerings in Smart Decision Services and IT.

Adjusted income from operations totaled $70.8 million in the first quarter of 2012, an increase of $19.5 million or 38% from the prior-year quarter. This represents a margin of 16.3%, up from 15.5% in the first quarter of 2011, with the margin improvement driven by higher revenues and gross profit margins.

Our gross profit for the first quarter totaled $170 million, representing a margin of 39%, up from 35.1% last year due to better supervision spans, higher-margin contribution from Smart Decision Services and favorable foreign exchange that offset the impact of wage inflation and the impact of new contract ramps. We do not expect favorable foreign exchange to continue at these levels and intend to step up investments in resources and capabilities through the year to drive future growth.

SG&A expenses totaled $105 million in the first quarter of 2012, representing 24.1% of revenues compared to $67.4 million or 20.4% in the first quarter of 2011. This increase was driven by investments in front-end sales and relationship management, higher stock comp expenses, marketing and branding, new product development and other investments in resources and capabilities for growth, partly offset by savings in support functions.

Our sales and marketing expenditure as a percentage of revenue was approximately 5% in the first quarter, up from 4% in the same quarter last year as we continue to ramp up investment in our front-end teams.

Our tax expense for the first quarter was $16.4 million, up from $13.1 million in 2011, representing an effective tax rate of 29.8% compared to 26.6% in 2011. As mentioned in our previous calls, the year-over-year increase in the tax rate was primarily due to the complete sunset of the STPI tax holiday in India, the higher tax rate for Headstrong, and certain period items.

In 2012 we continue to expect our effective tax rate to be in the 27% to 29% range that I had indicated on our previous calls.

Net income was $38.5 million or $0.17 per diluted share in the first quarter of 2012, up from $36.1 million or $0.16 per diluted share in the first quarter of 2011. The increase in net income was primarily due to higher operating income that was offset by an anticipated loss on foreign exchange re-measurement below the income from operations line, higher stock comp expenses, our net interest expense, deal amortization expense and higher taxes.

In the first quarter of 2012 we recorded a $3.7 million in foreign exchange re-measurement loss compared to $1.6 million gain in the first quarter of 2011, primarily driven by the appreciation of the INR versus the USD from Q4 2011 to Q1 2012. Normalizing for this would have added another $0.016 to our EPS this quarter. We also recorded net interest expense of $0.4 million in the first quarter of 2012 compared to a $2.9 million of interest income in the first quarter of 2011, primarily reflecting the long-term debt taken on in May 2011. We expect net interest expense to increase through the remainder of 2012, reflecting the movement of funds out of high-interest jurisdictions to the US and the full year impact of interest expense from our acquisition financing.

As of March 31, 2012, Genpact had approximately 56,500 employees worldwide, up from approximately 45,500 at the end of the first quarter of 2011. Our attrition rate was at 23% in the first quarter, down from 29% in the first quarter of 2011. Genpact has had some of the lowest attrition rates in the industry for some time, and our people investment through 2012 will continue to drive employee engagement and retention.

I will now turn to our balance sheet. At the end of the first quarter of 2012, our cash and liquid assets totaled approximately $412 million, up from $408 million at the end of last year. This balance is after utilizing $22 million for capital expenditures and after factoring in an increase of approximately $21 million for translation of local currency cash balances and receivables into USD.

Our days sales outstanding stood at 92 days compared to 84 days in the same quarter last year, and 82 days in the fourth quarter of 2011. During the quarter and as part of an exercise to gain a six-year contract renewal, one of our clients agreed to a substantial upfront payment for certain investments to be made, including upgrading facilities, infrastructure and technology used to service that client's processes. The increase in DSOs for the quarter primarily reflects that receivable. We have since received this payment, which will be reflected in our Q2 cash flow results. We expect our DSOs to normalize in the second quarter and we expect to close the year at levels similar to 2011.

Cash from operations in the first quarter of 2012 was $5 million compared to $21 million in the prior-year first quarter. The lower level in this year's first quarter resulted from investment in working capital due to higher revenues and receivables, employee bonuses, security deposit for our new sites, and cash taxes.

