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 September 30, 2016

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)

Bermuda **(State or other jurisdiction of incorporation or organization)**	**98-0533350** **(I.R.S. Employer Identification No.)**

Canon's Court
22 Victoria Street
Hamilton HM12
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 October 28, 2016 was 200,756,607.

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GENPACT LIMITED AND ITS SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)
(In thousands, except per share data and share count)

	Notes	As of December 31, 2015	As of September 30, 2016
Assets			
Current assets			
Cash and cash equivalents	4	$ 450,907	$ 419,094
Accounts receivable, net	5	590,137	609,522
Prepaid expenses and other current assets	8	154,025	205,177
Total current assets		**$ 1,195,069**	**$ 1,233,793**
Property, plant and equipment, net	9	175,396	189,795
Deferred tax assets	23	99,395	78,898
Investment in equity affiliates	24	6,677	6,221
Intangible assets, net	10	98,601	80,010
Goodwill	10	1,038,346	1,084,126
Other assets		180,005	220,074
Total assets		**$ 2,793,489**	**$ 2,892,917**
Liabilities and equity			
Current liabilities			
Short-term borrowings	11	$ 21,500	$ 115,000
Current portion of long-term debt	12	39,134	39,170
Accounts payable		10,086	10,243
Income taxes payable	23	24,122	60,831
Accrued expenses and other current liabilities	13	499,638	472,000
Total current liabilities		**$ 594,480**	**$ 697,244**
Long-term debt, less current portion	12	737,332	707,949
Deferred tax liabilities	23	2,093	3,632
Other liabilities	14	155,228	173,797
Total liabilities		**$ 1,489,133**	**$ 1,582,622**
Redeemable non-controlling interest		—	2,058
Shareholders' equity			
Preferred shares, $0.01 par value, 250,000,000 authorized, none issued		—	—
Common shares, $0.01 par value, 500,000,000 authorized, 211,472,312 and 202,738,869 issued and outstanding as of December 31, 2015 and September 30, 2016, respectively		2,111	2,024
Additional paid-in capital		1,342,022	1,385,789
Retained earnings		411,508	361,435
Accumulated other comprehensive income (loss)		(451,285)	(441,011)
Total equity		**$ 1,304,356**	**$ 1,308,237**
Commitments and contingencies	25		
Total liabilities, redeemable non-controlling interest and equity		**$ 2,793,489**	**$ 2,892,917**

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)
(In thousands, except per share data and share count)

	Notes	Three months ended September 30, 2015	Three months ended September 30, 2016	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Net revenues		$ 617,831	$ 648,783	$ 1,814,516	$ 1,889,009
Cost of revenue	19, 24	375,830	392,432	1,099,610	1,149,035
Gross profit		**$ 242,001**	**$ 256,351**	**$ 714,906**	**$ 739,974**
Operating expenses:					
Selling, general and administrative expenses	20, 24	144,723	156,969	442,701	482,315
Amortization of acquired intangible assets	10	7,219	7,126	21,875	19,764
Other operating (income) expense, net	21	2,716	5,132	(416)	(4,791)
Income from operations		**$ 87,343**	**$ 87,124**	**$ 250,746**	**$ 242,686**
Foreign exchange gains (losses), net		4,210	(654)	4,098	3,156
Interest income (expense), net	22	(2,867)	(4,901)	(29,244)	(11,172)
Other income (expense), net		999	5,791	2,268	7,172
Income before equity-method investment activity, net and income tax expense		**$ 89,685**	**$ 87,360**	**$ 227,868**	**$ 241,842**
Gain (loss) on equity-method investment activity, net		(3,432)	(2,117)	(7,995)	(6,336)
Income before income tax expense		**$ 86,253**	**$ 85,243**	**$ 219,873**	**$ 235,506**
Income tax expense	23	18,203	17,198	44,469	44,836
Net income		**$ 68,050**	**$ 68,045**	**$ 175,404**	**$ 190,670**
Net loss (income) attributable to redeemable non-controlling interest		—	734	—	1,905
Net income attributable to Genpact Limited shareholders		**$ 68,050**	**$ 68,779**	**$ 175,404**	**$ 192,575**
Net income available to Genpact Limited common shareholders	18	$ 68,050	$ 68,779	$ 175,404	$ 192,575
Earnings per common share attributable to Genpact Limited common shareholders	18				
Basic		$ 0.32	$ 0.33	$ 0.80	$ 0.92
Diluted		$ 0.31	$ 0.33	$ 0.80	$ 0.91
Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited common shareholders					
Basic		215,311,322	206,146,007	217,909,722	209,034,741
Diluted		217,595,704	209,376,683	220,301,712	212,357,594

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(In thousands, except per share data and share count)

	Three months ended September 30,				Nine months ended September 30,			
	2015		2016		2015		2016	
	Genpact Limited Shareholders	Redeemable Non-controlling interest	Genpact Limited Shareholders	Redeemable Non-controlling interest	Genpact Limited Shareholders	Redeemable Non-controlling interest	Genpact Limited Shareholders	Redeemable Non-controlling interest
Net Income (loss)	$ 68,050	$ —	$ 68,779	$ (734)	$ 175,404	$ —	$ 192,575	$ (1,905)
Other comprehensive income:								
Currency translation adjustments	(36,503)	—	11,224	14	(57,173)	—	(8,614)	53
Net income (loss) on cash flow hedging derivatives, net of taxes (Note 7)	(507)	—	19,772	—	11,153	—	18,187	—
Retirement benefits, net of taxes	(352)	—	561	—	(240)	—	701	—
Other comprehensive income (loss)	$ (37,362)	$ -	$ 31,557	$ 14	$ (46,260)	$ —	$ 10,274	$ 53
Comprehensive income (loss)	$ 30,688	$ -	$ 100,336	$ (720)	$ 129,144	$ —	$ 202,849	$ (1,852)

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Equity
(Unaudited)
(In thousands, except share count)

	Common shares		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
	No. of Shares	Amount				
Balance as of January 1, 2015	**218,684,205**	**$ 2,184**	**$ 1,296,730**	**$ 398,706**	**$ (412,484)**	**$ 1,285,136**
Issuance of common shares on exercise of options (Note 16)	931,067	9	8,049	—	—	8,058
Issuance of common shares under the employee stock purchase plan (Note 16)	97,603	1	1,981	—	—	1,982
Net settlement on vesting of restricted share units (Note 16)	163,951	2	(1,302)	—	—	(1,300)
Net settlement on vesting of performance units (Note 16)	846,114	8	(8)	—	—	—
Stock repurchased and retired (Note 17)	(7,110,153)	(71)	—	(158,965)	—	(159,036)
Expenses related to stock purchase (Note 17)	—	—	—	(142)	—	(142)
Stock-based compensation expense (Note 16)	—	—	17,509	—	—	17,509
Comprehensive income:						
Net income	—	—	—	175,404	—	175,404
Other comprehensive income	—	—	—	—	(46,260)	(46,260)
Balance as of September 30, 2015	**213,612,787**	**$ 2,133**	**$ 1,322,959**	**$ 415,003**	**$ (458,744)**	**$ 1,281,351**

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Equity and Redeemable Non-controlling Interest
(Unaudited)
(In thousands, except share count)

	Common shares				Accumulated Other		
	No. of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Comprehensive Income (Loss)	Total Equity	Redeemable non-controlling interest
Balance as of January 1, 2016	**$ 211,472,312**	**$ 2,111**	**$ 1,342,022**	**$ 411,508**	**$ (451,285)**	**$ 1,304,356**	**$ —**
Issuance of common shares on exercise of options (Note 16)	655,717	7	10,348	—	-	10,355	—
Issuance of common shares under the employee stock purchase plan (Note 16)	105,856	1	2,452	—	—	2,453	—
Net settlement on vesting of restricted share units (Note 16)	120,307	1	(462)	—	-	(461)	—
Stock repurchased and retired (Note 17)	(9,615,323)	(96)	—	(242,456)	-	(242,552)	—
Excess tax benefit on stock-based compensation	—	—	13,085	—	—	13,085	—
Expenses related to stock purchase (Note 17)	—	—	—	(192)	—	(192)	—
Stock-based compensation expense (Note 16)	—	—	18,344	—	—	18,344	—
Acquisition of redeemable non-controlling interest	—	—	—	—	—	—	3,910
Comprehensive income:							
Net income	—	—	—	192,575	—	192,575	(1,905)
Other comprehensive income	—	—	—	—	10,274	10,274	53
Balance as of September 30, 2016	**202,738,869**	**$ 2,024**	**$ 1,385,789**	**$ 361,435**	**$ (441,011)**	**$ 1,308,237**	**$ 2,058**

See accompanying notes to the Consolidated Financial Statements.

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

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Operating activities		
Net income attributable to Genpact Limited shareholders	$ 175,404	$ 192,575
Net income (loss) attributable to redeemable non-controlling interest	-	(1,905)
Net income	**$ 175,404**	**$ 190,670**
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	40,185	40,366
Amortization of debt issuance costs (including loss on extinguishment of debt)	13,154	1,150
Amortization of acquired intangible assets	21,875	19,764
Intangible assets write-down	10,714	11,195
Reserve for doubtful receivables	1,493	7,307
Unrealized loss on revaluation of foreign currency asset/liability	(6,320)	1,304
Equity-method investment activity, net	7,995	6,336
Excess tax benefit on stock-based compensation	-	(13,085)
Stock-based compensation expense	17,509	18,344
Deferred income taxes	(15,958)	8,454
Gain on divestiture	-	(5,214)
Others, net	(275)	29
Change in operating assets and liabilities:		
Increase in accounts receivable	(34,282)	(33,760)
Increase in prepaid expenses, other current assets and other assets	(46,157)	(64,252)
Increase (decrease) in accounts payable	1,255	(397)
Increase (decrease) in accrued expenses, other current liabilities and other liabilities	6,952	(14,797)
Increase in income taxes payable	60,036	49,506
Net cash provided by operating activities	**$ 253,580**	**$ 222,920**
Investing activities		
Purchase of property, plant and equipment	(44,880)	(64,441)
Proceeds from sale of property, plant and equipment	1,353	334
Investment in equity affiliates	(13,520)	(7,519)
Payment for business acquisitions, net of cash acquired	(21,363)	(41,558)
Proceeds from divestiture of business, net of cash divested	-	17,582
Net cash used for investing activities	**$ (78,410)**	**$ (95,602)**
Financing activities		
Repayment of capital lease obligations	(1,645)	(1,344)
Payment of debt issuance and refinancing costs	(6,584)	-
Proceeds from long-term debt	800,000	—
Repayment of long-term debt	(674,875)	(30,000)
Proceeds from short-term borrowings	1,451,500	155,000
Repayment of short-term borrowings	(1,565,000)	(61,500)
Proceeds from issuance of common shares under stock-based compensation plans	10,040	12,808
Payment for net settlement of stock-based awards	(6,826)	(461)
Payment of earn-out/deferred consideration	(230)	(1,406)
Payment for stock purchased and retired	(159,036)	(242,552)
Payment for expenses related to stock purchase	(142)	(192)
Excess tax benefit on stock-based compensation	-	13,086
Net cash used for financing activities	**$ (152,798)**	**$ (156,561)**
Effect of exchange rate changes	(16,656)	(2,570)
Net increase (decrease) in cash and cash equivalents	22,372	(29,243)
Cash and cash equivalents at the beginning of the period	461,788	450,907
Cash and cash equivalents at the end of the period	**$ 467,504**	**$ 419,094**
Supplementary information		
Cash paid during the period for interest	17,304	13,267
Cash paid during the period for income taxes	38,735	40,294
Property, plant and equipment acquired under capital lease obligations	1,362	1,667

See accompanying notes to the Consolidated Financial Statements.

1. Organization

Genpact Limited (the "Company") is a provider of digitally-powered business process management and services. The architect of the Lean Digital^{SM} enterprise, the Company uses its patented Smart Enterprise Processes (SEP^{SM}) framework to reimagine its clients' operating models end-to-end, including their middle and back offices. This creates Intelligent Operations^{SM} that the Company helps to design, transform, and run. Today, the Company generates impact for a few hundred strategic clients, including approximately one fifth of the Fortune Global 500, and has grown to over 75,000 people in 25 countries.

Prior to December 30, 2004, the business of the Company was conducted through various entities and divisions of GE. On December 30, 2004, in a series of transactions referred to as the "2004 Reorganization," GE transferred such operations to the Company. In August 2007, the Company completed an initial public offering of its common shares. On October 25, 2012, Glory Investments A Limited, an affiliate of Bain Capital Investors, LLC ("Bain Capital"), became the Company's largest shareholder when, together with its affiliated assignees and two additional co-investors, it purchased 67,750,678 common shares of the Company from the Company's initial private equity investors.

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 note 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, 2015.

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 interim periods are not necessarily indicative of 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, a Bermuda company, 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 significant influence on the entity, the Company applies the equity method of accounting. All intercompany transactions and balances are eliminated in consolidation.

Non-controlling interest in subsidiaries that is redeemable outside of the Company's control for cash or other assets is reflected in the mezzanine section between liabilities and equity in the consolidated balance sheets at the redeemable value, which approximates fair value. Redeemable non-controlling interest is adjusted to its fair value at each balance sheet date. Any resulting increases or decreases in the estimated redemption amount are affected by corresponding charges to additional paid-in capital. The share of non-controlling interest in subsidiary earnings is reflected in net loss (income) attributable to redeemable non-controlling interest in the consolidated statements of income.

(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, intangibles and goodwill, revenue recognition, reserves for doubtful receivables, valuation allowances for deferred tax assets, the valuation of derivative financial instruments, measurements of stock-based compensation, assets and obligations related to employee benefits, and 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 Company's consolidated financial statements.

(c) Business combinations, goodwill and other intangible assets

The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805, Business Combinations, by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling interest in the acquired business, measured at their acquisition date fair values. Contingent consideration is included within the acquisition cost and is recognized at its fair value on the acquisition date. A liability resulting from contingent consideration is remeasured to fair value as of each reporting date until the contingency is resolved. Changes in fair value are recognized in earnings. All assets and liabilities of the acquired businesses, including goodwill, are assigned to reporting units. Acquisition-related costs are expensed as incurred under Selling, General and Administrative Expenses.

(In thousands, except per share data and share count)

2. Summary of significant accounting policies (Continued)

Goodwill represents the cost of 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. The Company performs an assessment of qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on the assessment of events or circumstances, the Company performs a quantitative assessment of goodwill impairment if it determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, based on the quantitative impairment analysis, the carrying value of the goodwill of a reporting unit exceeds the fair value of such goodwill, an impairment loss is recognized in an amount equal to the excess. In addition, the Company performs a qualitative assessment of goodwill impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. See Note 10 for information and related disclosures.

