

Genpact LTD
Form 10-Q
May 10, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period ended March 31, 2011

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period from to

Commission file number: 001-33626

GENPACT LIMITED

(Exact name of registrant as specified in its charter)

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Bermuda
(State or other jurisdiction of
incorporation or organization)

98-0533350
(I.R.S. Employer
Identification No.)

Canon s Court
22 Victoria Street
Hamilton HM
Bermuda
(441) 295-2244

(Address, including zip code, and telephone number, including area code, of registrant s principal executive office)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of the registrant s common shares, par value \$0.01 per share, outstanding as of May 5, 2011 was 221,149,954.

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Table of Contents**Item 1. Financial Statements****GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Balance Sheets****(Unaudited)****(In thousands, except per share data)**

	Notes	As of December 31, 2010	As of March 31, 2011
Assets			
<i>Current assets</i>			
Cash and cash equivalents	4	\$ 404,034	\$ 351,766
Short term investments	5	76,985	129,484
Accounts receivable, net	6	174,654	173,292
Accounts receivable from related party, net	6, 18	131,271	134,722
Deferred tax assets	17	21,985	14,549
Due from related party	18	3	3
Prepaid expenses and other current assets		126,848	155,468
Total current assets		\$ 935,780	\$ 959,284
Property, plant and equipment, net	9	197,166	187,630
Deferred tax assets	17	35,099	37,651
Investment in equity affiliates	18	1,913	1,782
Customer-related intangible assets, net	10	33,296	30,298
Other intangible assets, net	10	51	627
Goodwill	10	570,153	578,040
Other assets		120,003	109,630
Total assets		\$ 1,893,461	\$ 1,904,942

See accompanying notes to the Consolidated Financial Statements.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Balance Sheets****(Unaudited)****(In thousands, except per share data)**

	Notes	As of December 31, 2010	As of March 31, 2011
Liabilities and equity			
<i>Current liabilities</i>			
Current portion of long-term debt		\$ 24,950	\$ 12,483
Current portion of capital lease obligations		702	631
Current portion of capital lease obligations payable to related party	18	1,188	1,196
Accounts payable		12,206	9,908
Income taxes payable	17	8,064	16,518
Deferred tax liabilities	17	489	3,932
Due to related party	18	4,030	2,954
Accrued expenses and other current liabilities		270,919	223,009
Total current liabilities		\$ 322,548	\$ 270,631
Capital lease obligations, less current portion		741	553
Capital lease obligations payable to related party, less current portion		1,748	1,535
Deferred tax liabilities	17	2,953	2,234
Due to related party	18	10,683	10,720
Other liabilities		73,546	72,171
Total liabilities		\$ 412,219	\$ 357,844
Shareholders equity			
Preferred shares, \$0.01 par value, 250,000,000 authorized, none issued			
Common shares, \$0.01 par value, 500,000,000 authorized, 220,916,960 and 221,066,519 issued and outstanding as of December 31, 2010 and March 31, 2011, respectively		2,208	2,210
Additional paid-in capital		1,105,610	1,109,060
Retained earnings		421,092	457,211
Accumulated other comprehensive income (loss)		(50,238)	(24,344)
Genpact Limited shareholders equity		\$ 1,478,672	\$ 1,544,137
Noncontrolling interest		2,570	2,961
Total equity		\$ 1,481,242	\$ 1,547,098
Commitments and contingencies			
Total liabilities and equity		\$ 1,893,461	\$ 1,904,942

See accompanying notes to the Consolidated Financial Statements.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Statements of Income****(Unaudited)****(In thousands, except per share data)**

	Notes	Three months ended March 31,	
		2010	2011
Net revenues			
Net revenues from services - related party	18	\$ 113,338	\$ 112,961
Net revenues from services - others		174,881	217,592
Total net revenues		288,219	330,553
Cost of revenue			
Services	14, 18	176,685	214,487
Total cost of revenue		176,685	214,487
Gross profit		\$ 111,534	\$ 116,066
<i>Operating expenses:</i>			
Selling, general and administrative expenses	15, 18	72,891	67,441
Amortization of acquired intangible assets	10	4,219	3,077
Other operating (income) expense, net	18	(2,830)	(956)
Income from operations		\$ 37,254	\$ 46,504
Foreign exchange (gains) losses, net		731	(1,567)
Other income (expense), net	16, 18	1,270	3,097
Income before share of equity in loss of affiliates and income tax expense		\$ 37,793	\$ 51,168
Equity in loss of affiliates		333	133
Income before income tax expense		\$ 37,460	\$ 51,035
Income tax expense	17	7,217	13,122
Net Income		\$ 30,243	\$ 37,913
Net income attributable to noncontrolling interest		2,069	1,794
Net income attributable to Genpact Limited shareholders		\$ 28,174	\$ 36,119
Net income available to Genpact Limited common shareholders	13	\$ 28,174	\$ 36,119
Earnings per common share attributable to Genpact Limited common shareholders	13		
Basic		\$ 0.13	\$ 0.16
Diluted		\$ 0.13	\$ 0.16
Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited common shareholders			
Basic		217,956,146	221,008,760
Diluted		223,972,059	225,543,290

See accompanying notes to the Consolidated Financial Statements.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Statements of Equity and Comprehensive Income (Loss)****(Unaudited)****(In thousands, except share data)**

	Common shares		Genpact Limited Shareholders		Accumulated Other Comprehensive Income (loss)	Non controlling interest	Total Equity
	No. of Shares	Amount	Paid-in Capital	Retained Earnings			
Balance as of January 1, 2010	217,433,091	\$ 2,174	\$ 1,063,304	\$ 278,911	\$ (146,993)	\$ 2,351	\$ 1,199,747
Issuance of common shares on exercise of options (Note 12)	1,134,614	11	6,283				6,294
Issuance of common shares under the employee share purchase plan (Note 12)	10,427		142				142
Noncontrolling interest on business acquisition						502	502
Distribution to noncontrolling interest						(1,743)	(1,743)
Share-based compensation expense (Note 12)			4,486				4,486
Comprehensive income:							
Net income				28,174		2,069	30,243
Other comprehensive income:							
Net unrealized income (loss) on cash flow hedging derivatives, net of taxes					54,156		54,156
Net unrealized gain (loss) on investment in U.S. treasury bills					197		197
Currency translation adjustments					19,471	(125)	19,346
Comprehensive income (loss)							\$ 103,942
Balance as of March 31, 2010	218,578,132	\$ 2,185	\$ 1,074,215	\$ 307,085	\$ (73,169)	\$ 3,054	\$ 1,313,370

See accompanying notes to the Consolidated Financial Statements.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Statements of Equity and Comprehensive Income (Loss)****(Unaudited)****(In thousands, except share data)**

	Genpact Limited Shareholders				Accumulated Other Comprehensive Income (loss)	Non controlling interest	Total Equity
	Common shares		Additional Paid-in Capital	Retained Earnings			
	No. of shares	Amount					
Balance as of January 1, 2011	220,916,960	\$ 2,208	\$ 1,105,610	\$ 421,092	\$ (50,238)	\$ 2,570	\$ 1,481,242
Issuance of common shares on exercise of options (Note 12)	75,491	1	625				626
Issuance of common shares under the employee share purchase plan (Note 12)	12,224		153				153
Net settlement on vesting of restricted share units (Note 12)	61,844	1	(393)				(392)
Distribution to noncontrolling interest						(1,497)	(1,497)
Share-based compensation expense (Note 12)			3,065				3,065
Comprehensive income:							
Net income				36,119		1,794	37,913
Other comprehensive income:							
Net unrealized income (loss) on cash flow hedging derivatives, net of taxes					18,297		18,297
Net unrealized gain (loss) on investment in U.S. treasury bills					4		4
Currency translation adjustments					7,593	94	7,687
Comprehensive income (loss)							\$ 63,901
Balance as of March 31, 2011	221,066,519	\$ 2,210	\$ 1,109,060	\$ 457,211	\$ (24,344)	\$ 2,961	\$ 1,547,098

See accompanying notes to the Consolidated Financial Statements.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Statements of Cash Flows****(Unaudited)****(In thousands)**

	Three months ended March 31,	
	2010	2011
Operating activities		
Net income attributable to Genpact Limited shareholders	\$ 28,174	\$ 36,119
Net income attributable to noncontrolling interest	2,069	1,794
Net income	\$ 30,243	\$ 37,913
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>		
Depreciation and amortization	13,987	14,003
Amortization of debt issue costs	116	58
Amortization of acquired intangible assets	4,303	3,119
Provision (release) for doubtful receivables	(1,679)	871
Gain on business acquisition	(247)	
Unrealized (gain) loss on revaluation of foreign currency asset/liability	(2,495)	(1,020)
Equity in loss of affiliates	333	133
Share-based compensation expense	4,486	3,065
Deferred income taxes	(1,579)	(249)
Others, net	171	(48)
<i>Change in operating assets and liabilities:</i>		
Increase in accounts receivable	(16,798)	(673)
Increase in other assets	(16,062)	(14,644)
Decrease in accounts payable	(1,080)	(1,340)
Decrease in accrued expenses and other current liabilities	(41,670)	(28,224)
Increase in income taxes payable	7,059	8,459
Increase (decrease) in other liabilities	851	(327)
Net cash provided by (used for) operating activities	\$ (20,061)	\$ 21,096
Investing activities		
Purchase of property, plant and equipment	(25,044)	(6,187)
Proceeds from sale of property, plant and equipment	132	219
Investment in affiliates	(2,000)	
Purchase of short term investments		(129,473)
Proceeds from sale of short term investments	132,601	76,973
Redemption of short term deposits with related party	9,761	
Payment for business acquisitions, net of cash acquired	(25,690)	(1,564)
Advance paid for business acquisition	(16,347)	
Net cash provided by (used for) investing activities	\$ 73,413	\$ (60,032)
Financing activities		
Repayment of capital lease obligations	(588)	(681)
Repayment of long-term debt	(10,000)	(12,500)
Short-term borrowings, net	(184)	

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Proceeds from issuance of common shares under share based compensation plans	6,436	779
Distribution to noncontrolling interest	(1,743)	(1,497)
Net cash used for financing activities	\$ (6,079)	\$ (13,899)
Effect of exchange rate changes	4,900	567
Net increase (decrease) in cash and cash equivalents	47,273	(52,835)
Cash and cash equivalents at the beginning of the period	288,734	404,034
Cash and cash equivalents at the end of the period	\$ 340,907	\$ 351,766
Supplementary information		
Cash paid during the period for interest	\$ 481	\$ 318
Cash paid during the period for income taxes	\$ 11,139	\$ 14,705
Property, plant and equipment acquired under capital lease obligation	\$ 222	\$ 207

See accompanying notes to the Consolidated Financial Statements.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data)

1. Organization

(a) Nature of Operations

The Company is a global leader in business process and technology management. The Company combines its process expertise, information technology expertise and analytical capabilities, together with operational insight derived from its experience in diverse industries, to provide a wide range of services using its global delivery platform. The Company's service offerings include finance and accounting, collections and customer service, insurance services, supply chain and procurement, analytics, enterprise application services and IT infrastructure services. The Company delivers services from a global network of approximately 41 locations in thirteen countries. The Company's service delivery locations, referred to as Delivery Centers, are in India, the United States (U.S.), China, Mexico, Romania, The Netherlands, Hungary, The Philippines, Spain, Poland, Guatemala, South Africa and Morocco.

