

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period ended September 30, 2009

Or

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

For the Transition Period from to

Commission file number: 001-33626

**GENPACT LIMITED**

(Exact name of registrant as specified in its charter)

**Bermuda**

(State or other jurisdiction of incorporation or organization)

**98-0533350**

(I.R.S. Employer  
Identification No.)

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The number of the registrant's common shares, par value \$0.01 per share, outstanding as of November 3, 2009 was 216,145,901.

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**SIGNATURES**[Table of Contents](#)**PART I****Item 1. Financial Statements****GENPACT LIMITED AND ITS SUBSIDIARIES**

**Consolidated Balance Sheets  
(Unaudited)  
(In thousands, except per share data)**

	Notes	As of December 31, 2008	As of September 30, 2009
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	3	\$ 184,050	\$ 240,446
Short term investments	4	141,662	144,294
Accounts receivable, net	5	140,504	144,264
Accounts receivable from a significant shareholder, net	5	88,793	104,517
Short term deposits with a significant shareholder		59,332	14,393
Deferred tax assets	16	38,629	34,772
Due from a significant shareholder		1,428	523
Prepaid expenses and other current assets		89,936	128,495
<b>Total current assets</b>		<b>744,334</b>	<b>811,704</b>
Property, plant and equipment, net	8	174,266	178,381
Deferred tax assets	16	111,002	77,931
Investment in equity affiliates		970	667
Customer-related intangible assets, net	9	56,942	40,339
Other intangible assets, net	9	5,225	1,340
Goodwill	9	531,897	533,320
Other assets		71,690	71,069
<b>Total assets</b>		<b>\$ 1,696,326</b>	<b>\$ 1,714,751</b>

See accompanying notes to the Consolidated Financial Statements.

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**Consolidated Balance Sheets  
(Unaudited)  
(In thousands, except per share data)**

	Notes	As of December 31, 2008	As of September 30, 2009
<b>Liabilities and equity</b>			
<i>Current liabilities</i>			
Short-term borrowings		\$ 25,000	\$ —
Current portion of long-term debt		29,539	42,162
Current portion of capital lease obligations		446	421
Current portion of capital lease obligations payable to a significant shareholder		1,563	1,552
Accounts payable		8,377	12,343
Income taxes payable	16	2,081	35,539
Deferred tax liabilities	16	12	13
Due to a significant shareholder		10,865	7,783
Accrued expenses and other current liabilities		347,176	321,731
<b>Total current liabilities</b>		<b>\$ 425,059</b>	<b>\$ 421,544</b>
Long-term debt, less current portion		69,665	37,400
Capital lease obligations, less current portion		1,950	1,551

Capital lease obligations payable to a significant shareholder, less current portion		2,391	1,998
Deferred tax liabilities	16	10,174	4,356
Due to a significant shareholder		7,322	10,060
Other liabilities		335,399	179,087
<b>Total liabilities</b>		<b>\$ 851,960</b>	<b>\$ 655,996</b>
<b>Shareholders' equity</b>			
Preferred shares, \$0.01 par value, 250,000,000 authorized, none issued		—	—
Common shares, \$0.01 par value, 500,000,000 authorized, 214,560,620 and 216,115,305 issued and outstanding as of December 31, 2008 and September 30, 2009, respectively		2,146	2,161
Additional paid-in capital		1,030,304	1,053,281
Retained earnings		151,610	244,322
Accumulated other comprehensive income (loss)		(342,267)	(243,565)
<b>Genpact Limited shareholders' equity</b>		<b>841,793</b>	<b>1,056,199</b>
Noncontrolling interest		2,573	2,556
<b>Total equity</b>		<b>844,366</b>	<b>1,058,755</b>
Commitments and contingencies			
<b>Total liabilities and equity</b>		<b>\$ 1,696,326</b>	<b>\$ 1,714,751</b>

See accompanying notes to the Consolidated Financial Statements.

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## GENPACT LIMITED AND ITS SUBSIDIARIES

### Consolidated Statements of Income (Unaudited) (In thousands, except per share data)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2008	2009	2008	2009
<b>Net revenues</b>					
Net revenues from services - significant shareholder	17	\$ 123,504	\$ 111,459	\$ 363,678	\$ 363,678
Net revenues from services - others		147,295	172,981	395,323	395,323
<b>Total net revenues</b>		<b>270,799</b>	<b>284,440</b>	<b>759,001</b>	<b>759,001</b>
<b>Cost of revenue</b>					
Services	13,17	155,765	166,995	448,938	448,938
<b>Total cost of revenue</b>		<b>155,765</b>	<b>166,995</b>	<b>448,938</b>	<b>448,938</b>
<b>Gross profit</b>		<b>115,034</b>	<b>117,445</b>	<b>310,063</b>	<b>310,063</b>
<b>Operating expenses:</b>					
Selling, general and administrative expenses	14,17	71,175	67,242	199,943	199,943
Amortization of acquired intangible assets	9	8,974	6,382	28,799	28,799
Other operating (income) expense, net	17	(1,443)	(1,092)	(1,507)	(1,507)
<b>Income from operations</b>		<b>\$ 36,328</b>	<b>\$ 44,913</b>	<b>\$ 82,828</b>	<b>\$ 82,828</b>
Foreign exchange (gains) losses, net		(1,557)	2,576	(7,390)	(7,390)
Other income (expense), net	15,17	3,263	305	8,284	8,284
<b>Income before share of equity in (earnings) loss of affiliates and income tax expense</b>		<b>41,148</b>	<b>42,642</b>	<b>98,502</b>	<b>98,502</b>
Equity in (gain) loss of affiliates		(37)	161	282	282
Income tax expense	16	5,692	7,895	12,235	12,235
<b>Net Income</b>		<b>\$ 35,493</b>	<b>\$ 34,586</b>	<b>\$ 85,985</b>	<b>\$ 85,985</b>
Net income attributable to noncontrolling interest		1,859	1,524	7,841	7,841
<b>Net income attributable to Genpact Limited common shareholders</b>		<b>\$ 33,634</b>	<b>\$ 33,062</b>	<b>\$ 78,144</b>	<b>\$ 78,144</b>
Net income available to Genpact Limited common shareholders	12	\$ 33,634	\$ 33,062	\$ 78,144	\$ 78,144
Earnings per common share attributable to Genpact Limited common shareholders	12				
Basic		\$ 0.16	\$ 0.15	\$ 0.37	\$ 0.37
Diluted		\$ 0.15	\$ 0.15	\$ 0.36	\$ 0.36
Weighted average number of common shares used in computing earnings (loss) per common share attributable to Genpact Limited common shareholders					
Basic		214,182,308	215,794,607	213,127,131	215,794,607
Diluted		219,350,826	221,799,597	218,550,988	219,350,826

See accompanying notes to the Consolidated Financial Statements.

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

	Genpact Limited Shareholders						Non controlling interest	Total Equity	Comprehensive Income (loss)
	Common shares		Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)				
	Shares	Amount							
<b>Balance as of January 1, 2008</b>	212,101,874	\$ 2,121	\$ 1,000,179	\$ 26,469	\$ 221,960	\$ 3,066	\$ 1,253,795		
Issuance of common shares on exercise of options (including fringe benefit tax recovered as discussed in Note 11)	2,427,024	24	13,020	—	—	—	13,044		
Distribution to noncontrolling interest	—	—	—	—	—	(8,864)	(8,864)		
Share-based compensation expense (Note 11)	—	—	12,643	—	—	—	12,643		
Comprehensive income:									
Net income	—	—	—	78,144	—	7,841	85,985	\$ 85,985	
Other comprehensive income:									
Net unrealized income (loss) on cash flow hedging derivatives, net of taxes	—	—	—	—	(254,389)	—	(254,389)	(254,389)	
Currency translation adjustments	—	—	—	—	(157,299)	(125)	(157,424)	(157,424)	
Comprehensive income (loss)								\$ (325,828)	
<b>Balance as of September 30, 2008</b>	<b>214,528,898</b>	<b>\$ 2,145</b>	<b>\$ 1,025,842</b>	<b>\$ 104,613</b>	<b>\$ (189,728)</b>	<b>\$ 1,918</b>	<b>\$ 944,790</b>		

See accompanying notes to the Consolidated Financial Statements.

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

	Genpact Limited Shareholders						Non controlling interest	Total Equity	Comprehensive Income (loss)
	Common shares		Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)				
	No. of shares	Amount							
<b>Balance as of January 1, 2009</b>	214,560,620	\$ 2,146	\$ 1,030,304	\$ 151,610	\$ (342,267)	\$ 2,573	\$ 844,366		
Issuance of common shares on exercise of options (including fringe benefit tax recovered as discussed in Note 11)	1,523,358	15	7,432	—	—	—	7,447		
Issuance of common shares under the employee share purchase plan (Note 11)	31,327	—	289	—	—	—	289		
Distribution to noncontrolling interest	—	—	—	—	—	(5,586)	(5,586)		
Share-based compensation expense (Note 11)	—	—	15,256	—	—	—	15,256		
Comprehensive income:									
Net income	—	—	—	92,712	—	5,572	98,284	\$ 98,284	
Other comprehensive income:									
Net unrealized income (loss) on cash flow hedging derivatives, net of taxes	—	—	—	—	99,846	—	99,846	99,846	
Unrealized gain on investment in U.S. treasury bills	—	—	—	—	35	—	35	35	
Currency translation adjustments	—	—	—	—	(1,179)	(3)	(1,182)	(1,182)	
Comprehensive income (loss)								\$ 196,983	
<b>Balance as of September 30, 2009</b>	<b>216,115,305</b>	<b>\$ 2,161</b>	<b>\$ 1,053,281</b>	<b>\$ 244,322</b>	<b>\$ (243,565)</b>	<b>\$ 2,556</b>	<b>\$ 1,058,756</b>		

See accompanying notes to the Consolidated Financial Statements.

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

	Nine months ended September 30,	
	2008	2009
<b>Operating activities</b>		
Net income attributable to Genpact Limited common shareholders	\$ 78,144	\$ 92,712
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>		
Depreciation and amortization	41,700	38,893
Amortization of debt issue costs	491	434
Amortization of acquired intangible assets	29,522	20,182
Loss (gain) on sale of property, plant and equipment, net	2,116	(178)
Provision for doubtful receivables	2,890	2,112
Provision for mortgage loans	542	—
Unrealized (gain) loss on revaluation of foreign currency asset/liability	(2,405)	5,147
Equity in loss of affiliates	282	596
Noncontrolling interest	7,841	5,572
Share-based compensation expense	12,643	15,256
Deferred income taxes	(13,926)	(18,324)
<i>Change in operating assets and liabilities:</i>		
Increase in accounts receivable	(44,876)	(18,858)
Increase in other assets	(32,852)	(45,711)
(Decrease) / increase in accounts payable	(1,814)	4,243
(Decrease) / increase in accrued expenses and other current liabilities	16,116	(15,791)
Increase in income taxes payable	21,934	33,546
Increase in other liabilities	9,615	3,671
<b>Net cash provided by operating activities</b>	<b>\$ 127,963</b>	<b>\$ 123,502</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(45,935)	(43,949)
Purchase of property, plant and equipment in an asset acquisition	(7,015)	—
Proceeds from sale of property, plant and equipment	6,219	2,026
Investment in affiliates	(883)	(296)
Purchase of short term investments	—	(197,419)
Proceeds from sale of short term investments	—	194,822
Short term deposits placed with significant shareholder	(193,171)	(101,008)
Redemption of short term deposits with significant shareholder	203,108	144,880
Payment for business acquisition	—	(20,196)
<b>Net cash used for investing activities</b>	<b>\$ (37,677)</b>	<b>\$ (21,140)</b>
<b>Financing activities</b>		
Repayment of capital lease obligations	(2,273)	(1,946)
Repayment of long-term debt	(20,063)	(20,000)
Repayment of short-term borrowings, net	—	(25,000)
Proceeds from issuance of common shares on exercise of options	13,044	7,736
Distribution to noncontrolling interest	(8,864)	(5,586)
<b>Net cash used for financing activities</b>	<b>\$ (18,156)</b>	<b>\$ (44,796)</b>
Effect of exchange rate changes	(48,376)	(1,170)
Net increase (decrease) in cash and cash equivalents	72,130	57,566
Cash and cash equivalents at the beginning of the period	279,306	184,050
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 303,060</b>	<b>\$ 240,446</b>
<b>Supplementary information</b>		
Cash paid during the period for interest	\$ 4,750	\$ 3,652
Cash paid during the period for income taxes	\$ 27,377	\$ 43,557
Property, plant and equipment acquired under capital lease obligation	\$ 3,571	\$ 1,250

See accompanying notes to the Consolidated Financial Statements.

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**GENPACT LIMITED AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**  
**(Unaudited)**  
**(In thousands, except per share data)**

**1. Nature of Operations**

*(a) Organization*

Genpact Limited (the “Company”) was incorporated in Bermuda on March 29, 2007 as a subsidiary of Genpact Global Holdings SICAR S.à.r.l. (“GGH”) with the intent of making it the new holding company of our business. On July 13, 2007, the Company effectuated a transaction that resulted in the shareholders of GGH exchanging their common stock in GGH for common shares of the Company, and the shareholders of Genpact Global (Lux) S.à.r.l. (“GGL”) exchanging their preferred and common stock in GGL for common shares of the Company. As a result, Genpact Limited became the owner of all the capital stock of GGL and GGH. This transaction and other related transactions commencing on this date are referred to as the “2007 Reorganization”.

We use the terms “Genpact”, “Company”, “we” and “us” to refer to both GGH and its subsidiaries prior to July 13, 2007 and Genpact Limited and its subsidiaries after such date.

Prior to December 30, 2004, the business of the Company was conducted through various entities and divisions of the General Electric Company (“GE”). On December 30, 2004, in a series of transactions referred to as the “2004 Reorganization”, GE transferred such operations to a newly formed entity, GGH.

*(b) Nature of Operations*

The Company is a leader in the globalization of services and technology and a pioneer in managing business processes for companies around the world. The Company combines its process expertise, information technology expertise and analytical capabilities, together with operational insight derived from its experience in diverse industries, to provide a wide range of services using its global delivery platform. The Company’s service offerings include finance and accounting, collections and customer service, insurance services, supply chain and procurement, analytics, enterprise application services and IT infrastructure services. The Company delivers services from a global network of more than 36 locations in thirteen countries. The Company’s service delivery locations, referred to as Delivery Centers, are in India, the United States (“U.S.”), China, Mexico, Romania, The Netherlands, Hungary, The Philippines, Spain, Poland, Guatemala, South Africa and Morocco.

## **2. Summary of significant accounting policies**

*(a) Basis of preparation and principles of consolidation*

The unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Accordingly, they do not include certain information and footnote disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008.

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

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

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## **GENPACT LIMITED AND ITS SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements (Unaudited) (In thousands, except per share data)**

## **2. Summary of significant accounting policies (Continued)**

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

The adoption of Accounting Standards Codification (ASC) 810-10-65 “Consolidation — Transition and Open Effective Date Information” (previously referred to as SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51”), has resulted in the reclassification of amounts previously attributable to minority interest (now referred to as noncontrolling interest) to a separate component of Shareholders’ Equity on the accompanying consolidated balance sheets and consolidated statements of shareholders’ equity and comprehensive income (loss). Additionally, net income attributable to noncontrolling interest is shown separately from net income in the consolidated statements of income. This reclassification had no effect on our previously reported financial position or results of operations.

Prior period amounts related to noncontrolling interest (previously referred to as minority interest) have been reclassified to conform to the current period financial statement presentation.

*(b) Use of estimates*

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

*(c) Financial instruments and concentration of credit risk*

Financial instruments that potentially subject the Company to concentration of credit risk are reflected principally in cash and cash equivalents, short term investments, short term deposits, derivative financial instruments and accounts receivable. The Company places its cash and cash equivalents and derivative financial instruments with corporations and banks with high investment grade ratings, limits the amount of credit exposure with any one corporation or bank and conducts ongoing evaluation of the credit worthiness of the corporations and banks with which it does business. Short term deposits are with GE, a significant shareholder, and with other financial institutions. To reduce its credit risk on accounts receivable, the Company performs an ongoing credit evaluation of customers. GE accounted for 39% and 42% of receivables as of December 31, 2008 and September 30, 2009, respectively. GE accounted for 48% and 41% of revenues for the nine months ended September 30, 2008 and 2009, respectively, and for 46% and 39% of revenues for the three months ended September 30, 2008 and 2009, respectively.

*(d) Recently adopted accounting pronouncements*

In December 2007, the FASB issued ASC 805 “Business Combinations” (previously referred to as SFAS No. 141 (revised 2007), “Business Combinations”, which was a revision of SFAS No. 141, “Business Combinations”). This Statement establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in an acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Effective January 1, 2009, the Company adopted ASC 805 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

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**GENPACT LIMITED AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**(Unaudited)**

**(In thousands, except per share data)**

**2. Summary of significant accounting policies (Continued)**

In December 2007, the FASB issued ASC 810-10-65 “Consolidation — Transition and Open Effective Date Information” (previously referred to as SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51”). ASC 810-10 establishes accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. ASC 810-10-65 establishes accounting and reporting standards that require (i) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within equity, but separate from the parent’s equity, (ii) the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statements of income, and (iii) changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary to be accounted for consistently. Effective January 1, 2009, the Company adopted ASC 810-10-65. See “Consolidated Balance Sheets”, “Consolidated Statements of Income”, “Consolidated Statements of Shareholders’ Equity and Comprehensive Income (Loss)”, and note 2(a) for information and related disclosures regarding noncontrolling interest.

