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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the first-quarter 2014 Genpact Limited earnings conference call. My name is Brittany, and I will be the coordinator for today.

(Operator Instructions)

At this time, I would now like to turn the presentation over to your host for today Bharani Bobba, Head of Investor Relations at Genpact. Please proceed.

Bharani Bobba - *Genpact Ltd - VP of IR*

Thank you, operator. Welcome to Genpact's earnings call to discuss our results for the first quarter ended March 31, 2014. We hope you have had a chance to review our earnings release, which you will find in the IR section of our website Genpact.com.

With me in New York today are Tiger Tyagarajan, our President and Chief Executive Officer, and Mohit Bhatia, our Chief Financial Officer. Our agenda today will be as follows: Tiger will provide an overview of our results and address our progress on executing our new, more focused strategy that we reviewed at our recent investor day, followed by Mohit, who will discuss our financial performance in greater detail.

Tiger will then 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 we've also included slides which you can find on the webcast version of our call, and you will be able to download them after the call is completed.

Some of the matters we will discuss in today's call are forward-looking. These forward-looking statements involve a number of risks and uncertainties, and other factors, that could cause 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 also 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 those measures to GAAP, as well as related information in our earnings release in the IR section of our website, Genpact.com. Please also refer to the investor fact sheet on the front page on the IR section of our website for further details on our results.

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

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Thanks, Bharani. Good afternoon, everyone, and thank you for joining us on our call today.

Genpact delivered growth in revenues, adjusted operating income, net income and EPS in the first quarter of 2014. We believe the year is off to a good start, with first-quarter results tracking in line with our stated expectations for the full year. The quarter has been an active one, as we move forward on a number of fronts:

We held a well-attended investor day on March 6 to discuss our new, more focused and concentrated investment and growth strategy.

We continued to make progress in the execution of our strategy-

- One, we added domain and subject matter experts in our focused industry verticals, service lines, and geographies.

- Two, we continued to add depth to our client management organization, and are on track to reach our objective of investing 6% of our revenue on client-facing teams.

- Three, we closed a large deal with a leading CPG client, adding domain expertise in core operations, end-to-end fulfillment and customer management, a unique set of capabilities that we can leverage across the entire industry.

Subsequent to the first quarter:

- We announced a strategic partnership with Oliver Wyman, a global leader in risk consulting, to build and take to market new end-to-end risk solutions for the increasingly regulated Financial Services vertical.

- We announced the acquisition of Pharmalink, which will add market-leading domain expertise in the regulatory affairs space of Life-Sciences, another area of focus.

- And we successfully completed a $303 million share repurchase, of approximately 17.3 million shares of Genpact stock at $17.50 per share.

Other key highlights for the quarter were as follows- revenues increased 5% year-over-year, and 7% in constant currency terms, with Global Client revenues increasing 7%. Four of our target verticals led growth during the quarter, namely Capital Markets, CPG, Life-Sciences, and Healthcare. From a service line perspective, our core Finance and Accounting services exhibited good growth, as did ITO and our Consulting Services, which include Risk and Reengineering.

Adjusted operating income margins totaled 16.4% in the first quarter, approximately the same as in the first quarter of last year. We are investing significantly in client-facing teams and capabilities, and we expect these investments to accelerate through the year. Sales and marketing expense increased year-over-year in the first-quarter to approximately 5.5% of revenue, compared to 4.4% in the first quarter of 2013, as we brought in 21 new salespeople, who added significant domain and vertical focus. Importantly, we are making good progress on integrating our new colleagues, and equipping them for success.

Our pipeline continues to be healthy, with good inflows of larger complex deals. As we bring in more seasoned salespeople and client partners to bolster our client-facing teams, we are increasingly involved in more strategic dialogues with our clients at the C-suite level, and this is all playing out in transformative engagements continuing to increase both in value and proportion of our pipeline. With that said, the remaining large deals in our pipelines continue to have the same characteristics we have been talking about over the last several quarters, longer cycle times to close, and frequently, longer conversion time to revenue.

