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G - Q1 2015 Genpact Ltd Earnings Call

EVENT DATE/TIME: APRIL 30, 2015 / 8:30PM GMT

THOMSON REUTERS

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the first quarter 2015 Genpact Limited earnings conference call. My name is Chris and I will be your conference moderator for today. At this time, all participants are in a listen only mode, and we will conduct the question and answer session towards the end of this conference. We will expect the call to conclude in an hour. As a reminder, this call is being recorded for replay purposes. I would now like to turn the call over to Bharani Bobba, Head of Investor Relations at Genpact. Please proceed, sir.

Bharani Bobba - *Genpact Ltd. - VP, IR*

Thank you, Chris. Welcome to Genpact's earnings call to discuss our results for the first quarter ended March 31, 2015. We hope you've had a chance to review our earnings release which you'll also 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 Ed Fitzpatrick, our Chief Financial Officer.

Our agenda today is as follows. Tiger will provide an overview of our results and key highlights of the quarter followed by Ed, who will discuss our financial performance in greater detail. Tiger will provide closing comments, and then we will take your questions. We expect the call to last about an hour.

Some of the matters we will discuss in today's call are forward-looking. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those in such forward-looking statements. Such risks and uncertainties are set forth in our press release.

In our call today we'll 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 in our earnings release of the IR section of our website. With that, let me turn the call over to Tiger.

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Thanks, Bharani. Good afternoon, everyone, and thank you for joining us today. Genpact delivered strong financial results in the first quarter of 2015, highlighted by continued solid growth in Global Client revenues. 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.

In the first quarter, total revenues increased 11% year-over-year and 13% in constant currency. Our Global Client revenues grew 13% year-over-year and 15% in constant currency. Growth in the first quarter was broad based across many of our target verticals with CPG, insurance, life sciences, high-tech and banking leading our Global Client revenue growth. And we also saw growth across most of our service lines including finance and accounting, core vertical operations, analytics, consulting and risk services. GE revenues increased approximately 3%.

Adjusted operating margins were in line with our expectations at 14.3%. We continued to make progress during the quarter on a number of fronts. First, our design and transformation services. Second, our Systems of Engagement technology and third, reimagining end-to-end processes in the context of data and technology.

First, our design and transformation services are resonating in the marketplace. We are engaged in many more up front design and transform consulting engagements than ever before. These services, which include reengineering, consulting, and risk, are relevant in various types of client engagements and have been key in establishing a significant number of our new relationships. In fact, many of our wins this past quarter and over the last 12 plus months have been significantly differentiated through this.

For example, across verticals, we are increasingly asked during the start of an annuity F&A relationship to analyze a client's internal controls including design assessment. A component of our value proposition comes from a testing of companies internal controls and providing feedback to help our clients with analysis of their internal controls environment with suggestions related to operational efficiencies, alternative control structures and risk monitoring. Our insights derived from the work conducted by our risk consultants in close collaboration with our operational teams who are running these types of processes delivers unique tangible value to our clients.

Second, we are actively working with our clients to deploy our Systems of Engagement technology. As our Head of Digital discussed at length during our Investor Day, our System of Engagement builds on our foundation of deep domain understanding and process expertise with advanced technologies such as enterprise ready cloud applications, mobility, big data analytics and visualization to provide differentiated client insights and drive business impact. For example, with a number of clients our F&A Systems of Engagement technology which sits on top of disparate ERP systems is getting implemented.

These SOE implementations are allowing our clients to automate the aggregation of data and the calculation of critical business metrics. For example, day sales outstanding. These tools enable our clients to slice and dice data, perform realtime predictive analytics and therefore, significantly improve decision-making. Importantly, this SOE technology delivers value quickly to our clients because it automates manual processes and is nimble and flexible.

Third, our analytics business is focused on reimagining end-to-end processes in the context of data and technology to bring transformative change to our clients. As an example, we were recently awarded a new deal to help a leading technology Company better manage their inventory. Our analytics team will be using our Inventory Optimizor managed service which we deliver on a cloud-based proprietary platform to help them drive down costs, as well as increase revenue, by using predictive analytics to proactively manage inventory to ensure it is in the right place at the right time. This inventory management solution is a great example of creating IP.

From our many years of running a process, in this case, managing the back end distribution of parts and inventory, and building it into an offering that solves a complex business problem. The goal is always to reduce total working capital while increasing fulfillment rates. This cloud-based domain and IP led solution also has a much shorter implementation time. We have one of the largest third party analytics businesses with over $1 billion of business impact delivered in 2014 for our clients for 300 of our clients. This degree of impact comes from combining our data signs and analytics expertise with specific deep domain and process understanding. It is this combination that creates value by embedding analytics in a process making it more intelligent, more realtime and more predictive.