As we discussed in our fourth quarter conference call, after adjusting for certain 2011 one-timers and other specific events that totaled $50-58 million, in 2012 we continue to expect our cash flow to grow in line with revenue.

Capital expenditures as a percentage of revenue have accelerated in 2012 as planned, and represented 3.8% of revenue in the first quarter of 2012. This was mostly invested in creating additional capacity for growth in our SEZ location in Gurgaon, India, and also in the Philippines and Europe. We continue to expect to close the year with CapEx representing approximately 4-5% of revenue.

In conclusion, we had another great quarter in terms of growth and profitability. With that I hand it over to Tiger for his closing comments.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Thank you, Mohit. In closing, our first-quarter results were a great start to the year. As we look ahead, clients continue to face some volatility and uncertainty which will require them to begin their transformational journeys. We are well-positioned to meet this demand, especially through continued implementation of our growth strategies and our targeted investments.

Turning to our guidance, we continue to expect Genpact full-year revenues of $1.84-$1.88 billion, before the addition of at least $24 million from the Accounting Plaza acquisition. As a result, our current outlook for the year is revenues of $1.86-$1.90 billion, and adjusted operating income margin of 16%-16.5%.

Lastly, we were considering an investor and analyst day towards the end of this month, but due to key client commitments during that timeframe, we are now expecting to have our investor and analyst day in the fall. We will provide more details as we get closer.

Thank you.

Shishir Verma - *Genpact Limited - VP of IR*

Thank you, Tiger. Erica, could you please open the floor for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Joe Foresi, Janney Montgomery Scott.

Jeff Rossetti - *Janney Montgomery Scott - Analyst*

Hello, this is Jeff Rossetti calling on behalf of Joe. Thanks for taking my question. I was just wondering, Mohit, would it be possible to find out exactly what was the organic growth for BPO excluding EmPower, and also the growth rate for Smart Decision Services excluding EmPower?

Mohit Bhatia - *Genpact Limited - CFO*

So the EmPower acquisition was actually very, very small. In our own measurements, we don't even measure that separately.

Our organic growth for the first quarter was 13.4%. I suspect if I would remove EmPower it would be like 13.3%. It was very marginal and nonmaterial to our numbers.

Jeff Rossetti - *Janney Montgomery Scott - Analyst*

Okay, and could you maybe also talk about the -- how Headstrong is progressing with the -- I know there is -- Tiger had mentioned the challenging market with related -- in investment banking; just try to see how that business is performing.

Mohit Bhatia - *Genpact Limited - CFO*

Sure, the first-quarter results of Headstrong are very satisfactory, given the fact that one of their clients had filed for bankruptcy towards the end of last year. The fact that Headstrong in first quarter came in flat compared to last year despite losing their client is something that was very satisfactory.

I think like Tiger alluded to the fact, the uncertainty remains in capital markets. There is pressure on discretionary spend from a lot of the investment banks. While that is a risk, the opportunity, really, is that these financial institutions and banks are also looking for partners who can help them try and variabalize their cost base and to help them with more transformative end-to-end improvements that would make them more effective.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Yes, a couple of other points that I would add to what Mohit said.

Clearly, discretionary spend is what is coming under scrutiny. At the same time, the intensity of dialogue around larger transformative engagements has gone up. And with our process expertise and our reengineering capabilities, I think we are very well-positioned to have those dialogues. We continue to win a large number of analytics and Smart Decision Services cross-sell engagements.

And the last point I would make is the addition of that leadership team to the Company has really helped us drive technology -- our technology business, our IT business -- in a forward direction, and which is why we're beginning to see growth in that business after many years of not more than probably single-digit growth.

Jeff Rossetti - *Janney Montgomery Scott - Analyst*

Okay, thank you. And if I could just squeeze one more last question. Mohit, I know you mentioned about the receivable. Could you maybe give a little bit more color about how the payments might progress with that particular client? I know you mentioned that there was an upfront investment made. Thank you.