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	1-14 years
Marketing-related intangible assets	1-10 years
Other intangible assets	3-9 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.

(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, 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 evaluations of the creditworthiness of the corporations and banks with which it does business. To reduce its credit risk on accounts receivable, the Company conducts ongoing credit evaluations of its clients. GE accounted for 18% and 15% of receivables as of December 31, 2015 and September 30, 2016, respectively. GE accounted for 19% and 17% of revenues for the nine months ended September 30, 2015 and 2016, respectively, and 19% and 15% of revenues for the three months ended September 30, 2015 and 2016, respectively.

(e) Recently adopted accounting pronouncements

The following recently released accounting standards have been adopted by the Company. Adoption of these standards did not have a material impact on the Company’s consolidated results of operations, cash flows, financial position or disclosures:

Effective January 1, 2016, the Company has adopted FASB ASU 2015-01 (Topic 225): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items (“ASU 2015-01”). Such items are defined as transactions or events that are both unusual in nature and infrequent in occurrence, and, currently, are required to be presented separately in the income statement, net of income tax, after income from continuing operations. The changes eliminate the concept of an extraordinary item and, therefore, the presentation of such items will no longer be required. Notwithstanding this change, the Company will still be required to present and disclose a transaction or event that is both unusual in nature and infrequent in occurrence in the notes to the financial statements.

2. Summary of significant accounting policies (Continued)

Effective January 1, 2016, the Company has adopted FASB ASU 2015-05 (Topic 350), Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which provides explicit guidance to evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The new guidance clarifies that if a cloud computing arrangement includes a software license, the customer should account for the license consistent with its accounting for other software licenses. If the arrangement does not include a software license, the customer should account for the arrangement as a service contract.

Effective January 1, 2016, the Company has adopted FASB ASU 2015-16 (Topic 805), Business Combinations, which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. The guidance requires that the acquirer shall recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined.

Effective January 1, 2016, the Company has adopted FASB ASU 2015-02. In February 2015, the FASB issued ASU No. 2015-02, Amendment to the Consolidation Analysis, which specifies changes to the analysis that an entity must perform to determine whether it should consolidate certain types of legal entities. These changes (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.

3. Business acquisitions

A. Certain acquisitions

(a) PNMSoft Ltd.

On August 4, 2016, the Company acquired 100% of the outstanding equity interest in PNMSoft Limited ("PNM"), a company incorporated under the laws of the State of Israel. The preliminary estimated total purchase consideration for PNM is $35,496, subject to adjustment for closing date working capital, transaction expenses and net debt. This amount includes the estimated fair value of the contingent earn-out consideration and cash consideration of $28,283, net of cash acquired of $2,853, and a preliminary adjustment for working capital, transaction expenses and net debt. The purchase agreement also provides for contingent earn-out consideration ranging from $0 to $9,000, payable by the Company to the sellers of PNM based on future performance relative to the thresholds specified in the earn-out calculation. This acquisition enhances the Company's digital capabilities by adding critical dynamic workflow solution and implementation services.

In connection with the transaction, the Company recorded $1,700 in customer-related intangibles, $1,630 in marketing-related intangibles and $5,110 in other intangible assets, which have a weighted average amortization period of two years. Goodwill arising from the acquisition amounted to $25,126, which has been allocated to the Company's India reporting unit and is not deductible for tax purposes.

Acquisition-related costs of $1,273 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of $7,246 and assumed certain liabilities amounting to $4,347. The Company also recognized a net deferred tax liability of $969. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition.

(b) Endeavour Software Technologies Private Limited

On April 13, 2016, the Company acquired 100% of the outstanding equity interest in Endeavour Software Technologies Private Limited ("Endeavour"), a private limited company incorporated under the laws of India. The preliminary estimated total purchase consideration for Endeavour is $14,443, subject to adjustment for closing date working capital and net debt. This amount includes the estimated fair value of the contingent earn-out consideration and cash consideration of $10,028, net of cash acquired of $2,345, and a preliminary adjustment for working capital and net debt. Of this amount, $95 is payable by the Company to one of the sellers. The purchase agreement also provides for contingent earn-out consideration ranging from $0 to $3,500, payable based on future performance relative to the thresholds specified in the earn-out calculation. This acquisition enhances the Company's digital capabilities by adding critical end-to-end mobility services.

In connection with the transaction, the Company recorded $800 in customer-related intangibles, $900 in marketing-related intangibles and $950 in other intangible assets, which have a weighted average amortization period of three years. Goodwill arising from the acquisition amounted to $8,870, which has been allocated to the Company's India reporting unit and is not deductible for tax purposes.

Acquisition-related costs of $338 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of $5,691 and assumed certain liabilities amounting to $1,853. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition.

(In thousands, except per share data and share count)

(c) Strategic Sourcing Excellence LLC

On January 8, 2016, the Company acquired 51% of the outstanding equity interest in Strategic Sourcing Excellence LLC ("SSE"), a Delaware limited liability company. The preliminary estimated purchase consideration for SSE is $14,490, subject to adjustment for closing date working capital, transaction expenses and indebtedness. This amount includes the fair value of earn-out consideration, initial cash consideration of $2,550, and a preliminary adjustment for working capital, transaction expenses and indebtedness. The equity purchase agreement also provides for contingent earn-out consideration of up to $20,000, payable by the Company to the sellers of SSE based on future performance relative to the thresholds specified in the earn-out calculation. Up to $9,800 of the total potential earn-out consideration, representing the selling equityholders' 49% interest in SSE, is payable only if either the put or call option, each as described below, is exercised.

The equity purchase agreement grants the Company a call option to purchase the remaining 49% equity interest in SSE, which option the Company has the right to exercise between January 1, 2018 and January 31, 2018. If the Company does not exercise its call option during such period, the selling equityholders have the right to exercise a put option between March 1, 2018 and April 30, 2018 to require the Company to purchase their 49% interest in SSE at a price ranging from $2,450 to $2,950. This acquisition strengthens the Company's sourcing and procurement consulting domain expertise.

Acquisition-related costs of $164 have been included in selling, general and administrative expenses as incurred. Through this transaction, the Company acquired assets with a value of $327 and assumed liabilities amounting to $617. The preliminary estimated purchase consideration for the Company's interests in SSE is $14,490, including the fair value of earn-out consideration and a preliminary adjustment for working capital, transaction expenses and indebtedness. The results of operations of the acquired business, the fair value of the acquired assets and assumed liabilities, and redeemable non-controlling interest are included in the Company's Consolidated Financial Statements with effect from the date of the acquisition.

In connection with the transaction, the Company recorded $300 in customer-related intangible assets with an amortization period of five years. Goodwill arising from the acquisition amounted to $14,479, which has been allocated to the Company's India reporting unit and is deductible for tax purposes.

B. Divestiture

(a) Atyati Technologies Private Limited

During the three months ended September 30, 2016, the Company completed the sale of its cloud-hosted technology platform for the Indian rural banking sector (the "Business"), which the Company acquired in 2012. Net sale proceeds were $17,155, net of selling expenses of $427 and cash divested of $854. During the three and nine months ended September 30, 2016, the Business recorded net revenues of $4,453 and $14,958, respectively, and a net loss of $118 and net profit of $64, respectively.

During the three months ended September 30, 2016, the Company recorded a gain of $5,214 in its consolidated statement of income in connection with the sale of the Business, calculated as follows:

Net sale proceeds	$17,155
Net assets of the business, including intangible assets, allocated goodwill and translation impact thereof	11,941
Gain on divestiture included in other income (expense), net	**$5,214**

4. Cash and cash equivalents

	As of December 31, 2015	As of September 30, 2016
Cash and other bank balances	$ 450,907	$ 419,094
Total	$ 450,907	$ 419,094

(In thousands, except per share data and share count)

5. Accounts receivable, net of reserve for doubtful receivables

The following table provides details of the Company's reserve for doubtful receivables:

	Year ended December 31, 2015	Nine months ended September 30, 2016
Opening balance as of January 1	$ 15,192	$ 11,530
Additions charged to cost and expense	2,449	7,307
Deductions/effect of exchange rate fluctuations	(6,111)	(2,847)
Closing balance	$ 11,530	$ 15,990

Accounts receivable were $601,667 and $625,513, and the reserves for doubtful receivables were $11,530 and $15,990, resulting in net accounts receivable balances of $590,137 and $609,522 as of December 31, 2015 and September 30, 2016, respectively. In addition, accounts receivable due after one year of $8,348 and $4,536 as of December 31, 2015 and September 30, 2016, respectively, are included under other assets in the consolidated balance sheets.

Accounts receivable from related parties were $1,980 and $1,104 as of December 31, 2015 and September 30, 2016, respectively. There are no reserves for doubtful receivables in respect of amounts due from related parties.

(In thousands, except per share data and share count)

6. Fair value measurements

The Company measures certain financial assets and liabilities, including derivative instruments, at fair value on a recurring basis. The fair value measurements of these derivative instruments were determined using the following inputs as of December 31, 2015 and September 30, 2016:

	As of September 30, 2016			
	Fair Value Measurements at Reporting Date Using			
	Total	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 (Notes a, c)	$ 40,714	$ -	$ 40,714	$ -
Total	$ 40,714	$ —	$ 40,714	$ —
Liabilities				
Earn-out consideration (Notes b, d)	$ 22,986	$ -	$ -	$ 22,986
Derivative instruments (Notes b, c)	$ 40,393	$ -	$ 40,393	$ -
Total	$ 63,379	$ —	$ 40,393	$ 22,986
Redeemable non-controlling interest (Note e)	$ 2,058	$ -	$ -	$ 2,058

	As of December 31, 2015			
	Fair Value Measurements at Reporting Date Using			
	Total	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 (Notes a, c)	$ 30,380	$ -	$ 30,380	$ -
Total	$ 30,380	$ —	$ 30,380	$ —
Liabilities				
Earn-out consideration (Notes b, d)	$ 22,820	$ -	$ -	$ 22,820
Derivative instruments (Notes b, c)	$ 59,620	$ -	$ 59,620	$ -
Total	$ 82,440	$ —	$ 59,620	$ 22,820

(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) The Company values its derivative instruments based on market observable inputs, including both forward and spot prices for the relevant currencies and interest rate indices for relevant interest rates. The quotes are taken from an independent market database.

(d) The fair value of earn-out consideration, calculated as the present value of expected future payments to be made to the sellers of acquired businesses, was derived by estimating the future financial performance of the acquired businesses using the earn-out formula and performance targets specified in each purchase agreement and adjusting the result to reflect the Company's estimate of the likelihood of achievement of such targets. Given the significance of the unobservable inputs, the valuations are classified in level 3 of the fair value hierarchy.

(e) The Company's estimate of the fair value of redeemable non-controlling interest as of September 30, 2016 is based on unobservable inputs considering the assumptions that market participants would make in pricing the obligation. Given the significance of the unobservable inputs, the valuation was classified in level 3 of the fair value hierarchy. Refer to Note 3—Business Acquisitions.

(In thousands, except per share data and share count)

6. Fair value measurements (Continued)

The following table provides a roll-forward of the fair value of earn-out consideration categorized as level 3 in the fair value hierarchy for the three and nine months ended September 30, 2015 and 2016:

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2016**	**2015**	**2016**
Opening balance	$ 32,685	$ 18,438	$ 33,990	$ 22,820
Earn-out consideration payable in connection with acquisitions	—	4,360	—	14,550
Payments made on earn-out consideration	—	(357)	(126)	(1,509)
Change in fair value and others	(7,414)	545	(8,593)	(12,875)
Ending balance	$ 25,271	$ 22,986	$ 25,271	$ 22,986

(In thousands, except per share data and share count)

7. Derivative financial instruments

The Company is exposed to the risk of rate fluctuations on its foreign currency assets and liabilities and on 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, foreign currency denominated forecasted cash flows and interest rate risk. These derivative financial instruments are largely deliverable and non-deliverable forward foreign exchange contracts and interest rate swaps. The Company enters into these contracts with counterparties that are banks or other financial institutions, and the Company considers the risk of non-performance by such counterparties not to be material. The forward foreign exchange contracts and interest rate swaps mature during a period of up to 51 months and the forecasted transactions are expected to occur during the same period.

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

	Notional principal amounts (note a)		Balance sheet exposure asset (liability) (note b)	
	As of December 31, 2015	As of September 30, 2016	As of December 31, 2015	As of September 30, 2016
Foreign exchange forward contracts denominated in:				
United States Dollars (sell) Indian Rupees (buy)	$ 1,139,400	$ 988,400	$ (48,197)	$ (3,588)
United States Dollars (sell) Mexican Peso (buy)	8,520	2,670	(1,163)	(605)
United States Dollars (sell) Philippines Peso (buy)	58,500	38,625	(1,387)	(1,053)
Euro (sell) United States Dollars (buy)	146,719	126,685	9,109	3,989
Pound Sterling (buy) United States Dollars (sell)	-	7,797	-	(23)
Euro (sell) Romanian Leu (buy)	39,027	13,798	567	606
Japanese Yen (sell) Chinese Renminbi (buy)	62,740	72,881	(1,379)	(9,591)
Pound Sterling (sell) United States Dollars (buy)	118,438	105,434	7,496	14,668
Australian Dollars (sell) United States Dollars (buy)	106,544	80,627	5,714	(1,342)
Interest rate swaps (floating to fixed)	-	438,632	-	(2,740)
			(29,240)	321

(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 instrument 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.

FASB guidance on Derivatives and Hedging requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. In accordance with the FASB guidance on Derivatives and Hedging, the Company designates foreign exchange forward contracts and interest rate swaps as cash flow hedges. Foreign exchange forward contracts are entered into to cover the effects of future exchange rate variability on forecasted revenues and purchases of services, and interest rate swaps are entered into to cover interest rate fluctuation risk. In addition to this program, the Company uses derivative instruments that are not accounted for as hedges under the FASB guidance in order to hedge foreign exchange risks related to balance sheet items, such as receivables and intercompany borrowings, that are denominated in currencies other than the Company’s underlying functional currency.

