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 June 30, 2023
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	**98-0533350**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda
(441) 298-3300
(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, par value $0.01 per share	G	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of August 2, 2023, there were 181,318,104 common shares, par value $0.01 per share, of the registrant issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Unaudited Consolidated Financial Statements

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

	Notes	As of December 31, 2022	As of June 30, 2023
Assets			
Current assets			
Cash and cash equivalents		$ 646,765	$ 491,308
Accounts receivable, net of allowance for credit losses of $20,442 and $25,520 as of December 31, 2022 and June 30, 2023, respectively	4	994,755	1,007,675
Prepaid expenses and other current assets	7	137,972	249,126
Total current assets		**$ 1,779,492**	**$ 1,748,109**
Property, plant and equipment, net	9	180,758	179,803
Operating lease right-of-use assets		198,366	179,069
Deferred tax assets	23	135,483	131,440
Intangible assets, net	10	89,715	70,537
Goodwill	10	1,684,196	1,685,331
Contract cost assets	20	216,670	193,787
Other assets, net of allowance for credit losses of $3,198 and $3,345 as of December 31, 2022 and June 30, 2023, respectively		304,134	294,264
Total assets		**$ 4,588,814**	**$ 4,482,340**
Liabilities and equity			
Current liabilities			
Short-term borrowings	11	$ 151,000	$ 103,000
Current portion of long-term debt	12	26,136	26,144
Accounts payable		35,809	41,956
Income taxes payable	23	45,306	93,692
Accrued expenses and other current liabilities	13	791,007	615,799
Operating leases liability		54,063	50,852
Total current liabilities		**$ 1,103,321**	**$ 931,443**
Long-term debt, less current portion	12	1,249,153	1,236,665
Operating leases liability		190,398	163,672
Deferred tax liabilities	23	4,176	3,791
Other liabilities	14	215,608	213,905
Total liabilities		**$ 2,762,656**	**$ 2,549,476**
Shareholders' equity			
Preferred shares, $0.01 par value, 250,000,000 authorized, none issued		—	—
Common shares, $0.01 par value, 500,000,000 authorized, $182,924,416 and 181,318,104 issued and outstanding as of December 31, 2022 and June 3o, 2023, respectively		1,823	1,807
Additional paid-in capital		1,777,453	1,831,425
Retained earnings		780,007	800,964
Accumulated other comprehensive income (loss)		(733,125)	(701,332)
Total equity		**$ 1,826,158**	**$ 1,932,864**
Commitments and contingencies	24		
Total liabilities and equity		**$ 4,588,814**	**$ 4,482,340**

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 June 30, 2022	Three months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023
Net revenues	20	$ 1,089,147	$ 1,105,524	$ 2,157,590	$ 2,194,843
Cost of revenue		714,256	715,484	1,400,218	1,434,562
Gross profit		**$ 374,891**	**$ 390,040**	**$ 757,372**	**$ 760,281**
Operating expenses:					
Selling, general and administrative expenses		233,096	229,426	470,392	445,911
Amortization of acquired intangible assets	10	10,895	8,257	22,201	16,512
Other operating (income) expense, net	21	21,217	(4,963)	21,220	(4,574)
Income from operations		**$ 109,683**	**$ 157,320**	**$ 243,559**	**$ 302,432**
Foreign exchange gains (losses), net		1,142	1,763	5,445	723
Interest income (expense), net	22	(11,204)	(12,138)	(23,292)	(21,765)
Other income (expense), net		(4,258)	3,425	(4,667)	7,455
Income before income tax expense		**$ 95,363**	**$ 150,370**	**$ 221,045**	**$ 288,845**
Income tax expense	23	23,693	34,118	53,196	66,492
Net income		**$ 71,670**	**$ 116,252**	**$ 167,849**	**$ 222,353**
Earnings per common share	18				
Basic		$ 0.39	$ 0.63	$ 0.91	$ 1.21
Diluted		$ 0.38	$ 0.63	$ 0.89	$ 1.19
Weighted average number of common shares used in computing earnings per common share	18				
Basic		184,418,350	183,230,252	185,028,063	183,512,828
Diluted		187,865,653	185,825,117	188,712,029	186,705,697

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(In thousands)

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
Net income	$ 71,670	$ 116,252	$ 167,849	$ 222,353
Other comprehensive income:				
Currency translation adjustments	(81,412)	(7,886)	(108,841)	9,108
Net income (loss) on cash flow hedging derivatives, net of taxes (Note 6)	(11,731)	8,549	(8,858)	21,640
Retirement benefits, net of taxes	445	128	1,546	1,045
Other comprehensive income (loss)	(92,698)	791	(116,153)	31,793
Comprehensive income (loss)	**$ (21,028)**	**$ 117,043**	**$ 51,696**	**$ 254,146**

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Equity
For the three months ended June 30, 2022
(Unaudited)
(In thousands, except share count)

	Common shares					
	No. of Shares	**Amount**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total Equity**
Balance as of April 1, 2022	**185,072,415**	**$ 1,845**	**$ 1,693,854**	**$ 729,503**	**$ (577,808)**	**$ 1,847,394**
Issuance of common shares on exercise of options (Note 16)	50,000	1	1,382	—	—	1,383
Issuance of common shares under the employee stock purchase plan (Note 16)	94,232	1	3,762	—	—	3,763
Net settlement on vesting of performance units (Note 16)	76,508	1	(2,545)	—	—	(2,544)
Stock repurchased and retired (Note 17)	(1,809,419)	(18)	—	(75,983)	—	(76,001)
Expenses related to stock repurchased (Note 17)	—	—	—	(36)	—	(36)
Stock-based compensation expense (Note 16)	—	—	20,442	—	—	20,442
Comprehensive income (loss):						
Net income (loss)	—	—	—	71,670	—	71,670
Other comprehensive income (loss)	—	—	—	—	(92,698)	(92,698)
Dividend ($0.125 per common share, Note 17)	—	—	—	(22,935)	—	(22,935)
Balance as of June 30, 2022	**183,483,736**	**$ 1,830**	**$ 1,716,895**	**$ 702,219**	**$ (670,506)**	**$ 1,750,438**

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Equity
For the six months ended June 30, 2022
(Unaudited)
(In thousands, except share count)

	Common shares					
	No. of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance as of January 1, 2022	**185,336,357**	**$ 1,847**	**$ 1,717,165**	**$ 732,474**	**$ (554,353)**	**$ 1,897,133**
Issuance of common shares on exercise of options (Note 16)	50,000	1	1,382	—	—	1,383
Issuance of common shares under the employee stock purchase plan (Note 16)	181,878	2	7,061	—	—	7,063
Net settlement on vesting of restricted share units (Note 16)	54,942	1	(1)	—	—	—
Net settlement on vesting of performance units (Note 16)	1,300,511	13	(44,404)	—	—	(44,391)
Stock repurchased and retired (Note 17)	(3,439,952)	(34)	—	(151,966)	—	(152,000)
Expenses related to stock repurchased (Note 17)	—	—	—	(69)	—	(69)
Stock-based compensation expense (Note 16)	—	—	35,692	—	—	35,692
Comprehensive income (loss):						
Net income (loss)	—	—	—	167,849	—	167,849
Other comprehensive income (loss)	—	—	—	—	(116,153)	(116,153)
Dividend ($0.25 per common share, Note 17)	—	—	—	(46,069)	—	(46,069)
Balance as of June 30, 2022	**183,483,736**	**$ 1,830**	**$ 1,716,895**	**$ 702,219**	**$ (670,506)**	**$ 1,750,438**

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Equity
For the three months ended June 30, 2023
(Unaudited)
(In thousands, except share count)

	Common shares					
	No. of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance as of April 1, 2023	**183,729,110**	**$ 1,831**	**$ 1,794,779**	**$ 830,846**	**$ (702,123)**	**$ 1,925,333**
Issuance of common shares on exercise of options (Note 16)	645,000	7	12,627	—	—	12,634
Issuance of common shares under the employee stock purchase plan (Note 16)	101,828	1	3,369	—	—	3,370
Net settlement on vesting of restricted share units (Note 16)	38,213	—	(1,144)	—	—	(1,144)
Net settlement on vesting of performance units (Note 16)	1,432	—	(38)	—	—	(38)
Stock repurchased and retired (Note 17)	(3,197,479)	(32)	—	(120,439)	—	(120,471)
Expenses related to stock repurchased, including taxes (Note 17)	—	—	—	(664)	—	(664)
Stock-based compensation expense (Note 16)	—	—	21,832	—	—	21,832
Comprehensive income (loss):						
Net income (loss)	—	—	—	116,252	—	116,252
Other comprehensive income (loss)	—	—	—	—	791	791
Dividend ($0.1375 per common share, Note 17)	—	—	—	(25,031)	—	(25,031)
Balance as of June 30, 2023	**181,318,104**	**$ 1,807**	**$ 1,831,425**	**$ 800,964**	**$ (701,332)**	**$ 1,932,864**

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Equity
For the six months ended June 30, 2023
(Unaudited)
(In thousands, except share count)

	Common shares					
	No. of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance as of January 1, 2023	**182,924,416**	**$ 1,823**	**$ 1,777,453**	**$ 780,007**	**$ (733,125)**	**$ 1,826,158**
Issuance of common shares on exercise of options (Note 16)	1,287,280	13	25,424	—	—	25,437
Issuance of common shares under the employee stock purchase plan (Note 16)	174,473	2	6,489	—	—	6,491
Net settlement on vesting of restricted share units (Note 16)	347,744	3	(8,430)	—	—	(8,427)
Net settlement on vesting of performance units (Note 16)	412,275	4	(11,047)	—	—	(11,043)
Stock repurchased and retired (Note 17)	(3,828,084)	(38)	—	(150,433)	—	(150,471)
Expenses related to stock repurchased, including taxes (Note 17)	—	—	—	(677)	—	(677)
Stock-based compensation expense (Note 16)	—	—	41,536	—	—	41,536
Comprehensive income (loss):						
Net income (loss)	—	—	—	222,353	—	222,353
Other comprehensive income (loss)	—	—	—	—	31,793	31,793
Dividend ($0.275 per common share, Note 17)	—	—	—	(50,286)	—	(50,286)
Balance as of June 30, 2023	**181,318,104**	**$ 1,807**	**$ 1,831,425**	**$ 800,964**	**$ (701,332)**	**$ 1,932,864**

See accompanying notes to the Consolidated Financial Statements.

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

	Six months ended June 30,	
	2022	2023
Operating activities		
Net income	$ 167,849	$ 222,353
Adjustments to reconcile net income to net cash provided by/(used for) operating activities:		
Depreciation and amortization	47,869	36,845
Amortization of debt issuance costs	1,256	978
Amortization of acquired intangible assets	22,201	16,512
Write-down of intangible assets and property, plant and equipment	1,377	—
Write-down of operating right-of-use assets and other assets	20,307	—
Loss on the sale of the business classified as held for sale (refer to Note 8)	—	802
Allowance for credit losses	482	6,521
Unrealized gain on revaluation of foreign currency assets/liabilities	(3,685)	(2,249)
Stock-based compensation expense	35,692	41,536
Deferred tax expense (benefit)	552	(2,957)
Others, net	321	1,147
Change in operating assets and liabilities:		
Increase in accounts receivable	(139,653)	(26,891)
Increase in prepaid expenses, other current assets, contract cost assets, operating lease right-of-use assets and other assets	(28,935)	(62,006)
Increase in accounts payable	5,246	5,742
Decrease in accrued expenses, other current liabilities, operating leases liabilities and other liabilities	(171,405)	(150,087)
Increase in income taxes payable	28,578	49,136
Net cash provided by/(used for) operating activities	**$ (11,948)**	**$ 137,382**
Investing activities		
Purchase of property, plant and equipment	(26,943)	(24,033)
Payment for internally generated intangible assets (including intangibles under development)	(2,126)	(1,705)
Proceeds from sale of property, plant and equipment	43	17
Payment for business acquisitions, net of cash acquired	—	(682)
Payment for divestiture of business	—	(19,510)
Net cash used for investing activities	**$ (29,026)**	**$ (45,913)**
Financing activities		
Repayment of finance lease obligations	(6,018)	(6,856)
Repayment of long-term debt	(367,000)	(13,250)
Proceeds from short-term borrowings	250,000	148,000
Repayment of short-term borrowings	—	(196,000)
Proceeds from issuance of common shares under stock-based compensation plans	8,446	31,928
Payment for net settlement of stock-based awards	(44,521)	(18,317)
Payment of earn-out consideration	—	(2,399)
Dividend paid	(46,069)	(50,286)
Payment for stock repurchased and retired (including expenses related to stock repurchased)	(152,069)	(150,548)
Net cash used for financing activities	**$ (357,231)**	**$ (257,728)**
Net decrease in cash and cash equivalents	(398,205)	(166,259)
Effect of exchange rate changes	(40,877)	10,802
Cash and cash equivalents at the beginning of the period	899,458	646,765
Cash and cash equivalents at the end of the period	**$ 460,376**	**$ 491,308**
Supplementary information		
Cash paid during the period for interest	$ 23,168	$ 22,550
Cash paid during the period for income taxes, net of refund	$ 78,592	$ 66,819

See accompanying notes to the Consolidated Financial Statements.

1. Organization

The Company is a global professional services firm that drives digitally-led innovation and runs digitally-enabled intelligent operations for its clients, guided by its experience running thousands of processes for hundreds of Fortune Global 500 clients. The Company has over 121,000 employees serving clients in key industry verticals from more than 35 countries.

2. Summary of significant accounting policies

(a) Basis of preparation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission (the “SEC”) 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, 2022. The accompanying consolidated financial statements reflect all adjustments that management considers necessary for a fair presentation of the results of operations for these periods.

The accompanying 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 over the entity, the Company applies the equity method of accounting. All intercompany transactions and balances are eliminated in consolidation.

(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, intangible assets and goodwill, revenue recognition, allowance for credit losses, valuation allowances for deferred tax assets, the valuation of derivative financial instruments, the measurement of lease liabilities and right-of-use (“ROU”) assets, measurements of stock-based compensation, assets and obligations related to employee benefits, the nature and timing of the satisfaction of performance obligations, the standalone selling price of performance obligations, variable consideration, other obligations for revenue recognition, 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 and assumptions 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 Accounting Standard Codification (“ASC”) Topic 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 re-measured 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.

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 and developed internally are carried at cost less accumulated amortization and accumulated impairment loss based on their estimated useful lives as follows:

Customer-related intangible assets	1	-	9 years
Marketing-related intangible assets	1	-	8 years
Technology-related intangible assets	2	-	10 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.

The Company also capitalizes certain software and technology-related development costs incurred in connection with developing or obtaining software or technology for sale/lease to customers when the initial design phase is completed and commercial and technological feasibility has been established. Any development cost incurred before technological feasibility is established is expensed as incurred as research and development costs. Technological feasibility is established upon completion of a detailed design program or, in its absence, completion of a working model. Capitalized software and technology costs include only (i) external direct costs of materials and services utilized in developing or obtaining software and technology and (ii) compensation and related benefits for employees who are directly associated with the project.

Costs incurred in connection with developing or obtaining software or technology for sale/lease to customers which are under development and not put to use are disclosed under “intangible assets under development.” Advances paid towards the acquisition of intangible assets outstanding as of each balance sheet date are disclosed under “intangible assets under development.”

Capitalized software and technology costs are included in intangible assets under technology-related intangible assets on the Company’s balance sheet and are amortized on a straight-line basis when placed into service over the estimated useful lives of the software and technology.

The Company evaluates the remaining useful life of intangible assets that are being amortized at each reporting period wherever events and circumstances warrant a revision to the remaining period of amortization, and the remaining carrying amount of the intangible asset is amortized prospectively over that revised remaining useful life.

2. Summary of significant accounting policies (Continued)

(d) Financial instruments and concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk are reflected principally in cash and cash equivalents, 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 customers.

(e) Accounts receivable

Accounts receivable are recorded at the invoiced or to be invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The Company maintains an allowance for current expected credit losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses which are adjusted to current market conditions and a reasonable and supportable forecast. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The Company uses revolving accounts receivable-based facilities in the normal course of business as part of managing its cash flows. The Company accounts for receivables sold under these facilities as a sale of financial assets pursuant to ASC 860 “Transfers and Servicing” and de-recognizes these receivables, as well as the related allowances, from its balance sheets. Generally, the fair value of accounts receivable sold approximates their book value due to their short-term nature, and any gains or losses on the sale of these receivables are recorded at the time of transfer and included under "interest income (expense), net" in the Company’s consolidated statements of income.

(f) Revenue Recognition

The Company derives its revenue primarily from business process management services, including analytics, consulting and related digital solutions and information technology services, which are provided primarily on a time-and-material, transaction or fixed-price basis. The Company recognizes revenue upon the transfer of control of promised services to its customers in an amount that reflects the consideration the Company expects to receive in exchange for those services. Revenues from services rendered under time-and-materials and transaction-based contracts are recognized as the services are provided. The Company’s fixed-price contracts include contracts for customization of applications, maintenance and support services. Revenues from these contracts are recognized ratably over the term of the agreement. The Company accrues for revenue and unbilled receivables for services rendered between the last billing date and the balance sheet date.

The Company’s contracts with its customers also include incentive payments received for discrete benefits delivered or promised to be delivered to the customer or service level agreements that could result in credits or refunds to the customer. Revenues relating to such arrangements are accounted for as variable consideration when the amount of revenue to be recognized can be estimated to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

The Company records deferred revenue attributable to certain process transition activities where such activities do not represent separate performance obligations. Revenues relating to such transition activities are classified under contract liabilities and subsequently recognized ratably over the period in which the related services are performed. Costs relating to such transition activities are fulfillment costs which are directly related to the contract and result in the generation or enhancement of resources. Such costs are expected to be recoverable under the contract and are therefore classified as contract cost assets and recognized ratably over the estimated expected period of benefit under cost of revenue.

2. Summary of significant accounting policies (Continued)

Revenues are reported net of value-added tax, business tax and applicable discounts and allowances. Reimbursements of out-of-pocket expenses received from customers have been included as part of revenues.

Revenue for performance obligations that are satisfied over time is recognized in accordance with the methods prescribed for measuring progress. The input (cost expended) method has been used to measure progress towards completion as there is a direct relationship between input and the satisfaction of a performance obligation. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates.

The Company enters into multiple-element revenue arrangements in which a customer may purchase a combination of products or services. The Company determines whether each product or service promised to a customer is capable of being distinct, and is distinct in the context of the contract. If not, the promised products or services are combined and accounted for as a single performance obligation. In the event of a multiple-element revenue arrangement, the Company allocates the arrangement consideration to separately identifiable performance obligations based on their relative stand-alone selling prices.

Certain contracts may include offerings such as sale of licenses, which may be perpetual or subscription-based. Revenue from distinct perpetual licenses is recognized upfront at the point in time when the software is made available to the customer. Revenue from distinct, non-cancellable, subscription-based licenses is recognized at the point in time it is transferred to the customer. Revenue from any associated maintenance or ongoing support services is recognized ratably over the term of the contract. For a combined software license/services performance obligation, revenue is recognized over the period that the services are performed.

All incremental and direct costs incurred for acquiring contracts, such as certain sales commissions, are classified as contract cost assets. Such costs are amortized over the expected period of benefit and recorded under selling, general and administrative expenses.

Other upfront fees paid to customers are classified as contract assets. Such fees are amortized over the expected period of benefit and recorded as an adjustment to the transaction price and deducted from revenue.

Timing of revenue recognition may differ from the timing of invoicing. If a payment is received in respect of services prior to the delivery of services, the payment is recognized as an advance from the customer and classified as a contract liability. Contract assets and contract liabilities relating to the same customer contract are offset against each other and presented on a net basis in the consolidated financial statements.

Significant judgements

Customer contracts sometimes include incentive payments received for discrete benefits delivered to the customer or service level agreements that could result in credits or refunds to the customer. Such amounts are estimated at contract inception and are adjusted at the end of each reporting period as additional information becomes available only to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

2. Summary of significant accounting policies (Continued)

(g) Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. The Company's assessment is based on whether: (1) the contract involves the use of a distinct identified asset, (2) the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the term of the contract, and (3) the Company has the right to direct the use of the asset. At the inception of a lease, the consideration in the contract is allocated to each lease component based on its relative standalone price to determine the lease payments.

Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: (1) the lease transfers ownership of the asset by the end of the lease term, (2) the lease contains an option to purchase the asset that is reasonably certain to be exercised, (3) the lease term is for a major part of the remaining useful life of the asset or (4) the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of the above criteria.

For all leases at the lease commencement date, a ROU asset and a lease liability are recognized. The lease liability represents the present value of the lease payments under the lease. Lease liabilities are initially measured at the present value of the lease payments not yet paid, discounted using the discount rate for the lease at the lease commencement. The lease liabilities are subsequently measured on an amortized cost basis. The lease liability is adjusted to reflect interest on the liability and the lease payments made during the period. Interest on the lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability.

The ROU asset represents the right to use the leased asset for the lease term. The ROU asset for each lease initially includes the amount of the initial measurement of the lease liability adjusted for any lease payments made to the lessor at or before the commencement date, accrued lease liabilities and any lease incentives received or any initial direct costs incurred by the Company.

The ROU asset of finance leases is subsequently measured at cost, less accumulated amortization and any accumulated impairment losses. The ROU asset of operating leases is subsequently measured from the carrying amount of the lease liability at the end of each reporting period, and is equal to the carrying amount of lease liabilities adjusted for (1) unamortized initial direct costs, (2) prepaid/(accrued) lease payments and (3) the unamortized balance of lease incentives received.

The carrying value of ROU assets is reviewed for impairment, similar to long-lived assets, whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The Company has elected to not separate lease and non-lease components for all of its leases and to use the recognition exemptions for lease contracts that, at commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

Significant judgements

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Under certain of its leases, the Company has a renewal and termination option to lease assets for additional terms between one and ten years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. The Company considers all relevant factors that create an economic incentive for it to exercise the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within the Company's control and affects its ability to exercise (or not to exercise) the option to renew or terminate.

2. Summary of significant accounting policies (Continued)

The Company has applied an incremental borrowing rate for the purpose of computing lease liabilities based on the remaining lease term and the rates prevailing in the jurisdictions where leases were executed.

(h) Cost of revenue

Cost of revenue primarily consists of salaries and benefits (including stock-based compensation), recruitment, training and related costs of employees who are directly responsible for the performance of services for customers, their supervisors and certain support personnel who may be dedicated to a particular client or a set of processes. It also includes operational expenses, which consist of facilities maintenance expenses, travel and living expenses, rent, IT expenses, and consulting and certain other expenses. Consulting charges represent the cost of consultants and contract resources with specialized skills who are directly responsible for the performance of services for clients and travel and other billable costs related to the Company's clients. It also includes depreciation of property, plant and equipment, and amortization of intangible and ROU assets which are directly related to providing services that generate revenue.

(i) Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses consist of expenses relating to salaries and benefits (including stock-based compensation) as well as costs related to recruitment, training and retention of senior management and other support personnel in enabling functions such as human resources, finance, legal, marketing, sales and sales support, and other support personnel. The operational costs component of SG&A expenses also includes travel and living costs for such personnel. SG&A expenses also include acquisition-related costs, legal and professional fees (which represent the costs of third party legal, tax, accounting and other advisors), investment in research and development, digital technology, advanced automation and robotics, and an allowance for credit losses. It also includes depreciation of property, plant and equipment, and amortization of intangibles and ROU assets other than those included in cost of revenue.

(j) Credit losses

An allowance for credit losses is recognized for all debt instruments other than those held at fair value through profit or loss. The Company pools its accounts receivable (other than deferred billings) based on similar risk characteristics in estimating expected credit losses. Credit losses for accounts receivable are based on the roll-rate method, and the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix based on historical credit loss experience, adjusted for forward-looking factors and the economic environment. The Company believes the most relevant forward-looking factors are economic environment, gross domestic product, inflation rates and unemployment rates for each of the countries in which the Company or its customers operate, and accordingly the Company adjusts historical loss rates based on expected changes in these factors. At every reporting date, observed historical default rates are updated to reflect changes in the Company's forward-looking estimates.

Credit losses for other financial assets and deferred billings are based on the discounted cash flow ("DCF") method. Under the DCF method, the allowance for credit losses reflects the difference between the contractual cash flows due in accordance with the contract and the present value of the cash flows expected to be collected. The expected cash flows are discounted at the effective interest rate of the financial asset. Such allowances are based on the credit losses expected to arise over the life of the asset which includes consideration of prepayments based on the Company's expectation as of the balance sheet date.

A financial asset is written off when it is deemed uncollectible and there is no reasonable expectation of recovering the contractual cash flows. Expected recoveries of amounts previously written off, not to exceed the aggregate amounts previously written off, are included in determining the allowance at each reporting period.

Credit losses are presented as a credit loss expense within "Selling, general and administrative expenses." Subsequent recoveries of amounts previously written off are credited against the same line item.

2. Summary of significant accounting policies (Continued)

(k) Impairment of long-lived assets

Long-lived assets, including certain intangible assets, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are required to be tested for impairment if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated by the assets. The impairment amount to be recognized is measured as the amount by which the carrying value of the assets exceeds their fair value. The Company determines fair value by using a discounted cash flow approach.

(l) Assets held for sale

A long-lived asset (or a disposal group for a long-lived asset comprising a group of assets and related liabilities) is classified as held for sale if it is highly probable that the asset will be recovered through sale rather than continuing use.

The Company records assets held for sale at the lower of its carrying value or fair value less costs to sell. The following criteria are used to determine if a business is held for sale: (i) management, having the authority to approve a sale, commits to a plan to sell; (ii) the business is available for immediate sale in its present condition; (iii) an active program to locate a buyer and a plan to sell the business have been initiated; (iv) the sale of the business is probable within one year; (v) the business is being actively marketed for sale at a reasonable price relative to its fair value; and (vi) it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

In determining the fair value of the assets less costs to sell, the Company considers factors including current sales prices for comparable assets, discounted cash flow projections, third party valuation and any indicative offers. The Company’s assumptions about fair value require significant judgment because the current market is highly sensitive to changes in economic conditions. The Company estimates the fair values of assets held for sale based on current market conditions and assumptions made by management, which may differ from actual results and may result in impairments if market conditions deteriorate.

Any impairment loss on the initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in the income statement.

When assets are classified as held for sale, the Company does not record any depreciation and amortization for the respective property, plant and equipment and intangibles.

(m) Recently issued accounting pronouncements

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

The following recently released accounting standard has not yet been adopted by the Company:

In March 2023, the FASB issued ASU No. 2023-01, “Leases (Topic 842)”. This ASU requires a lessee in a common-control lease arrangement to amortize leasehold improvements that it owns over the improvements’ useful life to the common control group, regardless of the lease term, if the lessee continues to control the use of the underlying asset through a lease.

The ASU is effective for the Company for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

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

3. Business acquisitions

(a) Hoodoo Digital, LLC

On December 31, 2021, the Company acquired 100% of the outstanding equity/limited liability company interests in Hoodoo Digital, LLC, a Utah limited liability company, for total purchase consideration of $66,721. This amount represents cash consideration of $64,439, net of cash acquired of $2,283. The total purchase consideration paid by the Company to the sellers on the closing date was $67,695, resulting in a recoverable of $973 on the closing date, which was subsequently recovered. The Company made measurement period adjustments of $1,688 related to taxes during the year ended December 31, 2022. The Company paid $682 to the sellers in the first quarter of 2023, and no portion of the purchase consideration is outstanding as of June 30, 2023. This acquisition furthered the Company's strategy to fuse experience and process innovation to help clients drive end-to-end digital transformation. Hoodoo Digital's expertise with Adobe Experience Manager and other Adobe applications expanded the Company's existing capabilities to provide clients with an end-to-end solution that integrates digital content, e-commerce, data analytics, and marketing operations.

In connection with this acquisition, the Company recorded $16,200 in customer-related intangibles and $2,400 in marketing-related intangibles which have a weighted average amortization period of five years. Goodwill arising from the acquisition amounting to $46,033 has been allocated using a relative fair value allocation method to each of the Company's reporting segments as follows: to the Financial Services segment in the amount of $4,338, to the Consumer and Healthcare segment in the amount of $7,321 and to the High Tech and Manufacturing segment in the amount of $34,374.

Goodwill arising from this acquisition is deductible for income tax purposes. The goodwill represents primarily the acquired capabilities and other benefits expected to result from combining the acquired operations with the Company's existing operations.

Acquisition-related costs of $1,177 have been included in selling, general and administrative expenses as incurred. In connection with the acquisition, the Company also acquired certain assets with a value of $5,629 and assumed certain liabilities amounting to $1,852. The agreement with the sellers provides a full indemnity to the Company for all pre-closing income and non-income tax liabilities up to a maximum of the purchase consideration, including interest and penalties thereon. The Company would not be financially or materially affected by any liabilities that may arise from such exposures.

Accordingly, the Company recognized an indemnification asset of $278 based on the information that was available at the date of the acquisition, which is included in the assets taken over by the Company. 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.

4. Accounts receivable, net of allowance for credit losses

The following table provides details of the Company's allowance for credit losses on accounts receivable:

	Year ended December 31, 2022	Six months ended June 30, 2023
Opening balance as of January 1	**$ 24,329**	**$ 20,442**
Additions (net), charged to income statement	2,096	6,374
Deductions/effect of exchange rate fluctuations	(5,983)	(1,296)
Closing balance	**$ 20,442**	**$ 25,520**

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

4. Accounts receivable, net of allowance for credit losses (Continued)

Accounts receivable were $1,015,197 and $1,033,195, and allowances for credit losses were $20,442 and $25,520, resulting in net accounts receivable balances of $994,755 and $1,007,675 as of December 31, 2022 and June 30, 2023, respectively. As of December 31, 2022, the Company reclassified accounts receivable amounting to $2,341 as assets held for sale. See Note 8 for additional information.

In addition, deferred billings were $64,735 and $78,870 and allowances for credit losses on deferred billings were $3,198 and $3,345, resulting in net deferred billings balances of $61,537 and $75,525 as of December 31, 2022 and June 30, 2023, respectively.

During the six months ended June 30, 2022 and 2023, the Company recorded a release of $839 and a charge of $147, respectively, to the income statement on account of credit losses on deferred billings. Deferred billings, net of related allowances for credit losses, are included under “other assets” in the Company’s consolidated balance sheet as of December 31, 2022 and June 30, 2023.

The Company has a revolving accounts receivable-based facility of $100,000 and $75,000 as of December 31, 2022 and June 30, 2023, respectively, permitting it to sell accounts receivable to banks on a non-recourse basis in the ordinary course of business. The aggregate maximum capacity utilized by the Company at any time during the period ended December 31, 2022 and June 3o, 2023 was $33,030 and $45,594, respectively. The principal amount outstanding against this facility as of December 31, 2022 and June 30, 2023 was $33,030 and $45,594, respectively. The cost of factoring such accounts receivable during the three and six months ended June 30, 2022 and 2023 was $123 and $453, respectively, and $158 and $914, respectively. Gains or losses on the sales are recorded at the time of transfer of the accounts receivable and are included under "interest income (expense), net" in the Company’s consolidated statements of income.

5. 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 financial assets and liabilities were determined using the following inputs as of December 31, 2022 and June 30, 2023:

	As of December 31, 2022			
	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 (Note a, c)	$ 21,687	$ —	$ 21,687	$ —
Deferred compensation plan assets (Note a, e)	40,261	—	—	40,261
Total	**$ 61,948**	**$ —**	**$ 21,687**	**$ 40,261**
Liabilities				
Earn-out consideration (Note b, d)	$ 2,517	$ —	$ —	$ 2,517
Derivative instruments (Note b, c)	38,817	—	38,817	—
Deferred compensation plan liability (Note b, f)	39,654	—	—	39,654
Total	**$ 80,988**	**$ —**	**$ 38,817**	**$ 42,171**

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

5. Fair value measurements (Continued)

	As of June 30, 2023			
	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 (Note a, c)	$ 37,273	$ —	$ 37,273	$ —
Deferred compensation plan assets (Note a, e)	47,975	—	—	47,975
Total	**$ 85,248**	**$ —**	**$ 37,273**	**$ 47,975**
Liabilities				
Derivative instruments (Note b, c)	8,681	—	8,681	—
Deferred compensation plan liability (Note b, f)	47,313	—	—	47,313
Total	**$ 55,994**	**$ —**	**$ 8,681**	**$ 47,313**

(a) Derivative assets are included in “prepaid expenses and other current assets” and “other assets” in the consolidated balance sheets. Deferred compensation plan assets are included in “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) Deferred compensation plan assets consist of life insurance policies held under a Rabbi Trust. Assets held in the Rabbi Trust are valued based on the cash surrender value of the insurance contract, which is determined based on the fair value of the underlying assets included in the insurance portfolio and are therefore classified within level 3 of the fair value hierarchy.

(f) The fair value of the deferred compensation plan liability is derived based on the fair value of the underlying assets in the insurance policies and is therefore classified within level 3 of the fair value hierarchy.

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

5. 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 six months ended June 30, 2022 and 2023:

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
Opening balance	**$ 5,406**	**$ —**	**$ 5,406**	**$ 2,517**
Payments made on earn-out consideration	—	—	—	(2,399)
Change in fair value of earn-out consideration (Note a)	—	—	—	(118)
Closing balance	**$ 5,406**	**$ —**	**$ 5,406**	**$ —**

(a) Changes in the fair value of earn-out consideration are reported in "other operating (income) expense, net" in the consolidated statements of income.

The following table provides a roll-forward of the fair value of deferred compensation plan assets categorized as level 3 in the fair value hierarchy for the three and six months ended June 30, 2022 and 2023:

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
Opening balance	**$ 43,320**	**$ 44,745**	**$ 38,584**	**$ 40,261**
Additions (net of redemption)	797	1,099	7,885	3,197
Change in fair value of deferred compensation plan assets (Note a)	(5,695)	2,131	(8,047)	4,517
Closing balance	**$ 38,422**	**$ 47,975**	**$ 38,422**	**$ 47,975**

(a) Changes in the fair value of plan assets are reported in "other income (expense), net" in the consolidated statements of income.

The following table provides a roll-forward of the fair value of deferred compensation liabilities categorized as level 3 in the fair value hierarchy for the three and six months ended June 30, 2022 and 2023:

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
Opening balance	**$ 42,554**	**$ 44,095**	**$ 38,007**	**$ 39,654**
Additions (net of redemption)	971	1,099	7,884	3,197
Change in fair value of deferred compensation plan liabilities (Note a)	(5,692)	2,119	(8,058)	4,462
Closing balance	**$ 37,833**	**$ 47,313**	**$ 37,833**	**$ 47,313**

(a) Changes in the fair value of deferred compensation plan liabilities are reported in "selling, general and administrative expenses" in the consolidated statements of income.

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

6. 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 and interest rates. 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 consist of deliverable and non-deliverable forward foreign exchange contracts, treasury rate locks 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 54 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, 2022	As of June 30, 2023	As of December 31, 2022	As of June 30, 2023
Foreign exchange forward contracts denominated in:				
United States Dollars (sell) Indian Rupees (buy)	$ 1,587,500	$ 1,450,000	$ (25,581)	$ 12,917
United States Dollars (sell) Mexican Peso (buy)	24,000	34,500	1,079	4,364
United States Dollars (sell) Philippines Peso (buy)	79,200	75,600	(828)	194
Euro (sell) United States Dollars (buy)	182,163	190,943	480	(544)
Singapore Dollars (buy) United States Dollars (sell)	50,956	50,956	166	(463)
Euro (sell) Romanian Leu (buy)	51,115	45,625	848	1,021
Japanese Yen (sell) Chinese Renminbi (buy)	8,185	33,624	(327)	1,292
United States Dollars (sell) Chinese Renminbi (buy)	41,000	45,000	605	(1,970)
Pound Sterling (sell) United States Dollars (buy)	32,594	34,521	1,113	(167)
United States Dollars (sell) Hungarian Font (buy)	12,000	20,000	828	1,979
Australian Dollars (sell) Indian Rupees (buy)	87,513	93,531	(452)	4,166
United States Dollars (Sell) Polish Zloty (buy)	24,000	31,000	1,372	1,440
Japanese Yen (sell) United States Dollars (buy)	10,000	7,008	(1,134)	523
Israeli Shekel (sell) United States Dollars (buy)	3,000	—	3	—
South African Rand (sell) United States Dollars (buy)	21,000	25,000	(1,652)	2,120
United States Dollars (Sell) Brazilian Real (buy)	—	4,000	—	307
United States Dollars (Sell) Costa Rica Colon (buy)	—	13,000	—	97
Interest rate swaps (floating to fixed)	432,248	418,304	6,350	1,316
			$ (17,130)	**$ 28,592**

(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, foreign exchange, interest rate or market risks. However, the amounts exchanged are based on the notional amounts and other provisions of the underlying derivative financial instrument agreements. Notional amounts are denominated in U.S. dollars.

(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.

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

6. Derivative financial instruments (Continued)

FASB guidance on derivatives and hedging requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. In accordance with the FASB guidance on derivatives and hedging, the Company designates foreign exchange forward contracts, interest rate swaps and treasury rate locks 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 and treasury rate locks 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.

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, 2022	As of June 30, 2023	As of December 31, 2022	As of June 30, 2023
Assets				
Prepaid expenses and other current assets	$ 17,531	$ 20,221	$ 2,151	$ 8,536
Other assets	$ 2,005	$ 8,516	$ —	$ —
Liabilities				
Accrued expenses and other current liabilities	$ 23,662	$ 6,966	$ 11,495	$ 791
Other liabilities	$ 3,660	$ 924	$ —	$ —

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.

The Company executed a treasury rate lock agreement for $350,000 in connection with future interest payments to be made on its senior notes issued by Genpact Luxembourg S.à r.l. ("Genpact Luxembourg") and Genpact USA, Inc. ("Genpact USA"), both wholly-owned subsidiaries of the Company, in March 2021 (the "2021 Senior Notes"), and the treasury rate lock was designated as a cash flow hedge. The treasury rate lock agreement was terminated on March 23, 2021 and a deferred gain was recorded in accumulated other comprehensive income and is being amortized to interest expense over the life of the 2021 Senior Notes. The remaining gain to be amortized related to the treasury rate lock agreement as of December 31, 2022 and June 30, 2023 was $530 and $450, respectively.

