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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the fourth-quarter 2011 Genpact Ltd. earnings conference call. My name is Erica and I will be your coordinator for today. At this time, all participants are in a listen-only mode. We will be facilitating a question-and-answer session towards the end of this conference. (Operator Instructions).

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

Shishir Verma - *Genpact Ltd. - IR*

Thank you, Erica. Welcome, everyone, to Genpact's earnings call to discuss our results for the fourth quarter and full year ended December 31, 2011. With me I have Tiger Tyagarajan, our President and Chief Executive Officer, and Mohit Bhatia, our Chief Financial Officer.

Our agenda for today is as follows. Tiger will begin with an overview of our results and a perspective on the current environment. Followed by Mohit, who will discuss our financial performance in greater detail, and then Tiger will have some closing comments. Finally Tiger 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 in our news release on the investor relations section of our website, Genpact.com.

Please also refer to the investor fact sheet on the front page of the IR section of the website for further details on our quarter results which we hope you will find useful. This includes among other things geographic industry vertical and BPM and IT revenue details.

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

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Thanks, Shishir. Good morning, good afternoon, good evening, everyone across the globe. Thank you for joining us on our call today. We had a great 2011 and finished the year with a very strong fourth quarter. On the full year, Genpact delivered growth in revenues, adjusted operating income and margin, as well as EPS. We also generated record cash flows.

In 2011, we had a number of actions that have more sharply defined who we are and how we add value to our clients. For example, we expanded our front-end teams with deep industry expertise. We refocused these teams by key industrial verticals to better serve clients' needs. We moved certain key leaders closer to clients. We accelerated investments in new products and services and we added substantial domain expertise through multiple acquisitions.

These actions reflect our continuing strategic investments designed to support long-term growth. They also further differentiate Genpact in the market and are contributing to our current results and client wins.

Here are the highlights for the full year. Revenues of $1.6 billion increased 27% from 2010. This was driven by growth from our Global Clients business, led by demand for our business process management services and for the first time in five years, substantial growth for IT services.

Within Global Clients BPM, Smart Decision Services led all offerings with 52% growth. Revenues from GE increased by 2% from last year. Adjusted operating income margin expanded 30 basis points from 2010. Net income increased by 30%. Diluted earnings per share increased by 29% and adjusted earnings per share grew by 32%.

We won a record number of new logos in 2011 and expanded client relationships with existing clients across all sides of engagement categories. The number of clients in the category representing $1 million to $5 million in annual revenue grew the fastest in 2011, increasing 89% to 121.

During 2011, we significantly added to our capabilities and vertical domain expertise through acquisitions, the largest being Headstrong in May. Since the acquisition, we have won 21 cross-sell deals and have begun the dialogue for larger transformational engagements in the capital market space.

Our most recent acquisition of EmPower Research has given us new capabilities in the high-growth arena of social media research. Through this acquisition, we added significant expertise and a high-caliber front-end team to the analytics practice of our Smart Decision Services business. EmPower's capabilities also provide access to chief marketing officers, creating further cross-sell opportunities.

Our continuing investments in business development, vertical domain expertise, and new products and capabilities are paying off. The combination of winning new logos, expansion of client relationships, and new capabilities gives Genpact a tremendous runway for future growth.

These full-year trends were also evident in the fourth quarter. Here are the Q4 highlights. Q4 revenues were $443 million representing 30% growth year over year with Global Clients again the growth driver. Fourth-quarter Global Client BPM revenues increased 20% year over year and 6% sequentially continuing the trend of Global Client BPM growth in excess of 20% throughout 2011.

GE revenues were flat year-over-year in the fourth quarter of 2011 and increased 2% sequentially.

Q4 Global Clients IT revenues increased 21% year-over-year in 4% sequentially, excluding the impact of the Headstrong acquisition demonstrating the improvement in this business.

Adjusted operating income increased by 21% from quarter four of last year to $77 million. In the fourth quarter, we continued investments in sales, product innovation, and employee training, resulting in adjusted operating income margin being 130 basis points lower in quarter four 2011 than in quarter four of 2010.

Lastly in Q4, net income increased by 33%. Diluted earnings per share increased by 32% and adjusted diluted earnings per share increased by 41%. Mohit will provide more detail on the numbers in his comments.

Growth in the fourth quarter was broad-based across all industry verticals and geographies, driven by strong demand for most major service offerings. Global Clients BPM growth included strong demand for Mortgage Processing and Insurance operations, Finance & Accounting, and Smart Decision Services. Our Global Client IT business is benefiting from the strategic decisions we made to refocus the team on product and service offerings that leverage our strengths and infrastructure management and integration of analytics with technology.

As an additional benefit from the Headstrong acquisition, we are beginning to implement best practices developed by their team, especially relating to client engagements.

From an industry perspective, growth was led by clients in CPG, Retail, Pharma, High-tech, and BFSI. Growth was in the double-digit range across all our major geographic regions, led by Asia-Pacific, particularly China. We also delivered solid growth in Europe, where we are now seeing the returns on our 2009 investment in our sales teams.

As we discussed this past year, our strategy is to make investments in our client facing business development and relationship management teams, product innovation, and new centers to build a foundation for long-term growth. We hired 45 front-end business development and relationship management employees in 2011. A number of our new hires are senior professionals with deep domain and industry expertise.

We expanded our innovation capabilities and have funded co-innovation with our clients for several new products. For example, we developed solutions to meet compliance requirements for Solvency II in Europe and Anti-Money Laundering in the US.

