FINAL TRANSCRIPT

Thomson StreetEvents℠

G - Q1 2010 Genpact Limited Earnings Conference Call

Event Date/Time: Apr. 29. 2010 / 12:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Shishir Verma
Genpact Limited - VP - IR

Pramod Bhasin
Genpact Limited - President and CEO

Mohit Bhatia
Genpact Limited - CFO

Tiger Tyagarajan
Genpact Limited - COO

Vivek Gour
Genpact Limited - Ex-CFO

CONFERENCE CALL PARTICIPANTS

Tien-Tsin Huang
JPMorgan - Analyst

Tim Fox
Deutsche Bank - Analyst

Joseph Foresi
Janney Montgomery Scott - Analyst

Chris Wicklund
Wells Fargo Securities - Analyst

Bhavan Suri
William Blair & Company - Analyst

Bryan Keane
Credit Suisse - Analyst

Vincent Lin
Goldman Sachs - Analyst

Dave Koning
Robert W. Baird - Analyst

Ashwin Shirvaikar
Citi - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the quarter one 2010 Genpact Limited earnings conference call. My name is Veronica, and I will be your operator for today. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the conference over to your host for today, Mr. Shishir Verma, Head of Investor Relations. Please proceed.

Shishir Verma - *Genpact Limited - VP - IR*

Thank you, Veronica. Welcome to Genpact's earnings call to discuss our results for the first quarter ended March 31, 2010. My name is Shishir Verma, Head of Investor Relations, and with me I have Pramod Bhasin, our President and Chief Executive Officer; Tiger Tyagarajan, Genpact's Chief Operating Officer; and Mohit Bhatia, our recently appointed Chief Financial Officer. We hope you have had an ample opportunity to review our earnings release, which you will find on our website at genpact.com.

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

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

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

Please also refer to the Investor Fact Sheet on the front page of the IR section of our website to further details on our quarter results, which we hope you will find useful. This includes, among other things, geographic, industry vertical and BPM and ITO revenue details.

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

Pramod Bhasin - *Genpact Limited - President and CEO*

Good morning, everyone and thank you for joining us on the call today.

This was a solid first quarter and a good start to the year, as we began ramping up recent significant wins. Our pipeline is at record levels, up 20% sequentially and 60% year-over-year in terms of total contract value or TCV. Clients were making decisions and this is all evidence that the environment continues to improve. We have today many processes in transition resulting from recent client wins, which will deliver future revenue growth.

As many of you know, we also completed a very successful secondary offering in the quarter, which has improved the liquidity of our stock and expanded our investor base. It was a real pleasure meeting many of you during the road show and we'd really want to thank you for all the support you have given us.

Our outlook for 2010 and beyond is positive. Since our last earnings call, we continued to differentiate Genpact and win new business with our groundbreaking Smart Enterprise Processes. Not only is SEP accelerating our win rates, it is also driving new pricing models, such as outcome-based pricing and gain-sharing, which should improve margins in the medium to long term.

We invested in a key Mortgage Processing Technology, that coupled with our domain expertise has generated important wins for us in the mortgage space.

We continued to win strategic deals, including with one of the largest US Healthcare insurer, demonstrating and expanding presence in this space and our ability to deliver innovative solutions to a changing industry.

And lastly, we announced a partnership with NetSuite that combines our business processes and domain expertise with an on-demand delivery platform, which delivers cloud-based business process solutions to new client segments like the mid-market.

Here are the highlights of our first quarter results;

First quarter revenues of $288 million represented 8% growth year-over-year and were in line with expectations. This growth is primarily driven by market rebound. Sequentially, first quarter revenues declined 3% and this reflected a normal seasonal pattern largely due to the roll-up of Q4 project completions. Global Client revenues was a driver for the top-line and grew at 14% year-over-year. GE revenues also increased 1%, reflecting GE's growth in some businesses, which gives us confidence in our expectation that we will resume growth with GE over the medium to long term.

Revenue growth was broad based across industry verticals, especially Healthcare and Pharma; geographic areas, notably India; and service lines, particularly F&A, Procurement, and Analytics.

Adjusted operating income increased 4%, while adjusted operating income margin declined approximately 60 basis points from the first quarter of the prior year. The large number of processes we have in transitions will drive higher revenues in the second half of this year. But the cost associated with these transitions will be reflected in our margins throughout the year consistent with trends we have seen in prior growth periods, such as 2007 and 2008.

With the expected increase in revenues in the second half of the year, we also expect to see margin growth. Typically, our margins improve as transition revenues, which are largely billable at cost, are converted to production revenues, and as these scale up with each individual client.

Mohit will provide more detail on the financial results in his comments.

Business Process Management led revenue growth in the first quarter of 2010 for both Global Clients and GE. Global Client revenue increased 14% year-over-year, driven by Global Client Business Process Management growth of 15% and ITO growth of 5%. Global Client growth was led by strong demand in vertical markets, such as Healthcare and Pharma, Consumer Products, Technology, Hospitality, and Media. Our India-to-India revenues really gained traction in the first quarter contributing to our growth. GE revenues increased 1% from the prior year. This gain reflected a 5% growth in GE Business Process Management, led by strength in Procurement for GE's Infrastructure and Healthcare business, which more than offset a 13% decline in GE ITO business. The lower GE ITO revenue year-over-year was due to a few large contracts running off in the fourth quarter, as GE continues to be judicious in its overall ITO space. Global Client revenues accounted for 61% of our total in the first quarter compared to 58% in Q1 of 2009, with GE revenues accounting for the balance 39%. Overall, BPM or Business Process Management, where Genpact holds a global leadership position, grew by 11% in the first quarter, while our overall ITO business declined by 5%.

We had key wins in the first quarter, where we continued to diversify our business across geographies and vertical markets. This is where our continuing investment in business development, marketing, partnerships and acquisitions are really paying off. Genpact is being selected as a key strategic partner for some of the largest and most recognized brand names globally, because of our deep domain expertise, differentiated capabilities and geographic presence. We added 15 new logos in the first quarter, including in the Mortgage Processing, Bio-fuel, Technology, and Banking industries.

We also, as an example, signed a multi-year contract with Bengal Aerotropolis, a leading Indian infrastructure company, under which we will deliver an integrated, scalable Finance and Accounting solution based on software-as-a-service. We believe we can leverage this SaaS-based platform for clients in new verticals and the mid-market.

Also contributing to our wins was our fourth quarter launch of SEP, which further differentiates Genpact from competition and demonstrates our thought leadership. We strongly believe SEP will lead the way forward as a competitive advantage for Genpact. SEP represents an approach that is unique to us, consistent with our DNA and very hard to replicate by our competitors. In addition to helping us win new deals, SEP is helping us expand with existing strategic clients.

