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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the second-quarter 2009 Genpact Ltd. Earnings conference call. My name is Dan, and I will be your coordinator for today. (Operator Instructions). As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the presentation over to your host for today's call, Mr. Anil Nayar. Please proceed.

Anil Nayar - *Genpact Ltd. - IR*

Thanks, Dan. Welcome to Genpact's Earnings call to discuss our results for the second quarter ended June 30, 2009. My name is Anil Nayar, Head of Investor Relations, and with me I have Pramod Bhasin, our President and Chief Executive Officer; Tiger Tyagarajan, Genpact's Chief Operating Officer, and Vivek Gour, our Chief Financial Officer.

We hope you have had an opportunity to review our press release. If not, you will find it on our website at Genpact.com.

Our agenda for today is as follows. Pramod will begin with an overview of our results and provide a perspective on the current environment. Vivek will then take you through our financial performance in greater detail. Finally, Pramod will make a few closing remarks, after which Tiger will join Pramod and Vivek to take your questions. We expect the call to last about an hour.

Please note that some of the matters we will discuss in today's call are forward-looking. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those in such forward-looking statements. Such risks and uncertainties include but are not limited to general economic conditions, and those factors set forth in our press release and discussed further under the Risk Factors section there of our annual report on Form 10-K and other SEC filings. Genpact assumes no obligation to update the information presented on this conference call.

In our call today, we will refer to certain non-GAAP financial measures, which we believe provide additional information to investors and better reflect the way management views the operating performance of the business. You can find a reconciliation of these measures to GAAP, as well as to related information in our press release on the Investor Relations section of our website, Genpact.com.

With that, let me hand over the call to Pramod.

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Thank you, Anil, and good morning, everyone, and thank you for joining us on our call today.

Genpact completed the second quarter of 2009 with a solid performance. Despite what remains a challenging economic environment, we delivered growth both annually and sequentially in revenue, margins, operating income and cash flow. Revenue increased 8% year-over-year to $273 million, reflecting significant growth in our Global Clients business. In constant currency terms revenue growth was 11%. As you know, Genpact uses currency hedges primarily to protect non-US Dollar operating costs. The foreign exchange movement still affects non-dollar revenue. The currency headwind was significant enough in the second-quarter comparison for us to call out the impact on total revenue.

Adjusted income from operations increased 16% over the second quarter of 2008, and our adjusted operating income margin improved 120 basis points to 17.7% from 16.5% in the second quarter of 2008. We delivered these results, despite the effects of continued challenging times for many of our clients. Pricing pressure, the adverse impact of foreign exchange on our revenues and the key investments for growth we continue to make to strengthen Genpact's overall capabilities in terms of geographic expansion, domain expertise and our unique end-to-end solutions.

Here are the highlights - Revenues increased 8% over the second quarter of 2008 and 3% sequentially. Global Clients revenue adjusted for divestitures grew at an industry-leading 20% and 6% sequentially and now represents 60% of our total revenue.

As many of you know, over the last four years, we have built the Global Clients business from a standing start to more than $619 million for the last 12 months, and this continues to be our growth engine. GE revenue declined 6.6% in the second quarter, reflecting higher than expected volume reductions, delays in decision-making and a decline in discretionary spending primarily in IT.

Our team has done a superb job of managing the changes, working with our partners at GE, and continuing to drive new business where appropriate. Business Process Management representing 83% of our global revenue grew 13% over the second quarter of 2008, demonstrating the strength of our business model. Growth was led by our BFSI vertical followed by Healthcare, and in terms of product areas, growth was led by Finance & Accounting followed by Procurement and Re-engineering.

The lion's share of our work is non-discretionary in nature and continues to grow, even in this soft environment.

We also continued to build and expand relationships. Existing clients represent more than 80% of our growth in the quarter, demonstrating our ability to mine existing client relationships to drive growth. As evidence of this, the number of client relationships accounting for $5 million or more in annual revenue increased to 35 from 25 such relationships as of June 30, 2008.

We continued to diversify geographically with growth of 32% in Asia-Pacific over the second quarter of 2008 led by China and the Philippines. We are seeing a strong pipeline building for our services in Europe as some of our early investments and this location are starting to pay back in conversions. Europe Business Process Management grew approximately 20% in this quarter compared to the previous year.

We are also seeing payback on our investments in new markets such as domestic China and India and are seeing a healthy pipeline in many areas of delivery.

We have also had some significant client wins this quarter, which will help us build the runway for future growth. These wins are with customers requiring global reach and across various sectors such as Pharmaceutical, CPG, and services. These are unique deals which give us an opportunity to penetrate -- to eventually penetrate into the larger organization, thereby leveraging our broader array of services such as F&A, Supply Chain and Re-engineering.

As some of you may have seen yesterday, SAB Ltd. announced a partnership with Genpact whereby we will assume responsibility for SAB's shared service center in Johannesburg, South Africa. We also won our first client from the Middle East in financial services, and we see this win establishing a springboard for future growth in this market.

However, ITO revenue declined 14% in the quarter, reflecting lower discretionary spend. In addition, we have also seen volume reductions from various clients, reflecting continuing declines in their businesses beyond what they and we originally anticipated. As an example in the Collections area, normally a tough economy will result in an increasing Collections work. But with tighter credit qualities and consumers reducing debt levels, we are seeing reduced early-stage Collections volume.