As I mentioned, we recently closed a large engagement of a client in the Consumer Products Goods space. This is an excellent example of how we are engaging with our clients on a more strategic versus tactical level, and it fits perfectly with our more focused strategy. We took a partnership approach with our client in developing a business case that was focused on high business impact, including improved outcomes and experience for their customers. The program focuses on taking the overall operational performance to best-in-class, and thereby enabling superior revenue growth for them over time, versus focusing solely on cost reduction. In addition, with this engagement, we now have a new set of unique capabilities in 'Core Operations' for CPG clients that includes the lifecycle of Customer, Sales Orders, and Cash Management- which over time, we look forward to providing as a solution, to other clients in this and other verticals. This is also a good example of how we are bringing together process, technology and data analytics to create value.

Turning to strategy, at our recent investor day in New York, we discussed in detail the next phase of our evolution, and our strategy to capture a bigger set of opportunities in our large and still highly under-penetrated growth markets. It's only been a short time since then, but I want to briefly summarize the strategy and share some of our progress on execution.

Our strategy has been well-communicated throughout our global organization, and we are now all very focused on execution.

This strategy about running our business with a more targeted focus, so we can drive faster growth in key areas and deepen client relationships.

The four pillars of our strategy are-

- To concentrate our investments on specific leadership market opportunities.

- To enhance our domain expertise.

- To further differentiate our solutions, and

- To deepen our client relationships.

For the first pillar, we're directing our investments to ensure market leadership in select key industry verticals, focused service lines, and targeted geographic markets. We narrowed our investment focus to 9 targeted vertical markets from 23 previously. We have integrated 1,500-point solutions into approximately 40 key service lines, divided into two types: core operational services, designed for specific vertical markets, for example, claims in insurance, and enterprise service lines that go across vertical markets, such as Financial and Accounting, IT and Analytics. Geographically, we're concentrating on large developed economies such as North America, Europe, Australia, and Japan.

For the second pillar, we are expanding our team of subject-matter experts and lead solution architects who bring extensive knowledge and domain expertise to clients. These domain experts and lead solution architects are building new technology and analytics-embedded solutions in our chosen service lines, as well as teaming with our client-facing teams to drive strategic conversations with our clients. We're expanding these lead solution architects across all 40 service lines, and increasing their required experience and client-facing responsibilities.

For the third pillar, we're differentiating our solutions by building capabilities that solve the complex challenges our clients are facing, and integrating our core operations, technology, and analytics offerings. We are building some of these capabilities organically, but also by leveraging partnerships and through acquisitions. These solutions will help transform our clients' businesses, help us move from providing incremental solutions, to solving the big problems that are relevant to our clients, and allow us to create much larger sole-source deals.

The fourth pillar of our strategy is to deepen client relationships. It is our goal to continue to grow with our clients, and help them transform to become more competitive. As part of this effort, we're adding a new set of senior client-facing leaders, with strong industry experience, to deepen client relationships and play the role of trusted advisor, while expanding onshore capabilities to enhance proximity to clients. At the same time, we have narrowed our focus on the right key accounts, and revamped our comp plans, to drive desired demand creation and results. We have also created a 'large deals' team to develop and shape large deals across all of our focus areas.

The four pillars of our strategy are focusing investment decisions, and informing our approach to building new capabilities, including through M&A. Our recently announced acquisition in the regulatory affairs space is an example of expanding capabilities in a targeted vertical to position ourselves for accelerated revenue growth. The Pharma industry, a focused vertical for us, is undergoing dramatic transformation. The current regulatory process is burdensome, and adding Pharmalink Consulting's combination of talent, domain knowledge, and deep relationships within this buying center to Genpact's process expertise will allow us to provide more end-to-end solutions, differentiate our service offerings, and better serve our life sciences clients.

In an example of adding targeted capabilities through partnership, specifically expanding our capabilities to solve clients' big complex issues, last week, we also announced a collaboration with Oliver Wyman, a leading global consulting firm, to design and deliver new risk management solutions to the financial services industry. The financial services vertical is also one of our focus verticals, and this exciting partnership links risk management strategy, risk analytics, and process design and delivery into a comprehensive client solution. While both our firms will continue independently to serve the financial sector, the objective of the collaboration is to provide selected clients with a more integrated and cost-effective risk management solution, to cope with many of the economic and regulatory challenges the financial services industry is currently facing. This is a major pain point for our clients and a large opportunity.