Our pipeline is at record levels with positive momentum and improved quality and size of deals, conversion rates and cycle times. Mining opportunities have had a strong resurgence in the pipeline, increasing nearly 70% in total contract value since year-end, indicating that, one, our penetration with existing clients is still low; two, clients are becoming more comfortable with the outlook for their business and realizing decisions in cost and efficiency need to be made and taken; and three, industries that have been hit the hardest like Automotive are starting to see an increase in their volumes.

Sales cycles have held steady or improved slightly since year-end, but the percent of convergence within four months of entering the pipeline has nearly doubled from the same time last year. And some short-cycle projects such as Analytics, Re-engineering and ITO are closing in three to four months compared to five to six months in the second half of 2009. Average deal sizes are higher and our win rates are at record levels.

Pipeline growth is also reflected very broadly in all industries, including BFSI and Manufacturing, in growth areas such as Healthcare and Pharma, which is benefiting from the era of US Healthcare reform, knowledge services such as on-demand Analytics for the Pharma, Retail and Consumer Packaged Goods vertical market, where we have added expertise from our recent acquisition of Symphony Marketing Solutions, across product offerings such as SEP, certainly in new markets such as the small and mid-sized firms, and in new geographic areas, including India and China.

Based on the current trend, we are reaffirming our 2010 full-year guidance. We expect revenue growth to be in the range of 14% to 17%. This includes Global Client revenue growth in the mid to high-20s and flat revenues from GE. We expect GE to represent approximately 33% to 35% of our revenues in 2010. This range also incorporates approximately 2% incremental growth from the acquisition of Symphony Marketing Solutions. We expect the adjusted operating income margins to be in the range of 17% to 18%. This reflects the impact of transitions on our margins, as we ramp up recent client wins in the first half of the year, as well as further investments if we consider those appropriate. We will also continue our longstanding practice of focused and disciplined cost management.

Now, I will turn the call over to Mohit, our newest CFO, and following that I will have a few closing remarks before we open the call to questions. Before I do that, I do want to welcome Mohit formally to his first earnings call. Hopefully, many of you have had a chance to meet Mohit during the secondary offering road show in March. He is a longstanding Genpact employee and knows us extremely well.

And lastly, I do want to thank Vivek who is here with us today on his last day at Genpact after 12 years for his commitment, his passion, and for the partnership and the contribution he has made in building Genpact over all these years.

With that, I'll turn it over to Mohit, who will provide you the details on the financial results.

Mohit Bhatia - *Genpact Limited - CFO*

Thank you, Pramod, and good morning, everyone. Today, I will review our first quarter results in detail, followed by a summary of key highlights on the balance sheet and statements of cash flow.

In the first quarter of 2010, our net revenues were $288.2 million, a solid increase of 8.4% year-over-year and in line with our expectations. Our Global Client revenue growth continued to be strong at 14%, with increases coming from the Pharma and Healthcare verticals, Consumer Products, Technology, Hospitality, and Media and encouraging growth in our India-to-India business in Financial Services. Within Global Clients, we grew Business Process Management revenues by 15% and our ITO revenues by 5%. Global Clients contributed to 61% of our revenues in the first quarter, up from 58% in the prior year first quarter, as we continue to broaden and expand our blue-chip client base.

Revenues from GE in the first quarter totaled $113 million, up 1% year-over-year. Growth primarily came from GE Business Process Management, which increased by 5% and more than offset a 13% decline in GE ITO. The GE ITO revenue decline was due to the roll-off of some large projects, which were completed in the fourth quarter of 2009. Overall, Business Process Management revenues increased 11% in the first quarter, led by Finance and Accounting, which continues to be our largest service offering.

Our recent acquisition of Symphony Marketing Solutions helped to drive growth in high-end Analytics and Business Intelligence. ITO revenues declined by 5% in the first quarter due to declines in GE ITO. Business Process Management revenues represented 85% of our total in the first quarter, with ITO revenues accounting for the remaining 15%. Also, our ITO revenues are now about evenly divided between GE and Global Clients.

Turning to sequential trends, historically our revenues have tended to be lower sequentially in the first quarter and then grow through the year. This is because in the fourth quarter, IT, Re-engineering and Analytic projects typically are completed the full fee on our gain-share projects to become payable. These projects usually start picking up again during the course of the new year. Consistent with this seasonal trend, which is reflected in our annual revenue guidance, our revenues declined sequentially by 3%.

Our gross profit for the first quarter of 2010 totaled $112 million compared to $102 million in the prior year first quarter. This represented a gross margin of 38.7%, up 30 basis points year-over-year.

SG&A expenses increased 14% year-over-year to $73 million in the first quarter and represented 25.3% of revenue, compared to 24% in the first quarter of 2009. The increase primarily reflected two factors. The first is a personnel cost, including training, related to people hired in anticipation of transitions for our recent client wins in 2009, and the second is the investments we have made in business development, marketing and domain expertise, which we discussed on the last call. We continue to believe that these investments are critical to our future growth and we will continue to invest as appropriate.

We've had a number of significant wins recently, all of which will contribute to revenues in 2010 and beyond. These new wins are great for the long term, but will impact our margins as we saw in prior growth years. This has been factored into our annual guidance.

With economic improvement and ramp up in new businesses, we expect to see both higher attrition and wage inflation. We expect our wage inflation, as it affects our payroll costs, for the year to be in the range of 6% to 8%, compared to approximately 5% in 2009. While wage inflation puts some pressure on margins, we'd typically offset some of the increase to improve management's stance of our supervisors and support functions and through skill set optimization in our operating processes. Some of this happens naturally, as processes mature and stabilize and some happens through continued innovation. We have many levels to control costs, which we will continue to exercise judiciously to optimize our operations, while also making focused investments. We also have a slate of newer initiatives, such as work from home and other innovative operating models that will drive productivity over time.

Attrition in the first quarter was 23% compared to 21% in the year ago quarter, reflecting economic improvements in India, China and the Philippines, particularly as it relates to the demand for labor. We planned for both higher attrition and wage inflation in 2010 in anticipation of both the economic improvement and the ramp up of recent client wins. The levels we are seeing are in line with our expectations.

Adjusted income from operations totaled $44 million for the first quarter of 2010, an improvement of $2 million over the prior year quarter. This represents a margin of 15.3% compared to 15.9% in the quarter one of 2009. The decline of 60 basis points was driven mainly by our planned investments in business development and people to support work transfer and transitions for the new deals they have won in the last half of 2009 and that I just discussed.