(In thousands, except per share data and share count)

7. Derivative financial instruments (Continued)

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

	Cash flow hedges		Non-designated	
	As of December 31, 2015	As of September 30, 2016	As of December 31, 2015	As of September 30, 2016
Assets				
Prepaid expenses and other current assets	$ 17,400	$ 27,977	$ 884	$ 700
Other assets	$ 12,096	$ 12,037	$ -	$ -
Liabilities				
Accrued expenses and other current liabilities	$ 34,576	$ 17,703	$ 34	$ 177
Other liabilities	$ 25,010	$ 22,513	$ -	$ -

(In thousands, except per share data and share count)

7. Derivative financial instruments (Continued)

Cash flow hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain (loss) on the derivative instrument is reported as a component of 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 gains (losses) recorded as a component of other comprehensive income (loss), or OCI, and the related tax effects are summarized below:

	Three months ended September 30,						Nine months ended September 30,					
	2015			2016			2015			2016		
	Before-Tax amount	Tax (Expense) or Benefit	Net of tax Amount	Before-Tax amount	Tax (Expense) or Benefit	Net of tax Amount	Before-Tax amount	Tax (Expense) or Benefit	Net of tax Amount	Before-Tax amount	Tax (Expense) or Benefit	Net of tax Amount
Opening balance	$ (48,640)	$ 17,160	$ (31,480)	$ (30,790)	$ 8,945	$ (21,845)	$ (66,786)	$ 23,646	$ (43,140)	$ (30,090)	$ 9,830	$ (20,260)
Net gains (losses) reclassified into statement of income on completion of hedged transactions	(16,096)	6,061	(10,035)	(1,584)	11	(1,573)	(34,009)	12,374	(21,635)	(7,071)	1,300	(5,771)
Changes in fair value of effective portion of outstanding derivatives, net	(16,030)	5,488	(10,542)	29,005	(10,806)	18,199	(15,797)	5,315	(10,482)	22,818	(10,402)	12,416
Gain (loss) on cash flow hedging derivatives, net	66	(573)	(507)	30,589	(10,817)	19,772	18,212	(7,059)	11,153	29,889	(11,702)	18,187
Closing balance	**$ (48,574)**	**$ 16,587**	**$ (31,987)**	**$ (201)**	**$ (1,872)**	**$ (2,073)**	**$ (48,574)**	**$ 16,587**	**$ (31,987)**	**$ (201)**	**$ (1,872)**	**$ (2,073)**

(In thousands, except per share data and share count)

7. Derivative financial instruments (Continued)

The gains or losses recognized in other comprehensive income (loss) and their effects on financial performance are summarized below:

Derivatives in Cash Flow Hedging Relationships	**Amount of Gain (Loss) recognized in OCI on Derivatives (Effective Portion)**				**Location of Gain (Loss) reclassified from OCI into Statement of Income (Effective Portion)**	**Amount of Gain (Loss) reclassified from OCI into Statement of Income (Effective Portion)**			
	Three months ended September 30,		**Nine months ended September 30,**			**Three months ended September 30,**		**Nine months ended September 30,**	
	2015	**2016**	**2015**	**2016**		**2015**	**2016**	**2015**	**2016**
Forward foreign exchange contracts	$ (16,030)	$ 28,287	$ (15,797)	$ 26,612	Revenue	$ 2,768	$ 2,599	$ 9,078	$ 8,596
Interest rate swaps	$ -	$ 718	$ -	$ (3,794)	Cost of revenue	$ (15,282)	$ (2,823)	$ (34,722)	$ (11,540)
					Selling, general and administrative expenses	$ (3,582)	$ (693)	$ (8,365)	$ (3,073)
					Interest Expense	$ -	$ (667)	$ -	$ (1,054)
	$ (16,030)	**$ 29,005**	**$ (15,797)**	**$ 22,818**		**$ (16,096)**	**$ (1,584)**	**$ (34,009)**	**$ (7,071)**

Gain (loss) recognized in income on the ineffective portion of derivatives and the amount excluded from effectiveness testing is $0 for the three and nine months ended September 30, 2015 and 2016, respectively.

(In thousands, except per share data and share count)

7. Derivative financial instruments (Continued)

Non-designated Hedges

Derivatives not designated as hedging instruments	Location of Gain (Loss) recognized in Statement of Income on Derivatives	Amount of Gain (Loss) recognized in Statement of Income on Derivatives			
		Three months ended September 30,		Nine months ended September 30,	
		2015	2016	2015	2016
Forward foreign exchange contracts (Note a)	Foreign exchange gains (losses), net	$ 723	$ 2,599	$ 4,563	$ 2,838
		$ 723	**$ 2,599**	**$ 4,563**	**$ 2,838**

(a) These forward foreign exchange contracts were entered into to hedge fluctuations in foreign exchange rates for recognized balance sheet items such as receivables and intercompany 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.

8. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of December 31, 2015	As of September 30, 2016
Advance income and non-income taxes	$ 52,953	$ 91,031
Deferred transition costs	36,620	42,619
Derivative instruments	18,284	28,677
Prepaid expenses	12,565	16,984
Customer acquisition cost	6,687	9,692
Employee advances	3,878	6,857
Deposits	1,820	1,930
Advances to suppliers	8,028	1,610
Others	13,190	5,777
	$ 154,025	$ 205,177

9. Property, plant and equipment, net

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

	As of December 31, 2015	As of September 30, 2016
Property, plant and equipment, gross	$ 556,518	$ 597,275
Less: Accumulated depreciation and amortization	(381,122)	(407,480)
Property, plant and equipment, net	$ 175,396	$ 189,795

Depreciation expense on property, plant and equipment for the nine months ended September 30, 2015 and 2016 was $35,163 and $33,990, respectively, and for the three months ended September 30, 2015 and 2016 was $11,849 and $11,334, respectively. Computer software amortization for the nine months ended September 30, 2015 and 2016 amounted to $6,992 and $6,990, respectively, and for the three months ended September 30, 2015 and 2016 amounted to $2,335 and $2,182, respectively.

The depreciation and amortization expenses set forth above include the effect of the reclassification of foreign exchange (gains) losses related to the effective portion of foreign currency derivative contracts, amounting to $1,970 and $614 for the nine months ended September 30, 2015 and 2016, respectively, and $810 and $147 for the three months ended September 30, 2015 and 2016, respectively.

(In thousands, except per share data and share count)

10. Goodwill and intangible assets

The following table presents the changes in goodwill for the year ended December 31, 2015 and nine months ended September 30, 2016:

	As of December 31, 2015	As of September 30, 2016
Opening balance	$ 1,057,214	$ 1,038,346
Goodwill relating to acquisitions consummated during the period	7,674	49,405
Goodwill relating to divestitures during the period	-	(2,226)
Impact of measurement period adjustments	(135)	—
Effect of exchange rate fluctuations	(26,407)	(1,399)
Closing balance	$ 1,038,346	$ 1,084,126

The total amount of goodwill deductible for tax purposes was $36,390 and $37,272 as of December 31, 2015 and September 30, 2016, 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, 2015			As of September 30, 2016		
	Gross carrying amount	Accumulated amortization & Impairment	Net	Gross carrying amount	Accumulated amortization & Impairment	Net
Customer-related intangible assets	$ 319,035	$ 247,463	$ 71,572	$ 315,364	$ 258,272	$ 57,092
Marketing-related intangible assets	42,749	27,021	15,728	42,637	28,909	13,728
Other intangible assets	29,729	18,428	11,301	32,907	23,717	9,190
	$ 391,513	$ 292,912	$ 98,601	$ 390,908	$ 310,898	$ 80,010

Amortization expenses for intangible assets disclosed in the consolidated statements of income under amortization of acquired intangible assets for the nine months ended September 30, 2015 and 2016 were $21,875 and $19,764, respectively, and for the three months ended September 30, 2015 and 2016 were $7,219 and $7,126, respectively.

During the nine months ended September 30, 2016, the Company tested for recoverability an intangible software asset as a result of a downward revision to the forecasted cash flows with respect to the use of the asset and a customer related intangible asset as a result of the termination of a client contract.

Based on the results of such testing, the Company determined that the carrying value of these intangible assets exceed their estimated undiscounted cash flows by $11,195 and recorded a charge to reduce the carrying value by this amount. Of this charge, $5,381 was recorded during the three months ended September 30, 2016. The Company used a combination of the income and cost approaches to determine the fair value of the intangible assets for the purpose of calculating the resulting charge. This charge has been recorded in other operating (income) expense, net in the consolidated statement of income.

11. Short-term borrowings

The Company has the following borrowing facilities:

(a) Fund-based and non-fund-based credit facilities with banks, which are available for operational requirements in the form of overdrafts, letters of credit, guarantees and short-term loans. As of December 31, 2015 and September 30, 2016, the limits available were $15,781and $15,190, respectively, of which $10,301 and $11,575 was utilized, constituting non-funded drawdown.

(b) A fund-based and non-fund based revolving credit facility of $350,000, which the company obtained in June 2015 as described in Note 12. This facility replaced the Company's $250,000 facility initially entered into in August 2012 and subsequently amended in June 2013 (the "2012 Facility"). As of December 31, 2015 and September 30, 2016, a total of $22,947 and $115,978, respectively, was utilized, of which $21,500 and $115,000, respectively, constituted funded drawdown and $1,447 and $978, respectively, constituted non-funded drawdown. The revolving facility expires in June 2020. The funded drawdown amount bore interest at a rate equal to LIBOR plus a margin of 1.50% per annum as of December 31, 2015. As of September 30, 2016, the revolving facility bore interest at a rate equal to LIBOR plus a margin of 1.50% per annum. The unutilized amount on the revolving facility bore a commitment fee of 0.25% and 0.25% as of December 31, 2015 and September 30, 2016, respectively. The credit agreement contains certain customary covenants, including a maximum leverage covenant and a minimum interest coverage ratio. For the nine months ended September 30, 2016, the Company was in compliance with these covenants.

(c) On January 27, 2015 and March 23, 2015, the Company obtained short-term loans in the amount of $672,500 and $737,500, respectively, from Morgan Stanley Senior Funding, Inc. in connection with certain internal reorganization transactions. These loans bore interest at a rate of 2.00% per annum and were fully repaid on January 30, 2015 and March 26, 2015, respectively. The Company recorded $1,045 in debt issuance expenses and $235 in interest with respect to the amounts borrowed under the short-term loans.

(In thousands, except per share data and share count)

12. Long-term debt

In June 2015, the Company refinanced the 2012 Facility through a new credit facility, comprised of an $800,000 term loan and a $350,000 revolving credit facility. Borrowings under the new facility bear interest at a rate equal to, at the election of the Company, either LIBOR plus an applicable margin equal to 1.50% per annum or a base rate plus an applicable margin equal to 0.50% per annum, in each case subject to adjustment based on the Company's debt ratings provided by Standard & Poor's Rating Services and Moody's Investors Service, Inc. Based on the Company's election and current credit rating, the applicable interest rate is equal to LIBOR plus 1.50% per annum. As a result of the June 2015 refinancing, the gross outstanding term loan under the 2012 Facility, which amounted to $663,188 as of June 30, 2015, was extinguished, and the Company expensed $10,050, representing accelerated amortization of the existing unamortized debt issuance costs related to the 2012 Facility. Additionally, the refinancing of the revolving facility resulted in the accelerated amortization of $65 relating to the existing unamortized debt issuance cost. The remaining unamortized costs for the revolving facility, together with the fees paid to the Company's lenders and third parties in connection with the new term loan and revolving facility, will be amortized over the term of the refinanced facility, which ends on June 30, 2020. For the nine months ended September 30, 2016, the Company was in compliance with the financial covenants of the credit agreement.

As of December 31, 2015 and September 30, 2016, the amount outstanding under the term loan, net of debt amortization expense of $3,534 and $2,881, was $776,466 and $747,119, respectively. As of December 31, 2015 and September 30, 2016, the term loan bore interest at a rate equal to LIBOR plus a margin of 1.50% per annum based on the Company's election and current credit rating. Indebtedness under the refinanced facility is unsecured. The amount outstanding on the term loan as of September 30, 2016 will be repaid through quarterly payments of $10,000, and the balance will be repaid upon the maturity of the term loan on June 30, 2020.

The maturity profile of the term loan, net of debt amortization expense, is as follows:

Year ended	Amount
2016	$ 9,786
2017	39,181
2018	39,226
2019	39,272
2020	619,654
Total	$ 747,119

(In thousands, except per share data and share count)

13. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31, 2015	As of September 30, 2016
Accrued expenses	$ 161,672	$ 150,440
Accrued employee cost	158,054	157,367
Deferred transition revenue	44,974	50,393
Statutory liabilities	32,149	36,805
Retirement benefits	17,930	19,797
Derivative instruments	34,610	17,880
Advance from customers	19,815	21,796
Earn-out consideration	16,896	7,027
Other liabilities	12,210	9,129
Capital lease obligations	1,328	1,366
	$ 499,638	$ 472,000

14. Other liabilities

Other liabilities consist of the following:

	As of December 31, 2015	As of September 30, 2016
Accrued employee cost	$ 6,901	$ 6,573
Deferred transition revenue	66,737	75,836
Retirement benefits	29,689	33,628
Derivative instruments	25,010	22,513
Amount received from GE under indemnification arrangement, pending adjustment	3,549	3,215
Advance from customers	4,485	2,400
Earn-out consideration	5,924	15,959
Others	10,729	11,212
Capital lease obligations	2,204	2,461
	$ 155,228	$ 173,797

(In thousands, except per share data and share count)

15. 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 maintains a defined benefit retirement plan covering substantially all of its Indian employees. In accordance with Mexican law, the Company provides termination benefits to all of its Mexican employees. In addition, certain of the Company's subsidiaries in the Philippines and Japan sponsor defined benefit retirement programs.

Net defined benefit plan costs for the three and nine months ended September 30, 2015 and 2016 include the following components:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2016	2015	2016
Service costs	$ 1,327	$ 1,207	$ 4,100	$ 4,040
Interest costs	660	559	2,013	1,870
Amortization of actuarial loss	61	34	244	15
Expected return on plan assets	(521)	(469)	(1,628)	(1,449)
Net defined benefit plan costs	$ 1,527	$ 1,331	$ 4,729	$ 4,476

Defined contribution plans

During the three and nine months ended September 30, 2015 and 2016, the Company contributed the following amounts to defined contribution plans in various jurisdictions:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2016	2015	2016
India	$ 4,199	$ 4,843	$ 12,217	$ 13,877
U.S.	1,474	2,216	6,110	7,951
U.K.	1,106	1,596	3,761	5,177
China	3,896	4,158	10,949	11,555
Other regions	916	1,158	3,234	3,507
Total	**$ 11,591**	**$ 13,971**	**$ 36,271**	**$ 42,067**

(In thousands, except per share data and share count)

16. Stock-based compensation

The Company has issued options under the Genpact Global Holdings 2005 Plan (the "2005 Plan"), the Genpact Global Holdings 2006 Plan (the "2006 Plan"), the Genpact Global Holdings 2007 Plan (the "2007 Plan") and the 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.