We have had a terrific quarter in terms of margins and profitability. Adjusted income from operating margins increased to 17.7% in the second quarter of 2009 compared to 16.5% from the second quarter of 2008. These improved results reflect our operating excellence and cost management expertise and give us confidence in our margin outlook for the year.

As in the first quarter, margin expansion primarily reflected continuous cost productivity from lower salary costs, better span of controls, better utilization of infrastructure, favorable re-negotiation with suppliers and vendors, and reduction in discretionary spending. We saw the need to take action early on in the downturn and have been able to affect meaningful change quickly.

In the second quarter, we continue to find ways to streamline the profitability and take costs out and are confident in our ability to do this in the future.

As we have said in the first quarter, many of these cost measures are permanent and released, and will reset the bar for future profitability without affecting client quality.

Our margin improvement was also net of strategic investments for growth. As we said earlier in the year, we continue to invest to strengthen Genpact's differentiated capabilities to position us to emerge stronger in the future. These investments include business development resources in India and China, strengthening our brand, building out our domain expertise in end-to-end solutions.

We are also planning to add resources to further penetrate the European market and continue to build domain expertise around our existing vertical markets such as BFSI, Healthcare and Manufacturing, and across practice areas such as F&A and Procurement. We believe that companies that invest during the recession emerge stronger and believe this is the right time to invest for future growth, supporting our top leadership in Business Process Management.

Vivek will review our financial results in greater detail in his comments. But in summary, considering the environment which we believe is not getting worse but equally not yet getting much better, our second-quarter results represented a terrific job by our team in aggressively driving growth and managing costs. These results demonstrate Genpact's ability to continue to win very profitable businesses with a broad group of clients, our deep process excellence, analytical capabilities, technology capabilities, and breadth and depth of services combined with the operating and business insights that we provide is exactly what clients are looking for in this difficult environment.

Now I will turn to the current environment. In total value and in number of plans, the pipeline is up from the first quarter. However, while they are more deals in the pipeline, the average deal is smaller, and title plans have been extended as decision-making is slower, and competitive pressures, always a reality, are even more intense. Clients are also more sharply defining what we need and are now focused on absolute cost reduction, which explains the reductions we see in discretionary projects. And clients are taking longer to move forward on projects where upfront costs to them could be significant.

That said, while the economy may have reached bottom, it has not yet demonstrably improved, particularly from our clients' perspectives. As a result, we feel there will be continuous softness in ITO and discretionary spending, continued volume reduction and longer decision-making both for existing and new clients.

In light of this environment, we feel it is appropriate at this time to revise our annual guidance for 2009. We are, therefore, lowering our guidance for revenue growth to a range of 6% to 9% from 10% to 15% growth earlier. This reflects an extremely healthy Global Clients growth in the range in the mid-teens; in mid to high teens and a decline in GE revenues of low single digits. Our ability to drive this level of industry-leading Global Clients growth even in this environment is indicative of the strength of our business models, our strong partnership with customers, and our ability to deliver end-to-end solutions for our customers.

At the same time, we are raising our adjusted operating margin guidance to a range of 17% to 17.5% from the earlier 16% to 17%. Our performance here demonstrates the strength of our Earnings model and continues to reflect the focus and discipline we bring to cost management, as well as the impact of higher value solutions on our margins.

It also reflects the pricing pressure we have seen this year, which has been about as we expected and, as we said earlier, our investment for future growth. We believe that we can sustain our cost improvements over the course of 2009 and have, indeed, reset the bar for profitability once the economy improves.

Now I will turn the call over to Vivek. I will make a few closing remarks after that before we open it up for Q&A.

Vivek Gour - *Genpact Ltd. - CFO*

Thank you, Pramod, and good morning, everyone. Given the continuing challenges in the macroeconomic environment, we believe we have had very good results in the second quarter of 2009. On a year-to-date basis, our revenues for the first half of 2009 stood at $549 million, up 10% growth versus the first six months of 2008. Our adjusted operating income for the first six months of '09 stood at $90.5 million, representing a margin of 16.8%. This is a growth of 29% in our adjusted income from operations in the first six months of '09 over those of '08.

Our revenues for the quarter stood at $273 million, representing an 8% growth over the second quarter of 2008. As Pramod explained, on a constant currency basis, we grew by 11%. More declines now represent 60% of our revenues. On this base they grew 20% versus the same quarter last year. Revenues from GE adjusted for divestitures declined by 6.6% over the same quarter of 2008.

Sequentially our revenues grew by 3% from $266 million to $273 million in the second quarter of '09. Global Clients grew a very healthy 6%. GE declined by 1% sequentially, entirely due to reductions in the information technology discretionary spend.

The gross profit for the second quarter of 2009 stood at $107 million, representing a margin of 39.2%. This represented a margin decline of 2.8% from the second quarter of 2008. This decline was caused by price cuts on existing contracts, and it was, in fact, a foreign exchange on some of our non-US dollar revenue.

On a sequential basis, our gross profit margin has improved from 38.4% in the first quarter of 2009 to 39.2% in the second quarter, driven primarily by productivity improvements in infrastructure and telecom costs. Our SG&A for the second quarter of 2009 stood at $64 million, representing 23% of our revenues. This compares very favorably with 26% for the second quarter of 2008.

