

# GENPACT

Taking **business processes** to a new level of effectiveness



# 2009

ANNUAL REPORT



400+

Global Clients

13

Operating Countries

38,600+

Employees Worldwide

3,000+

Processes Managed

25+

Languages

35+

Delivery Centers

600

Certified Black Belts

US\$2.3 Bn

Business Impact Delivered in 2009

## About Us

Genpact is a leader in managing business processes, offering a broad portfolio of enterprise and industry-specific services.

The company manages over 3,000 processes for more than 400 clients worldwide. Putting process in the forefront, Genpact couples its deep process knowledge and insights with focused IT capabilities, targeted analytics and pragmatic reengineering to deliver comprehensive solutions for clients. Lean and Six Sigma are ingrained in the company's culture, and the management of business processes is viewed as a science. Genpact developed Smart Enterprise Processes (SEP<sup>SM</sup>), a groundbreaking, rigorously scientific methodology for managing business processes, which focuses on optimizing process effectiveness in addition to delivering superior business outcomes. Services are seamlessly delivered from a global network of centers to meet a client's business objectives, cultural and language needs and cost reduction goals.

## Financial Performance (US\$ million, except per share amounts)

	2006	2007	2008	2009	CAGR (%)
<b>Total Revenues</b>	<b>613</b>	<b>823</b>	<b>1,041</b>	<b>1,120</b>	<b>22</b>
GE	453	481	490	451	-
Global Clients	160	342	551	669	61
<b>Gross Profit</b>	<b>244</b>	<b>340</b>	<b>422</b>	<b>447</b>	<b>22</b>
<i>Margin %</i>	<i>39.80</i>	<i>41.30</i>	<i>40.50</i>	<i>39.90</i>	
Income from Operations	45	89	134	162	53
Adjusted Income from Operations	97	134	178	199	27
<i>Margin %</i>	<i>15.80</i>	<i>16.30</i>	<i>17.10</i>	<i>17.80</i>	
Diluted earnings per share	(0.15)	0.12	0.57	0.58	
<b>Diluted adjusted earnings per share</b>	<b>0.44</b>	<b>0.50</b>	<b>0.76</b>	<b>0.73</b>	<b>18</b>
Net cash provided by operating activities	37	150	211	158	63
Capital expenditure	79	66	69	64	(7)
<i>As % of revenues</i>	<i>12.89</i>	<i>8.02</i>	<i>6.63</i>	<i>5.71</i>	

## From the Chairman

### Dear shareholders,

The globalization of services is gaining increasing acceptance. This is supported by demographic factors and the recognition by business leaders that a highly skilled global workforce can be a competitive business advantage. However, 2009 was a year of global economic turbulence. The economic downturn that began at the end of 2008 adversely affected many industries, including our own. While protectionist rhetoric from lawmakers contributed to delays in decisions regarding the outsourcing of services, the fundamentals underlying the globalization of services have not changed.

As a result of the recessionary environment, companies were reluctant to make large capital expenditures in IT to drive transformational benefits. Rather, we saw increasing demand from clients for deep domain expertise along with process knowledge. Industries that in the past may not have considered outsourcing were forced to reevaluate their existing practices. This will enable the opening up of new markets such as the public sector and healthcare; new segments, such as small to medium sized businesses; and new geographies such as India and China.

Genpact is uniquely positioned to take advantage of these market trends. Our deep process expertise across industries, coupled with our global delivery platform, superior execution, thought leadership and ability to create scalable

customized solutions will make us the clear partner for clients in these new areas. Our reputation for excellence and integrity – earned through the consistent delivery of quality solutions and by adhering to the highest standards of business conduct through sound corporate governance principles – continues to be our most valuable asset. As we position ourselves for the future, our standards of excellence, integrity and accountability will serve us well.

I would like to thank our shareholders for their continued support, our employees and leadership team for their focus on our core values and execution and to my fellow members of the board for their invaluable contributions during this challenging year.



**Rajat Gupta**

Chairman of the Board, Genpact

We saw increasing demand from clients for deep domain expertise along with process knowledge.