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

6. Derivative financial instruments (Continued)

In connection with cash flow hedges, the gains (losses) recorded as a component of other comprehensive income (loss) ("OCI"), and the related tax effects are summarized below:

	Three months ended June 30,					
	2022			2023		
	Before tax Amount	Tax (Expense) or Benefit	Net of tax Amount	Before tax Amount	Tax (Expense) or Benefit	Net of tax Amount
Opening balance	**$ 21,059**	**$ (4,122)**	**$ 16,937**	**$ 9,378**	**$ (1,998)**	**$ 7,379**
Net gains (losses) reclassified into statement of income on completion of hedged transactions	(925)	(119)	(1,044)	4,836	(1,214)	3,622
Changes in fair value of effective portion of outstanding derivatives, net	(13,700)	925	(12,775)	16,755	(4,584)	12,171
Gain (loss) on cash flow hedging derivatives, net	(12,775)	1,044	(11,731)	11,919	(3,370)	8,549
Closing balance	**$ 8,284**	**$ (3,078)**	**$ 5,206**	**$ 21,297**	**$ (5,368)**	**$ 15,928**

	Six months ended June 30,					
	2022			2023		
	Before tax Amount	Tax (Expense) or Benefit	Net of tax Amount	Before tax Amount	Tax (Expense) or Benefit	Net of tax Amount
Opening balance	**$ 17,468**	**$ (3,404)**	**$ 14,064**	**$ (7,255)**	**$ 1,543**	**$ (5,712)**
Net gains (losses) reclassified into statement of income on completion of hedged transactions	(277)	(270)	(547)	7,027	(1,752)	5,275
Changes in fair value of effective portion of outstanding derivatives, net	(9,461)	56	(9,405)	35,579	(8,663)	26,915
Gain (loss) on cash flow hedging derivatives, net	(9,184)	326	(8,858)	28,552	(6,911)	21,640
Closing balance	**$ 8,284**	**$ (3,078)**	**$ 5,206**	**$ 21,297**	**$ (5,368)**	**$ 15,928**

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

	Amount of Gain (Loss) recognized in OCI on Derivatives (Effective Portion)					Amount of Gain (Loss) reclassified from OCI into Statement of Income (Effective Portion)			
	Three months ended June 30,		Six months ended June 30,			Three months ended June 30,		Six months ended June 30,	
Derivatives in Cash Flow Hedging Relationships	**2022**	**2023**	**2022**	**2023**	**Location of Gain (Loss) reclassified from OCI into Statement of Income (Effective Portion)**	**2022**	**2023**	**2022**	**2023**
Forward foreign exchange contracts	$ (18,092)	$ 16,510	$ (20,684)	$ 33,885	Revenue	$ 884	$ 594	$ 1,180	$ 1,229
Interest rate swaps	$ 4,392	$ 245	$ 11,223	$ 1,694	Cost of revenue	(604)	515	1,050	(898)
					Selling, general and administrative expenses	(101)	78	450	(113)
					Interest expense	(1,104)	3,649	(2,957)	6,809
	$ (13,700)	**$ 16,755**	**$ (9,461)**	**$ 35,579**		**$ (925)**	**$ 4,836**	**$ (277)**	**$ 7,027**

There were no gains (losses) recognized in the statement of income on the ineffective portion of derivatives and excluded from effectiveness testing for the three and six months ended June 30, 2022 and 2023, respectively.

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

6. 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 June 30, 2022	Three months ended June 30, 2023	Six months ended June 30, 2022	Six months ended June 30, 2023
Forward foreign exchange contracts (Note a)	Foreign exchange gains (losses), net	$ (13,422)	$ 5,596	$ (16,944)	$ 13,447
		$ (13,422)	**$ 5,596**	**$ (16,944)**	**$ 13,447**

(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.

7. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of December 31, 2022	As of June 30, 2023
Advance income and non-income taxes	$ 38,382	$ 118,622
Contract asset (Note 20)	11,613	12,454
Prepaid expenses	39,952	59,042
Derivative instruments	19,682	28,757
Employee advances	3,299	4,048
Deposits	5,372	4,024
Advances to suppliers	953	743
Others	18,719	21,436
Total	**$ 137,972**	**$ 249,126**

As of December 31, 2022, the Company reclassified certain prepaid expenses and other current assets amounting to $901 as assets held for sale. See Note 8 for additional information.

8. Assets and liabilities held for sale

During the year ended December 31, 2022, the Company took actions to realign its portfolio to focus on services it believes have the greatest opportunities for growth, and deprioritized assets that no longer fit with its long-term strategy. Pursuant to a plan approved by management in the second quarter of 2022, the Company identified and divested a business (the “Business”) that was part of the Company's Consumer and Healthcare segment.

The transaction to divest the Business included the sale of 100% of the issued and outstanding shares of capital stock of an entity pursuant to a stock purchase agreement, which was completed in December 2022. It also included the sale of certain assets and liabilities pursuant to an asset purchase agreement signed during the fourth quarter of 2022. The sale of such assets was completed in February 2023.

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

8. Assets and liabilities held for sale (Continued)

Pursuant to the stock purchase agreement related to the sale of the Business, the Company is entitled to a potential earn-out of up to $10,600, contingent upon the Business signing contracts with certain clients and invoicing them during 2023. The Company has determined that the likelihood of achieving these events is uncertain, and accordingly, the Company has opted to record the earn-out if and when the consideration is determined to be realizable.

Pursuant to the asset purchase agreement related to the sale of the Business which was signed in 2022, the Company now holds 1.5% fixed rate unsecured loan notes amounting to $18,001 issued by the purchasers. These notes and interest thereon become receivable by the Company upon a future share sale, disposal or listing by the buyer group or early voluntary repayment of these notes at the discretion of the buyer group. The Company deems the likelihood of recovery of principal and interest on these notes to be remote and not in the control of the Company. Accordingly, the Company did not record a value for these notes. The Company's obligation to transfer $18,001 to the purchasers in exchange for these notes was satisfied in February 2023 upon the closing of the transaction.

The Company completed the sale of the Business in February 2023, resulting in a net payout of $2,091 and a loss of $802 on the sale of the Business in addition to an impairment charge of $32,575 recorded in the year ended December 31, 2022. No corresponding loss was recorded in the six months ended June 30, 2022 and three months ended June 30, 2023. The loss on the sale of business classified as held for sale has been recorded in "other operating (income) expense, net" in the Company's consolidated statement of income. See Note 21 for additional information.

9. Property, plant and equipment, net

The following table provides the gross and net amount of property, plant and equipment:

	As of December 31, 2022	As of June 30, 2023
Property, plant and equipment, gross	$ 766,365	$ 774,365
Less: Accumulated depreciation and amortization	(585,607)	(594,562)
Property, plant and equipment, net	**$ 180,758**	**$ 179,803**

Depreciation expense on property, plant and equipment for the three months ended June 30, 2022 and 2023 was $14,130 and $12,551, respectively, and for the six months ended June 30, 2022 and 2023 was $28,660 and $25,268, respectively. Computer software amortization for the three months ended June 30, 2022 and 2023 was $1,365 and $707, respectively, and for the six months ended June 30, 2022 and 2023 was $2,682 and $1,396, respectively.

10. Goodwill and intangible assets

The following table presents the changes in goodwill for the year ended December 31, 2022 and the six months ended June 30, 2023:

	For the year ended December 31, 2022	For the six months ended June 30, 2023
Opening balance	**1,731,027**	**1,684,196**
Impact of measurement period adjustments	1,817	—
Classified as held for sale	(1,625)	—
Effect of exchange rate fluctuations	(47,023)	1,135
Closing balance	**1,684,196**	**1,685,331**

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

10. Goodwill and intangible assets (Continued)

The following table presents the changes in goodwill by reporting unit for the year ended December 31, 2022:

	Financial Services	Consumer and Healthcare	High Tech and Manufacturing	Total
Opening balance	**421,257**	**611,120**	**698,650**	**1,731,027**
Impact of measurement period adjustments	171	289	1,357	1,817
Classified as held for sale	—	(1,625)	—	(1,625)
Effect of exchange rate fluctuations	(12,692)	(16,877)	(17,454)	(47,023)
Closing balance	**408,736**	**592,907**	**682,553**	**1,684,196**

The following table presents the changes in goodwill by reporting unit for the six months ended June 30, 2023:

	Financial Services	Consumer and Healthcare	High Tech and Manufacturing	Total
Opening balance	**408,736**	**592,907**	**682,553**	**1,684,196**
Effect of exchange rate fluctuations	217	369	549	1,135
Closing balance	**408,953**	**593,276**	**683,102**	**1,685,331**

As of December 31, 2022, the Company reclassified goodwill (before impairment) amounting to $1,625 attributable to its Consumer and Healthcare segment as assets held for sale. See Note 8 for additional information.

The total amount of goodwill deductible for tax purposes was $291,377 and $277,198 as of December 31, 2022 and June 30, 2023, respectively.

The Company’s intangible assets are as follows:

	As of December 31, 2022			As of June 30, 2023		
	Gross carrying amount	Accumulated amortization & Impairment	Net	Gross carrying amount	Accumulated amortization & Impairment	Net
Customer-related intangible assets	$ 473,997	$ 411,706	$ 62,291	$ 473,882	$ 424,522	$ 49,360
Marketing-related intangible assets	97,831	83,253	14,578	97,826	85,943	11,883
Technology-related intangible assets	126,406	113,560	12,846	127,801	118,507	9,294
	$ 698,234	**$ 608,519**	**$ 89,715**	**$ 699,509**	**$ 628,972**	**$ 70,537**

As of December 31, 2022, the Company reclassified certain intangible assets with a gross carrying value of $40,538 and accumulated amortization of $16,989 to assets held for sale. See Note 8 for additional information.

Amortization expenses for intangible assets acquired as part of a business combination and disclosed in the consolidated statements of income under amortization of acquired intangible assets for the three months ended June 30, 2022 and 2023 were $10,895 and $8,257, respectively, and for the six months ended June 30, 2022 and 2023 were $22,201 and $16,512, respectively.

10. Goodwill and intangible assets (Continued)

Amortization expenses for internally-developed and other intangible assets disclosed in the consolidated statements of income under cost of revenue and selling, general and administrative expenses for the three months ended June 30, 2022 and 2023 were $4,393 and $2,122, respectively, and for the six months ended June 30, 2022 and 2023 were $9,669 and $4,373, respectively.

During the three and six months ended June 30, 2022 and 2023, the Company tested the recoverability of intangibles, including those under development, goodwill and property, plant and equipment, including those held for sale (see Note 8 for additional information), as a result of changes in the Company's investment strategy and market trends. Based on the results of this testing, the Company determined that the carrying values of certain property, plant and equipment assets tested were not recoverable, and the Company recorded complete write-downs of the carrying values of these assets, amounting to $1,377 for both the three and six months ended June 30, 2022. There was no corresponding expense recorded in the three and six months ended June 30, 2023. These write-downs have 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, 2022 and June 30, 2023, the limits available were $22,882 and $23,732, respectively, of which $5,392 and $9,321, respectively, was utilized, constituting non-funded drawdown.

b. A fund-based and non-fund based revolving credit facility of $650,000, which the Company obtained by entering into an amended and restated credit agreement (the "2022 Credit Agreement") with Genpact USA., Inc., a wholly-owned subsidiary of the Company ("Genpact USA"), Genpact Global Holdings (Bermuda) Limited ("GGH") and Genpact Luxembourg S.à r.l., a wholly-owned subsidiary of the Company ("Genpact Luxembourg", and together with Genpact USA and GGH, the "Borrowers"), as borrowers, Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent, swingline lender and issuing bank, and the lenders and other parties thereto on December 13, 2022. The term loan and revolving credit facility under the 2022 Credit Agreement expire on December 13, 2027. Borrowings under the 2022 Credit Agreement bear interest at a rate equal to, at the election of the Company, either Adjusted Term SOFR (which is the rate per annum equal to (a) Term SOFR (the forward-looking secured overnight financing rate) plus (b) a Term SOFR Adjustment of 0.10% per annum, but in no case lower than 0.0%) plus an applicable margin equal to 1.375% per annum or a base rate plus an applicable margin equal to 0.375% per annum. The unutilized amount on the revolving credit facility under the 2022 Credit Agreement bore a commitment fee of 0.20% as of December 31, 2022 and June 30, 2023. As of December 31, 2022 and June 30, 2023, a total of $153,658 and $105,742, respectively, was utilized, of which $151,000 and $103,000, respectively, constituted funded drawdown and $2,658 and $2,742, respectively, constituted non-funded drawdown. The 2022 Credit Agreement contains certain customary covenants, including a maximum leverage covenant and a minimum interest coverage ratio. During the period ended December 31, 2022 and June 30, 2023, the Company was in compliance with the financial covenants of the 2022 Credit Agreement.

12. Long-term debt

In December 2022, the Company amended its existing credit facility under its amended and restated credit agreement entered into in August 2018 (the "2018 Credit Agreement"), which was comprised of a $680,000 term loan and a $500,000 revolving credit facility, and entered into the 2022 Credit Agreement, which is comprised of a $530,000 term loan and a $650,000 revolving credit facility. The 2022 Credit Agreement, which is guaranteed by the Company and certain of its subsidiaries, replaces the 2018 Credit Agreement. The obligations under the 2022 Credit Agreement are unsecured.

12. Long-term debt (Continued)

The outstanding balance of the term loan under the 2018 Credit Agreement as of the date of the 2022 Credit Agreement was $527,000. The revolving credit facility and the term loan have a term of five years and expire on December 13, 2027. The 2022 Credit Agreement did not result in a substantial modification of $290,870 of the outstanding term loan under the 2018 Credit Agreement. Further, as a result of the 2022 Credit Agreement, the Company extinguished $236,130 of funding arrangements for the outstanding term loan under the 2018 Credit Agreement and obtained funding from new lenders of $239,130, resulting in outstanding principal of $530,000 of the term loan under the 2022 Credit Agreement.

In connection with the 2022 Credit Agreement, the Company expensed $126, representing partial acceleration of the amortization of the existing unamortized debt issuance costs and an additional fee paid to the Company's lenders related to the term loan. The overall borrowing capacity under the revolving credit facility increased from $500,000 under the 2018 Credit Agreement to $650,000 under the 2022 Credit Agreement. In connection with the 2022 Credit Agreement, the Company expensed $93 relating to existing unamortized debt issuance cost. The remaining unamortized costs and an additional third-party fee paid in connection with the 2022 Credit Agreement will be amortized over the term of the amended facility.

Borrowings under the 2022 Credit Agreement bear interest at a rate equal to, at the election of the Company, either Adjusted Term SOFR (which is the rate per annum equal to (a) Term SOFR (the forward-looking secured overnight financing rate) plus (b) a Term SOFR Adjustment of 0.10% per annum, but in no case lower than 0.00%) plus an applicable margin equal to 1.375% per annum or a base rate plus an applicable margin equal to 0.375% per annum, in each case subject to adjustment based on the Borrowers' debt ratings provided by Standard & Poor's Rating Services and Moody's Investors Service, Inc. (the "Debt Ratings"). The revolving credit commitments under the 2022 Credit Agreement are subject to a commitment fee equal to 0.20% per annum, subject to adjustment based on the Debt Ratings. The commitment fee accrues on the actual daily amount by which the aggregate revolving commitments exceed the sum of outstanding revolving loans and letter of credit obligations.

The 2022 Credit Agreement restricts certain payments, including dividend payments, if there is an event of default under the 2022 Credit Agreement or if the Company is not, or after making the payment would not be, in compliance with certain financial covenants contained in the 2022 Credit Agreement. These covenants require the Company to maintain a net debt to EBITDA leverage ratio of less than 3x and an interest coverage ratio of more than 3x. During the period ended June 30, 2023, the Company was in compliance with the terms of the 2022 Credit Agreement, including all of the financial covenants therein. The Company's retained earnings are not subject to any restrictions on availability to make dividend payments to shareholders, subject to compliance with the financial covenants described above that are contained in the 2022 Credit Agreement.

As of December 31, 2022 and June 30, 2023, the amount outstanding under the Company's term loan, net of debt amortization expense of $1,622 and $1,439, was $528,378 and $515,311, respectively.

Indebtedness under the 2022 Credit Agreement is unsecured. The amount outstanding on the term loan as of June 30, 2023 requires quarterly payments of $6,625, and the balance of the loan is due and payable upon the maturity of the term loan on December 13, 2027.

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

12. Long-term debt (Continued)

The maturity profile of the term loan outstanding as of June 30, 2023, net of debt amortization expense, is as follows:

Year ending	Amount
2023	$ 13,069
2024	26,153
2025	26,173
2026	26,192
2027	423,724
Total	**$ 515,311**

Genpact Luxembourg issued $400,000 aggregate principal amount of 3.375% senior notes in November 2019 (the "2019 Senior Notes"). The 2019 Senior Notes are fully guaranteed by the Company. The total debt issuance cost of $2,937 incurred in connection with the 2019 Senior Notes offering is being amortized over the life of the 2019 Senior Notes as an additional interest expense. As of December 31, 2022 and June 30, 2023, the amount outstanding under the 2019 Senior Notes, net of debt amortization expense of $1,119 and $830, was $398,881 and $399,170, respectively, which is payable on December 1, 2024.

In March 2021, Genpact Luxembourg and Genpact USA co-issued $350,000 aggregate principal amount of 1.750% senior notes (the "2021 Senior Notes," and together with the 2019 Senior Notes, the "Senior Notes"). The 2021 Senior Notes are fully guaranteed by the Company. The total debt issuance cost of $3,032 incurred in connection with the 2021 Senior Notes is being amortized over the life of the 2021 Senior Notes as additional interest expense. As of December 31, 2022 and June 30, 2023, the amount outstanding under the 2021 Senior Notes, net of debt amortization expense of $1,970 and $1,672, respectively, was $348,030 and $348,328, respectively, which is payable on April 10, 2026.

The Company pays interest on (i) the 2019 Senior Notes semi-annually in arrears on June 1 and December 1 of each year, and (ii) the 2021 Senior Notes semi-annually in arrears on April 10 and October 10 of each year, ending on the maturity dates of December 1, 2024 and April 10, 2026, respectively. The Company, at its option, may redeem the Senior Notes at any time in whole or in part, at a redemption price equal to (i) 100% of the principal amount of the notes redeemed, together with accrued and unpaid interest on the redeemed amount, and (ii) if the notes are redeemed prior to, in the case of the 2019 Senior Notes, November 1, 2024, and in the case of the 2021 Senior Notes, March 10, 2026, a specified "make-whole" premium. The Senior Notes are subject to certain customary covenants, including limitations on the ability of the Company and certain of its subsidiaries to incur debt secured by liens, engage in certain sale and leaseback transactions and consolidate, merge, convey or transfer their assets substantially as an entirety. During the period ended June 30, 2023, the Company and its applicable subsidiaries were in compliance with the covenants. Upon certain change of control transactions, the applicable issuer or issuers will be required to make an offer to repurchase the Senior Notes at a price equal to 101% of the aggregate principal amount of the Senior Notes, plus accrued and unpaid interest. The interest rate payable on the Senior Notes is subject to adjustment if the credit rating of the Senior Notes is downgraded, up to a maximum increase of 2.0%.

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

12. Long-term debt (Continued)

A summary of the Company’s long-term debt is as follows:

	As of December 31, 2022	As of June 30, 2023
Credit facility, net of amortization expenses	$ 528,378	$ 515,311
3.375% 2019 Senior Notes, net of debt amortization expenses	398,881	399,170
1.750% 2021 Senior Notes, net of debt amortization expenses	348,030	348,328
Total	**$ 1,275,289**	**$ 1,262,809**
Current portion	26,136	26,144
Non-current portion	1,249,153	1,236,665
Total	**$ 1,275,289**	**$ 1,262,809**

13. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31, 2022	As of June 30, 2023
Accrued expenses	$ 126,680	$ 138,045
Accrued employee cost	293,934	208,382
Earn-out consideration	2,517	—
Statutory liabilities	82,912	53,768
Retirement benefits	1,725	1,725
Compensated absences	25,101	30,083
Derivative instruments	35,157	7,757
Contract liabilities (Note 20)	160,625	127,215
Finance leases liability	15,585	12,275
Other liabilities	46,771	36,549
	$ 791,007	**$ 615,799**

As of December 31, 2022, the Company reclassified certain accrued expenses and other current liabilities amounting to $1,147 to liabilities held for sale. See Note 8 for additional information.

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

14. Other liabilities

Other liabilities consist of the following:

	As of December 31, 2022	As of June 30, 2023
Accrued employee cost	$ 14,120	$ 5,822
Retirement benefits	10,694	11,192
Compensated absences	43,474	48,169
Derivative instruments	3,660	924
Contract liabilities (Note 20)	56,157	51,064
Finance leases liability	11,802	8,267
Others	75,701	88,467
	$ 215,608	**$ 213,905**

As of December 31, 2022, the Company reclassified certain other liabilities amounting to $141 to liabilities held for sale. See Note 8 for additional information.

15. Employee benefit plans

The Company has employee benefit plans in the form of certain statutory and other programs 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, Israel and Japan sponsor defined benefit retirement programs.