In order to better serve our clients, we have also increased our onshore operating footprint in the US to almost 3000 employees. Apart from business development, relationship management and operations, this also includes substantial process reengineering resources. Additionally, we are growing our new centers in Brazil and Dubai to support growing global client engagements.

We were able to make these investments because of continued cost efficiencies resulting from improved productivity and efficiency of our G&A functions. We expect to increase many of these investments through 2012.

We continue to win significant new business. We added a record 38 new logos in quarter four of 2011 bringing the total for the year to 107, up from 76 last year. Here are some examples of our new wins.

We were chosen as the transformational partner for one of the fastest growing global commercial insurance companies. The client was focused on its core capabilities in sales, pricing, underwriting, and claims decision-making, while Genpact will manage all the middle room and backroom functions and processes such as Underwriting operations, Claims processing, Finance and Accounting, Actuarial and Risk support, as well as the entire Technology function. Additionally, Genpact will help the client build world-class processes and systems for these operations.

This is one of the most comprehensive deals in the insurance industry and we expect the partnership to increase efficiency and effectiveness and create a best in class advantage for the client while strengthening our leadership position in the insurance industry vertical.

For a large global life sciences company headquartered in Europe, we are engaged in transforming their global Finance and Accounting operations by leveraging our reengineering capabilities to consolidate and optimize more than 60 sites across the globe into a highly efficient shared services model. We won the engagement by demonstrating that Smart Enterprise Process, our proprietary methodology for measuring the effectiveness of business processes, and laying the roadmap to take those processes to best in class coupled with our history of operating excellence delivered meaningful results.

In another example for a large manufacturing client, we leveraged the combination of our SEP framework and our operational capabilities to displace an incumbent global IT services provider. We won by demonstrating a path for the client to achieve best in class standards for its IT processes.

Our Net Promoter Scores, which is the way we measure overall client satisfaction are at an all-time high. Our NPS scores reflect the continuous improvement, operational excellence, and value we are delivering for clients. Not only does this create a pool of senior client stakeholders who help us win new relationships through references, but also helps us significantly grow our existing client relationships.

An example is our recent three-year contract extension with global CPG leader Kimberly-Clark for comprehensive Finance & Accounting services and high-end analytics. We will continue to help Kimberly Clark increase the efficiency and effectiveness of its Finance & Accounting operations.

Here again SEP played a key role. Kimberly-Clark was one of Genpact's first clients to benefit from SEP. Based on our CPG industrial experience, Genpact will also be partnering with Kimberly Clark to develop a comprehensive analytic solution for trade promotions, a key element of sales and marketing efforts for CPG companies.

As these examples demonstrate, SEP has become a clear competitive advantage in the market.

Our pipeline continues to be healthy. Our win rates are at record highs. Cycle times are stable and we are seeing healthy demand particularly for Finance & Accounting, Smart Decision Services, and IT.

As clients adjust their operations to the 'new normal' economic environment, they tell us they are looking for partners who can help them transform to a more variable cost structure and who can provide better outcomes and effectiveness, not just in outsourced services but across their entire delivery footprint.

There are three additional trends we are beginning to see in the pipeline. First, second-generation deals which are being driven by clients looking for new partners who can bring new ideas and more innovative solutions to help them increase or maintain growth with lower fixed costs.

Second, transformational deals where large corporations partner with us to drive a comprehensive agenda which includes improving their internal operations across their entire delivery footprint and having us directly manage some of these operations. Our culture, framework, experience, and methodologies differentiate us in winning these engagements.

Third, sharply defined Smart Decision Services engagements in analytics, reengineering, and risk management that deliver fast payback and specific outcomes for our clients. These often lead to more activity and dialogue on other long-term annuity engagements.

Overall the pipeline remains resilient and healthy but we are monitoring it carefully as clients adapt to the continuing level of uncertainty.

With the integration of Headstrong, our combined front-end teams have a unified go to market strategy which is translating into an increasing number of cross-sell transactions. We won 10 cross sells this quarter, bringing the total up to 21 for the year. Capital markets clients are facing tremendous cost pressure and are looking for partners who can provide new ideas and insights on how to permanently rescale their cost structure. We have several active opportunities, many of which are larger deals and represent long-term BPM contracts.

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

Mohit Bhatia - *Genpact Ltd. - CFO*

Thank you, Tiger, and good morning, everyone. Today, I will review our fourth-quarter performance and full-year results, followed by a summary of key highlights from the balance sheet and statements of cash flow.

In quarter four of 2011, revenue, adjusted operating income, net income, and cash all grew significantly.

In the fourth quarter of 2011, net revenues were $442.7 million, an increase of 29.6% year-over-year and 3% sequentially. Business process management revenues increased 12%, driven by a strong Global Client BPM growth of 20%, within which Smart Decision Services grew 55%.

Our Global Clients IT business is growing, with revenues increasing 21% year-over-year, driving 15% growth in overall IT revenues, excluding the contribution from Headstrong. On a reported basis, our IT business grew 143%.

Adjusted income from operations totaled $77.1 million in the fourth quarter of 2011, an increase of $13.4 million from the prior year quarter. This represents a margin of 17.4%, compared to 18.7% in the fourth quarter of 2010.

The margin of 17.4% was after wage inflation and planned investments in business development and relationship management resources. These investments were partly offset by the cost benefits of better spans for supervisory and support staff, and a favorable foreign exchange movement.

Our gross profit for the fourth quarter totaled $174.6 million, representing a margin of 39.4%, up 260 basis points compared to the same period last year, and 190 basis points sequentially.

SG&A expenses totaled $107.9 million in the fourth quarter, representing 24.4% of revenues, up from $62.7 million or 18.3%, in the fourth quarter of 2010 driven by the aforementioned investments.