In summary, we believe we have the right strategy with the right areas of focus, to increase our share of our under-penetrated growth markets, and we're demonstrating progress on this very exciting journey.

With that, I'll now turn to the call over to Mohit.

Mohit Bhatia - *Genpact Ltd - CFO*

Thank you, Tiger, and good afternoon 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 2014 with revenues of $528.2 million, an increase of 4.8% year over year. Foreign exchange had an adverse impact on revenues in this quarter; revenues increased 6.6% year-over-year in constant currency terms.

First-quarter revenues from Global Clients increased 7% year-over-year.

Within Global Clients, Business Process Management revenues increased 6%. Our Global Clients IT services revenues increased 10%. GE revenues declined 3%, as expected.

Our overall Business Process Management revenues increased 4%. Our overall IT services revenues increased 9%, driven by growth in both global clients and GE, including the contribution from our February 2013 acquisition of JAWOOD.

We continued to expand relationships with current global clients in 2014 across a range of industry verticals. In the first quarter, clients representing greater than $5 million in annual revenue increased from 75 to 81, compared to last year. This includes clients with greater than $15 million in revenue, increasing from 24 to 26, and clients with greater than $25 million in annual revenue increasing from 12 to 13.

Adjusted income from operations totaled $86.4 million, an increase of $3.6 million from the prior year. This represents a margin of 16.4%, same as the first quarter of 2013, as the impact of investments and wage inflation was offset by higher operating efficiencies and favorable foreign exchange. We expect our margins for the balance of the year to be lower than the first-quarter level, as we continue to drive investments, and due to the timing of our hedge rates across quarters.

Our sales and marketing expense as a percentage of revenue this quarter was approximately 5.5%, up from 4.4% in the same quarter last year, as we reallocated existing resources and added new talent. This quarter, we added key new senior sales resources in high-priority geographies and verticals, while simultaneously reducing coverage in low priority areas, such as emerging markets.

Our gross profit for the quarter totaled $204 million, representing a gross margin of 38.6%, up from 38.1% last year, partially aided by favorable foreign exchange.

SG&A expenses totaled $122 million, compared to $113 million, in the first quarter of last year. This represents 23.2% of revenues, up from 22.5%, primarily driven by investments in client-facing teams as I explained earlier, partially offset by continued better utilization of resources and technology. We expect to see our investment in client-facing teams and R&D capabilities to continue to ramp as the year progresses.

Net income was $50.6 million or $0.21 per diluted share in the first quarter of 2014, up from $46.7 million and $0.20 per diluted share in the first quarter of 2013.

The year-over-year increase of $0.01 in earnings per share was driven by a contribution of $0.01 each from higher operating income and lower effective tax rate, offset by $0.01 of net interest income.

Our adjusted EPS in the first quarter of 2014 was $0.24 per share, up from $0.23 per share in the first quarter of 2013. The increase in adjusted EPS was due to the reasons stated earlier.

Our tax expense for the first quarter was $16.3 million, down from $17.2 million in the first quarter of 2013, representing an effective tax rate of 24.3%, down from 27% in the first quarter of last year.

This improvement was primarily driven by the continued growth of our operations in lower-tax locations compared to the first quarter of 2013.

I will now turn to our balance sheet.

Our cash and liquid assets totaled approximately $567 million, marginally down from $571 million at the end of 2013. This balance was after repayment of $2 million of our short-term debt, and utilizing $15 million for capital expenditure. With undrawn debt capacity of approximately $248 million, and existing cash, as stated earlier, we have continued to have ample flexibility to pursue growth opportunities. In early April, we bought back $303 million of our stock. Post this transaction our net debt to EBITDA for the last four rolling quarters is expected to be 1.0X. We have more than ample funds and capacity to complete the announced acquisition and still have additional flexibility for further transactions. Finally, we expect a share repurchase to add almost 5.5% to EPS in 2014.