Net defined benefit plan costs for the three and six months ended June 30, 2022 and 2023 include the following components:

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
Service costs	$ 3,616	$ 3,749	$ 7,299	$ 7,509
Interest costs	1,492	1,735	2,970	3,471
Amortization of actuarial loss	33	167	372	334
Expected return on plan assets	(1,509)	(1,259)	(3,045)	(2,520)
Net defined benefit plan costs	**$ 3,632**	**$ 4,392**	**$ 7,596**	**$ 8,794**

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

15. Employee benefit plans (Continued)

Defined contribution plans

During the three and six months ended June 30, 2022 and 2023, the Company contributed the following amounts to defined contribution plans in various jurisdictions:

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
India	$ 10,874	$ 11,887	$ 21,614	$ 23,038
U.S.	5,493	4,766	11,908	10,223
U.K.	5,585	4,202	11,722	10,162
China	6,438	6,671	13,231	13,522
Other regions	4,603	4,840	9,378	10,101
Total	**$ 32,993**	**$ 32,366**	**$ 67,853**	**$ 67,046**

Deferred compensation plan

On July 1, 2018, Genpact LLC, a wholly-owned subsidiary of the Company, adopted an executive deferred compensation plan (the “Plan”). The Plan provides a select group of U.S.-based members of Company management with the opportunity to defer from 1% to 80% of their base salary and from 1% to 100% of their qualifying bonus compensation (or such other minimums or maximums as determined by the Plan administrator from time to time) pursuant to the terms of the Plan. Participant deferrals are 100% vested at all times. The Plan also allows for discretionary supplemental employer contributions by the Company, in its sole discretion, which will be subject to a two-year vesting schedule (50% vesting on the one-year anniversary of approval of the contribution and 50% vesting on the second year anniversary of approval of the contribution) or such other vesting schedule as determined by the Company. However, no such contribution has been made by the Company to date.

The Plan also provides an option for participants to elect to receive deferred compensation and earnings thereon on either fixed date(s) no earlier than 2 years following the applicable Plan year (or end of the applicable performance period for performance-based bonus compensation) or following a separation from service, in each case either in a lump sum or in annual installments over a term of up to 15 years. Participants can elect to change or re-defer their rights to receive the deferred compensation until the 10th anniversary following their separation from service, subject to fulfillment of certain conditions. Each Plan participant’s compensation deferrals are credited or debited with notional investment gains and losses equal to the performance of selected hypothetical investment funds offered under the Plan and elected by the participant.

The Company has investments in funds held in Company-owned life insurance policies which are held in a Rabbi Trust that are classified as trading securities. Management determines the appropriate classification of the securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date.

The liability for the deferred compensation plan was $39,654 and $47,313 as of December 31, 2022 and June 30, 2023, respectively, and is included in “accrued expenses and other current liabilities” and “other liabilities” in the consolidated balance sheets.

In connection with the administration of the Plan, the Company has purchased Company-owned life insurance policies insuring the lives of certain employees. The cash surrender value of these policies was $40,261 and $47,975 as of December 31, 2022 and June 30, 2023, respectively. The cash surrender value of these insurance policies is included in “other assets” in the consolidated balance sheets.

15. Employee benefit plans (Continued)

During the three months ended June 30, 2022 and 2023, the change in the fair value of Plan assets was $(5,695) and $2,131, respectively, and during the six months ended June 30, 2022 and 2023, the change in the fair value of Plan assets was $(8,047) and $4,517, respectively, which is included in "other income (expense), net," in the consolidated statements of income. During the three months ended June 30, 2022 and 2023, the change in the fair value of deferred compensation liabilities was $(5,692) and $2,119, respectively, and during the six months ended June 30, 2022 and 2023, the change in the fair value of deferred compensation liabilities was $(8,058)and $4,462, respectively, which is included in "selling, general and administrative expenses."

16. Stock-based compensation

The Company has issued options under the Genpact Limited 2007 Omnibus Incentive Compensation Plan (the "2007 Omnibus Plan") and the Genpact Limited 2017 Omnibus Incentive Compensation Plan (the "2017 Omnibus Plan") to eligible persons, including employees, directors and certain other persons associated with the Company.

Under the 2007 Omnibus Plan, shares underlying options forfeited, expired, terminated or cancelled under any of the Company's predecessor plans were 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. Further, during the year ended December 31, 2012, the number of common shares authorized for issuance under the 2007 Omnibus Plan was increased by 8,858,823 shares as a result of a one-time adjustment to outstanding unvested share awards in connection with a special dividend payment.

On May 9, 2017, the Company's shareholders approved the adoption of the 2017 Omnibus Plan, pursuant to which 15,000,000 Company common shares are available for issuance. The 2017 Omnibus Plan was amended and restated on April 5, 2019 and April 5, 2022 to increase the number of common shares authorized for issuance by 8,000,000 shares to 23,000,000 shares and by 3,500,000 shares to 26,500,000 shares, respectively. No grants may be made under the 2007 Omnibus Plan after the date of adoption of the 2017 Omnibus Plan. Grants that were outstanding under the 2007 Omnibus Plan as of the date of Company's adoption of the 2017 Omnibus Plan remain subject to the terms of the 2007 Omnibus Plan.

Stock-based compensation costs relating to the foregoing plans during the three months ended June 30, 2022 and June 30, 2023 were $20,080 and $21,344, respectively, and for the six months ended June 30, 2022 and June 30, 2023 were $34,839 and $40,685, respectively. These costs have been allocated to "cost of revenue" and "selling, general and administrative expenses."

Stock options

All options granted under the 2007 and 2017 Omnibus Plans are exercisable into common shares of the Company, have a contractual period of ten years and vest over three to five years unless specified otherwise in the applicable award agreement. The Company recognizes compensation cost over the vesting period of the option.

Compensation cost is determined at 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 determining the fair value of options granted in the six months ended June 30, 2022. No options were granted in the six months ended June 30, 2023.

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

16. Stock-based compensation (Continued)

The Company granted options covering 475,695 common shares in the six months ended June 30, 2022.

	Six months ended June 30, 2022
Dividend yield	0.96 %
Expected life (in months)	84
Risk-free rate of interest	1.71 %
Volatility	26.29 %

A summary of stock option activity during the six months ended June 30, 2023 is set out below:

	Six Months Ended June 30, 2023			
	Shares arising out of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Outstanding as of January 1, 2023	7,748,114	33.27	5.6	—
Granted	—	—	—	—
Forfeited	(319,646)	41.06	—	—
Expired	(53,990)	43.94	—	—
Exercised	(1,287,280)	19.76	—	28,482
Outstanding as of June 30, 2023	6,087,198	35.63	6.0	30,689
Vested as of June 30, 2023 and expected to vest thereafter (Note a)	5,769,859	35.12	6.0	30,460
Vested and exercisable as of June 30, 2023	3,250,442	30.30	4.8	24,675
Weighted average grant date fair value of grants during the period	—			

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

As of June 30, 2023, the total remaining unrecognized stock-based compensation cost for options expected to vest amounted to $13,469, which will be recognized over the weighted average remaining requisite vesting period of 2.7 years.

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

16. Stock-based compensation (Continued)

Restricted share units

The Company has granted restricted share units ("RSUs") under the 2007 and 2017 Omnibus Plans. Each RSU represents the right to receive one common share. The fair value of each RSU is the market price of one common share of the Company on the date of 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 RSU activity during the six months ended June 30, 2023 is set out below:

	Six Months Ended June 30, 2023	
	Number of Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2023	579,622	42.97
Granted	1,007,928	43.06
Vested (Note a)	(288,957)	42.06
Forfeited	(52,716)	42.62
Outstanding as of June 30, 2023	1,245,877	43.27
Expected to vest (Note b)	1,109,575	

(a) 288,957 RSUs vested during the six months ended June 30, 2023 in respect of which 187,371 shares (net of minimum statutory tax withholding) were issued during the six months ended June 30, 2023.

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

199,297 RSUs vested in the year ended December 31, 2022, in respect of which 120,858 shares were issued during the six months ended June 30, 2023 after withholding shares to the extent of minimum statutory withholding taxes.

39,633 RSUs vested in the year ended December 31, 2021, in respect of which 39,515 shares were issued during the six months ended June 30, 2023 after withholding shares to the extent of minimum statutory withholding taxes.

As of June 30, 2023, the total remaining unrecognized stock-based compensation cost related to RSUs amounted to $39,445, which will be recognized over the weighted average remaining requisite vesting period of 2.3 years.

Performance units

The Company also grants stock awards in the form of performance units ("PUs") and has granted PUs under both the 2007 and 2017 Omnibus Plans.

Each PU represents the right to receive one common share at a future date based on the Company's performance against specified targets. PUs granted to date have vesting schedules of approximately six months to three years. PUs granted under the plans are subject to cliff vesting. The compensation expense for such awards is recognized on a straight-line basis over the vesting terms.

For PUs granted prior to 2023, 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. For PUs that have a performance period of one year, the Company's estimate of the number of shares to be issued is adjusted upward or downward based upon the probability of achievement of the performance targets. The ultimate number of shares issued and the related compensation cost recognized is based on a comparison of the final performance metrics to the specified targets.

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

16. Stock-based compensation (Continued)

For the PUs granted in 2023, the Company made certain amendments to the vesting conditions. For PUs granted in 2023, the performance period increased to three years from one year for PUs granted prior to 2023. Further, the number of PUs granted in 2023 that will ultimately vest will be modified, subject to certain conditions and limitations, based on the Company's total shareholder return ("TSR") relative to the TSR of the companies included as of January 1, 2023 in the S&P 400 Midcap Index (the "Peer Group") over the three-year performance period for the 2023 PUs.

The grant date fair value for PUs granted in 2023 is determined using a Monte Carlo simulation model. This model simulates a range of possible future stock prices and estimates the probabilities of the potential payouts. This model also incorporates the following assumptions:

- The historical volatility for the companies in the Peer Group was measured using the most recent three-year period.
- The risk-free interest rate is based on the U.S. Treasury rate assumption commensurate with the three-year performance period.
- For determining the TSR of the Company and the companies in the Peer Group, dividends will be assumed to have been reinvested in the stock of the issuing entities on a continuous basis.
- The correlation coefficients used to model the way in which each entity tends to move in relation to each other are based upon the price data used to calculate historical volatility.

The fair value of each 2023 PU granted to employees was estimated on the date of grant using the following valuation assumptions:

	Six months ended June 30, 2023
Dividend yield	1.22 % — 1.52%
Expected life (years)	2.54 — 2.80
Risk-free rate for expected life	3.80 % — 4.44%
Volatility for expected life	24.03 % — 24.71%

A summary of PU activity during the six months ended June 30, 2023 is set out below:

	Six Months Ended June 30, 2023		
	Number of Performance Units	Weighted Average Grant Date Fair Value	Maximum Shares Eligible to Receive
Outstanding as of January 1, 2023	3,570,951	44.07	3,570,951
Granted	985,047	44.00	2,364,113
Vested (Note a)	(647,549)	42.53	(647,549)
Forfeited	(215,065)	43.93	(231,011)
Adjustment upon final determination of level of performance goal achievement (Note b)	96,668	44.50	96,668
Outstanding as of June 30, 2023	3,790,052	44.33	5,153,172
Expected to vest (Note c)	3,370,451		

(a) 647,549 PUs vested during the six months ended June 30, 2023, in respect of which 412,275 shares (net of minimum statutory tax withholding) were issued during the six months ended June 30, 2023.

(b) Represents an adjustment made in March 2023 to the number of shares subject to the PUs granted in 2022 upon certification of the level of achievement of the performance targets underlying such awards.

(c) The number of PUs expected to vest reflects the application of an estimated forfeiture rate.

16. Stock-based compensation (Continued)

As of June 30, 2023, the total remaining unrecognized stock-based compensation cost related to PUs amounted to $75,240, which will be recognized over the weighted average remaining requisite vesting period of 1.9 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"). In April 2018, these plans were amended and restated, and their terms were extended to August 31, 2028.

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 may 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.

During the six months ended June 30, 2022 and 2023, 181,878 and 174,473 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 three months ended June 30, 2022 and 2023 was $362 and $488, respectively, and for the six months ended June 30, 2022 and 2023 was $853 and $851, respectively, and has been allocated to cost of revenue and selling, general and administrative expenses.

17. Capital stock

Share repurchases

The Board of Directors of the Company (the "Board") has authorized repurchases of up to $2,250,000 under the Company's existing share repurchase program, including $500,000 approved during the first quarter of 2023. 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 six months ended June 30, 2022 and 2023, the Company repurchased 3,439,952 and 3,828,084 of its common shares, respectively, on the open market at a weighted average price of $44.19 and $39.31 per share, respectively, for an aggregate cash amount of $152,001 and $150,471, respectively. All repurchased 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 six months ended June 30, 2022 and 2023, retained earnings were reduced by the direct costs, including taxes, related to share repurchases of $69 and $677, respectively.

$474,453 remained available for share repurchases under the Company's existing share repurchase program as of June 30, 2023. This repurchase program does not obligate the Company to acquire any specific number of shares and does not specify an expiration date.

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

17. Capital stock (Continued)

Dividend

On February 10, 2022, the Company announced that its Board had approved a 16% increase in its quarterly cash dividend to $0.125 per share, up from $0.1075 per share in 2021, representing an annual dividend of $0.50 per common share, up from $0.43 per share in 2021, payable to holders of the Company's common shares. On March 23, 2022 and June 24, 2022, the Company paid a dividend of $0.125 per share, amounting to $23,134 and $22,935 in the aggregate, to shareholders of record as of March 10, 2022 and June 10, 2022, respectively.

On February 9, 2023, the Company announced that its Board had approved a 10% increase in its quarterly cash dividend to $0.1375 per share, up from $0.125 per share in 2022, representing a planned annual dividend of $0.55 per common share, up from $0.50 per share in 2022, payable to holders of the Company's common shares. On March 24, 2023 and June 26, 2023, the Company paid a dividend of $0.1375 per share, amounting to $25,255 and $25,031 in the aggregate, to shareholders of record as of March 10, 2023 and June 9, 2023, respectively.

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. The potentially dilutive shares, consisting of outstanding options on common shares, restricted share units, common shares to be issued under the ESPP and performance units, have been included in the computation of diluted net earnings per share and the number of weighted average shares outstanding, except where the result would be anti-dilutive.

The number of shares subject to stock awards outstanding but not included in the computation of diluted earnings per common share because their effect was anti-dilutive is 2,801,692 and 2,125,641 for the six months ended June 30, 2022 and 2023, respectively, and 2,864,585 and 2,390,864 for the three months ended June 30, 2022 and 2023, respectively.

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
Net income	$ 71,670	$ 116,252	$ 167,849	$ 222,353
Weighted average number of common shares used in computing basic earnings per common share	184,418,350	183,230,252	185,028,063	183,512,828
Dilutive effect of stock-based awards	3,447,303	2,594,865	3,683,966	3,192,869
Weighted average number of common shares used in computing dilutive earnings per common share	187,865,653	185,825,117	188,712,029	186,705,697
Earnings per common share				
Basic	$ 0.39	$ 0.63	$ 0.91	$ 1.21
Diluted	$ 0.38	$ 0.63	$ 0.89	$ 1.19

19. Segment reporting

The Company manages various types of business process and information technology services in an integrated manner for clients in various industries and geographic locations. The Company's operating segments are significant strategic business units that align its products and services with how it manages its business, approaches key markets and interacts with its clients.

During the second quarter of 2022, the Company renamed its three reportable segments. Beginning in the second quarter of 2022, the Company's: (1) Banking, Capital Markets and Insurance segment was renamed the Financial Services segment; (2) Consumer Goods, Retail, Life Sciences and Healthcare segment was renamed the Consumer and Healthcare segment; and (3) High Tech, Manufacturing and Services segment was renamed the High Tech and Manufacturing segment.

The Company’s Chief Executive Officer, who has been identified as the Chief Operating Decision Maker ("CODM"), reviews operating segment revenue, which is a GAAP measure, and adjusted income from operations ("AOI"), which is a non-GAAP measure. The Company does not allocate, and therefore the CODM does not evaluate, stock-based compensation expenses, amortization and impairment of acquired intangible assets, foreign exchange gain/(losses) (other than those included in income from operations), interest income/(expense), restructuring expense/income, acquisition related expenses, any losses or gains from businesses held for sale, including impairment charges, other income/(expense), or income taxes by segment. The Company’s operating assets and liabilities pertain to multiple segments. The Company manages assets and liabilities on a total company basis, not by operating segment, and therefore asset and liabilities information and capital expenditures by operating segment are not presented to the CODM and are not reviewed by the CODM.

With effect from January 1, 2023, the Company has modified the items that are allocated to the Company's reportable segments for the purpose of evaluating segment performance, and the Company now allocates by segment certain foreign exchange gains/(losses) (to the extent included in income from operations) and unallocated resource costs. Segment results after such allocation are reviewed by the CODM to evaluate segment performance. Prior to January 1, 2023, the CODM evaluated the performance of reportable segment revenue and adjusted income from operations after excluding these items, which were previously included under "Others." Accordingly, the Company has recast the segment revenue and adjusted income from operations of its reportable segments for the three and six months ended June 30, 2022 to present comparable segment information. Adjusted income from operations for “Others” primarily represents the impact of certain under or over-absorption of overhead, and allowance for credit losses, which are not allocated to the Company’s segments for management’s internal reporting purposes.

The CODM continues to review operating segment revenue, which is a GAAP measure, and adjusted income from operations, which is a non-GAAP measure.

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

19. Segment reporting (Continued)

Revenues and adjusted income from operations for each of the Company's segments for the three months ended June 30, 2022 were as follows:

	Net revenues			
	Data-Tech-AI	**Digital operations**	**Total**	**AOI**
Financial Services	132,131	156,438	288,569	40,267
Consumer and Healthcare	182,999	217,753	400,752	60,343
High Tech and Manufacturing	173,413	226,413	399,826	75,163
Net revenues	**488,543**	**600,604**	**1,089,147**	
Business held for sale (refer to Note (a) below and Note 8)			(4,911)	7,222
Net revenues (excluding business held for sale - refer to Note (a) below and Note 8)			1,084,236	
Others				(200)
Total AOI				182,795
Stock-based compensation				(20,442)
Amortization and impairment of acquired intangible assets (other than included above)				(10,891)
Foreign exchange gains (losses), net				1,142
Interest income (expense), net				(11,204)
Business held for sale (refer to Note (a) below and Note 8)				(7,222)
Restructuring (expense) / income (refer to Note (b) below and Note 25)				(38,815)
Income tax expense				(23,693)
Net income				71,670

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

19. Segment reporting (Continued)

Revenues and adjusted income from operations for each of the Company’s segments for the three months ended June 30, 2023 were as follows:

	Net revenues			
	Data-Tech-AI	**Digital operations**	**Total**	**AOI**
Financial Services	128,282	173,154	301,436	46,723
Consumer and Healthcare	183,843	211,054	394,897	58,951
High Tech and Manufacturing	188,609	220,582	409,191	69,621
Net revenues	**500,734**	**604,790**	**1,105,524**	
Others				10,665
Total AOI				185,960
Stock-based compensation				(21,832)
Amortization and impairment of acquired intangible assets (other than included above)				(8,257)
Foreign exchange gains (losses), net				1,763
Interest income (expense), net				(12,138)
Restructuring (expense) / income (refer to Note (b) below and Note 25)				4,874
Income tax expense				(34,118)
Net income				116,252

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

19. Segment reporting (Continued)

Revenues and adjusted income from operations for each of the Company’s segments for the six months ended June 30, 2022 were as follows:

	Net revenues			
	Data-Tech-AI	**Digital operations**	**Total**	**AOI**
Financial Services	251,840	311,131	562,971	66,717
Consumer and Healthcare	363,633	438,739	802,372	115,648
High Tech and Manufacturing	339,816	452,431	792,247	145,258
Net revenues	**955,289**	**1,202,301**	**2,157,590**	
Business held for sale (refer to Note (a) below and Note 8)			(4,911)	7,222
Net revenues (excluding business held for sale - refer to Note (a) below and Note 8)			**2,152,679**	
Others				7,969
Total AOI				342,814
Stock-based compensation				(35,692)
Amortization and impairment of acquired intangible assets (other than included above)				(22,193)
Foreign exchange gains (losses), net				5,445
Interest income (expense), net				(23,292)
Business held for sale (refer to Note (a) below and Note 8)				(7,222)
Restructuring (expense) / income (refer to Note (b) below and Note 25)				(38,815)
Income tax expense				(53,196)
Net income				167,849

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

19. Segment reporting (Continued)

Revenues and adjusted income from operations for each of the Company's segments for the six months ended June 30, 2023 were as follows:

	Net revenues			
	Data-Tech-AI	Digital operations	Total	AOI
Financial Services	255,525	344,398	599,923	92,300
Consumer and Healthcare	361,675	418,839	780,514	115,282
High Tech and Manufacturing	368,767	445,639	814,406	133,912
Net revenues	**985,967**	**1,208,876**	**2,194,843**	
Business held for sale (refer to Note (a) below and Note 8)			(490)	1,201
Net revenues (excluding business held for sale - refer to Note (a) below and Note 8)			**2,194,353**	
Others				22,257
Total AOI				364,952
Stock-based compensation				(41,536)
Amortization and impairment of acquired intangible assets (other than included above)				(16,400)
Foreign exchange gains (losses), net				723
Interest income (expense), net				(21,765)
Restructuring (expense) / income (refer to Note (b) below and Note 25)				4,874
Operating loss from the business classified as held for sale (refer to Note (a) below and Note 8)				(1,201)
Loss on the sale of business classified as held for sale (refer to Note (a) below and Note 8)				(802)
Income tax expense				(66,492)
Net income				222,353

(a) During the second quarter of 2022, the Company's management approved a plan to divest a business that was part of the Company's Consumer and Healthcare segment. The revenues and associated operating losses attributable to this business, including a loss on the sale of this business recorded in the first quarter of 2023, have been excluded from the computation of adjusted operating income margin with effect from April 1, 2022, as management believes that excluding these items provides useful information about the Company's financial performance and underlying business trends.