Our sales expenditure as a percentage of revenue was approximately 4.6% in the fourth quarter, compared to 3.5% in the same quarter last year, as we continue to ramp up our front-end teams.

I will now turn to our full-year financial results.

On a full-year basis, our revenues grew 27.1% over 2010 to $1.6 billion. This growth was driven by Global Client revenues, which increased by 43% or 20% excluding Headstrong and now account for 70% of Genpact's total revenues, up from 62% in 2010.

Our business process management revenue grew 16%, driven by strong Global Client BPM growth of 23%, within which Smart Decision Services grew 52%.

Adjusted income from operations increased 30% to $264.5 million, representing a margin of 16.5%, up from 16.2% in 2010. Our adjusted operating results also reflected the impact of the reserve against the receivables for MF Global, without which our adjusted operating income margin would have been 16.8%.

Our gross profit for the year totaled $596 million, representing a margin of 37.2%, compared to 37.4% last year. Wage inflation and investment in specific skills and vertical domain expertise, were mostly offset by better technology in real estate utilization, better supervision -spans, and favorable foreign exchange.

SG&A expenses totaled $358 million in 2011, up from $282 million in 2010, representing 22.4% of revenue for both years. Investments in product and sales initiatives, wage inflation, deal integration expenses, and the reserve created against receivables for MF Global were funded through productivity and support functions and favorable foreign exchange.

As of December 31, 2011, Genpact had approximately 55,400 employees worldwide, up from approximately 43,900 in 2010. As expected, our attrition rate improved sequentially over the year and was at 28% in the fourth quarter. For the full year, our attrition rate was 30% compared to 31% in 2010.

Annualized revenue per employee for 2011 was $34,100, up from $31,100 in 2010, reflecting the addition of Headstrong and higher value offerings in Smart Decision Services.

Our tax expense for the year was $70.7 million, compared to $34.2 million in 2010, representing an effective tax rate of 27.7% for 2011, up from 19.4% in 2010. As mentioned in our previous calls, the year-over-year increase in the tax rate was primarily due to the complete sunset of the STPI tax holiday in India, the higher tax rate for Headstrong, and some period items.

In 2012 we expect our effective tax rate to be in the range of 27% to 29%. We expect continued growth in tax-exempt and low tax jurisdictions to help partially offset the full-year impact of the complete sunset of the STPI holiday and the higher effective tax rate for Headstrong.

Net income was $184.3 million or $0.81 per diluted share in 2011, up from $142.2 million or $0.63 per diluted share in 2010. The 30% increase in net income was primarily due to higher operating income, higher interest income, and an unusually large foreign exchange re-measurement gain that is reflected below the income from operations line, partly offset by a higher effective tax rate compared to 2010.

In 2011, we recorded $35.1 million in foreign exchange re-measurement gains, up from just $1.1 million in 2010. This was primarily due to the extraordinary depreciation of the Indian rupee compared to the US dollar especially in the fourth quarter of 2011. We also recorded net interest income of $5.9 million, up from $2.9 million in 2010. As we move funds out of high-interest jurisdictions to the US coupled with full-year impact of interest expense on our acquisition financing, our interest income will go down in 2012.

I will now turn to our balance sheet. Our cash and liquid assets totaled approximately $408 million compared to $481 million in 2010. This balance is after utilizing approximately $206 million of our cash for acquisitions, $48 million for debt repayment, and $36 million for capital expenditure. In addition it also accounts for a reduction of approximately $54 million towards translation of local currency cash balances and receivables primarily due to the depreciation of the Indian rupee against the dollar that I referred to earlier.

Our Days Sales Outstanding totaled 82 days, one day higher than in 2010 and a one-day improvement sequentially. We expect our DSOs to go up in the first quarter of 2012 and then decline sequentially, ending up at about the same levels as 2011 by the year-end.

Turning to operating cash flows, we generated $267 million of cash from operations in 2011, up from $163 million in 2010. This improvement of 63% was due to higher earnings and better working capital management, but also included some significant one-time inflows primarily related to statutory tax refunds, return of security deposits, and higher customer advances amongst other things. We do not expect these one-time operating cash flow benefits ranging between $20 million and $25 million to repeat in 2012.

Additionally, we had realized cash gains in the range of $16 million to $18 million from foreign exchange re-measurement of certain balance sheet items, which may not recur in 2012.

Finally, our net interest income of approximately $6 million in 2011 will become an expense of $7 million to $9 million in 2012 as we see the full-year interest impact of acquisition financing along with a negative impact on income from cash moving from high-interest jurisdictions to the United States. After adjusting for these items, our 2011 cash flow still grew in line with revenue and we expect cash flow from operations to continue to grow in line with revenue in 2012 after adjusting for the items stated above.

As a result of our focus on technology virtualization and better utilization of real estate, capital expenditures for 2011 were contained at 2.9% of revenue with an acceleration of investment in the second half of the year. We expect 2012 capital expenditure as a percentage of revenue to be back at normal levels of 4% to 5% of revenue, with planned spends in new sites, tax exempt locations, digitization and new products.

In conclusion, we had a terrific year and closed with a strong fourth quarter. Our business fundamentals remain strong, integration of our acquisitions are on track, we continue to have a healthy balance sheet and are ready to execute on our plans for 2012.

With that, I hand back to Tiger for his closing comments.

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Thank you, Mohit. In closing, throughout our history clients have told us that our ability to combine a bottoms up, granular process-based approach with Lean Six Sigma is unique. Our Smart Enterprise Processes framework was built on this approach and is driving our differentiation and win rates.