(b) Secondary Offering

On March 24, 2010, the Company completed a secondary offering of its common shares by certain of its shareholders that was priced at \$15 per share. The offering consisted of 38,640,000 common shares, which included the underwriters exercise of their option to purchase an additional 5,040,000 common shares from the Company's shareholders at the offering price of \$15 per share to cover over-allotments. All of the common shares were sold by shareholders of the Company and, as a result, the Company did not receive any of the proceeds from the offering. The Company incurred expenses in connection with the secondary offering of approximately \$591 included under other income (expense), net in the Consolidated Statements of Income for the year 2010. Upon the completion of the secondary offering, the General Electric Company's (GE) shareholding in the Company decreased to 9.1% and it ceased to be a significant shareholder although it continues to be a related party in accordance with the provisions of Regulation S-X Rule 1-02(s).

2. Summary of significant accounting policies

(a) Basis of preparation and principles of consolidation

The unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Accordingly, they do not include certain information and footnote disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

The unaudited interim consolidated financial statements reflect all adjustments that management considers necessary for a fair presentation of the results of operations for these periods. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

The accompanying unaudited interim consolidated financial statements have been prepared on a consolidated basis and reflect the financial statements of Genpact Limited and all of its subsidiaries that are more than 50% owned and controlled. When the Company does not have a controlling interest in an entity, but exerts a significant influence on the entity, the Company applies the equity method of accounting. All inter-company transactions and balances are eliminated in consolidation.

The noncontrolling interest disclosed in the accompanying unaudited interim consolidated financial statements represents the noncontrolling partners' interest in the operation of Genpact Netherlands B.V. and noncontrolling shareholders' interest in the operation of Hello Communications (Shanghai) Co., Ltd. and the profits or losses associated with the noncontrolling interest in those operations. The noncontrolling partners of Genpact Netherlands B.V. are individually liable for the tax obligations on their share of profit as it is a partnership and, accordingly, noncontrolling interest relating to Genpact Netherlands B.V. has been computed prior to tax and disclosed accordingly in the

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unaudited interim consolidated statements of income.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****2. Summary of significant accounting policies (Continued)*****(b) Use of estimates***

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, the carrying amount of property, plant and equipment, intangibles and goodwill, the provision for doubtful receivables and the valuation allowance for deferred tax assets, the valuation of derivative financial instruments, the measurements of share-based compensation, assets and obligations related to employee benefits, income tax uncertainties and other contingencies. Management believes that the estimates used in the preparation of the consolidated financial statements are reasonable. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any changes in estimates are adjusted prospectively in the consolidated financial statements.

(c) Business combinations, goodwill and other intangible assets

The Company accounts for its business combinations by recognizing the identifiable tangible and intangible assets and liabilities assumed, and any noncontrolling interest in the acquired business, measured at their acquisition date fair values. All assets and liabilities of the acquired businesses, including goodwill, are assigned to reporting units.

Goodwill represents the cost of the acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. Goodwill is not amortized but is tested for impairment at least on an annual basis on December 31, based on a number of factors including operating results, business plans and future cash flows. Recoverability of goodwill is evaluated using a two-step process. The first step involves a comparison of the fair value of a reporting unit with its carrying value. If the carrying value of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the fair value and carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. Goodwill of a reporting unit will be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

Intangible assets acquired individually or with a group of other assets or in a business combination are carried at cost less accumulated amortization based on their estimated useful lives as follows:

Customer-related intangible assets	3-10 years
Marketing-related intangible assets	1-5 years
Contract-related intangible assets	1 year
Other intangible assets	3-8 years

Intangible assets are amortized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized.

In business combinations, where the fair value of identifiable tangible and intangible net assets purchased exceeds the cost of the acquired business, the Company recognizes the resulting gain under Other operating (income) expense, net in the Consolidated Statements of Income on the acquisition date.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data)

2. Summary of significant accounting policies (Continued)

(d) Financial instruments and concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk are reflected principally in cash and cash equivalents, short term investments, short term deposits, derivative financial instruments and accounts receivable. The Company places its cash and cash equivalents and derivative financial instruments with corporations and banks with high investment grade ratings, limits the amount of credit exposure with any one corporation or bank and conducts ongoing evaluation of the credit worthiness of the corporations and banks with which it does business. Short term deposits are with GE, a related party, and short term investments are with other financial institutions. To reduce its credit risk on accounts receivable, the Company performs an ongoing credit evaluation of customers. GE accounted for 43% and 44% of receivables as of December 31, 2010 and March 31, 2011, respectively. GE accounted for 39% and 34% of revenues for the three months ended March 31, 2010 and 2011, respectively.

(e) Recently adopted accounting pronouncements

The authoritative bodies release standards and guidance which are assessed by management for impact on the Company's consolidated financial statements.

The following recently released accounting standards have been adopted by the Company and certain disclosures in the consolidated financial statements and footnotes to the consolidated financial statements have been modified. Adoption of these standards did not impact the consolidated financial results as they are disclosure-only in nature:

In December 2010, FASB issued ASU 2010-29 which states that a public entity is required to disclose pro forma information for material business combinations (on an individual or aggregate basis) that occurred in the current reporting period. The disclosures include pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. The amendments in this update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Effective January 1, 2011, the Company adopted ASU 2010-29.

In January, 2010, the FASB issued ASU 2010-06 which amends ASC 820, *Fair Value Measurements and Disclosures*. The ASU requires the reporting entities to make new disclosures about recurring and non recurring fair value measurements. This included disclosure regarding significant transfers into and out of Level 1 and Level 2 fair value measurements in the fair value hierarchy as well as the reasons for the transfer. The ASU also requires a separate disclosure for the purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. The FASB further clarified the existing fair-value measurement disclosure guidance about the level of disaggregation, requiring the entities to disclose the fair value measurements by Class instead of major category, as well as requiring disclosure for the inputs, and valuation techniques used by the entities for the purpose of fair value measurement using significant observable inputs (Level 2) or significant unobservable inputs (Level 3). The

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provisions of the ASU 2010-06 were effective for annual and interim reporting periods beginning after December 15, 2009, except for the disclosure for the purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements, which were effective for interim and annual reporting periods beginning after December 15, 2010. Effective January 1, 2010, the Company adopted ASU 2010-06.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data)

2. Summary of significant accounting policies (Continued)

The following recently released accounting standards have been adopted by the Company without material impact on the Company's consolidated results of operations, cash flows, financial position or disclosures:

In December 2010, FASB issued ASU 2010-28 which states that for an entity with reporting units having zero or negative carrying amounts, the second step of the impairment test shall be performed to measure the amount of impairment loss, if any, when it is more likely than not that a goodwill impairment exists. In considering whether it is more likely than not that a goodwill impairment exists, an entity shall evaluate whether there are adverse qualitative factors. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Effective January 1, 2011, the Company has adopted ASU 2010-28. We do not expect a significant impact upon adoption of the provisions of FASB guidance on our consolidated financial statements.

In April 2010, FASB issued ASU 2010-13 which states that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, such an award should not be classified as a liability based only on this condition if it otherwise qualifies as equity. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. Effective January 1, 2011, the Company has adopted ASU 2010-13. We do not expect a significant impact upon adoption of the provisions of the FASB guidance on our consolidated financial statements.

In October 2009, FASB issued ASU 2009-13 which amended revenue recognition guidance for arrangements with multiple deliverables. The new guidance eliminated the requirement that all undelivered elements have Vendor Specific Objective Evidence (VSOE) or Third Party Evidence (TPE) before an entity can recognize the portion of an overall arrangement fee that is attributable to items that already have been delivered. In the absence of VSOE or TPE of the standalone selling price for one or more delivered or undelivered elements in a multiple-element arrangement, the overall arrangement fee will be allocated to each element (both delivered and undelivered items) based on their relative estimated selling prices.

Application of the residual method of allocating an overall arrangement fee between delivered and undelivered elements will no longer be permitted upon adoption of this new FASB guidance. The provisions of this FASB guidance will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company early adopted ASU 2009-13, effective January 1, 2010.

(f) Reclassification

Certain reclassifications have been made in the consolidated financial statements of prior periods to conform to the classification used in the current period.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****3. Business acquisitions*****Akritiv Technologies, Inc.***

On March 14, 2011, the Company acquired 100% of the outstanding equity interest in Akritiv Technologies, Inc., a Delaware corporation (Akritiv), for cash consideration of \$1,564 and a contingent earn-out component (ranging from \$0 to \$3,500 based on EBIT levels generated in years ending March 2012, 2013 and 2014), which had an estimated fair value of \$1,731 at the acquisition date. Acquisition-related costs incurred by the Company amounted to \$30, which have been expensed under Selling, general and administrative expenses in the Consolidated Statements of Income. Through this acquisition, the Company acquired proprietary technology platform and software as a service delivered solutions for functions such as credit and accounts receivable management. This will provide an end-to-end offering to clients for receiving and processing customer sales. Goodwill recorded in connection with the Akritiv acquisition amounted to \$2,992.

The acquisition of Akritiv was accounted for as a business combination, in accordance with the acquisition method. The operations of Akritiv and the estimated fair market values of the assets and liabilities have been included in the Company's consolidated financial statements from the date of acquisition of March 14, 2011.

The purchase price has been allocated based on management's estimates of the fair values of the acquired assets and liabilities as follows:

Net assets and liabilities	\$ (166)
Other intangible assets (Technology related intangible assets)	600
Goodwill	2,992
Deferred tax liabilities, net	(131)
	\$ 3,295

The above acquired customer related intangible assets have estimated useful lives of 8 years.

4. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2010 and March 31, 2011 comprise:

	As of December 31, 2010	As of March 31, 2011
Deposits with banks	\$ 208,072	\$ 231,925
U.S. Treasury bills	91,490	5,000
Other cash and bank balances	104,472	114,841
Total	\$ 404,034	\$ 351,766

5. Short Term Investments

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The components of the Company's short term investments as of December 31, 2010 and March 31, 2011 are as follows:

	As of December 31, 2010			Estimated Fair Value
	Carrying Value	Unrealized gains	Unrealized losses	
Short term investments:				
U.S. Treasury bills	\$ 76,974	\$ 11	\$	\$ 76,985
Total	\$ 76,974	\$ 11	\$	\$ 76,985

	As of March 31, 2011			Estimated Fair Value
	Carrying Value	Unrealized gains	Unrealized losses	
Short term investments:				
U.S. Treasury bills	\$ 129,469	\$ 15	\$	\$ 129,484
Total	\$ 129,469	\$ 15	\$	\$ 129,484

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****6. Accounts receivable, net of provision for doubtful receivables**

Accounts receivable were \$308,851 and \$311,668, and provision for doubtful receivables were \$2,926 and \$3,654, resulting in net accounts receivable balances of \$305,925 and \$308,014, as of December 31, 2010 and March 31, 2011, respectively. In addition, accounts receivable due after one year of \$10,454 and \$11,051 as of December 31, 2010 and March 31, 2011, respectively are included under other assets in the Consolidated Balance Sheets.

Accounts receivable from related parties were \$131,959 and \$135,647, and provision for doubtful receivables were \$688 and \$925, resulting in net accounts receivable balances of \$131,271 and \$134,722, as of December 31, 2010 and March 31, 2011, respectively.

7. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivative instruments, U.S. Treasury bills and notes, and loans held for sale. The fair value measurements of these derivative instruments, U.S. Treasury bills and loans held for sale were determined using the following inputs as of December 31, 2010 and March 31, 2011:

	Total	As of December 31, 2010		
		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Derivative Instruments (Note a)	\$ 38,026	\$	\$ 38,026	\$
Loans held for sale (Note a)	530			530
U.S. Treasury bills and notes (Note c)	168,475	168,475		
Total	\$ 207,031	\$ 168,475	\$ 38,026	\$ 530
Liabilities				
Derivative Instruments (Note b)	\$ 64,363	\$	\$ 64,363	\$
Total	\$ 64,363	\$	\$ 64,363	\$
	Total	As of March 31, 2011		
		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Derivative Instruments (Note a)	\$ 45,188	\$	\$ 45,188	\$

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Loans held for sale (Note a)	529			529
U.S. Treasury bills and notes (Note c)	134,484		134,484	
Total	\$ 180,201	\$	134,484	\$
			\$ 45,188	\$
				529
Liabilities				
Derivative Instruments (Note b)	\$ 46,244	\$	\$ 46,244	\$
Total	\$ 46,244	\$	\$ 46,244	\$

- (a) Included in prepaid expenses and other current assets, and other assets in the consolidated balance sheets.
- (b) Included in accrued expenses and other current liabilities, and other liabilities in the consolidated balance sheets.
- (c) Included in either cash and cash equivalents or short term investment, depending on the maturity profile, in the consolidated balance sheets.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****7. Fair Value Measurements (Continued)**

Following is the reconciliation of loans held for sale which have been measured at fair value using significant unobservable inputs:

	Three months ended	
	March 31,	
	2010	2011
Opening balance, net	\$ 552	\$ 530
Impact of fair value included in earnings		
Settlements	(4)	(1)
Closing balance, net	\$ 548	\$ 529

The Company values the derivative instruments based on market observable inputs including both forward and spot prices for currencies. The quotes are taken from multiple independent sources including financial institutions. Loans held for sale are valued using collateral values based on inputs from a single source when the Company is not able to corroborate the inputs and assumptions with other relevant market information. Investments in U.S. Treasury bills which are classified as available-for-sale and cash and cash equivalents, depending on the maturity profile, are measured using quoted market prices at the reporting date multiplied by the quantity held.

8. Derivative financial instruments

The Company is exposed to the risk of rate fluctuations on foreign currency assets and liabilities, and foreign currency denominated forecasted cash flows. The Company has established risk management policies, including the use of derivative financial instruments to hedge foreign currency assets and liabilities, and foreign currency denominated forecasted cash flows. These derivative financial instruments are largely deliverable and non-deliverable forward foreign exchange contracts. The Company enters into these contracts with counterparties which are banks / financial institutions and the Company considers the risks of non-performance by the counterparties as not material. The forward foreign exchange contracts mature between zero and forty-eight months and the forecasted transactions are expected to occur during the same period.

The following table presents the aggregate notional principal amounts of the outstanding derivative financial instruments together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure	
	(Note a)		asset	
	As of	As of	(liability) (Note b)	As of
	December 31,	March 31,	December 31,	March 31,
	2010	2011	2010	2011
Foreign exchange forward contracts denominated in:				
United States Dollars (sell) Indian Rupees (buy)	\$ 1,937,497	\$ 1,898,400	\$ (19,405)	\$ 5,874

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United States Dollars (sell) Mexican Peso (buy)	14,400	12,000	510	926
United States Dollars (sell) Philippines Peso (buy)	51,950	47,150	2,210	2,308
Euro (sell) United States Dollars (buy)	61,426	68,212	953	(2,663)
Euro (sell) Hungarian Forints (buy)	13,408	15,643	341	1,104
Euro (sell) Romanian Leu (buy)	55,392	58,177	591	3,288
Japanese Yen (sell) Chinese Renminbi (buy)	66,970	67,945	(6,930)	(4,630)
Pound Sterling (sell) United States Dollars (buy)	71,463	79,447	1,680	(469)
Australian Dollars (sell) United States Dollars (buy)	58,577	61,850	(6,287)	(6,794)
			\$ (26,337)	\$ (1,056)

- (a) Notional amounts are key elements of derivative financial instrument agreements, but do not represent the amount exchanged by counterparties and do not measure the Company's exposure to credit or market risks. However, the amounts exchanged are based on the notional amounts and other provisions of the underlying derivative financial instruments agreements.
- (b) Balance sheet exposure is denominated in U.S. Dollars and denotes the mark-to-market impact of the derivative financial instruments on the reporting date.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****8. Derivative financial instruments (Continued)**

FASB guidance on Derivatives and Hedging requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. In accordance with the FASB guidance on Derivatives and Hedging, the Company designates foreign exchange forward contracts as cash flow hedges for forecasted revenues and the purchases of service. In addition to this program the Company also has derivative instruments that are not accounted for as hedges under the FASB guidance to hedge the foreign exchange risks related to balance sheet items such as receivables and inter-company borrowings denominated in currencies other than the underlying functional currency.

The fair value of the derivative instruments and their location in the financial statements of the Company is summarized in the table below:

	Cash flow		Non-designated	
	As of December 31, 2010	As of March 31, 2011	As of December 31, 2010	As of March 31, 2011
Assets				
Prepaid expenses and other current assets	\$ 10,186	\$ 22,967	\$ 1,202	\$ 2,541
Other assets	\$ 26,638	\$ 19,680	\$	\$
Liabilities				
Accrued expenses and other current liabilities	\$ 44,577	\$ 23,601	\$ 58	\$ 2,207
Other liabilities	\$ 19,728	\$ 20,436	\$	\$

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****8. Derivative financial instruments (Continued)****Cash flow hedges**

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain (loss) on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction is recognized in the consolidated statements of income. Gains (losses) on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in earnings as incurred.

In connection with cash flow hedges, the Company has recorded as a component of accumulated other comprehensive income (loss) or OCI within equity a gain (loss) of (\$18,235), and \$62, net of taxes, as of December 31, 2010 and March 31, 2011, respectively.

The gains / losses recognized in accumulated other comprehensive income (loss), and their effect on financial performance is summarized below:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) recognized in OCI on Derivatives (Effective Portion) Three months ended March 31,		Location of Gain (Loss) reclassified from accumulated OCI into Statement of Income (Effective Portion)	Amount of Gain (Loss) reclassified from Accumulated OCI into Statement of Income (Effective Portion) Three months ended March 31,		Location of Gain (Loss) recognized in Income on Derivatives (Ineffective Portion and Amount excluded from Effectiveness Testing)	Amount of Gain (Loss) recognized in income on Derivative (Ineffective Portion and Amount excluded from Effectiveness Testing) Three months ended March 31,	
	2010	2011		2010	2011		2010	2011
Forward foreign exchange contracts	\$ 64,189	\$ 10,060	Revenue	\$ (1,627)	\$ (1,452)	Foreign exchange (gains) losses,	\$	\$

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				net	
	Cost of revenue	(12,944)	(12,302)		
	Selling, general and administrative expenses	(3,643)	(2,278)		
\$ 64,189	\$ 10,060	\$ (18,214)	\$ (16,032)	\$	\$

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****8. Derivative financial instruments (Continued)***Non designated Hedges*

	Location of (Gain) Loss recognized in Income on	Amount of (Gain) Loss recognized in Income on Derivatives	
		Three months ended March 31, 2010	2011
Derivatives not designated as hedging instruments	Derivatives		
Forward foreign exchange contracts (Note a)	Foreign exchange (gains) losses, net	\$ (8,813)	\$ 389
Forward foreign exchange contracts (Note b)	Foreign exchange (gains) losses, net	(234)	
		\$ (9,047)	\$ 389

- (a) These forward foreign exchange contracts were entered into to hedge the fluctuations in foreign exchange rates for recognized balance sheet items such as receivables and inter-company borrowings, and were not originally designated as hedges under FASB guidance on Derivatives and Hedging. Realized (gains) losses and changes in the fair value of these derivatives are recorded in foreign exchange (gains) losses, net in the consolidated statements of income.
- (b) These forward foreign exchange contracts were initially designated as cash flow hedges under FASB guidance on Derivatives and Hedging. The net (gains) losses amounts of (\$234) and \$0 for the three months ended March 31, 2010 and 2011 respectively, include the recognition of previously unrecognized losses for certain derivative contracts accounted for within accumulated other comprehensive income (loss). These losses were recognized as certain forecasted transactions are no longer expected to occur and therefore hedge accounting is no longer applied. These amounts represent subsequent realized (gains) losses and changes in the fair value of these derivatives and are recorded in foreign exchange (gains) losses, net in the consolidated statements of income.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****9. Property, plant and equipment, net**

Property, plant and equipment, net consist of the following:

	As of December 31, 2010	As of March 31, 2011
Property, plant and equipment, gross	\$ 440,570	\$ 446,136
Less: Accumulated depreciation and amortization	(243,404)	(258,506)
Property, plant and equipment, net	\$ 197,166	\$ 187,630

Depreciation expense on property, plant and equipment for the three months ended March 31, 2010 and 2011 was \$11,928 and \$11,773, respectively. The amount of computer software amortization for the three months ended March 31, 2010 and 2011 was \$3,317 and \$3,192, respectively.