(b) The Company does not allocate these charges to individual segments in internal management reports used by the CODM. Accordingly, such expenses are included in our segment reporting as "unallocated costs."

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

20. Net revenues

Disaggregation of revenue

In the following table, the Company’s revenue is disaggregated by the nature of services provided:

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
Data-Tech-AI	$ 488,543	$ 500,734	$ 955,289	$ 985,967
Digital Operations	600,604	604,790	1,202,301	1,208,876
Net revenues	**$ 1,089,147**	**$ 1,105,524**	**$ 2,157,590**	**$ 2,194,843**

All three of the Company's segments include revenue from both Data-Tech-AI and Digital Operations. See Note 19 for additional information.

During the second quarter of 2022, the Company's management modified the manner in which it disaggregates revenue for reporting and internal tracking purposes, and the Company now reports revenue disaggregated by the nature of services provided to the client, namely either Data-Tech-AI or Digital Operations. Prior to the second quarter of 2022, the Company disaggregated its revenue as revenue from the General Electric Company (GE) or revenue from Global Clients (other than GE).

Contract balances

Accounts receivable include amounts for services that the Company has performed but for which payment has not been received. The Company typically follows a 30-day billing cycle and, as such, at any point in time may have accrued up to 30 days of revenues that have not been billed. The Company has determined that in instances where the timing of revenue recognition differs from the timing of invoicing, the related contracts generally do not include a significant financing component. Refer to Note 4 for details on the Company’s accounts receivable and allowance for credit losses.

The following table shows the details of the Company’s contract balances:

	As of December 31, 2022	As of June 30, 2023
Contract assets (Note a)	$ 18,347	$ 18,377
Contract liabilities (Note b)		
Deferred transition revenue	$ 128,726	$ 109,580
Advance from customers	$ 88,056	$ 68,699

(a) Included in "prepaid expenses and other current assets" and "other assets" in the consolidated balance sheet.

(b) Included in "accrued expenses and other current liabilities" and "other liabilities" in the consolidated balance sheet.

As of December 31, 2022, the Company reclassified certain contract assets amounting to $2,168 and contract liabilities amounting to $649 as assets and liabilities held for sale. See Note 8 for additional information.

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

20. Net revenues (Continued)

Contract assets represent the contract acquisition fees or other upfront fees paid to a customer. Such costs are amortized over the expected period of benefit and recorded as an adjustment to the transaction price and deducted from revenue. The Company's assessment did not indicate any significant impairment losses on its contract assets for the periods presented.

Contract liabilities include that portion of revenue for which payments have been received in advance from customers. The Company also defers revenues attributable to certain process transition activities for which costs have been capitalized by the Company as contract fulfillment costs. Consideration received from customers, if any, relating to such transition activities is also included as part of contract liabilities. The contract liabilities are included within "Accrued expenses and other current liabilities" and "Other liabilities" in the unaudited consolidated balance sheets. The revenues are recognized as (or when) the performance obligation is fulfilled under the contract with the customer.

Changes in the Company's contract asset and liability balances during the three and six months ended June 30, 2022 and 2023 were a result of normal business activity and not materially impacted by any other factors.

The amount of revenue recognized during the three months ended June 30, 2022 and 2023 that was included in the Company's contract liabilities balance at the beginning of the period was $59,361 and $60,603, respectively, and the amount of revenue recognized during the six months ended June 30, 2022 and 2023 that was included in the Company's contract liabilities balance at the beginning of the period was $94,841 and $111,777, respectively.

The following table includes estimated revenue expected to be recognized in the future related to remaining performance obligations as of June 30, 2023:

Particulars	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Transaction price allocated to remaining performance obligations	$ 178,279	$ 127,215	$ 41,831	$ 8,746	$ 487

The following table provides details of the Company's contract cost assets:

	Three months ended June 30,				Six months ended June 30,			
	2022		2023		2022		2023	
Particulars	Sales incentive programs	Transition activities	Sales incentive programs	Transition activities	Sales incentive programs	Transition activities	Sales incentive programs	Transition activities
Opening balance	$ 30,833	$ 203,939	$ 36,231	$ 166,315	$ 32,296	$ 206,498	$ 34,805	$ 181,865
Closing balance	29,186	198,401	37,556	156,231	29,186	198,401	37,556	156,231
Amortization	6,248	21,875	7,492	24,126	12,588	42,413	14,566	48,106

As of December 31, 2022, the Company reclassified certain contract cost assets amounting to $1,247 to assets held for sale. See Note 8 for additional information.

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

21. Other operating (income) expense, net

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
Write-down of intangible assets and property, plant and equipment	1,377	—	1,377	—
Loss on the sale of business classified as held for sale (refer to Note 8)	—	—	—	802
Write-down of operating right-of-use assets and other assets	20,307	—	20,307	—
Gain on termination of lease (refer to Note 25)	—	(4,874)	—	(4,874)
Other operating (income) expense	(467)	(89)	(464)	(502)
Other operating (income) expense, net	**$ 21,217**	**$ (4,963)**	**$ 21,220**	**$ (4,574)**

*See Notes 8, 10 and 25 for additional information about other operating (income) expense, net for the three and six months ended June 30, 2022 and 2023.

22. Interest income (expense), net

	Three months ended June 30,		Six months ended June 30,	
	2022	2023	2022	2023
Interest income	$ 684	$ 3,497	$ 2,602	$ 8,423
Interest expense	(11,888)	(15,635)	(25,894)	(30,188)
Interest income (expense), net	**$ (11,204)**	**$ (12,138)**	**$ (23,292)**	**$ (21,765)**

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.

The Company's effective tax rate ("ETR") was 22.7% for the three months ended June 30, 2023, down from 24.8% for the three months ended June 30, 2022. The decrease in the Company's ETR in the three months ended June 30, 2023 is primarily due to higher discrete benefits recorded in the three months ended June 30, 2023 compared to the three months ended June 30, 2022.

The Company's ETR was 23.0% for the six months ended June 30, 2023, down from 24.1% for the six months ended June 30, 2022. The decrease in the Company's ETR in the six months ended June 30, 2023 is primarily due to an increase in discrete benefits recorded in the six months ended June 30, 2023 compared to the six months ended June 30, 2022.

The following table summarizes activities related to the Company's unrecognized tax benefits for uncertain tax positions for the six months ended June 30, 2023:

	Six months ended June 30, 2023
Opening balance at January 1	$ 25,430
Increase related to prior year tax positions, including recorded in acquisition accounting	189
Decrease related to prior year tax positions due to lapse of applicable statute of limitation	(1,030)
Decrease related to settlements with taxing authorities	(170)
Effect of exchange rate changes	99
Closing balance at June 30	**$ 24,518**

23. Income taxes (Continued)

As of December 31, 2022 and June 30, 2023, the Company had unrecognized tax benefits amounting to $25,430 and $24,518, respectively, which, if recognized, would impact the Company's ETR.

As of December 31, 2022 and June 30, 2023, the Company had accrued $2,871 and $3,013, respectively, in interest and $374 and $375, respectively, for penalties relating to unrecognized tax benefits.

During the year ended December 31, 2022 and the six months ended June 30, 2023, the Company recognized approximately $(2,583) and $56, respectively, in interest related to income taxes.

24. Commitments and contingencies

Capital commitments

As of December 31, 2022 and June 30, 2023, the Company has committed to spend $17,972 and $12,614, 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 and letters of credit amounting to $8,050 and $12,063 as of December 31, 2022 and June 30, 2023, respectively. Bank guarantees are generally provided to government agencies and excise and customs authorities for the purpose of maintaining a bonded warehouse. These guarantees may be revoked if the government agencies suffer any losses or damages through the breach of any of the covenants contained in the agreements governing such guarantees.

Other commitments

Certain units of the Company's Indian subsidiaries are established as Software Technology Parks of India units or Special Economic Zone ("SEZ") units under the relevant regulations issued by the Government of India. These units are exempt from customs and other duties on imported and indigenous capital goods, stores and spares. SEZ units are also exempt from the Goods and Services Tax ("GST") that was introduced in India in 2017. The Company has undertaken to pay taxes and duties, if any, in respect of capital goods, stores, spares and services consumed duty-free, in the event that certain terms and conditions are not fulfilled.

Contingency

(a) In February 2019, there was a judicial pronouncement in India with respect to defined contribution benefit payments interpreting certain statutory defined contribution obligations of employees and employers. It is not currently clear whether the interpretation set out in the pronouncement has retrospective application. If applied retrospectively, the interpretation would result in an increase in contributions payable by the Company for past periods for certain of its India-based employees. There are numerous interpretative challenges concerning the retrospective application of the judgment. Due to such challenges and a lack of interpretive guidance and based on legal advice the Company has obtained on the matter, it is currently impracticable to reliably estimate the timing and amount of any payments the Company may be required to make. Accordingly, the Company plans to obtain further clarity and will evaluate the amount of a potential provision, if any.

24. Commitments and contingencies (Continued)

(b) The Indian taxing authorities ("ITA") have initiated proceedings to examine the availability of a tax exemption claimed by the Company in respect of exports of services and related refunds under the Indian Goods and Services Tax ("GST") regime and the previous service tax regime. In the second quarter of 2020, the ITA began to challenge or reject the Company's Indian GST and service tax refunds in certain Indian states. The Company had requested these refunds pursuant to the tax exemption available for exports under the previous service tax regime as well as the current GST regime in respect of services performed by the Company in India for affiliates and clients outside of India. In denying the refunds, the ITA took the position that the services provided are local services, which interpretation, if correct, would make the service tax and GST exemption on exports unavailable to the Company in respect of such services. The Government of India has since issued an administrative circular which supports the Company's position. Further, in the fourth quarter of 2022, the Punjab and Haryana High Court (the "High Court") ruled in favor of the Company in respect of this issue, and the ITA have not appealed the High Court's ruling, which has become final. Based on the High Court's ruling, some of the Company's refunds have been approved and others are being processed. The Company believes that the separate proceedings initiated in respect of the service tax regime will also be decided in the Company's favor and that, based on the foregoing, the risk that any liability will materialize is remote. Accordingly, no reserve has been provided with respect to this matter as of June 30, 2023.

(c) The ITA have issued assessment orders to certain subsidiaries of the Company seeking to assess income tax on certain transactions that occurred in 2015. The Company has received demands for potential tax claims related to these orders in an aggregate amount of $112,849, including interest through the date of the orders. This amount excludes penalties or interest accrued since the date of the orders. The Company is pursuing appeals before the relevant appellate authorities in respect of these orders. Further, in respect of the transaction undertaken in 2015, the ITA has attempted to revise a previously closed assessment. During 2022, the Income Tax Appellate Tribunal of India (the "Tribunal") ruled in favor of the Company denying the ITA's ability to revise the assessment, and the ITA have appealed this ruling before the Delhi High Court. In January 2023, notwithstanding the Tribunal's decision in the Company's favor, the ITA issued a revised assessment order to the Company, and in March 2023, this assessment order was struck down by the Tribunal. The ITA may appeal this most recent decision of the Tribunal before the Delhi High Court. Based on the foregoing, the Company believes that it is more likely than not that the Company's position will ultimately prevail in respect of these transactions. Accordingly, no reserve has been provided with respect to this matter as of June 30, 2023.

(d) In September 2020, the Indian Parliament approved new labor codes including the Code on Social Security, 2020 (the "Code"), which will impact the Company's contributions to its defined benefit plans for employees based in India. The Code has not yet been made effective and the rules for different states are in the process of being framed. The Company will evaluate the impact of the Code on the Company in its financial statements for the period in which the Code becomes effective and the related rules are published.

25. Restructuring

The Company has implemented a flexible, hybrid global delivery model in line with the Company's long-term strategy that incorporates a mix of offshore, onshore, near shore, and remote working. As a result, the Company determined that certain leases and employee roles were no longer needed.

Accordingly, in the second quarter of 2022, the Company recorded a $38,815 restructuring charge relating to the abandonment of leased office premises and an employee severance charge. Of the total charge of $38,815, $21,684 was a non-cash charge (including $1,377 related to writing down of certain property, plant and equipment) recorded as other operating expense, which pertains to the abandonment of various leased office premises. The Company also recorded a severance charge of $17,131 included in cost of revenue and selling, general and administrative expenses. The Company had sought out one or more third parties to sublease certain office premises from the Company, wherever applicable, instead of abandoning them. However, the Company has not been successful in such attempts, and the Company believes it is unlikely that it will be able to sublease such premises in the foreseeable future.

In the second quarter of 2023, the Company successfully terminated a lease agreement involving leased premises that were abandoned as part of the 2022 restructuring described above. Accordingly, effective upon the lease termination date, the Company recorded a gain in other operating (income) expense of $4,874.

26. Subsequent events

Dividend

On July 13, 2023, the Company announced that its Board of Directors has declared a dividend for the third quarter of 2023 of $0.1375 per common share, which is payable on September 26, 2023 to shareholders of record as of the close of business on September 8, 2023. The declaration of any future dividends will be at the discretion of the Board of Directors and subject to Bermuda and other applicable laws.

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

The following discussion and analysis is meant to provide material information relevant to an assessment of the financial condition and results of operations of our company, including an evaluation of the amounts and uncertainties of cash flows from operations and from outside sources, so as to allow investors to better view our company from management's perspective. 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, 2022 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, 2022. 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 and our Annual Report on Form 10-K for the year ended December 31, 2022.

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 II, Item 1A—"Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 and Part I, Item 1A—"Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022. Many of the risks, uncertainties and other factors identified below have been, and may continue to be, amplified by the COVID-19 pandemic.

Forward-looking statements we may make 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, and heightened economic uncertainty and geopolitical tensions;
- expected spending by existing and prospective clients on the types of services we provide;
- 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 effectively price our services and maintain our pricing and employee and asset utilization rates;

- deterioration in the global economic environment and its impact on our clients, including the bankruptcy of our clients;
- technological innovation, including AI technology and future uses of generative AI and large language models, and our ability to invest in new technologies and adapt to industry developments at sufficient speed and scale;
- increases in wages in locations where we have operations;
- our ability to hire and retain enough qualified employees to support our operations;
- general inflationary pressures and our ability to share increased costs with our clients;
- our ability to develop and successfully execute our business strategies;
- our ability to comply with data protection laws and regulations and to maintain the security and confidentiality of personal and other sensitive data of our clients, employees or others;
- telecommunications or technology disruptions or breaches, natural or other disasters, or medical epidemics or pandemics, including the COVID-19 pandemic;
- our dependence on favorable policies and tax laws that may be changed or amended in a manner adverse to us or be unavailable to us in the future, including as a result of tax policy changes in India, and our ability to effectively execute our tax planning strategies;
- 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 and high tech industries;
- the ongoing conflict between Russia and Ukraine, including any escalation in the conflict, and future actions that may be taken by the United States and other countries in response;
- our ability to successfully consummate or integrate strategic acquisitions or execute divestitures;
- our ability to attract and retain clients and to develop and maintain client relationships on attractive terms;
- our ability to service our defined contribution and benefit plan payment obligations;
- clarification as to the possible retrospective application of a judicial pronouncement in India regarding our defined contribution and benefit plan payment obligations;
- our relationship with the General Electric Company, or GE, and our ability to maintain relationships with former GE businesses;
- financing terms, including the Secured Overnight Financing Rate ("SOFR") and changes to our credit ratings;
- our ability to meet our corporate funding needs, pay dividends and service debt, including our ability to comply with the restrictions that apply to our indebtedness that may limit our business activities and investment opportunities;
- our ability to successfully implement our new enterprise resource planning system;
- our ability to grow our business and effectively manage growth and international operations while maintaining effective internal controls;
- restrictions on visas for our employees traveling to North America and Europe;
- fluctuations in currency exchange rates between the currencies in which we transact business;
- our ability to retain senior management;

- the selling cycle for our client relationships;
- legislation in the United States or elsewhere that restricts or adversely affects demand for our services offshore;
- increasing competition in our industry;
- our ability to protect our intellectual property and the intellectual property of others;
- regulatory, legislative and judicial developments, including the withdrawal of governmental fiscal incentives;
- the international nature of our business;
- our ability to derive revenues from new service offerings; and
- unionization of any of our employees.

Although we believe the expectations reflected in the 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 Securities and Exchange Commission (the “SEC”).

Macroeconomic environment

Our results of operations are affected by economic conditions, including macroeconomic conditions, the overall inflationary environment and levels of business confidence. In the second quarter of 2023, there was continued economic and geopolitical uncertainty in many markets around the world, including with respect to wage inflation, the possibility of slowing global economic growth and increased volatility in foreign currency exchange rates, which impacted and may continue to impact our business.

The ongoing conflict between Russia and Ukraine and actions taken by the United States and other countries in response thereto, including the imposition of sanctions, have contributed to supply chain disruption and inflation, regional instability and geopolitical tensions. While we do not have any operations in Russia or Ukraine, it is difficult to anticipate the future impacts of any of the foregoing on our business or our clients’ businesses. To date, we do not believe Russia’s ongoing military action in Ukraine and governmental actions in response thereto have had a material impact on our business, financial position or operations, but we continue to monitor the situation closely.

For additional information about the risks we face in relation to Russia's invasion of Ukraine, see Part I, Item 1A—“Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022.

Overview

We are a global professional services firm that makes business transformation real. We drive digital-led innovation and run digitally-enabled intelligent operations for our clients, guided by our experience running thousands of processes for hundreds of Fortune Global 500 clients. We have over 121,000 employees serving clients in key industry verticals from more than 35 countries. Our registered office is located at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

In the quarter ended June 30, 2023, we recorded net revenues of $1,105.5 million, of which $500.7 million, or 45.3%, was from Data-Tech-AI services, with the remaining $604.8 million, or 54.7%, from Digital Operations services.

Certain Acquisitions

On December 31, 2021, we acquired 100% of the outstanding equity/limited liability company interests in Hoodoo Digital, LLC, a Utah limited liability company, for total purchase consideration of $66.7 million. This amount represents cash consideration of $64.4 million, net of cash acquired of $2.3 million. This acquisition furthered our strategy to fuse experience and process innovation to help clients drive end-to-end digital transformation. Hoodoo's expertise with Adobe Experience Manager and other Adobe applications complements our existing end-to-end client solution that seamlessly integrates digital content, e-commerce, data analytics, and marketing operations. Goodwill arising from the acquisition amounting to $46.0 million has been allocated among our three reporting units as follows: Financial Services in the amount of $4.3 million, Consumer and Healthcare in the amount of $7.3 million and High Tech and Manufacturing in the amount of $34.4 million, using a relative fair value allocation method. Goodwill arising from this acquisition is deductible for income tax purposes and represents primarily the acquired capabilities and other benefits expected to result from combining the acquired operations with our existing operations.