Our momentum of converting and winning big deals continues. We sign two large transformational engagements in the first quarter. In the life sciences vertical we won a global financial accounting deal that significantly expands our current partnership with a top 10 global pharmaceutical company. Through this partnership we will harmonize the delivery of their F&A shared services across business divisions and use reporting and analytics to drive insights to enhance business results. As part of this relationship, we also set up a mutually beneficial gain share component which results in additional economic benefits to Genpact upon us delivering greater efficiencies and better outcomes to our client.

Our second big win this past quarter was the leading CPG client, where we have expanded our relationship and are now providing a Global Integrated Technology Service Desk solution in addition to F&A services. We are delivering a standardized set of processes and operations at a significantly reduced cost and more importantly, we are reducing complexity across their IT environment. This sole sourced deal started with a proactive design proposal from us that included using completely redesigned processes and analytical insights to drive superior user experience.

Our Know your Customer offering with MarkIt in the banking and capital market space has gained significant momentum. Six of the largest global banks are actively looking to implement our service and we are focused on expanding this globally. Approximately 1,300 buy side firms are registered with our KYC joint venture. The market has been very receptive to this offering, and we are clearly gaining momentum from our first mover advantage. As we have discussed in the past, we are in investment mode in 2015 in this area with the expectation of revenue and operating income contribution over subsequent years. We would encourage you to visit KYC.com to learn more about this offering.

I also want to cover a development announced by GE, one of our key clients earlier this month. GE announced the sale of its commercial real estate assets and a disposition plan for parts of GE Capital expected to be implemented over the next two years. GE has been on a portfolio rationalization journey over the last several years. At this time it is difficult to predict how the specific dispositions will impact Genpact, but we do think it is important to provide some context and framework for potential outcomes.

Today, GE's approximately 19% of our overall revenues and GE Capital activities contribute to a little less than half of that. Of that, GE Capital businesses for which GE has announced disposition plans, we believe that approximately 4% of our overall revenues come from work we do for those businesses. In the short-term, given the expected timing of the potential transactions, we do not believe there will be any material impact to our previous 2015 guidance. We continue to expect overall GE revenues to be down 2% to 4%, or approximately 1% to 3% on a constant currency basis.

It is too early to evaluate the long term potential impact on our overall revenues since many factors are involved, including the type and timing of the planned dispositions, who the buyer may be and the type, nature and value of the services we provide to such businesses. We have supported GE through many divestitures during our long relationship and have demonstrated most often we continue to provide services to the divested businesses given the strength of our relationships and the value we drive. In addition, we often are asked to provide transition support to the disposition process. As such, this situation presents both risks and opportunities for us, but our primary focus is to continue to be a great partner with GE and help them successfully execute their plans.

Our pipeline continues to be healthy across our key target industry verticals, service lines and geographies. Driven by the investment in our front end teams, year-to-date pipeline inflows are strong and win rates continue to hold. Our capability investments and advanced technologies, analytics and consulting, particularly in the area of financial accounting and the risk and regulatory arena are resonating in the market and are reflected in the continued momentum in our pipeline.

Finally, we held a well attended Investor Day on February 27th where we covered many topics I just discussed in detail, including the progress on our growth strategy, our capital allocation plans which included the introduction of our share repurchase program, and importantly interacted with many of you directly. With that, I'll now turn the call over to Ed.

Ed Fitzpatrick - *Genpact Ltd. - CFO*

Thank you, Tiger. Good afternoon, everyone. Today I'll review our first quarter performance, followed by key highlights on the balance sheet and cash flows. We closed the first quarter of 2015 with revenues of $587 million, an increase of 11% year-over-year, or 13% on a constant currency basis.

Excluding Pharmalink, which we acquired in May 2014, revenue growth was 9%, or 11% on a constant currency basis. First quarter revenues from Global Clients increased 13% year-over-year, or 15% on a constant currency basis. Excluding Pharmalink, revenue growth was 11%, or 13% on a constant currency basis. Within Global Clients, Business Process outsourcing revenues increased 19%. Our Global Client IT services revenues declined 4%, in line with our expectations. GE revenues increased 3%, which was better than we expected.

In this quarter, our overall Business Process outsourcing revenues increased 16%. Our overall IT services revenues declined 3%. We continue to expand relationships with Global Clients across a range of our industry verticals. In the 12 months ending March 31, 2015, we grew the number of client relationships with annual revenues over $5 million to 94 from 81. This includes a client relationships with more than $15 million in annual revenue, increasing to 30 from 26 and client relationships with more than $25 million in annual revenue increasing to 17 from 13. We now have 4 relationships, including GE with more than $50 million in annual revenue.