In absolute dollar terms, our SG&A spend declined versus the previous year by $3 million to $64 million. While we are continuing to increase our spending on business development and marketing, we have simultaneously driven productivity measures on the general and administration line, which has resulted in this improvement. We expect to be able to maintain these productivity levels for the rest of the year.

On a sequential basis, SG&A stayed flat at $64 million. I should add that our people management practices continued to lead the industry with an efficient rate for 2009 of approximately [22%], down significantly from 26% in December 2008.

Attrition in India is at 18%, which is lower than our overall average. It is a trend that has been felt across the industry as market uncertainties are causing people to reassess job changes. This trend is also resulting in less pressure on wage increases. Reduced attrition is having a positive impact on our business with increased client satisfaction to improve quality and lower costs for hiring and training.

Finally, as Pramod mentioned, we will continue to make investments in growth, including new business development resources, expansion of our domain expertise, and build-out of our end-to-end solutions. Our adjusted income from operations include from $42 million in the second quarter of 2008 to $48 million in the second quarter of 2009. This was an increase of 16%.

Our adjusted income from operations margins has grown by 120 basis points to 17.7% in the second quarter of 2009. We have renegotiated rental contracts for most of our infrastructure, cut down on salary increments, improved our base utilization, driven productivity in our support headcount, and overall exercised prudence in our discretionary spend. Sequentially our adjusted income from operations margins improved by 180 basis points from 15.9% in the first quarter of 2009 to 17.7% in the second quarter of 2009.

Our net income was $30 million for the second quarter of 2009. This is a 20% increase over the same quarter in 2008. Our diluted Earnings per share stood at $0.14, up from $0.11 in the second quarter of 2008. Our effective tax rate was 16% this quarter. We expect the full-year tax rate to be in the range of 17% to 19%, in line with our earlier guidance. However, we are still in the process of evaluating the impact of the new Indian tax budget proposals.

Our day sales outstanding stood at 78 days in the second quarter of 2009, as again 79 days during the same quarter last year. Despite pressure from clients on credit periods, we have been able to hold our day sales outstanding by driving acquisition fees in our billing and collection processes.

Our capital expenditure for the first half of 2008 was $31 million or approximately 5.8% of revenues. We expect capital expenditures for the full year to be in the range of about 5% to 6% of our revenues. This will be also in line with our earlier guidance.

Our operating cash flow for the second quarter stood at $60 million before interest income and cash taxes. This compares very favorably with $52 million for the same quarter last year, an improvement of 16% which is in line with our growth in adjusted income from operations.

We have had lower tax interest income this year due to the overall softening of interest rates and have paid higher cash taxes due to our facility at Hyderabad coming off the old STPI tax regime in India. As a consequence, our net cash from operations this quarter came in at $49 million versus $48 million last year.

I will now turn the call back over to Pramod for his closing remarks.

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Thank you, Vivek. In closing, we are very positive about the drivers of growth for our industry and Genpact over the medium and long term. Our Global Clients growth engine is healthy and robust, our relationship with GE is strong and deep, and our profits are expanding even in a tough economy.

While there may be signs of improvement in the near term in the overall economy, it is not clear how soon our clients will see a clear business upturn. And we do believe that our clients will wait to invest until they are more comfortable that a recovery is totally underway.

We remain convinced that during these times we are part of the solution for our clients. Our differentiated and unique capabilities reflect a culture that excels in Six Sigma, lean, technology expertise and Re-engineering capabilities. Our disciplined approach puts processes in the forefront coupling deep process knowledge and insights with focused IT capabilities, targeted analytics and pragmatic Re-engineering to deliver an integrated process solution.

This is exactly what clients are seeking today. Now more than ever, our investment in talent, operating expertise and end-to-end process improvements, as well as the strength of our business model, will differentiate our performance from that of competition. We are partnering with our clients to drive improvements in costs and cash and are well positioned to meet our clients' urgent needs.

With that, I would like to now open the floor to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Joseph Foresi, Janney Montgomery Scott.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

My first question is just on the GE trajectory. I think you had talked about single-digit growth for the year. Are we still -- maybe I missed it in the prepared remarks -- are we still on that growth trajectory, and maybe you could just talk about the weakness in the quarter?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

No, the GE growth is in our guidance what we are seeing, but GE growth is going to be down in low single digits now. And during the quarter, it was down 6%. Revenue growth was down 6% from GE.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

And maybe you could just talk a little bit about what caused the reversal of maybe what you were thinking earlier in the year versus what you are seeing now?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Sure. We obviously don't want to comment too specifically on individual clients, but GE probably is part of our business. I think many of you will have read all the public material that is out there on what GE is trying to do at the moment.

Clearly there were two or three things. Faster cuts in discretionary spending; lower volume growth for instance in areas such as Collections, etc. where you might have anticipated higher delinquencies earlier; frankly, lower spend and lower volume and tighter current control reminds that Collections are actually lower, that volumes are lower than you would have otherwise anticipated; and delays in making any upfront investment.