## From the President and CEO

### Dear shareholders,

This past year, we experienced one of the most difficult business environments in recent history. While many of our clients struggled to adapt to new realities, we saw this as an opportunity to position ourselves for future growth. We hired world class talent, re-energized our marketing and branding, focused on innovating and increasing our service offerings and expanding geographic scope, further establishing our leadership position in business process management. The end of 2009 also marked the fifth anniversary of our separation from the General Electric Company. Over this period, we have built a US\$669 million Global Client business virtually from scratch, which grew at a 101% CAGR and today represents 60% of our total revenues.

Despite the recessionary period, we continued to grow, increasing year over year revenues by 8% to US\$1.12B and our adjusted operating income by 12% to US\$199M, demonstrating the resilience of our business model and the recurring and non-discretionary nature of the work we do. In 2009, we added 52 new logos, including companies such as Walgreens, AstraZeneca and SAB Miller, growing in

Genpact is pursuing rapidly-growing and under-penetrated verticals such as healthcare, retail, pharmaceuticals, hospitality and technology.

every industry, geography and service offering. At the beginning of 2010, we extended our contract with GE, underscoring our long-standing position as GE's preferred business process management provider.

Since our inception 12 years ago, we have been an innovative thought leader in our industry, leveraging our in-depth Six Sigma and Lean methodologies. With meticulous research and development and a relentless focus on increasing financial impact for our clients, we launched Smart Enterprise Processes (SEP<sup>SM</sup>).

SEP leverages our knowledge base of more than 200 million data points across 3,000 processes and applies a framework of analytics, technology and reengineering to the key processes that a company uses to manage its business. It is a methodology that cuts across organizational silos and offers a highly granular framework for driving process improvement.

Our new clients have told us that SEP, with its ability to deliver substantially improved financial performance and make business processes truly effective, helped us in our recent big wins. A client for who we manage a source-to-pay process recently shared with us, "We are amazed at the depth and understanding you have provided for our own business processes especially on how we compare with the industry and how much we can improve these small steps, which have so many linkages across the organization."

By imposing stronger cost discipline throughout the company, we facilitated crucial expansion in business development, marketing and branding and the digitization of our internal processes. We continued to invest in acquiring senior level talent in traditional markets such as

the US but also strategic growth markets such as India, China and Europe. We also expanded our reach in emerging markets, covering South Africa, the Middle East, Romania, Bhutan, the UK, Germany, and France among others, and we expanded our near-client presence in the US with the acquisition of a facility in Danville, Illinois.

Genpact is well-placed to capitalize on the global market recovery. Our win rates and pipeline are at record highs. Our conversion time table for clients has improved considerably. Many clients are being drawn from wider geographies and industries, and we have reported two of the biggest industry wins of the past two years. As businesses focus on driving greater cost efficiencies and growth opportunities, Genpact is pursuing rapidly-growing and under-penetrated verticals such as healthcare, retail, pharmaceuticals, hospitality and technology. We are positioned for greater growth coming out of new markets such as China, Latin America and India.

Our performance is attributable to our transparent governance policies and the extraordinary commitment, innovation and specialized capabilities of our employees. I would like to thank our board of directors for their outstanding guidance, our employees for their dedication to our core principles and focus on driving business impact for our clients, and our shareholders for their continued support.



**Pramod Bhasin**  
President & Chief Executive Officer

## Board of Directors

From left to right

**Denis J. Nayden** Managing Partner, Oak Hill Capital Management | **James C. Madden** Former CEO and Founder, Exult, Inc. | **Jagdish Khattar** Former Managing Director & CEO, Maruti Udyog Limited | **John Barter** Former President, Allied Signal's Automotive Sector | **Pramod Bhasin** President & CEO, Genpact | **Steven A. Denning** Chairman, General Atlantic | **Rajat Kumar Gupta** Senior Partner Emeritus, McKinsey & Company, and Chairman of the Board, Genpact | **Robert G. Scott** Former President & Chief Operating Officer, Morgan Stanley | **Douglas M. Kaden** Partner, Oak Hill Capital Management | **Mark F. Dzialga** Managing Director, General Atlantic | **A. Michael Spence** Professor Emeritus of Management, Graduate School of Business, Stanford University and Nobel Laureate | **Charles E. Alexander** Former President, GE Capital Europe (Not in picture)



## Smart Enterprise Processes (SEP<sup>SM</sup>)



**SEP<sup>SM</sup> – Genpact’s pioneering initiative – has elevated business processes to a strategic tool that can deliver two to five times the impact through improved cash flow, margins, revenue growth or other targeted financial and operating metrics.**

All companies run on a set of core enterprise-level processes, such as source-to-pay, record-to-report. But few companies know how good or bad their processes are. And the financial performance of companies with best-in-class processes has proven to be significantly better than those with average or less than average process performance.