Our days sales outstanding stood at 87 days, an increase of five days from the first quarter last year, due to certain timing issues. We expect this increase to be recovered through the rest of the year.

Turning to operating cash flows, we generated $14 million of cash from operations in the first quarter of 2014. This reflected non-recurring outflows of approximately $8 million. This compares to our operating cash flow of $32 million in the first quarter of 2013 which included approximately $11 million of non-recurring inflows. After adjusting for these non-recurring items, our first quarter operating cash flow was consistent with last year. Capital expenditures as a percentage of revenue were approximately 2.2% in the first quarter of 2014. This was mostly invested in creating additional capacity for growth.

Additionally, the Pharmalink acquisition is expected to add 75 to 100 basis points to our 2014 growth, subject to timing of closing the deal, currently estimated to be the end of May.

With that, I'll hand it back to Tiger for his closing comments.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Thank you, Mohit. We are positioning Genpact for accelerated long-term growth in the best way possible, and we're making strategic investments through the four pillars of our strategy. These investments are expected to be approximately $45 million, or 2% of revenue in 2014. We expect to spend approximately two-thirds of this on client-facing teams, representing an increase from 4.7% of revenue in 2013 to about 6% in 2014. We're investing the remainder to build key service line capabilities. We expect these investments to ramp over the course of the year.

We are funding a portion of these investment through productivity and cost discipline. We expect these investments to continue through 2016, with diminishing impact on margins, as our revenue growth accelerates. We firmly believe these investments are the key to best position us for long-term accelerated growth.

Thus, we continue to expect 2014 to be a pivotal year for Genpact. We expect Global Client revenue growth of approximately 7% to 9%, and GE revenues to be down approximately 5%. Consequently, our revenue guidance for 2014 continues to be $2.22 billion to $2.26 billion. This does not yet include the expected small contribution from our intention to acquire Pharmalink Consulting. Our expectation for adjusted operating income margin continues to be a range of 15% to 15.5%.

Based on the opportunity in our attractive and under-penetrated markets, we believe this focused growth and investment strategy will position Genpact for accelerated Global Client revenue growth in the years ahead. When we look out beyond 2015, we believe Global Client revenue will return to a mid-teens rate, and as our investment begins to pay off, to deliver more 'normal' margins beyond that horizon.

In closing, Genpact works with clients to help them design, transform, and run their business-critical operations, to make them more competitive. For clients, our impact is measurable in higher ROI, greater efficiency and effectiveness, cost savings, and better management of risk, regulations and growth. We are differentiated by our expertise in select industries and service lines, a high level of satisfaction among our Fortune and Global 500 clients, as measured by industry leading Net Promoter scores, and a passion for operational rigor and excellence. Our goal is to provide world-class service to our clients, and to drive sustainable profitable growth and value for our shareholders in our focused industry verticals, service lines, and geographic markets.

I will now hand the call back to Bharani.

Bharani Bobba - *Genpact Ltd - VP of IR*

Thank you, Tiger. We'd like to open it up for Q&A at this time. Operator, can you give the instructions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Joseph Foresi, Janney Montgomery Scott.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

My first question here is, are there any other measurable pieces on the strategy side that you're looking at internally, you'd like to share with us? Outside the sales team that points towards some of the progress that you're making either quantitatively or qualitatively?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Joe, as we discussed during the investor day, I think one of the core metrics that we are bringing together and we'll start sharing towards the end of the year our bookings. As you can imagine, as we bring these sales teams and domain experts together and integrate them, and they start building a pipeline, then ultimately its translation into bookings is the real metric that is important. And finally, that booking is getting converted into revenue.

So I would say the core metric right now is the actual investments we're making. And then subsequently, and we believe will be the end of the year, it will be bookings.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Okay. And then out of the 21 salespeople, it sounded like some of those pieces were shifting around there. What does your net sales team look like at this point? What did they look at like before and will those 21 people have an impact in 2014?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Let me answer the second part first, which is the 21 salespeople in terms of an impact on 2014, as I said, would be limited, given that we typically expect salespeople to start becoming productive only after a six to nine month build up of the pipeline, And even that productivity would be in short cycle, re-engineering, consulting, or analytics type of quick decision engagements. The true impact of sales people additions will take anywhere up to 18 months to start showing up through bookings, and subsequently into revenues.