In February 2008, the FASB approved ASC 820-10 “Fair Value Measurements and Disclosures” (previously referred to as FASB Staff Position FAS No.157-2, “Effective Date of FASB statement No. 157” (FSP FAS 157-2), which grants a one-year deferral of SFAS No. 157’s fair-value measurement requirements for non-financial assets and liabilities, except for items that are measured or disclosed at fair value in the financial statements on a recurring basis). Effective January 1, 2009, the Company has adopted ASC 820-10 for non-financial assets and liabilities. The adoption of ASC 820-10 for non-financial assets and liabilities did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

In March 2008, the FASB issued ASC 815-10 “Derivatives and Hedging-Disclosures” (previously referred to as SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133”). ASC 815-10 requires enhanced disclosures about an entity’s derivative instruments and hedging activities with a view toward improving the transparency of financial reporting. ASC 815-10 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged, however ASC 815-10 does not require comparative disclosures for earlier periods at initial adoption. Effective January 1, 2009, the Company adopted ASC 815-10. As ASC 815-10 amended only the disclosure requirements for derivative financial instruments and hedged items, the adoption had no impact on the Company’s consolidated results of operations, cash flows or financial position. See note 7 for information and related disclosures.

In April 2008, the FASB issued ASC 350-30 “Intangibles-Goodwill and Other — General Intangibles Other than Goodwill” (previously referred to as FASB Staff Position FAS No. 142-3, “Determination of the Useful Life of Intangible Assets” (FSP FAS No. 142-3). ASC 350-30 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under ASC 350-10 (previously referred to as FASB Statement No. 142, “Goodwill and Other Intangible Assets”). This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. Effective January 1, 2009, the Company adopted ASC 350-30 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

In November 2008, the FASB’s Emerging Issues Task Force reached a consensus on ASC 323-10 “Investments-Equity Method and Joint Ventures” (previously referred to as EITF Issue No. 08-6, “Equity Method Investment Accounting Considerations”). ASC 323-10 continues to account for the initial carrying value of equity method investments on a cost accumulation model, which generally excludes contingent consideration. ASC 323-10 also specifies that other-than-temporary impairment testing by the investor should be performed at the investment level and that a separate impairment assessment of the underlying assets is not required. An impairment charge by the investee should result in an adjustment of the investor’s basis of the impaired asset for the investor’s pro-rata share of such impairment. In addition, ASC 323-10 reached a consensus on how to account for an issuance of shares by an investee that reduces the investor’s ownership share of the investee. An investor should account for such transactions as if it had sold a proportionate share of its investment with any gains or losses recorded through earnings. ASC 323-10 also addresses the accounting for a change in an investment from the equity method to the cost method after adoption of ASC 810-10 (previously referred to as SFAS No. 160). ASC 323-10 affirms existing guidance which requires cessation of the equity method of accounting and application of

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**GENPACT LIMITED AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

## 2. Summary of significant accounting policies (Continued)

ASC 320-10 (previously referred to as FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”), or the cost method under ASC 323-10-35, as appropriate. Effective January 1, 2009, the Company adopted ASC 323-10 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

In April 2009, the FASB issued ASC 805-20 “Business Combinations — Identifiable Assets and Liabilities, and Any Noncontrolling Interest” (previously referred to as FASB Staff Position FAS No. 141R-1, “Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies” (FSP FAS No. 141R-1). ASC 805-20 eliminates the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria, in ASC 805 and instead carries forward most of the provisions in FASB Statement No. 141, Business Combinations, for acquired contingencies. ASC 805-20 is effective for contingent assets or contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Effective January 1, 2009, the Company adopted ASC 805-20 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

In April 2009, the FASB issued the following three ASCs intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities:

ASC 820-10-65 “Fair Value Measurements and Disclosures — Transition and Open Effective Date Information” (previously referred to as FASB Staff Positions FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly”) provides additional guidance for estimating fair value in accordance with ASC 820-10 “Fair Value Measurements and Disclosures” (previously referred to as SFAS No. 157) when the volume and level of activity for the asset or liability have decreased significantly. ASC 820-10-65 also provides guidance on identifying circumstances that indicate a transaction is not orderly. The provisions of ASC 820-10-65 are effective for the Company’s interim period ending on June 30, 2009. Effective April 1, 2009, the Company adopted ASC 820-10-65 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

ASC 825-10-65 “Financial Instruments - Transition and Open Effective Date Information” (previously referred to as FASB Staff Positions FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments”), requires disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies that were previously only required to be disclosed in annual financial statements. The provisions of ASC 825-10-65 are effective for the Company’s interim period ending on June 30, 2009. Effective April 1, 2009, the Company adopted ASC 825-10-65 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

ASC 320-10-65 “Investments-Debt and Equity Securities - Transition and Open Effective Date Information” (previously referred to as FASB Staff Positions FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments”) amends current other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This ASC does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The provisions of ASC 320-10-65 are effective for the Company’s interim period ending on June 30, 2009. Effective April 1, 2009, the Company adopted ASC 320-10-65 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

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## GENPACT LIMITED AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Unaudited)

(In thousands, except per share data)

## 2. Summary of significant accounting policies (Continued)

In May 2009, the FASB issued ASC 855-10 “Subsequent events” (previously referred to as SFAS No. 165, “Subsequent Events” (“SFAS 165”)), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. ASC 855-10 is effective for interim and annual periods ending after June 15, 2009. Effective April 1, 2009, the Company adopted ASC 855-10 which only requires additional disclosures and the adoption did not have any impact on its consolidated financial position, results of operations or cash flows. The Company evaluated all events or transactions that occurred after September 30, 2009 up through November 6, 2009. Based on this evaluation, the Company is not aware of any events or transactions that would require recognition or disclosure in the consolidated financial statements.

In June 2009, the FASB issued ASC 105-10 “Generally Accepted Accounting Principles” (previously referred to as SFAS No. 168 “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162”). The FASB Accounting Standards Codification (“Codification”) will be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. ASC 105-10 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in ASC 105-10. Effective July 1, 2009, the Company adopted ASC 105-10 and the adoption did not have any material impact on its consolidated financial position, results of operations or cash flows.

### *(e) Recently issued accounting pronouncements*

In December 2008, the FASB issued ASC 715-20 “Compensation-Retirement Benefits” (previously referred to as FASB Staff Position FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets”). ASC 715-20 provides guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets as required by Compensation-Retirement Benefits Topic of the FASB Accounting Standards Codification must be provided for fiscal years ending after December 15, 2009. The Company is currently evaluating the impact of Compensation-Retirement Benefits Topic of the FASB Accounting Standards Codification on its disclosures about plan assets.

In October 2009, the FASB issued ASU 2009-13 (EITF No. 08-1) which amends ASC 605-25 “Revenue Recognition—Multiple-Element Arrangements”. ASU 2009-13 amends ASC 605-25 to eliminate the requirement that all undelivered elements have Vendor Specific Objective Evidence (VSOE) or Third Party Evidence (TPE) before an entity can recognize the portion of an overall arrangement fee that is attributable to items that already have been delivered. In the absence of VSOE or



TPE of the standalone selling price for one or more delivered or undelivered elements in a multiple-element arrangement, the overall arrangement fee will be allocated to each element (both delivered and undelivered items) based on their relative estimated selling prices. Application of the "residual method" of allocating an overall arrangement fee between delivered and undelivered elements will no longer be permitted upon adoption of ASU 2009-13. The provisions of ASU 2009-13 will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption will be permitted. The Company is currently evaluating the effect of adoption of the provisions of the ASU 2009-13 on the Company's consolidated financial Statements.

In August 2009, the FASB issued ASU 2009-05 which amends Subtopic 820-10 "Fair Value Measurements and Disclosures" for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value utilizing one or more of the following techniques (1) a valuation technique that uses the quoted market price of an identical liability or similar liabilities when traded as assets; or (2) another valuation technique that is consistent with the principles of Topic 820, such as a present value technique or a market approach. The provisions of ASU No. 2009-05 are effective for the first reporting period (including the interim periods) beginning after issuance. The provisions of ASU No. 2009-05 will be effective for interim and annual periods beginning after August 27, 2009. The Company is currently evaluating the effect of the provisions of the ASU 2009-05 on the Company's consolidated financial statements.

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**GENPACT LIMITED AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements  
(Unaudited)**

(In thousands, except per share data)

**2. Summary of significant accounting policies (Continued)**

*(f) Reclassification*

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

**3. Cash and Cash Equivalents**

Cash and cash equivalents as of December 31, 2008 and September 30, 2009 comprise:

	As of December 31, 2008		As of September 30, 2009	
Deposits with banks	\$	75,277	\$	138,111
U.S. Treasury bills		48,690		36,799
Other cash and bank balances		60,083		65,536
	\$	<u>184,050</u>	\$	<u>240,446</u>

**4. Short Term Investments**

The components of the Company's short term investments as of December 31, 2008 and September 30, 2009 are as follows:

	As of December 31, 2008			
	Carrying Value	Unrealized gains	Unrealized losses	Estimated Fair Value
Short term investments:				
U.S. Treasury bills	\$ 141,662	\$ —	\$ —	\$ 141,662
	<u>\$ 141,662</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 141,662</u>
	As of September 30, 2009			
	Carrying Value	Unrealized gains	Unrealized losses	Estimated Fair Value
Short term investments:				
U.S. Treasury bills	\$ 144,259	\$ 35	\$ —	\$ 144,294
	<u>\$ 144,259</u>	<u>\$ 35</u>	<u>\$ —</u>	<u>\$ 144,294</u>

The fair value of short term investments approximates the carrying value as of December 31, 2008.

**5. Accounts receivable, net of provision for doubtful receivables**

Accounts receivable were \$235,303 and \$254,481, and provision for doubtful receivables were \$6,006 and \$5,700, resulting in net accounts receivable balances of \$229,297 and \$248,781, as of December 31, 2008 and September 30, 2009, respectively.

Accounts receivable from a significant shareholder, GE, were \$90,308 and \$106,279, and provision for doubtful receivables from GE were \$1,515 and \$1,762, resulting in net accounts receivable balances of \$88,793 and \$104,517, as of December 31, 2008 and September 30, 2009, respectively.

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**GENPACT LIMITED AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements  
(Unaudited)**

(In thousands, except per share data)

**6. Financial Instruments**

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivative instruments, U.S. Treasury bills and loans held for sale. The fair value measurements of these derivative instruments, U.S. Treasury bills and loans held for sale were determined using the following inputs as of December 31, 2008 and September 30, 2009:

As of December 31, 2008				
Fair Value Measurements at Reporting Date Using				
Total	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs (Level 2)	Significant Other unobservable Inputs (Level 3)
	(Level 1)			
<b>Assets</b>				
Derivative Instruments (Note a)	\$ 4,348	\$ —	\$ 4,348	\$ —
Loans held for sale (Note a)	759	—	—	759
U.S. Treasury bills (Note c)	190,352	190,352	—	—
<b>Total</b>	<b>\$ 195,459</b>	<b>\$ 190,352</b>	<b>\$ 4,348</b>	<b>\$ 759</b>
<b>Liabilities</b>				
Derivative Instruments (Note b)	\$ 386,951	\$ —	\$ 386,951	\$ —
<b>Total</b>	<b>\$ 386,951</b>	<b>\$ —</b>	<b>\$ 386,951</b>	<b>\$ —</b>
As of September 30, 2009				
Fair Value Measurements at Reporting Date Using				
Total	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs (Level 2)	Significant Other unobservable Inputs (Level 3)
	(Level 1)			
<b>Assets</b>				
Derivative Instruments (Note a)	\$ 7,637	\$ —	\$ 7,637	\$ —
Loans held for sale (Note a)	—	—	—	—
U.S. Treasury bills (Note c)	181,093	181,093	—	—
<b>Total</b>	<b>\$ 188,730</b>	<b>\$ 181,093</b>	<b>\$ 7,637</b>	<b>\$ —</b>
<b>Liabilities</b>				
Derivative Instruments (Note b)	\$ 240,110	\$ —	\$ 240,110	\$ —
<b>Total</b>	<b>\$ 240,110</b>	<b>\$ —</b>	<b>\$ 240,110</b>	<b>\$ —</b>

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

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## GENPACT LIMITED AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Unaudited)

(In thousands, except per share data)

#### 6. Financial Instruments (Continued)

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2009	2008	2009
Opening balance, net	\$ 1,265	\$ 759	\$ 1,743	\$ 759
Impact of fair value included in earnings	(44)	—	(522)	—
Settlements	—	(759)	—	(759)
<b>Closing balance</b>	<b>\$ 1,221</b>	<b>\$ —</b>	<b>\$ 1,221</b>	<b>\$ —</b>

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

#### 7. Derivative financial instruments

The Company is exposed to the risk of rate fluctuations on foreign currency assets and liabilities, and foreign currency denominated forecasted cash flows. The Company has established risk management policies, including the use of derivative financial instruments to hedge foreign currency assets and liabilities, and foreign currency denominated forecasted cash flows. These derivative financial instruments are largely deliverable and non-deliverable forward foreign exchange contracts. The Company enters into these contracts with counterparties which are banks / financial institutions and the Company considers the risks of non-performance by the counterparties as non-material. The forward foreign exchange contracts mature between zero and thirty-nine months and the forecasted transactions are expected to occur during the same period.

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

	Notional principal amounts as of (Note a)		Balance sheet exposure asset (liability) as of (Note b)	
	December 31, 2008	September 30, 2009	December 31, 2008	September 30, 2009
Foreign exchange forward contracts denominated in:				
United States Dollars (sell) Indian Rupees (buy)	\$ 2,526,000	\$ 2,293,000	\$ (334,212)	\$ (209,229)
United States Dollars (sell) Mexican Peso (buy)	24,000	20,400	(4,660)	(31)
United States Dollars (sell) Philippines Peso (buy)	8,000	17,900	(68)	197
Euro (sell) United States Dollars (buy)	13,831	46,096	(171)	(2,386)
Euro (buy) United States Dollars (sell)	23,033	—	(2,181)	—
Euro (sell) Hungarian Forints (buy)	29,739	13,494	(767)	(63)
Euro (sell) Romanian Leu (buy)	101,914	75,192	(32,210)	(10,063)
Japanese Yen (sell) Chinese Renminbi (buy)	59,859	59,637	(9,983)	(8,122)
Pound Sterling (sell) United States Dollars (buy)	11,993	60,436	1,568	160
Australian Dollars (sell) United States Dollars (buy)	4,418	25,971	81	(2,936)
			<u>\$ (382,603)</u>	<u>\$ (232,473)</u>

(a) Notional amounts are key elements of derivative financial instrument agreements, but do not represent the amount exchanged by counterparties and do not measure the Company's exposure to credit or market risks. However, the amounts exchanged are based on the notional amounts and other provisions of the underlying derivative financial instruments agreements.

(b) Balance sheet exposure is denominated in U.S. Dollars and denotes the mark-to-market impact of the derivative financial instruments on the reporting date.

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## GENPACT LIMITED AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### 7. Derivative financial instruments (Continued)

ASC 815 "Derivatives and Hedging" (previously referred to as SFAS No. 133) requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. In accordance with ASC 815, the Company designates foreign exchange forward contracts as cash flow hedges of forecasted revenues and purchase of services. In addition to this the Company also has derivative instruments that are not designated as hedges under ASC 815, to hedge the fluctuations in foreign exchange rates for recognized balance sheet items such as receivables and inter-company borrowings.

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

	Cash flow		Non-designated	
	As of December 31, 2008	As of September 30, 2009	As of December 31, 2008	As of September 30, 2009
<b>Assets</b>				
Prepaid expenses and other current assets	\$ 2,766	\$ 1,218	\$ 1,373	\$ 1,578
Other assets	\$ 209	\$ 4,841	\$ —	\$ —
<b>Liabilities</b>				
Accrued expenses and other current liabilities	\$ 100,381	\$ 103,751	\$ 9,571	\$ 9,119
Other liabilities	\$ 276,999	\$ 127,240	\$ —	\$ —

#### Cash flow hedges

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

In connection with cash flow hedges, the Company has recorded as a component of accumulated and other comprehensive income (loss) or OCI within equity a gain (loss) of (\$247,025), and (\$147,178), net of taxes, as of December 31, 2008 and September 30, 2009, respectively.