The above depreciation and amortization expense includes the effect of reclassification of foreign exchange (gains) losses related to the effective portion of the foreign currency derivative contracts amounting to \$1,258 and \$962 for the three months ended March 31, 2010 and 2011, respectively.

10. Goodwill and intangible assets

The following table presents the changes in goodwill for the year ended December 31, 2010 and three months ended March 31, 2011:

	As of December 31, 2010	As of March 31, 2011
Opening balance	\$ 548,723	\$ 570,153
Goodwill relating to acquisitions consummated during the period	16,251	2,992
Effect of exchange rate fluctuations	5,179	4,895
Closing balance	\$ 570,153	\$ 578,040

The total amount of goodwill deductible for tax purposes is \$10,474 and \$10,247 as of December 31, 2010 and March 31, 2011, respectively.

The Company's intangible assets acquired either individually or with a group of other assets or in a business combination are as follows:

As of December 31, 2010			As of March 31, 2011		
Gross carrying	Accumulated amortization	Net	Gross carrying	Accumulated amortization	Net

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	amount			amount		
Customer-related intangible assets	\$ 222,285	\$ 188,989	\$ 33,296	\$ 223,445	\$ 193,147	\$ 30,298
Marketing-related intangible assets	15,835	15,835		15,886	15,886	
Contract-related intangible assets	1,423	1,423		1,428	1,428	
Other intangible assets	318	267	51	929	302	627
	\$ 239,861	\$ 206,514	\$ 33,347	\$ 241,688	\$ 210,763	\$ 30,925

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****10. Goodwill and intangible assets (Continued)**

Amortization expenses for intangible assets as disclosed in the consolidated statements of income under amortization of acquired intangible assets for the three months ended March 31, 2010 and 2011 were \$4,219 and \$3,077, respectively. Intangible assets recorded for the 2004 Reorganization include the incremental value of the minimum volume commitment from GE, entered into contemporaneously with the 2004 Reorganization, over the value of the pre-existing customer relationship with GE. The amortization of this intangible asset for the three months ended March 31, 2010 and 2011 was \$84 and \$42, respectively, and has been reported as a reduction of revenue. As of March 31, 2011, the unamortized value of the intangible asset was \$195, which will be amortized in future periods and reported as a reduction of revenue.

11. Employee benefit plans

The Company has employee benefit plans in the form of certain statutory and other schemes covering its employees.

Defined benefit plans

In accordance with Indian law, the Company provides a defined benefit retirement plan (the *Gratuity Plan*) covering substantially all of its Indian employees. In addition, in accordance with Mexican law, the Company provides termination benefits (the *Mexican Plan*) to all of its Mexican employees.

Net defined benefit plan costs for the three months ended March 31, 2010 and 2011 include the following components:

	Three months ended March 31,	
	2010	2011
Service costs	\$ 601	\$ 693
Interest costs	236	334
Amortization of actuarial loss	88	137
Expected return on plan assets	(197)	(170)
Net Gratuity Plan costs	\$ 728	\$ 994

Defined contribution plans

During the three months ended March 31, 2010 and 2011, the Company contributed the following amounts to defined contribution plans in various jurisdictions:

	Three months ended March 31,	
	2010	2011
India	\$ 2,311	\$ 3,320

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U.S.	407	658
U.K.	206	207
Hungary	9	13
China	1,807	2,173
Mexico	12	11
South Africa	97	27
Morocco	31	36
Total	\$ 4,880	\$ 6,445

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****12. Share-based compensation**

The Company has issued options under the Genpact Global Holdings 2005 Plan (the 2005 Plan), Genpact Global Holdings 2006 Plan (the 2006 Plan), Genpact Global Holdings 2007 Plan (the 2007 Plan) and Genpact Limited 2007 Omnibus Incentive Compensation Plan (the 2007 Omnibus Plan) to eligible persons who are employees, directors and certain other persons associated with the Company.

From the date of adoption of the 2007 Omnibus Plan on July 13, 2007, the options forfeited, expired, terminated, or cancelled under any of the plans will be added to the number of shares otherwise available for grant under the 2007 Omnibus Plan.

The share-based compensation costs relating to above plans during the three months ended March 31, 2010 and 2011, were \$4,471 and \$3,047, respectively, have been allocated to cost of revenue and selling, general, and administrative expenses.

There are no significant changes to the assumptions used to estimate the fair value of options granted during the three months ended March 31, 2011.

A summary of the options granted during the three months ended March 31, 2011 is set out below:

		Three months ended March 31, 2011		
	Shares arising out of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Outstanding as of January 1, 2011	15,989,356	\$ 10.84	6.4	\$
Granted				
Forfeited	(523,650)	15.10		
Expired	(4,000)	15.18		
Exercised	(75,491)	8.29		472
Outstanding as of March 31, 2011	15,386,215	\$ 10.71	6.2	\$ 68,664
Vested and exercisable as of March 31, 2011 and expected to vest thereafter (Note a)	14,507,279	\$ 10.76	6.2	\$ 64,166
Vested and exercisable as of March 31, 2011	8,462,911	\$ 8.38	5.4	\$ 55,579
Weighted average grant date fair value of grants during the period	\$			

(a) Options expected to vest reflect an estimated forfeiture rate.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****12. Share-based compensation (Continued)*****Share Issuances Subject to Restrictions***

In connection with the acquisition of Axis Risk Consulting Services Private Limited in 2007, 143,453 common shares were issued to selling shareholders. Of the common shares that were issued, 94,610 common shares were issued to selling shareholders who became employees of the Company and are subject to restrictions on transfer linked to continued employment with the Company for a specified period. The Company has accounted for such shares as compensation for services.

A summary of such shares granted that are subject to restrictions and accounted for as compensation for services, or restricted shares, during the three months ended March 31, 2011 is set out below:

	Three months ended March 31, 2011	
	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2011	23,653	\$ 14.04
Granted		
Vested and allotted	(23,653)	14.04
Forfeited		
Outstanding as of March 31, 2011		\$

Restricted Share Units

The Company granted restricted share units, or RSUs, under the 2007 Omnibus Plan. Each RSU represents the right to receive one common share. The fair value of each RSU is the market price of one common share of the Company on the date of grant. The RSUs granted to date have vesting schedules of one to four years and a contractual period of ten years. The compensation expense is recognized on a straight line over the vesting term.

A summary of RSUs granted during the three months ended March 31, 2011 is set out below:

	Three months ended March 31, 2011	
	Number of Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2011	1,016,000	\$ 13.61
Granted	17,000	13.42
Vested and allotted*	(87,500)	8.27
Forfeited	(133,500)	12.64

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Outstanding as of March 31, 2011	812,000	\$	14.34
Expected to vest	666,113		

* These RSUs have been net settled on vesting by issuing 61,844 shares (net of minimum withholding tax).

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****12. Share-based compensation (Continued)**

As of March 31, 2011, the total remaining unrecognized share-based compensation costs related to RSUs amounted to \$7,815 which will be recognized over the weighted average remaining requisite vesting period of 3.30 years.

Performance Units

The Company also makes stock awards in the form of Performance Units, or PUs, under the 2007 Omnibus Plan.

The Company granted PUs, wherein each PU represents the right to receive a common share based on the Company's performance against specified targets. PUs granted to date have vesting schedules of six months to three years. The fair value of each PU is the market price of one common share of the Company on the date of grant, and assumes that performance targets will be achieved. The PUs granted under the plan are subject to cliff or graded vesting. For awards with cliff vesting, the compensation expense is recognized on a straight line basis over the vesting term and for the awards with graded vesting, compensation expenses is recognized over the vesting term of each separately vesting portion. Over the performance period, the number of shares that will be issued will be adjusted upward or downward based upon the probability of achievement of the performance targets. The ultimate number of shares issued and the related compensation cost recognized as expense will be based on a comparison of the final performance metrics to the specified targets.

A summary of PU activity during the three months ended March 31, 2011 is set out below:

	Number of Performance Units	Three months ended March 31, 2011 Weighted Average Grant Date Fair Value		Maximum Shares Eligible to Receive
Outstanding as of January 1, 2011	895,333	\$	15.38	1,343,000
Granted	877,000		13.42	1,315,500
Vested and allotted				
Forfeited	(19,000)		16.25	(28,500)
Outstanding as of March 31, 2011	1,753,333	\$	14.39	2,630,000

Performance units vested and expected to vest 1,687,047

As of March 31, 2011, the total remaining unrecognized share-based compensation costs related to PUs amounted to \$21,658 which will be recognized over the weighted average remaining requisite vesting period of 2.17 years.

In the first quarter of 2011, the compensation committee of the board of directors of the Company modified the performance metrics for the performance grants made to employees in March 2010 from revenue and EBITDA growth to revenue and adjusted operating income growth.

Original Performance Target**Modified Performance Target**

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Performance Level	Revenue Growth	EBITDA Growth	Revenue Growth	Adjusted Income from Operation growth
Outstanding	20.0%	20.0%	20.0%	20.0%
Threshold	15.0%	15.0%	15.0%	15.0%
Target	10.0%	10.0%	10.0%	10.0%

For the performance grant made to the CEO in August 2010, in addition to the modification made to the performance metrics from revenue and EBITDA growth to revenue and adjusted operating income growth, because the CEO's award vests based on annual performance targets whereas the awards to the employees vest based on average performance over three years, revision has been made to the performance targets in order to make the performance targets consistent with performance grants made to employees in the first quarter of 2011.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****12. Share-based compensation (Continued)**

Performance Level	Original Performance Target		Modified Performance Target	
	Revenue Growth	EBITDA Growth	Revenue Growth	Adjusted Income from Operation growth
Outstanding	20.0%	20.0%	17.0%	16.0%
Threshold	15.0%	15.0%	12.5%	12.5%
Target	10.0%	10.0%	8.0%	7.0%

As a result of the above mentioned modifications, 45 employees were affected and incremental compensation cost of \$4.1 million is to be recognized over a period of 21.5 months starting from March 2011 to December 31, 2012. Out of the total incremental compensation cost, \$2.9 million and \$1.2 million is to be recognized over the years 2011 and 2012 respectively.

Employee Stock Purchase Plan (ESPP)

On May 1, 2008, the Company adopted the Genpact Limited U.S. Employee Stock Purchase Plan and the Genpact Limited International Employee Stock Purchase Plan (together, the ESPP).