With respect to options granted under the 2005, 2006 and 2007 Plans before the date of adoption of the 2007 Omnibus Plan, if an award granted under any such plan is forfeited or otherwise expires, terminates, or is cancelled without the delivery of shares, then the shares covered by the forfeited, expired, terminated, or cancelled award will be added to the number of shares otherwise available for grant under the applicable plan.

Beginning on July 13, 2007, the date of adoption of the 2007 Omnibus Plan, share-based awards forfeited, expired, terminated, or cancelled under any of the plans are added to the number of shares otherwise available for grant under the 2007 Omnibus Plan. The 2007 Omnibus Plan was amended and restated on April 11, 2012 to increase the number of common shares authorized for issuance by 5,593,200 shares to 15,000,000 shares.

During the year ended December 31, 2012, the number of common shares authorized for issuance under the 2007 Omnibus Plan and the 2005 Plan was increased by 8,858,823 and 495,915 shares, respectively, as the result of an adjustment to outstanding unvested share awards.

Stock-based compensation costs relating to the foregoing plans during the nine months ended September 30, 2015 and 2016 were $17,279 and $18,046, respectively, and for the three months ended September 30, 2015 and 2016 were $6,124 and $4,718, respectively. Stock-based compensation costs for the nine and three months ended September 30, 2016 have been reduced by $1,874 due to a change in the probability of achievement of the performance conditions for the performance units granted in the second quarter of 2016. These costs have been allocated to cost of revenue and selling, general, and administrative expenses.

Stock options

Options granted are subject to a vesting requirement. Options granted under the plan are exercisable into common shares of the Company, have a contractual period of ten years and vest over four to five years unless specified otherwise in the applicable award agreement. The Company recognizes the compensation cost over the vesting period of the option. Compensation cost is determined as of the date of grant by estimating the fair value of an option using the Black-Scholes option-pricing model.

The following table shows the significant assumptions used in connection with the determination of the fair value of options granted in the nine months ended September 30, 2015 and September 30, 2016.

	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Dividend yield	—	—
Expected life (in months)	84	84
Risk-free rate of interest	1.99%	1.42%-1.56%
Volatility	34.97%	25.60%-27.22%

(In thousands, except per share data and share count)

16. Stock-based compensation (Continued)

A summary of stock option activity during the nine months ended September 30, 2016 is set out below:

	Nine months ended September 30, 2016			
	Shares arising out of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Outstanding as of January 1, 2016	5,986,845	$ 16.99	5.8	$ —
Granted	860,000	26.80	—	—
Forfeited	(145,000)	17.77	—	—
Expired	—	—	—	—
Exercised	(655,717)	15.79	—	5,350
Outstanding as of September 30, 2016	**6,046,128**	**$ 18.50**	**5.8**	**$ 36,248**
Vested as of September 30, 2016 and expected to vest thereafter (Note a)	5,765,784	$ 18.10	5.8	$ 35,717
Vested and exercisable as of September 30, 2016	3,084,629	$ 15.37	3.9	$ 26,452
Weighted average grant date fair value of grants during the period	$ 8.50			

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

As of September 30, 2016, the total remaining unrecognized stock-based compensation cost for options expected to vest amounted to $14,606, which will be recognized over the weighted average remaining requisite vesting period of 2.7 years.

Restricted share units

The Company has granted restricted share units (“RSUs”) under the 2007 Omnibus Plan. Each RSU represents the right to receive one Company common share at a future date. The fair value of each RSU is the market price of a Company common share on the date of the grant. The RSUs granted to date have graded vesting schedules of three months to four years. The compensation expense is recognized on a straight-line basis over the vesting term. A summary of RSUs granted during the nine months ended September 30, 2016 is set out below:

	Nine months ended September 30, 2016	
	Number of Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2016	157,390	$ 17.67
Granted	95,553	25.49
Vested (Note a)	(45,386)	17.29
Forfeited	(1,135)	14.18
Outstanding as of September 30, 2016	206,422	$ 21.39
Expected to vest (Note b)	176,476	

(a) RSUs that vested during the period were net settled upon vesting by issuing 28,344 shares (net of minimum statutory tax withholding).

(b) The number of RSUs expected to vest reflects an estimated forfeiture rate.

92,692 RSUs vested in the year ended December 31, 2014, in respect of which 91,963 shares were issued in January 2016 after withholding shares to the extent of the minimum statutory withholding taxes.

53,546 RSUs vested in the year ended December 31, 2015, shares in respect of which will be issuable on December 31, 2016 after withholding shares to the extent of minimum statutory withholding taxes.

(In thousands, except per share data and share count)

16. Stock-based compensation (Continued)

As of September 30, 2016, the total remaining unrecognized stock-based compensation cost related to RSUs amounted to $2,271, which will be recognized over the weighted average remaining requisite vesting period of 2.2 years.

Performance units

The Company also grants stock awards in the form of performance units ("PUs") under the 2007 Omnibus Plan.

Each PU represents the right to receive one Company common share at a future date 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. PUs granted under the plan are subject to cliff vesting. The compensation expense for such awards is recognized on a straight-line basis over the vesting terms. Over the performance period, the number of shares to be issued is adjusted upward or downward depending on the probability of achievement of the performance targets. The ultimate number of shares issued and the related compensation cost recognized is based on a comparison of the final performance metrics to the specified targets.

A summary of PU activity during the nine months ended September 30, 2016 is set out below:

	Nine months ended September 30, 2016		
	Number of Performance Units	Weighted Average Grant Date Fair Value	Maximum Shares Eligible to Receive
Outstanding as of January 1, 2016	2,499,322	$ 19.95	2,499,322
Granted	1,518,374	27.93	3,343,335
Vested	—	—	—
Forfeited	(226,094)	21.71	(292,669)
Adjustment upon final determination of level of performance goal achievement (Note a)	7,274	22.72	
Adjustment upon final determination of level of performance goal achievement (Note a)			7,274
Outstanding as of September 30, 2016	3,798,876	$ 23.04	5,557,262
Expected to vest (Note b)	2,196,287		

(a) Represents an adjustment made in March 2016 to the number of shares underlying the PUs granted in 2015 upon certification of the level of achievement of the performance targets for such awards.

(b) The number of PUs expected to vest is based on the probable achievement of the performance targets after considering an estimated forfeiture rate.

As of September 30, 2016, the total remaining unrecognized stock-based compensation costs related to PUs amounted to $12,842, which will be recognized over the weighted average remaining requisite vesting period of 1.1 years.

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 allows eligible employees to purchase the Company's common shares through payroll deductions at 90% of the closing price of the Company's common shares on the last business day of each purchase interval. The dollar amount of common shares purchased under the ESPP must not exceed 15% of the participating employee's base salary, subject to a cap of $25 per employee 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 of the subsequent May, August, November and February. 4,200,000 common shares have been reserved for issuance in the aggregate over the term of the ESPP.

16. Stock-based compensation (Continued)

During the nine months ended September 30, 2015 and 2016, 97,603 and 105,856 common shares, respectively, were issued under the ESPP.

The ESPP is considered compensatory under the FASB guidance on Compensation-Stock Compensation.

The compensation expense for the ESPP is recognized in accordance with the FASB guidance on Compensation-Stock Compensation. The compensation expense for the ESPP during the nine months ended September 30, 2015 and 2016 was $230 and $298, respectively, and for the three months ended September 30, 2015 and 2016 was $72 and $110, respectively, and has been allocated to cost of revenue and selling, general, and administrative expenses.

17. Capital stock

Share repurchases

In February 2015, the Company's board of directors (the "Board") authorized a program to repurchase up to $250,000 in value of the Company's common shares. On February 4, 2016, the Board approved up to an additional $250,000 in share repurchases under the program, and on September 19, 2016 the Board again approved up to an additional $250,000 in share repurchases, bringing the total authorization under the Company's existing program to $750,000. The Company's share repurchase program does not obligate it to acquire any specific number of shares. Under the program, shares may be purchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. During the nine months ended September 30, 2015 and September 30, 2016, the Company purchased 7,110,153 and 9,615,323 of its common shares, respectively, at a weighted average price of $22.37 and $25.23 per share, respectively, for an aggregate cash amount of $159,036 and $242,552, respectively. The purchased shares have been retired.

The Company records repurchases of its common shares on the settlement date of each transaction. Shares purchased and retired are deducted to the extent of their par value from common stock and from retained earnings for the excess over par value. Direct costs incurred to acquire the shares are included in the total cost of the shares purchased. For the nine months ended September 30, 2015 and September 30, 2016, $142 and $192, respectively, was deducted from retained earnings in direct costs related to share repurchases.

(In thousands, except per share data and share count)

18. 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 Company common shares outstanding. The calculation of basic earnings per common share is determined by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the respective periods. Potentially dilutive shares, consisting of outstanding options on common shares, restricted share units, performance units and common shares to be issued under the employee stock purchase plan, 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.

The number of stock awards outstanding but not included in the computation of diluted earnings per common share because their effect was anti-dilutive is 3,704,667 and 698,286 for the nine months ended September 30, 2015 and 2016, respectively, and 3,593,000 and 947,778 for the three months ended September 30, 2015 and 2016, respectively.

	Three months ended September 30, 2015	Three months ended September 30, 2016	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Net income available to Genpact Limited common shareholders	$ 68,050	$ 68,779	$ 175,404	$ 192,575
Weighted average number of common shares used in computing basic earnings per common share	215,311,322	206,146,007	217,909,722	209,034,741
Dilutive effect of stock-based awards	2,284,382	3,230,676	2,391,990	3,322,853
Weighted average number of common shares used in computing dilutive earnings per common share	217,595,704	209,376,683	220,301,712	212,357,594
Earnings per common share attributable to Genpact Limited common shareholders				
Basic	$ 0.32	$ 0.33	$ 0.80	$ 0.92
Diluted	$ 0.31	$ 0.33	$ 0.80	$ 0.91

19. Cost of revenue

Cost of revenue consists of the following:

	Three months ended September 30, 2015	Three months ended September 30, 2016	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Personnel expenses	$ 257,289	$ 269,771	$ 750,606	$ 788,768
Operational expenses	106,593	111,443	313,687	325,938
Depreciation and amortization	11,948	11,218	35,317	34,329
	$ 375,830	$ 392,432	$ 1,099,610	$ 1,149,035

20. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	Three months ended September 30, 2015	Three months ended September 30, 2016	Nine months ended September 30, 2015	Nine months ended September 30, 2016
Personnel expenses	$ 103,640	$ 117,022	$ 316,858	$ 343,279
Operational expenses	38,847	37,649	119,005	132,385
Depreciation and amortization	2,236	2,298	6,838	6,651
	$ 144,723	$ 156,969	$ 442,701	$ 482,315

(In thousands, except per share data and share count)

21. Other operating (income) expense, net

	Three months ended September 30,		Nine months ended September 30,	
	2015	2016	2015	2016
Other operating (income) expense	$ (656)	$ (249)	$ (1,688)	$ (990)
Impairment of intangible assets	10,714	5,381	10,714	11,195
Change in fair value of earn-out consideration, deferred consideration (relating to business acquisitions)	(7,342)	-	(9,442)	(14,996)
Other operating (income) expense, net	$ 2,716	$ 5,132	$ (416)	$ (4,791)

22. Interest income (expense), net

	Three months ended September 30,		Nine months ended September 30,	
	2015	2016	2015	2016
Interest income	$ 2,343	$ 1,041	$ 5,540	$ 5,565
Interest expense	(5,210)	(5,942)	(24,669)	(16,737)
Loss on extinguishment of debt	-	-	(10,115)	-
Interest income (expense), net	$ (2,867)	$ (4,901)	$ (29,244)	$ (11,172)

23. Income taxes

The Company determines its tax provision for interim periods using an estimate of its annual effective tax rate adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, the Company updates its estimate of the annual effective tax rate, and if its estimated tax rate changes, the Company makes a cumulative adjustment.

As of December 31, 2015, the Company had unrecognized tax benefits amounting to $26,357, including an amount of $24,935, which, if recognized, would impact the effective tax rate.

The following table summarizes activities related to the Company's unrecognized tax benefits for uncertain tax positions from January 1, 2016 to September 30, 2016:

	2016
Opening balance at January 1	$ 26,357
Increase related to prior year tax positions, including recorded in acquisition accounting	13
Decrease related to prior year tax positions	(1,085)
Decrease related to divesture of business	(344)
Decrease related to prior year tax position due to lapse of applicable statute of limitation	(2,122)
Increase related to current year tax positions, including recorded in acquisition accounting	62
Decrease related to settlements with tax authorities	(2,000)
Effect of exchange rate changes	156
Closing balance at September 30	**$ 21,037**

The Company's unrecognized tax benefits as of September 30, 2016 include an amount of $20,182, which, if recognized, would impact the effective tax rate. As of December 31, 2015 and September 30, 2016, the Company had accrued approximately $4,223 and $3,888, respectively, for interest relating to unrecognized tax benefits. During the year ended December 31, 2015 and the nine months ended September 30, 2016, the company recognized approximately $1,152 and ($277), respectively, excluding the impact of exchange rate differences, in interest on unrecognized tax benefits. As of December 31, 2015 and September 30, 2016, the Company had accrued approximately $958 and $892, respectively, for penalties.

24. Related party transactions

The Company has entered into related party transactions with its non-consolidating affiliates. The Company has also entered into related party transactions with a significant shareholder and its affiliates.

The Company's related party transactions can be categorized as follows:

Revenue from services

For the nine months ended September 30, 2015 and September 30, 2016, the Company recognized net revenues of $251 and $257, respectively, and for the three months ended September 30, 2015 and 2016, the Company recognized net revenues of $75 and $89, respectively, from a client that is a significant shareholder of the Company.

For the nine months ended September 30, 2015 and September 30, 2016, the Company recognized net revenues of $5,876 and $5,109 respectively, and for the three months ended September 30, 2015 and 2016, the Company recognized net revenues of $1,712 and $1,625 from a client that is a non-consolidating affiliate of the Company. $1,068 of this amount is receivable as of September 30, 2016.

Cost of revenue from services

The Company purchases certain services from its non-consolidating affiliates, mainly relating to training and recruitment, which are included in cost of revenue. For the nine months ended September 30, 2015 and 2016, cost of revenue includes an amount of $1,376 and $1675, respectively, and for the three months ended September 30, 2015 and 2016, cost of revenue includes an amount of $346 and $722, respectively, attributable to the cost of services provided by the Company's non-consolidating affiliates.