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

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## GENPACT LIMITED AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data)

#### 7. Derivative financial instruments (Continued)

Derivatives in ASC 815-30	Amount of Gain (Loss) recognized in OCI on Derivatives (Effective Portion)		Location of (Gain) Loss reclassified from accumulated OCI into	Amount of (Gain) Loss reclassified from Accumulated OCI into Income (Effective Portion)				Location of (Gain) Loss recognized in Income on Derivative (Ineffective Portion and Amount excluded from Effectiveness Testing)	Amount of (Gain) Loss recognized in income on Derivative (Ineffective Portion and Amount excluded from Effectiveness Testing)			
	As of September 30,			Three months ended September 30,		Nine months ended September 30,			Three months ended September 30,		Nine months ended September 30,	
Cash Flow Hedging Relationships	2008	2009	Income (Effective Portion)	2008	2009	2008	2009	excluded from Effectiveness Testing	2008	2009	2008	2009
Forward foreign exchange contracts	\$ (231,024)	\$ (224,933)	Revenue	\$ (475)	\$ 2,729	\$ (610)	\$ 3,274	Foreign exchange (gains) losses, net	\$ —	\$ —	\$ —	\$ —
			Cost of revenue	(2,088)	11,589	(19,679)	36,759					
			Selling, general and administrative expenses	(661)	3,132	(6,799)	9,432					
	<u>\$ (231,024)</u>	<u>\$ (224,933)</u>		<u>\$ (3,224)</u>	<u>\$ 17,450</u>	<u>\$ (27,088)</u>	<u>\$ 49,465</u>		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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## GENPACT LIMITED AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Unaudited) (In thousands, except per share data)

#### 7. Derivative financial instruments (Continued)

##### Non designated Hedges

Derivatives not designated as hedging instruments under ASC 815	Location of (Gain) Loss recognized in Income on Derivative	Amount of (Gain) Loss recognised in Income on Derivatives			
		Three months ended September 30,		Nine months ended September 30,	
		2008	2009	2008	2009
Forward foreign exchange contracts (Note a)	Foreign exchange (gains) losses, net	\$ 13,789	\$ 462	\$ 27,549	\$ (2,956)
Forward foreign exchange contracts (Note b)	Foreign exchange (gains) losses, net	—	6,855	—	13,070
Interest rate swaps (Note c)	Other income (expense), net	—	—	283	—
		<u>\$ 13,789</u>	<u>\$ 7,317</u>	<u>\$ 27,832</u>	<u>\$ 10,114</u>

- (a) These forward foreign exchange contracts were entered into to hedge the fluctuations in foreign exchange rates for recognized balance sheet items such as receivables and inter-company borrowings, and were not originally designated as hedges under ASC 815. Realized (gains) losses and changes in the fair value of these derivatives are recorded in foreign exchange (gains) losses, net in the consolidated statements of income.
- (b) These forward foreign exchange contracts were initially designated as cash flow hedges under ASC 815. The net loss amounts of \$6,855 and \$13,070 for the three and nine months ended September 30, 2009 respectively, include the recognition of previously unrecognized losses for certain derivative contracts accounted for within accumulated other comprehensive income (loss). These losses were recognized as certain forecasted transactions are no longer expected to occur and therefore hedge accounting is no longer applied. For the three and nine months ended September 30, 2009, losses of \$6,636 and \$13,964, respectively, were recognized in the consolidated statements of income related to these non-designated contracts. In addition, these amounts also include subsequent realized (gains) losses and changes in the fair value of these derivatives and are recorded in foreign exchange (gains) losses, net in the consolidated statements of income.
- (c) The Company uses derivative instruments that are not designated as hedges under ASC 815, to hedge the fluctuations in interest rate on borrowings. Realized (gains) losses and changes in the fair value of these derivatives are recorded in other income (expense), net in the consolidated statements of income.

#### 8. Property, plant and equipment, net

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

	As of December 31, 2008	As of September 30, 2009
Property, plant and equipment, gross	\$ 319,049	\$ 355,955
Less: Accumulated depreciation and amortization	(144,783)	(177,574)
Property, plant and equipment, net	<u>\$ 174,266</u>	<u>\$ 178,381</u>

Depreciation expense on property, plant and equipment for the nine months ended September 30, 2008 and 2009 was \$26,782 and \$33,201, respectively, and for the three months ended September 30, 2008 and 2009 was \$9,322 and \$11,677, respectively. The amount of computer software amortization for the nine months ended September 30, 2008 and 2009 was \$12,981 and \$9,095, respectively, and for the three months ended September 30, 2008 and 2009 was \$3,220 and \$3,054, respectively.

The above depreciation and amortization expense includes the effect of reclassification of foreign exchange (gains) losses related to the effective portion of the foreign currency derivative contracts amounting to (\$1,937) and \$3,403 for the nine months ended September 30, 2008 and 2009, respectively, and (\$205) and \$1,130 for the three months ended September 30, 2008 and 2009, respectively.

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## GENPACT LIMITED AND ITS SUBSIDIARIES

**Notes to the Consolidated Financial Statements  
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(In thousands, except per share data)**

**9. Goodwill and intangible assets**

The following table presents the changes in goodwill for the year ended December 31, 2008 and nine months ended September 30, 2009:

	As of December 31, 2008	As of September 30, 2009
Opening balance	\$ 601,120	\$ 531,897
Additional goodwill representing contingent consideration in Genpact Netherlands B.V. (ICE)	23,539	—
Reversal of valuation allowance recorded in connection with past business acquisitions	(356)	—
Effect of exchange rate fluctuations	(92,406)	1,423
Closing balance	\$ 531,897	\$ 533,320

The total amount of goodwill deductible for tax purposes is \$15,980 and \$14,637 as of December 31, 2008 and September 30, 2009, respectively.

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

	As of December 31, 2008			As of September 30, 2009		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related intangible assets	\$ 203,001	\$ 146,059	\$ 56,942	\$ 203,132	\$ 162,793	\$ 40,339
Marketing-related intangible assets	15,433	10,508	4,925	15,422	14,273	1,149
Contract-related intangible assets	458	458	—	452	452	—
Other intangible assets	343	43	300	343	152	191
	\$ 219,235	\$ 157,068	\$ 62,167	\$ 219,349	\$ 177,670	\$ 41,679

Amortization expenses for intangible assets as disclosed in the unaudited interim consolidated financial statements of income under amortization of acquired intangible assets for the nine months ended September 30, 2008 and 2009 were \$28,799 and \$19,747, respectively, and for the three months ended September 30, 2008 and 2009 were \$8,974 and \$6,382, respectively. Intangible assets recorded for the 2004 Reorganization include the incremental value of the minimum volume commitment from GE, entered into contemporaneously with the 2004 Reorganization, over the value of the pre-existing customer relationship with GE. The amortization of this intangible asset for the nine months ended September 30, 2008 and 2009 were \$723 and \$435, respectively, and for the three months ended September 30, 2008 and 2009 were \$223 and \$140, respectively, and has been reported as a reduction of revenue, consistent with the guidance in ASC 605-50 "Revenue Recognition" (previously referred to as EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)"). As of September 30, 2009, the unamortized value of the intangible asset was \$669, which will be amortized in future periods and reported as a reduction of revenue.

The terms of the acquisition agreement for E-Transparent B.V. and related entities ("ICE") dated March 1, 2007 provided for the payment of contingent consideration in 2009 to the former shareholders of ICE, if certain profitability targets were met. As a result of achieving these profitability targets, in May 2008 the Company entered into an agreement with the former shareholders of ICE providing that additional purchase consideration of \$23,539 would be paid unconditionally on February 16, 2009 and such amount was paid. The Company has followed the consensus reached in EITF 95-8, "Accounting for Contingent Consideration Paid to Shareholders of an Acquired Enterprise in a Purchase Business Combination", and recorded the payable with an increase to goodwill in the second quarter of 2008.

## GENPACT LIMITED AND ITS SUBSIDIARIES

**Notes to the Consolidated Financial Statements  
(Unaudited)  
(In thousands, except per share data)**

**10. Employee benefit plans**

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

**Defined benefit plans**

In accordance with Indian law, the Company provides a defined benefit retirement plan (the "Gratuity Plan") covering substantially all of its Indian employees.

Net Gratuity Plan costs for the three months and nine months ended September 30, 2008 and 2009 include the following components:

	Three months ended September 30, 2008	September 30, 2009	Nine months ended September 30, 2008	September 30, 2009
Service costs	\$ 398	\$ 473	\$ 1,248	\$ 1,406
Interest costs	158	195	496	580
Amortization of actuarial loss	117	105	365	312

Expected return on plan assets	(87)	(143)	(272)	(421)
Net Gratuity Plan costs	\$ 586	\$ 630	\$ 1,837	\$ 1,877

## Defined contribution plans

During the three months and nine months ended September 30, 2008 and 2009, the Company contributed the following amounts to defined contribution plans in various jurisdictions:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2009	2008	2009
India	\$ 2,191	\$ 2,051	\$ 6,451	\$ 5,917
US	384	193	1,165	800
UK	151	137	509	397
Hungary	25	16	80	45
China	1,682	1,676	4,356	4,885
Mexico	22	9	82	48
South Africa	—	21	—	21
Total	\$ 4,455	\$ 4,103	\$ 12,643	\$ 12,113

## 11. Share-based compensation

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

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

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## GENPACT LIMITED AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Unaudited) (In thousands, except per share data)

#### 11. Share-based compensation (Continued)

The share-based compensation costs relating to the above plans for the nine months ended September 30, 2008 and 2009, were \$12,643 and \$15,256, respectively, and for the three months ended September 30, 2008 and 2009 were \$4,334 and \$5,825, respectively. Such costs have been allocated to cost of revenue and selling, general and administrative expenses.

There are no significant changes to the assumptions used to estimate the fair value of options granted during the nine months ended September 30, 2009.

A summary of the options granted during the nine months ended September 30, 2009 is set out below:

	Nine months ended September 30, 2009			
	Shares arising out of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Outstanding as of January 1, 2009	23,820,664	\$ 9.75	7.9	\$ —
Granted	1,241,405	10.61	—	—
Forfeited	(1,381,559)	12.86	—	—
Expired	(227,216)	14.20	—	—
Exercised	(1,523,358)	4.84	—	11,375
Outstanding as of September 30, 2009	21,929,936	\$ 9.90	7.3	\$ 84,026
Vested and exercisable as of September 30, 2009 and expected to vest thereafter (Note a)	19,681,824	\$ 9.80	7.3	\$ 77,422
Vested and exercisable as of September 30, 2009	7,021,889	\$ 5.44	6.2	\$ 50,379
Weighted average grant date fair value of grants during the period	\$ 4.75			

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

Effective April 1, 2007, an amendment was made to the Indian Income Tax Act to subject specified securities allotted or transferred by an employer to its employees resident in India to fringe benefit tax, or FBT. When an employee covered under the Indian Income Tax Act exercises a stock option, the shares issued, or allocated and transferred, by the Company to such employee are subject to FBT. The employer liability for FBT arises and is expensed by the Company at the time of such employee's exercise of the stock option.

On August 18, 2009, a further amendment was made to the Indian Income Tax Act, with retroactive effect from April 1, 2009, abolishing the provisions of FBT. Thus, for any exercises of stock options by the employee on or after April 1, 2009, the shares issued, or allocated and transferred by the Company, are no longer subject to FBT.

During the period when FBT was applicable, the employer would collect the FBT payable by it in connection with a stock option exercise from the employee exercising the stock option. The FBT payable increased the exercise price to prevent a reduction in the employee's ultimate benefit from such stock option exercises,

and was effectively treated as a modification of the terms of the stock option. The FBT recovery by the Company from an employee was recorded as additional paid-in capital in the Consolidated Statements of Equity and Comprehensive Income (Loss). Also, the weighted average grant date fair value of grants during the period reflected such deemed increase in the exercise price.

Since the abolition of the provisions of FBT, such deemed increase to the stock option exercise price is no longer necessary. This change has been accounted for as a modification in the exercise price of the existing share-based compensation plans. Accordingly, the difference in the fair value of the unvested outstanding options immediately before the modification and after the modification will be recognized as incremental share-based compensation over the remaining vesting period. For the options vested and outstanding as on the date of modification, the incremental cost has been recognized immediately on the date of modification.

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**GENPACT LIMITED AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements  
(Unaudited)  
(In thousands, except per share data)**

**11. Share-based compensation (Continued)**

The incremental cost recorded for the vested and unvested outstanding options for the three months ended September 30, 2009 relating to the above modification amounted to \$907.

**Share Issuances Subject to Restrictions**

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

A summary of such shares granted that are subject to restrictions and accounted for as compensation for services, or restricted shares, during the nine months ended September 30, 2009 is set out below:

	Nine months ended September 30, 2009	
	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2009	70,959	\$ 14.04
Granted	—	—
Vested and allotted	(23,653)	14.04
Forfeited	—	—
Outstanding as of September 30, 2009	<u>47,306</u>	<u>\$ 14.04</u>

**Restricted Share Units**

During the nine months ended September 30, 2009, the Company granted restricted share units, or RSUs, under the 2007 Omnibus Plan. Each RSU represents the right to receive one common share. The fair value of each RSU is the market price of one common share of the Company on the date of grant. The RSUs granted to date have vesting schedules of three to four years and a contractual period of ten years. The compensation expense is recognized on a straight line over the vesting term.

A summary of RSUs granted during the nine months ended September 30, 2009 is set out below:

	Nine months ended September 30, 2009	
	Number of Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2009	—	\$ —
Granted	325,000	10.09
Vested and allotted	—	—
Forfeited	—	—
Outstanding as of September 30, 2009	<u>325,000</u>	<u>\$ 10.09</u>

As of September 30, 2009, the total remaining unrecognized share-based compensation costs related to RSUs amounted to \$2,953 which will be recognized over the weighted average remaining requisite vesting period of 3.08 years.

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**GENPACT LIMITED AND ITS SUBSIDIARIES**

**Notes to the Consolidated Financial Statements  
(Unaudited)  
(In thousands, except per share data)**

**11. Share-based compensation (Continued)**

**Employee Stock Purchase Plan (ESPP)**

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

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

During the three months and nine months ended September 30, 2009, common shares issued under the ESPP were 12,027 and 31,327, respectively.

The ESPP was considered as non compensatory under ASC 718 "Compensation-Stock Compensation" (previously referred to as SFAS No. 123(R) "Share Based Payment") until the purchase interval ending on or prior to August 31, 2009. As a result of the change in the discount rate, the ESPP is being considered compensatory with effect from September 1, 2009.

The compensation expense for the ESPP is recognized in accordance with ASC 718. During the three months and nine months ended September 30, 2009, \$6 and \$6, respectively, have been recognized as compensation expense.

## 12. Earnings per share

The Company calculates earnings per share in accordance with ASC 260 "Earnings per Share" (previously referred to as SFAS No. 128, "Earnings per Share"). Basic and diluted earnings per common share give effect to the change in the common shares of the Company. The calculation of earnings per common share was determined by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the respective periods. The potentially dilutive shares, consisting of outstanding options on common shares, have been included in the computation of diluted net earnings per share and the weighted average shares outstanding, except where the result would be anti-dilutive.

The number of stock options outstanding but not included in the computation of diluted earnings per common share because their effect was anti-dilutive is 10,758,436 and 13,425,367 for the nine months ended September 30, 2008 and 2009, respectively, and was 10,980,902 and 10,438,965 for the three months ended September 30, 2008 and 2009, respectively.

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### GENPACT LIMITED AND ITS SUBSIDIARIES

#### Notes to the Consolidated Financial Statements (Unaudited) (In thousands, except per share data)

## 12. Earnings per share (Continued)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
<b>Net income available to Genpact Limited common shareholders</b>	\$ 33,634	\$ 33,062	\$ 78,144	\$ 92,712
Weighted average number of common shares used in computing basic earnings per common share	214,182,308	215,794,607	213,127,131	215,136,984
Dilutive effect of stock options	5,168,518	6,004,990	5,423,857	4,091,890
Weighted average number of common shares used in computing dilutive earnings per common share	219,350,826	221,799,597	218,550,988	219,228,874
<b>Earnings per common share attributable to Genpact Limited common shareholders</b>				
Basic	\$ 0.16	\$ 0.15	\$ 0.37	\$ 0.43
Diluted	\$ 0.15	\$ 0.15	\$ 0.36	\$ 0.42

## 13. Cost of revenue

Cost of revenue consists of the following:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Personnel expenses	\$ 97,403	\$ 103,935	\$ 280,102	\$ 303,046
Operational expenses	48,534	50,980	137,528	158,806
Depreciation and amortization	9,828	12,080	31,308	34,664
	<u>\$ 155,765</u>	<u>\$ 166,995</u>	<u>\$ 448,938</u>	<u>\$ 496,516</u>

## 14. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Personnel expenses	\$ 46,845	\$ 45,356	\$ 128,322	\$ 131,900
Operational expenses	21,616	19,235	63,166	55,433
Depreciation and amortization	2,714	2,651	8,455	7,632
	<u>\$ 71,175</u>	<u>\$ 67,242</u>	<u>\$ 199,943</u>	<u>\$ 194,965</u>



## GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
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## 15. Other income (expense), net

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2009	2008	2009
Interest income	\$ 4,615	\$ 1,188	\$ 13,054	\$ 5,891
Interest expense	(2,182)	(725)	(6,490)	(3,073)
Loss on interest rate swaps	—	—	(283)	—
Other income	830	(158)	2,003	630
	<u>\$ 3,263</u>	<u>\$ 305</u>	<u>\$ 8,284</u>	<u>\$ 3,448</u>

## 16. Income taxes

In accordance with the provisions of ASC 740 “Income Taxes” (previously referred to as SFAS No. 109, “Accounting for Income Taxes”), as interpreted by ASC 740-270 “Income Taxes-Interim Reporting” (previously referred to as FIN 18, “Accounting for Income Taxes in Interim Periods”), the effective tax rate reflects the partial expiry of the tax holiday applicable to one of the Company’s Indian subsidiaries on March 31, 2009.