Our in-depth understanding of business processes and their outcomes within the context of specific industry verticals also drives the insights captured in our Smart Decision Services. This intelligence we provide to clients along with the capability to deliver outcomes from anywhere in the world is exactly what clients are looking for today as they face a global environment where growth from developed economies is low and emerging markets hold tremendous growth opportunities.

Genpact is using process to help clients power the intelligence across their enterprise and run smarter operations, make smarter decisions, and use smarter technology. Our relationships with clients are strong and expanding. Our pipeline is healthy and client decision cycles appear to be stable. With our widely diversified portfolio of services across key industries and geographies, we are well-positioned to adapt to evolving clients' needs in a sharply differentiated way.

The strategic investments we made in 2011 and that we will continue to make in 2012 are designed to further strengthen and differentiate Genpact from competitors and help drive long-term growth.

We achieved our 2011 results despite continuing uncertainty in the global economic environment, particularly in the EU, continuing softness in retail banking sector, and increasing cost pressures in the capital market sector. In this environment where our clients are facing uncertainty and volatility, we expect annual revenues for 2012 to be between $1.84 billion and $1.88 billion. And as we have discussed previously, we will continue to invest for growth and expect adjusted operating income margin in a range of 16% to 16.5%.

Shishir Verma - *Genpact Ltd. - IR*

Thank you, Tiger. Erica, could you please open the floor for questions now?

Q-AND-A NEW

Operator

(Operator Instructions). Tien-Tsin Huang, JPMorgan.

Tien-Tsin Huang - *JPMorgan - Analyst*

Good morning. Just helpful prepared remarks as usual. I just wanted to ask in general about visibility on revenues and margins as opposed this year versus this time last year. Has it improved, deteriorated, or stayed the same? I heard your ending comments around the economy, but I'm curious if the visibility has gotten a little better?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

No, I would say visibility this year is broadly the same as last year. Our cycle times -- I wish our cycle times on deals for example had improved, but they don't seem to have. They remain stable. To the extent that we have some businesses that are shorter cycle such as Smart Decision Services that have actually had accelerated growth, those are good because those tend to get decided during the year and we get revenue during the year. But other than that, broadly our visibility is similar.

The one other characteristic of the pipeline is that there are many more conversations that are not just about outsourcing but also about helping clients improve their operating footprint and driving optimization and improvement in their footprint.

Operator

Edward Caso, Wells Fargo.

Edward Caso - *Wells Fargo Securities - Analyst*

Good morning, good evening. I was curious if you could help us understand -- you had 107 new logos. You have about 124 in the trailing 12 months that yielded more than $1 million in revenue. Are companies dropping off or is there a whole group of clients that are with, say, your decision support services that are below that level? Or is this a pool of potential logos that could expand this greater than one greater $5 million kind of set? Thanks.

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Good morning. It's two of the three characterizations that you had. One, clearly there are clients in our Smart Decision Services area which represent under $1 million revenue each. These could be people trying to improve their customer segmentation, social media analytics, pricing, risk, and so on. They often tend to become some of them annuity revenue not just in the Smarts Decision Services area but also in broader BPM and IT.

There are clearly opportunities as we work with these clients and as we've seen growth in Smart Decision Services that a number of them get added to our portfolio, which are in that category.

Edward Caso - *Wells Fargo Securities - Analyst*

Great, a separate question is on the non-cash stock compensation assumption for 2012, please.

Mohit Bhatia - *Genpact Ltd. - CFO*

Yes, Ed, that would be in the range of 36 to 38.

Edward Caso - *Wells Fargo Securities - Analyst*

$36 million to $38 million. Thank you very much.

Operator

Joseph Foresi, Janney Montgomery Scott.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

I was wondering if I could get the organic growth rate for the business in the quarter year-over-year and your expectations for SG&A next year?

Mohit Bhatia - *Genpact Ltd. - CFO*

The line was unclear on the first part of your question. Let me answer the second and then come back to you. SG&A for next year overall would be pretty much the same as it was in 2011. Within SG&A though, we would be investing a lot more in sales so you would see the sales costs as a percentage of revenue continue to go up. And G&A, the balanced part of G&A we should continue to get productivity like we do every year, so therefore we should see anywhere from our 100 to 200 basis point improvement in G&A at the same time that would be made up by investment in sales.

So overall SG&A should be in the same range as a percentage of revenue as it was in 2011.

Edward Caso - *Wells Fargo Securities - Analyst*

The first part of that question was what the organic growth rate was in the quarter?

Mohit Bhatia - *Genpact Ltd. - CFO*

The organic growth rate in 2011 overall, let me start with that, was ahead of the original guidance that we had given of 10% to 13%. So we came in ahead of that and for the fourth quarter itself, again the organic rate was in the range of 13% to 15%.

Edward Caso - *Wells Fargo Securities - Analyst*

Okay. Tiger, a question for you now that you are firmly in place there. I wonder if you could just give us your views on how your approach to guidance -- is this given sort of where we were in the past, is this a conservative look at what's heading into next year or just maybe could you just give us a little bit more detail on how you are going to approach that going forward given what happened in the past?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

I would say it is a reflection of the world we are in. It is a world where we continue to find our clients challenged with uncertainties and volatility of various kinds including the ups and downs in Europe that they face. And as a result, our expectations of 2012 is a combination of the granular approach that we have taken with building up our expectations from our pipeline and from the conversations we've had with clients, as well as the fact that we are in this uncertain world.

We looked at 2011 and we were very, very pleased with the overall results that we delivered in 2011, so all of that has been the basis on which we have set the expectations for 2012.

Edward Caso - *Wells Fargo Securities - Analyst*

Thank you.