Our net income was $28 million or $0.13 per diluted share in the first quarter of 2010, compared to $30 million and $0.14 per share in the prior year first quarter. In both instances, the decline was primarily due to an increase in our effective tax rate and a non-cash foreign exchange re-measurement loss.

Our tax expense for this quarter was $7 million compared to $5 million in quarter one of 2009, representing an effective tax rate of 20%, up from 14%. This higher effective tax rate is consistent with updated expectations of a range of 20% to 22% for the full year. The year-over-year increase in the tax rate was due to the expiry of the Indian tax holiday for our major site in Hyderabad and also expiry of certain other tax benefits that we were able to use in prior years.

Every quarter, we are required to re-measure our non-dollar receivables. This re-measurement is reflected below the income from operations line. We recorded a re-measurement loss of $0.7 million in the first quarter of 2010, compared to a re-measurement gain of $3 million in the prior year first quarter.

Now, I will provide a few key highlights regarding the balance sheet and statements of cash flow.

Turning to our balance sheet, at quarter one end, cash and cash equivalents totaled approximately $341 million, which is available largely in the form of deposits in banks and US treasury bills. This is down from $431 million as of December 31, 2009, due to some significant cash investments this quarter, which include the acquisition of Symphony Marketing Solutions, the purchase of a facility from Walgreens, and our investment in high-performance partners totaling to approximately $44 million, planned capital expenditure of $17 million for the quarter, and debt repayment on schedule of $10 million.

Capital expenditures in the first quarter represent 5.9% of revenue. This amount was mostly invested for growth in our India sites in Jaipur, Hyderabad and our SEZ location in Gurgaon. We also continue to upgrade our IT infrastructure and invest in digitization projects. We continue to expect capital expenditures, as a percentage of revenue, for the full year to be in the range of 5% to 5.5%.

Our days sales outstanding stood at 85 days compared to 79 days in the same quarter last year. Our DSOs are typically highest in the first quarter of each year, as purchase orders at our clients go through their internal process of renewals. Our DSOs were higher in the first quarter of 2010 than the first quarter of 2009 because of a payment system change at GE that occurred this year. We expect to get our DSOs down to a range of 77 days to 79 days for the year.

Turning to operating cash flows, we utilized $20 million this quarter in cash from operations compared to a $19 million generation in the same period last year. This change, a large part of which is one time in nature, was due to the Symphony Marketing Solutions acquisition where we discharged some assumed liabilities and took on routine working capital needs, deposits relating to investments for growth in facilities and increase in accounts receivable, as explained earlier, and some reduction in our current liabilities, including for bonus and other incentive payments that we make in the first quarter. As we had mentioned in the last earnings call, we continue to expect our annual free cash flow to grow in line with our revenues in 2010.

Now, I will turn the call over to Pramod for his closing comments.

Pramod Bhasin - *Genpact Limited - President and CEO*

Thank you, Mohit. In closing, I want to re-emphasize why we are so excited about the future.

One, globalization of services is driving growth in a large under-penetrated market. This includes growth in core markets, as well as in new verticals such as Retail, Healthcare, Pharma and Infrastructure; in new services and products such as Re-engineering, Analytics, SEP; new customer segments such as small and medium-sized businesses; and new geographies such as India and China. This is reflected also in the unprecedented increase in the pipeline.

Two, Genpact is amongst the best, if not the best in the world at Business Process Management. We are a market leader with differentiated capabilities. We outperformed with our Global Clients during the recent downturn and we have been pioneers in this space. And we continue to innovate with new products, such as cloud-based business process solutions.

We have a unique DNA based on Lean, Six Sigma and operating excellence, which is hard to replicate. Our unique capabilities are one of the top three reasons we win business and help us to attract, engage and retain talent.

We have a global, diversified and expanding blue-chip client base that provides a runway for growth. This includes a solid long-term relationship with GE, as well as strong growth with an expanding list of Global Clients, and a record diversified global pipeline.

Five, with SEP we are building a new science in Business Process Management, which is a huge competitive differentiator and accretive to our margins. SEP can drive through business effectiveness, which can generate two to five times the impact on doubled efficiency. Some examples include an SEP process that looks at total spend reduction versus, say, just invoice cycle time or payment accuracy. Or in collections where we focus on gross loss versus discrete measurements, such as contact rate or accounts per collector or dollars collected per collector.

In another example, SEP helped us expand an existing Pharma client relationship, where we have been engaged to lay out a road map for significant savings in total Procurement spend. And in the case of a recent win with a global CPG company, our goal is to significantly improve overall working capital for them.

Finally, we have a powerful combination of high growth and a predictable, visible and resilient financial model. Our business model has demonstrated strong performance through the cycle with continued opportunities to drive operating and capital efficiencies, as we manage the business and continue to invest for the long term. The combination of our recent strategic wins, the 20% sequential increase in our pipeline and growth at Global Clients and GE demonstrate strong potential for the medium and long term.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from the line of Tien-Tsin Huang from JPMorgan. Please proceed.

Tien-Tsin Huang - *JPMorgan - Analyst*

Hi, great. Nice results. I wanted to ask a couple of questions. First on the pipeline, Pramod, obviously, it's a big sense that - it sounds like there is a return of large deals as well. Can you comment on that? Are we seeing some of the larger deals come back and I'm curious how much of it is new logo versus existing clients?

Pramod Bhasin - *Genpact Limited - President and CEO*

Thank you, Tien-Tsin. Let me just comment on that in one point. Average deal size has gone up from roughly, I would say, the $5 million to $7 million to $8 million and gone up to the $10 million to $12 million at this stage. The very large deals, we don't see. Perhaps in many cases, they may be bundled or something like that and we may not see it, because the very large deals are still mainly in the IT side I think, on the main.

But we're seeing a lot of deals and the average deal size has gone up in itself by 40%, 50%. These are mainly new logos. So what we do like about it is, one, the diversification across geographies, across industries and types of customers. There are more medium-sized companies now in the pipeline and in the last quarter or so, mining from our pipeline, mining from our existing clients has also gone up tremendously, it's gone up by 70%. So it's really pretty broad based at this stage. But on the big deal size, they remain not that many in terms of total contract value.

Having said that, I do want to emphasize and go back to emphasizing our overall model. We typically always find that we're working with customers with relatively smaller deals and then grow -- and those deals will grow to much larger size, as we work with them over the years. And I think that is going to be the trend that we see in our industry for quite some time.