During the three months ended September 30, 2009, the Indian Government has approved the extension of the tax holiday available to Software Technology Parks of India (STPI) units by one year. The Company has certain STPI units in India, which are impacted by this extension. The Company has adjusted the tax expense for the three months and nine months ended September 30, 2009 with the extension of tax holiday. The Company expects that the extension will increase the anticipated tax benefit in future years.

As a result of the change in tax status of one of its subsidiaries in the U.S. during the year ended December 31, 2007, the Company recognized the tax effects in the consolidated statement of income of the deferred tax liability associated with the unrealized gains on certain effective hedges in other comprehensive income. During the nine months ended September 30, 2009, the Company recognized a reversal of deferred tax liability amounting to \$7,780 for these hedges maturing in the nine month period ended September 30, 2009.

As of December 31, 2008, the Company had unrecognized tax benefits amounting to \$10,993 including an amount of \$7,210 that, if recognized would impact the effective tax rate.

The following table summarizes the activities related to our unrecognized tax benefits for uncertain tax positions from January 1, 2009 to September 30, 2009:

Opening balance as of January 1, 2009	\$ 10,993
Increase related to prior year tax positions	963
Decrease related to prior year tax positions	(1,652)
Increase related to current year tax positions	2,370
Effect of exchange rate changes	(76)
Closing balance as of September 30, 2009	\$ 12,598

The unrecognized tax benefits as of September 30, 2009 include an amount of \$7,899 that, if recognized, would impact the effective tax rate. As of December 31, 2008 and September 30, 2009, the Company has accrued approximately \$1,651 and \$1,642, respectively, in interest relating to unrecognized tax benefits.

## GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
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## 17. Related party transactions

The Company has entered into related party transactions with GE, a significant shareholder, and companies in which GE has a majority ownership interest or on which it exercises significant influence (collectively referred to as “GE” herein). The Company has also entered into related party transactions with its non-consolidating affiliates.

The related party expenses and income can be categorized as follows:

*Revenue from services*

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

For the nine months ended September 30, 2008 and 2009, the Company recognized net revenues from GE of \$363,678 and \$333,909, respectively, representing 48% and 41%, respectively, of the consolidated total net revenues. For the nine months ended September 30, 2008 and 2009, the Company recognized net revenues from its non-consolidating affiliates of \$177 and \$0, respectively.

For the three months ended September 30, 2008 and 2009, the Company recognized net revenues from GE of \$123,504, and \$111,459, respectively, representing 46%, and 39%, respectively, of the consolidated total net revenues.

#### *Cost of revenue from services*

The Company purchases certain services from GE mainly relating to communication and leased assets, which are included as part of operational expenses included in cost of revenue. For the nine months ended September 30, 2008 and 2009, cost of revenue, net of recovery, included amounts of \$1,381 and \$4,334, respectively, and for the three months ended September 30, 2008 and 2009 cost of revenue, net of recovery, included amounts of \$(1,622) and \$1,571 respectively, relating to services procured from GE. Cost of revenue from services also include training & recruitment cost of \$0 and \$474 for the nine months ended September 30, 2008 and 2009, respectively, and \$0 and \$113 for the three months ended September 30, 2008 and 2009, respectively, from its non-consolidating affiliates.

#### *Selling, general and administrative expenses*

The Company purchases certain services from GE mainly relating to communication and leased assets, which are included as part of operational expenses included in selling, general and administrative expenses. For the nine months ended September 30, 2008 and 2009, selling, general and administrative expenses, net of recovery, included amounts of \$220 and \$314, respectively, and for the three months ended September 30, 2008 and 2009, selling, general and administrative expenses, net of recovery, included amounts of \$(55) and \$117, respectively, relating to services procured from GE. For the nine months ended September 30, 2008 and 2009, selling, general and administrative expenses also include a cost recovery, net, of \$83 and \$586 respectively, and for the three months ended September 30, 2008 and 2009, selling, general and administrative expenses also include a cost recovery, net, of \$19 and \$159, respectively, in relation to cost recovery from its non-consolidating affiliates.

#### *Other operating (income) expense, net*

The Company provides certain shared services such as facility, recruitment, training and communication to GE. Recovery for such services has been included as other operating income in the consolidated statements of income. For the nine months ended September 30, 2008 and 2009, income from these services was (\$3,783) and (\$3,368), respectively, and for the three months ended September 30, 2008 and 2009, income from these services was (\$1,443) and (\$935), respectively.

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## GENPACT LIMITED AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements (Unaudited) (In thousands, except per share data)

#### 17. Related party transactions (Continued)

##### *Interest income*

The Company earned interest income on short-term deposits placed with GE. For the nine months ended September 30, 2008 and 2009, interest income earned on these deposits was \$1,679 and \$1,845, respectively, and for the three months ended September 30, 2008 and 2009, interest income earned on these deposits was \$298 and \$236, respectively.

##### *Interest expense*

The Company incurred interest expense on finance lease obligations and external commercial borrowings from GE. For the nine months ended September 30, 2008 and 2009, interest expense relating to such related party debt amounted to \$673 and \$318, respectively, and for the three months ended September 30, 2008 and 2009, interest expense relating to such related party debt amounted to \$274 and \$106, respectively.

##### *Investment in equity affiliates*

During the nine months ended September 30, 2008 and 2009, the Company has made an investment of \$860 and \$296, respectively, in its non-consolidating affiliates.

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

You should read the following discussion in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2008 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, 2008. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in or implied by any of the forward-looking statements as a result of various factors, including but not limited to those listed below and under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2008.

### Special Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q (the "Quarterly Report") in, among other sections, this Part 1 Item 2—"Management's Discussion and Analysis of Financial Condition and Results of Operation", that are forward-looking statements. In some cases, you can identify these statements by

forward-looking terms such as “expect”, “anticipate”, “intend”, “plan”, “believe”, “seek”, “estimate”, “could”, “may”, “shall”, “will”, “would” and variations of such words and similar expressions, or the negative of such words or similar expressions. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, which in some cases may be based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks outlined in Part I, Item 1A—“Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2008. These forward-looking statements include, but are not limited to, statements relating to:

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

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

- our ability to grow our business and effectively manage growth and international operations while maintaining effective internal controls;
- our relative dependence on GE;

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- our dependence on revenues derived from clients in the United States;
- our ability to hire and retain enough qualified employees to support our operations;
- our dependence on favorable tax legislation and tax policies that may be amended in a manner adverse to us or be unavailable to us in the future;
- increases in wages in locations in which we have operations;
- restrictions on visas for our employees traveling to North America and Europe;
- our ability to maintain pricing and asset utilization rates;
- fluctuations in exchange rates between U.S. dollars, euros, U.K. pounds sterling, Chinese renminbi, Hungarian forint, Japanese yen, Indian rupees, Australian dollars, Philippines peso, Guatemala quetzal, Mexican peso, Moroccan dirham (DH), Polish zloty, Romanian leu and South African rand;
- our ability to retain senior management;
- the selling cycle for our client relationships;
- our ability to attract and retain clients and our ability to develop and maintain client relationships based on attractive terms;
- legislation in the United States or elsewhere that adversely affects the performance of business process services offshore;
- increasing competition in our industry;
- telecommunications or technology disruptions or breaches, or natural or other disasters;
- our ability to protect our intellectual property and the intellectual property of others;
- further deterioration in the global economic environment and its impact on our clients;
- our ability to collect the customer receivables;
- regulatory, legislative and judicial developments, including the withdrawal of governmental fiscal incentives;
- the international nature of our business;

- technological innovation;
- unionization of any of our employees; and
- our ability to successfully consummate or integrate strategic acquisitions.

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

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**Overview**

We are a leader in the globalization of services and technology and a pioneer in managing business processes for companies around the world. We combine our process expertise, information technology expertise and analytical capabilities, together with operational insight derived from our experience in diverse industries, to provide a wide range of services using our global delivery platform. Our goal is to help our clients improve the ways in which they do business by continuously improving their business processes, including through the application of Six Sigma and Lean principles and leveraging technology. We strive to be a seamless extension of our clients' operations.

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

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

As of September 30, 2009 we have approximately 37,700 employees with operations in thirteen countries. In the third quarter of 2009, we had net revenues of \$284.4 million, of which 60.8% was from clients other than GE, which we refer to as Global Clients.

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

**The Company**

*The 2004 Reorganization*

Prior to December 30, 2004, our business was conducted through various entities and divisions of GE. On December 30, 2004, in a series of transactions we refer to as the "2004 Reorganization," GE reorganized these operations by placing them all under Genpact Global Holdings SICAR S.à.r.l., or GGH, a newly formed Luxembourg entity. GE's affiliate, GE Capital International (Mauritius) also sold an indirect 60% interest in GGH to Genpact Investment Co. (Lux) SICAR S.à.r.l., or GICo, an entity owned in equal portions by General Atlantic LLC, or General Atlantic, and Oak Hill Capital Partners, or Oak Hill. On December 16, 2005, GE's affiliate sold a portion of its equity in us to a subsidiary of Wachovia Corporation. Wachovia Corporation merged with Wells Fargo & Company on December 31, 2008. On December 22, 2006, we redeemed shares held by GE affiliates. On December 18, 2007, GE's affiliate, GE Capital (Mauritius) Holdings Ltd., sold a further portion of its equity in us to an affiliate of a limited partner of one of our shareholders. As of September 30, 2009, GE, through its affiliates, owned 18.5% of our outstanding equity.

Following the 2004 Reorganization, we began operating as an independent company. We separated ourselves operationally from GE and began building the capabilities necessary to be successful as an independent company. Among other things, we expanded our management infrastructure and business development capabilities so that we could secure business from clients other than GE. We substantially expanded administrative functions for which we had previously relied primarily on GE, such as finance, legal, accounting and human resources. We set up separate employee benefit and retirement plans, developed our own leadership training capability and enhanced our management information systems.

*The 2007 Reorganization and IPO*

On March 29, 2007, we formed Genpact Limited in Bermuda to be the new holding company for our business. It was initially a wholly-owned subsidiary of GGH. On July 13, 2007, we effectuated a transaction that resulted in Genpact Limited owning 100% of the capital stock of GGH. This transaction together with other related transactions is referred to as the "2007 Reorganization." This transaction occurred by the shareholders of GGH exchanging their common shares of GGH for common shares of Genpact Limited and the shareholders of Genpact Global (Lux) S.à.r.l., or GGL, exchanging their common and preferred shares of GGL for common shares of Genpact Limited. In addition, as part of the 2007 Reorganization, GGL, which owned approximately 63% of the outstanding equity of GGH, became a wholly owned subsidiary of Genpact Limited pursuant to a share exchange. GGL had no operations or assets other than its ownership interest in GGH, and had no liabilities other than obligations for accumulated dividends on preferred

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shares that were eliminated in the 2007 Reorganization and certain tax liabilities of \$2.1 million that were paid on July 27, 2007. GE, through its affiliate GE Capital (International) Mauritius Holdings Ltd., and GICo reimbursed us for such tax liabilities in accordance with their agreement to indemnify us for such liabilities. As part of the 2007 Reorganization, GGH became a Bermuda company and changed its name to Genpact Global Holding (Bermuda) Limited and GGL also became a Bermuda company, in accordance with the laws of Bermuda and Luxembourg and its name was changed to Genpact Global (Bermuda) Limited. We use the terms "Genpact", "Company", "we" and "us" to refer to both GGH and its subsidiaries prior to July 13, 2007 and Genpact Limited and its subsidiaries after such date.

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

### Critical Accounting Policies and Estimates

For a description of our critical accounting policies, see Note 2-“Summary of significant accounting policies” under Item 1-“Financial Statements” above and Part-II Item-7-“Management’s Discussion and Analysis of Financial Condition and Results of Operation — Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2008.

### Results of Operations

The following table sets forth certain data from our income statement in absolute amounts and as a percentage of net revenues for the three months and nine months ended September 30, 2008 and 2009.

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	Three months Ended September 30,				Nine months Ended September 30,			
	2008		2009		2008		2009	
	(dollars in millions)							
Net revenues—GE	\$ 123.5	45.6%	\$ 111.5	39.2%	\$ 363.7	47.9%	\$ 333.9	40.6%
Net revenues—Global Clients	147.3	54.4%	173.0	60.8%	395.3	52.1%	489.2	59.4%
Total net revenues	270.8	100.0%	284.4	100.0%	759.0	100.0%	823.1	100.0%
Cost of revenue	155.8	57.5%	167.0	58.7%	448.9	59.1%	496.5	60.3%
Gross profit	115.0	42.5%	117.4	41.3%	310.1	40.9%	326.6	39.7%
Operating expenses								
Selling, general and administrative expenses	71.2	26.3%	67.2	23.6%	199.9	26.3%	195.0	23.7%
Amortization of acquired intangible assets	9.0	3.3%	6.4	2.2%	28.8	3.8%	19.7	2.4%
Other operating (income) expense, net	(1.4)	0.5%	(1.1)	0.4%	(1.5)	0.2%	(4.0)	0.5%
Income from operations	36.3	13.4%	44.9	15.8%	82.8	10.9%	115.9	14.1%
Foreign exchange (gains) losses, net	(1.6)	0.6%	2.6	0.9%	(7.4)	1.0%	2.0	0.2%
Other income (expense), net	3.3	1.2%	0.3	0.1%	8.3	1.1%	3.4	0.4%
Income before share of equity in (earnings) loss of affiliates and income tax expense (benefit)	41.1	15.2%	42.6	15.0%	98.5	13.0%	117.3	14.3%
Equity in (gain) loss of affiliates	(0.0)	0.0%	0.2	0.1%	0.3	0.0%	0.6	0.1%
Income tax expense (benefit)	5.7	2.1%	7.9	2.8%	12.2	1.6%	18.4	2.2%
Net Income	35.5	13.1%	34.6	12.2%	86.0	11.3%	98.3	11.9%
Net income attributable to noncontrolling interest	1.9	0.7%	1.5	0.5%	7.8	1.0%	5.6	0.7%
Net income attributable to Genpact Limited common shareholders	\$ 33.6	12.4%	\$ 33.1	11.6%	\$ 78.1	10.3%	\$ 92.7	11.3%

### Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

**Net revenues.** Our net revenues increased by \$13.6 million, or 5.0%, in the third quarter of 2009 compared to the third quarter of 2008. Our growth in net revenues is from expanded volumes with existing clients as well as new business from new clients. Our total headcount increased by 3.6% to approximately 37,700 at the end of the third quarter of 2009 from approximately

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36,400 at the end of the third quarter of 2008. In addition, our revenue per employee increased from approximately \$31.2 thousand per employee in the third quarter of 2008 to approximately \$31.6 thousand in the third quarter of 2009. Our revenue increase was partly offset by the weakening of the pound sterling and the Australian dollar against the U.S. dollar, as a portion of our revenues are received in such currencies.

Net revenues from GE decreased by \$12.0 million, or 9.8%. As described under “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Overview — Classification of Certain Net Revenues” in our Annual Report on Form 10-K for the year ended December 31, 2008, certain businesses in which GE ceased to be a 20% shareholder in 2008 were classified as GE net revenues for part of the year until the divestiture by GE and as Global Clients net revenues after the divestiture by GE. GE revenues for the third quarter of 2009 declined 4.2% over the third quarter of 2008 after excluding such dispositions by GE. This decline was primarily driven by volume reductions, and price drops in existing contracts as well as the weakening of the pound sterling and the Australian dollar against the U.S. dollar, as a portion of our GE revenues are received in such currencies. As a result of the reduction in GE revenues and the growth in revenues from Global Clients, GE net revenues declined as a percentage of our total net revenues from 45.6% in the third quarter of 2008 to 39.2% in the third quarter of 2009.

Net revenues from Global Clients increased by \$25.7 million, or 17.4%. This increase resulted from new business from clients added in the last twelve months partially offset by price reductions and volume contractions in certain existing SOWs. Revenue growth was also offset by the weakening of the pound sterling and Australian dollar against the U.S. dollar, as a portion of our Global Clients revenues are received in such currencies. Net revenues for the quarter also included \$4.0 million received from one of our Global Clients related to cancellations. In addition, a portion of the increase in net revenues from Global Clients was also related to GE ceasing to be a 20% shareholder in certain businesses and the reclassification of related net revenues as described above. As a percentage of total net revenues, net revenues from Global Clients increased from 54.4% in the third quarter of 2008 to 60.8% in the third quarter of 2009. Excluding revenues from businesses divested by GE in 2008, Global Client revenues grew organically by approximately 12.0%.