Selling, general and administrative expenses

The Company purchases certain services from its non-consolidating affiliates, mainly relating to training and recruitment, the costs of which are included in selling, general and administrative expenses. For the nine months ended September 30, 2015 and 2016, selling, general and administrative expenses includes an amount of $287 and $234, respectively, and for the three months ended September 30, 2015 and 2016, selling, general and administrative expenses includes an amount of $47 and $107, respectively, attributable to the cost of services provided by the Company's non-consolidating affiliates.

During the nine and three months ended September 30, 2016, the Company entered into transactions with a significant shareholder of the Company to provide services to the Company at a cost of $58 and $43, respectively.

Investment in equity affiliates

During the nine months ended September 30, 2016, the Company invested $5,884 in its non-consolidating affiliates and made payments toward its outstanding investments in non-consolidating affiliates of $7,519. As of December 31, 2015 and September 30, 2016, $3,736 and $2,102, respectively, in investments in equity affiliates was accrued but not paid and has been included in accrued expenses and other current liabilities in the Company's consolidated balance sheet.

As of December 31, 2015 and September 30, 2016, the Company's investments in its non-consolidating affiliates amounted to $6,677 and $6,221, respectively.

Others

During the nine months ended September 30, 2015 and 2016, the Company also entered into transactions with one of its non-consolidating affiliates for certain cost reimbursements amounting to $1,602 and $918, respectively. During the three months ended September 30, 2015 and 2016, such cost reimbursements amounted to $379 and $244, respectively, of which $244 is receivable and has been included in prepaid expenses and other current assets in the Company's consolidated balance sheet as of September 30, 2016.

25. Commitments and contingencies

Capital commitments

As of December 31, 2015 and September 30, 2016, the Company has committed to spend $8,237 and $8,482, 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 amounting to $11,748 and $12,554 as of December 31, 2015 and September 30, 2016, respectively. Bank guarantees are generally provided to government agencies, excise and customs authorities for the purpose of maintaining a bonded warehouse. These guarantees may be revoked by the government agencies if they suffer any losses or damage through the breach of any of the covenants contained in the agreements governing such guarantees.

Other commitments

The Company's business process delivery centers in India are 100% export oriented units or Software Technology Parks of India ("STPI") units under the STPI guidelines issued by the Government of India. These units are exempt from customs, central excise duties, and levies on imported and indigenous capital goods, stores, and spares. The Company has undertaken to pay custom duties, service taxes, 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.

26. Subsequent Events:

Share Repurchase

Pursuant to its share repurchase program, the Company repurchased 2,884,964 of its common shares between October 1, 2016 and November 8, 2016, at a weighted average price of $23.59 per share for an aggregate cash amount of $68,054.

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

The following discussion should be read in conjunction with our consolidated financial statements and the related notes that appear elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2015 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, 2015. In addition to historical information, this discussion includes forward-looking statements and information that involves risks, uncertainties and assumptions, 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, 2015.

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, Part I, 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," "may," "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, 2015.

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, economic or business conditions in countries where we have operations or where our clients operate;
- expected spending on business process outsourcing and information technology services by clients;
- foreign currency exchange rates;
- our ability to convert bookings to revenue;
- our rate of employee attrition;
- 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 dependence on revenues derived from clients in the United States and Europe and clients that operate in certain industries, such as the financial services industry;
- 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;
- our ability to successfully consummate or integrate strategic acquisitions;
- our ability to maintain pricing and asset utilization rates;
- our ability to hire and retain enough qualified employees to support our operations;
- increases in wages in locations in which we have operations;
- our relative dependence on the General Electric Company, or GE, and our ability to maintain our relationships with divested GE businesses;

- financing terms, including, but not limited to, changes in the London Interbank Offered rate, or LIBOR;
- restrictions on visas for our employees traveling to North America and Europe;
- fluctuations in exchange rates between the U.S. dollar, the euro, U.K. pound sterling, Chinese renminbi, Hungarian forint, Japanese yen, Indian rupee, Australian dollar, Philippines peso, Norwegian krone , Mexican peso, Polish zloty, Romanian leu, South African rand, Hong Kong dollar, Singapore dollar, Arab Emirates dirham, Brazilian real, Swiss franc, Swedish krona, Danish krone, Kenyan shilling, Czech koruna, Israeli new Shekel and Canadian dollar;
- 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 on attractive terms;
- legislation in the United States or elsewhere that adversely affects the performance of business process outsourcing and information technology 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;
- our ability to maintain the security and confidentiality of personal and other sensitive data of our clients, employees or others;
- deterioration in the global economic environment and its impact on our clients, including the bankruptcy of 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; and
- unionization of any of our employees.

Although we believe the expectations reflected in any forward-looking statements are reasonable at the time they are made, 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 undertake 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

Genpact stands for "generating business impact." We are a global leader in digitally-powered business process management and services. We architect the Lean Digital℠ enterprise through our patented Smart Enterprise Processes (SEP℠) framework that reimagines our clients' operating models end-to-end, including the middle and back offices. This creates Intelligent Operations℠ that we help design, transform, and run. For two decades, first as a General Electric division and later as an independent company, we have been passionately serving our clients. Today, we generate impact for a few hundred strategic clients, including approximately one fifth of the Fortune Global 500, and have grown to over 75,000 people in 25 countries, with corporate offices in New York City.

In the quarter ended September 30, 2016, we had net revenues of $648.8 million, of which $543.2 million, or 83.7%, was from clients other than GE, which we refer to as Global Clients, with the remaining $105.6 million, or 16.3%, coming from GE.

For the 12-month period ended September 30, 2016, the number of our client relationships generating annual revenue over $5 million increased to 107 from 103 as of September 30, 2015. This includes client relationships generating more than $15 million in annual revenue decreasing to 33 from 34, client relationships generating more than $25 million in annual revenue remaining constant at 16, and client relationships generating more than $50 million in annual revenue increasing to 6 from 4.

Our registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

Certain Acquisitions

On August 4, 2016, we acquired 100% of the outstanding equity interest in PNMSoft Limited ("PNM"), an Israeli company, for cash consideration of $28.3 million, net of cash acquired of $2.9 million, subject to adjustment for closing date working capital, transaction expenses and net debt. The purchase agreement also provides for contingent earn-out consideration of up to $9.0 million payable by the Company to the sellers of PNM. This acquisition enhances our digital capabilities by adding dynamic workflow solutions and implementation services. Goodwill arising from the acquisition amounted to $25.1 million, which has been allocated to the Company's India reporting unit and is not deductible for tax purposes.

On April 13, 2016, we acquired 100% of the outstanding equity interest of Endeavour Software Technologies Private Limited ("Endeavour"), a private limited company incorporated under the laws of India, for cash consideration of $10.0 million, net of cash acquired of $2.3 million, subject to adjustment for closing date working capital and net debt. The purchase agreement also provides for contingent earn-out consideration payable by the Company to the sellers of up to $3.5 million. This acquisition enhances our digital capabilities by adding end-to-end mobility services. Goodwill arising from the acquisition amounted to $8.9 million, which has been allocated to the Company's India reporting unit and is not deductible for tax purposes.

On January 8, 2016, we acquired 51% of the outstanding equity interest in Strategic Sourcing Excellence LLC ("SSE"), a Delaware limited liability company, for initial cash consideration of $2.6 million, subject to adjustment for closing date working capital, transaction expenses and indebtedness. This acquisition strengthens our procurement consulting, transformation and strategic sourcing capabilities. The equity purchase agreement provides for contingent earn-out consideration of up to $20.0 million, payable by the Company to the selling equityholders based on future performance relative to the thresholds specified in the earn-out calculation. Up to $9.8 million of the total potential earn-out consideration, representing the selling equityholders' 49% interest in SSE, is payable by the Company to the selling equityholders only if either the put or call option, each as described below, is exercised. Goodwill arising from the acquisition amounted to $14.5 million, which has been allocated to our India reporting unit and is deductible for tax purposes. The equity purchase agreement grants the Company a call option to purchase the remaining 49% equity interest in SSE, which option the Company has the right to exercise between January 1, 2018 and January 31, 2018. If the Company does not exercise its call option during such period, the selling equityholders have the right to exercise a put option between March 1, 2018 and April 30, 2018 to require the Company to purchase their 49% interest in SSE at a price ranging from $2.5 million to $3.0 million.

Divestiture

During the quarter ended September 30, 2016, we completed the sale of our cloud-hosted technology platform for the Indian rural banking sector which we acquired in 2012. Net sale proceeds were $17.2 million, net of selling expenses of $0.4 million and cash divested of $0.9 million. As a result of the divestiture, we recorded a gain of $5.2 million in our consolidated statement of income.

Critical Accounting Policies and Estimates

For a description of our critical accounting policies, see Note 2—"Summary of significant accounting policies" under Part I, Item 1 —"Financial Statements" above, Part II, Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates," and Note 2—"Summary of significant accounting policies" under Part IV, Item 15—"Exhibits and Financial Statement Schedules" in our Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

The following table sets forth certain data from our consolidated statements of income for the three and nine months ended September 30, 2015 and 2016.

	Three months ended September 30, 2015	Three months ended September 30, 2016	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Percentage Change Increase/(Decrease) Three months ended September 30, 2016 vs. 2015	Percentage Change Increase/(Decrease) Nine months ended September 30, 2016 vs. 2015
	(dollars in millions)		(dollars in millions)			
Net revenues—GE	$ 114.6	$ 105.6	$ 342.7	$ 322.1	(7.8)%	(6.0)%
Net revenues—Global Clients	503.3	543.2	1,471.8	1,566.9	7.9%	6.5%
Total net revenues	**617.8**	**648.8**	**1,814.5**	**1,889.0**	**5.0%**	**4.1%**
Cost of revenue	375.8	392.4	1,099.6	1,149.0	4.4%	4.5%
Gross profit	**242.0**	**256.4**	**714.9**	**740.0**	**5.9%**	**3.5%**
Gross profit margin	**39.2%**	**39.5%**	**39.4%**	**39.2%**		
Operating expenses						
Selling, general and administrative expenses	144.7	157.0	442.7	482.3	8.5%	8.9%
Amortization of acquired intangible assets	7.2	7.1	21.9	19.8	(1.3)%	(9.7)%
Other operating (income) expense, net	2.7	5.1	(0.4)	(4.8)	89.0%	1051.7%
Income from operations	**87.3**	**87.1**	**250.7**	**242.7**	**(0.3)%**	**(3.2)%**
Income from operations as a percentage of net revenues	**14.1%**	**13.4%**	**13.8%**	**12.8%**		
Foreign exchange gains (losses), net	4.2	(0.7)	4.1	3.2	(115.5)%	(23.0)%
Interest income (expense), net	(2.9)	(4.9)	(29.2)	(11.2)	70.9%	(61.8)%
Other income (expense), net	1.0	5.8	2.3	7.2	479.7%	216.2%
Income before equity-method investment activity, net and income tax expense	**89.7**	**87.4**	**227.9**	**241.8**	**(2.6)%**	**6.1%**
Gain (loss) on equity-method investment activity, net	(3.4)	(2.1)	(8.0)	(6.3)	(38.3)%	(20.8)%
Income before income tax expense	**86.3**	**85.2**	**219.9**	**235.5**	**(1.2)%**	**7.1%**
Income tax expense	18.2	17.2	44.5	44.8	(5.5)%	0.8%
Net income	**68.1**	**68.0**	**175.4**	**190.7**	**(0.0)%**	**8.7%**
Net loss (income) attributable to redeemable non-controlling interest	—	0.7	—	1.9	100.0%	100.0%
Net income attributable to Genpact Limited common shareholders	**$ 68.1**	**$ 68.8**	**$ 175.4**	**$ 192.6**	**1.1%**	**9.8%**
Net income attributable to Genpact Limited common shareholders as a percentage of net revenues	**11.0%**	**10.6%**	**9.7%**	**10.2%**		

Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015

Net revenues. Our net revenues were $648.8 million in the third quarter of 2016, up $31.0 million, or 5.0%, from $617.8 million in the third quarter of 2015. The growth in net revenues was primarily driven by an increase in business process outsourcing, or BPO, services delivered to our Global Clients. Adjusted for foreign exchange, primarily changes in the values of the U.K. pound sterling, Australian dollar and euro against the U.S. dollar, which had an adverse impact on our net revenues in the third quarter of 2016, our net revenues grew 6.8% compared to the third quarter of 2015. Revenue growth on a constant currency basis is a non-GAAP measure. We provide information about our revenue on a constant currency basis so that our revenue may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of our business performance. Total net revenues on a constant currency basis are calculated by restating current-period activity using the prior fiscal period's foreign currency exchange rates and hedging gains/losses.

Our average headcount increased by 8.1% to approximately 73,200 in the third quarter of 2016 from approximately 67,700 in the third quarter of 2015.

	Three months ended September 30, 2015	Three months ended September 30, 2016	Percentage Change Increase/(Decrease) 2016 vs. 2015
	(dollars in millions)		
Global Clients:			
BPO services	$ 395.6	$ 445.1	12.5%
IT services	107.7	98.1	(8.9)
Total net revenues from Global Clients	**$ 503.3**	**$ 543.2**	**7.9%**
GE:			
BPO services	88.0	80.8	(8.2)%
IT services	26.5	24.8	(6.6)
Total net revenues from GE	**$ 114.6**	**$ 105.6**	**(7.8)%**
Total net revenues from BPO services	483.6	525.9	8.7
Total net revenues from IT services	134.2	122.9	(8.4)
Total net revenues	**$ 617.8**	**$ 648.8**	**5.0%**

Net revenues from Global Clients were $543.2 million in the third quarter of 2016, up $39.9 million, or 7.9%, from $503.3 million in the third quarter of 2015. This increase was primarily driven by growth in our targeted verticals, including banking and financial services, consumer product goods, life sciences, insurance and high tech. Within these verticals, revenues grew primarily in our finance and accounting, core industry vertical operations, and transformation service lines. This growth was partially offset by a decline in net revenues from our information technology, or IT, services, primarily in our healthcare vertical and from investment banking clients in our capital markets vertical. As a percentage of total net revenues, net revenues from Global Clients increased from 81.5% in the third quarter of 2015 to 83.7% in the third quarter of 2016.

Net revenues from GE were $105.6 million in the third quarter of 2016, down $9.0 million, or 7.8%, from $114.6 million in the third quarter of 2015. The decline in net revenues from GE was primarily due to phase-outs of work we do for GE Capital due to continued dispositions by GE of GE Capital businesses. Net revenues from IT services delivered to GE declined by 6.6%, while net revenues from BPO services delivered to GE decreased by 8.2%. Net revenues from GE declined as a percentage of our total net revenues from 18.5% in the third quarter of 2015 to 16.3% in the third quarter of 2016.