Mohit Bhatia - *Genpact Limited - CFO*

Sure. So, like I said, as part of the commercial terms with the large client, they agreed to pay us a pretty substantial upfront payment which will be used, amongst other things, to improve and upgrade and refresh the infrastructure and technology used to serve their clients' processes. That clearly changed the DSOs, because that came in as a receivable, but the cash came in only a few days later in the second quarter. And that impacted our DSOs by over 7 days.

If I were to exclude this one client which caused a swing in the DSOs, the rest of the Company's DSOs worsened only by about a day, or about 1.4 days. I think if we look at the business as usual, of increasing DSOs of just 1 to 1.5 days, it is really a Quarter 1 thing. It is about timing.

There is lots of new contracts that came in in the fourth quarter of last year, and it is normal, while we iron out the billing complexities et cetera, for these new logos, a lot of these are timing issues which will get normalized in the second quarter, which is why we're confident as a Company that our DSOs should be back in control at the same levels of 2011 over the balance part of the year.

Just for ample clarity, the one big receivable for this client that I alluded to has already been received in cash, so it will reflect in our Quarter 2. They are getting normalized as well as our cash flows being up.

Jeff Rossetti - *Janney Montgomery Scott - Analyst*

Thanks, nice quarter.

Operator

Tien-Tsin Huang, JPMorgan.

Tien-Tsin Huang - *JPMorgan - Analyst*

Thanks so much. Good results. Just wanted to ask on the margin side, it sounds like it implies down to flat margins after a good start to the year. So what -- how will the year progress? Is it really more just ramping up some costs as new clients come in? Just wanted to get a little bit more color there.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Let me just take that and then I'm going to ask Mohit to jump in. We actually have not been able to drive as much investment as we thought we would in the first quarter.

Tien-Tsin Huang - *JPMorgan - Analyst*

Right.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

As we have been saying, a lot of the investments are in the front end. These are domain expertise people being brought in. It takes time to ramp these people up, and to some extent, the margin that we delivered in the first quarter is a reflection of that.

As we go through the year, we expect those investments to be done. And that is one of the reasons why we would expect our margins probably to look flat as we go through the year. Mohit.

Mohit Bhatia - *Genpact Limited - CFO*

No, absolutely, Tiger, completely agree. Just peeling the onion a bit on that, between gross margin and SG&A, gross margin at 39% is very high. I think you should see it come down a bit over the next few quarters, maybe by 100 basis points, approximately. But we'll keep updating you.

On the contrary, SG&A, which is 24% of revenue, should improve over the next three quarters, again by 50 to 100 basis points. So those are some of the trendings that we can all hope for as we work down the rest of the year.

Tien-Tsin Huang - *JPMorgan - Analyst*

Okay, that is good to know. That is good for us. Just quickly on the capital markets, thanks for the color on that as well.

I was just curious; some of your peers have talked about a lot more weakness. It sounds like you are seeing something a little bit different, a little bit better. I am curious what is perhaps driving the delta there, Tiger.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

I can only answer for ourselves, I suppose. It is probably a reflection of the type of services that we offer.

Clearly most of what we offer, not all of it, most of it is nondiscretionary. Most of what we offer is annuity streams and it's sticky. It is classic business process management, and even a substantial portion of Smart Decision Services are things that have to be done.

So, I suspect part of it is a discretionary component, which is why, in capital markets, where clearly the businesses are finding a new way of dealing with the world, some of those discretionary spends are coming under pressure. I suppose it is that.

All I can say is that given the way the world is looking, and most corporations saying this is the way it is going to be for quite some time to come, they are very actively in dialogue saying we need to run our businesses differently. So it seems to be great conversations that we are having.

Tien-Tsin Huang - *JPMorgan - Analyst*

Okay, good. Last one for me and I will jump off, just on Japan. Has that stabilized at this point? I know it was a little bit weak last quarter. Thank you.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Yes, it is stable. It is stable. Interestingly, lots of new conversations, but as you know probably, Japan, decision cycle times are much, much longer than anywhere else in the world. But to specifically answer your question, stable.