To go back to the first part of your question, the 21 salespeople are fresh hires into the company, but that is just one part of the equation. The big part of the equation, in Q4 of last year and in Q1 of this year, was actually our reallocation of sales teams out of our non-focused, particularly geographies, into our focused service lines, geographies and verticals. And that about 65%, 70% of that is pretty much complete.

And the other thing that we've done is also churned out, as we brought in some of these salespeople into key client relationships and client partner roles, to churn out some of the earlier people who were managing those relationships and typically these were operating people, back into the operating teams. When I think, the right way to think about this is, this is a combination of net adds, churns from deprioritized to prioritized areas and churn out from the sales team of people who probably rightfully now belong into the operating teams.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Got it. Okay. And last one for me.

We've heard reasonably positive commentary regarding the environment from some of your competitors this quarter. Have you seen any change on the demand environment? I know you talked about large deals being at the same pace they were before. Have you seen any change heading into this year?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

I would say Joe that the change that we saw actually started more in the second half of last year. In terms of the large transformative deals that we started seeing, and we attributed that both to the macro environment in many of these areas, where clients actually wanted to engage in those transformative conversations that have long-term impact in the way they run their business. As well as our getting ready, and our having the right people to have those conversations. We continue to see that progress.

I would be rather in the same camp of saying the macro environment does seem to continue to progress in the direction of adding more such conversations and deals to the pipeline. And that is spread across almost everyone of the vertical markets we are focused on. It's spread across the broad range of the service lines we are focused on, and interestingly, it's spread across all of our chosen geographic markets. And that includes Japan and Australia, apart from obviously North America and Europe.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Thank you.

Operator

Rahul Bhangare, William Blair.

Rahul Bhangare - *William Blair & Company - Analyst*

Tiger, just a follow-up on these sales hires. Were all the 21 sales hires all during the quarter? If not, what time period was that over, and should we view that number as halfway toward the stated goal, I believe during your investor day, of roughly 50 new hires?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

I would say it's probably, in terms of hires, remember these are hires, and these are gross hires. And then you have to take into account the fact that you actually would have churns, particularly in the early part of the year when you move people out into roles that they are better suited for, as well as churns, as I said, from deprioritized to prioritized areas. So the way I would think about these hires is probably 20% -- 20% to 25% of the total hires for the year, and that's the way we have staged this through the year. So that's probably the right way to think about it, in terms of the staging of these new hires through the year.

Rahul Bhangare - *William Blair & Company - Analyst*

Okay, thanks. And then regarding and in regards to the large deal, the large CPG deal, can you give us a sense for how large it is, and how long it's been in the pipeline, and if it was sole-sourced?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

It's broadly sole-sourced, yes. It was a conversation that started 18 months back, and a conversation that is teed up by us, and that is the nature of a number of these deals that are transformative, in our chosen areas.

We would count this as one of the larger deals we have done. When fully ramped up, it will add at least 1% to the revenue of the Company.

Rahul Bhangare - *William Blair & Company - Analyst*

Great. Thank you.

Operator

Bryan Keane, Deutsche Bank.

Bryan Keane - *Deutsche Bank - Analyst*

Hi guys just a follow-up on that. When does the CPG deal start, and when does it ramp up to its full utilization, full capability?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Bryan, it will ramp up through this year. Most large deals don't ramp up in a short time frame. This one actually does.

But remember this one we've been working on and actually we are expected to close this last year. For a variety of reasons and given the complexity of the deal itself, it took longer to close. So we had assumed and we had planned for its closure in the first quarter, and we are actually glad they did.

So it will ramp up during this year itself. Normally, a dealer of this size and this complexity, once closed, will take at least 18 months to ramp up.

Bryan Keane - *Deutsche Bank - Analyst*

And when does it start? Has it started already?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

It has started. Yes.