The ESPP allowed eligible employees to purchase the Company's common shares through payroll deduction at 95% of the fair value per share on the last business day of each purchase interval ending on or prior to August 31, 2009. The purchase price has been reduced to 90% of the fair value per share on the last business day of each purchase interval commencing with effect from September 1, 2009. The dollar amount of common shares purchased under the ESPP shall not exceed the greater of 15% of the participating employee's base salary or \$25 per calendar year. With effect from September 1, 2009, the offering periods commence on the first business day in March, June, September and December of each year and end on the last business day in the subsequent May, August, November and February of each year. 4,200,000 common shares have been reserved for issuance in the aggregate over the term of the ESPP.

During the three months ended March 31, 2010 and 2011, common shares issued under ESPP were 10,427 and 12,224, respectively.

The ESPP was considered as non compensatory under the FASB guidance on Compensation-Stock Compensation until the purchase interval ending on or prior to August 31, 2009. As a result of the change in the discount rate, the ESPP is being considered compensatory with effect from September 1, 2009.

The compensation expenses for the employee stock purchase plan is recognized in accordance with the FASB guidance on Compensation-Stock Compensation. The compensation expense for ESPP during the three months ended March 31, 2010 and 2011 were \$15 and \$18, respectively, and has been allocated to cost of revenue and selling, general, and administrative expenses.

13. Earnings per share

The Company calculates earnings per share in accordance with FASB guidance on Earnings per share. Basic and diluted earnings per common share give effect to the change in the number of common shares of the Company. The calculation of earnings per common share was determined by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the respective periods. The potentially dilutive shares, consisting of outstanding options on common shares, restricted share units, common shares to be issued under employee stock purchase plan and performance units have been included in the computation of diluted net earnings per share and the weighted average shares outstanding, except where the result would be anti-dilutive.

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The number of stock options outstanding but not included in the computation of diluted earnings per common share because their effect was anti-dilutive is 10,382,214 and 7,779,564 for the three months ended March 31, 2010 and 2011, respectively.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****13. Earnings per share (Continued)**

	Three months ended March 31,	
	2010	2011
Net income attributable to Genpact Limited common shareholders	\$ 28,174	\$ 36,119
Weighted average number of common shares used in computing basic earnings per common share	217,956,146	221,008,760
Dilutive effect of share based awards	6,015,913	4,534,530
Weighted average number of common shares used in computing dilutive earnings per common share	223,972,059	225,543,290
Earnings per common share attributable to Genpact Limited common shareholders		
Basic	\$ 0.13	\$ 0.16
Diluted	\$ 0.13	\$ 0.16

14. Cost of revenue

Cost of revenue consists of the following:

	Three months ended March 31,	
	2010	2011
Personnel expenses	\$ 114,971	\$ 143,741
Operational expenses	49,386	57,560
Depreciation and amortization	12,328	13,186
	\$ 176,685	\$ 214,487

15. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	Three months ended March 31,	
	2010	2011
Personnel expenses	\$ 51,319	\$ 47,520
Operational expenses	18,656	18,142
Depreciation and amortization	2,916	1,779

\$ 72,891 \$ 67,441

16. Other income (expense), net

Other income (expense), net consists of the following:

	Three months ended March 31,	
	2010	2011
Interest income	\$ 1,342	\$ 3,558
Interest expense	(575)	(666)
Secondary offering expenses	(591)	
Other income	1,094	205
Other income (expense), net	\$ 1,270	\$ 3,097

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Notes to the Consolidated Financial Statements****(Unaudited)****(In thousands, except per share data)****17. Income taxes**

As of December 31, 2010, the Company had unrecognized tax benefits amounting to \$20,016 including an amount of \$19,860 that, if recognized would impact the effective tax rate.

The following table summarizes the activities related to our unrecognized tax benefits for uncertain tax positions from January 1, 2011 to March 31, 2011:

Opening balance at January 1, 2011	\$ 20,016
Decrease related to prior year tax positions	(63)
Effect of exchange rate changes	51
Closing balance at March 31, 2011	\$ 20,004

The unrecognized tax benefits as of March 31, 2011 include an amount of \$19,842 that, if recognized, would impact the effective tax rate. As of December 31, 2010 and March 31, 2011, the Company has accrued approximately \$2,020 and \$2,040, respectively, in interest relating to unrecognized tax benefits.

18. Related party transactions

The Company has entered into related party transactions with GE and companies in which GE has a majority ownership interest or on which it exercises significant influence (collectively referred to as "GE" herein). The Company has also entered into related party transactions with its non-consolidating affiliates, a customer in which one of the Company's directors has a controlling interest and a customer which has significant interest in the Company.

The related party transactions can be categorized as follows:

Revenue from services

Prior to December 31, 2004, substantially all of the revenues of the Company were derived from services provided to GE entities. In connection with the 2004 Reorganization, GE entered into a Master Service Agreement, or MSA, with the Company. The GE MSA, as amended, provides that GE will purchase services in an amount not less than a minimum volume commitment, or MVC, of \$360,000 per year for seven years beginning January 1, 2005, \$270,000 in 2012, \$180,000 in 2013 and \$90,000 in 2014. Revenues in excess of the MVC can be credited, subject to certain limitations, against shortfalls in the subsequent years.

On January 26, 2010, the Company extended its MSA, with GE by two years, through the end of 2016, including the minimum annual volume commitment of \$360,000. The MSA also provides that the minimum annual volume commitment for each of the years 2014, 2015 and 2016 is \$250,000, \$150,000 and \$90,000, respectively.

For the three months ended March 31, 2010 and 2011, the Company recognized net revenues from GE of \$113,338 and \$112,781, respectively, representing 39% and 34%, respectively, of the consolidated total net revenues.

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For the three months ended March 31, 2010 and 2011, the Company recognized net revenues of \$0 and \$77, respectively, from a customer in which one of the Company's directors has a controlling interest, and also the Company recognized net revenue of \$0 and \$103, respectively, from a customer which has significant interest in the Company.

Cost of revenue from services

The Company purchases certain services from GE mainly relating to communication and leased assets, which are included as part of operational expenses included in cost of revenue. For the three months ended March 31, 2010 and 2011, cost of revenue, net of recovery, included amounts of \$1,286 and \$1,311, respectively, relating to services procured from GE. Cost of revenue from services also include training & recruitment cost of \$343 and \$233 for the three months ended March 31, 2010 and 2011, respectively, from its non-consolidating affiliates.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data)

18. Related party transactions (Continued)

Selling, general and administrative expenses

The Company purchases certain services from GE mainly relating to communication and leased assets, which are included as part of operational expenses included in selling, general and administrative expenses. For the three months ended March 31, 2010 and 2011, selling, general and administrative expenses, net of recovery, included amounts of \$202 and \$182, respectively, relating to services procured from GE. For the three months ended March 31, 2010 and 2011, selling, general, and administrative expenses include training and recruitment cost and cost recovery, net, of \$221 and (\$18), respectively, in relation to cost recovery from its non-consolidating affiliates.

Other operating (income) expense, net

The Company provides certain shared services such as facility, recruitment, training, and communication to GE. Recovery for such services has been included as other operating income in the consolidated statements of income. For the three months ended March 31, 2010 and 2011, income from these services was (\$785) and (\$513), respectively.

Interest income

The Company earned interest income on short-term deposits placed with GE. For the three months ended March 31, 2010 and 2011, interest income earned on these deposits was \$94 and \$0, respectively.

Interest expense

The Company incurred interest expense on finance lease obligations and external commercial borrowings from GE. For the three months ended March 31, 2010 and 2011, interest expense relating to such related party debt amounted to \$112 and \$102, respectively.

Investment in equity affiliates

During the three months ended March 31, 2010 and 2011, the Company has made an investment of \$2,000 and \$0, respectively, in its non-consolidating affiliates.

19. Commitments and contingencies

Capital commitments

As of December 31, 2010 and March 31, 2011, the Company has committed to spend \$3,041 and \$3,327, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of these purchases.

Bank guarantees

The Company has outstanding Bank guarantees including letter of credits amounting to \$12,745 and \$10,525 as of December 31, 2010 and March 31, 2011, respectively. Bank guarantees are generally provided to government agencies, excise and customs authorities for the purposes

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of maintaining a bonded warehouse. These guarantees may be revoked by the governmental agencies if they suffer any losses or damage through the breach of any of the covenants contained in the agreements.

Other commitments

The Company's business process Delivery Centers in India are 100% Export Oriented units or Software Technology Parks of India units (STPI) under the STPI guidelines issued by the Government of India. These units are exempted from customs, central excise duties, and levies on imported and indigenous capital goods, stores, and spares. The Company has executed legal undertakings to pay custom duty, central excise duty, levies, and liquidated damages payable, if any, in respect of imported and indigenous capital goods, stores, and spares consumed duty free, in the event that certain terms and conditions are not fulfilled.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data)

20. Subsequent Events

On April 5, 2011, the Company entered into a material definitive agreement to acquire Headstrong Corporation, a Delaware corporation (Headstrong) for cash consideration of \$550,000, subject to adjustment based on net working capital. Headstrong is a global provider of comprehensive consulting and IT services with a specialized focus in capital markets and healthcare.

On May 3, 2011, the acquisition of Headstrong was consummated. The Company funded the consideration with the combination of existing cash and cash equivalents and borrowings under new senior secured credit facilities aggregating \$380,000. The Credit Agreement provides for a \$120.0 million term credit facility and a \$260.0 million revolving credit facility. The Company has an option to increase the commitment under the Credit Agreement by up to an additional \$100.0 million, subject to certain approvals and conditions as set forth in the Credit Agreement.

Borrowings under the Credit Agreement will be used (i) to finance in part the acquisition of Headstrong, including related transaction costs, and (ii) for general corporate purposes of the Company and its subsidiaries, including working capital requirements. The Credit Agreement replaces the Company's existing credit facility and has a term of four years.

Borrowings under the Credit Agreement bear interest at a rate equal to LIBOR plus an applicable margin equal to 1.65% per annum. The revolving credit commitments under the Credit Agreement are subject to a commitment fee equal to 0.70% on the actual daily amount by which the aggregate revolving commitments exceed the sum of outstanding revolving and swing line loans and letter of credit obligations.

The Credit Agreement contains customary affirmative and negative covenants, including, but not limited to, restrictions on the ability to incur additional indebtedness, create liens, make certain investments, make certain dividends and related distributions, enter into, or undertake, certain liquidations, mergers, consolidations or acquisitions and dispose of assets or subsidiaries. In addition, the Credit Agreement requires the Company to maintain a certain consolidated interest coverage ratio and a consolidated leverage ratio.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2010 and with the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2010. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in or implied by any of the forward-looking statements as a result of various factors, including but not limited to those listed below and under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010.