Operator

Bhavan Suri, William Blair & Company.

Bhavan Suri - *William Blair & Co. - Analyst*

Thanks for taking my question, guys. Just a question on the sales investments in 2012. You mentioned you had 45 in 2011. Any color on sort of what that number potentially you are looking at for '12 is?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

On the exact number is probably of the order of 30, but it's less important to think about the exact number of business development relationship managers as compared to where they are being added and more importantly, what's the percentage of total costs that sales would represent as a percent of revenue?

That's what we are focused on to make sure, one, that we are increasing it to the medium-term goal that we had set last year during the Investor Day of 6%. And I think we are on track to get to that number by the time we get into 2013.

Depending on whether we add in global relationship management to grow existing client relationships, continue to add in new domain and new industry verticals across the broad range of geographies, some of that will determine the exact number but we will continue to invest and obviously these investments in the front-end team in our business because of the long-cycled nature of our sales does take time to convert finally into revenue.

Bhavan Suri - *William Blair & Co. - Analyst*

Just on that, you mentioned that you are seeing solid traction in Europe and obviously the core organic growth of the Company has accelerated from '10 and the guidance implies it's accelerating in '12. It is sort of suggested the sales cycles are getting a little shorter. Is that just a combination of the short decision services or are you beginning to see sort of existing BPM customers come in and say we're going to outsource processes? Is that moving faster that's helping sort of the acceleration, too?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

No, I wish it was the latter. Decision cycle times in the broader BPM deals, annuity deals continue to be stable and this is not a reflection of any acceleration that we are seeing there. There is no question that because of the overall portfolio that we have, having a bigger proportion of Smart Decision Services, which are shorter cycle than the others, and because of that being more accelerated in growth, obviously to that extent we are -- it obviously helps us in current year revenue.

But when you get to regular BPM deals, cycle times are very stable.

Bhavan Suri - *William Blair & Co. - Analyst*

One last one from me. In some of your contracts, even if you look at some of the ones with GE, you guys sort of provide for 5%, 6%, 7%, 8% productivity improvements year-on-year and I guess could you just help me understand how that's possible to deliver that year after year? And sort of what -- I guess I expect at some point for that to plateau, but just provide me some sense of how that works?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Bhavan, that's one, it is a great question. And two, that's what we do really well. We have done it now for GE as an example for 13 plus years. We've done it for some of our other clients when we signed up after 2005 for five years and six years. And it really comes down to interestingly it's not about price. And that's probably the easiest thing to do but it's certainly not that, because you can't do it on price.

This is really using our core capabilities around process improvement. A combination of automation tools, technology tools, using data to drive analytics that then changes your process to make it more productive. We have had situations where a process that had 100 people to begin with five years later does double the work with 50 people. That's how we drive this and it obviously drives a very high Net Promoter Score for us.

Bhavan Suri - *William Blair & Co. - Analyst*

Thanks for taking my question, guys.

Operator

Dave Koning, Baird.

Dave Koning - *Robert W. Baird - Analyst*

Great job and I just wanted -- I just wanted to kind of walk through -- I know the last couple years Q1 revenue was seasonally weaker just given the typically strong seasonal Q4. The last couple years it was down about 3% or 4% sequentially. And other years you've been going back, it's kind of been anywhere from flat to down 5% sequentially. I just wanted to kind of get expectations so we can kind of build our full-year expectations, kind of how you expect the seasonality to play out?

Mohit Bhatia - *Genpact Ltd. - CFO*

I think, David, it will play a very similar in the rhythm of our business for the first quarter the way it's played out over the last few years. The overall nature of some of the work we do tends to get completed in the fourth quarter. These tend to be actually sometimes Smart Decision Services outcomes we have to deliver. Our business process outcomes we have to deliver that then generates gain share, projects that get completed on technology that then have to be restarted. A combination of those tend to lead to a sequential decline in the first quarter versus the fourth quarter.

I would think that the way to think about 2012 is that it will play out very similarly.

Dave Koning - *Robert W. Baird - Analyst*

Okay, you mention on the call you expect interest income to go down. Do you still expect to be a positive income or do you actually expect it to go into interest expense mode and maybe what degree to either positive or negative?

Mohit Bhatia - *Genpact Ltd. - CFO*

Sure, I actually mentioned in the call that the interest income will become an interest expense, so our net interest income this year was $5.9 million. We expect it to become an interest expense between $7 million and $9 million in 2012.

The reason for this is that -- there are two main reasons for this. One is we are going to have the full-year impact of interest costs on acquisition financing compared to '11, where we just had a few months. And the second reason is that as part of our strategy, we will be moving our cash from places like India, which are high interest income jurisdictions, to the United States, which as you know doesn't give a return of more than 1% odd. So that is going to -- these two reasons combined are going to cause the interest income to become an expense in 2012.

Dave Koning - *Robert W. Baird - Analyst*

Great and then just my final question is just you mentioned organic growth for '11 was just a bit above I think your 10% to 13% expectations, probably 13% or 14% organic growth. Ex MF Global in 2012, is that kind of the same pace that you expect? It sounds like a lot of what you described is a pretty similar environment in '12 as '11. Do you still kind of expect 13%, 14% maybe take that down one for MF Global? But is that fair?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Yes, go ahead.

Mohit Bhatia - *Genpact Ltd. - CFO*

So I was saying that organic growth rate ex MF Global indeed should continue at similar rates subject to the macro uncertainty that Tiger alluded to and spoke about. Overall, just like we have said before, we are seeing some weakness in areas like retail finance in the US. Japan has not yet come back the way we wanted to and toward the end of 2011, we saw some weakness in capital markets.