Tien-Tsin Huang - *JPMorgan - Analyst*

Okay, that's good to know. And when do you expect some of the decisions on the pipeline to be made? It sounds like, you said the cycle times have improved. I mean do you expect decision to be made in 2010 and I guess more importantly, do you expect them to ramp or convert to revenues in 2010 or 2011?

Pramod Bhasin - *Genpact Limited - President and CEO*

No. I think the -- to your point, decisions are being made, cycle times are faster, people are making decisions faster, ramps are happening faster. Having said that, the fact is we're in a long-cycle business.

Tien-Tsin Huang - *JPMorgan - Analyst*

Sure.

Pramod Bhasin - *Genpact Limited - President and CEO*

And so, even if they make a decision next quarter, by the time we get transitions done, it stops hitting us in 2011. We're unfortunately not in a business where every quarter we go up and down or at the end of the quarter, it can go up and down like many other businesses can. So we may see some volume from these wins, but I think the bundle really will impact in 2011.

Tien-Tsin Huang - *JPMorgan - Analyst*

Okay, perfect. Just one last question and then I'll jump off. Just the headcount was up sharply even after adjusting for the Symphony deal, which makes sense given your wins. How should we expect employee growth to track revenue growth in fiscal 2010. Is there a way to think about it that way? And any change in where you're hiring geographically as well? Thanks.

Pramod Bhasin - *Genpact Limited - President and CEO*

Sure. I think revenue -- headcount growth will lag revenue growth perhaps by couple of percentage points, that kind of stuff.

Tien-Tsin Huang - *JPMorgan - Analyst*

Okay.

Pramod Bhasin - *Genpact Limited - President and CEO*

As it does, hiring continues to be strong in India and especially the India-to-India business, where in fact revenue per headcount for the India-to-India business is much lower than it is on average and we are ramping fast here. So you're going to see some impact of that on the ratios, we'll break those out for you. Well, we're seeing strong growth in Philippines, strong growth in Guatemala as well. And so consequently -- and the current headcount what you're seeing is really the ramp-up of new transition. So you're seeing nearly 2,000 people extra, which are just in the training, hiring, transition mode right now.

Tien-Tsin Huang - *JPMorgan - Analyst*

Makes sense. Thanks so much.

Pramod Bhasin - *Genpact Limited - President and CEO*

Thanks.

Operator

Your next question comes from the line of Tim Fox from Deutsche Bank. Please proceed.

Tim Fox - *Deutsche Bank - Analyst*

Hi, thanks for taking my question. First question was around the India-to-India business. You've commented a couple of times on the strength there. Just wondering, recognizing that the revenue per employee is a bit lower, just wondering if you could comment on the margin structure there as it relates to India to India and your expectations for margins for that business going forward?

Pramod Bhasin - *Genpact Limited - President and CEO*

Yes. Sure, Tim. And glad to have you on the call. I think from our perspective, the India-to-India business today won't make us that much money, any money in fact. I think we are investing for the future. We are investing in new facilities. That continues to be the case and you're going to see us continue to do that over the next year or so.

Over time, we would certainly expect that our margins in the India-to-India business should rival those in our international business. As we get scale, as we get platforms, as we move to smaller town, as we move to IT outcome-based pricing and interestingly, some of the work we're doing there in IT and BPO based on cloud computing, et cetera, the deals we talked about, will help us get to those markets. But today the ramps are so fast, the hiring is so furious in this point in time that you're going to really see us not make any money on that. But that is already reflected in the margin estimates we've given.

Tim Fox - *Deutsche Bank - Analyst*

Got it. Okay, thanks. The second question was around guidance and trying to think about how to ramp across the year reflecting sort of the slower beginning to the beginning of the year and then obviously ramping throughout the year. Could you give us a sense of how to expect growth throughout the next three quarters?

Pramod Bhasin - *Genpact Limited - President and CEO*

Sure. I think you're going to continue to see -- what I would suggest, as we've said, is and we'll be talking to all the analysts as we go through after these calls and our teams will be out there. The first half is going to be reflective of similar growth rates relatively to the full year as we have seen in the past growth year, so if you look at 2007, 2008, our growth rate. And the same applies by the way to margin also.

If you look at both margins and revenue growth rate, you're going to see that most of them reflect prior growth year when we had a lot of transitions happening in this time and lot of growth and headcount being added, et cetera. So that ramp will happen. So in the first -- so I would point you to earlier years. Broadly I would say 55/45 kind of thing that happens in terms of total revenue that we have, now that can spike. We don't measure it quarterly, transitions can move, things can change. But broadly following the same pattern that you've seen in the past growth year, if that helps.

Tim Fox - *Deutsche Bank - Analyst*

Yes. Thanks. And just lastly, if I could seek one, I'm not sure if you mentioned Europe at all given what's gone on over there around some of the concerns around the debt. And have you seen any change at all in the buying patterns out of Europe and your expectations for the full year?

Pramod Bhasin - *Genpact Limited - President and CEO*

Sure. Not yet because of the crises, et cetera. I think it's early and we'll have to figure out what the full implications of that are. I think we are benefiting enormously from the huge investments we made in BD. We made those big investments in BD at the end of fourth quarter. We've really more than doubled the team. Our pipeline in the first quarter sequentially was up 75%. So we continue to see that.

Now, it is slow to convert, much slower than the US pipeline or the India-to-India pipeline. So it's hard, slower to convert, and therefore it's going to take us longer to get those deals signed. It also remains highly competitive probably certainly as competitive as anything we see in the US, and because the deals are also fewer. So there's a lot of activity going on with competition there. Slower conversion, that's the key, I will tell you. For us, the pipeline is terrific, but candidly that's just because we've increased our BD teams as opposed to the market itself having suddenly expanded.

Tim Fox - *Deutsche Bank - Analyst*

Got it. Thanks. Congrats on the quarter.

Pramod Bhasin - *Genpact Limited - President and CEO*

Thank you.

Operator

Your next question comes from the line of Joseph Foresi from Janney Montgomery Scott. Please proceed.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Hi. And Vivek, good luck and Mohit, welcome.

Mohit Bhatia - *Genpact Limited - CFO*

Thank you.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

I just wanted to ask a couple of questions here. First, what was the contribution of the acquisition to this quarter's numbers? And is there anything on the pipeline that you can comment on from the acquisition standpoint?

Mohit Bhatia - *Genpact Limited - CFO*

Right. Our acquisition of Symphony Marketing Solutions contributed approximately 2% to our first quarter revenues. And that is in line with our annual guidance of 14% to 17%, where we feel the acquisition will contribute to about 2%.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

And is there anything in the pipeline that you're looking at right now on the acquisition front?