Special Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q (the "Quarterly Report") in, among other sections, this Part 1 Item 2- Management's Discussion and Analysis of Financial Condition and Results of Operations, that are forward-looking statements. In some cases, you can identify these statements by forward-looking terms such as "expect", "anticipate", "intend", "plan", "believe", "seek", "estimate", "could", "shall", "will", "would" and variations of such words and similar expressions, or the negative of such words or similar expressions. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, which in some cases may be based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks outlined in Part I, Item 1A- "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010. These forward-looking statements include, but are not limited to, statements relating to:

- our ability to retain existing clients and contracts;
- our ability to win new clients and engagements;
- the expected value of the statements of work under our master service agreements;
- our beliefs about future trends in our market;
- political or economic instability in countries where we have operations;
- worldwide political, economic or business conditions;
- political, economic or business conditions where our clients operate;
- expected spending on business process services by clients;
- foreign currency exchange rates;
- our rate of employee attrition;

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our effective tax rate; and

competition in our industry.

Factors that may cause actual results to differ from expected results include, among others:

our ability to grow our business and effectively manage growth and international operations while maintaining effective internal controls;

our relative dependence on GE;

our dependence on revenues derived from clients in the United States;

our ability to hire and retain enough qualified employees to support our operations;

our dependence on favorable tax legislation and tax policies that may be amended in a manner adverse to us or be unavailable to us in the future;

increases in wages in locations in which we have operations;

restrictions on visas for our employees traveling to North America and Europe;

our ability to maintain pricing and asset utilization rates;

fluctuations in exchange rates between U.S. dollars, Euros, U.K. pounds sterling, Chinese renminbi, Hungarian forint, Japanese yen, Indian rupees, Australian dollars, Philippines peso, Guatemala quetzal, Mexican peso, Moroccan dirham (DH), Polish zloty, Romanian leu, South African rand and Brazilian real;

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our ability to retain senior management;

the selling cycle for our client relationships;

our ability to attract and retain clients and our ability to develop and maintain client relationships based on attractive terms;

legislation in the United States or elsewhere that adversely affects the performance of business process services offshore;

increasing competition in our industry;

telecommunications or technology disruptions or breaches, or natural or other disasters;

our ability to protect our intellectual property and the intellectual property of others;

further deterioration in the global economic environment and its impact on our clients;

regulatory, legislative and judicial developments, including the withdrawal of governmental fiscal incentives;

the international nature of our business;

technological innovation;

our ability to derive revenues from new service offerings;

unionization of any of our employees; and

our ability to successfully consummate or integrate strategic acquisitions.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements. We are under no obligation to update any of these forward-looking statements after the date of this filing to conform our prior statements to actual results or revised expectations. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-K, Form 10-Q and Form 8-K reports to the SEC.

Overview

We are a global leader in business process and technology management, offering a broad portfolio of enterprise and industry-specific services. We manage over 3,000 processes for more than 400 clients worldwide. Putting process in the forefront, we couple our deep process

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knowledge and insights with focused information technology capabilities, targeted analytics and pragmatic reengineering to deliver comprehensive solutions for clients. Lean and Six Sigma are an integral part of our culture and we view the management of business processes as a science. We have developed Smart Enterprise Processes (SEPSM), a groundbreaking, rigorously scientific methodology for managing business processes, which focuses on optimizing process effectiveness in addition to efficiency to deliver superior business outcomes. Services are seamlessly delivered from a global network of centers to meet a client's business objectives, cultural and language needs and cost reduction goals.

We have a unique heritage. We built our business by meeting the demands of the leaders of the General Electric Company, or GE, to increase the productivity of their businesses. We began in 1997 as the India-based captive business process services operation for General Electric Capital Corporation, or GE Capital, GE's financial services business. As the value of offshoring was demonstrated to the management of GE, it became a widespread practice at GE and our business grew in size and scope. We took on a wide range of complex and critical processes and we became a significant provider to many of GE's businesses, including Consumer Finance (GE Money), Commercial Finance, Healthcare, Industrial, NBC Universal and GE's corporate offices.

Our leadership team, our methods and our culture have been deeply influenced by our eight years as a captive operation of GE. Many elements of GE's success—the rigorous use of metrics and analytics, the relentless focus on improvement, a strong emphasis on the client and innovative human resources practices—are the foundations of our business.

As of March 31, 2011, we have approximately 45,500 employees with operations in thirteen countries. In the first quarter of 2011, we had net revenues of \$330.6 million, of which 65.9% was from clients other than GE, which we refer to as Global Clients.

Our registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM, Bermuda.

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The Company

The 2004 Reorganization

Prior to December 30, 2004, our business was conducted through various entities and divisions of GE. On December 30, 2004, in a series of transactions we refer to as the 2004 Reorganization, GE reorganized these operations by placing them all under Genpact Global Holdings SICAR S.à.r.l., or GGH, a newly formed company. GE's affiliate, GE Capital International (Mauritius) also sold an indirect 60% interest in GGH to Genpact Investment Co. (Lux) SICAR S.à.r.l., or GICo, an entity owned in equal portions by General Atlantic LLC, or General Atlantic, and Oak Hill Capital Partners, or Oak Hill. Since the 2004 Reorganization, GE, through its affiliates, sold a portion of its equity in us pursuant to several separate transactions. As of March 31, 2011, GE, through its affiliates, owned 9.0% of our outstanding equity.

The 2007 Reorganization and IPO

On March 29, 2007, we formed Genpact Limited in Bermuda to be the new holding company for our business. It was initially a wholly-owned subsidiary of GGH. On July 13, 2007, we effectuated a transaction that resulted in Genpact Limited owning 100% of the capital stock of GGH. This transaction together with other related transactions is referred to as the 2007 Reorganization. As part of the 2007 Reorganization, GGH became a Bermuda company and changed its name to Genpact Global Holding (Bermuda) Limited. We use the terms Genpact, Company, we and us to refer to both GGH and its subsidiaries prior to July 13, 2007 and Genpact Limited and its subsidiaries after such date.

On August 1, 2007, we commenced an initial public offering of our common shares, pursuant to which we and certain of our existing shareholders each sold 17.65 million common shares at a price of \$14 per share. The offering resulted in gross proceeds of \$494.1 million and net proceeds to us and the selling shareholders of approximately \$233.5 million each after deducting underwriting discounts and commissions. Additionally, we incurred offering-related expenses of approximately \$9.0 million. On August 14, 2007, the underwriters exercised their option to purchase 5.29 million additional common shares from us at the initial offering price of \$14 per share to cover over-allotments resulting in additional gross proceeds of \$74.1 million and net proceeds of approximately \$70.0 million to us, after deducting underwriting discounts and commissions.

Secondary Offering

On March 24, 2010, we completed a secondary offering of our common shares, pursuant to which certain of our shareholders sold 38.64 million common shares at a price of \$15 per share, which included the underwriters exercise of their option to purchase an additional 5.04 million common shares from selling shareholders at the offering price of \$15 per share to cover over-allotments. All of the common shares were sold by our shareholders and, as a result, we did not receive any of the proceeds from the offering. We incurred offering-related costs of approximately \$0.6 million expensed and classified as other income (expense), net in the interim consolidated financial statements. Upon completion of the secondary offering, GE's shareholding declined to 9.1% and it ceased to be a significant shareholder although it continues to be a related party in accordance with the provisions of Regulation S-X Rule 1-02(s).

Acquisitions

From time to time we may make acquisitions or engage in other strategic transactions if suitable opportunities arise, and we may use cash, securities or other assets as consideration.

In January 2010, we finalized an arrangement with Walgreens, the largest drug store chain in the U.S., to acquire a delivery center in Danville, Illinois for cash consideration of \$16.3 million. At the same time, we entered into a ten year master professional service agreement, or MPSA, with Walgreens. Pursuant to the terms of the MPSA, approximately 500 Walgreens accounting employees in Danville were transferred to Genpact in May 2010. This transaction was consummated in the second quarter of 2010 upon completion of certain closing conditions and has been accounted for as a business combination in accordance with the acquisition method.

In February 2010, we acquired Symphony Marketing Solutions, Inc., or Symphony, a leading provider of analytics and data management services with domain expertise in the retail, pharmaceutical and consumer packaged goods industries for cash consideration of \$29.3 million and acquired short term liabilities of \$5.4 million. The acquisition of Symphony was accounted for as a business combination in accordance with the acquisition method.

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In March 2011, we acquired Akritiv Technologies, Inc., or Akritiv, a leading provider of cloud-based order-to-cash (OTC) technology solutions with domain expertise in providing Software As A Service (SAAS) solutions for working capital optimization, for a cash consideration of \$1.6 million and a contingent consideration with an estimated fair value of \$1.7 million. The acquisition of Akritiv was accounted for as a business combination in accordance with the acquisition method.

In May 2011, we acquired Headstrong Corporation (Headstrong), a global provider of comprehensive consulting and IT services with a specialized focus in capital markets and healthcare, for cash consideration of \$550 million.

Critical Accounting Policies and Estimates

For a description of our critical accounting policies, see Note 2- Summary of significant accounting policies under Item 1- Financial Statements above and Part-II Item-7- Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2010.

Results of Operations

The following table sets forth certain data from our income statement for the three months ended March 31, 2010 and 2011.

	Three months ended March 31, 2010 2011 (dollars in millions)		% Change Increase/(Decrease) 2011 Vs. 2010
Net revenues GE	\$ 113.3	\$ 112.8	(0.5)%
Net revenues Global Clients	174.9	217.8	24.5%
Total net revenues	288.2	330.6	14.7%
Cost of revenue	176.7	214.5	21.4%
Gross profit	111.5	116.1	4.1%
Gross profit Margin %	38.7%	35.1%	
Operating expenses			
Selling, general and administrative expenses	72.9	67.4	(7.5)%
Amortization of acquired intangible assets	4.2	3.1	(27.1)%
Other operating (income) expense, net	(2.8)	(1.0)	(66.2)%
Income from operations	37.3	46.5	24.8%
Income from operations % of Net revenues	12.9%	14.1%	
Foreign exchange (gains) losses, net	0.7	(1.6)	314.4%
Other income (expense), net	1.3	3.1	143.9%
Income before share of equity in loss of affiliates and income tax expense	37.8	51.2	35.4%
Equity in loss of affiliates	0.3	0.1	(60.1)%
Income before income tax expense	37.5	51.0	36.2%
Income tax expense	7.2	13.1	81.8%
Net Income	30.2	37.9	25.4%
Net income attributable to noncontrolling interest	2.1	1.8	(13.3)%
Net income attributable to Genpact Limited shareholders	\$ 28.2	\$ 36.1	28.2%
Net income attributable to Genpact Limited shareholders % of Net revenues	9.8%	10.9%	

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Net revenues-related party disclosed in the Consolidated Statements of Income includes revenue earned from GE and its affiliates; a client in which one of our directors has a controlling interest; and a client which has a significant interest in the Company. The revenue earned from these clients is included in Net revenues-Global Clients in the table above.