Critical Accounting Policies and Estimates

For a description of our critical accounting policies and estimates, see Note 2—"Summary of significant accounting policies" under Part I, Item 1—"Unaudited Consolidated Financial Statements" above, as well as 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, 2022. There have been no material changes to our critical accounting policies and estimates during the six months ended June 30, 2023 from those described in our Annual Report on Form 10-K for the year ended December 31, 2022.

Due to rounding, the numbers presented in the tables included in this "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations" may not add up precisely to the totals provided.

Results of Operations

The following table sets forth certain data from our consolidated statements of income for the three and six months ended June 30, 2022 and 2023.

	Three months ended June 30,		Six months ended June 30,		Percentage Change Increase/(Decrease)	
	2022	2023	2022	2023	Three months ended June 30, 2023 vs. 2022	Six months ended June 30, 2023 vs. 2022
	(dollars in millions)					
Data-Tech-AI	$ 488.5	$ 500.7	$ 955.3	986.0	2.5 %	3.2 %
Digital Operations	600.6	604.8	1,202.3	1,208.9	0.7 %	0.5 %
Net revenues	**$ 1,089.1**	**$ 1,105.5**	**$2,157.6**	**$2,194.8**	**1.5 %**	**1.7 %**
Cost of revenue	714.3	715.5	1,400.2	1,434.6	0.2 %	2.5 %
Gross profit	**374.9**	**390.0**	**757.4**	**760.3**	**4.0 %**	**0.4 %**
Gross profit margin	**34.4 %**	**35.3 %**	**35.1 %**	**34.6 %**		
Operating expenses						
Selling, general and administrative expenses	233.1	229.4	470.4	445.9	(1.6) %	(5.2) %
Amortization of acquired intangible assets	10.9	8.3	22.2	16.5	(24.2) %	(25.6) %
Other operating (income) expense, net	21.2	(5.0)	21.2	(4.6)	(123.4) %	(121.6) %
Income from operations	**109.7**	**157.3**	**243.6**	**302.4**	**43.4 %**	**24.2 %**
Income from operations as a percentage of net revenues	**10.1 %**	**14.2 %**	**11.3 %**	**13.8 %**		
Foreign exchange gains (losses), net	1.1	1.8	5.4	0.7	54.4 %	(86.7) %
Interest income (expense), net	(11.2)	(12.1)	(23.3)	(21.8)	8.3 %	(6.6) %
Other income (expense), net	(4.3)	3.4	(4.7)	7.5	(180.4) %	(259.7) %
Income before income tax expense	**95.4**	**150.4**	**221.0**	**288.8**	**57.7 %**	**30.7 %**
Income tax expense	23.7	34.1	53.2	66.5	44.0 %	25.0 %
Net income	**$ 71.7**	**$ 116.3**	**$ 167.8**	**$ 222.4**	**62.2 %**	**32.5 %**
Net income as a percentage of net revenues	**6.6 %**	**10.5 %**	**7.8 %**	**10.1 %**		

***Three Months Ended June 30,* 2023 *Compared to the Three Months Ended June 30,* 2022**

Net revenues. Our net revenues were $1,105.5 million in the second quarter of 2023, up $16.4 million, or 1.5%, from $1,089.1 million in the second quarter of 2022.

Adjusted for foreign exchange, primarily the impact of changes in the values of the Japanese yen, Australian dollar, euro, Indian rupee and U.K. pound sterling against the U.S. dollar, our net revenues grew 2.7% in the second quarter of 2023 compared to the second quarter of 2022 on a constant currency[1] basis. We provide information about our revenue growth on a constant currency[1] 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[1] basis are calculated by restating current-period activity using the prior fiscal period's foreign currency exchange rates and adjusted for hedging gains/losses.

Our average headcount increased by 5.0% to approximately 120,000 in the second quarter of 2023 from approximately 114,300 in the second quarter of 2022.

	Three months ended June 30,		Percentage Change Increase/(Decrease)
	2022	2023	2023 vs. 2022
	(dollars in millions)		
Data-Tech-AI	$ 488.5	$ 500.7	2.5 %
Digital Operations	600.6	604.8	0.7 %
Net revenues	**$ 1,089.1**	**$ 1,105.5**	**1.5 %**

Net revenues from Data-Tech-AI services in the second quarter of 2023 were $500.7 million, up $12.2 million, or 2.5%, from $488.5 million in the second quarter of 2022. This increase was largely driven by demand for supply chain solutions as well as increased revenue from automating core client finance and accounting processes in the second quarter of 2023 compared to the second quarter of 2022.

Net revenues from Digital Operations services in the second quarter of 2023 were $604.8 million, up $4.2 million, or 0.7%, from $600.6 million in the second quarter of 2022, primarily due to continued ramp-ups of existing client relationships as well as recently signed client deals, partially offset by a reduction in deal scope for a large client in the High Tech and Manufacturing segment.

Revenues by segment were as follows:

	Three months ended June 30,		Percentage Change Increase/(Decrease)
	2022	2023	2023 vs. 2022
	(dollars in millions)		
Financial Services	$ 288.6	$ 301.4	4.5 %
Consumer and Healthcare	400.8	394.9	(1.5) %
High Tech and Manufacturing	399.8	409.2	2.3 %
Net revenue	**1,089.1**	**1,105.5**	**1.5 %**
Business held for sale	(4.9)	—	NM*
Net revenues (excluding business held for sale)	**$ 1,084.2**	**$ 1,105.5**	**2.0 %**

**Not Meaningful*

[1] Revenue growth on a constant currency basis is a non-GAAP measure and is calculated by restating current-period activity using the prior fiscal period's foreign currency exchange rates adjusted for hedging gains/losses in such period.

Net revenues from our Financial Services segment increased by 4.5% in the second quarter of 2023 compared to the second quarter of 2022, largely due to the ramp-up of services for insurance clients and continued strong demand for our digital solutions, partially offset by a reduction in discretionary project spending by existing clients. Net revenues from our Consumer and Healthcare segment decreased by 1.5% in the second quarter of 2023 compared to the second quarter of 2022, largely driven by the impact of lengthening deal cycles in the second quarter of 2023 as well as our recent divestiture of the business that was previously classified as held for sale, partially offset by demand for our technology-enabled finance and accounting process improvement solutions. Net revenues from our High Tech and Manufacturing segment increased by 2.3% in the second quarter of 2023 compared to the second quarter of 2022, largely driven by supply chain engagements and ramp-ups of recently signed client deals, partially offset by a reduction in deal scope for a large client. Net revenues from "Business held for sale" in the table above represents revenues from the business previously classified as held for sale with effect from April 1, 2022 as part of a series of strategic actions we took in 2022 to focus our business on the areas where we see the greatest opportunities for growth and to deprioritize assets that no longer fit with our long-term strategy. The sale of the business previously classified as held for sale was completed in the first quarter of 2023. For additional information, see Note 8 “Assets and liabilities held for sale” under Part I, Item 1—“Unaudited Consolidated Financial Statements” above.

With effect from January 1, 2023, we have modified the items that are allocated to our reportable segments for the purpose of evaluating segment performance, and we now allocate by segment certain foreign exchange gains/(losses) (to the extent included in income from operations) and unallocated resource costs. Segment results after such allocation are reviewed by the Chief Operating Decision Maker ("CODM") to evaluate segment performance. Prior to January 1, 2023, the CODM evaluated the performance of reportable segment revenue after excluding these items, which were previously included under "Others." Accordingly, we have recast the segment revenue of our reportable segments for the three months ended June 30, 2022 to present comparable segment information. For additional information, see Note 19—“Segment reporting” under Part I, Item 1—“Unaudited Consolidated Financial Statements” above.

Cost of revenue. Cost of revenue was $715.5 million in the second quarter of 2023, up $1.2 million, or 0.2%, from $714.3 million in the second quarter of 2022. The increase in cost of revenue in the second quarter of 2023 compared to the second quarter of 2022 was primarily due to (i) an increase in our operational headcount to support revenue growth and (ii) wage inflation. This increase was largely offset by (i) lower consulting expenses, (ii) lower depreciation and amortization expense and (iii) an employee severance charge taken as part of our restructuring recorded in the second quarter of 2022, while no corresponding charge was recorded in the second quarter of 2023. For additional information, see Note 25—“Restructuring” under Part I, Item 1—“Unaudited Consolidated Financial Statements” above.

Gross margin. Our gross margin increased from 34.4% in the second quarter of 2022 to 35.3% in the second quarter of 2023. The increase in gross margin was primarily due to the year-over-year impact of an employee severance charge taken as part of our restructuring in 2022 as well as the favorable impact of foreign exchange and a more profitable revenue mix compared to the second quarter of 2022. We also recorded a loss on the business previously classified as held for sale in cost of revenue in the second quarter of 2022, while no corresponding charge was recorded in the second quarter of 2023.

Selling, general and administrative (SG&A) expenses. SG&A expenses as a percentage of total net revenues decreased from 21.4% in the second quarter of 2022 to 20.8% in the second quarter of 2023. SG&A expenses were $229.4 million in the second quarter of 2023, down $3.7 million, or (1.6)%, from $233.1 million in the second quarter of 2022. The decrease in SG&A expenses was primarily due to an employee severance charge recorded in the second quarter of 2022 as part of our restructuring, while no corresponding charge was recorded in the second quarter of 2023, partially offset by an increase in our sales and marketing spend and travel related expenses in the second quarter of 2023 compared to the second quarter of 2022.

Amortization of acquired intangibles. Amortization of acquired intangibles was $8.3 million in the second quarter of 2023, down $2.6 million, or 24.2%, from $10.9 million in the second quarter of 2022. This decrease was primarily due to the completion of useful lives of intangibles acquired in prior periods.

Other operating (income) expense, net. Other operating income (net of expense) was $5.0 million in the second quarter of 2023, compared to other operating expense (net of income) of $21.2 million in the second quarter of 2022. The $26.2 million increase in other operating income/expense was primarily due to a charge of $20.3 million related to the abandonment of various office premises and an impairment charge of $1.4 million related to tangible assets, both of which were taken as part of the restructuring in the second quarter of 2022, while no such charge was recorded in the second quarter of 2023. The increase also reflects the impact of a gain recorded in the second quarter of 2023 upon the successful termination of a lease that was abandoned as part of the restructuring in the second quarter of 2022, while no corresponding gain was recorded in the second quarter of 2022.

Income from operations. As a result of the foregoing factors, income from operations as a percentage of total net revenues increased from 10.1% in the second quarter of 2022 to 14.2% in the second quarter of 2023. Income from operations increased by $47.6 million from $109.7 million in the second quarter of 2022 to $157.3 million in the second quarter of 2023, primarily due to the restructuring in the second quarter of 2022 discussed above.

Foreign exchange gains (losses), net. We recorded a net foreign exchange gain of $1.8 million in the second quarter of 2023 compared to a net foreign exchange gain of $1.1 million in the second quarter of 2022. The gain in the second quarter of 2023 resulted primarily from gains on fair value hedges, partially offset by losses on remeasurement resulting from the appreciation of the Indian rupee against the U.S. dollar during the second quarter of 2023. The gain in the second quarter of 2022 resulted primarily from the depreciation of the Indian rupee against the U.S. dollar.

Interest income (expense), net. Our interest expense (net of interest income) was $12.1 million in the second quarter of 2023, up $0.9 million from $11.2 million in the second quarter of 2022, primarily due to a $3.7 million increase in interest expense, partially offset by a $2.8 million increase in interest income. Our interest income increased from $0.7 million in the second quarter of 2022 to $3.5 million in the second quarter of 2023, primarily due to higher interest rates on our deposits in the second quarter of 2023 compared to the second quarter of 2022. The increase in interest expense was largely due to (i) a higher average benchmark-based rate on our revolving credit facility and term loan, partially offset by lower drawdown of our revolving credit facility, and higher gains on interest rate swaps entered into to hedge interest rate exposure on our term loan in the second quarter of 2023 compared to the second quarter of 2022, which we discuss in the section titled “Liquidity and Capital Resources—Financial Condition” below, and (ii) higher interest expense related to receivables sold under our revolving accounts receivable-based facilities in the second quarter of 2023. The weighted average rate of interest on our debt, including the net impact of interest rate swaps, increased from 2.7% in the second quarter of 2022 to 3.3% in the second quarter of 2023.

Other income (expense), net. Our other income (net of expense) was $3.4 million in the second quarter of 2023 compared to other expense (net of income) of $4.3 million in the second quarter of 2022. This change was primarily due to gains on changes in the fair value of assets in our deferred compensation plan in the second quarter of 2023 compared to losses in the second quarter of 2022.

Income tax expense. Our income tax expense was $34.1 million in the second quarter of 2023, up from $23.7 million in the second quarter of 2022, due to higher pre-tax income, representing an effective tax rate (“ETR”) of 22.7% in the second quarter of 2023, down from 24.8% in the second quarter of 2022. The decrease in our ETR was primarily due to increased discrete benefits recorded in the second quarter of 2023 compared to second quarter of 2022.

Net income. As a result of the foregoing factors, net income as a percentage of total net revenues was 10.5% in the second quarter of 2023, up from 6.6% in the second quarter of 2022. Net income increased from $71.7 million in the second quarter of 2022 to $116.3 million in the second quarter of 2023, primarily due to higher income from operations and other income in the second quarter of 2023 compared to the second quarter of 2022. This increase was partially offset by higher income tax expense in the second quarter of 2023 compared to the second quarter of 2022.

Adjusted income from operations. Adjusted income from operations (“AOI”) increased by $3.2 million from $182.8 million in the second quarter of 2022 to $186.0 million in the second quarter of 2023. Our AOI margin decreased from 16.9% in the second quarter of 2022 to 16.8% in the second quarter of 2023, largely due to investment activity related to resources for new large deals in the second quarter of 2023 compared to the second quarter of 2022.

AOI is a non-GAAP measure and is not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. We believe that presenting AOI together with our reported results can provide useful supplemental information to our investors and management regarding financial and business trends relating to our financial condition and results of operations. A limitation of using AOI versus net income calculated in accordance with GAAP is that AOI excludes certain recurring costs and certain other charges, namely stock-based compensation and amortization of acquired intangibles. We compensate for this limitation by providing specific information on the GAAP amounts excluded from AOI.

We calculate AOI as net income, excluding (i) stock-based compensation, (ii) amortization and impairment of acquired intangible assets, (iii) acquisition-related expenses excluded in the period in which an acquisition is consummated, (iv) foreign exchange (gains)/losses, (v) any loss or gain from businesses held for sale, including impairment charges, (vi) restructuring (income) expense, (vii) interest (income) expense, and (viii) income tax expense, as we believe that our results after taking into account these adjustments more accurately reflect our ongoing operations. For additional information, see Note 19—“Segment reporting” under Part I, Item 1—“Unaudited Consolidated Financial Statements” above.

During the second quarter of 2022, we carried out certain restructuring activities in line with our long-term strategy to implement a flexible, hybrid global delivery model that incorporates a mix of offshore, onshore, near-shore, and remote working. As a result, we determined that certain leases and employee roles were unnecessary. Accordingly, we took a restructuring charge of $38.8 million, which was excluded from AOI in the second quarter of 2022. No corresponding charge was recorded in the second quarter of 2023. For additional information, see Note 25—"Restructuring" under Part I, Item 1—"Unaudited Consolidated Financial Statements" above.

During the second quarter of 2022, management approved a plan to divest a business that was a part of our Consumer and Healthcare segment, which divestiture was completed in the first quarter of 2023. As a result, we classified the assets and liabilities of this business as held for sale and have recorded net revenues and an operating loss of $4.9 million and $7.2 million, respectively, for the second quarter of 2022. The sale of the business previously classified as held for sale was completed in the first quarter of 2023. Accordingly, there was no revenue or operating loss from the business previously classified as held for sale in the second quarter of 2023. For additional information, see Note 8— "Assets and liabilities held for sale" and Note 19—"Segment reporting" under Part I, Item 1—"Unaudited Consolidated Financial Statements" above.

The following table shows the reconciliation of AOI to net income, the most directly comparable GAAP measure, for the three months ended June 30, 2022 and 2023:

	Three months ended June 30,	
	2022	**2023**
	(dollars in millions)	
Net income	$ 71.7	$ 116.3
Foreign exchange (gains) losses, net	(1.1)	(1.8)
Interest (income) expense, net	11.2	12.1
Income tax expense	23.7	34.1
Stock-based compensation	20.4	21.8
Amortization and impairment of acquired intangible assets	10.9	8.3
Restructuring (income) expense	38.8	(4.9)
Operating loss from the business classified as held for sale	7.2	—
Adjusted income from operations	**$ 182.8**	**$ 186.0**

The following table sets forth our AOI by segment for the three months ended June 30, 2022 and 2023:

	Three months ended June 30,		Percentage Change Increase/(Decrease)
	2022	**2023**	**2023 vs. 2022**
	(dollars in millions)		
Financial Services	$ 40.3	$ 46.7	15.9 %
Consumer and Healthcare	60.3	59.0	(2.2) %
High Tech and Manufacturing	75.2	69.6	(7.4) %
Total reportable segment	**175.8**	**175.3**	**(0.3)%**
Others	(0.2)	10.7	NM*
Total	**175.6**	**186.0**	**5.9 %**
Operating loss from the business classified as held for sale	7.2	—	NM*
Adjusted income from operations	**182.8**	**186.0**	**1.7 %**

*****Not Meaningful*

AOI of our Financial Services segment increased to $46.7 million in the second quarter of 2023 from $40.3 million in the second quarter of 2022, primarily due to higher revenues, improved efficiency and an additional benefit from the allocation of foreign currency gains. AOI of our Consumer and Healthcare segment decreased to $59.0 million in the second quarter of 2023 from $60.3 million in the second quarter of 2022, largely due to lower revenues and increased investments made in additional resources for new deals in the second quarter of 2023 compared to the second quarter of 2022, partially offset by an additional benefit from the allocation of foreign currency gains. AOI of our High Tech and

Manufacturing segment decreased to $69.6 million in the second quarter of 2023 from $75.2 million in the second quarter of 2022, primarily driven by lower revenue from digital operations services and increased investments made in certain client deals, partially offset by improved efficiency and an additional benefit from the allocation of foreign currency gains. With effect from January 1, 2023, we modified the items that are allocated to our reportable segments for the purpose of evaluating segment performance, and we now allocate by segment certain foreign exchange gains/(losses) (to the extent included in income from operations) and unallocated resource costs. Segment results after such allocation are reviewed by the CODM to evaluate segment performance.

Prior to January 1, 2023, the CODM evaluated the performance of reportable segment adjusted income from operations after excluding these items, which were previously included under "Others." Accordingly, we have recast the segment adjusted income from operations of our reportable segments for the three months ended June 30, 2022 to present comparable segment information. AOI for “Others” in the table above primarily represents the impact of certain under or over-absorption of overhead, and allowance for credit losses, which are not allocated to our segments for management’s internal reporting purposes. See Note 19—“Segment reporting” and Note 8—"Assets and liabilities held for sale" under Part I, Item 1— “Unaudited Consolidated Financial Statements” above.

Six months ended June 30, 2023 Compared to the Six months ended June 30, 2022

Net revenues. Our net revenues were $2,194.8 million in the first half of 2023, up $37.3 million, or 1.7%, from $2,157.6 million in the first half of 2022. The growth in our net revenues was primarily driven from demand for our Data-Tech-AI services.

Adjusted for foreign exchange, primarily the impact of changes in the values of the Japanese yen, Australian dollar, euro, Indian rupee and U.K. pound sterling against the U.S. dollar, our net revenues grew 3.3% in the first half of 2023 compared to the first half of 2022 on a constant currency[2] basis. Revenue growth on a constant currency basis is a non-GAAP measure. We provide information about our revenue growth on a constant currency[2] 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[2] basis are calculated by restating current-period activity using the prior fiscal period's foreign currency exchange rates and adjusted for hedging gains/losses.

Our average headcount increased by 4.9% to approximately 119,500 in the first half of 2023 from approximately 113,900 in the first half of 2022.