Pramod Bhasin - *Genpact Limited - President and CEO*

Nothing that we can obviously comment on. We continue to look. Symphony was an ideal acquisition for us.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Okay. And then just -- I know we talked about the sales cycles picking up, is it -- just so we can put it in some level of context, is the pick-up quicker than expected? Is that in line with you expectations? And just how should we think about that going forward? Have we started to return to normal levels?

Pramod Bhasin - *Genpact Limited - President and CEO*

The pick-up is for me somewhat faster than expected, plus I really do believe that. But there are a lot of smaller deals in there. There are a lot of medium-sized companies in there. Therefore, some of that pick-up will translate necessarily into the big revenues that you would normally see, because you're getting a new type of company coming in.

We're also seeing pick-up in Analytics, in Re-engineering, in the ITO business, which is all pointing to good cycle times. Is it back to former levels, is it back to normal? Perhaps not yet, but it's certainly moving there quickly and we're very pleased with the traction we've seen. I certainly think it is -- the growth in the pipeline is certainly faster than we expected.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Okay. And then just lastly, I think we've talked about the low end of guidance and the top-line being about 14% and then the top end being 17%. Perhaps, you could give us some scenarios in which -- into what would drive, what would allow you to hit the lower end and then what would allow you to hit the top end and maybe even exceed it? Where are you kind of gauging as sort of when you think about the guidance going forward?

Pramod Bhasin - *Genpact Limited - President and CEO*

Right. I think some of the timing of transitions remains more uncertain than in the absolutely normal times. So companies are still going through [start-ups], companies are still having to think about what their economic environment is like, what is Europe going to do at this point in time, how is the US economy -- how fast will the US economy recover or will it go back in. So top end of the guidance, really everything goes as well as it's going, transitions continue, they don't get delayed, US economy stays on track, recovers, Europe doesn't take a big hiccup at this stage. Bottom end really is, there is a little bit of wake up both in Europe and the US and transitions get slower because a few customers say, oops, guys, we have to wait, we can't spend this money now or we'll spend it next year.

I think as we go forward, the short-cycle business that we do isn't a huge business, we're pushing it hard. Well, that's the kind of thing where we may see -- additional mining and short cycle business in Analytics and Re-engineering are the areas which if they expand beyond where we are, I think we can begin to see -- that's the only time when we would think about revenues perhaps being higher. But right now what we're seeing is, we're comfortable with where we are.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

And then just one last quick one, if I could sneak it in. Could you comment just a little bit on the environment, especially on the wage increase labor side, has -- and pricing in general, have people -- have your competitors remained disciplined in that regard or are you seeing a pick-up maybe above what you would normally see in any of those particular areas?

Pramod Bhasin - *Genpact Limited - President and CEO*

On wage increases certainly, wage increases are going back up. I think we benefit enormously from the fact that we have always been below mean. So our wage increases will be around the 8% area, where the mean average for the industry may be 11% to 13%. I think we're always comfortable with that, because we believe we have been very successful and our attrition in our industry remains the lowest.

I think the ITO industry always tends to be slightly higher than us and I think we're fine with that as well. Now that is also factored into our current plans. So we're able to offset that wage increase. Attrition has gone up a little bit and I think it will continue to go up hopefully only a little bit. We don't like it, I really don't like it, I think it's always bad to lose experienced people.

We want them to stay and it has some impact on customer quality. But I think we'll -- it's not out of whack and I don't think we see it going out of ordinary. Our wage increase still has gone up, but I think we'll never be near where the overall market is. The overall market wage bill is definitely going up, as I think you will have heard from all the other ITO companies and also obviously from industry sources.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Okay. Thank you.

Pramod Bhasin - *Genpact Limited - President and CEO*

Thank you.

Operator

Your next question comes from the line of Ed Caso from Wells Fargo Securities. Please proceed.

Chris Wicklund - *Wells Fargo Securities - Analyst*

Hi, good evening. This is Chris Wicklund for Ed Caso. If you could talk about the GE business, what business units within GE grew this quarter and then given the long relationship with GE, what kind of lead time would they provide you, should there be a change in their volume requirements?

Pramod Bhasin - *Genpact Limited - President and CEO*

The businesses that grew, I'm going to ask Tiger to answer that, were Infrastructure --

Tiger Tyagarajan - *Genpact Limited - COO*

And GE Healthcare.

Pramod Bhasin - *Genpact Limited - President and CEO*

And GE Healthcare. I think as volumes come back for them, our mining and transition time with GE are the fastest. It's like 60 days to 90 days, boom, we go into production. So that always is a big benefit. In fact to the question I was asked earlier, if enough of that kind of mining happens, both with GE and with existing customer, that's the only scenario in which frankly we would see volumes going up, but we're seeing traction with them right now. Hope it lasts.

Chris Wicklund - *Wells Fargo Securities - Analyst*

Okay. That's helpful. Thank you. And then regarding SEP, how should we think about revenue contributions from this product suite this year and I guess more importantly, in what sectors is the process showing the most promise at this point?

Pramod Bhasin - *Genpact Limited - President and CEO*

Right. I think this year, pure what I call smart enterprise-related volumes will not be -- will be barely double digits, I think. But what it's helping us do is win. Our win rates are up. Now as we compete, we are getting increasingly confident that we will win. And I think that's -- people are seeing that in the market as well that our win rates are up. So SEP -- and that's what SEP was also meant to do, it has differentiated us in the marketplace. So it's achieving that. In margins, et cetera, obviously we charge very differently for SEP volume, but it isn't sizable enough to make a dent right now. I don't think in our overall number.

Having said that, the areas where we're seeing traction is clearly Procurement and Supply Chain. So Procure-to-Pay, as an end-to-end process is something, which we're seeing great traction in. We're going to dive hard into the Banking Financial Services area, so things like Inquire-to-Funding for bank loans or Enquiry-to-Issuance of a policy for insurance or Order-to-Cash for Manufacturing companies. These are all areas where we have very, very good -- where we really believe we have some promising areas, which we can tackle.

We're also going to go into the IT area and say, what can we do, can we build an SEP around asset utilization. In Healthcare, can we build Smart Enterprise Processes for hospitals. What is the operating model, what is the optimal smart processes, set of processes that can run hospitals extremely well. I mean that is the need of the hour. And since these are very capital-light solutions, most of the time we can really get traction there. So SEP is really differentiating us in getting us the win rates. It'll really start, I hope, pumping in more specific SEP revenues from next year onwards.

Chris Wicklund - *Wells Fargo Securities - Analyst*

Thank you. That's very helpful.