Table of Contents**Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010**

Net revenues. Our net revenues increased by \$42.3 million, or 14.7%, in the first quarter of 2011 compared to the first quarter of 2010. Our growth in net revenues is primarily on account of growth in business process management services for Global Clients. In addition, growth in net revenues was also on account of the strengthening of the Australian dollar and the Japanese yen against the U.S. dollar, as a portion of our revenues are received in such currencies. Our average headcount increased by 11.9% to approximately 43,100 in the first quarter of 2011 from approximately 38,500 in the first quarter of 2010. Our revenue per employee increased to approximately \$30.7 thousand in the first quarter of 2011 from approximately \$29.9 thousand in the first quarter of 2010.

Revenues from business process management services increased to 87.2% of total net revenues in the first quarter of 2011 from 85.2% in the first quarter of 2010. Revenues from business process management grew 17.3% to \$288.1 million in the first quarter of 2011 from \$245.7 million in the first quarter of 2010, led by growth in revenues from Global Clients. Revenue from our information technology business decreased marginally by \$0.1 million, or 0.2%, in the first quarter of 2011 compared to the first quarter of 2010, primarily due to information technology revenues generated by Global Clients, adjusted for dispositions by GE in 2010, declining from \$20.5 million to \$19.2 million as a result of volume and price reductions in our SAP offerings. This decrease in our information technology services revenue was offset by increased information technology services offerings to GE Corporate and Commercial Finance. As a percentage of net revenues, revenue from our information technology business declined to 12.8% in the first quarter of 2011 from 14.8% in the first quarter of 2010.

Net revenues from GE decreased marginally by \$0.6 million, or 0.5%. As described under Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Classification of Certain Net Revenues in our Annual Report on Form 10-K for the year ended December 31, 2010, certain businesses in which GE ceased to be a 20% shareholder are classified as GE net revenues for part of the year until the divestiture by GE and as Global Clients net revenues after the divestiture by GE. GE revenues for the first quarter of 2011 increased by 0.7% over the first quarter of 2010 after excluding such dispositions by GE in 2010. This increase was primarily driven by growth in information technology service offerings across GE businesses partially offset by deletions and price reductions in certain statements of work, or SOWs. As a result of the growth in revenues from Global Clients, GE net revenues declined as a percentage of our total net revenues from 39.3% in the first quarter of 2010 to 34.1% in the first quarter of 2011.

Net revenues from Global Clients increased by \$42.9 million, or 24.5% compared to the first quarter of 2010. \$17.7 million, or 41.2%, of the increase in net revenues from Global Clients was from clients in consumer product goods, retail, business services, pharmaceutical and healthcare industries. \$13.4 million, or 31.2% of the increase in net revenues from Global Clients was from clients in banking, financial services and insurance industries. \$2.7 million, or 6.2%, of the increase was from revenues generated by Symphony Marketing Solutions, Inc. (Symphony) acquired in the first quarter of 2010. \$8.8 million or 20.5%, of the increase was from revenues from our master service agreement with Walgreens for which service delivery commenced in the second quarter of 2010. The remaining increase was driven by Global Clients in the manufacturing industry. This increase was after considering a decline in information technology services for Global Clients. A portion of the increase in net revenues from Global Clients was also related to GE ceasing to be a 20% shareholder in certain businesses and the reclassification of related net revenues of \$1.3 million as described above. As a percentage of total net revenues, net revenues from Global Clients increased from 60.7% in the first quarter of 2010 to 65.9% in the first quarter of 2011.

Cost of revenue. The following table sets forth the components of our cost of revenue:

	Three Months Ended March 31,		% Change
	2010	2011	Increase/(Decrease)
	(dollars in millions)		2011 vs. 2010
Personnel expenses	\$ 115.0	\$ 143.7	25.0%
Operational expenses	49.4	57.6	16.6
Depreciation and amortization	12.3	13.2	7.0
Cost of revenue	\$ 176.7	\$ 214.5	21.4%
Cost of revenue as a % of total net revenues	61.3%	64.9%	

Cost of revenue increased by \$37.8 million, or 21.4%. This increase in cost of revenue is primarily due to higher personnel and operational expenses on account of increased headcount and infrastructure costs. The increase also relates to the general growth of

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our business, cost of headcount and facilities acquired due to the acquisition of Symphony in the first quarter of 2010 and another business comprising of facility and staff acquired in Danville, Illinois in the second quarter of 2010.

\$8.2 million, or 21.8% of the increase in cost of revenue relates to acquisitions as mentioned above. \$7.7 million, or 20.5% of the increase in cost of revenue relates to higher facility/infrastructure related expenses and communication charges. The remaining increase in cost of revenue was due to an increase in personnel expenses on account of increased headcount, wage inflation and higher allocation to cost of revenue due to growth in the number of operations personnel compared to a decline in the number of support personnel. As a result, our cost of revenue as a percentage of net revenues increased from 61.3% in the first quarter of 2010 to 64.9% in the first quarter of 2011.

The largest component of the increase in cost of revenue was personnel expenses, which increased by \$28.7 million, or 25.0%. This increase in absolute amount was primarily due to the hiring of new resources to manage growth including employees added pursuant to the acquisitions as mentioned above. This increase also reflects overall wage inflation and higher onsite resources which are more expensive than offshore resources. In addition, our re-engineering, analytics and risk consulting business, which has higher compensation and benefit costs, increased faster than our overall business. Our average operational headcount increased by approximately 6,500 employees, or 20.5% in the first quarter of 2011 in comparison to the first quarter of 2010. As a result, our personnel expenses as a percentage of net revenues increased from 39.9% in the first quarter of 2010 to 43.5% in the first quarter of 2011.

Operational expenses increased by \$8.2 million, or 16.6%. The increased operational expenses in the first quarter of 2011 resulted from higher infrastructure costs compared to the first quarter of 2010, due to a one time benefit we received in the first quarter of 2010 on renegotiation of certain contracts related to facilities in India and expansion of infrastructure and IT related facilities over the last twelve months in India. The increase also resulted from increased communication cost and business related travel cost including the cost relating to acquisitions as mentioned above, partially offset by a decline in consultancy charges recoverable from clients. As a result, the operational expenses as a percentage of net revenues increased from 17.1% in the first quarter of 2010 to 17.4% in the first quarter of 2011.

Depreciation and amortization expenses increased by \$0.9 million, or 7.0%. The increase was largely due to acquisitions as mentioned above, contributing 57.4% of the increase in depreciation and amortization expenses. The remaining increase was on account of expansion of existing Delivery Centers, infrastructure and IT related facilities in India and the Philippines to support growth. As a percentage of net revenues, depreciation and amortization expenses declined to 4.0% in the first quarter of 2011 from 4.3% in the first quarter of 2010.

As a result of the foregoing, our gross profit increased by \$4.5 million, or 4.1%, and our gross margin decreased from 38.7% in the first quarter of 2010 to 35.1% in the first quarter of 2011.

Selling, general and administrative expenses. The following table sets forth the components of our selling, general and administrative expenses:

	Three Months Ended March 31,		% Change
	2010	2011	Increase/(Decrease)
	(dollars in millions)		2011 vs. 2010
Personnel expenses	\$ 51.3	\$ 47.5	(7.4)%
Operational expenses	18.7	18.1	(2.8)
Depreciation and amortization	2.9	1.8	(39.0)
Selling, general and administrative expenses	\$ 72.9	\$ 67.4	(7.5)%
SG&A expenses as a % of total net revenues	25.3%	20.4%	

Selling, general and administrative expenses, or SG&A expenses, decreased by \$5.5 million, or 7.5%. This was primarily due to a decline in personnel expenses, cost reduction measures such as restriction on travel, recruitment, thereby more effective utilization and deployment of support personnel. Our average support headcount decreased by 1,900 employees in the first quarter of 2011 in comparison to the first quarter of 2010. As a result, as a percentage of net revenues, SG&A expenses decreased from 25.3% in the first quarter of 2010 to 20.4% in the first quarter of 2011.

Personnel expenses decreased by \$3.8 million, or 7.4%. The decrease in personnel expenses is primarily due to the reduction in support personnel. The decrease in personnel expenses is also on account of a reduction in share based compensation from \$3.9

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Income before share of equity in loss of affiliates and income tax expense. As a result of the foregoing factors, income before share of equity in loss of affiliates and income tax expense increased by \$13.4 million. As a percentage of net revenues, income before share of equity in loss of affiliates and income tax expense increased from 13.1% in the first quarter of 2010 to 15.5% in the first quarter of 2011.

Equity in loss of affiliates. This represents our share of loss from our non-consolidated affiliates, NGEN Media Services Private Limited, a joint venture with NDTV Networks Plc., NIIT Uniqua, a joint venture with NIIT, one of the largest training institutes in Asia, and High Performance Partners.

Income before income tax expense. As a result of the foregoing factors, income before income tax expense increased by \$13.6 million. As a percentage of net revenues, income before income tax expense increased from 13.0% of net revenues in the first quarter of 2010 to 15.4% of net revenues in the first quarter of 2011.

Income tax expense. Our income tax expense increased from \$7.2 million in the first quarter of 2010 to \$13.1 million in the first quarter of 2011. This increase is primarily driven by the complete sunset of the India tax holiday under the STPI regime for remaining exempt locations effective March 31, 2011 and also due to certain period items booked in the first quarter of 2011.

Net income. As a result of the foregoing factors, net income increased by \$7.7 million from \$30.2 million in the first quarter of 2010 to \$37.9 million in the first quarter of 2011. As a percentage of net revenues, our net income was 10.5% in the first quarter of 2010 and 11.5% in the first quarter of 2011.

Net income attributable to noncontrolling interest. The noncontrolling interest is primarily due to the acquisition of E-Transparent B.V. and certain related entities, or ICE, in 2007. It primarily represents the apportionment of profits to the minority partners of ICE. The net income attributable to noncontrolling interest decreased from \$2.1 million in the first quarter of 2010 to \$1.8 million in first quarter of 2011. The decline is primarily due to volume and price reductions in our SAP offerings.

Net income attributable to Genpact Limited shareholders. As a result of the foregoing factors, net income attributable to Genpact Limited shareholders increased by \$7.9 million from \$28.2 million in the first quarter of 2010 to \$36.1 million in the first quarter of 2011. As a percentage of net revenues, our net income was 9.8% in the first quarter of 2010 and 10.9% in the first quarter of 2011.