Bryan Keane - *Deutsche Bank - Analyst*

And just thinking about the revenue, it came in right in the middle of your guidance for the full year. Should it be pretty balanced, the growth rates throughout the year, or should we see any drop or pick up in growth rates as we go into Q2 and Q3 and beyond?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

I think it will be broadly balanced through the year, but like most other years, the second half will be a little better than the first half.

Also, if you remember, part of the first half headwind that we're working against is the mortgage headwind, that is more acute in the first half. And the emerging markets ForEx headwind which is also more acute in the first half. As we get to the second, that starts becoming much lesser, and so we will see a little bit of a higher growth rate in the second half than in the first half.

Bryan Keane - *Deutsche Bank - Analyst*

And then just looking at the margins, I think you guys did 16.4% adjusted operating margin, and we were expecting something more in the range of the full year guidance. I guess the first question was, did you expect it to be ahead to start. And then the second question is, if you could break out and quantify the impact from investment and wage inflation and any kind of hedgings or FX on the margin?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

So let me answer the first part, Bryan, and then I'll turn it to Mohit. This is exactly as we had expected. We had expected margins to start off around this mark.

And then as we go through the year, we expect the margins to come down, as we ramp up investments. The sales investments we talked about, the client-facing investments, the domain expert investments as well as some of the large deals, begin their ramp up journey. All of that put together would lead us to have a margin trajectory that is downward-sloping, in order to lead us to the 15% and the 15.5%. Mohit, do you want to answer the second part?

Mohit Bhatia - *Genpact Ltd - CFO*

So, operating efficiencies and favorable foreign exchange also contributed to the 16.4% that we reported, however it was as expected. As you're aware we hedge risk long-term so we know proactively where hedges are going to be in a certain quarter, as we did in the first quarter of 2014. And because we had hedged better than the first quarter of last year, there was a favorable contribution, but that we had already planned for and expected.

We do not disclose our hedge rates, for competitive reasons we never have, so I can't help you quantify the impact of foreign exchange. You also asked about wage inflation, wage inflation was normal, in the range of approximately 6%, and that was again as planned, and taking into account for the 16.4% that we reported.

Bryan Keane - *Deutsche Bank - Analyst*

And just lastly on investments, is there a way to quantify that?

Mohit Bhatia - *Genpact Ltd - CFO*

The investments, we spoke about investing about $45 million across the year. In the first quarter we had not planned to spend a whole lot of that $45 million. The investments are going to pick up sequentially with every quarter.

In the first quarter we made the investments as planned and in quarter two, quarter three, and quarter four, we will see a sequential increase in these investments through the course of the year. We still expect to meet the $45 million annual investment that we stated earlier.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

And Bryan, two other points to that. As we invest in these client facing leaders in the markets, as well as domain experts, the investments that we make in the first quarter then stays with us as investment through the year. So by definition, if you look quarter by quarter, every quarter would be a build up on the previous quarter automatically.

Second, there are a few investments that are not people investments. An example would be technology licenses, marketing expenses. And those tend to be more event-based, and those are more in the latter part of the year than in the first part of the year, particularly marketing, which tends to be a very low first quarter always.

Bryan Keane - *Deutsche Bank - Analyst*

Okay. Thanks for the details.

Operator

Tien-Tsin Huang, JPMorgan.

Puneet Jain - *JPMorgan Chase & Co. - Analyst*

This is Puneet filling in for Tien-Tsin. Tiger, could you comment on pricing environment, some concerns over pricing in the industry. Have you seen any impact from currency on prices?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Puneet, pricing is competitive. It's a no-brainer. It is competitive.

On large deals, while it continues to be competitive, given the nature of those large deals, the reality is that there are only a few competitors who could play in the complex global large deals transformative arena. So it does make it a little bit different.

On foreign exchange, when a contract comes up for renewal, obviously that is one of the variables that gets discussed. As you know, and our clients know, when we sign contracts we hedge our contracts for the long term of that contract, so to that extent, it really becomes a discussion when the contract comes up for renewal.