Revenues from business process services increased to 84.9% of total net revenues in the third quarter of 2009 from 80.9% in the third quarter of 2008. Our business process services business grew 10.2% from the third quarter of 2008 to \$241.5 million in the third quarter of 2009. The increase in our business process revenues was primarily due to services for our Global Clients. We also saw volume increases for business process services for GE in the Philippines and Guatemala although this was offset by reduced business process volumes relating to GE Capital. Revenues from our information technology business declined to 15.1% of total net revenues in the third quarter of 2009 from 19.1% in the third quarter of 2008, due to continued reduction in spending on discretionary information technology projects as well as a reduction in prices and lower information technology volumes in 2009.

*Cost of revenue.* The following table sets forth the components of our cost of revenue in absolute amounts and as a percentage of net revenues:

	Three Months Ended September 30,			
	2008		2009	
	(dollars in millions)			
Personnel expenses	\$ 97.4	36.0%	\$ 103.9	36.5%
Operational expenses	48.5	17.9	51.0	17.9
Depreciation and amortization	9.8	3.6	12.1	4.2
<b>Cost of revenue</b>	<b>\$ 155.8</b>	<b>57.5%</b>	<b>\$ 167.0</b>	<b>58.7%</b>

Cost of revenue increased by \$11.2 million, or 7.2%. This increase reflected the general growth of our business. As a percentage of net revenues, cost of revenue increased from 57.5% in the third quarter of 2008 to 58.7% in the third quarter of 2009. This increase was primarily due to an increase in personnel expenses and depreciation and amortization as a percentage of net revenues, price reductions in our information technology business and the weakening of the pound sterling and the Australian dollar against the U.S. dollar, as a portion of our revenues are received in such currencies.

The largest component of the increase in cost of revenue was personnel expenses, which increased by \$6.5 million, or 6.7%. This increase in absolute amount was primarily due to the hiring of new resources to manage growth. Our total headcount increased by approximately 1,300 employees during the twelve months ended September 30, 2009, the majority of whom have client service

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responsibilities, thus generating revenue. The increase also reflects overall wage inflation, although the rate at which salaries are increasing remains lower than it was in 2008. Our personnel expenses as a percentage of net revenues marginally increased from 36.0% in the third quarter of 2008 to 36.5% in the third quarter of 2009, primarily due to the negative impact on our total revenues of price reductions in our information technology business and weakening of the pound sterling and the Australian dollar against the U.S. dollar, as a portion of our revenues are received in such currencies.

Operational expenses increased by \$2.4 million, or 5.0%. The increase was largely due to the addition of new Delivery Centers and the expansion of existing Delivery Centers over the last twelve months in India (Gurgaon and Hyderabad), Guatemala and the Philippines to support growth, including the addition of a new Delivery Center in South Africa in the third quarter of 2009. As a percentage of net revenues, operational expenses remained constant from the third quarter of 2008 to the third quarter of 2009, as the negative impact on our total revenues of price reductions in our information technology business and weakening of the pound sterling and the Australian dollar against the U.S. dollar, as a portion of our revenues are received in such currencies, was offset by the continued positive impact of the cost reduction measures initiated and implemented over the last twelve months.

Depreciation and amortization expenses increased by \$2.3 million, or 22.9%. The increase was largely due to capital expenditures incurred for expansion of existing Delivery Centers over the last twelve months in India (Gurgaon and Hyderabad), Guatemala and the Philippines to support growth. As a percentage of net revenues, depreciation and amortization expenses increased from 3.6% in the third quarter of 2008 to 4.2% in the third quarter of 2009 primarily due to expansion of existing Delivery Centers and the negative impact on our revenue of price reductions in our information technology business and weakening of the pound sterling and Australian dollar against the U.S. dollar, as a portion of our revenues are received in such currencies.

As a result of the foregoing, our gross profit increased by \$2.4 million, or 2.1%, and our gross margin decreased from 42.5% in the third quarter of 2008 to 41.3% in the third quarter of 2009. In addition, the increase in absolute amount was also due to \$4 million received from one of our Global Clients related to cancellations, offset by the adverse impact of foreign exchange on non-U.S. dollar revenues as explained above.

*Selling, general and administrative expenses.* The following table sets forth the components of our selling, general and administrative expenses in absolute amounts and as a percentage of net revenues:

	Three Months Ended September 30,			
	2008		2009	
	(dollars in millions)			
Personnel expenses	\$ 46.8	17.3%	\$ 45.4	15.9%
Operational expenses	21.6	8.0	19.2	6.8
Depreciation and amortization	2.7	1.0	2.7	0.9
<b>Selling, general and administrative expenses</b>	<b>\$ 71.2</b>	<b>26.3%</b>	<b>\$ 67.2</b>	<b>23.6%</b>

Selling, general and administrative expenses, or SG&A expenses, decreased by \$3.9 million, or 5.5%. As a percentage of net revenues, SG&A expenses decreased from 26.3% in the third quarter of 2008 to 23.6% in the third quarter of 2009. This was primarily due to cost reduction measures, such as restrictions on travel, recruitment, management meeting expenses, reduction in leadership training expenses as well as effective utilization and deployment of support personnel. The above decrease was partially offset by increased personnel expenses in our business development team due to recent new hires as well as marketing costs relating to the strengthening of our brand.

Personnel expenses decreased by \$1.5 million, or 3.2%. The decrease in personnel expenses is primarily due to a relative reduction of support personnel attributable to more effective deployment and utilization. In addition, we incurred lower personnel costs relating to employees resident in India due to the abolishment of fringe benefit tax, or FBT, by the Indian Government in the third quarter of 2009. The impact of this abolishment resulted in lower FBT expense of \$2.2 million in the third quarter of 2009 as compared to the third quarter of 2008 offset by incremental share based compensation of \$0.9 million. Also, this reduction is partially offset

by increased personnel expenses in our business development team due to recent new hires as well as general wage inflation. As a result, the personnel expenses as a percentage of net revenues decreased from 17.3% in the third quarter of 2008 to 15.9% in the third quarter of 2009.

The operational expenses component of SG&A expenses decreased by \$2.4 million, or 11.0%. This decrease is attributable to our reducing the number of support personnel as explained above in the third quarter of 2009 compared to the third quarter of 2008 and consequent reduced allocation to SG&A. As a result, the operational expenses as a percentage of net revenues decreased from 8.0% in the third quarter of 2008 to 6.8% in the third quarter of 2009 primarily due to more effective deployment and utilization of employees in internal support functions such as finance, legal and human resources.

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Depreciation and amortization expenses as a component of SG&A expenses decreased marginally by \$0.1 million to \$2.7 million in the third quarter of 2009. This decrease in depreciation and amortization expenses is due to the reduced number of support personnel in the third quarter of 2009 compared to the third quarter of 2008 and consequent reduced allocation to SG&A partially offset by an increase in depreciation expense due to higher capital expenditure incurred for expansion of existing Delivery Centers over the last twelve months.

*Amortization of acquired intangibles.* In the third quarter of 2008 and 2009, we continued to incur significant non-cash charges of \$9.0 million and \$6.4 million, respectively, consisting primarily of the amortization of acquired intangibles resulting from the 2004 Reorganization, consistent with the amortization schedule.

*Other operating (income) expense, net.* Other operating income, consisting primarily of income from shared services from GE for the use of our Delivery Centers and certain support functions that GE manages and operates with its own employees, decreased to \$1.1 million in the third quarter of 2009 compared to \$1.4 million in the third quarter of 2008 mainly due to GE releasing a part of our Delivery Centers in the third quarter of 2009. We do not recognize this income as net revenues because it is not currently one of our primary service offerings; however, our costs are included in cost of revenue and SG&A.

*Income from operations.* As a result of the foregoing factors, income from operations increased by \$8.6 million to \$44.9 million in the third quarter of 2009. As a percentage of net revenues, income from operations increased from 13.4% in the third quarter of 2008 to 15.8% in the third quarter of 2009.

*Foreign exchange (gains) losses, net.* We recorded a foreign exchange loss of \$2.6 million for the third quarter of 2009 compared to exchange gain of \$1.6 million in the third quarter of 2008. During the quarter ended September 30, 2009, a loss amounting to \$6.7 million was reclassified from accumulated other comprehensive income (loss) to earnings as part of foreign exchange (gains) losses, net, as a result of the discontinuance of certain cash flow hedges. It was determined that certain hedges were ineffective because the underlying forecasted revenues were not likely to materialize as a result of lower than forecasted volumes and pricing resulting from the current economic environment. Accordingly, the hedge accounting for such cash flow hedges was discontinued. After excluding the above mentioned loss on ineffective hedges, the remaining gain of \$4.1 million primarily relates to the re-measurement of our non-functional currency assets and liabilities resulting from movements in the Indian rupee and U.S. dollar exchange rates in the third quarter of 2009.

*Other income (expense), net.* We recorded other income, net of interest expense, of \$0.3 million in the third quarter of 2009 compared to \$3.3 million in the third quarter of 2008. The change was driven by lower interest income of \$1.2 million compared to \$4.6 million due to investment in U.S. Treasury bills yielding lower return in the third quarter of 2009 compared to investment in higher interest bearing bank deposits in the third quarter of 2008, in line with the Company's investment strategy in the current economic environment. This decrease was partially offset by a decrease in interest expense by \$1.5 million primarily due to repayment of a portion of a long-term loan during 2009. In addition, the weighted average rate of interest with respect to outstanding long-term loans under our credit facility was reduced from 4.2% in the third quarter of 2008 to 1.8% in the third quarter of 2009.

*Income before share of equity in (earnings) loss of affiliates and income tax expense (benefit).* As a result of the foregoing factors, income before income taxes increased by \$1.5 million. As a percentage of net revenues, income before income taxes decreased from 15.2% in the third quarter of 2008 to 15.0% of net revenues in the third quarter of 2009.

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

*Income taxes.* Our income tax expense increased from \$5.7 million in the third quarter of 2008 to \$7.9 million for the third quarter of 2009. This increase is driven by higher taxable profits including the partial expiration of our tax holiday in India as of March 31, 2009. This increase is partially offset by tax benefits on share-based compensation in certain jurisdictions.

*Net income.* As a result of the foregoing factors, net income decreased by \$0.9 million from \$35.5 million in the third quarter of 2008 to \$34.6 million in the third quarter of 2009. As a percentage of net revenues, our net income was 13.1% in the third quarter of 2008 and 12.2% in the third quarter of 2009.

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*Net income attributable to noncontrolling interest.* The noncontrolling interest is due to the acquisition of E-Transparent B.V. and certain related entities, or ICE, in 2007. It represents the apportionment of profits to the minority partners of ICE. The net income attributable to the noncontrolling interest decreased from \$1.9 million in the third quarter of 2008 to \$1.5 million in the third quarter of 2009 consistent with the reduction in the number of noncontrolling partners and reduced revenue attributable to noncontrolling partners.

*Net income attributable to Genpact Limited common shareholders.* As a result of the foregoing factors, net income attributable to Genpact Limited common shareholders decreased by \$0.6 million from \$33.6 million in the third quarter of 2008 to \$33.1 million in the third quarter of 2009. As a percentage of net revenues, our net income was 12.4% in the third quarter of 2008 and 11.6% in the third quarter of 2009.

### **Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008**

*Net revenues.* Our net revenues increased by \$64.1 million, or 8.4%, in the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008. We continue to grow our net revenues primarily through relationships with existing clients. Our total headcount increased by 3.6% to approximately 37,700 as of September 30, 2009 from approximately 36,400 as of September 30, 2008. In addition, our revenue per employee increased due to a higher volume of more expensive service offerings including re-engineering and more effective deployment and utilization of personnel. Our revenue per employee increased from approximately \$30.3 thousand per employee in the nine months ended September 30, 2008 to approximately \$30.9 thousand per employee in the nine months

ended September 30, 2009. Our revenue increase was partly offset by the weakening of the pound sterling and the Australian dollar against the U.S. dollar, as a portion of our revenues are received in such currencies.

Net revenues from GE decreased by \$29.8 million, or 8.2%. As described under “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Overview — Classification of Certain Net Revenues” in our Annual Report on Form 10-K for the year ended December 31, 2008, certain businesses in which GE ceased to be a 20% shareholder in 2008 were classified as GE net revenues for part of the year until the divestiture by GE and as Global Clients net revenues after the divestiture by GE. GE revenues for the nine months ended September 30, 2009 declined 2.1% over the nine months ended September 30, 2008 after excluding such dispositions by GE. This decline was primarily driven by volume reductions and price drops in existing contracts, and non-renewals on some discretionary projects, primarily in the IT business as well as the weakening of the pound sterling and the Australian dollar against the U.S. dollar, as a portion of our GE revenues are received in such currencies. As a result of the reduction in GE revenues and the growth in revenues from Global Clients, GE net revenues declined as a percentage of our total net revenues from 47.9% in the nine months ended September 30, 2008 to 40.6% in the nine months ended September 30, 2009.

Net revenues from Global Clients increased by \$93.9 million, or 23.8%. This increase resulted from revenues from clients with which we entered into master service agreements, or MSAs, in 2005 through 2009, primarily due to higher volume, partially offset by price reductions and volume contractions in certain existing SOWs. Revenue growth was also partially offset by the weakening of the pound sterling and Australian dollar against the U.S. dollar, as a portion of our Global Clients revenues are received in such currencies. Net revenues for the nine months ended September 30, 2009 also included \$4.0 million received from one of our Global Clients related to cancellations. In addition, a portion of the increase in net revenues from Global Clients was also related to GE ceasing to be a 20% shareholder in certain businesses and the reclassification of related net revenues as described above. As a percentage of total net revenues, net revenues from Global Clients increased from 52.1% in the nine months ended September 30, 2008 to 59.4% in the nine months ended September 30, 2009. Excluding revenues from businesses divested by GE in 2008, Global Client revenues increased organically by approximately 17.1% in the nine months ended September 30, 2009.

Revenues from business process services increased to 83.8% of total net revenues in the nine months ended September 30, 2009 from 79.5% in the nine months ended September 30, 2008. Our business process services business grew 14.3% to \$689.6 million in the nine months ended September 30, 2009. The increase in our business process revenue was primarily due to growth in our finance and accounting product offerings, our banking, financial services and insurance vertical and our domestic Indian business. We also encountered volume contractions at certain existing clients, including GE, and reduced pricing. Revenues from our information technology business declined to 16.2% of total net revenues in the nine months ended September 30, 2009 from 20.5% in the nine months ended September 30, 2008 due to continued reduction in spending on discretionary information technology projects as well as a reduction in prices and lower information technology volumes in 2009.

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*Cost of revenue.* The following table sets forth the components of our cost of revenue in absolute amounts and as a percentage of net revenues:

	Nine months Ended September 30,			
	2008		2009	
	(dollars in millions)			
Personnel expenses	\$ 280.1	36.9%	\$ 303.0	36.8%
Operational expenses	137.5	18.1	158.8	19.3
Depreciation and amortization	31.3	4.1	34.7	4.2
<b>Cost of revenue</b>	<b>\$ 448.9</b>	<b>59.1%</b>	<b>\$ 496.5</b>	<b>60.3%</b>

Cost of revenue increased by \$47.6 million, or 10.6%. This increase reflected the general growth of our business. This increase was primarily due to an increase in operational expenses, and depreciation and amortization, relating to the opening of new Delivery Centers in South Africa, expansion of Delivery Centers in Guatemala and India, and general increase in operational expenses due to increased headcount. As a percentage of net revenues, cost of revenue increased from 59.1% in the nine months ended September 30, 2008 to 60.3% in the nine months ended September 30, 2009 as a result of the foregoing factors, as well as price reductions in our information technology business and the weakening of the pound sterling and the Australian dollar against the U.S. dollar, as a portion of our revenues are received in such currencies.

The largest component of the increase in cost of revenue was personnel expenses, which increased by \$22.9 million, or 8.2%. This increase in absolute amount was primarily due to the hiring of new resources to manage growth. Our total headcount increased by approximately 1,300 employees during the twelve months ended September 30, 2009, the majority of whom have client service responsibilities, thus generating revenue. The increase also reflects overall wage inflation, although the rate at which salaries are increasing remains lower than it was in 2008. Our personnel expenses as a percentage of net revenues decreased marginally from 36.9% in the nine months ended September 30, 2008 to 36.8% in the nine months ended September 30, 2009.

Operational expenses increased by \$21.3 million, or 15.5%. The increase was largely due to the addition of new Delivery Centers and the expansion of existing Delivery Centers over the last twelve months in India (Kolkata, Gurgaon and Hyderabad), Poland, Romania, China, Morocco and the Philippines to support growth, including opening of new Delivery Centers in South Africa and Guatemala. As a percentage of net revenues, operational expenses increased from 18.1% in the nine months ended September 30, 2008 to 19.3% in the nine months ended September 30, 2009. The relative increase is the result of the negative impact on our total revenues of price reductions in our information technology business and the weakening of the pound sterling and Australian dollar against the U.S. dollar, as a portion of our revenues are received in such currencies, offset by the continued positive impact of the cost reduction measures initiated and implemented over the last twelve months.