	Six months ended June 30,		Percentage Change Increase/(Decrease)
	2022	2023	2023 vs. 2022
	(dollars in millions)		
Data-Tech-AI	$ 955.3	986.0	3.2 %
Digital Operations	1,202.3	1,208.9	0.5 %
Total net revenues	**$ 2,157.6**	**$ 2,194.8**	**1.7 %**

Net revenues from Data-Tech-AI services in the first half of 2023 were 986.0 million, up $30.7 million, or 3.2%, from $955.3 million in the first half of 2022. This increase was largely driven by growth in our supply chain management and sales and commercial services as well as an increase in revenue from automating core client finance and accounting processes in the first half of 2023 compared to the first half of 2022.

Net revenues from Digital Operations services in the first half of 2023 were $1,208.9 million, up $6.6 million, or 0.5%, from $1,202.3 million in the first half of 2022, primarily due to continued ramp-ups from existing relationships as well as recently signed client deals.

Revenues by segment were as follows:

	Six months ended June 30,		Percentage Change Increase/(Decrease)
	2022	2023	2023 vs. 2022
	(dollars in millions)		
Financial Services	563.0	599.9	6.6 %
Consumer and Healthcare	802.4	780.5	(2.7) %
High Tech and Manufacturing	792.2	814.4	2.8 %
Net revenues	**2,157.6**	**2,194.8**	**1.7 %**
Business held for sale	(4.9)	(0.5)	(90.0) %
Net revenues (excluding business held for sale)	**$ 2,152.7**	**$ 2,194.4**	**1.9 %**

[2] Revenue growth on a constant currency basis is a non-GAAP measure and is calculated by restating current-period activity using the prior fiscal period's foreign currency exchange rates adjusted for hedging gains/losses in such period.

Net revenues from our Financial Services segment increased by 6.6% in the first half of 2023 compared to the first half of 2022, largely due to continued demand for our risk management services, which leverage data and analytics, as well as our digital solutions involving automation of back-office processes, partially offset by an incremental decline in client spending on short-cycle, discretionary technology projects. Net revenues from our Consumer and Healthcare segment decreased by 2.7% in the first half of 2023 compared to the first half of 2022, largely driven by lengthening large deal cycles during the second half of 2022, lower Data-Tech-AI services revenue and the impact of our recent divestiture of the business that was previously classified as held for sale. Net revenues from our High Tech and Manufacturing segment increased by 2.8% in the first half of 2023 compared to the first half of 2022, largely driven by continued ramp-ups of existing client relationships as well as recently signed client deals and client demand for our sales and commercial and supply chain management engagements, partially offset by a change in the deal scope for a large client in the High-Tech vertical. Net revenues from "Business held for sale" in the table above represent revenues from a business previously classified as held for sale with effect from April 1, 2022 as part of a series of actions we took in 2022 to focus our business on emerging solutions where we see the greatest opportunities for growth and to deprioritize assets that no longer fit with our long-term strategy. The sale of the business previously classified as held for sale was completed in the first quarter of 2023. For additional information, see Note 8—“Assets and liabilities held for sale” and Note 19—“Segment reporting” under Part I, Item 1—“Unaudited Consolidated Financial Statements” above.

With effect from January 1, 2023, we have modified the items that are allocated to the Company's reportable segments for the purpose of evaluating segment performance, and we now allocate by segment certain foreign exchange gains/(losses) (to the extent included in income from operations) and unallocated resource costs. Segment results after such allocation are reviewed by the Chief Operating Decision Maker ("CODM") to evaluate segment performance. Prior to January 1, 2023, the CODM evaluated the performance of reportable segment revenue after excluding these items, which were previously included under "Others." Accordingly, we have recast the segment revenue of our reportable segments for the first half of 2022 to present comparable segment information. For additional information, see Note 19—“Segment reporting” under Part I, Item 1—“Unaudited Consolidated Financial Statements” above.

Cost of revenue. Cost of revenue was $1,434.6 million in the first half of 2023, up $34.3 million, or 2.5%, from $1,400.2 million in the first half of 2022. The increase in our cost of revenue in the first half of 2023 compared to the first half of 2022 was primarily due to (i) an increase in our operational headcount to support revenue growth, (ii) higher talent replacement costs as well as wage inflation, (iii) severance costs related to workforce reductions driven by lower expected levels of discretionary work, and (iv) higher travel related expenses in the first half of 2023 compared to the first half of 2022. This increase was partially offset by a decrease in depreciation and amortization, infrastructure expenses and consulting expenses. For additional information, see Note 25—“Restructuring” under Part I, Item 1—“Unaudited Consolidated Financial Statements” above.

Gross margin. Our gross margin decreased from 35.1% in the first half of 2022 to 34.6% in the first half of 2023. The decrease in gross margin was primarily due to higher talent replacement costs, higher wage inflation, higher-than-normal severance costs and higher travel related expenses in the first half of 2023 compared to the first half of 2022. This increase in costs was partially offset by lower depreciation and amortization expense, the favorable impact of foreign currency exchange rates and a loss on the business previously classified as held for sale recorded in the first half of 2022, while no corresponding charge was recorded in the first half of 2023.

Selling, general and administrative (SG&A) expenses. SG&A expenses as a percentage of total net revenues decreased from 21.8% in the first half of 2022 to 20.3% in the first half of 2023. SG&A expenses were $445.9 million in the first half of 2023, down $24.5 million, from $470.4 million in the first half of 2022. The decrease in SG&A expenses was primarily due to the timing of investments that will ramp up throughout the remainder of the year, the impact of the divestiture of the business we previously classified as held for sale, an employee severance charge as part of our restructuring recorded in the first half of 2022, while no corresponding charge was recorded in the first half of 2023, and overall G&A leverage in the first half of 2023 compared to the first half of 2022, partially offset by an increase in travel related expenses.

Amortization of acquired intangibles. Amortization of acquired intangibles was $16.5 million in the first half of 2023, down $5.7 million, or 25.6%, from the first half of 2022. This decrease was primarily due to the completion of useful lives of intangibles acquired in prior periods.

Other operating (income) expense, net. Other operating income (net of expense) was $4.6 million in the first half of 2023 compared to other operating expense (net of income) of $21.2 million in the first half of 2022. The $25.8 million increase in other operating expense/income was due to a charge of $20.3 million related to the abandonment of various office premises and an impairment charge of $1.4 million related to tangible assets, both of which were taken as part of a restructuring charge in the first half of 2022 with no corresponding charges recorded in the first half of 2023, and a gain on the termination of an abandoned lease in the first half of 2023 with no corresponding gain recorded in the first half of 2022. For additional information, see Note 25—"Restructuring" under Part I, Item 1—"Unaudited Consolidated Financial Statements" above.

Income from operations. As a result of the foregoing factors, income from operations as a percentage of total net revenues increased from 11.3% in the first half of 2022 to 13.8% in the first half of 2023. Income from operations increased by $58.9 million from $243.6 million in the first half of 2022 to $302.4 million in the first half of 2023, primarily due to lower SG&A expenses, lower amortization of acquired intangible assets and the impact in the second quarter of 2022 of a restructuring charge as discussed above. For additional information, see Note 25—"Restructuring" under Part I, Item 1—"Unaudited Consolidated Financial Statements" above.

Foreign exchange gains (losses), net. We recorded a net foreign exchange gain of $0.7 million in the first half of 2023 compared to the net foreign exchange gain of $5.4 million in the first half of 2022. The gain in the first half of 2023 resulted primarily from gains on fair value hedges, partially offset by losses on remeasurement resulting from the appreciation of the Indian rupee against the U.S. dollar during the first half of 2023. The gain in the first half of 2022 resulted primarily from the depreciation of the Indian rupee against the U.S. dollar.

Interest income (expense), net. Our interest expense (net of interest income) was $21.8 million in the first half of 2023, down $1.5 million from $23.3 million in the first half of 2022, primarily due to a $5.8 million increase in interest income, partially offset by a $4.3 million increase in interest expense. Our interest income increased from $2.6 million in the first half of 2022 to $8.4 million in the first half of 2023 due to higher interest rates on our deposits in the first half of 2023 compared to the first half of 2022. The increase in interest expense was largely due to (i) higher drawdown of our revolving credit facility and a higher average benchmark-based rate on our revolving credit facility and term loan, partially offset by higher gains on interest rate swaps taken to hedge interest rate exposure under our term loan in the first half of 2023 compared to the first half of 2022, which we discuss in the section titled "Liquidity and Capital Resources—Financial Condition" below, and (ii) higher interest expense related to receivables sold under our revolving accounts receivable-based facilities in the first half of 2023 compared to the first half of 2022. This increase in interest expense was partially offset by lower interest in the first half of 2023 compared to the first half of 2022 due to the repayment in April 2022 of our $350 million aggregate principal amount of 3.70% senior notes issued in March 2017. The weighted average rate of interest on our debt, including the net impact of interest rate swaps, increased from 2.8% in the first half of 2022 to 3.3% in the first half of 2023.

Other income (expense), net. Our other income (net of expense) was $7.5 million in the first half of 2023 compared to other expense (net of income) of $4.7 million in the first half of 2022. This change was largely attributable to losses on changes in the fair value of assets in our deferred compensation plan in the first half of 2022 compared to gains on changes in the fair value of assets in our deferred compensation plan in the first half of 2023.

Income tax expense. Our income tax expense was $66.5 million in the first half of 2023, up from $53.2 million in the first half of 2022, due to higher pre-tax income, representing an ETR of 23.0% in the first half of 2023, down from 24.1% in the first half of 2022. The decrease in our ETR was primarily due to an increase in discrete benefits recorded in the first half of 2023 compared to the first half of 2022.

Net income. As a result of the foregoing factors, net income as a percentage of total net revenues was 10.1% in the first half of 2023, up from 7.8% in the first half of 2022. Net income increased by $54.5 million from $167.8 million in the first half of 2022 to $222.4 million in the first half of 2023, primarily due to lower SG&A expenses, lower amortization of acquired intangible assets and the impact of the restructuring charge in the first half of 2022 discussed above. For additional information, see Note 25—"Restructuring" under Part I, Item 1—"Unaudited Consolidated Financial Statements" above.

Adjusted income from operations. Adjusted income from operations ("AOI") increased by $22.1 million from $342.8 million in the first half of 2022 to $365.0 million in the first half of 2023. Our AOI margin increased to 16.6% in the first half of 2023 from 15.9% in the first half of 2022, largely due to the timing of our sales and marketing and research and development investments, which we expect to ramp up during the remainder of 2023, as well as general operating leverage. AOI and associated AOI margin for the first half of 2022 included the loss recorded in the first quarter of 2022 on the business classified as held for sale during the first half of 2022, while such loss was excluded from our AOI margin in the first half of 2023. In calculating our AOI margin for the first half of 2022, we adjusted total net revenues to exclude revenues from the business classified as held for sale.

AOI is a non-GAAP measure and is not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. We believe that presenting AOI together with our reported results can provide useful supplemental information to our investors and management regarding financial and business trends relating to our financial condition and results of operations. A limitation of using AOI versus net income calculated in accordance with GAAP is that AOI excludes certain recurring costs and certain other charges, namely stock-based compensation and amortization of acquired intangibles. We compensate for this limitation by providing specific information on the GAAP amounts excluded from AOI.

We calculate AOI as net income, excluding (i) stock-based compensation, (ii) amortization and impairment of acquired intangible assets, (iii) acquisition-related expenses excluded in the period in which an acquisition is consummated, (iv) foreign exchange (gain)/loss, (v) restructuring (income) expense, (vi) any business held for sale, (vii) interest (income) expense, and (viii) income tax expense, as we believe that our results after taking into account these adjustments more accurately reflect our ongoing operations. For additional information, see Note 19—"Segment reporting" under Part I, Item 1—"Unaudited Consolidated Financial Statements" above.

During the first half of 2022, we carried out certain restructuring activities in line with our long-term strategy to implement a flexible, hybrid global delivery model that incorporates a mix of offshore, onshore, near-shore, and remote working. As a result, we determined that certain leases and employee roles were unnecessary. Accordingly, we took a restructuring charge of $38.8 million in the second quarter of 2022, which was excluded from AOI in the first half of 2022. No corresponding charge was recorded in the first half of 2023. For additional information, see Note 25—"Restructuring" under Part I, Item 1—"Unaudited Consolidated Financial Statements" above.

During the first half of 2022, management approved a plan to divest a business within our Consumer and Healthcare segment. We have classified the assets and liabilities of this business as held for sale and have recorded net revenues of $4.9 million and $0.5 million in the first half of 2022 and 2023, respectively, and a loss of $7.2 million and $1.2 million in the first half of 2022 and 2023, respectively. The sale of this business was completed in the first quarter of 2023. For additional information, see Note 19—"Segment reporting" under Part I, Item 1—"Unaudited Consolidated Financial Statements" above.

The following table shows the reconciliation of AOI to net income, the most directly comparable GAAP measure, for the six months ended June 30, 2022 and 2023:

	Six months ended June 30,	
	2022	**2023**
	(dollars in millions)	
Net income	$ 167.8	$ 222.4
Foreign exchange (gains) losses, net	(5.4)	(0.7)
Interest (income) expense, net	23.3	21.8
Income tax expense	53.2	66.5
Stock-based compensation	35.7	41.5
Amortization and impairment of acquired intangible assets	22.2	16.5
Restructuring (income) expense	38.8	(4.9)
Operating loss from the business classified as held for sale	7.2	1.2
Loss on the sale of business classified as held for sale	—	0.8
Adjusted income from operations	**$ 342.8**	**$ 365.1**

The following table sets forth our AOI by segment for the six months ended June 30, 2022 and 2023:

	Six months ended June 30,		Percentage Change Increase/(Decrease)
	2022	2023	2023 vs. 2022
	(dollars in millions)		
Financial Services	66.7	92.3	38.3 %
Consumer and Healthcare	115.6	115.3	(0.3) %
High Tech and Manufacturing	145.3	133.9	(7.8) %
Total reportable segment	**327.6**	**341.5**	**4.2 %**
Others	8.0	22.3	179.3 %
Total	**335.6**	**363.8**	**8.4 %**
Loss relating to business held for sale	7.2	1.2	(83.4) %
Adjusted income from operations	**$ 342.8**	**$ 365.1**	**6.5 %**

AOI of our Financial Services segment increased to $92.3 million in the first half of 2023 from $66.7 million in the first half of 2022, primarily due to higher revenues, improved efficiency and an additional benefit from the allocation of foreign currency gains. Additionally, in the first half of 2022, we made certain investments in additional resources for new deals. AOI of our Consumer and Healthcare segment was largely flat from $115.6 million in the first half of 2022 to $115.3 million in the first half of 2023, primarily due to higher investments in resources, higher talent replacement costs, lower revenues and the impact of wage inflation, largely offset by an additional benefit from the allocation of foreign currency gains and the absence in the first half of 2023 of any loss from the business previously classified as held for sale as was recorded in the first quarter of 2022. AOI of our High Tech and Manufacturing segment decreased from $145.3 million in the first half of 2022 to $133.9 million in the first half of 2023, primarily due to lower revenues from digital operations and investments made in certain client deals, partially offset by an additional benefit from the allocation of foreign currency gains. With effect from January 1, 2023, we modified the items that are allocated to the Company's reportable segments for the purpose of evaluating segment performance, and we now allocate by segment certain foreign exchange gains/(losses) (to the extent included in income from operations) and unallocated resource costs. Segment results after such allocation are reviewed by the CODM to evaluate segment performance.

Prior to January 1, 2023, the CODM evaluated the performance of reportable segment adjusted income from operations after excluding these items, which were previously included under "Others." Accordingly, we have recast the segment adjusted income from operations of our reportable segments for the first half of 2022 to present comparable segment information. AOI for “Others” in the table above primarily represents the adjustment of allowances for credit losses and over- or under-absorption of overheads, none of which is allocated to any individual segment for management's internal reporting purposes. AOI for "Business held for sale" in the table above primarily represents the loss attributable to a business previously classified as held for sale. See Note 8—"Assets and liabilities held for sale" and Note 19—“Segment reporting” under Part I, Item 1— “Unaudited Consolidated Financial Statements” above.

Liquidity and Capital Resources

Overview

Information about our financial position as of December 31, 2022 and June 30, 2023 is presented below:

	As of December 31, 2022	As of June 30, 2023	Percentage Change Increase/(Decrease)
	(dollars in millions)		2023 vs. 2022
Cash and cash equivalents	$ 646.8	$ 491.3	(24.0)%
Short-term borrowings	151.0	103.0	(31.8)%
Long-term debt due within one year	26.1	26.1	— %
Long-term debt other than the current portion	1,249.2	1,236.7	(1.0)%
Genpact Limited total shareholders’ equity	$ 1,826.2	$ 1,932.9	5.8 %

Financial Condition

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

On February 10, 2022, our board of directors approved a 16% increase in our quarterly cash dividend to $0.125 per share, up from $0.1075 per share in 2021, representing an annual dividend of $0.50 per common share, up from $0.43 per share in 2021, payable to holders of our common shares. On March 23, 2022 and June 24, 2022, we paid a dividend of $0.125 per share, amounting to $23.1 and $22.9 million in the aggregate, to shareholders of record as of March 10, 2022 and June 10, 2022, respectively.

On February 9, 2023, our board of directors approved a 10% increase in our quarterly cash dividend to $0.1375 per share, up from $0.125 per share in 2022, representing a planned annual dividend of $0.55 per common share, up from $0.50 per common share in 2022, payable to holders of our common shares. On March 24, 2023 and June 26, 2023, we paid a dividend of $0.1375 per share, amounting to $25.3 and $25.0 million in the aggregate, to shareholders of record as of March 10, 2023 and June 9, 2023, respectively.

As of June 30, 2023, $488.8 million of our $491.3 million in cash and cash equivalents was held by our foreign (non-Bermuda) subsidiaries. $9.1 million of this cash was held by foreign subsidiaries for which we expect to incur and have accrued a deferred tax liability on the repatriation of $9.5 million of retained earnings. $479.7 million of the cash and cash equivalents is held by foreign subsidiaries in jurisdictions where no tax is expected to be imposed upon repatriation of retained earnings or is being indefinitely reinvested.

The total authorization under our existing share repurchase program is $2,250.0 million, of which $474.5 million remained available as of June 30, 2023. Since our share repurchase program was initially authorized in 2015, we have repurchased 55,992,366 of our common shares at an average price of $31.71 per share, for an aggregate purchase price of $1,775.5 million.

During the six months ended June 30, 2023, we repurchased 3,828,084 of our common shares on the open market at a weighted average price of $39.31 per share for an aggregate cash amount of $$150.5 million. During the six months ended June 30, 2022, we repurchased 3,439,952 of our common shares on the open market at a weighted average price of $44.19 per share for an aggregate cash amount of $152.0 million. All repurchased shares have been retired.

For additional information, see Note 17—"Capital stock" under Part I, Item 1—"Unaudited Consolidated Financial Statements" above.

We expect that for the next twelve months and for the foreseeable future our cash from operations, cash reserves and debt capacity will be sufficient to finance our operations, our growth and expansion plans, dividend payments and additional share repurchases we may make under our share repurchase program. In addition, we may raise additional funds through public or private debt or equity financing. Our working capital needs are primarily to finance our payroll and other administrative and information technology expenses in advance of the receipt of accounts receivable. Our primary capital requirements include opening new delivery centers, expanding existing operations to support our growth, financing acquisitions and enhancing capabilities, including building certain digital solutions.