Tien-Tsin Huang - *JPMorgan - Analyst*

Thank you.

Operator

Bhavan Suri, William Blair & Co.

Bhavan Suri - *William Blair & Co. - Analyst*

So, just a follow-up on that question. You mentioned new infusions in core banking, but could you provide just a little color of what sort of things are they looking at? Or is this just an expansion of things like mortgage processing type work?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

No, it's -- in fact, you hit one of the nails on the head. Mortgage, clearly, it is pretty obvious that mortgage, given interest-rate environment in the US, is seeing a surge in volumes.

We have a very nice mortgage origination business, and that got beefed up with the technology acquisition that we did that allows clients to drive real efficiency on the front end of the business. And we all know how inefficient that front-end is. And we are seeing very great traction there.

We are also beginning to see traction in classic retail banking operations, after a pretty significant period of lull. And I suspect that has got to do with capacity that has got rationalized, the reality of the new world, and now saying, now we need to take a re-look at cost, having done all possible restructuring.

And, lastly, all the regulatory work that needs to get done. The amount of new regulations and the work that needs to get done just means a lot of more work that has to be done with no new revenue. And therefore the most effective, efficient way of doing it in a very scalable, variable manner is the combination of factors that are driving that.

Bhavan Suri - *William Blair & Co. - Analyst*

It is interesting, Tiger, because the other offshore players talk about regulatory work being pushed out, and not seeing that happen. And you guys see the IT growth was quite reasonable. It was actually good. And part of that is the investments you have made on the IT side.

But in that retail banking space, you talk about regulatory work. Is there anything -- if I was to look at your IT business versus, say, any of your offshore IT services peers, what would differentiate the fact -- why would someone like a retail bank pick you versus them? Why are you seeing something different, I guess is what I am getting to?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So, Bhavan, that regulatory work that I was talking about was not technology-driven, outside of capital markets. I will talk about capital markets, that we do, but in capital markets is different. Outside of capital markets and retail banking, the regulatory work is not technology-driven. It is more analytics driven. It is more data cleansing and then driving reporting and analytics.

And our history and legacy of having come out with our background in financial services, the 14-plus years of having done analytical and reporting work, I suspect holds us in good stead.

Having said all that, I think part of the statement that people are making is true, which is the amount of regulatory work that needs to get done is still a lot more than what people are looking at today. And I think that is a function of a lot of the regulations still have to be defined.

The last point I would make is if you look at a number of regulations and what they're trying to achieve, they are trying to achieve operating control. And who better positioned to drive better operating control in those environments than someone with our operating background. So it is not about technology, it is about operating background and analytics background.

Bhavan Suri - *William Blair & Co. - Analyst*

Right. And then one last one for me. Obviously, SDS at 60%, you have seen that business grow from 40% to 50% to 60%, while the size of that business continues to grow. I guess just if you could give us some sense of why it is accelerating and then the sustainability of that high growth rate.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

I will answer the last part first. You can't sustain 60% growth rate forever. That is -- that is the natural law of averages. So let's get off that part.

What's sustaining it is the demand for two things. A lot of data and the combination of risk and regulations in some environments, the combination of -- I need to find a way to drive growth in a very low growth world. Or, I need to enter a new market in an emerging economy, because that is the only way I'll get growth. And to do that, I need to understand the market, understand the segments, do analytics.

Or if you take the life sciences industry, I need to find a way to drive rationalization in my large sales force. I need to drive rationalization in my trade promotions in the CPG world. And let's face it, in developed economies there aren't any new customers to get. I'm just making a broad statement.

Bhavan Suri - *William Blair & Co. - Analyst*

Right.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

It is actually about customer retention and it is about cross-sell and it is about upsell. How do you do that without doing analytics and data mining?

And then the other side of the house is reengineering and redesigning processes to get more effective and better outcomes, because I think the realization is pretty clear. As people start looking at our Smart Enterprise Process framework, they realize that efficiency only gives him so much benefit. And they're looking for a bigger benefit, and those outcome benefits come when they start engaging us on Smart Enterprise Processes.