Adjusted income from operations for the quarter totaled $84 million compared to $86 million in the prior year. This represents a margin of 14.3% compared to 16.4% in the first quarter of 2014. This expected reduction was due to our planned investments in sales and marketing and capabilities made in the second half of 2014, partially offset by operating efficiencies and leverage from higher revenues. Adjusted operating margins grew sequentially from 13.6% in the fourth quarter of 2014.

Gross margins grew to 39.1% from 38.6% last year due to operating efficiencies and favorable foreign exchange. As a result of the increased revenue and gross margin levels, total gross profits grew to $230 million from $204 million in the first quarter of 2014. SG&A expenses totaled $149 million compared to $122 million in the first quarter of last year.

Our sales and marketing expense as a percentage of revenue this quarter was approximately 7.3%, up from 5.5% in the same quarter last year, driven by the full year impact of the ramps and client facing teams and subject matter experts in 2014. Sales and marketing expense as a percentage of revenue during Q1 2015 was down slightly from Q4 2014's level of 7.6%. We expect this metric to reduce through the course of 2015 as revenues increase through the year. The increase in selling and marketing cost was partially offset by improved productivity and leverage in G&A spending.

Net income was $44.7 million compared to $50.6 million in the first quarter of 2014. Our adjusted EPS for the first quarter was $0.24 per share, consistent with the prior year quarter. The quarter witnessed higher financing costs, lower operating income due to increased selling and marketing expenses and higher foreign exchange remeasurement losses, each representing approximately $0.01 loss, offset by benefits from the share repurchase in 2014 of approximately $0.02 and lower effective tax rate of $0.01.

On February 27, we announced share repurchase program of $250 million. In the first quarter we repurchased approximately 600,000 shares at a weighted average price of $22.51 for total purchases of $13.3 million. Our tax expense for the first quarter of 2015 was $11.1 million, down from $16.3 million in the first quarter of 2014, representing effective tax rate of 20%, down from 24% in the first quarter of last year. The decrease in effective tax rate reflects changes in our jurisdictional mix of income and is driven mainly by growth in lower tax jurisdictions. I'll now turn to our balance sheet.

Our cash and liquid assets totaled approximately $434 million, down from $462 million at the end of the fourth quarter of 2014, due in part to $13 million used during the quarter for share repurchases. This undrawn debt capacity of $113 million and existing cash balances we continue to have liquidity flexibility to pursue growth opportunities. Our net debt to EBITDA for the last four rolling quarters was approximately 1. Our day sales outstanding were 81 days which was in line with our expectations for the first quarter.

Turning to operating cash flows. We generated $24 million of cash from operations in the first quarter of 2015 compared to $14 million in the first quarter of last year, in line with our expectations. It should be noted that Q1 cash flows are typically lower than the full year quarterly average due to the payout of annual employee bonuses in the quarter. Capital expenditures as a percentage of revenues were 2.2% in the first quarter of 2015.

Finally, our full year outlook for 2015. We continue to expect total revenues to be between $2.46 billion and $2.5 billion, which now assumes an adverse foreign exchange impact of approximately 180 basis points at today's exchange rates versus 150 basis points communicated on the February earnings call. We continue to expect adjusted operating margins to be approximately 15%, and we would expect those margins to ramp during the year as our selling and marketing investments are absorbed by higher revenues as we progress throughout 2015.

In 2015 we expect our effective tax rate to be approximately 23% to 24%, similar to 2014. We expect our cash flows from operations to grow approximately 2% to 5% in 2015. Capital expenditures as a percentage of revenues are expected to be approximately 3%. With that, I'll hand it over to Tiger for his closing comments.

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

In summary, we are off to a good start in 2015 with growth rates in our BPO business accelerating and at the highest levels in two years. The four pillars of our growth strategy are clearly working for us. We believe we have the right strategy with the right areas of focus to increase our market share and drive growth in our underpenetrated markets. In today's rapidly changing world, our value proposition built on our deep understanding of our clients' domain and process is resonating and more relevant than ever. This is allowing us to combine advanced technologies, data science and analytics together with design and consulting in a meaningful way to add value to our clients.

Our client engagements and wins are reflecting this design and transformation-led solution approach. I am very excited about the way our systems of engagement and information signs big data platform is getting early deployment in many client engagements. In this changing world, our strength, heritage, DNA and the ability to embrace the new has positioned us really well. We continue to provide very relevant and highly differentiated services that are clearly resonating with the needs of our clients. I'll now hand the call back to Bharani.