Not only do companies lack the data to quantifiably define if their processes are best-in-class, they often do not possess the cross-company best practices and insights to guide their processes to this level. However, there is an amazing similarity in core enterprise-level processes regardless of company or industry. Currently, there is no tool in the market that allows companies to determine the health of their processes and what the variance from best-in-class means, in terms of value.

Genpact has introduced Smart Enterprise Processes (SEP<sup>SM</sup>), a groundbreaking, rigorously scientific methodology for managing business

processes, to address this need. The introduction of SEP is a natural step for Genpact with its rich history in managing business processes for leading companies around the world, depth of expertise in Lean, Six Sigma and a true end-to-end perspective of processes.

Through experimentation and analysis of data from more than 200 million transactions across more than 3,000 managed processes, Genpact has determined the variables that drive improved business results and has identified the benchmarks that best-in-class companies achieve at each level in a process. In addition, our inherent knowledge allows us to create a roadmap tailored to a client’s gaps and initiatives, which includes technology, reengineering, analytics and process best practices.

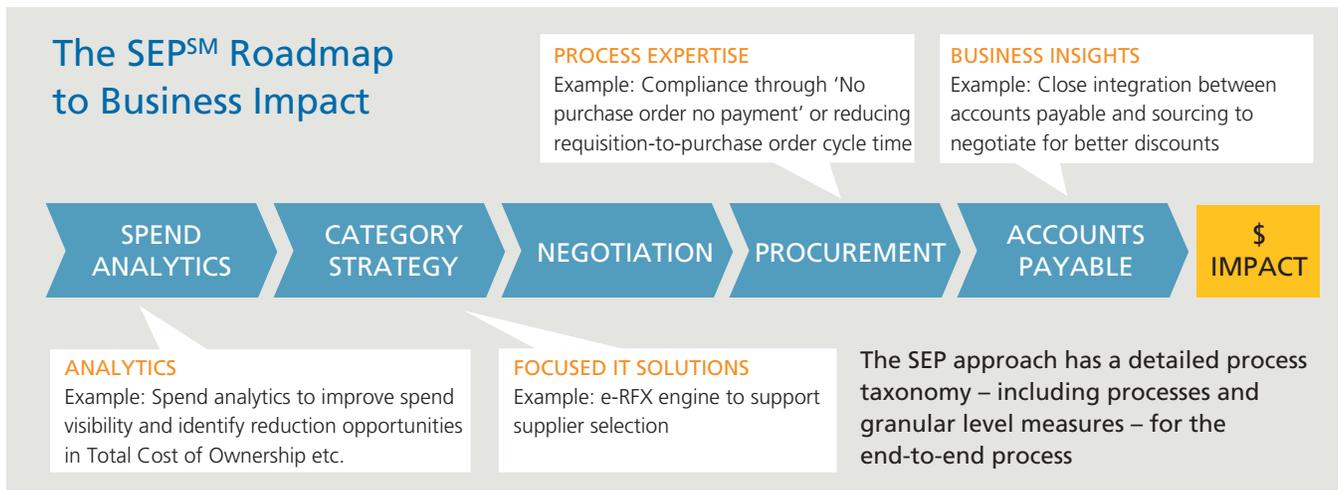
With SEP, a company can get a view to how good its processes are at a very granular level and have the roadmap needed to achieve best-in-class process performance.

### Application of SEP

Genpact applies this unique framework to help clients achieve improved business results by:

- Benchmarking the client’s processes by measuring performance at each step and comparing that to best-in-class benchmarks from within and across industries
- Diagnosing what is hindering client performance
- Identifying the levers that impact the performance at a granular level
- Creating a roadmap – which includes technology, reengineering, analytics and global services delivery – to transform performance to achieve improved overall business results

SEP delivers substantially improved financial performance by breaking down organizational silos and making business processes truly effective. Compared with traditional approaches, SEP can deliver two to five times the impact through improved cash flow, margins, revenue growth or other targeted financial and operating metrics.