During the nine months ended September 30, 2016, GE divested certain businesses that Genpact continues to serve. Historically, we have reclassified revenues from these divested GE businesses as Global Client revenues in each fiscal quarter beginning on the date of divestiture. However, beginning with 2016, we will reclassify such revenue as Global Client revenue only at the end of each fiscal year. We believe that this change will allow us to provide a more consistent view of the trends underlying our Global Client and GE businesses. If we had reclassified the revenue from such GE-divested businesses during the third quarter, Global Client revenues for the quarter ended September 30, 2016 would have been $563 million and GE revenues would have been $85 million.

Net revenues from BPO services were $525.9 million, up $42.3 million, or 8.7%, from $483.6 million in the third quarter of 2015. This increase was primarily attributable to an increase in services delivered to our Global Clients, particularly finance and accounting, core vertical operations and transformation services. Net revenues from IT services were $122.9 million in the third quarter of 2016, down $11.3 million, or 8.4%, from $134.2 million in the third quarter of 2015 due to a decline in IT services engagements from Global Clients in the investment banking and healthcare industries.

Net revenues from BPO services as a percentage of total net revenues increased to 81.1% in the third quarter of 2016 from 78.3% in the third quarter of 2015 with a corresponding decline in the percentage of total net revenues attributable to IT services.

Cost of revenue and gross margin. The following table sets forth the components of our cost of revenue and our resulting gross margin:

	Three Months Ended September 30,		As a Percentage of Total Net Revenues	
	2015	2016	2015	2016
	(dollars in millions)			
Personnel expenses	$ 257.3	$ 269.8	41.6%	41.6%
Operational expenses	106.6	111.4	17.3	17.2
Depreciation and amortization	11.9	11.2	1.9	1.7
Cost of revenue	**$ 375.8**	**$ 392.4**	**60.8%**	**60.5%**
Gross margin	**39.2%**	**39.5%**		

Cost of revenue was $392.4 million in the third quarter of 2016, up $16.6 million, or 4.4%, from the third quarter of 2015. Wage inflation, an increase in infrastructure expenses, an increase in our operational headcount and lower headcount utilization on billable projects due to a decline in IT services engagements in the third quarter of 2016 compared to the third quarter of 2015 all contributed to the increase in cost of revenue. The increase in cost of revenue was partially offset by improved operational efficiencies, a reduction in travel, IT and stock-based compensation expenses, and favorable foreign exchange, primarily the depreciation of the Indian rupee and U.K. pound sterling against the U.S. dollar. Foreign exchange fluctuations cause gains and losses on our foreign currency hedges and have a translation impact when we convert our non-U.S. dollar income statement items to the U.S. dollar, our reporting currency.

Our gross margin increased marginally from 39.2% in the third quarter of 2015 to 39.5% in the third quarter of 2016 due to the factors described above.

Personnel expenses. Personnel expenses as a percentage of total net revenues were 41.6%, unchanged from the third quarter of 2015. Personnel expenses in the third quarter of 2016 were $269.8 million, up $12.5 million, or 4.9%, from the third quarter of 2015. Personnel expenses increased primarily due to wage inflation, an approximately 4,300-person, or 7.2%, increase in our operational headcount and lower headcount utilization on billable projects due to a decline in IT services engagements in the third quarter of 2016 compared to the third quarter of 2015. These increases were partially offset by improved operational efficiencies, lower stock-based compensation expense due to a change in the probability of achievement of the performance conditions for the performance units granted in the second quarter of 2016, and favorable foreign exchange.

Operational expenses. Operational expenses as a percentage of total net revenues decreased marginally from 17.3% in the third quarter of 2015 to 17.2% in the third quarter of 2016. Operational expenses were $106.6 million, up $4.8 million, or 4.6%, from the third quarter of 2015. Operational expenses increased primarily due to higher infrastructure expenses in the third quarter of 2016 compared to the third quarter of 2015. The increase in operational expenses was partially offset by lower travel and IT expenses in the third quarter of 2016 compared to the third quarter of 2015 and favorable foreign exchange.

Depreciation and amortization expenses. Depreciation and amortization expenses as a percentage of total net revenues decreased from 1.9% in the third quarter of 2015 to 1.7% in the third quarter of 2016. Depreciation and amortization expenses were $11.9 million, down $0.7 million, or 6.1%, from the third quarter of 2015. This marginal decrease was primarily due to an increase in fully depreciated assets since the third quarter of 2015 and favorable foreign exchange.

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

	Three Months Ended September 30,		As a Percentage of Total Net Revenues	
	2015	2016	2015	2016
	(dollars in millions)			
Personnel expenses	$ 103.6	$ 117.0	16.8%	18.0%
Operational expenses	38.8	37.6	6.3	5.8
Depreciation and amortization	2.2	2.3	0.4	0.4
Selling, general and administrative expenses	**$ 144.7**	**$ 157.0**	**23.4%**	**24.2%**

SG&A expenses as a percentage of total net revenues increased from 23.4% in the third quarter of 2015 to 24.2% in the third quarter of 2016. SG&A expenses in the third quarter of 2016 were $157.0 million, up $12.2 million, or 8.5%, from the third quarter of 2015. Our sales and marketing expenses as a percentage of net revenues were approximately 6.6%, unchanged from the third quarter of 2015. SG&A expenses increased primarily due to investments in domain expertise and digital and analytics capabilities, wage inflation and a reserve for doubtful receivables in the third quarter of 2016. This increase was partially offset by lower travel expenses, lower stock-based compensation expense, lower fees for professional services, and favorable foreign exchange, primarily the depreciation of the Indian rupee and U.K. pound sterling against the U.S. dollar in the third quarter of 2016 compared to the third quarter of 2015.

Personnel expenses. As a percentage of total net revenues, personnel expenses increased from 16.8% in the third quarter of 2015 to 18.0% in the third quarter of 2016. Personnel expenses in the third quarter of 2016 were $117.0 million, up $13.4 million, or 12.9%, from the third quarter of 2015. The increase is primarily due to wage inflation and a 5.0% increase in our sales-team personnel expenses as a result of investments in domain expertise and digital and analytics capabilities in the third quarter of 2016 compared to the third quarter of 2015. These increases were partially offset by lower stock-based compensation expense due to a change in the probability of achievement of the performance conditions for the performance units granted in the second quarter of 2016 and by favorable foreign exchange.

Operational expenses. As a percentage of total net revenues, operational expenses decreased from 6.3% in the third quarter of 2016 to 5.8% in the third quarter of 2016. Operational expenses in the third quarter of 2016 were $37.6 million, down $1.2 million, or 3.1%, from the third quarter of 2015. This decrease is primarily due to lower travel expenses, lower fees for professional services and favorable foreign exchange in the third quarter of 2016 compared to the third quarter of 2015. This decrease was partially offset by an increase in the reserve for doubtful receivables.

Depreciation and amortization. As a percentage of total net revenues, depreciation and amortization expenses were 0.4%, unchanged from the third quarter of 2015. Depreciation and amortization expenses were $2.3 million, up $0.1 million, or 2.8%, from the third quarter of 2015. This marginal increase was primarily due to the expansion of certain existing facilities in India and was partially offset by favorable foreign exchange.

Amortization of acquired intangibles. Non-cash charges on account of the amortization of acquired intangibles were $7.1 million, down $0.1 million, or 1.3%, from the third quarter of 2015. This decrease is primarily due to a decline in the amortization expense relating to a 2014 acquisition.

Other operating (income) expense, net. The following table sets forth the components of other operating (income) expense, net:

	Three months ended September 30,		Percentage Change Increase/(Decrease)
	2015	2016	2016 vs. 2015
	(dollars in millions)		
Other operating (income) expense	$ (0.7)	$ (0.2)	(62.0)%
Impairment of intangible assets	10.7	5.4	(49.8)
Change in the fair value of earn-out consideration, deferred consideration (relating to business acquisitions)	(7.3)	—	(100.0)
Other operating (income) expense, net	**$ 2.7**	**$ 5.1**	**89.0%**
Other operating (income) expense, net as a percentage of total net revenues	**0.4%**	**0.8%**	

Other operating expense, net of income, was $5.1 million in the third quarter of 2016, up $2.4 million from $2.7 million in the third quarter of 2015. This increase is primarily due to a $5.4 million non-recurring charge in the third quarter of 2016, which charge we discuss in Note 10—"Goodwill and intangible assets" under Part I, Item 1—"Financial Statements" above, compared to a $10.7 million non-recurring charge in the third quarter of 2015 relating to an intangible asset. The 2015 charge was partially offset by a $7.3 million gain in the third quarter of 2015 due to changes in the fair value of earn-out consideration payable by the Company in connection with certain acquisitions. No such gains were recognized in third quarter of 2016.

Income from operations. As a result of the foregoing factors, as a percentage of total net revenues, income from operations decreased from 14.1% in the third quarter of 2015 to 13.4% in the third quarter of 2016. Income from operations decreased by $0.2 million to $87.1 million in the third quarter of 2016 from $87.3 million in the third quarter of 2015.

Foreign exchange gains (losses), net. Foreign exchange gains (losses), net represents the impact of the re-measurement of our non-functional currency assets and liabilities and related foreign exchange contracts. We recorded a net foreign exchange loss of $0.7 million in the third quarter of 2016, compared to a $4.2 million gain in the third quarter of 2015. The loss in the third quarter of 2016 was primarily a result of the appreciation of the Indian rupee and the depreciation of the U.K. pound sterling against the U.S. dollar during the quarter. Our net foreign exchange gain in the third quarter of 2015 of $4.2 million was primarily due to the depreciation of the Indian rupee against the U.S. dollar during that quarter.

Interest income (expense), net. The following table sets forth the components of interest income (expense), net:

	Three months ended September 30, 2015	Three months ended September 30, 2016	Percentage Change Increase/(Decrease) 2016 vs. 2015
Interest income	$ 2.3	$ 1.0	(55.6)%
Interest expense	(5.2)	(5.9)	14.0
Interest income (expense), net	**$ (2.9)**	**$ (4.9)**	**70.9%**
Interest income (expense), net as a percentage of total net revenues	**0.5%**	**0.8%**	

Our net interest expense was $4.9 million in the third quarter of 2016, up $2.0 million from $2.9 million in the third quarter of 2015 primarily due to lower interest income in the third quarter of 2016 due to lower account balances in jurisdictions in which we earn higher interest rates and higher interest expense in the third quarter of 2016, which was primarily the result of (i) higher interest rates on outstanding debt in the third quarter of 2016, (ii) higher drawdown on our revolving credit facility in the third quarter of 2016 compared to the third quarter of 2015, and (iii) interest on interest rate swaps which we entered into in 2016. The weighted average rate of interest on our debt increased from 1.8% in the third quarter of 2015 to 2.3%, including interest on interest rate swaps in the third quarter of 2016.

Other income (expense), net. Our net other income was $5.8 million in the third quarter of 2016, up $4.8 million from $1.0 million in the third quarter of 2015. This increase is primarily due to a $5.2 million gain on the divestiture of our cloud-hosted technology platform for the Indian rural banking sector in the third quarter of 2016.

Equity-method investment activity, net. Equity-method investment activity, net in the third quarter of 2016 primarily represents our $2.1 million share of loss, compared to our $3.4 million share of loss in the third quarter of 2015, from our non-consolidated affiliate, Markit Genpact KYC Services Limited, a U.K.-based joint venture with Markit Group Limited formed in 2014.

Income tax expense. Our income tax expense was $17.2 million in the third quarter of 2016, down $1.0 million from $18.2 million in the third quarter of 2015, representing an effective tax rate, or ETR, of 20.0%, compared to 21.1% in the third quarter of 2015. The decrease in our ETR is primarily due to certain discrete items, including the reversal of tax reserves for uncertain tax positions, partially offset by changes in the jurisdictional mix of our income.

Net income attributable to redeemable non-controlling interest. Redeemable non-controlling interest primarily refers to the profit or loss associated with the non-controlling interest in the operations of SSE in the third quarter of 2016, which we discuss in Note 3—"Business acquisitions" under Part I, Item 1—"Financial Statements" above.

Net income attributable to Genpact Limited common shareholders. As a result of the foregoing factors, net income attributable to Genpact Limited common shareholders as a percentage of total net revenues was 10.6% in the third quarter of 2016, down from 11.0% in the third quarter of 2015. Net income attributable to Genpact Limited common shareholders was $68.8 million in the third quarter of 2016, up $0.7 million from $68.1 million in the third quarter of 2015.

Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

Net revenues. Our net revenues were $1,889.0 million in the nine months ended September 30, 2016, up $74.5 million, or 4.1%, from $1,814.5 million in the nine months ended September 30, 2015. The growth in net revenues was primarily driven by an increase in BPO services delivered to our Global Clients. Adjusted for foreign exchange, primarily changes in the values of the Australian dollar, U.K. pound sterling and euro against the U.S. dollar, which had an adverse impact on our net revenues in the nine months ended September 30, 2016, our net revenues grew by 5.9% compared to the nine months ended September 30, 2015. Revenue growth on a constant currency basis is a non-GAAP measure. We provide information about our revenue on a constant currency basis so that our revenue may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of our business performance. Total net revenues on a constant currency basis are calculated by restating current-period activity using the prior fiscal period's foreign currency exchange rates and hedging gains/losses.

Our average headcount increased by 7.4% to approximately 71,800 in the nine months ended September 30, 2016 from approximately 66,800 in the nine months ended September 30, 2015.

	Nine months ended September 30,		Percentage Change Increase/(Decrease)
	2015	2016	2016 vs. 2015
	(dollars in millions)		
Global Clients:			
BPO services	$ 1,159.0	$ 1,275.9	10.1%
IT services	312.8	291.0	(7.0)
Total net revenues from Global Clients	**$ 1,471.8**	**$ 1,566.9**	**6.5%**
GE:			
BPO services	267.0	247.2	(7.4)%
IT services	75.8	74.9	(1.1)
Total net revenues from GE	**$ 342.7**	**$ 322.1**	**(6.0)%**
Total net revenues from BPO services	1,426.0	1,523.1	6.8
Total net revenues from IT services	388.6	365.9	(5.8)
Total net revenues	**$ 1,814.5**	**$ 1,889.0**	**4.1%**

Net revenues from Global Clients were $1,566.9 million in the nine months ended September 30, 2016, up $95.1 million, or 6.5%, from $1,471.8 million in the nine months ended September 30, 2015. This increase was primarily driven by growth in our targeted verticals, including consumer product goods, high tech, banking and financial services, life sciences and insurance. Within these verticals, the growth in revenues was primarily attributable to our finance and accounting, core industry vertical operations, and transformation service lines. This growth was partially offset by a decline in net revenues from our information technology, or IT, services, primarily in our healthcare vertical and from investment banking clients in our capital markets vertical. As a percentage of total net revenues, net revenues from Global Clients increased from 81.1% in the nine months ended September 30, 2015 to 82.9% in the nine months ended September 30, 2016.