Bharani Bobba - *Genpact Ltd. - VP, IR*

Thank you, Tiger. We would like to open up the call to Q&A at this time. Chris, can you please give the instructions?

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Our first question comes from the line of Edward Caso with Wells Fargo Securities.

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

Good evening. Congratulations on the solid quarter. Could you remind us of your capital deployment priorities here and what leverage you may be willing to go to? Thank you.

Ed Fitzpatrick - *Genpact Ltd. - CFO*

Sure, Ed. As we mentioned in February, at the Investor Day, we talked about driving profitable growth really as the key for us moving forward here. So capital expenditures that support that growth for sure first hand. Then from there we are going to look at acquisitions that make sense for us, that fit into the verticals where we play that add to our strengths in that area. So M&A would be second order of priority if it has all of the right qualities from the right economic return and right strategic fit, ability to integrate, et cetera. From there then the share repurchase program comes into play, and as you know, we instituted the share repurchase program and got started with that in the quarter. As you heard us talk about $13 million executed before the end of the quarter, so that's the way we're thinking about it. That mix may change over time. We may do a bit more M&A in the period, a bit more share repurchase based on the opportunities, but that's the way we're thinking about it.

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

A willingness to step up your leverage or not?

Ed Fitzpatrick - *Genpact Ltd. - CFO*

Well sure. So what we've talk about is leverage really being somewhere in the range, somewhere between 1 and 2. I think right now we're at the low end of that range. So as I talked about on the call, from a liquidity perspective, plenty of firepower for us to execute on the M&A front to the extent that that -- there's opportunities to come to fruition. As well as share repurchases, as we look at that as well. If we see opportunities to repurchase shares at attractive levels we could go faster there if the opportunity presents itself. So operating leverage really will be a factor of what we need M&A as an example, we'll be able to step it up and we have plenty of powder to do that.

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Just to add to that, given the cash flow nature of this business, clearly, that does provide the opportunity for the right acquisition opportunities that come up for us to lever up. There's no question.

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

Great, the other question was on the tax rate. It was particularly low this quarter. Are we -- but you didn't change the full year range. Should we assume that the rate's high in the next several quarters, or should we assume we're closer to 23% than 24% for the year?

Ed Fitzpatrick - *Genpact Ltd. - CFO*

I would say it was a bit lower than we expected as well. Still keeping the range, Ed. As you know it can fluctuate quarter to quarter with discrete items, and I don't think 2015 will be much different than years in the past where we will have some lumpiness. So as I'm thinking about, I'd still think somewhere in the 23% to 24% range. I wouldn't come off that just yet.

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

Thank you.

Bharani Bobba - *Genpact Ltd. - VP, IR*

Thanks, Ed.

Operator

Next question comes from the line of Anil Doradla with William Blair.

Anil Doradla - *William Blair & Company - Analyst*

Hi guys. Thanks for taking my question. Tiger, I think a big picture question I want to follow-up, when I look at the tone of many of your peers in the BPO industry, I'm noticing a distinctive, more bullish tone, more so over the last three or four months. Now many positive things have been going on in the industry. Do you feel that the industry is at some kind of inflection point where finally many large companies are realizing that this is a way to go? And while in the past people have been doing it, it's moving from the kind of the fringes to the mainstream?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Thanks for the question. I would start by saying, let's look at the world around us. And the world around us, we've always said this for some time now, has low growth, not high growth. And the world around us has volatility attached to that low growth environment.

There is no question that the kind of things that we do for companies are things that the early adopters have been very successful and therefore, a lot more companies are willing to more aggressively change, restructure. I would also argue at least in our case we've done the right investments, we've built the right capabilities and we continue to do so in our changing world again. And that includes new technology, bringing in new technology into process and domain capabilities and the ability to leverage data for insights, which is the other driver. Clients want insights to be created in today's world. And actually our view has always been if you have clean process that run well on great technology that is nimble and agile, your ability to leverage data to build insights is that much better.

Anil Doradla - *William Blair & Company - Analyst*

Switching gears a little bit now, the 75/20 split between BPO and IT, do you feel that's a right balance, given that you're taking on more and more complex projects, there might be a little bit more customization development? Or what do you think is the right balance between these two?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

So Anil, we don't think about balance between those two that you just described, IT and BPO. We don't think about the world that way. We report it, but that's not the way we determine our business plans. Our business plans are determined by, what's the big problem for our clients in a particular industry that we're trying to solve? And how can we bring together different capabilities, technology, analytical tools, as well as deep process and domain understanding to actually then solve that problem? More and more, our view is that disaggregating into different pieces is not the way the world is going to be.