Pramod Bhasin - *Genpact Limited - President and CEO*

Thank you.

Operator

Your next question comes from the line of Bhavan Suri from William Blair & Company. Please proceed.

Bhavan Suri - *William Blair & Company - Analyst*

Thanks. Good morning, gentlemen. Thanks for taking my call. Couple of quick questions. First, just a little bit about the increased interest from mid-market. This, I guess, surprises me a little bit because I just didn't think that sort of the mid-market would be a place where you'd see tremendous interest in off-shoring. So a little color on that and then a little bit more on the NetSuite deal. But, first just what are you seeing in the mid-market, what types of companies and sort of has that surprised you?

Tiger Tyagarajan - *Genpact Limited - COO*

So Bhavan, Tiger here. We've been seeing traction in terms of interest on the mid-market actually from the second half of last year beginning to come into our pipeline. And if you remember, we talked about some new companies coming into the pipeline that otherwise earlier were not coming in, one of the segments being mid-market. And what we're looking for are very fast plug-and-play solutions, so they want a quick answer, they want a cookie-cutter solution and they want faster payback.

As we've got more sophisticated, both the Smart Enterprise Process, as well as with combining some of the cloud-based platforms and processes, we believe some of that for global mid-market companies is a reality. Now, obviously it's depending on the industry, et cetera. And then finally, emerging markets are India and China, mid-market-sized companies, real opportunity there and probably one of the biggest growth sectors there.

Bhavan Suri - *William Blair & Company - Analyst*

Interesting. And so, I think you're right about the cookie-cutter piece in the mid-market and so the cloud or software-as-a-service offering seem to be appealing and obviously your relationship with NetSuite. But do you think there's ever a time where you actually develop or buy a software-as-a-service offering, say, in accounting or expense management or something like that and offer kind of a vertically integrated solution for the mid-market? Is that something that seems to be in the future?

Pramod Bhasin - *Genpact Limited - President and CEO*

Well, yes. I mean, I think we do some of that already. So if you look at payroll, if you look at Travel and Entertainment, if you look at Finance and Accounting, if you look at Accounts Payable platforms, we've already got all of these working on a platform of some kind, either it's Workflow or it's Oracle or it's going to be hopefully with NetSuite coming in, we can do a variety of different CRM-type applications there, on HR and payroll type of stuff, again we can do it. So absolutely, I think that's why our association and alliances with companies that make platforms are going to continue to increase. These are early days, but this is a very exciting time because we can combine with these people to provide -- in the past, why can't companies provide good services to medium-scale companies, because it's too costly, right, to customize. And for the big guys, it's very costly. And their cost bases are very different.

For us, if we can go in with ERP modules that are much cheaper with our own platform, which we own, we own plenty of platforms in Procurement and as I said, Accounts Payable and HR and many areas. If we can ramp our business process solutions that are out there, that makes for a very compelling offering, same with -- there's Bengal Aerotropolis --

---

Bhavan Suri - *William Blair & Company - Analyst*

Right, right.

Pramod Bhasin - *Genpact Limited - President and CEO*

A company that we talked about, is exactly that kind of service that we're providing. So it's pretty exciting stuff.

Bhavan Suri - *William Blair & Company - Analyst*

And so what does the margin profile look here? I mean, leveraging the tech platforms should mean that the margin begins to look more like a SaaS providers type of margin from an operating perspective. Is that the right way to think about that?

Pramod Bhasin - *Genpact Limited - President and CEO*

Yes, margins are going to be much better, also because it's outcome based mainly, also because it's based on gain share in some cases. And therefore margins absolutely allow -- [will improve], we get to keep our productivity, et cetera. It is long haul though, I don't want to -- I want to emphasize that. This will take time, this will take effort, this is long-haul stuff, as we build our products, et cetera and as we figure it out as to what companies want, et cetera. So and -- this looks -- we all think about all the time, there's one to many, and how do we build on that.

Most important, how do we customize our Business Process Management's offerings on top of that. And we're going to keep experimenting with these areas to refine them, we're setting up a process lab as such right now internally. We've done that earlier as well. And the process lab is going to be used to design these kinds of innovative products for us. So that's why life looks pretty exciting.

Bhavan Suri - *William Blair & Company - Analyst*

And then just one quick question for Mohit. What was the impact of rupee appreciation this quarter on margin?

Mohit Bhatia - *Genpact Limited - CFO*

Yes, this is Mohit. There was no impact to the rupee appreciation on our income statement actually, because you're fully hedged out for the year. The only impact that there was, was the re-measurement loss that I mentioned below the income from operations line, where we took a $0.7 million loss versus a $3 million gain in the first quarter last year.

Bhavan Suri - *William Blair & Company - Analyst*

Got it. And then are you starting to hedge out for next year?

Mohit Bhatia - *Genpact Limited - CFO*

We've actually already hedged out for next year. So typically we hedge out two to three years in advance.

Bhavan Suri - *William Blair & Company - Analyst*

Okay.

Mohit Bhatia - *Genpact Limited - CFO*

And for example in 2010, we've hedged out two years back. And we do, we follow the same strategy going out. So we've hedged out till 2012.

Bhavan Suri - *William Blair & Company - Analyst*

Got it. Great. Thanks, guys.

Pramod Bhasin - *Genpact Limited - President and CEO*

Thanks.

Operator

Your next question comes from the line of Bryan Keane from Credit Suisse. Please proceed.

Bryan Keane - *Credit Suisse - Analyst*

Hi. I just wanted to talk about the timing of revenue, I guess will the year-over-year revenue growth rate be the fastest in the fourth quarter this year or third and the -- or will the third and the fourth quarter have similar year-over-year growth rates?

Pramod Bhasin - *Genpact Limited - President and CEO*

The revenue growth is going to be the fastest in the fourth quarter. And pretty much from here from quarter two, three, four onwards, it's going to be on a gradient.

Mohit Bhatia - *Genpact Limited - CFO*

Like we mentioned earlier, we have a lot of people in transitions right now, which will convert to revenue and the way we see the timing of that happening is pretty much linear across Q2, Q3 and Q4. So to your specific question, it is going to be the highest in quarter four.

Bryan Keane - *Credit Suisse - Analyst*

And does that faster growth rate in the fourth quarter carry over into the first quarter of next year or will we see the same type of seasonality? I guess something can be just the way the contracts look like they're ramping in the back half of the year, how does that affect the first half of 2011?