Net revenues from GE were $322.1 million in the nine months ended September 30, 2016, down $20.6 million, or 6.0%, from the nine months ended September 30, 2015. The decline in net revenues from GE was largely due to phase-outs of work we do for GE Capital due to continued dispositions by GE of GE Capital businesses. Net revenues from GE declined as a percentage of our total net revenues from 18.9% in the nine months ended September 30, 2015 to 17.1% in the nine months ended September 30, 2016.

Net revenues from BPO services were $1,523.1 million, up $97.1 million, or 6.8%, from $1,426.0 million in the nine months ended September 30, 2015. This increase was primarily attributable to an increase in services delivered to our Global Clients, particularly finance and accounting, core industry vertical operations and transformation services. Net revenues from IT services were $365.9 million in the nine months ended September 30, 2016, down $22.6 million, or 5.8%, from $388.6 million in the nine months ended September 30, 2015 due to a decline in IT services engagements from Global Clients in the investment banking and healthcare industries.

Net revenues from BPO services as a percentage of total net revenues increased to 80.6% in the nine months ended September 30, 2016 from 78.6% in the nine months ended September 30, 2015, with a corresponding decline in the percentage of total net revenues attributable to IT services.

Cost of revenue and gross margin. The following table sets forth the components of our cost of revenue and the resulting gross margin:

	Nine Months Ended September 30,		As a Percentage of Total Net Revenues	
	2015	2016	2015	2016
	(dollars in millions)			
Personnel expenses	$ 750.6	$ 788.8	41.4%	41.8%
Operational expenses	313.7	325.9	17.3	17.3
Depreciation and amortization	35.3	34.3	1.9	1.8
Cost of revenue	**$ 1,099.6**	**$ 1,149.0**	**60.6%**	**60.8%**
Gross margin	**39.4%**	**39.2%**		

Cost of revenue was $1,149.0 million in the nine months ended September 30, 2016, up $49.4 million, or 4.5%, from the nine months ended September 30, 2015. Wage inflation, an increase in our operational headcount, related increases in travel and infrastructure expenses, higher stock-based compensation expense and lower headcount utilization on billable projects due to a decline in IT services engagements in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 all contributed to the higher cost of revenue in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. These increases were partially offset by improved operational efficiencies, lower IT expenses and favorable foreign exchange, primarily the depreciation of the Indian rupee and U.K. pound sterling against the U.S. dollar.

Our gross margin decreased marginally from 39.4% in the nine months ended September 30, 2015 to 39.2% in the nine months ended September 30, 2016 due to the factors described above.

Personnel expenses. Personnel expenses as a percentage of total net revenues increased from 41.4% in the nine months ended September 30, 2015 to 41.8% in the nine months ended September 30, 2016. Personnel expenses were $788.8 million in the nine months ended September 30, 2016, up $38.2 million, or 5.1%, from $750.6 million in the nine months ended September 30, 2015. The impact of wage inflation, an approximately 4,100-person, or 7.0%, increase in our operational headcount, higher stock-based compensation expense, and lower headcount utilization on billable projects due to a decline in IT services engagements in the nine months ended September 30, 2016 compared to same period in 2015 contributed to higher personnel expenses. These increases were partially offset by improved operational efficiencies and favorable foreign exchange.

Operational expenses. Operational expenses as a percentage of total net revenues were approximately 17.3% in the nine months ended September 30, 2016, unchanged from the nine months ended September 30, 2015. Operational expenses were $325.9 million in the nine months ended September 30, 2016, up $12.3 million, or 3.9%, from the nine months ended September 30, 2015. Higher travel and infrastructure expenses in the nine months ended September 30, 2016 contributed to the increase in operational expenses compared to the nine months ended September 30, 2015. The increase in operational expenses was partially offset by lower IT expenses and favorable foreign exchange.

Depreciation and amortization expenses. Depreciation and amortization expenses as a percentage of total net revenues marginally decreased from 1.9% in the nine months ended September 30, 2015 to 1.8% in the nine months ended September 30, 2016. Depreciation and amortization expenses were $34.3 million in the nine months ended September 30, 2016, down $1.0 million, or 2.8%, from the nine months ended September 30, 2015. This marginal decrease was primarily due to an increase in fully depreciated assets since September 30, 2015 and favorable foreign exchange.

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

	Nine Months Ended September 30,		As a Percentage of Total Net Revenues	
	2015	2016	2015	2016
	(dollars in millions)			
Personnel expenses	$ 316.9	$ 343.3	17.5%	18.2%
Operational expenses	119.0	132.4	6.6	7.0
Depreciation and amortization	6.8	6.7	0.4	0.4
Selling, general and administrative expenses	**$ 442.7**	**$ 482.3**	**24.4%**	**25.5%**

SG&A expenses as a percentage of total net revenues increased from 24.4% in the nine months ended September 30, 2015 to 25.5% in the nine months ended September 30, 2016. SG&A expenses were $482.3 million in the nine months ended September 30, 2016, up $39.6 million, or 8.9%, from the nine months ended September 30, 2015. Our sales and marketing expenses as a percentage of total net revenues were approximately 7.0% in the nine months ended September 30, 2016, marginally up from approximately 6.9% from the nine months ended September 30, 2015. Higher personnel expenses, investments in domain expertise and digital and analytics capabilities, fees for professional services, increased travel expenses, higher stock-based compensation expense, a reserve for doubtful receivables and the timing of certain non-recurring travel and related costs all contributed to higher SG&A expenses in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. These increases were partially offset by favorable foreign exchange, primarily the depreciation of the Indian rupee and U.K. pound sterling against the U.S. dollar.

Personnel expenses. Personnel expenses as a percentage of total net revenues increased from 17.5% in the nine months ended September 30, 2015 to 18.2% in the nine months ended September 30, 2016. Personnel expenses as a component of SG&A expenses were $343.3 million in the nine months ended September 30, 2016, up $26.4 million, or 8.3%, from the nine months ended September 30, 2015. Wage inflation, investments in domain expertise and digital and analytics capabilities, and higher stock-based compensation expense resulted in higher personnel costs as a component of SG&A expenses in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. These increases were partially offset by favorable foreign exchange.

Operational expenses. Operational expenses as a percentage of total net revenues increased from 6.6% in the nine months ended September 30, 2015 to 7.0% in the nine months ended September 30, 2016. Operational expenses as a component of SG&A expenses were $132.4 million in the nine months ended September 30, 2016, up $13.4 million, or 11.2%, from the nine months ended September 30, 2015. Higher fees for professional services, increased travel expenses, a reserve for doubtful receivables and the timing of certain non-recurring travel and related costs resulted in higher operational expenses in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. This increase was partially offset by favorable foreign exchange.

Depreciation and amortization. Depreciation and amortization expenses as a percentage of total net revenues were 0.4%, unchanged from the nine months ended September 30, 2015. Depreciation and amortization expenses were $6.7 million in the nine months ended September 30, 2016, down $0.2 million, or 2.7%, from the nine months ended September 30, 2015. This marginal decrease was primarily due to an increase in fully depreciated assets since September 30, 2015 and favorable foreign exchange.

Amortization of acquired intangibles. Non-cash charges on account of the amortization of acquired intangibles were $19.8 million in the nine months ended September 30, 2016, down $2.1 million, or 9.7%, from the nine months ended September 30, 2015. This decrease is primarily due to decline in the amortization expense relating to a 2014 acquisition.

Other operating (income) expense, net. The following table sets forth the components of other operating (income) expense, net:

	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Percentage Change Increase/(Decrease) 2016 vs. 2015
	(dollars in millions)		
Other operating (income) expense	$ (1.7)	$ (1.0)	(41.4)%
Impairment of intangible assets	10.7	11.2	4.5
Change in the fair value of earn-out consideration, deferred consideration (relating to business acquisitions)	(9.4)	(15.0)	58.8
Other operating (income) expense, net	**$ (0.4)**	**$ (4.8)**	**1,051.7**%
Other operating (income) expense, net as a percentage of total net revenues	**(0.0)%**	**(0.3)%**	

Other operating income, net of expenses, was $4.8 million in the nine months ended September 30, 2016, up $4.4 million from $0.4 million in the nine months ended September 30, 2015, primarily due to a $15.0 million gain in the nine months ended September 30, 2016 compared to a $9.4 million gain in the nine months ended September 30, 2015, each of which resulted from changes in the fair value of earn-out consideration payable by the Company in connection with certain acquisitions. This gain was partially offset by an $11.2 million non-recurring charge in the nine months ended September 30, 2016, which charge we discuss in Note 10—“Goodwill and intangible assets” under Part I, Item 1—“Financial Statements” above, compared to a $10.7 million non-recurring charge in the nine months ended September 30, 2015 relating to intangible assets.

Income from operations. As a result of the foregoing factors, income from operations as a percentage of total net revenues decreased from 13.8% in the nine months ended September 30, 2015 to 12.8% in the nine months ended September 30, 2016. Income from operations was $242.7 million in the nine months ended September 30, 2016, down $8.1 million from $250.7 million in the nine months ended September 30, 2015.

Foreign exchange gains (losses), net. We recorded a net foreign exchange gain of $3.2 million in the nine months ended September 30, 2016 compared to a $4.1 million gain in the nine months ended September 30, 2015, primarily due to the re-measurement of non-functional currency assets and liabilities and related foreign exchange contracts, mainly resulting from the depreciation of the U.K. pound sterling against the U.S. dollar in the nine months ended September 30, 2016 compared to the depreciation of the Indian rupee against the U.S. dollar in the nine months ended September 30, 2015.

Interest income (expense), net. The following table sets forth the components of interest income (expense), net:

	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Percentage Change Increase/(Decrease) 2016 vs. 2015
Interest income	$ 5.5	$ 5.6	0.5%
Interest expense	(24.7)	(16.7)	(32.2)
Loss on extinguishment of debt	(10.1)	—	(100.0)
Interest income (expense), net	**$ (29.2)**	**$ (11.2)**	**(61.8)%**
Interest income (expense), net as a percentage of total net revenues	**(1.6)%**	**(0.6)%**	

Our net interest expense was $11.2 million in the nine months ended September 30, 2016, down $18.1 million from $29.2 million in the nine months ended September 30, 2015, primarily due to a $7.9 million decrease in interest expense in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 and the accelerated amortization of $10.1 million in debt issuance costs in the nine months ended September 30, 2015. The 2015 accelerated amortization was due to the refinancing of our credit facility in June 2015, which we discuss in Note 12—"Long term debt" in Part I, Item 1—"Financial Statements" above. The $7.9 million decrease in interest expense is primarily due to (i) a $5.1 million decrease in interest expense due to a lower interest rate on our term loan in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, (ii) a $1.9 million decrease due to the unwinding of interest in the nine months ended September 30, 2016 on earn-out consideration payable by the Company in connection with certain acquisitions compared to the nine months ended September 30, 2015, (iii) $1.3 million in debt issuance costs and interest expense on the two short-term loans we obtained and repaid in the nine months ended September 30, 2015 in the amounts of $672.5 million and $737.5 million, respectively, in connection with certain internal reorganization transactions, and (iv) lower interest expense on our revolving credit facility primarily due to a lower interest rate on our outstanding debt in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. The decrease in interest expense was partially offset by interest on interest rate swaps that we entered into in the nine months ended September 30, 2016. Our interest income increased by $0.1 million in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. The weighted average rate of interest on our debt decreased from 2.8% in the nine months ended September 30, 2015 to 2.1%, including interest on interest rate swaps, in the nine months ended September 30, 2016.

Other income (expense), net. Our net other income was $7.2 million in the nine months ended September 30, 2016, up $4.9 million from $2.3 million in the nine months ended September 30, 2015. This is primarily due to a $5.2 million gain on the divestiture of our cloud-hosted technology platform for the Indian rural banking sector in the third quarter of 2016.

Equity-method investment activity, net. Equity-method investment activity, net in the nine months ended September 30, 2016 primarily represents our $6.3 million share of loss, compared to our $8.0 million share of loss in the nine months ended September 30, 2015, from our non-consolidated affiliate, Markit Genpact KYC Services Limited, a U.K.-based joint venture with Markit Group Limited formed in 2014.

Income tax expense. Our income tax expense was $44.8 million in the nine months ended September 30, 2016, up $0.4 million from $44.5 million in the nine months ended September 30, 2015, representing an ETR of 18.9% in the nine months ended September 30, 2016, down from 20.2% in the nine months ended September 30, 2015. The decrease in our ETR is primarily due to certain discrete items, including the reversal of tax reserves for uncertain tax positions, partially offset by changes in the jurisdictional mix of our income.

Net income attributable to redeemable non-controlling interest. Redeemable non-controlling interest primarily refers to the profit or loss associated with the non-controlling interest in the operations of SSE in the nine months ended September 30, 2016, which we discuss in Note 3—"Business acquisitions" under Part I, Item 1—"Financial Statements" above.

Net income attributable to Genpact Limited common shareholders. As a result of the foregoing factors, net income attributable to Genpact Limited common shareholders as a percentage of net revenues increased from 9.7% in the nine months ended September 30, 2015 to 10.2% in the nine months ended September 30, 2016. Net income attributable to our common shareholders was $192.6 million in the nine months ended September 30, 2016, up $17.2 million from $175.4 million in the nine months ended September 30, 2015.

Liquidity and Capital Resources

Overview

Information about our financial position as of December 31, 2015 and September 30, 2016 is presented below:

	As of December 31, 2015	As of September 30, 2016	Percentage Change Increase/(Decrease)
	(dollars in millions)		
Cash and cash equivalents	$ 450.9	$ 419.1	(7.1)%
Short-term borrowings	21.5	115.0	434.9
Long-term debt due within one year	39.1	39.2	0.1
Long-term debt other than the current portion	737.3	707.9	(4.0)
Genpact Limited total shareholders' equity	$ 1,304.4	$ 1,308.2	0.3%

Financial Condition

We have historically financed our operations and our expansion, including acquisitions, with cash from operations and borrowing facilities.

As of September 30, 2016, $391.6 million of the $419.1 million in cash and cash equivalents was held by our foreign (non-Bermuda) subsidiaries. $8.5 million of this cash is held by a foreign subsidiary for which we expect to incur a tax liability and have accordingly accrued a deferred tax liability on its repatriation. $113.4 million of the cash and cash equivalents held by our foreign subsidiaries is held in jurisdictions where no tax is expected to be imposed upon repatriation.