Anil Doradla - *William Blair & Company - Analyst*

Okay, great, and if you don't mind me squeezing one final in. On the GE commentary, maybe the way I read it was you were definitely positive in the near term, but sounded a little cautious on the long term. Am I reading too much in between the lines, or -- because in the past when new lows were created you've come out well. So just wanted some clarification and thanks a lot.

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Look, every time our GE disposition has happened, we have come out okay because we built a new relationship. All I'm saying is that has depended so much on when, what kind, what nature of the transaction, none of which we can speculate on. So our job is to continue to be a great partner for GE, and continue to find a way to build new relationships as those dispositions happen, which we will. I think being circumspect is probably the right way to think about it, because it does provide opportunities and risks.

Anil Doradla - *William Blair & Company - Analyst*

Great and congrats on the quarter guys.

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Thank you.

Bharani Bobba - *Genpact Ltd. - VP, IR*

Thank you.

Operator

Our next question comes from the line of Puneet Jain with JPMorgan.

Puneet Jain - *JPMorgan - Analyst*

Hi, thanks for taking my question. So Tiger, on gain sharing contracts that you talked about, how comfortable clients are in signing some of those contracts? These contracts while align your goals for the clients, but should also result in more uncertainty for clients in terms of their spending. So do you see any pushback from clients when you go to them with these proposals?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Not really Puneet because -- by the way, this is not the first time we are doing it. We have many, many contracts for many, many years where we have gain share in our contracts. On productivity, we have gain share where we drive significant business impact that is well defined between us and the client on specific projects. So the key discussion becomes exactly what is the pain area that is going to be solved and how we measure it. And once that's defined up front there's a gain, and part of that gain is what we share. So I don't think that as a lack of predictability as a result of which clients you don't want to sign it because after all, it's an upside that the client gets.

Ed Fitzpatrick - *Genpact Ltd. - CFO*

People sometimes like those type of things. You weigh it with certainty versus not having to pay for anything if you don't get anything.

Puneet Jain - *JPMorgan - Analyst*

Understood and another question if I can ask, growth trend clearly appears to be improving, and some of the investments that you have made, they appear to be yielding results. So near term should we expect investments in some of these areas like in domain and analytics, continue to increase faster than revenue, or near term investments have peaked?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

So Puneet, we did in 2014 was step up from the trend that we had on these types of spends, both on the front end as well as on building out some of these capabilities. That stepped up trend line is what we think we'd like to continue as we go into the future. Obviously, we are very pleased with the investments we have been making and we continue to make, particularly of the type that we just described. And clearly, those are the ones that are resonating with clients.

Puneet Jain - *JPMorgan - Analyst*

But that absolute dollar of those investments, that dollar number will continue to increase over the near term, but maybe --

Ed Fitzpatrick - *Genpact Ltd. - CFO*

I'd say in the selling and marketing side, the spend should be relatively flat throughout the year, maybe some slight increase, but you shouldn't see significant changes this year. That's why we mentioned on the call that as we go through the year and sales increase, selling and marketing cost as a percentage of sales should come down and thus, operating margin should improve throughout the year. Such that we get the 15% operating margin for the full year on the earnings.

Operator

Our next question comes from the line of George Tong with Piper Jaffrey.

Adrian Paz - *Piper Jaffray - Analyst*

Hi this is Adrian Paz on for George Tong. I was looking at, I was wondering on consulting services. Are these services provided separate from contract revenue? And it sounds like these services are consulting as in trending positively. Can you discuss trends that you're seeing there?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Yes, they are separate from our annuity contract revenue for the most part. There are a few but actually we have these ongoing for long, long periods of time, and there are three or four of them that come up in terms of the types of things. When we run these processes, we know a lot of upstream opportunities to change and redesign and fix, and those are the types of services we've been offering for many years.

We now have teams that actually go in in advance and design new processes for the new world. And a lot of our clients want to be disruptive in their industry, and our job is to help them become disruptive in their industry. So these types of services, we think, are critical to actually continue to be able to make our clients disruptive. And then once we execute those, the downstream flow of work that needs to get executed automatically very often comes to us.