Bhavan Suri - *William Blair & Co. - Analyst*

Great, thanks.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

But stating 60% is obviously not going to be -- is not going to be the way we would plan it.

Bhavan Suri - *William Blair & Co. - Analyst*

That is helpful. Thanks, Tiger.

Operator

Edward Caso, Wells Fargo.

Edward Caso - *Wells Fargo - Analyst*

Can you talk a little bit about the demands from clients on your helping fund their decisions? With money being tight on their side, are they putting more pressure on you to arrange the contracts in a way that you fund some of their upfront costs?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So, Ed, no, the answer to that specific question is no; nothing different than what it used to be. In fact, if we go back to 2009, 2010, probably the pressure was higher for obvious reasons. I think people have -- I don't think that people have a problem with cash flow these days. It is more about productivity and it is more about driving better outcomes.

What we are finding is more opportunities to take over centers, to take over operations. And two drivers of that; one, on the demand side I think there is a realization that actually someone like us and other people like us can drive real impact when we start penetrating a center and driving improvements and better outcomes, applying all our tools and methodologies and so on.

And on our side, there are clear areas where when we take over a center we get new capabilities, new domain, in either an industry vertical or a domain in a geography that we could leverage off for many other clients. That is the background to the Accounting Plaza deal.

So is that upfront application of some cost? The answer is yes. But I would say that is more driven by the demand/supply equation than cash flow. I don't think cash flow is driving any extra on that.

Edward Caso - *Wells Fargo - Analyst*

My second question is we believe the market is moving more vertical, and you touched on that a little bit as well. And, obviously, Accounting Plaza gives you vertical F&A capabilities. What -- is there a pricing pressure increasing if all you have to offer now is generic F&A work? And are you seeing some of that in your book of business?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

No, Ed, and so let me explain this whole verticalization that people talk a lot about. We -- 50% of our business and 50% of the work we do -- actually more than 50% of the work we do is very specific to specific verticals already. And that has been the way it has been forever.

So what you do mortgage processing, it is only for the mortgage business. When we do distribution of parts and managing inventory for a large equipment manufacturer, that is it. That is only specific to that industry. So we have always been that way.

When we look at finance and accounting, a lot of it, 80% of it, is similar across industries. If you want to drive even more incremental value, particularly when it comes to driving outcomes better, then the last 20%, which is very industry-specific, does make a difference.

And then when you want to drive cross-sell, when you want to get into a client intimacy where you're really part of the strategic direction the client is taking, for example, restructuring their sales force, which for some industries is the largest part of their cost base. Or changing the way they run trade promotions, which could be the largest part of their cost base. Or how do you manage claims?

So, it is more driven by -- as you get deeper with clients, one of the best opportunities to grow that relationship is to get deeper in that vertical in terms of expertise, and that is the direction I suspect a lot of people are taking. We have always been that way in terms of the services we delivered. We just reorganized ourselves in the last year to make that happen even better.

Edward Caso - *Wells Fargo - Analyst*

Thank you.

Operator

Ashwin Shirvaikar, Citi.

Ashwin Shirvaikar - *Citi - Analyst*

So, good quarter. I wanted to ask you about -- you guys crossed an employee milestone recently. And as you get larger on the employee front, and more global, can you talk about how your recruiting practices change? And particularly in places like the US and as you grow in Asian business, can you talk about the implications to your financials of growing in those regions?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Yes, our employee base is now 56,000, so it is much bigger than it used to be. Just, obviously in the context of some of our bigger competitors, it is still very small. The interesting thing is that is distributed across many countries, and it is distributed in some of the larger countries such as India or China, just to pick two examples, across many centers.

We do pride ourselves on picking centers of the future in advance. We tend to go there before others. We tend to tie up universities, even in the case of the US, where we just picked Richardson in Texas.