Table of Contents**Liquidity and Capital Resources****Overview**

Information about our financial position as of December 31, 2010 and March 31, 2011 is presented below:

	As of December 31, 2010	As of March 31, 2011	% Change Increase/(Decrease)
	(dollars in millions)		
Cash and cash equivalents	\$ 404.0	\$ 351.8	(12.9)%
Short-term investment	77.0	129.5	68.2
Long-term debt due within one year	25.0	12.5	(50.0)
Genpact Limited shareholders equity	\$ 1,478.7	\$ 1,544.1	4.4%

Financial Condition

We finance our operations and our expansion with cash from operations and short-term borrowing facilities and credit facilities.

Our cash and cash equivalents were \$351.8 million as of March 31, 2011 compared to \$404.0 million as of December 31, 2010. Our cash and cash equivalents as of March 31, 2011 were comprised of (a) \$114.8 million in cash in current accounts across all operating locations to be used for working capital and immediate capital requirements, (b) \$231.9 million in term deposits with banks to be used for medium term planned expenditure and capital requirements, and (c) \$5.0 million in U.S. Treasury bills with an original maturity of less than three months.

In addition, we held \$129.5 million in U.S. Treasury bills as of March 31, 2011, to be used for longer term capital requirement and acquisitions, compared to \$77.0 million of U.S. Treasury bills as of December 31, 2010.

We expect that in the future our cash from operations, cash reserves and debt capacity will be sufficient to finance our operations as well as our growth and expansion. Our working capital needs are primarily to finance our payroll and other related administrative and information technology expenses in advance of the receipt of accounts receivable. Our capital requirements include the opening of new Delivery Centers, as well as financing acquisitions.

Cash flows from operating, investing and financing activities, as reflected in our consolidated statements of cash flows, are summarized in the following table:

	Three Months Ended March 31,		% Change
	2010	2011	Increase/(Decrease)
	(dollars in millions)		
Net cash provided by (used for)			
Operating activities	\$ (20.1)	\$ 21.1	205.2%
Investing activities	73.4	(60.0)	(181.8)
Financing activities	(6.1)	(13.9)	(128.6)
Net increase (decrease) in cash and cash equivalents	\$ 47.3	\$ (52.8)	(211.8)%

Cash flows from operating activities. Our net cash generated from operating activities was \$21.1 million in the first quarter of 2011 compared to net cash used for operating activities of \$20.1 million in the first quarter of 2010. Our net income adjusted for amortization and depreciation and other non-cash items increased by \$10.2 million. In addition, the increase was on account of reduction in accounts receivable and other assets by \$17.5 million primarily due to improved receivables management coupled with lower deterioration of DSO in the first quarter of 2011 in comparison to the first quarter of 2010, and an increase in accrued expenses and income taxes payable by \$14.8 million.

Cash flows from investing activities. Our net cash used in investing activities was \$60.0 million in the first quarter of 2011 compared to \$73.4 million of net cash provided by investing activities in the first quarter of 2010 primarily due to reasons explained in this paragraph below.

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We paid \$52.5 million for the purchase of U.S. Treasury bills, net of sales realization, during the first quarter of 2011, compared to net realization of \$132.6 million from sale of U.S. Treasury bills and \$9.8 million from redemption of deposits with GE India during the first quarter of 2010. In addition, we paid \$6.2 million in the first quarter of 2011 for purchases of property, plant and equipment compared to \$25.0 million in the first quarter of 2010. Further, during the first quarter of 2011 we paid \$1.6 million for the

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acquisition of Akritiv compared to \$42.0 million paid for business acquisitions, net of cash acquired, including \$16.3 million as an advance in the first quarter of 2010.

Cash flows from financing activities. Our net cash used for financing activities was \$13.9 million in the first quarter of 2011, compared to \$6.1 million in the first quarter of 2010. We repaid \$12.5 million of our long term debt as part of our scheduled repayments under our credit agreement compared to repayment of \$10.0 million of long term debt and \$0.2 million of our short-term borrowings in the first quarter of 2010. In addition, we paid the noncontrolling partners of ICE \$1.5 million in the three months ended March 31, 2011 compared to \$1.7 million in the three months ended March 31, 2010. We received \$0.8 million as proceeds from the issuance of common shares on exercise of employee stock options in the three months ended March 31, 2011 compared to \$6.4 million in the three months ended March 31, 2010.

Financing Arrangements

Total long-term debt excluding capital lease obligations was \$12.5 million as of March 31, 2011 compared to \$25.0 million as of December 31, 2010. The decrease in long-term debt is due to repayment as per the repayment schedule in accordance with the terms of the loan agreement. The weighted average rate of interest with respect to outstanding long-term loans under the credit facility was consistent at 1.0% for the three months ended March 31, 2010 and 2011.

We finance our short-term working capital requirements through cash flow from operations and credit facilities from banks and financial institutions. As of March 31, 2011, short-term credit facilities available to the Company aggregated \$145.0 million, which are under the same agreement as our long-term debt facility, out of this, a total of \$7.4 million was utilized, which represented non-funded drawdown, and \$17.6 million as fund-based and non-fund-based credit facilities with banks, out of which, a total of \$3.1 million was utilized, which represented non-funded drawdown.

On April 29, 2011, we terminated our existing credit agreement. On May 3, 2011, we entered in a new credit agreement of \$380.0 million consisting of \$120.0 million term loan and \$260.0 million revolver. Borrowings under the credit agreement bear interest at a rate equal to LIBOR plus an applicable margin equal to 1.65% per annum. The revolving credit commitments under the credit agreement are subject to a commitment fee equal to 0.70% on the actual daily amount by which the aggregate revolving commitments exceed the sum of outstanding revolving and swing line loans and letter of credit obligations.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of certain operating leases. For additional information, see [Contractual Obligations](#) below.

Contractual Obligations

The following table sets forth our total future contractual obligations as of March 31, 2011:

	Less than 1 year	1-3 years	3-5 years	After 5 years	Total
Long-term debt	\$ 12.5	\$	\$	\$	\$ 12.5
Capital leases	1.8	2.0	0.1		3.9
Operating leases	24.7	44.5	27.0	31.7	127.9
Purchase obligations	7.6				7.6
Capital commitments net of advances	3.3				3.3
Other long-term liabilities (1)	40.7	33.1	2.2		76.0
Total contractual cash obligations	\$ 90.7	\$ 79.5	\$ 29.3	\$ 31.7	\$ 231.2

(1) Excludes \$20.0 million related to uncertain tax positions. For such amount, the extent of the amount and timing of payment or cash settlement is not reliably estimable or determinable, at present.

Recent Accounting Pronouncements

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Recently adopted accounting pronouncements

For a description of recently adopted accounting pronouncements, see Note 2 - Recently adopted accounting pronouncements under Item 1 - Financial Statements above and Part-II Item-7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2010.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the three months ended March 31, 2011, there were no material changes in our market risk exposure. For a discussion of our market risk associated with foreign currency risk, interest rate risk and credit risk, see Item 7A Quantitative and Qualitative Disclosures about Market Risk in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are the Company's controls and other procedures which are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (the Exchange Act) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer along with the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the Exchange Act Rule 13a-15(b). Based upon that evaluation, the Company's Chief Executive Officer along with the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II

Item 1. Legal Proceedings

There are no legal proceedings pending against us that we believe are likely to have a material adverse effect on our business, results of operations and financial condition.

Item 1A. Risk Factors

We have disclosed under the heading Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 the risk factors that materially affect our business, financial condition or results of operations. You should carefully consider the Risk Factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2010 and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us also may materially adversely affect our business, financial condition and/or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Use of Proceeds

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On August 1, 2007, we commenced an initial public offering of our common shares, pursuant to which the Company and our selling shareholders each sold 17,647,059 common shares at a price of \$14 per share. On August 14, 2007, the underwriters exercised their option to purchase 5,294,118 additional common shares from the Company at the initial offering price of \$14 per share to cover over-allotments. The sales were made pursuant to a registration statement on Form S-1 (File No. 333-142875), which was declared effective by the SEC on August 1, 2007. The managing underwriters in the offering were Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. The underwriting discounts and commissions and offering expenses payable by us aggregated \$9.0 million, resulting in net proceeds to us of \$294.5 million. We did not receive any proceeds from common shares sold by the selling shareholders.

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We used \$98.1 million of the net proceeds from our initial public offering to repay revolving loan indebtedness outstanding under our credit facility. In addition, we used \$117.5 million of the net proceeds from our initial public offering partially to repay long term indebtedness outstanding under our credit facility in accordance with the regular payment schedule for such indebtedness.

We paid \$16.3 million in January 2010 for the arrangement with Walgreens, acquired Symphony for \$29.3 million in February 2010 and acquired Akritiv for a cash consideration of \$1.6 million in March 2011. The remaining proceeds are invested in short-term deposit accounts and U.S. Treasury bills. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) on August 2, 2007.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

None.

Table of Contents**Item 6. Exhibits**

Exhibit	
Number	Description
3.1	Memorandum of Association of the Registrant (incorporated by reference to Exhibit 3.1 to Amendment No. 2 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on July 16, 2007).
3.3	Bye-laws of the Registrant (incorporated by reference to Exhibit 3.3 to Amendment No. 4 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on August 1, 2007).
10.1	Agreement and Plan of Merger dated April 5, 2011 among Genpact International, Inc., Hawk International Corporation, Headstrong Corporation, WCAS Hawk Corp. and the Registrant.*
10.2	Credit Agreement dated May 3, 2011 by and among the Registrant, Genpact International, Inc., Hawk International Corporation, Bank of America, N.A., as administrative agent and collateral agent, and Bank of America, N.A., Citigroup Global Markets Asia Limited, JPMorgan Chase Bank, N.A., Hong Kong Branch and UBS AG Hong Kong Branch as mandated lead arrangers and bookrunners and the other lenders party thereto.*
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document (1)
101.SCH	XBRL Taxonomy Extension Schema Document (1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)

* Filed with this Quarterly Report on Form 10-Q.

- (1) Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2010 and March 31, 2011, (ii) Consolidated Statements of Income for the three months ended March 31, 2010 and March 31, 2011, (iii) Consolidated Statement of Equity and Comprehensive Income (Loss) for the three months ended March 31, 2010 and March 31, 2011, (iv) Consolidated Statements of Cash Flows for the three months ended March 31, 2010 and March 31, 2011, and (v) Notes to Consolidated Financial Statements. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 10, 2011

GENPACT LIMITED

By: /s/ PRAMOD BHASIN
 Pramod Bhasin
 Chief Executive Officer

 /s/ MOHIT BHATIA
 Mohit Bhatia
 Chief Financial Officer

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