Adrian Paz - *Piper Jaffray - Analyst*

All right, great thanks. And looking at IT services, it looks like this service line has declined, have been on a trend of declining revenues, or decelerating and then declining. And I was wondering what you're seeing there and maybe are you shifting away from IT services more towards BPO?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

So again, I think I answered the question earlier, which is we don't have a specific shift either in one direction or the other. If you think about the world of IT, and this is going to be no surprise, we have been talking about it, we would think about our world of IT as Capital Markets and the work we do in the Capital Market space, which includes the KYC JV we have with market et cetera, which we are very pleased with the way that's going. And then we have IT, that the work that we do across a range of our verticals. And I would segregate that into two parts because I think all our clients segregate all of the IT into two parts. Legacy IT which our view is that legacy IT will always be slow growth because legacy IT clients want to reduce the spend there and dramatically increase the spend on new technology. So we are seeing significant growth on our side of new technology with a reduction on our legacy technology work that we do, which is only one part of our IT business. And that -- the reality is that that legacy portion of our IT business is a small proportion of the total Company, which actually allows us to be more nimble in attacking new areas.

Adrian Paz - *Piper Jaffray - Analyst*

Got it. Is there a big margin differential between BPO and IT services?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Again, a lot of these are solutions. Some of them are solutions where the price is on a per transaction. Some of them are solutions where it is a bundle solution of technology and people, and then we get paid on the whole. So it's very difficult to start segregating margin on technology and margin on BPO. All I would say is when you bring in new technology that has analytics and data signs built into it, automatically, it is higher value for our clients. The business impact that that drives is much higher, so it does come on, better pricing.

Adrian Paz - *Piper Jaffray - Analyst*

Okay got it. Thanks for taking my questions.

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Thank you.

Operator

Our next question comes from the line of Prasad Borra with Goldman Sachs.

Prasad Borra - *Goldman Sachs - Analyst*

Thanks for taking my question. A couple, I may. Probably just to start off, Tiger what's your latest view on consolidation happening in the IT services BPO space? They're having a few deals like the Cognizant/TriZetto deal and also the recent I-gate deal. And the rumors of Genpact being interested in assets like I-gate. Just wanted to understand from a strategic point of view, when you think about BPO and IT services, you did mention that as a specific part of the market you're interested in, but would you be open to bigger deals and a bigger role in traditional IT services? And on the leverage aspect, I know you'd mentioned it's 1 to 2 times, but if you can provide what's the stretched limit for you?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

I'm sorry, I'm going to say again that we don't think about the world as specific IT and specific BPO. We think about the world as solutions in a specific industry vertical and we have choices we made, and that's what we would like to grow. In order to do that, if we find the right capability that we need to bring in versus build ourselves, we look for those and we do those acquisitions. Those are the ones that we will do.

I really don't want to comment on rumors, because that's not the objective here. We will continue to look for acquisitions that brings in capabilities in the spaces that we want to operate in. If they have a technology component to it, that's great. If they have a process component to it, that's great. If they have a domain component to it, that's great. If they have an analytical component to it, that's great.

Ed Fitzpatrick - *Genpact Ltd. - CFO*

And then on the leverage question, what I would tell you is staying in the rating space where we are today in the investment grade level ratings, we think that's the appropriate level for us given the long term nature of our contracts with our customers, so that is important to us. So that range of 1 to 2 is meaningful. With that said, if there was an acquisition that first day that would bring it slightly above the 2 range that I'd mentioned for a quarter or two, our plan would be to get the levels back within that range over a near term such that we would be able to maintain those ratings. As I said that's important to us.

Prasad Borra - *Goldman Sachs - Analyst*

Okay, that's great. And probably on one of the points you guys mentioned around targeting clients and extending relationships beyond F&A, with regards to the upsell opportunities you have and with regards to feedback you're getting from clients, is the demand more for other solutions which have again headcount related business? Or they are more non-linear products or remedy streams where you're seeing traction?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

I would say that it's all of the above. The reality is that there is still a lot of work that is associated with people who do that work; however, we have significant redesign and bringing in new technology that changes the way the work gets done itself, often eliminating the work and that's part of the role that we play. And part of that sometimes gets paid as consulting that we talked about. Part of that gets paid as the technology we bring. Part of that is fixed right, all of which creates significant difference between headcount addition and revenue growth, which we are seeing and have been seeing for quite some time in terms of a trend.

Prasad Borra - *Goldman Sachs - Analyst*

Okay, and probably just last one on the margins, just with regards to your second half margin ramp up. Is it a case of you guys pre-loading a lot of the sales and marketing investments and things becoming a bit easier in the second half? Or is it a case of ramp up of some of the larger contracts which are taken in 2014? And as those contracts, the early investments get digested, you see a margin ramp?

Ed Fitzpatrick - *Genpact Ltd. - CFO*

Well, I guess it could be a combination of both, right? We do expect revenues to ramp throughout the year not altogether inconsistent with what you seen historically that we should ramp throughout the year. The difference this year versus last year is that the selling and marketing is not expected to ramp like it ramped last year. It should be relatively stable for the rest of the year such that there's incremental revenues should flow through, driving operating margins up throughout the year such as a full year average it should be in and around that 15% that you heard us talk about.