Now we do believe that GE is going through its stockpile, but it remains a very strong company, a very good company. We have an enormously strong partnership with them. It will stabilize, and over the medium and long term, we will continue to grow with them; however, clearly there are short-term impacts that we are seeing at the moment.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

And just one last one. I don't know if you mentioned pricing, and without getting too specific, has there been any change in the pricing trajectory of that contract?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

No. Not beyond what we have seen last year and the early part of this year. No change.

Operator

Bryan Keane, Credit Suisse.

Bryan Keane - *Credit Suisse - Analyst*

I just wanted to clarify the revised revenue guidance, was that all GE, or were there some other things that surprised you from last quarter? Because a lot of the comments about extended sales cycles and pricing, they seem similar to last quarter. So I just wanted to make sure I understand the revised revenue guidance was at just GE?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

No, it was not actually. I mean a reasonable part of GE clearly, but that same issue on lower discretionary spend for that part of our business and only a small part of our business is discretionary spending, applies to analytics and other areas or parts of Re-engineering or Supply Chain. But there are lower volumes also in areas such as autos, banks, and other -- and for instance in Collections within banks. So that has affected a few other customers. Also, overall we have seen growth in BFSI, and we have seen growth in many other segments as well.

So yes, there has been more than anticipated and expected volume declines, sharper cuts in discretionary spending than perhaps we would have thought earlier. GE certainly plays a large role in that. And delays. I think delays continue to push new deals, as well as extensions of existing deals out further than we had originally anticipated.

Bryan Keane - *Credit Suisse - Analyst*

Okay. And just comparing your comments with some of the other ED and IT players, most of them are sounding a little more positive about the environment seeing an uptick kind of on the horizon. But it sounds like from your comments, you are not ready to say that yet. So you guys are still seeing a pretty difficult environment. I just want to make sure I understand it.

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Yes, I think we are saying -- what we are saying is, look, the environment may be looking better. But we are not seeing it get factored into our customers' actions as yet.

Now at some point, it will. I don't know what that point is, but we need to be a little prudent and cautious about calling it. Still we see clients acting on that. And I think clients will act on that once they are pretty certain that this is a real recovery and not a bounce they've got from a very low point and things like that. And that is really why we are not coming out on an overall perspective perhaps as strongly as some of the others might, although obviously we haven't -- I don't know all the things that may have been said. But clients will act on this information as and when it will be impacted directly and as and when they are willing to invest money. And it is hard, it is still hard, and it is still hard to call that at this point in time.

Bryan Keane - *Credit Suisse - Analyst*

Okay. And once we do see a recovery, you think it will come in your IT business before BPO and BPO will lag a little bit to IT?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

I don't think so, no. I don't necessarily think -- volume reductions, delays in decision-making are impacting really the BPO side. I think the IT side -- you know, the IT side will recover from a relatively lower point, and therefore, the speed of recovery may be higher. But it will only be for that reason. Our -- if you look at our growth rate, we are targeting really a high mid to high teens growth rate in Global Clients. Which is really driven by the non-discretionary nature of BPO work that we do, which is significantly higher than any other IT company that I have heard about to date.

Bryan Keane - *Credit Suisse - Analyst*

Right. Okay. Thanks a lot.

Operator

Bob Ansari, William Blair & Co.

Bob Ansari - *William Blair & Co. - Analyst*

A couple of quick questions. The first just on pricing. Have customers come back and tried to renegotiate existing pricings, and what are you seeing in terms of the competitive nature of pricing out there for new deals?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Yes, customers have come back and still obviously bring pricing pressure, certainly starting from last quarter of 2008 to the first two quarters of 2009. Absolutely customers came back on the existing business, as well as new business that they might have given up and came back pretty strongly. All of that is pretty much factored into our numbers the way you are seeing them and in our Earnings growth numbers, as well in our operating margin numbers.

New deals are highly competitive. Lots of people are out there looking for business, trying to get greater share of a very highly competitive business. Plus, the fact is that again this is according to our plans. This is not really changing. But, in fact, we are seeing pricing to be very competitive, but we feel it is within what we expected and within our business plan efforts.

Bob Ansari - *William Blair & Co. - Analyst*

And can you just remind me, what have you guys factored in for pricing and guidance? Is that 3% to 5%? Is that 5% to 10%?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

We had talked to in the past about the fact that pricing would affect us by sort of low to mid single digits and really low single digits, and that is what is factored in there.

Bob Ansari - *William Blair & Co. - Analyst*

And then just secondly, how comfortable are you about the capacity you have or when growth does resume without making major/minor investments? Meaning, is there any chance you get caught behind the 8 ball if growth comes back, and you are affected then by lower margins as you ramp in the future?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Well, a couple of things we are doing. One, we are taking -- we continue to make significant investment for the future, particularly in business development capabilities. We have done that in China and India. We plan to do that across Europe. We plan to do that across the US. We plan to do it by domain. You know, financing and accounting, Supply Chain, Procurement, as well as in BFSI and Healthcare and insurance and our India business and our China business.

So we will continue to really drive that, and our end-to-end focus is an enormous initiative in our Company. So that is not something we will take -- that we will sort of break out because we think it is attention for our growth. And the numbers that you have seen in our operating margins reflect those investments. So we don't believe we will be caught on that front.

Equally, as we move forward, while we get some benefit clearly from lower volume, lower new volume coming on, which typically tend to be at low margins, we fundamentally believe we have enough cost management capabilities in our hands to make sure that we maintain our margins.