Why did we pick that place? After our intense study, we realized that there are a couple of markets where the ability to get a broad spectrum of talent that we wanted, and we wanted financial services, analytics, technology type talent, from a broad range of industries with a large population in the context of US that we could tap into, and an environment that is very good to work with.

And then we apply -- interestingly, the practices that we apply on hiring, on working with universities, on re-skilling employees before they even come in, or for prospective employees before they come in, injecting new content into universities, are interesting that you can apply the same principles, the same practices in India, in China, and the Middle East, in Eastern Europe and now in the US. The content will be different, because you are skilling people for different things, but it is the same.

And that is fascinating, because our ability to then apply it with very fast time-to-market is one of the reasons why we think we can set up centers in anywhere from 60 to 90 days and get it going.

Ashwin Shirvaikar - *Citi - Analyst*

Well, guess I was asking more about, for example, Richardson, Texas, its status basically, and then you said you bought Accounting Plaza, which is the Netherlands. So these are high cost of labor locations. Here the labor is plentiful.

But I was asking more from a -- is there an impact to your -- to the pace at which your costs grow relative to revenues? In other words, is there a margin impact down the road as you grow these locations?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So, great question. But if you look at the total -- if you look at the distribution of Accounting Plaza, yes, they have a nice center in the Netherlands. But they have an even bigger center in Poland and in the Czech Republic. So, from a global delivery footprint, actually, they're very nicely located.

We like the Netherlands footprint because we didn't have it. All we need is a footprint, because then we can serve one more language that is tough to serve from almost anywhere else in the world.

If you look at the distribution of our workforce, it is still predominantly distributed in the emerging market economies. When we deliver services from Danville, or from Wilkes-Barre, Pennsylvania, which are obviously developed economies, and now from Richardson, Texas, the type of work that people do there and the way those contracts are structured, which often is outcome based, is such that with the right tools and the right methodologies and things like Smart Decision Services and Smart Enterprise Processes, our objective is to drive the same margin profile.

Ashwin Shirvaikar - *Citi - Analyst*

Okay, and on growth, my last question, I guess, is -- as you have signed many of these contracts and you clearly have a lot of traction on Smart Decision Services and SEP and so on, your organic growth 13% and change, when do you think it sustainably goes towards the upper teens? How long does it take?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

That is a good question. When we add salespeople in our business, and these are experienced people from the industries often that they are meant to serve, they take time to get integrated. And then, of course, our cycle times on sales, as you can imagine and as you know, even in Smart Decision Services, let alone BPM, which is a bigger part of our business, is very long and often 9 to 12 months.

And then that cycle then gets on to getting into transitions, which then gets you revenue later. So, there is a real lag before the investments in sales then leads to revenue.

I think we're beginning to see the signs of that in our pipeline. Obviously, we need to see that convert to revenue. I would say it would take probably the end of this year before that starts really moving into the revenue.

Ashwin Shirvaikar - *Citi - Analyst*

Okay, so next year we might look at upper teens, mid to upper teens type of (multiple speakers)

Tiger Tyagarajan - *Genpact Limited - President and CEO*

I didn't say that. (laughter). All I said was that the investments in sales will have an impact on revenue. And the expectation is that by the time you get to the end of this year, investments that we made 18 months before the end of this year, would start showing an impact on revenue.

I haven't done the mathematics as to whether it will lead up to the upper teens.

Ashwin Shirvaikar - *Citi - Analyst*

Got it, okay. Thank you, guys.

Operator

Kunal Tayal, Bank of America Merrill Lynch.

Kunal Tayal - *Bank of America Merrill Lynch - Analyst*

Firstly, continuing on the capital markets side of the business, Tiger, if you could give us some sense if capital markets indeed did measure up to your expectations for Q1 and then whether -- for the full year as a whole, whether there are any changes in terms of expectations from this part of the business.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So when we made our operating plan for the year, 2012, as well as when we gave our guidance last quarter for 2012, the unraveling of some of the things in capital markets had already happened, whether it was the bankruptcy situation in the US or of the company that went bankrupt and so on. So the plan that we built was built on that basis.