Depreciation and amortization expenses as a component of cost of revenue increased by \$3.4 million to \$34.7 million in the nine months ended September 30, 2009, primarily due to the expansion of existing Delivery Centers over the last twelve months in India (Kolkata, Gurgaon and Hyderabad), Poland, Romania, China, Morocco, Guatemala and the Philippines to support growth, including the opening of a new Delivery Center in South Africa, partially offset by a \$3.3 million charge in the first quarter of 2008 attributable to the write-off of certain software licenses that did not have any further useful life.

As a result of the foregoing, our gross profit increased by \$16.5 million, or 5.3% and our gross margin decreased from 40.9% in the nine months ended September 30, 2008 to 39.7% in the nine months ended September 30, 2009. In addition, the increase in absolute amount was also due to \$4 million received from one of our Global Clients related to cancellations, offset by the adverse impact of foreign exchange on non-U.S. dollar revenues as explained above.

*Selling, general and administrative expenses.* The following table sets forth the components of our selling, general and administrative expenses in absolute amounts and as a percentage of net revenues:

	Nine months Ended September 30,			
	2008		2009	
	(dollars in millions)			
Personnel expenses	\$ 128.3	16.9%	\$ 131.9	16.0%
Operational expenses	63.2	8.3	55.4	6.7



Depreciation and amortization	8.5	1.1	7.6	0.9
<b>Selling, general and administrative expenses</b>	<b>\$ 199.9</b>	<b>26.3%</b>	<b>\$ 195.0</b>	<b>23.7%</b>

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Selling, general and administrative expenses, or SG&A expenses, decreased by \$5.0 million, or 2.5%. As a percentage of net revenues, SG&A expenses decreased from 26.3% in the nine months ended September 30, 2008 to 23.7% in the nine months ended September 30, 2009. This was primarily due to cost reduction measures, such as restrictions on travel, recruitment, management meeting expenses, reduction in leadership training expenses as well effective utilization and deployment of the support personnel partially offset by increased personnel expenses in our business development team due to recent new hires as well as marketing costs relating to the strengthening of our brand.

Personnel expenses increased by \$3.6 million, or 2.8%, primarily due to increased headcount in our business development team due to recent new hires as well as general wage inflation. This increase was partially offset by lower personnel cost relating to employees resident in India due to the abolishment of FBT by the Indian Government in the third quarter of 2009. The impact of this abolishment resulted in lower FBT expense of \$2.6 million in the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008 offset by incremental share based compensation of \$0.9 million. As a percentage of net revenues, personnel expenses decreased from 16.9% in the nine months ended September 30, 2008 to 16.0% in the nine months ended September 30, 2009, which was primarily due to a relative reduction in support personnel due to effective utilization and deployment and lower salary increases.

The operational expenses component of SG&A expenses decreased by \$7.7 million, or 12.2%. This decrease is attributable to our reducing the number of support personnel as explained above in the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008 and consequent reduced allocation to SG&A, and a \$0.6 million reserve in the first quarter of 2008 that was set-up for loans subject to repurchase in Genpact Mortgage Services. As a percentage of net revenues, such costs decreased from 8.3% in the nine months ended September 30, 2008 to 6.7% in the nine months ended September 30, 2009 primarily due to more effective deployment and utilization of employees in internal support functions such as finance, legal and human resources.

Depreciation and amortization expenses as a component of SG&A expenses decreased by \$0.8 million to \$7.6 million in the nine months ended September 30, 2009. This decrease in depreciation and amortization expenses is due to the reduced number of support personnel in the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008 and consequent reduced allocation to SG&A partially offset by an increase in depreciation expense due to higher capital expenditure incurred for expansion of existing Delivery Centers over the last twelve months.

*Amortization of acquired intangibles.* In the nine months ended September 30, 2008 and 2009, we continued to incur significant non-cash charges of \$28.8 million and \$19.7 million, respectively, consisting primarily of the amortization of acquired intangibles resulting from the 2004 Reorganization, consistent with the amortization schedule.

*Other operating (income) expense, net.* Other operating income, consisting primarily of income from shared services from GE for the use of our Delivery Centers and certain support functions that GE manages and operates with its own employees, increased to \$4.0 million in the nine months ended September 30, 2009 compared to \$1.5 million in the nine months ended September 30, 2008 primarily due to a loss of \$2.3 million incurred in connection with the sale of certain software licenses and the sale of a facility in the second quarter of 2008 and addition of a new Delivery Center in Guatemala and expansion in the Philippines. We do not recognize this income as net revenues because it is not currently one of our primary service offerings; however, our costs are included in cost of revenue and SG&A.

*Income from operations.* As a result of the foregoing factors, income from operations increased by \$33.0 million to \$115.9 million. As a percentage of net revenues, income from operations increased from 10.9% in the nine months ended September 30, 2008 to 14.1% in the nine months ended September 30, 2009.

*Foreign exchange (gains) losses, net.* We recorded a foreign exchange loss of \$2.0 million for the nine months ended September 30, 2009 compared to a gain of \$7.4 million in the nine months ended September 30, 2008. During the nine months ended September 30, 2009, a loss amounting to \$14.0 million was reclassified from accumulated other comprehensive income (loss) to earnings as part of foreign exchange (gains) losses, net, as a result of the discontinuance of certain cash flow hedges. It was determined that certain hedges were ineffective because the underlying forecasted revenues were not likely to materialize as a result of lower than forecasted volumes and pricing resulting from the current economic environment. Accordingly, the hedge accounting for such cash flow hedges was discontinued. After excluding the above mentioned loss on ineffective hedges, the remaining gain of \$12.0 million primarily relates to the net impact of re-measurement of our non-functional currency assets and liabilities resulting from movements in the Indian rupee and U.S. dollar exchange rates in the nine months ended September 30, 2009.

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*Other income (expense), net.* We recorded other income, net of interest expense, of \$3.4 million in the nine months ended September 30, 2009 compared to \$8.3 million in the nine months ended September 30, 2008. The change was driven by lower interest income of \$5.9 million compared to \$13.1 million due to investment in U.S. Treasury bills yielding lower return in the nine months ended September 30, 2009 compared to investment in higher interest bearing bank deposits in the nine months ended September 30, 2008, in line with the Company's investment strategy in the current economic environment. This decrease was offset by a decrease in interest expense of \$3.4 million primarily due to repayment of a portion of a long-term loan during 2008. In addition, the weighted average rate of interest with respect to outstanding long-term loans under our credit facility was reduced from 4.2% in the nine months ended September 30, 2008 to 1.8% in the nine months ended September 30, 2009.

*Income before share of equity in (earnings) loss of affiliates and income tax expense (benefit).* As a result of the foregoing factors, income before income taxes increased by \$18.8 million or from 13.0% of net revenues in the nine months ended September 30, 2008 to 14.3% of net revenues in the nine months ended September 30, 2009.

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

*Income taxes.* Our income tax expense increased from \$12.2 million in the nine months ended September 30, 2008 to \$18.4 million for the nine months ended September 30, 2009. This increase is driven by higher taxable profits including the partial expiration of our tax holiday in India as of March 31, 2009. This increase is partially offset by tax benefits on share-based compensation in certain jurisdictions.

*Net income.* As a result of the foregoing factors, net income increased by \$12.3 million from \$86.0 million in the nine months ended September 30, 2008 to \$98.3 million in the nine months ended September 30, 2009. As a percentage of net revenues, our net income was 11.3% in the nine months ended September 30, 2008 and 11.9% in the nine months ended September 30, 2009.

*Net income attributable to noncontrolling interest.* The noncontrolling interest is due to the acquisition of ICE in 2007. It represents the apportionment of profits to the minority partners of ICE. The net income attributable to noncontrolling interest decreased from \$7.8 million in the nine months ended September 30, 2008 to \$5.6 million in the nine months ended September 30, 2009 consistent with the reduction in the number of noncontrolling partners and reduced revenue attributable to noncontrolling partners.

*Net income attributable to Genpact Limited common shareholders.* As a result of the foregoing factors, net income attributable to Genpact Limited common shareholders increased by \$14.6 million from \$78.1 million in the nine months ended September 30, 2008 to \$92.7 million in the nine months ended September 30, 2009. As a percentage of net revenues, our net income was 10.3% in the nine months ended September 30, 2008 and 11.3% in the nine months ended September 30, 2009.

## Liquidity and Capital Resources

### Overview

Information about our financial position as of December 31, 2008 and September 30, 2009 is presented below:

	As of December 31, 2008	As of September 30, 2009	%
	(dollars in millions)		Change
Cash and cash equivalents	\$ 184.1	\$ 240.4	30.6%
Short term investment	141.7	144.3	1.9
Short term deposits with a significant shareholder	59.3	14.4	(75.7)
Short term borrowings	25.0	—	(100.0)
Long-term debt due within one year	29.5	42.2	42.7
Long-term debt other than the current portion	69.7	37.4	(46.3)
Genpact Limited total shareholders' equity	\$ 841.8	\$ 1,056.2	25.5%

### Financial Condition

We finance our operations and our expansion with cash from operations and short-term borrowing facilities. We also incurred \$180 million of long-term debt to finance in part the 2004 Reorganization.

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Our cash and cash equivalents were \$240.4 million as of September 30, 2009 compared to \$184.1 million as of December 31, 2008. Our cash and cash equivalents are comprised of (a) \$138.1 million in cash in current accounts across all operating locations to be used for working capital and immediate capital requirements, (b) \$65.5 million in term deposits with banks to be used for medium term planned expenditure and capital requirements and (c) \$36.8 million in U.S. Treasury bills with an original maturity of less than three months.

In addition, as of September 30, 2009, \$144.3 million was invested in U.S. Treasury bills to be used for long-term capital requirements and acquisitions compared to \$141.7 million as of December 31, 2008. We had \$14.4 million in short-term deposits with GE India affiliates compared to \$59.3 million in December 31, 2008.

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

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

	Nine Months Ended September 30,	
	2008	2009
	(dollars in millions)	
Net cash provided by (used for)		
Operating activities	\$ 128.0	\$ 123.5
Investing activities	(37.7)	(21.1)
Financing activities	(18.2)	(44.8)
Net increase (decrease) in cash and cash equivalents	<u>\$ 72.1</u>	<u>\$ 57.6</u>

*Cash flow from operating activities.* Our net cash provided by operating activities decreased by \$4.5 million from \$128.0 million in the nine months ended September 30, 2008 to \$123.5 million in the nine months ended September 30, 2009. Our net income adjusted for amortization and depreciation and other non-cash items increased by \$2.6 million. The decrease in cash flow from operating activities was due to higher working capital of \$7.0 million primarily driven by a realized foreign exchange loss of \$3.6 million relating to the payment of contingent consideration to the sellers of ICE in February 2009 and higher cash payout for income taxes due to partial expiration of our tax holiday in India as of March 31, 2009, offset by better receivable management.

*Cash flow from investing activities.* Our net cash used for investing activities was \$21.1 million in the nine months ended September 30, 2009 compared to \$37.7 million in the nine months ended September 30, 2008. We invested \$43.9 million in purchases of property, plant and equipment in connection with the expansion of existing Delivery Centers and opening of a new Delivery Center in the nine months ended September 30, 2009 compared to \$45.9 million in the nine months ended September 30, 2008. We invested \$2.6 million, net of sales, in U.S. Treasury bills and realized \$43.9 million from maturing of deposits with GE India during the nine months ended September 30, 2009. During the first quarter of 2009 we paid \$20.2 million to the sellers of ICE as contingent consideration that we were obligated to pay on achievement of certain profitability targets.

*Cash flow from financing activities.* Our net cash used for financing activities was \$44.8 million in the nine months ended September 30, 2009, compared to \$18.2 million in the nine months ended September 30, 2008. We repaid \$20.0 million of our long term debt as part of our scheduled repayments under our credit agreement and \$25.0 million of our short-term borrowings drawn in the fourth quarter of 2008 in the nine months ended September 30, 2009 as compared to repayment of \$20.0 million of long term debt in the nine months ended September 30, 2008. In addition, we paid the noncontrolling partners of ICE \$5.6 million in the nine months ended September 30, 2009 compared to \$8.9 million in the nine months ended September 30, 2008. We received \$7.7 million as proceeds from the issuance of

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**Financing Arrangements**

Total long-term debt excluding capital lease obligations was \$79.6 million at September 30, 2009 compared to \$99.2 million at December 31, 2008, which represented long-term debt primarily related to the 2004 Reorganization. The weighted average rate of interest with respect to outstanding long-term loans under the credit facility was 4.2% and 1.8% for the nine months ended September 30, 2008 and 2009, respectively.

We finance our short-term working capital requirements through cash flow from operations and credit facilities from banks and financial institutions. As of September 30, 2009, short-term credit facilities available to the Company aggregated \$145.0 million, which are under the same agreement as our long-term debt facility. As of September 30, 2009, a total of \$11.7 million was utilized, which represented non-funded drawdown.

**Goodwill Impairment Testing**

We test goodwill for impairment at least on an annual basis on September 30 of each year. Goodwill of a reporting unit is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Determining whether an impairment has occurred requires valuation of the respective reporting units, which we estimate using the discounted cash flow method. Valuation of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions that we believe to be reasonable but that are unpredictable and inherently uncertain and accordingly actual results may differ from these estimates. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, and future economic and market conditions. The result of our annual evaluation as of September 30, 2009, showed that the fair values of all our reporting units exceeded their book values.

**Off-Balance Sheet Arrangements**

Our off-balance sheet arrangements consist of foreign exchange contracts and certain operating leases. For additional information, see the Risk Factor entitled “Currency exchange rate fluctuations in various currencies in which we do business, especially the Indian rupee 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, 2008, “—Contractual Obligations” below and note 7 of our unaudited interim consolidated financial statements.

**Contractual Obligations**

The following table sets forth our total future contractual obligations as of September 30, 2009:

	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Long-term debt	\$ 42.2	\$ 37.4	\$ —	\$ —	\$ 79.6
Capital leases	2.0	3.0	0.5	—	5.5
Operating leases	23.7	44.7	71.6	—	140.0
Purchase obligations	7.9	—	—	—	7.9
Capital commitments net of advances	18.2	—	—	—	18.2
Other long-term liabilities (1)	122.6	133.1	2.7	—	258.4
<b>Total contractual cash obligations</b>	<b>\$ 216.5</b>	<b>\$ 218.2</b>	<b>\$ 74.7</b>	<b>\$ —</b>	<b>\$ 509.5</b>

(1) Excludes \$7.9 million towards uncertain tax positions calculated in accordance with FIN 48. For such amount, the extent of the amount and timing of payment or cash settlement is not reliably estimable or determinable, at present.

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**Recent Accounting Pronouncements**

*Recently adopted accounting pronouncements*

For a description of recently adopted accounting pronouncements in 2008, see Note 2 — “Recently adopted accounting pronouncements” under Item 1 — “Financial Statements” above and Part-II Item-7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2008.

In December 2007, the FASB issued ASC 805 “Business Combinations” (previously referred to as SFAS No. 141 (revised 2007), “Business Combinations”, which was a revision of SFAS No. 141, “Business Combinations”). This Statement establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in an acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Effective January 1, 2009, the Company adopted ASC 805 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

In December 2007, the FASB issued ASC 810-10-65 “Consolidation — Transition and Open Effective Date Information” (previously referred to as SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51”). ASC 810-10 establishes accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. ASC 810-10-65 establishes accounting and reporting standards that require (i) the ownership interest in subsidiaries held by parties other than the parent to be clearly identified and presented in the consolidated balance sheet within equity, but separate from the parent’s equity, (ii) the amount of consolidated net income attributable to the parent and the noncontrolling interest to be clearly identified and presented on the face of the consolidated statements of income, and (iii) changes in a parent’s ownership interest while the parent retains its controlling financial

interest in its subsidiary to be accounted for consistently. Effective January 1, 2009, the Company adopted ASC 810-10-65. See “Consolidated Balance Sheets”, “Consolidated Statements of Income”, “Consolidated Statements of Shareholders’ Equity and Comprehensive Income (Loss)”, and note 2(a) for information and related disclosures regarding noncontrolling interest.

In February 2008, the FASB approved ASC 820-10 “Fair Value Measurements and Disclosures” (previously referred to as FASB Staff Position FAS No.157-2, “Effective Date of FASB statement No. 157” (FSP FAS 157-2), which grants a one-year deferral of SFAS No. 157’s fair-value measurement requirements for non-financial assets and liabilities, except for items that are measured or disclosed at fair value in the financial statements on a recurring basis). Effective January 1, 2009, the Company has adopted ASC 820-10 for non-financial assets and liabilities. The adoption of ASC 820-10 for non-financial assets and liabilities did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

In March 2008, the FASB issued ASC 815-10 “Derivatives and Hedging-Disclosures” (previously referred to as SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133”). ASC 815-10 requires enhanced disclosures about an entity’s derivative instruments and hedging activities with a view toward improving the transparency of financial reporting. ASC 815-10 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged, however ASC 815-10 does not require comparative disclosures for earlier periods at initial adoption. Effective January 1, 2009, the Company adopted ASC 815-10. As ASC 815-10 amended only the disclosure requirements for derivative financial instruments and hedged items, the adoption had no impact on the Company’s consolidated results of operations, cash flows or financial position. See note 7 for information and related disclosures.