Bob Ansari - *William Blair & Co. - Analyst*

I guess my question was even a little more specific than that, which was in terms of capacity to actually do the work. So it is great you are making the investments in biz ads and marketing, but how do you feel about the capacity to handle the new work?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Excellent. I think we represent, we believe, one of the best management teams in the industry. We have breadth and depth where we are adding breadth and depth across the board at an operating level, at a domain expertise level, at a subject matter expert level, so we feel very good about it. Raring to go.

Operator

Tim Fox, Deutsche Bank.

Tim Fox - *Deutsche Bank - Analyst*

Did you mention the actual net growth for global accounts, excluding the GE dispositions?

Vivek Gour - *Genpact Ltd. - CFO*

Yes, so the net growth was 20% for global accounts, excluding GE. In the ledger you will see it as 27%, but that's because of the GE divestitures coming in. And within global accounts, just to add to it, the BPO segment has grown by 28%.

Tim Fox - *Deutsche Bank - Analyst*

28%? Okay. Perfect. The second question was around guidance. Obviously you are seeing some headwinds, not only GE but more broadly. A couple of ways to cut it. First, I was just wondering how would you think about growth within that 6% to 9% range for BPO and ITO for the rest of the year?

Vivek Gour - *Genpact Ltd. - CFO*

Yes, the BPO will be in the mid teens within this, and ITO is going to be a negative growth overall.

Tim Fox - *Deutsche Bank - Analyst*

Okay. And secondly, on guidance you typically have a fair amount of visibility here. I'm just trying to get a sense of how much visibility you have at this point into that 6% to 9% growth number, and what could be further surprises either upside or downside to that 6% to 9%?

Vivek Gour - *Genpact Ltd. - CFO*

Well, we have I think a very healthy visibility into that 6% to 9%, and of course, we have given very careful thought why we are coming up with this revised guidance number in these times. So I would be -- I am confident of our guidance, which we have given.

Pramod Bhasin - *Genpact Ltd. - President & CEO*

I think if I may add to your point, it is an important question. I think we pride ourselves on our ability to predict and our visibility out into the future.

What is clearly happening though is people are making shorter term changes faster, and some of the volume reduction was, frankly, catching our customers as much by surprise, and therefore, it affected our volumes. So I think you have got stuff like that happening.

IT discretionary cuts are happening at a faster speed than you would expect earlier because the environment has been so difficult. So yes, we globally and today also believe that we have great visibility, but the decision-making that is happening either when you're cutting back on costs or taking a decision to invest more money is a little more erratic besides a little more uncertainty to the pipeline visibility we would normally have.

Operator

Jason Kupferberg, UBS.

Steve Fordham - *UBS - Analyst*

This is Steve Fordham, stepping in for Jason. The question I had, in regards to the revenue guidance, 6% to 9% - are there some cancellations that happened that caused that lower guidance, or is it all due to lower volume?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

No, there are three items. One is certainly some IT projects not coming on stream -- absolutely -- some IT projects getting canceled that we expected would have continued. So it is discretionary project costs happening because customers have looked at it and said, look, they are not seeing the volumes that they expected, and they have gotten even harder than they have in the past. It's two volume reductions clearly, and three, as we said, strong delays in decision-making, which is volume which has come back, but it may come back a quarter or two later.

Steve Fordham - *UBS - Analyst*

Alright. And then as far as price negotiations, what percentage can you tell us, like what percent of the contracts within your portfolio have already gone through pricing negotiations?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

You know, the bulk -- I don't have a percentage for you -- but the bulk has pretty much happened at this point in time. New deals obviously will be whatever they are, and we see a good pipeline of new deals coming through. So we will deal with those as they come up. But on the domestic stuff, most of the bulk of the major contracts, major clients, those discussions have already happened.

Steve Fordham - *UBS - Analyst*

Okay. Do you expect maybe another round possible?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Not unless the situation, the economic situation, worsens considerably I don't think. If it stays at bottom, which is where we think it is right now, we don't anticipate that.

Operator

Tien-tsin Huang, JPMorgan.

Tien-tsin Huang - *JPMorgan - Analyst*

I just had a couple of questions. The performance in GE, I was curious, was the volume decline more isolated to a single business unit, or was it more broad-based from a --?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

It is really more in financial terms than in terms of some of the examples we have been providing on Collections, etc.

Tien-tsin Huang - *JPMorgan - Analyst*

Right. So Collections and maybe types of the card business, for example?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Yes. And IT obviously was more broader. Discretionary spending in IT really was cut down much more broadly rather than just financial services.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. That makes sense. How much of that do you think is cyclical? Are there possibly some secular changes going on there that could make it difficult to see a bounce back based on your conversations with the end-user?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Right. I think some of the structural changes that GE is trying to drive have an impact on us. All of this is public data that has been announced, but I think it will stabilize. It will stabilize, and then there are many parts of the businesses which will come back and grow, and we will focus on them. Our partnerships with them remains strong, and they are a very strong company. They make good money, good profits as they continued to do, and we will take it forward from there.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. Very good. Just lastly, then just I heard you say significant client wins. How many of those wins would you characterize as strategic wins with the possibility of getting to $5 million, $10 million plus once fully ramped?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

We will say 4, probably. The four customers, I mean we were very proud of our win record, and our win rates remain high. We are competing well, and we are absolutely delighted with the wins we have had.