I think it's a fair discussion. It's competitive, it obviously means we have to continue to find ways to drive productivity and value for our clients, but it's not that different from what it's been.

Puneet Jain - *JPMorgan Chase & Co. - Analyst*

Given that you had many such large deals delayed last year but the pipeline was strong, should we expect more of those deals coming through this year, or you will have to replenish your pipeline?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Replenishing the pipeline is a given. We have to keep replenishing our pipeline, as these deals continue through the pipeline, and decisions get taken, and we win our fair share of them. We expect as we go through the year to continue to win our fair share of these big deals, we have assumed that, and that is our plan.

As we win them, as I said, most of these big deals would lead to a ramp-up over the subsequent 18-odd months and that's the nature of these big deals, and that's why they are complex. There are a few exceptions and the exceptions of the first deal that we closed in the first quarter that I talked about, but otherwise, most of them would be a long ramp.

Puneet Jain - *JPMorgan Chase & Co. - Analyst*

And housekeeping question for Mohit, did you talk about growth rate in Smart Decision Services?

Mohit Bhatia - *Genpact Ltd - CFO*

No. We didn't touch on the growth rate for Smart Decision Services, but I can give you some color right now. So our total gross on SDS was approximately 9.5% this quarter, which was close to 11% of Global Clients.

Puneet Jain - *JPMorgan Chase & Co. - Analyst*

Thanks.

Operator

Ashwin Shirvaikar, Citibank.

Ashwin Shirvaikar - *Citigroup - Analyst*

I guess I wanted to start with talking about GE down 3%. Was that at least based on your comments, was better than I expect, is looking more for down 5%. Is it supposed to get worse as the year progresses, particularly with GE, you tend to give your productivity upfront, and then get volumes afterwards, is there something different for GE going through this year?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

It is more a little bit of one quarter versus another so I don't think we should read too much into this. We still think the year looks like the way we had characterized it for the full year.

Also part of the discussion we had on GE was the fact that we serve a number of GE Capital businesses. And as those businesses continue to re-orient themselves in terms of total size, the amount of work that we do will get resized, and that's the plan for the full year, and that is how the year's plan has been worked out. We think the first-quarter number is exactly what we thought it would be, in order to lead us to the full-year number.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay. And as I think of, you obviously laid out what looks like from this point on low single-digit sequential growth in revenues, it looks like, and margins going down. The endpoint for margins has got to be obviously below that 15%, 15.5% range, right? In order to get mathematically to the numbers. I'm wondering when do you expect that low point to be reached?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

That's a very specific question, Ashwin. On a quarter-by-quarter basis, I think there are a lot of puts and takes that happen on a quarter-by-quarter. I would say that investments will ramp through the year and will peak in the fourth quarter.

Having said that, obviously our revenue also continues to grow as we go through from the first quarter to the fourth quarter. I think there are a lot of puts and takes that can happen, specifically from one quarter to another, and as you know in this business, one quarter versus another quarter is not necessarily the right way to think about this business. It is a long-cycle business.

So I would say it will be -- investment trajectory will be a ramp through the year. That's probably the best and the most specific answer that I can give.

Ashwin Shirvaikar - *Citigroup - Analyst*

How about if you were to look a little bit beyond this year? Would you expect that cycle to be the worst next year basically?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Too early to say now, Ashwin. All I can say is as we continue our journey into next year, we expect Global Client revenue to continue to move up. And as that moves up our investments in terms of its impact on margins will reduce, and therefore our margins should start moving back up. But I would hesitate to actually put a number right now just at the beginning of this year itself.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay. Got it. Thanks.

Operator

Edward Caso, Wells Fargo.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

Can we categorize the CPG transaction as a captive buy in a way? Are you just taking over operations? Is that why you're able to ramp it quicker?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

You got it right, Ed. It is a good way to characterize it, but it has many other elements to it, but that is one portion of it, which is a very important portion.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

On a bigger picture basis, are you getting more pressure from your clients to do more with technology and automation and tools, and less with just throwing talented but inexpensive bodies at the equation? Is there a stepped-up pressure there, whether it's from the client or whether it's just necessary from a price point to do that?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

I would say, Ed, it's a great question. I would say we often tee it up ourselves.