So there is some uncertainty out there but subject to that, our organic growth rates should be similar to 2011.

While I am at this I do want to make one correction from what I had said earlier. While the full-year 2011 organic rates were ahead of our 10 to 13 guidance, well ahead of that, the quarter four organic growth rate was actually about 11.5%. I just want to make that correction.

Dave Koning - *Robert W. Baird - Analyst*

Thank you.

Operator

Arvind Ramnani, UBS.

Arvind Ramnani - *UBS - Analyst*

Congrats on a great quarter. I just wanted to make sure I have your organic growth rates for 2012, have the math correctly done. Essentially you are seeing kind of revenues at the higher end of $1.88 billion. So would the strong revenue be in the range of like $80 million to $100 million for the first four months?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Thanks. First of all, the way the Headstrong business has got integrated into the Company is there are many, many parts of the business that are now getting fully integrated. As an example, Japan has got fully integrated, a number of the Headstrong leaders now own parts of the IT business of the Company as well and of course, analytics, reengineering, and business process management are beginning to get sold into the capital markets vertical.

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So the businesses are getting far more integrated than it was just one quarter back. If I were to look at organic growth for excluding Headstrong for the Company in 2012 versus 2011, the way we would think of for 2012 is kind of similar to the way we would think about the delivery in 2011. And that's the way we have modeled and that's the way we think about 2012. Also because we think about the world as being kind of similar in its uncertainty and volatility and its ups and downs.

Arvind Ramnani - *UBS - Analyst*

Great, great. In June of last year, when you had an Analyst Day, you kind of indicated your medium to long-term revenue growth laid at 17% to 25% and that assumes 1% to 5% of kind of acquisition-related growth. So has that number changed sort of given the environment? Should we look at the 17% to 25% and just given the environment -- is that why your guidance is indicating 15% to 17.5%?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

For one, if you look at the total growth that we talked about in the medium term, it was 17% to 25% and that obviously includes acquisitions and all of that as well. If you think about our expectation for 2012 that we are laying out, it is obviously in that range but obviously at the lower end of that whole medium-term range.

First of all, Arvind, it's medium-term, so we -- all our investments that we have done in '11 and we continue to plan to do in '12 would obviously help us get to that medium-term growth target that we have.

Second is that the world continues to be uncertain and volatile, so it's a little bit of a reflection of the world we are in. So the combination of those two will help us continue to maintain our medium-term overall growth numbers of 17% to 25%.

Arvind Ramnani - *UBS - Analyst*

Great, one final one. As far as your sort of key executives go, the senior management, what incentives do you have in place to sort of retain them? And are there incentives tied to just staying at Genpact or are they tied to either certain revenue targets or certain margin targets? If you can just provide some further on that, that would be really helpful.

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Arvind, if you look at our filings for the last two years in 2010 and 2011, we have had performance share plans for our senior executives. Those performance share plans are -- they require performance on revenue growth and adjusted operating income margin growth and they all have -- obviously there for two objectives. We had the objective of driving performance on those two metrics and they obviously have the objective of retention because they pay out over -- only at the end of three years and it's a full payout at the end of three years. It's not -- it doesn't vest during the three-year period.

So we feel good about the way that plan is structured to combine retention of senior executives as well as drive performance.

Arvind Ramnani - *UBS - Analyst*

Great. Congrats and good luck for 2012.

Operator

Vincent Lin, Goldman Sachs.

Vincent Lin - *Goldman Sachs - Analyst*

Thanks for taking my questions. Can you remind us again how much revenue did you have from MF Global in 2011?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Vincent, we haven't disclosed -- we don't disclose specific client revenues, so that would be difficult to disclose. We obviously have disclosed the reserves that we made for MF Global during 2011, but the revenues we didn't.

Vincent Lin - *Goldman Sachs - Analyst*

Okay, and then maybe just in terms of your 2012 expectations, how should we think about the revenue growth at your stations for GE versus Global Clients? Should we expect similar performance out of GE in 2012 versus 2011?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Yes, Vincent, we should expect flat to very low single-digit growth for GE. As you know, we are highly penetrated. We continue to do some very interesting new work which often is path breaking. It provides the platform for innovation and we are engaged with every business of GE.

But given the penetration that we have with GE, we would expect flat to single digit growth and that's how we have planned our expectations for 2012. So obviously that means Global Client growth will continue to be our engine of growth as it has been for many years now and that is how the plant are being built.

Vincent Lin - *Goldman Sachs - Analyst*

Got it, I think Mohit, you mentioned that exiting 2011 you saw some weakness out of capital markets. I'm just wondering if you can provide some more color in terms of the softness that you mentioned and have you seen any stabilization or even improvement into the beginning part of 2012?

Mohit Bhatia - *Genpact Ltd. - CFO*

Well, not yet, to answer the last part of your question. It's too early to see an improvement yet in the capital markets space. When we speak about weakness in capital markets, it's really to do with the environment. We did speak about MF Global caused again by the EU situation causing them to go bankrupt and we lost a nice client.

I think we have seen a little bit of a reduction in volumes in some of -- in a couple of the investment banks and more importantly I think they are really looking at this time on how to reduce their discretionary spends and budgets and a lot depends on how we see that opening up or tightening further in the next three to four months.

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

If I could just add to what Mohit said, what we are seeing in capital markets is exactly what Mohit said, which is discretionary spends are being obviously evaluated very closely. The other interesting thing is that there is a clear desire across the board to restructure their costs from a medium and long-term basis and that is generating a lot of dialogue in bigger engagements that are more transformational and we are in a number of them. Obviously our domain expertise that the capital markets vertical has, helps drive those conversations and our process understanding on the Genpact side.