Tien-tsin Huang - *JPMorgan - Analyst*

Okay. Great. So about four of those are sort of strong strategic potential behind them? All right. Good to know. Appreciate it. Thank you.

Operator

Ty Salvers, Lucerne Capital.

Ty Salvers - *Lucerne Capital - Analyst*

Two questions. One is actually a follow-up of the question just asked about the new wins. Just for a feeling, can you give a bit of detail on how this impacts your business? Do you see some ramp-up costs this year for those new wins and potentially more revenues and profits coming in next year? How is that going, and how will that impact your Global Clients growth going into next year?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

In a couple of the cases, the ramp-up costs will be incurred now, and we will get revenue then as well now. I think in other cases, frankly, we will have -- the real ramp-ups will come towards the end of the year, and all the revenues will come next year. So it is very early days, and we have -- I mean it is typical. It is not atypical. It is typically how a client of this size and nature would expand. So it does position us - and we are very happy about it; with a good run rate going into 2010 when the bulk of the revenues will start cracking.

Ty Salvers - *Lucerne Capital - Analyst*

Right. And will this then in combination with maybe stabilization in GE be enough to see an uptick in growth?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

We think that medium to long term - absolutely, we are extremely well-positioned. And we think that given what we are seeing, if I may, if you will allow me, I will bring you back again to Global Clients growth. Global Clients growth of mid to high teens in this environment pretty much outstrips anybody else out there in the market. Clearly GE is significantly negative. We think it will all stabilize, and we have a strong run-rate. We have terrific management depth. We think we are extremely well-positioned for the medium to long term.

Ty Salvers - *Lucerne Capital - Analyst*

That was maybe my final comment then because I agree with that, and then I am so surprised that the tone is still very much on a tough environment and not seeing much improvement in the end markets while you're still able to grow 27% in your growth area, which is the Global Clients business. So --

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Pramod Bhasin - *Genpact Ltd. - President & CEO*

I think to your point we are -- the only reason to talk about that is because of the change in guidance. There is no other reason. Otherwise we think we have done maybe what we consider to be an outstanding performance this quarter, and we really believe that for the year also our performance is exceptional, particularly if you couple it with the Earnings engine tank that we have, which is delivering for this quarter 16% growth. And margins we are announcing our improving. But we are very proud of what we are doing.

Ty Salvers - *Lucerne Capital - Analyst*

Okay. Well, thanks for your answers.

Operator

Ed Caso, Wells Fargo Securities.

Ed Caso - *Wells Fargo Securities - Analyst*

My question -- I have just a clarification around the tax rate both this year and next year. Now you have come in well below guidance in the first and the second quarter, but it appears that you're keeping the full-year guidance unchanged, which implies that the tax rate would go even higher in Q3 and Q4 than previously guided.

Also, if you could talk about apparently the Indian budget is about done now and what the increment might be for next year, higher tax rate. As I know, a lot of your facilities are older. So you don't get quite as much benefit as others. So if you could help us with the tax rate for this year and next year, please.

Vivek Gour - *Genpact Ltd. - CFO*

So actually in the fourth quarter of this year, we had some dispersed tax asset benefits, which lowered the tax rate from where it would normally have been. We are getting now to a more normalized level, which is why it was 16% this quarter. The average for the full year, as I said, for guidance is between 17% to 19%, which indicates that next quarter a third and fourth quarter will be in the 18% range. But now we have the Indian tax holiday, some changes coming in which you are well aware of, which may give us a slight favorable impact. But I think we will still remain within the 17% to 19% range we have given.

As for next year, I will come back to the guidance for taxes when we give out our overall guidance for 2010 towards the end of this year or in the very early part of next year. But overall taxes next year will be marginally higher than where they have been this year, primarily because more of our units will have come off the STPI tax regime in India by that time.

Now to sum up our newer units in other countries, which currently at a legal entity basis might be booking a startup loss, will have started booking profits and paying local tax rates over there. So I would expect a small uptick in our tax rate overall in 2010.

Ed Caso - *Wells Fargo Securities - Analyst*

Great. And my other question is about wages. I believe you indicated again this quarter that wages are slightly up, and most of the IT players are indicating salaries are flat, they are holding back promotions, they are cutting back on variable comp, all leading to sort of flat to down comp kind of numbers. So I'm curious why Genpact is still looking at higher wage levels?

Vivek Gour - *Genpact Ltd. - CFO*

In fact, we are not looking at higher wage levels. What I said was that we have kept our increments lower than what we had last year. And we have not -- we are not looking at higher wage levels. What I said is that we are looking at better attrition rates, which helps us in our hiring and training costs.

Ed Caso - *Wells Fargo Securities - Analyst*

Okay. So a lower increment to me is a lower increase. Did I hear that incorrectly?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

No, that is correct.

Ed Caso - *Wells Fargo Securities - Analyst*

Okay. So you're looking at -- on a wage basis, you're looking at higher wages?

Vivek Gour - *Genpact Ltd. - CFO*

Yes, but you know, we also have our global areas in Romania and China and all, which have different levels. In certain other part countries, we have zero increment. We are slightly -- the lower increment in 2008 is primarily in India and Philippines.