Pursuant to our share repurchase program, we repurchased 2,884,964 of our common shares between October 1, 2016 and November 8, 2016 at a weighted average price of $23.59 per share for an aggregate cash amount of $68.1 million.

We expect that in the future our cash from operations, cash reserves and debt capacity will be sufficient to finance our operations, our growth and expansion plans, and additional share repurchases we may make under our share repurchase program. Our working capital needs are primarily to finance payroll and other administrative and information technology expenses in advance of the receipt of accounts receivable. Our primary capital requirements include opening new service delivery centers, expanding related operations to support our growth, and 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:

	Nine months ended September 30, 2015	Nine months ended September 30, 2016	Percentage Change Increase/(Decrease) 2016 vs. 2015
	(dollars in millions)		
Net cash provided by (used for)			
Operating activities	$ 253.6	$ 222.9	(12.1)%
Investing activities	(78.4)	(95.6)	21.9
Financing activities	(152.8)	(156.6)	2.5
Net increase (decrease) in cash and cash equivalents	**$ 22.4**	**$ (29.2)**	**(230.7)%**

Cash flows from operating activities. We generated net cash from operating activities of $222.9 million in the nine months ended September 30, 2016, down $30.7 million from $253.6 million in the nine months ended September 30, 2015. This decrease is primarily due to a $51.5 million net change in our operating assets and liabilities in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, mainly driven by (i) higher upfront investments in certain large deals in the nine months ended September 30, 2016, (ii) a net increase in income taxes and (iii) higher payments in the nine months ended September 30, 2016 due to accruals for certain sales and strategic planning events and infrastructure repair and maintenance costs in the fourth quarter of 2015. The effect of these items on cash flows was partially offset by a $20.8 million increase in net income adjusted for amortization, depreciation and other non-cash items.

Cash flows from investing activities. Our net cash used for investing activities was $95.6 million in the nine months ended September 30, 2016, up $17.2 million from $78.4 million in the nine months ended September 30, 2015. This increase was primarily due to higher payments for purchases of property, plant and equipment (net of sales proceeds) of $20.6 million in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. Additionally, payments for acquisitions consummated in the nine months ended September 30, 2016 were $20.2 million higher than for acquisitions consummated in the nine months ended September 30, 2015. This increase was partially offset by investments of $7.5 million in our non-consolidated affiliate, Markit Genpact KYC Services Limited, in the nine months ended September 30, 2016, down from $13.5 million in the nine months ended September 30, 2015, and proceeds of $17.6 million from the divestiture of our cloud-hosted technology platform for the Indian rural banking sector in the third quarter of 2016.

Cash flows from financing activities. Our net cash used for financing activities was $156.6 million in the nine months ended September 30, 2016, up $3.8 million from $152.8 million in the nine months ended September 30, 2015. In June 2015, we refinanced our 2012 credit facility, or the 2012 Facility, through a new credit facility, as described below in “Financing Arrangements.” In connection with our entry into the new facility in the second quarter of 2015, we paid $5.5 million in expenses and repaid $135.0 million, representing the amount we had drawn down under the 2012 Facility as of the date of the June 2015 refinancing. Also in the nine months ended September 30, 2015, we obtained and repaid two short-term loans in the amounts of $672.5 million and $737.5 million, in connection with which we paid debt issuance costs of $1.0 million. In the nine months ended September 30, 2016, we repaid $30.0 million of the term loan under our new credit facility and drew down $93.5 million (net of repayments) of our revolving credit facility to meet short-term internal funding requirements. Additionally, we recognized a $13.1 million excess tax benefit related to stock-based compensation in the nine months ended September 30, 2016. No such tax benefit was recognized in the nine months ended September 30, 2015. Proceeds from the issuance of common shares under stock-based compensation plans (net of payments) were $9.1 million higher and payments related to earn-out or deferred consideration were $1.2 million higher in the nine months ended September 30, 2016 than in the nine months ended September 30, 2015. Share repurchase payments were $242.6 million in the nine months ended September 30, 2016 compared to $159.0 million in the nine months ended September 30, 2015.

Financing Arrangements (Credit Facility)

In June 2015, we refinanced the 2012 Facility through a new credit facility comprised of a term loan of $800 million and a revolving credit facility of $350 million. As of December 31, 2015 and September 30, 2016, our outstanding term loan debt, net of debt amortization expense of $3.5 million and $2.9 million, respectively, was $776.5 million and $747.1 million, respectively. As of December 31, 2015 and September 30, 2016, a total of $22.9 million and $116.0 million, respectively, of our revolving credit facility was utilized, of which $21.5 million and $115.0 million, respectively, constituted funded drawdown and $1.4 million and $1.0 million, respectively, constituted non-funded drawdown. We also have fund-based and non-fund based credit facilities with banks, which are available for operational requirements in the form of overdrafts, letters of credit, guarantees and short-term loans. As of December 31, 2015 and September 30, 2016, the limits available under such facilities were $15.8 million and $15.2 million, respectively, of which $10.3 million and $11.6 million was utilized, constituting non-funded drawdown. For details on our financing arrangements, refer to Notes 11 and 12 to our consolidated financial statements.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of foreign exchange contracts and certain operating leases. For additional information, see Part I, Item 1A—Risk Factors—“Currency exchange rate fluctuations in various currencies in which we do business, especially the Indian rupee, the euro and the U.S. dollar, could have a material adverse effect on our business, results of operations and financial condition” in our Annual Report on Form 10-K for the year ended December 31, 2015, the section titled “Contractual Obligations” below, and Note 7 in Part I, Item 1—“Financial Statements” above.

Contractual Obligations

The following table sets forth our total future contractual obligations as of September 30, 2016:

	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
			(dollars in millions)		
Long-term debt	$ 808.0	$ 56.7	$ 110.7	$ 640.6	—
— *Principal payments*	747.2	*39.2*	*78.5*	629.5	—
— *Interest payments**	60.8	17.5	32.2	11.1	—
Short-term borrowings	115.7	115.7	—	—	—
— *Principal payments*	115.0	115.0	—	—	—
— *Interest payments***	0.7	0.7	—	—	—
Capital leases	4.8	1.9	2.2	0.7	—
— *Principal payments*	3.9	1.4	1.9	0.6	—
— *Interest payments*	0.9	0.5	*0.3*	*0.1*	—
Operating leases	134.0	29.0	48.2	29.4	27.4
Purchase obligations	30.2	22.7	7.1	0.4	—
Capital commitments net of advances	8.5	8.5	—	—	—
Earn-out consideration	27.1	8.3	9.9	8.1	0.8
— *Reporting date fair value*	23.1	7.1	8.9	6.7	*0.4*
— *Interest*	4.0	1.2	1.0	1.4	*0.4*
Other liabilities	51.3	27.0	19.3	5.0	—
Total contractual obligations	**$ 1,179.6**	**$ 269.8**	**$ 197.4**	**$ 684.2**	**28.2**

* Our interest payments on long-term debt are calculated at a rate equal to LIBOR plus a margin of 1.50% per annum based on our election and current credit rating as of September 30, 2016. Amounts shown exclude the impact of interest rate swaps.

** Our interest payments on short-term debt represent estimated payments at a rate equal to LIBOR plus a margin of 1.50% per annum based on our election and current credit rating as of September 30, 2016 and our expectation for the repayment of such debt.

Recent Accounting Pronouncements

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, 2015.

Recently issued accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. Subsequently, the FASB issued ASU No. 2016-08, “Principal versus Agent Considerations (Reporting Gross versus Net),” in March 2016 and ASU No. 2016-10, “Identifying performance obligations and licensing,” in April 2016, which amend and clarify ASU 2014-09. These ASUs will be effective for us beginning January 1, 2018, including interim periods in our fiscal year 2018, and allow for both retrospective and prospective adoption. We are in the process of determining the method of adoption and assessing the impact of these ASUs on our consolidated results of operations, cash flows, financial position and disclosures.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities,” which primarily affects accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The ASU will be effective for us beginning January 1, 2018, including interim periods in our fiscal year 2018.

Early adoption is permitted. We are in the process of determining the method of adoption and assessing the impact of this ASU on our consolidated results of operations, cash flows, financial position and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, “Leases.” The core principle of the ASU is that a lessee should recognize the assets and liabilities that arise from its leases other than those that meet the definition of a short-term lease. The ASU requires extensive qualitative and quantitative disclosures, including with respect to significant judgments made by management. The ASU will be effective for us beginning January 1, 2019, including interim periods in our fiscal year 2019. Early adoption is permitted. We are in the process of determining the method of adoption and assessing the impact of this ASU on our consolidated results of operations, cash flows, financial position and disclosures.

In March 2016, the FASB issued ASU No. 2016-09, “Improvements to Employee Share-Based Payment Accounting.” The ASU changes several aspects of accounting for share-based payment award transactions, including (i) accounting and cash flow classification for excess tax benefits and deficiencies, (ii) forfeitures, and (iii) tax withholding requirements and cash flow classification. The ASU will be effective for us beginning January 1, 2017, including interim periods in our fiscal year 2017. Early adoption is permitted. We are in the process of assessing the impact of this ASU on our consolidated results of operations, cash flows, financial position and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, “Measurement of credit losses on financial instruments,” The ASU requires measurement and recognition of expected credit losses for financial assets held. The ASU will be effective for us beginning January 1, 2020, including interim periods in our fiscal year 2020. We are in the process of assessing the impact of this ASU on our consolidated results of operations, cash flows, financial position and disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments." The new guidance is intended to reduce diversity in how certain transactions are classified in the statement of cash flows. The ASU is effective for us beginning January 1, 2018, including interim periods in our fiscal year 2018. Early adoption is permitted. We are in the process of assessing the impact of this ASU on our consolidated results of operations, cash flows, financial position and disclosures.

In October 2016, the FASB issued ASU 2016-16, “Intra-Entity Transfers of Assets Other Than Inventory.” The new guidance eliminates the exception for deferment of tax recognition until the transferred asset is sold to a third party or otherwise recovered through use for all intra-entity sales of assets other than inventory. The ASU is effective for us beginning January 1, 2018, including interim periods in our fiscal year 2018. Early adoption is permitted. We are in the process of assessing the impact of this ASU on our consolidated results of operations, cash flows, financial position and disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate risk arising from changes in interest rates on the floating rate indebtedness under our term loan. Borrowings under our term loan bear interest at floating rates based on LIBOR, but in no event less than the floor rate of 0.0% plus an applicable margin. Accordingly, fluctuations in market interest rates may increase or decrease our interest expense which will, in turn, increase or decrease our net income and cash flow.

We manage a portion of our interest rate risk related to floating rate indebtedness by entering into interest rate swaps under which we receive floating rate payments based on the greater of LIBOR and the floor rate under our term loan and make payments based on a fixed rate. As of September 30, 2016, we were party to interest rate swaps covering a total notional amount of $438.6 million. Under our swap agreements, the rate that we pay to banks in exchange for LIBOR ranges between 0.88% and 1.20%.

For a discussion of our market risk associated with foreign currency risk, interest rate risk and credit risk, see Part II, Item 7A—“Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2015.

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 (“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 Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarterly period ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

In making its assessment of the changes in internal controls over financial reporting during the quarterly period ended September 30, 2016, management excluded an evaluation of the internal controls over financial reporting in respect of acquisitions made in the nine months ended September 30, 2016. See Note 3 to the Unaudited Consolidated Financial Statements for a discussion of these acquisitions.

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, 2015 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, 2015 and the other information that appears 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 Sale of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Use of Proceeds

None.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

In February 2015, the Company's board of directors, or the Board, authorized a plan to repurchase up to $250.0 million in value of our common shares. During the three months ended March 31, 2016, we completed $250.0 million in share purchases under this program. On February 4, 2016, the Board approved up to an additional $250.0 million in share repurchases under the program, and on September 19, 2016 the Board again approved up to an additional $250.0 million in share repurchases, bringing the total authorization under the Company's existing program to $750.0 million since February 2015. Our share repurchase plan does not obligate us to acquire any specific number of shares and does not specify an expiration date. All shares repurchased under the plan will be cancelled.

Share repurchase activity during the three months ended September 30, 2016 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share ($)	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program ($)
July 1-July 31, 2016	1,687,231	26.59	1,687,231	141,818,821
August 1-August 31, 2016	2,380,950	24.58	2,380,950	83,302,824
September 1-September 30, 2016	2,233,107	23.63	2,233,107	280,530,920

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

None.

Item 6. Exhibits

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).
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.*
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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) Filed 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, 2015 and September 30, 2016, (ii) Consolidated Statements of Income for the three months and nine months ended September 30, 2015 and September 30, 2016, (iii) Consolidated Statements of Comprehensive Income (Loss) for the three months and nine months ended September 30, 2015 and September 30, 2016, (iv) Consolidated Statements of Equity for the nine months ended September 30, 2015, Consolidated Statements of Equity and Redeemable Non-controlling Interest for the nine months ended September 30, 2016, (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and September 30, 2016, and (vi) Notes to the Consolidated Financial Statements.

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: November 8, 2016

GENPACT LIMITED

By: /s/ N.V. Tyagarajan
N.V. Tyagarajan
Chief Executive Officer

By: /s/ Edward J. Fitzpatrick
Edward J. Fitzpatrick
Chief Financial Officer

EXHIBIT INDEX

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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)

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

(1) Filed 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, 2015 and September 30, 2016, (ii) Consolidated Statements of Income for the three months and nine months ended September 30, 2015 and September 30, 2016, (iii) Consolidated Statements of Comprehensive Income (Loss) for the three months and nine months ended September 30, 2015 and September 30, 2016, (iv) Consolidated Statements of Equity for the nine months ended September 30, 2015, Consolidated Statements of Equity and Redeemable Non-controlling Interest for the nine months ended September 30, 2016, (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and September 30, 2016, and (vi) Notes to the Consolidated Financial Statements.

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, N.V. Tyagarajan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Genpact Limited for the period ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2016

/s/ N.V. TYAGARAJAN

N.V. Tyagarajan
Chief Executive Officer

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Edward J. Fitzpatrick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Genpact Limited for the period ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2016

/s/ Edward J. Fitzpatrick

Edward J. Fitzpatrick
Chief Financial Officer

Exhibit 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

In connection with the Quarterly Report of Genpact Limited (the “Company”) on Form 10-Q for the period ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, N.V. Tyagarajan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2016

/s/ N.V. Tyagarajan
N.V. Tyagarajan
Chief Executive Officer

Exhibit 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

In connection with the Quarterly Report of Genpact Limited (the "Company") on Form 10-Q for the period ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward J. Fitzpatrick, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2016

/s/ EDWARD J. FITZPATRICK

Edward J. Fitzpatrick
Chief Financial Officer