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

	Six months ended June 30,		Percentage Change Increase/(Decrease)
	2022	2023	2023 vs. 2022
	(dollars in millions)		
Net cash provided by/(used for):			
Operating activities	$ (11.9)	$ 137.4	(1,249.8) %
Investing activities	(29.0)	(45.9)	58.2 %
Financing activities	(357.2)	(257.7)	(27.9) %
Net decrease in cash and cash equivalents	**$ (398.2)**	**$ (166.3)**	**(58.2)%**

Cash *flows used for operating activities.* Net cash provided by operating activities was $137.4 million in the six months ended June 30, 2023 compared to net cash used for operating activities of $11.9 million in the six months ended June 30, 2022. This increase in cash provided by operating activities is primarily due to (i) a $54.5 million increase in net income in the six months ended June 30, 2023 compared to the six months ended June 30, 2022 and (ii) a $122.1 million decrease in operating assets and liabilities driven by lower investments in accounts receivable due to improved sequential days sales outstanding in the six months ended June 30, 2023 compared to the six months ended June 30, 2022, lower tax payments (net of refunds) and vendor related payments, partially offset by higher payments for statutory dues and payroll taxes in the six months ended June 30, 2023 compared to the six months ended June 30, 2022. This increase in cash provided by operating activities was partially offset by a $27.2 million reduction in non-cash expense, primarily due to the write-down of operating lease right-of-use assets and other assets as part of our restructuring in the six months ended June 30, 2022 with no corresponding charge recorded in the six months ended June 30, 2023, and lower depreciation and amortization expense, partially offset by an increase in allowance for credit losses and stock-based compensation expense in the six months ended June 30, 2023 compared to the six months ended June 30, 2022.

Cash flows used for investing activities. Our net cash used for investing activities was $45.9 million in the six months ended June 30, 2023 compared to $29.0 million in the six months ended June 30, 2022. Cash used for the divestiture of a business previously classified as held for sale was $19.5 million and cash used for business combinations was $0.7 million in the six months ended June 30, 2023, with no corresponding payments in 2022. Cash used for payments (net of sales proceeds) for the purchase of property, plant and equipment and acquired/internally generated intangible assets was $3.3 million lower in the six months ended June 30, 2023 than in the six months ended June 30, 2022.

Cash flows used for financing activities. Our net cash used for financing activities was $257.7 million in the six months ended June 30, 2023 compared to cash used for financing activities of $357.2 million in the six months ended June 30, 2022. This change was primarily due to (i) lower repayments of borrowings (net of proceeds), amounting to $61.3 million in the six months ended June 30, 2023 compared to $117.0 million in the six months ended June 30, 2022, (ii) higher proceeds from the issuance of common shares under our stock-based compensation plans, amounting to $31.9 million in the six months ended June 30, 2023 compared to $8.4 million in the six months ended June 30, 2022, (iii) lower payments for stock purchased and retired (including payments of expenses and taxes related to stock repurchase activity), amounting to $150.5 million in the six months ended June 30, 2023 compared to $152.1 million in the six months ended June 30, 2022, (iv) lower payments for the net settlement of stock-based awards, amounting to $18.3 million in the six months ended June 30, 2023 compared to $44.5 million in the six months ended June 30, 2022, (v) higher dividend payments amounting to $50.3 million in the six months ended June 30, 2023 compared to $46.1 million in the six months ended June 30, 2022, and (vi) a payment of earn-out consideration amounting to $2.4 million in the six months ended June 30, 2023 with no corresponding payment in the six months ended June 30, 2022.

Financing Arrangements

In December 2022, we entered into an amended and restated credit agreement (the "2022 Credit Agreement") with Genpact USA, Inc. (“Genpact USA”), Genpact Global Holdings (Bermuda) Limited (“GGH”) and Genpact Luxembourg S.à r.l. (“Genpact Luxembourg”, and together with Genpact USA and GGH, the “Borrowers”), as borrowers, Wells Fargo Bank, National Association (“Wells Fargo”), as administrative agent, swingline lender and issuing bank, and the lenders and other parties thereto, which consists of a $530.0 million term loan and a $650.0 million revolving credit facility. An additional third-party fee paid in connection with the 2022 Credit Agreement is being amortized over the term of the term loan and revolving credit facility, which expire on December 13, 2027. In connection with our entry into the 2022 Credit Agreement, we terminated our existing credit facility under our amended and restated credit agreement entered into in August 2018 (the “2018 Credit Agreement”) with the Borrowers, as borrowers, Wells Fargo, as administrative agent, and the lenders and other financial institutions party thereto, which was comprised of a $680.0 million term loan and a $500.0 million revolving credit facility. The 2022 Credit Agreement replaces the 2018 Credit Agreement.

The 2022 Credit Agreement is guaranteed by us and certain of our subsidiaries. The obligations under the 2022 Credit Agreement are unsecured.

The outstanding balance of the term loan under the 2018 Credit Agreement as of the date of the 2022 Credit Agreement was $527.0 million. The term loan and the revolving credit facility under the 2022 Credit Agreement have a term of five years and expire on December 13, 2027. The 2022 Credit Agreement did not result in a substantial modification of $290.9 million of the outstanding term loan under the 2018 Credit Agreement. As a result of the 2022 Credit Agreement, we extinguished $236.1 million of funding arrangements for the outstanding term loan under the 2018 Credit Agreement and obtained funding from new lenders of $239.1 million, resulting in outstanding principal of $530.0 million of the term loan under the 2022 Credit Agreement. In connection with the 2022 Credit Agreement, we expensed $0.1 million, representing partial acceleration of the amortization of the existing unamortized debt issuance costs and an additional fee paid to our lenders related to the term loan under the 2022 Credit Agreement. The overall borrowing capacity under the revolving credit facility under the 2022 Credit Agreement is $650.0 million, an increase from $500.0 million under the 2018 Credit Agreement. In connection with the 2022 Credit Agreement, we expensed $0.1 million relating to existing unamortized debt issuance cost. The remaining unamortized costs and an additional third-party fee paid in connection with the 2022 Credit Agreement will be amortized over the term of the facility, which will expire on December 13, 2027.

Borrowings under the 2022 Credit Agreement bear interest at a rate equal to, at our election, either Adjusted Term SOFR (which is the rate per annum equal to (a) Term SOFR (the forward-looking secured overnight financing rate) plus (b) a Term SOFR Adjustment of 0.10% per annum, but in no case lower than 0.00%) plus an applicable margin equal to 1.375% per annum or a base rate plus an applicable margin equal to 0.375% per annum, in each case subject to adjustment based on the Borrowers' debt ratings provided by Standard & Poor’s Rating Services and Moody’s Investors Service, Inc. from time to time (the "Debt Ratings"). The revolving credit commitments under the 2022 Credit Agreement are subject to a commitment fee equal to 0.20% per annum, subject to adjustment based on the Debt Ratings. The commitment fee accrues on the actual daily amount by which the aggregate revolving commitments exceed the sum of outstanding revolving loans and letter of credit obligations.

The 2022 Credit Agreement restricts certain payments, including dividend payments, if there is an event of default under the 2022 Credit Agreement or if we are not, or after making the payment would not be, in compliance with certain financial covenants contained in the 2022 Credit Agreement. These covenants require us to maintain a net debt to EBITDA leverage ratio of less than 3x and an interest coverage ratio of more than 3x. During the quarter ended June 30, 2023, we were in compliance with the terms of the 2022 Credit Agreement, including all of the financial covenants therein. Our retained earnings are not subject to any restrictions on availability to make dividend payments to shareholders, subject to compliance with the financial covenants described above that are contained in the 2022 Credit Agreement.

As of December 31, 2022 and June 30, 2023, our outstanding term loan, net of debt amortization expense of $1.6 million and $1.4 million, respectively, was $528.4 million and $515.3 million, respectively. 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, 2022 and June 30, 2023, the limits available under such facilities were $22.9 million and $23.7 million, respectively, of which $5.4 million and $9.3 million, respectively, was utilized, constituting non-funded drawdown. As of December 31, 2022 and June 30, 2023, a total of $153.7 million and $105.7 million, respectively, of our revolving credit facility was utilized, of which $151.0 million and $103.0 million, respectively, constituted funded drawdown and $2.7 million and $2.7 million, respectively, constituted non-funded drawdown. Our outstanding term loan and revolving credit facility expire on December 13, 2027.

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 Term SOFR and the floor rate under our term loan and make payments based on a fixed rate. As of June 30, 2023, we were party to interest rate swaps covering a total notional amount of $418 million. Under these swap agreements, the rate that we pay to banks in exchange for Term SOFR ranges between 0.15% and 2.58%.

Genpact Luxembourg issued $400 million aggregate principal amount of 3.375% senior notes in November 2019 (the “2019 Senior Notes”). The 2019 Senior Notes are fully guaranteed by the Company and Genpact USA. The total debt issuance cost of $2.9 million incurred in connection with the 2019 Senior Notes offering is being amortized over the life of the notes as additional interest expense. As of December 31, 2022 and June 30, 2023, the amount outstanding under the 2019 Senior Notes, net of debt amortization expense of $1.1 million and $0.8 million, was $398.9 million and $399.2 million, respectively, which is payable on December 1, 2024.

Genpact Luxembourg and Genpact USA, both wholly-owned subsidiaries of the Company, co-issued $350 million aggregate principal amount of 1.750% senior notes in March 2021 (the "2021 Senior Notes"). The 2021 Senior Notes are fully guaranteed by the Company. The total debt issuance cost of $3.0 million incurred in connection with the 2021 Senior Notes offering is being amortized over the life of the notes as additional interest expense. As of December 31, 2022 and June 30, 2023, the amount outstanding under the 2021 Senior Notes, net of debt amortization expense of $2.0 million and $1.7 million, respectively, was $348.0 million and $348.3 million, respectively, which is payable on April 10, 2026.

We pay interest on (i) the 2019 Senior Notes semi-annually in arrears on June 1 and December 1 of each year, and (ii) the 2021 Senior Notes semi-annually in arrears on April 10 and October 10 of each year, ending on the maturity dates of December 1, 2024 and April 10, 2026, respectively.

For additional information, see Notes 11 and 12—“Short-term borrowings” and “Long-term debt” under Part I, Item 1—“Unaudited Consolidated Financial Statements” above.

We use a revolving accounts receivable-based facility for managing our cash flows. As part of this arrangement, accounts receivable sold under this facility are de-recognized upon sale along with the related allowances, if any. As of December 31, 2022 and June 30, 2023, we have a revolving accounts receivable-based facility of $100.0 million and $75.0 million, respectively, permitting us to sell accounts receivable to banks on a non-recourse basis in the ordinary course of business. The aggregate maximum capacity utilized at any time during the period ended December 31, 2022 and June 30, 2023 was $33.0 million and $45.6 million, respectively. The principal amount outstanding against this facility as of December 31, 2022 and June 30, 2023 was $33.0 million and $45.6 million, respectively. The cost of factoring accounts receivable sold under this facility during the three and six months ended June 30, 2022 and 2023 was $0.1 million and $0.5 million, respectively, and $0.2 million and $0.9 million, respectively.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of foreign exchange contracts. 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, 2022, and Note 6— "Derivative financial instruments" under Part I, Item 1—“Unaudited Consolidated Financial Statements” above.

Other Liquidity and Capital Resources Information

As of December 31, 2022 and June 30, 2023, we have purchase commitments, net of capital advances, of $18.0 million and $12.6 million, respectively, to be paid in respect of such purchases over the next year. For additional information, see Note 24—“Commitments and contingencies” under Part I, Item 1—“Unaudited Consolidated Financial Statements” above and Part II, Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations”—“Other Liquidity and Capital Resources Information” in our Annual Report on Form 10-K for the year ended December 31, 2022.

As of December 31, 2022 and June 30, 2023, we have operating and finance lease commitments of $330.1 million and $287.7 million, respectively, to be paid over the lease terms. For additional information, see Part II, Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations”—“Other Liquidity and Capital Resources Information” in our Annual Report on Form 10-K for the year ended December 31, 2022.

Supplemental Guarantor Financial Information

As discussed in Note 12, “Long-term debt,” under Part I, Item 1—“Unaudited Consolidated Financial Statements” above, Genpact Luxembourg issued the 2019 Senior Notes, and Genpact Luxembourg and Genpact USA co-issued the 2021 Senior Notes. As of June 30, 2023, the outstanding balance for the 2019 Senior Notes and the 2021 Senior Notes (collectively, the "Senior Notes") was $399.2 million and $348.3 million, respectively. Each series of Senior Notes is fully and unconditionally guaranteed by the Company. The 2019 Senior Notes are fully and unconditionally guaranteed by Genpact USA. Our other subsidiaries do not guarantee the Senior Notes (such subsidiaries are referred to as the “non-Guarantors”).

The Company (with respect to both series of Senior Notes) and Genpact USA (with respect to the 2019 Senior Notes) have fully and unconditionally guaranteed (i) that the payment of the principal, premium, if any, and interest on the Senior Notes shall be promptly paid in full when due, whether at stated maturity of the Senior Notes, by acceleration, redemption or otherwise, and that the payment of interest on the overdue principal and interest on the Senior Notes, if any, if lawful, and all other obligations of the applicable issuer or issuers of the Senior Notes, respectively, to the holders of the Senior Notes or the trustee under the Senior Notes shall be promptly paid in full or performed, and (ii) in case of any extension of time of payment or renewal of any Senior Notes or any of such other obligations, that the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. With respect to the 2019 Senior Notes, failing payment by Genpact Luxembourg when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Company and Genpact USA shall be obligated to pay the same immediately. With respect to the 2021 Senior Notes, failing payment by Genpact Luxembourg or Genpact USA when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Company shall be obligated to pay the same immediately. The Company and Genpact USA have agreed that the guarantees described above are guarantees of payment of the Senior Notes and not guarantees of collection.

The following tables present summarized financial information for Genpact Luxembourg, Genpact USA and the Company (collectively, the “Debt Issuers and Guarantors”) on a combined basis after elimination of (i) intercompany transactions and balances among the Debt Issuers and Guarantors and (ii) equity in earnings from and investments in the non-Guarantors.

Summarized Statements of Income	**Year ended December 31, 2022**	**Six months ended June 30, 2023**
	(dollars in millions)	
Net revenues	$ 141.3	$ 95.8
Gross profit	141.3	95.8
Net income	72.3	57.6

Below is a summary of transactions with non-Guarantors included in the summarized statement of income above:

	Year ended December 31, 2022	**Six months ended June 30, 2023**
	(dollars in millions)	
Royalty income	$ —	$ 0.7
Revenue from services	141.3	95.1
Interest income (expense), net	36.9	22.8
Other income /(expense), net	25.2	(0.9)

Summarized Balance Sheets	Year ended December 31, 2022	Six months ended June 30, 2023
	(dollars in millions)	
Assets		
Current assets	$ 2,181.4	$ 2,274.1
Non-current assets	178.3	226.0
Liabilities		
Current liabilities	$ 3,639.6	$ 3,824.5
Non-current liabilities	1,749.2	1,736.9

Below is a summary of the balances with non-Guarantors included in the summarized balance sheets above:

	Year ended December 31, 2022	Six months ended June 30, 2023
	(dollars in millions)	
Assets		
Current assets		
Accounts receivable, net	$ 62.1	$ 52.7
Loans receivable	1,420.3	1,605.3
Investment in debentures/bonds	193.3	—
Others	453.1	557.1
Non-current assets		
Investment in debentures/bonds	$ —	$ —
Others	79.5	51.6
Liabilities		
Current liabilities		
Loans payable	$ 2,805.8	$ 2,931.7
Others	620.2	822.0
Non-Current liabilities		
Loans payable	$ 500.0	$ 500.0

The Senior Notes and the related guarantees rank pari passu in right of payment with all senior and unsecured debt of the Debt Issuers and Guarantors and rank senior in right of payment to all of the Debt Issuers' and Guarantors' future subordinated debt. The Senior Notes are effectively subordinated to all of the Debt Issuers' and Guarantors' existing and future secured debt to the extent of the value of the assets securing such debt. The Senior Notes are structurally subordinated to all of the existing and future debt and other liabilities of the Guarantors subsidiaries (other than the Issuer), including the liabilities of certain subsidiaries pursuant to our senior credit facility. The non-Guarantors are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due under the Senior Notes or to make the funds available to pay those amounts, whether by dividend, distribution, loan or other payment. If the Debt Issuers and Guarantors have any right to receive any assets of any of the non-Guarantors upon the insolvency, liquidation, reorganization, dissolution or other winding-up of any non-Guarantor, all of that non-Guarantor's creditors (including trade creditors) would be entitled to payment in full out of that non-Guarantor's assets before the holders of the Senior Notes would be entitled to any payment. Claims of holders of the Senior Notes are structurally subordinated to the liabilities of certain non-Guarantors pursuant to their liabilities under our senior credit facility.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, see Note 2(m)—“Recently issued accounting pronouncements” under Item 1—“Unaudited Consolidated 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, 2022.

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 and revolving credit facility and the Senior Notes. Borrowings under our term loan and revolving credit facility bear interest at floating rates based on Term SOFR, but in no event less than the floor rate of 0.0% plus an applicable margin. The interest rate on our Senior Notes is subject to adjustment based on the ratings assigned to our debt by Moody’s Investors Service, Inc. and Standard & Poor’s Rating Services, Inc. from time to time. A decline in such ratings could result in an increase of up to 2% in the rate of interest on the Senior Notes. Accordingly, fluctuations in market interest rates or a decline in ratings may increase or decrease our interest expense which would, 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 SOFR and the floor rate under our term loan and make payments based on a fixed rate. As of June 30, 2023, we were party to interest rate swaps covering a total notional amount of $418 million. Under these swap agreements, the rate that we pay to banks in exchange for Term SOFR ranges between 0.15% and 2.58%.

We executed a treasury rate lock agreement covering $350 million in connection with future interest payments to be made on our 2021 Senior Notes, and the treasury rate lock agreement was designated as a cash flow hedge. The treasury rate lock agreement was terminated on March 23, 2021, and a deferred gain was recorded in accumulated other comprehensive income and is being amortized to interest expense over the life of the 2021 Senior Notes. The remaining gain to be amortized related to the treasury rate lock agreement as of June 30, 2023 was $0.4 million.

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, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are the Company's controls and other procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (the "Exchange Act") is 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 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 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 June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

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, 2022 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 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, 2022 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 and the other information that appears elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2022 and 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 may also materially adversely affect our business, financial condition and/or results of operations.

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

Unregistered Sales of Equity Securities

None.

Use of Proceeds

None.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

Share repurchase activity during the three months ended June 30, 2023 was as follows:

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share ($)	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program ($)
April 1-April 30, 2023	—	—	—	594,924,017
May 1-May 31, 2023	1,799,080	37.51	1,799,080	527,435,189
June 1-June 30, 2023	1,398,399	37.89	1,398,399	474,453,005
Total	**3,197,479**	**37.68**	**3,197,479**	

In February 2023, our board of directors authorized a $500 million increase to our existing $1.75 billion share repurchase program, first announced in February 2015, bringing the total authorization under our existing program to $2.25 billion. This repurchase program does not obligate us to acquire any specific number of shares and does not specify an expiration date. All shares repurchased under the plan have been retired. For additional information, see Note 17—“Capital stock” under Part I, Item 1— “Unaudited Consolidated Financial Statements” above.

Item 5. Other Information

(c) Director and Officer Trading Arrangements

None of our directors or officers (as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the three months ended June 30, 2023.

Item 6. Exhibits

Exhibit Number	Description
3.1	Memorandum of Association of the Registrant (incorporated by reference to Exhibit 3.1 to Amendment No. 2 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on July 16, 2007).
3.2	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).
22.1	List of Issuers and Guarantor Subsidiaries (incorporated by reference to Exhibit 22.1 to the Registrant's Registration Statement on Form S-3ASR (File No. 333-265204) filed with the SEC on May 25, 2022).
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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

† Indicates a management contract or compensatory plan, contract or arrangement in which any director or executive officer participates.

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: August 9, 2023

GENPACT LIMITED

By:	/s/ N.V. Tyagarajan **N.V. Tyagarajan** **Chief Executive Officer**
By:	/s/ Michael Weiner **Michael Weiner** **Chief Financial Officer**

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 June 30, 2023, 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: August 9, 2023

/s/ N.V. Tyagarajan

N.V. Tyagarajan

Chief Executive Officer

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Michael Weiner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Genpact Limited for the period ended June 30, 2023, 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: August 9, 2023

/s/ Michael Weiner

Michael Weiner

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 June 30, 2023 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: August 9, 2023

/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 June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Weiner, 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: August 9, 2023

/s/ Michael Weiner

Michael Weiner
Chief Financial Officer