Operator

Karl Keirstead, Kaufman Brothers.

Karl Keirstead - *Kaufman Brothers - Analyst*

As I think about the 2010 growth rate, it is clearly at least in part going to be a function of this year's bookings. So I just want to probe a little bit on bookings.

You mentioned a couple of times that the pipeline is a little slower to convert as decisions get delayed. But I'm wondering if you could add a little bit more color -- I mean we are well into this recession. Do you think if the cost savings were compelling, the pipeline would start moving? Some of your larger competitors like Accenture and IBM and ACS are, in fact, posting big upticks in outsourcing bookings. So perhaps you could add a little color as to why the pipeline is a little slow to convert. That might be helpful. Thanks.

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Okay. The overall pipeline is larger. It has more deals. It has more volume in it than in the past.

Now client decision-making is slower, and I thought you would probably know or heard what all the others have said. I thought across industry people generally have said that there is slower decision-making.

Having said that, our recent wins with customers have been very encouraging. I think our geographic diversity, so we are expanding in India to India where it is really growing at 100% growth rate is because it was a very small base. Our growth rates in Europe look very good. Our growth rates in China look very good. We've just opened that growth going in the Middle East.

So I think overall yes, the pipeline is growing. I think decision-making is lower because, in fact, -- and I believe the industry is seeing this across-the-board. I don't think it is us alone. I'm pretty certain and confident of that. But I think our diversification is beginning to play out very nicely, and we are seeing that increase both in our pipeline and in our growth rates.

Having said that also, there will be other offsets, which are happening this year, which should not be happening to the same scale next year. So volume reductions should not be happening in the same scale. ITO reductions, discretionary spending cuts should not be happening in the same scale, and gross bookings should be pretty good. So in the medium to long term and we really have not calibrated 2010 yet and won't do that for a short while yet. But in the medium to long-term, we feel pretty good.

Karl Keirstead - *Kaufman Brothers - Analyst*

And if part of the hesitation on the part of clients is incurring some upfront transition costs, which may be slowing decision-making, can Genpact respond to that by altering your contract structure in any way to help clients over those initial ramp costs?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Yes, absolutely. In fact, we have already done that and helped clients pay for transition costs for instance for a period of three years, which will have no impact on our P&L because that is how we book this anyway. We book transitions up over a three-year period.

But it is also around change management issues and clients stating - We are going through so much turmoil. You know, very often we are saying, do we have the capacity to deal with this kind of work or this kind of initiative? We are trying to say again we can help them with that.

And I think in some cases clients say, look, we have internal capacity now because our volumes are down and we want to use that up. All of this will flush its way out of the system, and I think it will make revenue growth come through.

Again, if I may back to an earlier point, that was being made by Ty. I don't want us to for a moment give an impression that we are being negative or being overly negative here. Our growth has been incredibly strong at 20% growth rates in Global Clients and mid to high teens growth rate for the year for Global Clients. I think that is pretty terrific in any environment, not just in this global environment, and I think it reflects the trends of our business model and how we believe we are positioned.

So I want to make sure we don't provide too negative a view of the world here given that we are growing as well as we have done and given that our earning power is really being shown up by the increase in margins at this time.

Karl Keirstead - *Kaufman Brothers - Analyst*

It certainly is. Thank you very much.

Operator

Tim Wojays, Robert Baird.

Tim Wojays - *Robert Baird - Analyst*

Just a question -- I know you don't guide to GAAP EPS -- but over the last couple of years, H2 EPS has typically been seasonally stronger than the first half. So is there any reason why we should not see EPS on a GAAP basis in the second-half at least in line or slightly above the first half?

Vivek Gour - *Genpact Ltd. - CFO*

Yes, you should see the EPS in the second half as good if not a little better than the first half.

Tim Wojays - *Robert Baird - Analyst*

That is helpful. Thanks. Then just on the revenue guidance, just for clarification, is there any -- have you contemplated any FX impacts in that guidance going forward?

Vivek Gour - *Genpact Ltd. - CFO*

Yes, we have made adjustments for the fact that we are having these currency fluctuations, and you know, we track the forward contracts over the next six months and that we have factored into our guidance.

Tim Wojays - *Robert Baird - Analyst*

And so is it fair to say that that might be a 100 to 200 basis points impact on the guidance range?

Vivek Gour - *Genpact Ltd. - CFO*

No. The guidance we have given is after factoring any gains or losses on FX.

Operator

Vincent Lin, Goldman Sachs.

Vincent Lin - *Goldman Sachs - Analyst*

I'm actually dialing in from Asia as well. Just very quickly the 6% to 9% revenue guidance, I think it was pretty clear that the expectation out of GE is a little bit lower now from mid single-digit growth to the low single-digit decline. I just wanted to make sure on the Global Clients side, the mid-to-low teens -- the mid-to-high teens growth, is there any change to the expectation versus your previous assumptions?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Yes, there is. It's not just the growth that was global. Some of the volume declines and some of the IT discretionary spend -- or discretionary spend in areas such as analytics are other contracts such as, for instance, in Supply Chain, etc., are applied to Global Clients as well. So that number also is a little lower than what it could have been under the earlier circumstances. It is still a very, very healthy number in this environment, but yes, it is lower than what it was earlier.