Prasad Borra - *Goldman Sachs - Analyst*

Thanks Tiger, thanks Ed.

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Thank you.

Operator

The next question comes from the line of Bryan Keane with Deutsche Bank.

Corey Marcellone - *Deutsche Bank - Analyst*

Hi guys, this is [Corey Marcellone] for Bryan Keane. Just had two quick questions. First in terms of the two large deals, one this quarter, could you just talk a little bit more about them such as how long they took, how competitive the deals were and sort of what the pipeline looks like moving forward?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Yes, so both those deals interestingly were not competitive because we were already with the client. In one case it was an expansion of an F&A relationship that went across multiple divisions and then went across the globe with the success of the first initial work that we did. And then the other one was moving from finance and accounting to the technology and IT services side. And therefore in both cases, they were proactive, they were sole sourced, they were consulting, design-led, and they were propositions that we put on the table, based on our knowledge of that domain, our knowledge of the client and what the client was going through.

Corey Marcellone - *Deutsche Bank - Analyst*

Great, thanks, and then just in terms of the growth moving forward, what sort of gets us to that top end of the guidance? Is it more around the deals and the pipeline, the ramp of exiting cross sell? Where is the focus there?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

It's, again, all of the above. As we go through the year, our short cycle businesses such as consulting, reengineering, risk services, analytics and IT et cetera, were wins that we get will add to revenue through the year. And then on long cycle businesses that we have won, both last year as well as wins this year, we'll continue to ramp or will start ramping. All of those will create the ramp in revenue as we go through the year.

Ed Fitzpatrick - *Genpact Ltd. - CFO*

The euro appreciation in the last 24 hours doesn't hurt, if that would stick too, that would be a nice reduction of a pressure of a headwind, right?

Corey Marcellone - *Deutsche Bank - Analyst*

Yes, great that's perfect. That's all I had. I was going to ask on the currency there, thanks very much, guys.

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Thank you.

Operator

Our next question comes from the line of Keith Bachman with Bank of Montreal.

Keith Bachman - *BMO Capital Markets - Analyst*

Hi, Ed. I wanted to ask a question of you and then a broader question, just on the tactical side. If you could tell us, or help us understand how the adjusted operating margin progresses in the June quarter versus the second half of the year. In other words, if you're targeting 15, is June still under that and then you get above that for the September-December quarters? If you could just give us any context for the adjusted operating margins, say for the June quarter?

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Ed Fitzpatrick - *Genpact Ltd. - CFO*

I guess I wouldn't give you any specific guidance other than where we are, a straight line type of thing. Guide you than straight line, I wouldn't be able to give you any specific guidance, other than we've told you that the spending levels should stay relatively constant. It's really just going to be the top line flow through to grow. So I wouldn't want to give you any guidance more than that. I don't think there would be any big surprises, I guess is what I would say, or should not be.

Keith Bachman - *BMO Capital Markets - Analyst*

And then the currency hit in the March quarter, was it about where you expected, or does the currency cause a little extra tension on the profitability line?

Ed Fitzpatrick - *Genpact Ltd. - CFO*

No, so the pretty significant move during the quarter was more than anybody expected, frankly. The euro moved -- it was actually a global move. The euro was probably the biggest impact for us, but it's happened probably in the last five years, moves like that happened maybe a couple times. Because I remember them when they happen because they usually hits the bottom line and they hit the top line. But this is the second time I remember it in the last five years that it's moved so swiftly and so violently. But for us it really was the balance sheet related items that are unhedged that we typically don't hedge because prohibitively expensive to hedge them. So that bigger move was probably $6 million or $7 million in the quarter was higher -- $-0.01 higher than it was last year, or $0.02 in the quarter, if you will, impact on our earnings. So that was higher than we expected. But even since that timeframe, since the quarter, I know some of that has reversed already with strengthening of other currencies against the dollar. So it hit us, it hit a bunch of people probably pretty hard, hit us to the tune of a couple cents, but some of that has reversed. Most of that --

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Keith Bachman - *BMO Capital Markets - Analyst*

It was a couple cents in the quarter and then the tax rate was a plus one, so maybe you're still down a little bit -- okay.

Ed Fitzpatrick - *Genpact Ltd. - CFO*

Exactly.