An example of how SEP can bring together a holistic solution customized for the client's need

## The Power of SEP

Genpact is applying the SEP methodology to both common business processes (e.g., accounts receivable, collections, financial reporting, procurement, order fulfillment) and to industry-specific needs in manufacturing, healthcare, finance, insurance, logistics and consumer packaged goods. SEP targets back-office processes that reduce costs and front-office processes that generate revenue.

The SEP methodology helps companies improve business performance significantly by targeting processes such as:

- **Order to cash (sales fulfillment, accounts receivable and collections):**

In the consumer packaged goods industry, Genpact's SEP can cut preventable deductions (e.g., spoilage, pricing errors, fines and fuel surcharges) by 50% to 75%. For a US\$5 billion company, this translates into US\$15 million to US\$20 million in increased annual earnings.

- **Source-to-pay (procurement, supply chain management and accounts payable):**

For a US\$5 billion manufacturing company, the SEP methodology can reduce purchase spending by US\$50 million to US\$150 million over three years and deliver an increase of 1 to 3 percentage points in margins.

- **Insurance claims:** The common practice of having underwriters conduct case evaluations means they spend up to 40% of their time on low-value activities. By transferring lower value work to lower-cost staff or third parties and using underwriting summaries, a life insurance company, with US\$1 billion in first year term life premiums, can save US\$15 million per year.

## Impact of SEP

Genpact worked with Miami Children's Hospital (MCH) to optimize 140 core processes, touching multiple aspects of the organization and impacting more than 80% of all patient experiences. Streamlined clinical care processes in MCH's Emergency Department reduced

patient wait times by 18%, boosting customer satisfaction by 3%. Process improvements also reduced wait times in radiology, same-day surgery and pre-operative processing. As of June 1, 2009 the hospital was on track to achieve a 15% increase in net operating income for 2009, as a result of reduced expenses, improved inventory management, a faster revenue cycle (including billing, collections and reimbursement) and a more efficient use of hospital resources.

Miami Children's Hospital received four Global Six Sigma and Business Improvement Awards in 2009, including the Platinum Recognition for Process Excellence Project.

SEP extends Genpact's legacy as a pioneer in business process management and has helped us evolve from a highly efficient manager of business processes to an effective deliverer of business impact.



## Reconciliation of Adjusted Non-GAAP Financial Measures to GAAP Measures

To supplement the consolidated financial statements presented in accordance with GAAP, this report includes the following measures defined by the Securities and Exchange Commission as non-GAAP financial measures: non-GAAP adjusted income from operations, adjusted net income, adjusted earnings per share and proforma earnings per share. These non-GAAP measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures, the financial statements prepared in accordance with GAAP and the reconciliations of Genpact's GAAP financial statements to such non-GAAP measures should be carefully evaluated.

For its internal management reporting and budgeting purposes, Genpact's management uses financial statements that do not include stock-based compensation expense related to employee stock options, amortization of acquired intangibles at formation in 2004 and additional depreciation due to mark-to-market adjustment at formation

in 2004 for financial and operational decision-making, to evaluate period-to-period comparisons or for making comparisons of Genpact's operating results to that of its competitors. Moreover, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use when adopting FAS 123(R), Genpact's management believes that providing financial statements that do not include stock-based compensation allows investors to make additional comparisons between Genpact's operating results to those of other companies. In addition, Genpact's management believes that providing non-GAAP financial measures that exclude amortization of acquired intangibles and additional depreciation due to mark-to-market adjustment at formation allows investors to make additional comparisons between Genpact's operating results to those of other companies. The Company also believes that it is unreasonably difficult to provide its financial outlook in accordance with GAAP for a number of reasons including, without limitation, the Company's inability to predict its future stock-based compensation expense under FAS 123(R) and the

amortization of intangibles associated with further acquisitions, if any. Accordingly, Genpact believes that the presentation of non-GAAP adjusted income from operations and adjusted net income, when read in conjunction with the Company's reported results, can provide useful supplemental information to investors and management regarding financial and business trends relating to its financial condition and results of operations.

A limitation of using non-GAAP adjusted income from operations and adjusted net income versus income from operations and net income calculated in accordance with GAAP is that non-GAAP adjusted income from operations and adjusted net income excludes costs, namely, stock-based compensation, that is recurring. Stock-based compensation has been and will continue to be a significant recurring expense in Genpact's business for the foreseeable future. Management compensates for this limitation by providing specific information regarding the GAAP amounts excluded from non-GAAP adjusted income from operations and adjusted net income and evaluating such non-GAAP financial measures with financial measures calculated in accordance with GAAP.