Pramod Bhasin - *Genpact Limited - President and CEO*

It will -- we are -- this is a bit of a seasonal business, this is the pattern over the last five years. You're going to see the same. And mainly and it's driven a lot by these transitions or revenues, it's driven by gain sharing, IT projects, Re-engineering projects, all of which run off in the fourth quarter, people typically don't want to kick it off and carry it through into the first quarter because it was year-end and other issues. And they'll start getting into it back again in February and March.

So the seasonality -- we haven't done 2011, I don't want to get ahead of ourselves here, but the broad upswing, obviously it's something that you will start seeing from June onwards. Having said that, you will see some of the same seasonality we've had it there. I don't see any reason why at this time that should change.

Bryan Keane - *Credit Suisse - Analyst*

Okay. And then just on the margins, as revenue picks up significantly in the second half of the year, it sounds like there's some ramp-up of some of this business. Why would the margins also expand? I guess I was under the impression that as the contracts begin to ramp those first-year contracts would have lower margins?

Pramod Bhasin - *Genpact Limited - President and CEO*

Well, I think they do. Absolutely right. Basically what happens is that, we make investments right upfront. So just to give you an idea, a new client is coming in, we need 100 seats, they're ready, they'll be ready now. They'll start with 10 people, 15 people, 20 people as they get to 100, increasing revenue will offset the overheads we've already built in. We will have a full management team there. We'll have operating managers and HR people and quality people ready working with clients today, getting familiar with them, talking to them, et cetera. So again that overhead will be covered by higher margins -- by higher revenues coming in from scaling up.

Thirdly, I would say transition revenues. Transitions take us three to six months, but we don't bill them out, mainly we bill them out at cost. Then once we get into production, that's when you start building margin profitability. So absolutely it takes the first year, beyond the first year to get profitability. So I guess, I'll put it another way. The losses that we see in the upfront first six months of the contract reduce as we go forward and it will flip into profitability probably 12 to 18 months. But obviously the losses start reducing quite a lot as we go quarter-to-quarter, if that helps.

Bryan Keane - *Credit Suisse - Analyst*

Does that help? That's helpful. And then just last question for me, just on those adjusted operating margins. The first quarter I think came in pretty much in line with your guys' expectations. As we kind of plan out the year, does it look like to you guys we're going to be in the midpoint, high end, low end of the adjusted range of 17% to 18%, if you can just give us some color there. Thanks a lot and congratulations.

Pramod Bhasin - *Genpact Limited - President and CEO*

Thank you. Well, right now, we're going to stay with the 17% to 18%, because I think that will allow us to see where we need to send money, how we need to make more investments if we need to. It gives us the room for delays in transitions for -- we need people coming on early rather than late. I mean all of that.

I think we will remain very disciplined on costs all the way. So we have an ability to bring costs down. We have an ability to manage them well, which we will exercise over the course of the year. I do want to mention that with the type of growth we're seeing, we want to stay focused on grabbing as much of that growth as we can. So I think that is very important that this year we grab growth, not worry about, can we get an extra 50 basis points in margin. Because this is a year when we're seeing great pipeline and this is a year when we should continue to establish ourselves in the market.

Bryan Keane - *Credit Suisse - Analyst*

Okay. Thank you.

Pramod Bhasin - *Genpact Limited - President and CEO*

Thank you.

Operator

Your next question comes from the line of Vincent Lin from Goldman Sachs. Please proceed.

Vincent Lin - *Goldman Sachs - Analyst*

Great, thanks. Thanks for all of the color. Just follow-up questions on margins, understanding that this year you have had some large contracts ramping and because of that there's some incremental in terms of transition costs. Understand that you need to -- on an ongoing basis need to make ongoing investments in terms of business development, marketing and in developing your pipeline, et cetera. But just wondering is there any way to quantify the transition costs related to some of the larger contracts that you have signed this year and just so that we can get a sense in terms of the incremental impact on margins this year? Thanks.

Pramod Bhasin - *Genpact Limited - President and CEO*

Yes. Hard, I think. I mean, we can -- we have it. I don't ideally want to get into it in terms of guidance just because it gets into so much detail and it will change quite honestly. Some transitions are faster, some are slower, some take six months, some take three months, some depending on the complexity of the process. So that's a hard one quite honestly, Vincent, to give you a trend or a timeline that you can hang your hat on and, say, okay, this is how you would expect to see it.

Vincent Lin - *Goldman Sachs - Analyst*

Got it. That's helpful, it's okay. On the IT side, obviously the BPO performance has been trending quite well and then maybe -- and you can be exceeding expectations. Looks like the IT side has been gradually recovering as well in terms of the year-over-year trajectory. Just wondering when we can see -- expect to see some stabilization of that business and whether after this quarter, after the project run-ups on the fourth quarter, whether we can see some positive trajectory on a sequential basis as we move through the year? Thanks.

Pramod Bhasin - *Genpact Limited - President and CEO*

We would like to. We're not particularly happy with how our IT business has performed in the past. We're not particularly happy with that. We'd like to see faster growth, better growth basically given the size. Absolutely. I think it's back on a track. Is it back on a good enough track? Personally, I will tell you, no, not yet. I'd like to see better growth. But I think we're getting it back on track, and I think it's going to work its way through, as we go forward. And towards the end of this year absolutely, we should start seeing better growth, sequential growth in the IT business.

Will it be at the rate we want? I don't know that yet, but we're pushing very hard to make sure that that grows. What still brings it back down is still the GE IT spend. GE is still cutting back on spending, that's still a very large portion of the IT business that we have and that's really been the big driver. If you look at Global Clients, they're growing in IT, 5%. GE is not, and that's what -- but as those proportions change, again you should be able to see. And GE will come back and stop spending money as well.

Vincent Lin - *Goldman Sachs - Analyst*

All right. And maybe just last one for me, sort of a housekeeping question. What is your expectation in terms of stock comp for 2010? And it looks like the share count actually creeped up a little bit from the fourth quarter into this quarter. So maybe you can provide expectation in terms of the -- what we should compare in terms of share count for 2010? Thanks.

Mohit Bhatia - *Genpact Limited - CFO*

Yes. This is Mohit. We're expecting approximately $24 million to be the number for the full year of 2010 versus about $19 million or $20 million in the last year.

Operator

Your next question comes from the line of Dave Koning from Baird. Please proceed.

Dave Koning - *Robert W. Baird - Analyst*

Yes. Hey, guys. I just had a few financial questions as well. I guess first of all, kind of piggybacking off the last question, is the Q1 non-GAAP adjustment, I think it was about $6.3 million for the operating income, the adjustment factor, is that pretty close to what we should use going forward for the full year each quarter in that range or maybe $6.5 million per quarter for the add-back?