So, did the business then deliver to the expectation that were there post that? The answer is yes. Had all of that not happened, our expectations would have been different, but post that our expectations were met.

Kunal Tayal - *Bank of America Merrill Lynch - Analyst*

Got it. That is helpful. Secondly, if you could talk about the outlook for your top five clients. This quarter they have done particularly well, so if you expect your top five clients to continue growing ahead of the Company for the rest of the year.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

I think you'll have to get into account by account analysis and discussion. And it is also a function of how -- with the size of the Company versus the size of our penetration, and therefore the growth you can expect.

Broadly I can tell you that when we work with a client, the range of services that we have allows us to penetrate that client in many directions over many years. And as we have built more services and as we've expanded more end-to-end, our opportunity to drive better outcomes for our clients, drive more value to our clients, allows us to continue to drive new growth with a lot of those relationships.

So I would characterize a lot of the accounts, not just the top five, as relationships that one could grow over many years. And they grow in stages as they go through transitions.

Kunal Tayal - *Bank of America Merrill Lynch - Analyst*

Right. And, lastly, just in terms of the expectations from GE, that would still be a flat on a y-o-y basis, full-year basis?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Yes, that is right. That is the way we continue to think about it. We are highly penetrated. We have very deep penetration with almost every business that GE has. We would track to GE's own growth to some extent, and GE Capital's own growth. And, therefore, at the moment, we would work with a close to flat for the year.

Kunal Tayal - *Bank of America Merrill Lynch - Analyst*

Sure, thank you.

Operator

Manish Hemrajani, Oppenheimer.

Manish Hemrajani - *Oppenheimer - Analyst*

Good quarter, guys. Thanks for taking my call. GE revenues were up about 3% this quarter, higher than what most folks had expected. And if you look at GE's results as well, reported strong results in 1Q, industrial growth of 11%, and 14% order growth. Are you seeing some of that growth at GE reflected the work that you do for them? And then how do you see GE contribution playing out for the rest of the year?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So, I will have Mohit talk to contribution by the time we get to the end of the year. But in terms of GE growth, if you look at GE's businesses, you would broadly think about it as GE industrial businesses and GE Capital. We are clearly seeing growth towards the GE industrial businesses where we are seeing growth in Smart Decision Services with GE industrial businesses. We are seeing growth at IT.

Remember that the growth that GE gets sometimes is orders and then equipment delivery. And real work starts when that equipment needs to be serviced. So there is a longer tail that GE has, and similarly, our work also has a longer tail where our work picks up, when the service revenue, I suspect, picks up.

On the GE Capital side, it is all a function of GE Capital's trajectory to whatever they have told in terms of managing their balance sheet and so on. So, overall, we are seeing growth in different parts of the businesses. The way those businesses grow and acquire. When businesses acquire new companies within their portfolio, that allows us to get in and do more work as they integrate those businesses.

Mohit Bhatia - *Genpact Limited - CFO*

And just for some color, the 3% growth that you saw with GE largely came from both IT and from Smart Decision Services. So just like other global customers, there continues to be a demand even from many of the GE businesses for services like analytics and reengineering that we have to offer as part of STS.

And the IT business is growing nice. So the IT business with GE grew almost 6%, contributing to that overall 3% growth of GE as an account with us.

Manish Hemrajani - *Oppenheimer - Analyst*

Got it. And then apologies if you commented on this before, attrition levels of 23% are the lowest we have seen in the last two years. Any more color on that? Is that sustainable? And how should we view that going forward?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Sustainable, well, our objective is to try and sustain it -- to clearly try and sustain it. But the reality is we all know that the world -- and when I say the world, not just the developed economies, the emerging economies have slowed down a little bit on growth.

And a lot of the people who attrite from our businesses don't necessarily go try competitors. They actually end up in industry. And a lot of the industry have had a little bit of a hiccup, which is beginning to start getting reflected in India or China GDP growth rates.

I think that would have an impact over time. It did have an impact in 2009 when attrition did come down. We have seen that now.