These take longer to decide. They are more transformational. We expect to see some of that fructify as we go through 2012. It's no different than some of the things that happened in the '08, '09 period in terms of let's get clever on discretionary spends and let's try to transform the way we run these investment banks.

Vincent Lin - *Goldman Sachs - Analyst*

Got it, that's very helpful. And maybe lastly a housekeeping question, Mohit. For 2012, should we expect any material FX, the below line FX gain or losses? Thanks.

Mohit Bhatia - *Genpact Ltd. - CFO*

Like I said, that's always hard to plan for. FX gains below the line are always relative to the previous quarter, so it really depends on how foreign exchange movements happen especially between the rupee and the dollar.

The best I can answer you is that in quarter one because we've already started quarter one, the depreciation of the Indian rupee that happened in quarter four has pretty much reversed in quarter one. It went up to INR53 to $1 by the end of quarter four and it has come down back to INR49 to $1 as we speak today.

I still don't know what the rates are going to be by the end of the quarter but by the looks of it, in quarter one we may have a loss of remeasurement below the line relative to the previous quarter. For the rest of the year, it's really hard to predict.

Operator

Bryan Keane, Deutsche Bank.

Bryan Keane - *Deutsche Bank - Analyst*

I just want to make sure I characterize or if you guys could characterize the change in the environment over the last three months. It sounds like it's pretty similar except maybe a little weaker in capital markets. How would you characterize it?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

I would say it's a reevaluation of new spend in technology in the capital markets arena. So that's one way I would characterize it. The second is I would characterize it as we must change the way we run parts of the capital markets business in the conversation that it's clearly happening in many, many corridors. Those two would stand out as big changes I would say in the last five months starting from September, October 2011.

Bryan Keane - *Deutsche Bank - Analyst*

Okay, what percentage of revenue is capital markets now for Genpact?

Mohit Bhatia - *Genpact Ltd. - CFO*

Yes, capital markets is overall globally is in the range of about 10% to 12%.

Bryan Keane - *Deutsche Bank - Analyst*

10% to 12%, okay, Mohit. Just another way to ask about the acquisitions, I guess how much acquisition revenue is in the 2012 guidance? I guess we have EmPower now and then four months of Headstrong.

Mohit Bhatia - *Genpact Ltd. - CFO*

So no new acquisition that we have yet to do as part of the number that we have guided to. What it includes is just the full-year impact of Headstrong that we did. The other acquisitions are very immaterial, frankly, to even talk of. Headstrong is material and yes, we will get 12 months impact versus eight months last year. Besides these, any new acquisitions like I said we have yet to do is not part of the guidance.

Bryan Keane - *Deutsche Bank - Analyst*

How much is it? How much revenue are we talking about for acquisitions for 2012?

Mohit Bhatia - *Genpact Ltd. - CFO*

So like Tiger alluded to earlier, we are not giving a separate organic or inorganic guidance for 2012. As there are reasons for that, in the last few months as we integrated with Headstrong, we've got a common go to market. We have got a unified approach on cross selling. We've exchanged resources. We are sharing infrastructure. We are sharing products and services. The leader of that business, Sandeep, has started handling a large part of the overall IT business.

The boundaries have become so blurred that it would be very difficult in fact to really keep them separate and give separate guidances.

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Bryan, this -- the expectations that we have for 2012 doesn't include any new acquisitions that we would do. That would be separate because we don't plan our revenue number as we ended the year and the target revenue number of new acquisitions. We will continue to bond -- we have capability we want to add with it.

Bryan Keane - *Deutsche Bank - Analyst*

Okay, and just let me ask one last demand question maybe for you, Tiger. It doesn't sound like there has been a lot of change in contract startups or really the decision-making process. I just ask that because we hear different stuff about delays in the environment but it sounds like it's pretty much status quo and you haven't seen any huge impact from that.

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

No, not at all. I would not characterize the current environment as delays that we have seen it all. In fact it's been very stable on that front as I said. So no, we are seeing that at all.

Bryan Keane - *Deutsche Bank - Analyst*

Okay, helpful. Thanks for the color.

Operator

Manish Hemrajani, Oppenheimer.

Manish Hemrajani - *Oppenheimer & Co. - Analyst*

Thanks for taking my call. Solid quarter, guys. If I were to nitpick though, ITO growth declined slightly quarter-over-quarter. Was that primarily because of some client specificity or are you trying to be conservative due to challenges as you can see the capital markets?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

I'm not clear on the line if I understood the question right, and let me repeat the question so that it's clear. IT declined in the fourth quarter sequentially -- was that a question? What's the driver of that?

Manish Hemrajani - *Oppenheimer & Co. - Analyst*

Yes, exactly.

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

As I said, it's more overall, and this is excluding Headstrong, it's more overall typical declines as we go from one quarter to another or uptick quarter by quarter. We -- as I said often, we don't really run this business and measure the business quarter by quarter. Overall, we actually feel very good about the IT business. For the first time, we have seen one of the highest growth rates in five years in our Global Clients IT portfolio and actually we feel good about looking into 2012 as well.

So when we look at quarter by quarter, it's largely dependent on what projects start, what projects spend, what budgets are completed and what budgets have to restart. So I wouldn't necessarily look at it from a quarter by quarter perspective.

Manish Hemrajani - *Oppenheimer & Co. - Analyst*

Okay, also wondering if you could throw some color on the pricing environment?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Stable. Competitive but stable and again not that different from the environment we've seen through most of 2011. That applies across the board, being in -- on the IT side or on the broader BPM side. It continues to be competitive. Let's not mistake that. It is very competitive but it's not changing much in either direction.