In April 2008, the FASB issued ASC 350-30 “Intangibles-Goodwill and Other — General Intangibles Other than Goodwill” (previously referred to as FASB Staff Position FAS No. 142-3, “Determination of the Useful Life of Intangible Assets” (FSP FAS No. 142-3). ASC 350-30 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under ASC 350-10 (previously referred to as FASB Statement No. 142, “Goodwill and Other Intangible Assets”). This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. Effective January 1, 2009, the Company adopted ASC 350-30 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

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In November 2008, the FASB’s Emerging Issues Task Force reached a consensus on ASC 323-10 “Investments-Equity Method and Joint Ventures” (previously referred to as EITF Issue No. 08-6, “Equity Method Investment Accounting Considerations”). ASC 323-10 continues to account for the initial carrying value of equity method investments on a cost accumulation model, which generally excludes contingent consideration. ASC 323-10 also specifies that other-than-temporary impairment testing by the investor should be performed at the investment level and that a separate impairment assessment of the underlying assets is not required. An impairment charge by the investee should result in an adjustment of the investor’s basis of the impaired asset for the investor’s pro-rata share of such impairment. In addition, ASC 323-10 reached a consensus on how to account for an issuance of shares by an investee that reduces the investor’s ownership share of the investee. An investor should account for such transactions as if it had sold a proportionate share of its investment with any gains or losses recorded through earnings. ASC 323-10 also addresses the accounting for a change in an investment from the equity method to the cost method after adoption of ASC 810-10 (previously referred to as SFAS No. 160). ASC 323-10 affirms existing guidance which requires cessation of the equity method of accounting and application of ASC 320-10 (previously referred to as FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities”), or the cost method under ASC 323-10-35, as appropriate. Effective January 1, 2009, the Company adopted ASC 323-10 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

In April 2009, the FASB issued ASC 805-20 “Business Combinations — Identifiable Assets and Liabilities, and Any Noncontrolling Interest” (previously referred to as FASB Staff Position FAS No. 141R-1, “Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies” (FSP FAS No. 141R-1). ASC 805-20 eliminates the distinction between contractual and non-contractual contingencies, including the initial recognition and measurement criteria, in ASC 805 and instead carries forward most of the provisions in FASB Statement No. 141, Business Combinations, for acquired contingencies. ASC 805-20 is effective for contingent assets or contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Effective January 1, 2009, the Company adopted ASC 805-20 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

In April 2009, the FASB issued the following three ASCs intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities:

ASC 820-10-65 “Fair Value Measurements and Disclosures — Transition and Open Effective Date Information” (previously referred to as FASB Staff Positions FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly”) provides additional guidance for estimating fair value in accordance with ASC 820-10 “Fair Value Measurements and Disclosures” (previously referred to as SFAS No. 157) when the volume and level of activity for the asset or liability have decreased significantly. ASC 820-10-65 also provides guidance on identifying circumstances that indicate a transaction is not orderly. The provisions of ASC 820-10-65 are effective for the Company’s interim period ending on June 30, 2009. Effective April 1, 2009, the Company adopted ASC 820-10-65 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

ASC 825-10-65 “Financial Instruments - Transition and Open Effective Date Information” (previously referred to as FASB Staff Positions FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments”), requires disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies that were previously only required to be disclosed in annual financial statements. The provisions of ASC 825-10-65 are effective for the Company’s interim period ending on June 30, 2009. Effective April 1, 2009, the Company adopted ASC 825-10-65 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

ASC 320-10-65 “Investments-Debt and Equity Securities - Transition and Open Effective Date Information” (previously referred to as FASB Staff Positions FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments”) amends current other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This ASC does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The provisions of ASC 320-10-65 are effective for the Company’s interim period ending on June 30, 2009. Effective April 1, 2009, the Company adopted ASC 320-10-65 and the adoption did not have a material impact on the Company’s consolidated results of operations, cash flows or financial position.

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In May 2009, the FASB issued ASC 855-10 “Subsequent events” (previously referred to as SFAS No. 165, “Subsequent Events” (“SFAS 165”)), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. ASC 855-10 is effective for interim and annual periods ending after June 15, 2009. Effective April 1, 2009, the Company adopted ASC 855-10 which only requires additional disclosures and the adoption did not have any impact on its consolidated financial position, results of operations or cash flows. The Company evaluated all events or transactions that occurred after September 30, 2009 up through November 6, 2009. Based on this evaluation, the Company is not aware of any events or transactions that would require recognition or disclosure in the consolidated financial statements.

In June 2009, the FASB issued ASC 105-10 “Generally Accepted Accounting Principles” (previously referred to as SFAS No. 168 “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162”). The FASB Accounting Standards Codification (“Codification”) will be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. ASC 105-10 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in ASC 105-10. Effective July 1, 2009, the Company adopted ASC 105-10 and the adoption did not have any material impact on its consolidated financial position, results of operations or cash flows.

#### *Recently issued accounting pronouncements*

In December 2008, the FASB issued ASC 715-20 “Compensation-Retirement Benefits” (previously referred to as FASB Staff Position FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets”). ASC 715-20 provides guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets as required by Compensation-Retirement Benefits Topic of the FASB Accounting Standards Codification must be provided for fiscal years ending after December 15, 2009. The Company is currently evaluating the impact of Compensation-Retirement Benefits Topic of the FASB Accounting Standards Codification on its disclosures about plan assets.

In October 2009, the FASB issued ASU 2009-13 (EITF No. 08-1) which amends ASC 605-25 “Revenue Recognition—Multiple-Element Arrangements”. ASU 2009-13 amends ASC 605-25 to eliminate the requirement that all undelivered elements have Vendor Specific Objective Evidence (VSOE) or Third Party Evidence (TPE) before an entity can recognize the portion of an overall arrangement fee that is attributable to items that already have been delivered. In the absence of VSOE or TPE of the standalone selling price for one or more delivered or undelivered elements in a multiple-element arrangement, the overall arrangement fee will be allocated to each element (both delivered and undelivered items) based on their relative estimated selling prices. Application of the “residual method” of allocating an overall arrangement fee between delivered and undelivered elements will no longer be permitted upon adoption of ASU 2009-13. The provisions of ASU 2009-13 will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption will be permitted. The Company is currently evaluating the effect of adoption of the provisions of the ASU 2009-13 on the Company’s consolidated financial Statements.

In August 2009, the FASB issued ASU 2009-05 which amends Subtopic 820-10 “Fair Value Measurements and Disclosures—Overall” for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value utilizing one or more of the following techniques (1) a valuation technique that uses the quoted market price of an identical liability or similar liabilities when traded as assets; or (2) another valuation technique that is consistent with the principles of Topic 820, such as a present value technique or a market approach. The provisions of ASU No. 2009-05 are effective for the first reporting period (including the interim periods) beginning after issuance. The provisions of ASU No. 2009-05 will be effective for interim and annual periods beginning after August 27, 2009. The Company is currently evaluating the effect of the provisions of the ASU 2009-05 on the Company’s consolidated financial statements.

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### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

During the three months ended September 30, 2009, there were no material changes in our market risk exposure. For a discussion of our market risk associated with foreign currency risk, interest rate risk and credit risk, see Item 7A “Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2008.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

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

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

#### *Changes in Internal Control Over Financial Reporting*

There have been no changes in the Company’s internal controls over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

## **PART II**

### **Item 1. Legal Proceedings**

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

### **Item 1A. Risk Factors**

We have disclosed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2008 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, 2008 and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us also may materially adversely affect our business, financial condition and/or results of operations.

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

**Unregistered Sales of Equity Securities**

None.

**Use of Proceeds**

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

We used \$98.1 million of the net proceeds from our initial public offering to repay revolving loan indebtedness outstanding under our credit facility. In addition, we used \$50.0 million of the net proceeds from our initial public offering to partially repay long term indebtedness outstanding under our credit facility in accordance with the regular payment schedule for such indebtedness. The remaining proceeds are invested in short-term deposit accounts. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) on August 2, 2007.

**Purchase of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

**Item 5. Other Information**

None.

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**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
3.1	Memorandum of Association of the Registrant (incorporated by reference to Exhibit 3.1 to Amendment No. 2 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on July 16, 2007).
3.3	Bye-laws of the Registrant (incorporated by reference to Exhibit 3.3 to Amendment No. 4 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on August 1, 2007).
10.1	Amendment No. 2 Amended and Restated Shareholders' Agreement, dated as of September 11, 2009, by and among the Registrant and the shareholders listed on the signature pages thereto.*
10.2+	Letter Agreement, dated July 23, 2009, between Macro*World Research and Genpact International, Inc.*
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.*

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

+ Indicates confidential treatment requested as to certain portions, which portions were omitted and filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request.

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## SIGNATURES

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

Date: November 9, 2009

### GENPACT LIMITED

By: /s/ PRAMOD BHASIN

Pramod Bhasin  
*Chief Executive Officer*

/s/ VIVEK GOUR

Vivek Gour  
*Chief Financial Officer*

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

+ Indicates confidential treatment requested as to certain portions, which portions were omitted and filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request.

**AMENDMENT No. 2  
TO  
AMENDED AND RESTATED SHAREHOLDERS AGREEMENT**

THIS AMENDMENT (this “*Amendment*”), dated and effective as of September 11, 2009, is made by and among Genpact Limited (the “*Company*”), Genpact Investment Co (Lux) Sicar S.A.R.L. (“*GICo*”), WIH Holdings (“*WIH*”), GE Capital International (Mauritius) (“*GECIM*”) and GE Capital (Mauritius) Holdings Ltd. (“*GECM*” and together with *GECIM*, “*GE*”, and together with *GICo* and *WIH*, the “*Shareholders*”).

W I T N E S S E T H:

WHEREAS, the undersigned are parties to that certain Amended and Restated Shareholders Agreement, dated as of August 7, 2007 (as amended from time to time, the “*Shareholders Agreement*”);

WHEREAS, the parties hereto desire to amend the Shareholders Agreement to clarify that the terms and provisions of Section 3.04 do not apply to *WIH*, and make other technical corrections to Section 3.04.

NOW THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. *Defined Terms*. Capitalized terms not otherwise defined in this Amendment shall have the meaning specified in the Shareholders Agreement.

2. *Amendment to Section 3.04 “Right of First Refusal”*. From and after the date hereof, Section 3.04 of the Shareholders Agreement is deleted in its entirety and replaced with the following:

“SECTION 3.04. Right of First Refusal.

(a) If, prior to the fifth anniversary of the Effective Date, GE desires to Transfer all or any portion of its Common Shares (the “Offered Securities”) to any Person (x) other than to a Permitted Transferee or (y) other than pursuant to clauses (i) or (ii) of the definition of Exempt Transfer, then GE shall first offer such Offered Securities to *GICo* by promptly providing written notice (the “Offering Notice”) to *GICo* indicating (A) the number of Offered Securities proposed to be Transferred and (B) the proposed purchase price per Common Share and the other material terms and conditions of the proposed Transfer; provided, however, that (x) GE shall only be entitled to deliver an Offering Notice (and one (1) additional Offering Notice which constitutes a Reoffer Notice as provided in Section 3.04(c)) once in any consecutive twelve (12) month period (measured from the date of the initial Offering Notice) and (y) GE shall not be entitled to deliver an Offering Notice at any time when another Offering Notice or Reoffer Notice provided by GE is outstanding.

(b) *GICo* (and/or one (1) or more *GICo* Designees) may elect to exercise *GICo*’s rights pursuant to this Section 3.04 by delivering written notice to GE within thirty (30) days after its receipt of the Offering Notice (“Option Period”). Notwithstanding anything to the contrary contained in this Section 3.04, *GICo* (and/or one (1) or more *GICo* Designees) may only elect to purchase all, but not less than all, of the Offered Securities pursuant to this Section 3.04. The failure of *GICo* to respond to GE within the Option Period shall be deemed to be a waiver of *GICo*’s rights under this Section 3.04.

(c) If *GICo* (and/or one (1) or more *GICo* Designees) does not elect to purchase all, but not less than all, of the Offered Securities, then GE may sell all, but not less than all, of the Offered Securities to any Person on terms and conditions not more favorable, in the aggregate, to the transferee than those set forth in the Offering Notice, and in any event at the same price set forth in the Offering Notice (except that GE may sell the Offered Securities for a higher price or on other

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terms more favorable to GE); provided, however, that such sale (A) is bona fide, (B) is made solely for cash consideration or Marketable Securities that satisfy the Liquidity Requirements, or both, and does not involve any other consideration, agreements, arrangements or understandings between or among GE or its Affiliates and any proposed transferee or its Affiliates with respect to the GE Master Services Agreement or otherwise and (C) is completed within one hundred and eighty (180) days after the expiration of the Option Period or such earlier date upon which *GICo* shall have delivered written notice that it does not intend to exercise its right to purchase the Offered Securities (the “Outside Date”). Any Marketable Securities issued as consideration for the Offered Securities shall be deemed, for purposes of this Section 3.04, to have a value equal to the Market Price of such Marketable Securities. If such sale is not consummated on or prior to the Outside Date for any reason, then the restrictions provided for in this Section 3.04 shall again become effective and no Transfer of such Offered Securities may be made thereafter by GE without again offering the same to *GICo* in accordance with this Section 3.04; provided, however, that, in the event that, prior to the Outside Date with respect to any Offering Notice, GE issues a separate Offering Notice (“Reoffer Notice”) with respect to the same Offered Securities on terms and conditions that are more favorable, in the aggregate, to a proposed purchaser than those set forth in the original Offering Notice, then the Option Period for such Reoffer Notice shall be thirty (30) days after *GICo*’s receipt of such new Reoffer Notice and the Outside Date shall be extended an additional thirty (30) days.

(d) After the fifth anniversary of the Effective Date, none of the Common Shares held by GE or its Permitted Transferees will be subject to any restrictions on Transfer contained in this Agreement other than Section 3.03.”

3. *Effect of this Amendment; Modification*. Except as modified hereby, the Shareholders Agreement shall remain unmodified and in full force and effect.

4. *Entire Agreement*. The Shareholders Agreement and this Amendment contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior arrangements or understandings respect hereto.

5. *Counterparts*. This Amendment may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

6. *Governing Law*. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to principles governing conflicts of laws thereof.

[signature page follows]



IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective duly authorized representatives as of the day and year first above written.

**GENPACT LIMITED**

By: /s/ Victor Guaglianone

Printed Name: Victor Guaglianone

Title: SVP & General Counsel

**GENPACT INVESTMENT CO (LUX) SICAR S.A.R.L**

By: /s/ John Monsky

Printed Name: John Monsky

Title: Vice President

**WIH HOLDINGS**

By: /s/ Shannon K. Woody

Printed Name: Shannon K. Woody

Title: Senior Vice President

**GE CAPITAL INTERNATIONAL (MAURITIUS)**

By: /s/ Mark S. Barber

Printed Name: Mark S. Barber

Title: Director

**GE CAPITAL (MAURITIUS) HOLDINGS LTD.**

By: /s/ Mark S. Barber

Printed Name: Mark S. Barber

Title: Director

Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

July 23, 2009

Attn: General Counsel  
Genpact International Inc,  
1251 Avenue of the Americas, Suite 41,  
New York, NY 10020

Dear Mohit Thukral:

THIS LETTER AGREEMENT (the "Letter") sets forth certain business terms we have agreed upon. This Letter is entered into and made effective as of April 1, 2009 (the "Effective Date") and amends, for a period of time beginning April 1, 2009 until March 31, 2010 (the "Term"), certain terms of the Master Professional Services Agreement dated as of November 30, 2005 (as amended, modified and supplemented from time to time, the "Agreement") by and between Macro\*World Research Corporation, a North Carolina corporation having a principal place of business at 301 South College Street, Charlotte, NC 28288, a subsidiary of Wells Fargo & Company, successor in interest by merger to Wachovia Corporation ("Wells Fargo") and Genpact International, Inc. (as successor in business to Genpact International, S.A.R.L., a Luxembourg société à responsabilité limitée, existing and organized under the laws of Luxembourg, acting through its Hungarian Branch, having its principal place of business at Duna Plaza Offices, 4th Floor, H-1138, Budapest Váci út 178, Hungary, as well as certain terms of the Philippines Local Operating Agreement (the "LOA") dated as of December 21, 2007, by and between Macro\*World Research Corporation, a North Carolina corporation having a principal place of business at 301 South College Street, Charlotte, North Carolina 28288, a subsidiary of Wells Fargo & Company, successor in interest by merger to Wachovia Corporation and Genpact International, Inc. (as successor in business to Genpact International, S.A.R.L.), a Delaware corporation with an office at 1251, Avenue of Americas, 41<sup>st</sup> Floor, New York, NY 10020 ("Genpact").