Keith Bachman - *BMO Capital Markets - Analyst*

The larger question is, you want to do signings, I know infrequently, but could you give us at least anecdotal directional comments about how the broader signing landscape unfolded during the March quarter, either in TCV or just directionally. If you aggregate the signings, was it a positive signing quarter as you think about what you're actually able to context, or conclude, rather? Rather than just those few deals that you pulled out?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

I don't think that we'll be able to talk about specific numbers here. All I can say is -- the reality is bookings, as we said on our Investor Day, is a metric that makes sense only when you look over a reasonably long period of time. So a quarters bookings is the wrong way we would assess our business. The win rate has been consistent, our pipeline flow has been good, and our big deal momentum has been good, signified by the two deals that we talked about. So overall we feel good about the quarter in the context of the year, and we think its exactly on plan to the year that we are progressing on.

Keith Bachman - *BMO Capital Markets - Analyst*

Fair enough. Many thanks, guys.

Ed Fitzpatrick - *Genpact Ltd. - CFO*

Keith, so that I could be a little more responsive on your first question on how margins would progress throughout the year. One thing I'd point you to is, look at our growth on the last year too, right? As you're modeling, we had slower growth first half of last year, higher growth second half. You should expect that our growth rate this year would bear those in mind as you're going through doing your outlook.

Operator

(Operator Instructions)

The next question comes from the line of Jason Kupferberg with Jefferies.

Amit Singh - *Jefferies & Co. - Analyst*

Hi guys, this is Amit Singh for Jason. Just to start, I just want to get a sense of how much visibility at this point, considering all of the bookings you've had until this point of the year, how much visibility to you have towards your full year guidance right now?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Our visibility at this point in the year is actually exactly broadly similar to what one would expect at the end of the first quarter at any of our normal years. So I would characterize our visibility right now as broadly similar to the way we would have expected it to be for our expectation of the revenue growth of the year.

Ed Fitzpatrick - *Genpact Ltd. - CFO*

And better than at the beginning of the year, I think, because we're at quarter end, right?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Of course.

Ed Fitzpatrick - *Genpact Ltd. - CFO*

We're making progress, visibility is pretty good, but we still have the rest of the year to get through, right?

Amit Singh - *Jefferies & Co. - Analyst*

Okay, perfect, and we are seeing more and more of these integrated deals in the market which involve IT services, BPO consulting, all these elements in it. And Tiger, you already spoke about that you look at M&A targets or anything in terms of capabilities. So if you want to go after these deals, where do you think right now maybe you could beef up your capabilities? What I'm going to try to get at is if you try to look at M&A targets, what capabilities do you think, if you could prioritize them, what capabilities at the beginning would make more sense right now?

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Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

So my first response is we are not seeing and we haven't seen for quite some time now legacy IT combined with process and all of that lumped together into one big deal. I think we haven't seen that in quite some time, and I don't think those are the deals that are happening. What is clearly happening is clients expect people like us and others to actually bring to them the ability to use disruptive new technology in order to be able to do all of the things that we talked about. That's what we are seeing and that's the type of bundled solutions that we are seeing. It's not the legacy IT and infrastructure and all that bundled with BPO.

In terms of capabilities, it is completely a function of the specific service we are talking about in the specific vertical that we think is a good capability to bring in, and the choice was between bringing it in versus building it. The Pharmalink acquisition that we did a year back is I think a great example of that where in the life sciences vertical, which is one of our chosen verticals, we identified Regulatory Affairs as an important capability to have because we thought the market is moving and changing. And our clients are telling us it is going to be one of the services they would like people to provide. And we said instead of building it from scratch, we'll acquire, so it is that specific. I don't think there's a generic answer I can give you.

Amit Singh - *Jefferies & Co. - Analyst*

Okay, great. And then just one last quick one. Attrition rate ticked up a little bit, if you compare it year-over-year or last quarter. Is there anything to read into it?

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

No, nothing to be read into one quarter's attrition rate. These are things that happen depending upon client changes, moving work from one location to another. We actually reduced the size of a couple of locations because we increased the size of a couple of other locations. So there are lots of puts and takes there, nothing has to be read into that.

Ed Fitzpatrick - *Genpact Ltd. - CFO*

I think you heard us talk about a couple things too productivity and you heard me talk about G&A leverage, right? So all that factors into what you're seeing in the numbers that flow through.

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

And then our attrition rate, as you probably know, is an all-inclusive attrition rate that includes everything. So for example, what we call regrettable attrition is steady.

Amit Singh - *Jefferies & Co. - Analyst*

Perfect, thank you.

Tiger Tyagarajan - *Genpact Ltd. - President & CEO*

Thank you.

Operator

We have no questions at this time. I will now turn the call back over to Mr. Bobba for any closing remarks.

Bharani Bobba - *Genpact Ltd. - VP, IR*

Thank you for joining us on the call today, and we look forward to speaking with you next quarter.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you so much for your participation. You may now disconnect. Have a great day.