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We often go to a client and I am part of some these discussions, where we put on the table a different way to think about their journey, that they are thinking about. And that includes automation, new tools, going to the cloud directly in processes that they should be comfortable to get there, convincing them that actually it is perfectly fine to run specific processes that they're talking about on the cloud, often a private cloud.

So automation, robotics, taking customers to the cloud, building analytics around those processes in the cloud, that becomes a bigger idea on the grill. I would say client pressure is one way to think about it, but smart providers are those that actually take those conversations to the client, even before the client brings it up.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

Great. Last question. I see the non-cash stock comp is down both quarter-on-quarter, meaningfully so, but also year-over-year. How should we interpret that?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

So, Ed, one reason Mohit mentioned earlier in the investor day is the fact that in 2013, because we did not meet our performance criteria, these stock awards were canceled, as far as the Management team is concerned, and they led to a reduction in overall stock comp. On a go-forward basis, as we look at 2014 and beyond, and you see some of the stuff in that proxy, as we dynamically keep re-architecting the compensation plans for the management and the sales teams. And as we look at increasing compensation and making it more variable, especially for front-end people, we balance that with also lower awards and that also contributes overall to the reduction in stock options.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

And the expectation for the full-year in non-cash stock comp?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

The full year estimate should be $28 million to $29 million.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

Thank you very much.

Operator

George Tong, Piper Jaffray.

George Tong - *Piper Jaffray - Analyst*

I would like to get a sense for what the average deal size is in your pipeline, whether you're seeing larger deals on a year-over-year basis from the year ago period. Along similar lines, any qualitative observations of recent bookings, are they more strategic? You talked about your transformative engagement in the consumer package goods vertical. Any others that you would highlight?

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Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Yes. So George, average deal sizes is not the way we would look at our deals in the pipeline, and the reason for that is, average is height a lot, as we all know. So we would tend to look at for different types of services in different industries, are those deal sizes changing, and are those averages going up? As an example.

Our typical Finance and Accounting transactions and that transformative engagement with a set of clients in a set of verticals of a certain size, is that going up, and the answer is yes. Our typical back offices of financial services, are those with a bit large financial institutions and insurance companies, are those going up? The answer is yes.

On the other hand are Analytics deals sizes are those going up? The answer is yes but those deals are actually much smaller, but they're going up in size as well. Part of that is also because we are bundling them all into our services, and bundling the technology et cetera. So we would think about average more in the context of specific types of deals, and by definition, because we have many more consummated deals in our pipeline, the overall average does go up and has gone up.

George Tong - *Piper Jaffray - Analyst*

That's very helpful. And then could you help divide some numbers around your recent strategic partnership with Oliver Wyman, and how much revenue contributions you expect from that?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

George, it is too early to put a number for this year. It's a long-term strategic partnership. And the idea is to actually build end-to-end risk solutions that start with design, and architecting, and consulting on very complex risk issues that the banks and financial institutions are dealing with across the globe. Right through to the end of actually delivering it on a day-to-day basis, delivering analytics, and so on and so forth, as we have done in our history a lot.

This is much more of a longer-term play in a service that we think is going to be very, very critical for the long-term, and hugely underpenetrated, and a demand that is going to keep increasing over time. We think that market is anywhere from $2 billion to $4 billion in size, and is just going to keep increasing, given all the regulatory stuff that's happening across the globe. This could be a mini F&A and Finance and Accounting in a 5- to 10-year horizon. That's the way we would think about it.

George Tong - *Piper Jaffray - Analyst*

That's very helpful. Thank you.

Operator

There are no further questions in the queue at this time, sir.

Bharani Bobba - *Genpact Ltd - VP of IR*

Thanks, everyone for joining us on the call today and as always, Tiger, Mohit and I will be able to answer further questions post the conclusion of this call. Thanks again.

Operator

Ladies and gentlemen, that concludes the presentation for today's conference. You may now all disconnect and have a wonderful day.