But as far as we are concerned, we always think about these as long-term employee propositions. And our long-term employee proposition remains unchanged, which is to build careers, allow people to come in and build careers. We like people who stay for a long time, because that allows them to build expertise. It adds value to our clients and obviously, then, it adds value to the Company.

So we don't think about these in the context of what is happening in the environment today versus tomorrow. We tend to drive employee practices in a very consistent way over a much longer time frame.

Manish Hemrajani - *Oppenheimer - Analyst*

Got it. That is all I had. Thank you.

Operator

Bryan Keane, Deutsche Bank.

Bryan Keane - *Deutsche Bank - Analyst*

I just want to ask about the acceleration of organic growth. I think it was 11.5% in the last quarter, 13.4% this quarter. Obviously, lots of competitors are seeing a deceleration in their year-over-year organic growth rate. So, I'm just hoping you could pinpoint the reason you guys think you are seeing that acceleration -- that you saw that acceleration in the first quarter.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So, first of all, I would say, and we said this many, many times over many years, we are a little careful about looking at just a quarter. We are a long cycle business. For various reasons that I have already described, the only way we really think about the business in terms of all its metrics is at least a year.

So with that as a background, we had a good quarter with GE. We had a good quarter with IT, where we have done something that actually is having an impact. I don't think it is the market. At the end of the day in IT we're small, in the context of the total market and in the context of our competitors.

So, some of the things that we did over the last 18 to 24 months in IT, and it has been a series of actions, and then the final action being where some of the leaders who came in from the Headstrong business, with much deeper technology expertise, and then Smart Decision Services where I think the services that we offer match the needs of the market almost to the tee, be it data analytics and reengineering. And these services have been built over 15 years. We didn't build this yesterday.

So I think that match is just superb for today's market. Having said all that, it is only one quarter, and we think about our business in the context at of at least a year.

Bryan Keane - *Deutsche Bank - Analyst*

I guess it gets to my second question. I guess you're just being conservative, because the guidance I think for organic was 10 to 12.5%, and you are obviously ahead of that in the first quarter, unless you guys see something that would cause a deceleration that you know about in the organic growth going forward.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

No, it is not a question of whether we see something that is going to cause deceleration. I think it's very simply put the uncertainty in the world that we all live in. Just wake up in the morning and read the newspapers and there is something that you didn't expect.

So, I think it is just being prudent and therefore saying it is just one quarter. And then we have the whole year to go.

Bryan Keane - *Deutsche Bank - Analyst*

Okay, last question for me. Just how does the pipeline look for large deals for BPO, in particular? And could we see some decisions on that over the next 3 to 6 months?

THOMSON REUTERS

Tiger Tyagarajan - *Genpact Limited - President and CEO*

The pipeline looks actually pretty similar to the way it looked over the last 12 months. That is why we called it steady, in many contexts. Cycle times are steady. Deal size distribution is steady. We are not seeing much variation.

In terms of the proportion of large deals, we are saying the proportion that used to be there. We are not seeing any delayed decision, neither are we seeing any accelerated decision. I think it is reasonably steady.

What we are seeing is, as we have seen it actually the last couple years, very laser sharp focus on what we need to do to drive that transformation. How do we get fast payback?

And sometimes, therefore, the engagement starts with some of the things that I think we are almost hugely differentiated on, which is tell me how to run my business differently using things like Smart Enterprise Processes. Redesign my operations. And then start taking it.

So I think it is all of the different evolution, but overall the pipeline looks very similar.

Bryan Keane - *Deutsche Bank - Analyst*

Okay, thanks for the color, and congrats on the quarter.

Operator

We have no further questions. I will now turn the call back over to Shishir Verma for any closing remarks.

Shishir Verma - *Genpact Limited - VP of IR*

Thank you everyone for joining us on our call today. If you have any other questions, please do not hesitate to reach out to me. Thank you.

Operator

Thank you for your participation in today's conference. This concludes the presentation. Everyone may now disconnect and have a great day.