Vincent Lin - *Goldman Sachs - Analyst*

Got it. Okay. And then just secondly, can you talk about a little bit on the relative different dynamics maybe here in the US versus Europe and other regions of the world. I think I heard you say that growth rate out of Europe was actually pretty good. So I just wanted to make sure that was the case, and I just wondered if you can provide some more color on a geographic basis in terms of the trends that you are seeing?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

I think in Europe we have been making investments over the last year or so in people and in operating management and business development, and that is really leading to a much better pipeline at this point in time than we have had in the past.

So it is Europe we are comfortable, but some of that is purely a factor of our lower levels of penetration that we had in the past there. China and Asia continued to be very strong. We are looking for business within China, and in India also our business development efforts are terrific. We have a large number of deals out there. We are seeing good revenues coming in from our India-to-India and our China-to-China businesses.

Similarly, as we expand out to the Middle East and other parts, because of the low base, we will see sort of exponential growth or multiples of growth in those areas. The US is really the bulk of our business and will be for many, many years I'm sure. And that is really where you are seeing a slow growth rate.

Vincent Lin - *Goldman Sachs - Analyst*

That is helpful. Thanks a lot.

Operator

Matt McCormack, Brigantine Advisors.

Matt McCormack - *Brigantine Advisors - Analyst*

To drill down on the higher profitability guidance for the year, is that all due to the cost measures that you have put in place? Or is it fair to say that the lower top-line guidance or a lot of that volume-based work that you're not expecting is lower margin in general and that is being providing a benefit?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

The bulk of it is really our better cost management, etc. It is not driven by lower volumes and, therefore, lower margins. There is some impact on that, but frankly, it's not a huge impact. It is not as sizable an impact. The bulk of it is all driven by much better cost management, and we think we particularly excel at that, and we think we've got permanent reflects in our cost base which will allow us to maintain our margins as we go forward.

Matt McCormack - *Brigantine Advisors - Analyst*

Okay. And you talked about pricing pressure and competitors being aggressive in the marketplace. How has that affected your win rate?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

Pricing has come down for new deals. But, frankly, that is a scenario we are very used to. We have dealt with it in the past. We dealt with it in '05 when we first came to market in '06. Because a lot of the deal sizes are smaller, so typically the pricing on the small deal size is axed. But, as you show a customer what you can do, as you show them the breadth of your products and services, we have done this many, many times before where we are able to take a client profitability back up to regular levels by - through the addition of our interim solutions, our high-value products, etc. So while the issue of pricing is more competitive than it was in the past and lower, we are comfortable that we believe it will not detract from us being able to hold or improve our margins.

Matt McCormack - *Brigantine Advisors - Analyst*

In terms of your win rate of deals that enter your pipeline, I guess as it stands right now, has that changed? Is it any different than it was, say, a year or two or three years ago?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

I will turn this to Tiger. Tiger?

Tiger Tyagarajan - *Genpact Ltd. - COO*

I would probably say our win rate is both on the BPO side of the business as well as the ITO side of the business. If you take our two or three-year horizon, it pretty much remains the same. I would say that IT has certainly become more competitive as we would expect in this environment. But broadly from a three-year trend perspective, it has not changed much.

Operator

Katerina Grimm, Nelson Halls.

Katerina Grimm - *Nelson Halls - Analyst*

Thank you for this presentation. I would like to understand a little bit better what the nature of new contracts has been and what you are expecting in the future? You have announced in May 28 the contract with Huntsman, one of your F&A BPO contracts, is that the kind of typical nature of the contracts that you are winning today, or what would you say this looks like?

Tiger Tyagarajan - *Genpact Ltd. - COO*

I would say that the Huntsman contract is typical from the type of work that we do in the contract that we win in the Finance & Accounting and Procurement space. However, it is smaller than some of our strategic clients that one could think about.

So the nature of the work is similar. And again, if you think about some of our BFSI lines, financial services lines, again, the nature of the work would be different, and sometimes the size is significantly different.

Katerina Grimm - *Nelson Halls - Analyst*

Okay. And what is it that clients are primarily looking for? Is it really kind of immediate cost reductions, or are they looking for more kind of like strategic support in their operations?

Tiger Tyagarajan - *Genpact Ltd. - COO*

It obviously depends a little bit on the client situation and the industrial situation. I would say clearly everyone wants, of course, the impact as early as possible. They, of course, also want an impact on cash through better performance and better effectiveness in prospects, which we actually excel at. At the same time, a number of them, particularly the ones who are saying I've now got my house in order, I want to think more strategically and end up partnering because of the vision that we can create with them over the longer term.

Katerina Grimm - *Nelson Halls - Analyst*

And those would be typically clients, existing clients, basically where you expand the scope of service delivery over the course of the contracts?

Tiger Tyagarajan - *Genpact Ltd. - COO*

Yes, that is right.

Katerina Grimm - *Nelson Halls - Analyst*

Okay. Maybe a final question. Can you give an indication of the proportion of growth that you expect to come from new business as opposed to expansion with existing clients for the rest of this year?

Pramod Bhasin - *Genpact Ltd. - President & CEO*

The bulk of our growth will remain from existing clients. That is our business model where we start with one contract and we expand outwards into a business and to a client relationship. So you will continue to see something like 80% of our growth coming from existing customers.

Operator

At this time there are no further questions. Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day.