The following table shows the reconciliation of this adjusted financial measure from GAAP for the year ended December 31, 2008 and 2009:

### Reconciliation of Adjusted Income from Operations (Unaudited)

(In million)

	Year ended December 31,	
	2008	2009
Income from operations as per GAAP	\$ 133,713	\$ 162,180
Add: Amortization of acquired intangible assets resulting from Formation Accounting	35,316	24,465
Add: Share based compensation	16,936	19,285
Add: FBT impact on share based compensation recovered from employees	2,623	70
Add: Gain (loss) on interest rate swaps	(283)	–
Add: Other income	400	1,323
Less: Equity in loss of affiliate	(925)	(700)
Less: Net Income attributable to noncontrolling interest	(9,460)	(7,657)
Adjusted income from operations	\$ 178,320	\$ 198,966

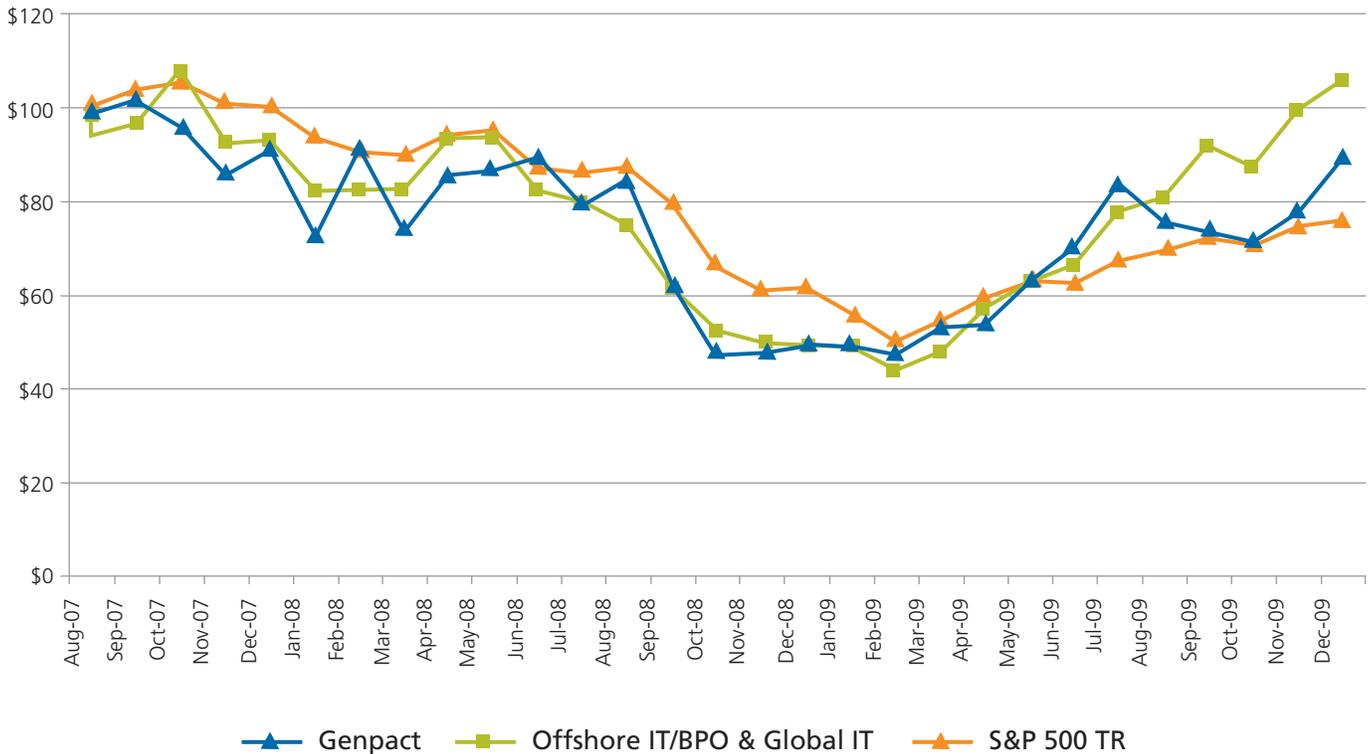
### Reconciliation of Adjusted Net Income (Unaudited)