Mohit Bhatia - *Genpact Limited - CFO*

Yes, it will be reasonably stable across the quarters, like I said, for the $24 million for the full year. And you have just over $6 million in the first quarter. You should see anywhere between $6 million to $7 million in the rest of the quarters.

Dave Koning - *Robert W. Baird - Analyst*

Okay. So I think the last question was stock comp, my question was more a total non-GAAP adjustment or maybe they're just ironically pretty close to the same thing. Are you answering my question of total non-GAAP adjustments?

Mohit Bhatia - *Genpact Limited - CFO*

No. I was focusing on the stock comp. To complete the question, our amortization should come down a little bit. So we're looking at amortizations coming down quarter-on-quarter from what you're seeing right now at about $4.3 million. They should be coming down maybe $0.5 million quarter-on-quarter.

Dave Koning - *Robert W. Baird - Analyst*

Okay. I know there's also tax adjustments within that line, so I know there's a lot of moving parts. I just want to make sure that our total for our add-backs, which the number in the first quarter was $6.3 million. I just want to make sure that we get a decent kind of idea the rest of the year and it sounds like that $6.3 million in Q1 is pretty stable for the course of the year?

Pramod Bhasin - *Genpact Limited - President and CEO*

Yes. [That would be].

Dave Koning - *Robert W. Baird - Analyst*

Okay. That's great. And then secondly, I think you mentioned on the CapEx, (inaudible) 5.9% of revenue. It looks like in the cash flow statement that CapEx was $25 million this quarter, which would be closer to 9% of revenue. I just want to make sure that I understand kind of the -- if I'm understanding it right?

Mohit Bhatia - *Genpact Limited - CFO*

Now, that's a great question. The $25 million was the cash outflow in account of capital expenditure, but actually $8 million of that pertain to capital expenditure of last year, the year 2009. So the $17 million that I pointed out was really capital expenditure that we incurred this year for this year. That was the difference that you're seeing between the $25 million, which is a cash outflow, and $17 million, which is capital expenditure for the year 2010.

Dave Koning - *Robert W. Baird - Analyst*

Great. That's very helpful. And then I guess one just last quick one. The add-backs contribution in Q1 to the revenue line, was it maybe a percent help this quarter?

Mohit Bhatia - *Genpact Limited - CFO*

The foreign exchange contribution to the foreign exchange line was in the range of about $4 million on a base of $288 million that we closed with.

Dave Koning - *Robert W. Baird - Analyst*

Okay, great. Well, thanks so much for the clarity.

Pramod Bhasin - *Genpact Limited - President and CEO*

Thank you.

Operator

Your next question comes from the line of Ashwin Shirvaikar from Citi. Please proceed.

Ashwin Shirvaikar - *Citi - Analyst*

Thanks. Hi, Pramod, how are you?

Pramod Bhasin - *Genpact Limited - President and CEO*

Hey, Ashwin, how are you?

Ashwin Shirvaikar - *Citi - Analyst*

I'm good, thanks. My first question is on the short-cycle Analytics business. Can you comment on how that is doing both with and without Symphony?

Pramod Bhasin - *Genpact Limited - President and CEO*

Yes, I think it's doing pretty well. I think it continues to be an area, which we lead with in the Banking area and in Pharmaceuticals now with Symphony. Growth rates are on par with what we see across the Company. I think the issue in these businesses, the plus and minus of them, they are high value add, they are very good margins, they get up entry into new clients.

The problem is it's a short cycle business, as you're very well aware. And therefore, the size of each deal is small and therefore now, the good thing that we like about our business there is a lot of -- most of it is annuity business, all right. But still each order, perhaps and it's not new. So we continue to be on that -- in that area. We do think we're in the leadership position and probably can leverage it even better than we currently do, because we really are in the leadership position as far as our Analytics business overall is concerned.

Ashwin Shirvaikar - *Citi - Analyst*

Okay.

Pramod Bhasin - *Genpact Limited - President and CEO*

It plays a big role in SEP -- in SEP, because it plays a big role in helping us analyze spends, analyze collections, analyze receivables, doing all of those things that make SEP very effective.

Ashwin Shirvaikar - *Citi - Analyst*

That makes sense. One question on cash flow. As you continue to invest in growth, should we expect cash flow to be relatively weak this year and any guidelines on how -- what we should expect?

Mohit Bhatia - *Genpact Limited - CFO*

This is Mohit again. Actually, we don't really expect it to be weak for the rest of the year. Our estimates right now was that the free cash flow we'll generate in the balance part of the year will, in fact, be better than 2009. So we have baked in the fact that we need to make investments of growth, some of it has already been invested, some we still need to spend. I'd mentioned before that our capital expenditure is going to be in the range of 5% to 5.5%, it should not go beyond that for the growth that we are planning. And overall, our free cash flows will be in line with revenues, like I said, and better than last year.

Ashwin Shirvaikar - *Citi - Analyst*

Okay. That's helpful. So that sort of brings to me to my last question, which is between the cash you have on your balance sheet and the cash that you'd now expect to generate this year. If you don't do M&A or significant M&A, I mean what other use of the cash would you anticipate?

Pramod Bhasin - *Genpact Limited - President and CEO*

I think, we clearly do want to do M&A, Ashwin. So we haven't gone down the route of what would happen if we don't do M&A frankly at this point in time. I suspect, we have a Board, which will have a view on that and shareholders who will have a view on that. But I think we are very focused that we have to do M&As. Symphony is a great acquisition, we like it.

In the past, we've done Creditek and Axis and others, which are -- which we had been very happy with. So I think we really want to continue to look for them as a large deal pipeline out there. We'll be cautious as always, we're known for that. And I think we're getting known for that even more. So we're in no hurry to spend the money necessarily. But I don't see -- it's a big market out there. So I wouldn't be surprised if we can't find more growth M&A opportunity.

Ashwin Shirvaikar - *Citi - Analyst*

Got it. That's helpful. And Mohit welcome and Vivek, if you're also there, then just want to say thank you for your contribution.

Vivek Gour - *Genpact Limited - Ex-CFO*

Thank you, Ashwin.

Mohit Bhatia - *Genpact Limited - CFO*

Thank you.

Operator

Ladies and gentlemen, this concludes the question-and-answer session. I will now hand the call over to Mr. Shishir Verma for closing remarks. Please proceed.

Shishir Verma - *Genpact Limited - VP - IR*

Ladies and gentlemen, thank you for joining us on our call. We are very pleased with our results and if you have any questions, please do not hesitate to reach us. Thank you.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.