Wachovia Corporation merged into Wells Fargo & Company as of December 31, 2008 ("Merger");

As successor in interest by merger to Wachovia Corporation, Wells Fargo has assumed all rights and obligations under the Agreement and LOA for its subsidiary, Macro\*World Research Corporation; and

We have agreed to amend the Agreement and LOA for the Term of this Letter, during which time the parties are conducting good faith negotiations to execute a revised master professional services agreement.

IN CONSIDERATION of the mutual promises and covenants contained in this Letter, and of other good and valid consideration, the receipt and sufficiency of which are hereby acknowledged, we have agreed to the following:

**(A) TERMINATION FOR CONVENIENCE:**

Notwithstanding Section 25.3 of the Agreement or Section 17.12 of the LOA, the following is hereby added to the end of Section 25.3:

"Provided however, during the Term of this Letter, Wells Fargo may terminate all or any portion of the Services under one or more Statements of Work listed in the attached Appendix C, for convenience and without cause at any time and from time to time by giving Genpact the minimum notice specified in

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Appendix C for the applicable Statement of Work (if at the time of the notice, no more than [\*\*] Genpact Personnel are eliminated as a result of the termination) designating the termination date. The billing for these processes during the agreed notice period will be done monthly for the entire notice period, as applicable. The billing will be fixed for the notice period and will be determined on the actual headcount as on the date of the termination notice for a particular process."

Notwithstanding Section 25.3(b) of the Agreement, Termination Charges pursuant to these termination notices will not apply to the first [\*\*] FTEs (which may include the [\*\*] FTE's specified above) terminated due to the calculation based on the December 2008 FTE count of [\*\*].

Notwithstanding Section 27.3 of the Agreement, the following is hereby added to the end of the Section:

"Any notice, notification, request, demand or determination provided by Wells Fargo in regards to the termination of one or more Statements of Work shall be in writing and the first notification shall be via e-mail transmission to establish and set forth the effective notice date of the Termination ("Official Notice Date"). The official notice of termination ("Termination Letter") shall reference the Official Notice Date. Wells Fargo shall provide a signed Termination Letter to the onsite Relationship Manager, who will obtain the required signatures from Genpact. The Relationship Manager shall send to Wells Fargo Supply Chain Management an electronically scanned and fully executed copy of the Termination Letter via e-mail transmission.

**(B) STRANDED COSTS CALCULATIONS:**

Notwithstanding Schedule I of the Agreement, for the Term of this Letter, the modified Stranded Costs (which is only applicable to Statements of Work representing the initial [\*\*] FTE terminations) shall be calculated as follows:

**India:**

**FTE Resources:** Notwithstanding Schedule I of the Agreement and irrespective of actual redeployment or ramp-down, for the Term of this Letter, the Stranded Costs shall be based on actual headcount as on the termination notice date and shall be for a fixed period of [\*\*] days following the expiration of the notice period. The charges shall be calculated using the rate for FTE resources set forth in Exhibit D to Schedule O of the Agreement. (Refer Appendix A)

**Facilities:** Notwithstanding Schedule I of the Agreement, for the Term of this Letter, the Stranded Costs for Facilities based on headcount as per the respective SOW and shall be for a fixed period of [\*\*] days following the expiration of the notice period. Any Genpact Facility costs shall be at the Infrastructure Cost rate set forth in Exhibit D to Schedule O of the Agreement for 2009. (Refer Appendix A)

**Equipment:** Notwithstanding Schedule I of the Agreement, for the Term of this Letter, the Stranded Costs for Equipment that is not redeployed for the headcount as per the respective SOW and shall be at the written down value not to exceed \$[\*\*] per seat.

Support:

In addition to Schedule I of the Agreement, for the Term of this Letter, the Stranded Costs for Support resources normally included in SOW billing will not be included in Stranded

Costs for individual SOW but will be separately invoiced for a fixed period of [\*\*] days using the methodology below. For the purpose of clarification, the Stranded Costs for support resources shall serve solely as a guide for this Letter and shall not be applied as a standard for any existing or future agreement between the parties.

For every [\*\*] FTEs terminated, Genpact will bill for fixed [\*\*] days stranded cost for support resources based on the following span ratio:

Function	Span	Level	Rate per Annum	Support HC
HR	[**]	[**]	[**]	[**]
IT	[**]	[**]	[**]	[**]
Training	[**]	[**]	[**]	[**]
Quality	[**]	[**]	[**]	[**]

Philippines:

FTE Resources: Notwithstanding Schedule I of the Agreement and irrespective of actual redeployment or ramp-down, for the Term of this Letter, the Stranded Costs for FTE resources as on the termination notice date shall be for a fixed period of [\*\*] days following the expiration of the notice period. The charges shall be calculated using the FTE rate set forth in Exhibit D to Schedule O of the LOA. (Refer Appendix B)

Facilities: Notwithstanding Schedule I of the Agreement, for the Term of this Letter, the Stranded Costs for Facilities shall not be invoiced for the facility portion of obligations related to [\*\*], and [\*\*] seats associated with ramp-down of [\*\*] (note: [\*\*] seat decrease related to [\*\*] expected to result in new level of [\*\*] seats — Associates & TLs). Any ramp-downs / terminations over and above the SOWs specified herein will be subject to the notice period and Stranded Cost terms currently contained in the Agreement.

Equipment: Notwithstanding Schedule I of the Agreement, for the Term of this Letter, the Stranded Costs for Equipment that is not redeployed for the headcount as per the respective SOW shall be at the written down value not to exceed \$ [\*\*] per seat.

Invoicing (for India and the Philippines):

The Stranded Costs for FTE resources and Facilities will become billable at the end of the applicable notice period and will be invoiced within [\*\*] days of the expiration of the applicable notice period. The Stranded Costs for Equipment shall be invoiced within [\*\*] days of the expiration of the notice period.

**(C) FTE RESOURCE POOL:**

Notwithstanding Section 8.4(f) of the Agreement, the sole discretion of the Operating Council to determine the size of the resource pool will be expressly waived during the Term of this Letter, after such date, the discretion by the Operating Council regarding the resource pool size will resume pursuant to

Section 8.4(f). For the avoidance of doubt, during the Term of this Letter, the final decisions regarding the size of the resource pool will be determined by Genpact, so long as Genpact continues to meet or exceed the applicable service levels.

**(D) WORKING HOURS:**

India:

The total number of working hours per FTE per annum will be increased from [\*\*] to [\*\*] hours and will be applied to all existing and future Statements of Work. For existing Statements of Work, Genpact shall bear all costs and expenses associated with the increased number of hours specified above.

Philippines:

In consideration of future Statements of Work, the total number of working hours per FTE per annum will be increased from [\*\*] to [\*\*] hours.

For the avoidance of doubt, Wells Fargo will not be invoiced for any additional FTE resources that are identified by Genpact which have not received prior approval by the Wells Fargo Outsourcing Director or their designee.

Compliance with Laws:

In each jurisdiction in which any agreement, commitment, contract, letter agreement or other arrangement is to be performed, Genpact shall ensure, in all material respects, it is valid, enforceable and performed in compliance with local, state and federal labor laws with regard to the FTE working hours for both India and the Philippines. Further, Genpact will fully and promptly inform Wells Fargo if it is notified by any governmental authority or generally becomes aware of any changes to or non-compliance with labor laws in each jurisdiction.

**(E) DEDICATED MANAGEMENT TEAM:**

(i) India:

(a) Dedicated Management Team

**Dedicated Management Team**

	[**]
Business Leader*	[**]
HR Leader and Support	[**]
Finance Manager***	[**]
IT Manager***	[**]
Training Manager	[**]
Relationship Managers**	[**]
Transition Manager	[**]
LOB Leads	[**]
Sub-total Fixed Cost	[**]

\*Any and all costs and expenses associated with the Business Leader shall be the responsibility of Genpact, unless otherwise mutually agreed upon in writing. It is not an expectation of Wells Fargo that the Business Leader will devote his or her full time and effort to managing the Services for the Wells Fargo account. Genpact shall ensure that the Business Leader will provide leadership and serve as the single point of accountability for the Services and have overall responsibility for overseeing the provision of the Services, billing and relationship management concerning the Wells Fargo account.

\*\*Notwithstanding Section 2.5 of Schedule O of the Agreement, for the Term of this Letter, the fees for the Relationship Managers will be included in the total Management Fee and will be invoiced to Wells Fargo each month.

\*\*\* The Finance and IT Managers will be [\*\*] resources and will be shared across other accounts within Genpact

(b) Support Leaders

**Support Leaders Management Fees**

IT (Level 6B)	[**]
Quality (Level 6B)	[**]
Sub-total	[**]
<b>INDIA</b>	<b>[**]</b>

The Support Leaders will be billed as part of the Management Fees as per the rate card of Schedule O of the Agreement as such are not included in the fixed management fee structure for India.

Support Fees:

Notwithstanding Schedule O of the Agreement, for the Term of this Letter, the charges for HR, IT, Training, and Quality Managers will no longer be invoiced on a span-base but will be invoiced at a fixed annual rate of \$[\*\*] per FTE on a monthly basis, in arrears, pro-rated as appropriate for the applicable month. This shall apply to all existing and future Statements of Work under the Agreement. For the purpose of clarification, Transition Managers/Leaders will not be included in the Support Leader costs but may be included in future Statements of Work as necessary.

(ii) Philippines:

**Dedicated Management Team**

Site Lead**	[**]
Transition Leader	[**]
HR Leader	[**]
Training Leader+	[**]
Facilities Manager	[**]
Finance Leader	[**]
Admin Support	[**]
Executive Assistant	[**]
Training – Admin Assistant***	[**]
Training Coordinator***	[**]
<b>PHILIPPINES*</b>	<b>[**]</b>

\*The Philippines Dedicated Management Team will be invoiced to Wells Fargo at the rate set forth in the applicable rate card in Schedule O of the LOA.

\*\* The Philippines Site Leader will be billed at a rate of \$[\*\*] per annum.

\*\*\* The parties agree that Genpact will present the Wells Fargo Outsourcing Director with a plan by September 30, 2009, to redeploy these particular resources on the Dedicated Management Team.

Travel Expenses:

Notwithstanding Section 6 of Schedule O of the Agreement and Section 6 of Schedule O of the LOA, for the Term of this Letter, all travel expenses must receive prior approval by the Wells Fargo Outsourcing Director or their designee, and must be invoiced within [\*\*] days of completion of travel in order to be paid by Wells Fargo.

**(F) GLOBAL OPERATIONS LEADER:**

Section 8.2 of the Agreement and Section 2.1 of Schedule K of the LOA will no longer have any force or effect since the position of Global Operations Leader has been removed and is thereby inapplicable.

**(G) TECHNOLOGY REFRESH:**

Notwithstanding the Technology Refresh Planning and Implementation contained in Exhibit B of Schedule D of the Agreement and Exhibit B of Schedule D of the LOA, for the Term of this Letter, Genpact must obtain prior approval in writing from the Wells Fargo Outsourcing Director or their designee before a technology refresh can occur.

**(H) PHILIPPINE SPACE:**

Wells Fargo agrees to release [\*\*] at the Philippines location effective on the date that Wells Fargo receives written confirmation from Genpact stating that (i) there are no Genpact Personnel performing services for Wells Fargo on [\*\*]; (ii) all related Wells Fargo Data and Materials, including Wachovia Owned Materials, have been removed as specified in the applicable terms of the Agreement; and (iii) such removal has received written approval by the Wells Fargo Outsourcing Director or their designee. As part of this agreement to release [\*\*], Wells Fargo shall agree to a one-time payment of USD [\*\*] (\$[\*\*]) that reimburses Genpact for costs associated with furniture, fixtures, carrying costs such as rent, certain space re-fitting, and the facility portion of obligations related to [\*\*], and [\*\*] seats associated with ramp-down of [\*\*]. In addition, as part of this Letter, the obligation in Section 3 of Schedule O to the LOA for Wachovia to pay a maximum of \$[\*\*] per year for idle seats is removed for the duration of the LOA. Genpact shall invoice Wells Fargo as soon as terms (i) and (ii) above have been met. Any ramp-downs / terminations over and above the SOWs specified herein will be subject to the notice period and Stranded Cost terms currently contained in the Agreement. In the event that additional terminations or ramp downs create an opportunity to release an additional floor, those terms will be separately negotiated when appropriate. It is agreed upon by the parties that the movement of FTE resources between floors shall be included in the costs pursuant to this Section and any additional costs associated with such movement of FTE resources will be borne by Genpact.

**(I) FINAL AGREEMENT:**

If a final agreement amending the Master Professional Services Agreement terms agreed upon by the parties is not executed between the parties on or before March 31, 2010, the parties agree and acknowledge that the terms of this Letter will stand revoked and the existing terms of the Agreement and LOA, as the case may be, shall govern the future relationship between the parties. Notwithstanding the foregoing sentence, the terms of Paragraph D ('Working Hours'), Paragraph E ('Dedicated Management

Team'), Paragraph F ('Global Operations Leader'), Paragraph G ('Technology Refresh') and Paragraph H ('Philippine Space') shall survive the expiration of this Letter.

**(J) GENERAL PROVISIONS:**

Capitalized terms used herein and not otherwise defined have the meaning given in the Agreement and/or LOA. The execution, delivery and performance of this Letter has been duly authorized by all requisite corporate action on the part of Wells Fargo and Genpact and upon execution by all parties, will constitute a legal, binding obligation thereof. Except as specifically amended hereby, the Agreement and LOA, and all terms contained therein, both remain in full force and effect. If any of the terms and provisions in this Letter are inconsistent with the Agreement and/or LOA, the terms and provisions contained in this Letter shall control. The Agreement and LOA, as amended by this Letter, constitutes the entire understanding of the Parties with respect to the subject matter hereof. Each reference herein to a Party hereto shall be deemed to include its successors and assigns, all of whom shall be bound by this Letter and in whose favor the provisions of this Letter shall inure. In case any one or more of the provisions contained in this Letter shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties hereto agree to execute such other documents and instruments and to do such other and further things as may be necessary or desirable for the execution and implementation of this Letter and the consummation of the transactions contemplated hereby and thereby. This Letter shall be governed by and construed in accordance with the laws of the State of New York. This Letter may be executed in counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one agreement.

Wells Fargo appreciates the relationship and values the Services provided by Genpact and look forward to our ongoing strategic partnership. Please sign below to acknowledge and indicate your agreement to these terms as stated in this Letter.

**Macro\*World Research Corporation**

By: /s/ Scott P. Biers

Name: Scott P. Biers

Title: Senior Vice President

Acknowledged and Agreed to by:

By: /s/ Mohit Thukral  
 Name: Mohit Thukral  
 Title: Senior Vice President

Appendix A

Exhibit D to Schedule O  
 Annual Charges for Genpact FTE Resources,  
 Infrastructure/IT Costs and Relevant Disaster Recovery

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Appendix B

Exhibit D to Schedule O

Annual Charges for Genpact FTE Resources, Infrastructure / IT Costs

<u>Level</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>1</b>	[**]	[**]	[**]	[**]	[**]	[**]
<b>2</b>	[**]	[**]	[**]	[**]	[**]	[**]
<b>3</b>	[**]	[**]	[**]	[**]	[**]	[**]
<b>4</b>	[**]	[**]	[**]	[**]	[**]	[**]
<b>5</b>	[**]	[**]	[**]	[**]	[**]	[**]
<b>6</b>	[**]	[**]	[**]	[**]	[**]	[**]
<b>Infrastructure Cost</b>	[**]	[**]	[**]	[**]	[**]	[**]
<b>IT Cost</b>	[**]	[**]	[**]	[**]	[**]	[**]

Inflation Rate — [\*\*]% Starting in Year 2 (2009).

Appendix C

Termination Notices Received

<u>SOW No.</u>	<u>Process name</u>	<u>Location</u>	<u>Notice Period (days)</u>
[**]	[**]	[**]	[**]

A total of four pages have been omitted pursuant to a request for confidential treatment.

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## CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Pramod Bhasin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Genpact Limited for the period ended September 30, 2009, 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2009

/s/ PRAMOD BHASIN

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Pramod Bhasin  
Chief Executive Officer

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## CHIEF FINANCIAL OFFICER CERTIFICATION

I, Vivek Gour, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Genpact Limited for the period ended September 30, 2009, 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2009

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/s/ VIVEK GOUR  
Vivek Gour  
Chief Financial Officer

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**Certification of the Chief Executive Officer**  
**Pursuant to 18 U.S.C. Section 1350,**  
**As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Genpact Limited (the "Company") on Form 10-Q for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Pramod Bhasin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 9, 2009

/s/ PRAMOD BHASIN

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Pramod Bhasin  
*Chief Executive Officer*  
*Genpact Limited*

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**Certification of the Chief Financial Officer**  
**Pursuant to 18 U.S.C. Section 1350,**  
**As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Genpact Limited (the "Company") on Form 10-Q for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vivek Gour, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 9, 2009

/s/ VIVEK GOUR  
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Vivek Gour  
*Chief Financial Officer*  
*Genpact Limited*

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