(In million, except per share amounts)

	Year ended December 31,	
	2008	2009
Net Income as per GAAP	\$ 125,141	\$ 127,301
Add: Amortization of acquired intangible assets resulting from Formation Accounting	35,316	24,465
Add: Share based compensation	16,936	19,285
Add: FBT impact on share based compensation recovered from employees	2,623	70
Less: Tax impact on amortization of acquired intangibles resulting from Formation Accounting	(7,679)	(5,795)
Less: Tax Impact on share based compensation	(6,116)	(4,617)
Adjusted net income	\$ 166,221	\$ 160,709
Diluted adjusted earnings per share	\$ 0.76	\$ 0.73

## Share Performance

The following graph and table compares the performance of an investment in our common shares with the investments in the S&P 500 Index (capitalization weighted) and a peer group of companies for the period beginning August 2, 2007, the first day our common shares traded on the New York Stock Exchange, through December 31, 2009. The selected peer group for the period presented is comprised of six companies that we believe are our closest reporting issuer competitors: Accenture Ltd., Cognizant Technology Solutions Corp., ExlService Holdings, Inc., Infosys Technologies Limited, Wipro Technologies Limited, and WNS (Holdings) Limited. The returns of the component entities of our peer group index are weighted according to the market capitalization of each entity as of the beginning of each period for which a return is presented. The performance shown in the graph and table below is historical and should not be considered indicative of future price performance.



	8/2/07	12/31/07	3/31/08	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09
Genpact	\$100.00	\$90.93	\$73.13	\$89.07	\$62.03	\$49.07	\$52.90	\$70.15	\$73.43	\$88.96
Offshore IT/BPO & Global IT	\$100.00	\$92.75	\$82.62	\$82.26	\$61.40	\$49.32	\$47.84	\$66.37	\$91.83	\$105.80
S&P 500 TR	\$100.00	\$99.74	\$89.85	\$86.94	\$79.23	\$61.35	\$54.20	\$62.45	\$71.80	\$75.74

## Awards & Accolades

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- Best Performing BPO Provider and Best Performing FAO Firm - Global Services 100 Survey, 2009
- Best Performing BPO & No.3 Leader in Human Capital Development - Global Services 100 Survey, 2008
- No.1 ITeS-BPO Company in India - NASSCOM, 2005-09
- Among top 15 in IAOP's Global Outsourcing 100, 2008-09
- Among top 10 Outsourcing Provider - Black Book of Outsourcing, 2008-09
- Top Procurement Outsourcing Provider - Black Book of Outsourcing, 2007-09
- Fastest Growing BPO of the Year - International ICT Awards, Philippines, 2009
- Among top 5 in Dataquest-IDC's BPO Employee Satisfaction Survey, 2008
- Best BPO Provider in Europe - IQPC, 2008
- Best Business Model - China Service Outsourcing CODC, 2008
- 'Top 10 Employer' Distinction, Dalian, China, 2006-08
- Best ITO Service Provider and Best ITMS Provider - Chinese Enterprise Informatization Top 500 Conference, 2009
- No.1 BPO Company - Dataquest Top20, 2006-2009

## Shareholder Information

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### Registered Office

Canon's Court  
22 Victoria Street  
Hamilton HM, Bermuda

### Transfer Agent

Computershare  
PO Box 43023  
Providence, RI 02940  
T +1 800 662 7232

### Share Listing

The common shares of Genpact Limited are traded on the New York Stock Exchange under the symbol G.

### SEC Filings

All of our filings, including the Company's Annual Report on Form 10-K, are available on our website: [genpact.com](http://genpact.com)

### Annual Meeting

The annual meeting of Genpact shareholders will be held at 10 a.m. on Tuesday, April 6, 2010 at the office of Genpact Limited, 105 Madison Avenue, 2nd Floor, New York, NY 10016.

### Auditors

KPMG

### Corporate Governance Certification

Genpact has filed the certification of its Chief Executive Officer and Chief Financial Officer and each have signed and filed the required certifications under Section 202 of the Sarbanes Oxley Act of 2002 with its Annual Report on Form 10-K.





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