Manish Hemrajani - *Oppenheimer & Co. - Analyst*

On the competitive front, are you starting to see more competition from the IT large caps versus pure play BPOs for the larger contracts especially?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Actually we have always seen that, so that's actually not -- I wouldn't characterize it as we're beginning to see more. We've always been in a situation where most of the time we compete with the large global players and in some cases the large Indian offshore IT players. Our competitive set on some instances where we compete in specific niche areas include some of the pure plays on the BPO side.

Manish Hemrajani - *Oppenheimer & Co. - Analyst*

Okay, one last one from my end. Could you give us your discretionary mix in terms of overall revenue?

Mohit Bhatia - *Genpact Ltd. - CFO*

So I would -- we obviously don't measure it in terms of discretionary and G&A and so forth, but as a range I would say that the discretionary part of the business would be anywhere from 25% to 35%. And in that I include all projects in IT and a lot of IT as discretionary, which technically is not all discretionary because it can't just fall off but -- and we don't measure this internally as discretionary. (multiple speakers)

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

And we don't measure it which is why it's not in our answer that is accurate to a large degree. I would say it actually at the lower end of 25%, in fact I would think it's more in the 20% to -- 20% range. Because if we look at for example BPM is obviously almost overall capacity. If we look at IT, a lot of IT work that we do is actually annuity and even if we take over the infrastructure when we run help desk and user computing, all annuity, it's not discretionary.

And then interestingly, this is the most interesting thing about us, Smart Decision Services, which often one would think are non-annuity projects and discretionary, a lot of what we do there is actually nondiscretionary. It's fraud detection daily in claims. It's daily fraud detection in credit card transactions. It's getting the sales force ready to go to the market to sell in a commercial lending environment or in a pharmaceutical environment. So very, very nondiscretionary, very interesting.

Operator

Kunal Tayal, Bank of America.

Kunal Tayal - *BofA Merrill Lynch - Analyst*

Thanks. Firstly on the margin side, other than managing G&A expenses, what would be your major margin levers in 2012 towards offsetting investments and wage inflation?

Mohit Bhatia - *Genpact Ltd. - CFO*

G&A is going to be the big part of where we get leverage and productivity to offset wage inflation. And part of that is looking at infrastructure utilization, technology utilization and resource utilization besides the standard sourcing leverage we get on bandwidth and other cost items and other items we have in our income statement. As far as cost of revenues is concerned, we will look at selective price in some areas, we will look at price especially in the SDS area which will help Gross Margins overall and as a strategy we will continue to look at new sites and new locations to optimize our overall cost structure, so between the G&A savings and support functions, leverage and IT infrastructure utilization, and looking at selective price is really how we are going to fund wage inflation and have enough money to make the investments that we need to make in 2012 that I just spoke about earlier.

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Just to add to what and reemphasize one of the points Mohit was making, it's probably the most important point there is, as we continue to focus our energy around our fastest-growing technical part of our business, portion of our business, analytics, there is no question that one, we add tremendous value for our clients. And two, obviously from a pricing margin perspective, it should be much higher value than any other part of our business.

So our investments in analytics, the fact that we have so much strength there, and the fact that we are so diverse that what we do in the analytics space really perhaps positioned us well over the last two years and will continue to do so in the future.

Kunal Tayal - *BofA Merrill Lynch - Analyst*

Sure. Thanks, Tiger. Mohit, any impact from ForEx built into this margin guidance for next year?

Mohit Bhatia - *Genpact Ltd. - CFO*

So, foreign exchange again is complex. It has two parts. There is foreign exchange that impacts our cost lines based on the hedge rates that we have. And there is foreign exchange impact of remeasurement on some of our balance sheet items that comes below the income from operations line.

As far as foreign exchange hedge rates are concerned, because we have a mid- to long-term hedge policy we are very clear on those rates. We know the exact impact and it's all baked into our plans.

As far as the remeasurement of some of our balance sheet items goes, that is the part that is hard to predict. Like I said, in quarter one given the current rates, it looks like we will be making a loss on remeasurement but for the balance three quarters, it's hard to predict at this point in time.

Kunal Tayal - *BofA Merrill Lynch - Analyst*

Right. Last question specifically on F&A services, some outsourcing advisors have been saying that this part of the business have been seeing smaller deals. So I just want to understand what Genpact's reading has been and what has the kind of demand you have seen in F&A??

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

We continue to see very stable and actually good demand in our finance & accounting, which is the core -- one of our core BPM offerings and we continue to see that.

Kunal Tayal - *BofA Merrill Lynch - Analyst*

Right, and this would partly be helped by the second-generation outsourcing deals as you mentioned earlier?

Tiger Tyagarajan - *Genpact Ltd. - President and CEO*

Partly, but that's not the biggest driver. We are just beginning to see that. So over time we might -- we will I suspect see more because as we go back to contracts that were signed between 2000 and 2005, a lot of them would come up for renewal and reevaluation. Let's not kid ourselves. These are sticky contracts which is the nature of this business but some of them do want to evaluate new innovative structures.

Kunal Tayal - *BofA Merrill Lynch - Analyst*

Got it, thanks a lot.

Operator

I would now like to turn the call back over to Shishir Verma for any closing remarks.

Shishir Verma - *Genpact Ltd. - IR*

Thank you, everyone, for joining us on the call today. If you have any questions, please do not hesitate to reach out to me.

Operator

Thank you for your participation on today's conference. This concludes the presentation. Everyone may now disconnect. Have a great day.