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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the second quarter 2013 Genpact Limited earnings conference call. My name is Derek and I will be your operator for today. At this time, all participants are in a listen-only mode. We shall facilitate a question-and-answer session towards the end of the conference. We will expect the call to conclude in an hour. As a reminder, this call is being recorded for replay purposes.

I would now like to turn the call over to Mr. Bharani Bobba, Head of Investor Relations at Genpact. Please proceed.

Bharani Bobba - *Genpact Limited - VP, IR*

Thank you, Derek. Welcome to Genpact's earnings call to discuss our results for the second quarter, ended June 30, 2013. We hope you have had a chance to review our earnings release, which you will also find in the IR section of our website, genpact.com. With me in New York this afternoon are 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 in the context of our long-term strategy, with 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, today, we are also including slides with our comments, which we hope will make our presentation easier to follow. You can find the slides on the webcast version of our call and you will be able to download them after the call is concluded.

Some of the matters we will discuss today 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 those measures to GAAP as well as related information in our earnings release in the IR section of our website, Genpact.com. Please also refer to the Investor Factsheet on the front page of the IR section of our website for further details on our results.

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

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Thank you, Bharani. Good afternoon, everyone, and thank you for joining us on our earnings call today.

Continuing our momentum in 2013, in the second quarter Genpact delivered strong growth in revenues and adjusted operating income as well as solid cash flows from operations. Second-quarter revenues of $535 million increased 14% year-over-year, led by our Global Client growth engine, which grew 20% in the quarter. Revenue growth was broad-based across industry verticals, led by Banking and Financial Services, Consumer Packaged Goods and Life Sciences and Healthcare. Momentum was also broad-based across most of our enterprise service offerings, with continued strength in Finance Accounting, ITO and our core operations in Banking and Financial services vertical. Growth in Smart Decision Services increased from last quarter, as expected, and we anticipate SDS growth will gradually accelerate over the remainder of the year.

GE revenues declined by 1% year over year. This reflects the normal ebb and flow of our transactional activity with GE. We now expect total revenue from GE to be roughly flat for the year. Our relationship with GE, which is highly penetrated, continues to be strong as measured by a high NPS and the value we deliver to GE businesses.

In the second quarter Adjusted Operating Income increased 15% year-over-year and Adjusted Operating Income margin was 16.7%.

We continued to expand relationships with existing clients in the second quarter across a range of our industrial verticals. Clients representing $5 to $15 million in annual revenue increased to 55 from 41, clients in the $15 to $25 million category increased to 14 from 11, and clients with more than $25 million in annual revenue increased to 12 from 10. This is evidence of our ability to grow relationships as we partner with clients to undertake transformational journeys and drive better performance and outcomes for them over many years of engagement.

In summary, our second-quarter results demonstrate that the key elements of our growth strategy are resonating with the marketplace and helping to differentiate Genpact. We continue to evolve and refine this growth strategy as we increasingly target companies in a set of industry verticals that are transforming themselves. In a number of these verticals, we are bringing process, technology and insights together to develop industry-specific solutions. At the same time, we continue investing to further advance our enterprise service lines, such as finance and accounting, procurement, and focused technology services. These solutions continue to drive deep client loyalty and strengthen our foundation for long-term, sustainable growth.

The key elements of our growth strategy are as follows.

First, as industry thought-leaders, we guide global enterprises to best-in-class through our proprietary Smart Enterprise Processes framework that delivers measurable business impact and insights.

Our clients continue to seek innovative solutions that help them transform the way they run their businesses to drive real business impact. One of our key differentiators as a partner is our ability to deliver better outcomes and effectiveness, not just in the specific services we manage for the client, but across the client's entire delivery footprint.

As an example, we were recently selected by a large US-headquartered global Industrial company to drive dramatic improvement in its Aftermarket Services organization. Based on a comprehensive assessment of their current state, through our SEP methodology and analytical insights, we are now focusing our efforts jointly on several key initiatives that will drive better inventory planning, while delivering higher revenue from spare parts sales, all of which will lead to a transformed services organization, partly managed by Genpact.

The second key element of our growth strategy is to invest in expanding our capabilities in targeted industry verticals and build deep domain expertise in them.

Clients want partners who are experts in their industry and processes at a granular level. Our strategy is to focus our investments and resources on specific targeted industrial verticals with long-term growth potential, where our capabilities and services are truly differentiating. Our investments include recruiting professionals with deep industry knowledge, building capabilities internally and through acquisitions that deliver end-to-end services, and developing innovative solutions that combine - and truly integrate - process, technology and data analytics.

As an example of the last point, we recently won a new ITO engagement with an existing Consumer Packaged Goods client. Our understanding of procurement processes and supply chain analytical needs in the CPG industry allowed us to combine that with our technology capabilities, and were the true differentiator in winning this business.

The third element of our growth strategy is to allocate capital and resources to support sustainable, profitable growth and shareholder value. Just like our clients, we are focused on optimizing existing costs and investments, while we continue to allocate capital to drive top-line growth and profitability. We face a multiplicity of opportunities in our large, under-penetrated markets, which require us to be nimble and disciplined in our investment and capital allocation decisions to drive revenue growth and shareholder value.

An example is our recent acquisition of Jawood, a global leader in business services for the healthcare payer industry. Healthcare is a growth market and one of our targeted verticals. Jawood adds deep domain expertise and capabilities such as technology, systems and business processes unique to payers, to our healthcare capabilities. We are taking our healthcare solutions to current and potential Genpact clients as we integrate Jawood's capabilities into our industry-specific offerings.

The fourth key element of our growth strategy is to execute seamlessly for clients across service lines and geographies. This is in our DNA and a hallmark of our differentiated reputation for delivery and operational excellence, whether it is managing more operations, delivering on technology projects or building analytical insights from data. The entire organization is unified in support of driving client outcomes and best practices, while providing seamless delivery from any of our global delivery centers. Our relentless focus on operational excellence has been critical to our achieving industry-leading and continuously improving Net Promoter Scores.

For example, we were recently engaged by a large existing Pharma client in an exciting effort to build better insights and improve the company's end-consumer experience. We won this new business because we have an industry-leading solution that combines domain, process and operating expertise, including Analytics and Social Media with Business Process Management to help their consumers make more informed decisions.

With consistent focus, implementation and investment in these four key elements of our growth strategy, we are expanding client engagements through our differentiated business model to drive sustainable, profitable growth in 2013 and beyond.

Looking ahead, the macro environment continues to be mixed, challenging for some industries and geographies, improving in others. Our pipeline is healthy and stable with a significant uptick in larger transformative deals. Clients continue to focus on improving their business models to adapt to this challenging environment, now with increasing interest in longer term, more transformative engagements, as well as continued demand for immediate cost-reduction opportunities. Our pipeline is strong across our core industry verticals with growth especially robust in Capital Markets, Consumer Packaged Goods, Life Sciences and Banking and financial services verticals. The Finance and Accounting pipeline remains strong and there is significant growth in ITO, largely driven by Capital Markets vertical and in the banking operations. Geographically, pipeline growth was especially strong in the Americas and Europe. Our pipeline growth reflects our focus on targeted verticals, enterprise service offerings and geographies.

The demand for transformation combined with our targeted approach has significantly increased the percentage of larger deals in our pipeline. These large transformational engagements are where we want to be and where the depth of our operational capabilities and benchmarks add the most value to our clients. At the same time, these large deals are complex and do have a longer decision cycle time. But our win rates have been steady and pricing competitive but stable.

With that, I will now turn the call over to Mohit.

Mohit Bhatia - *Genpact Limited - CFO*

Thank you, Tiger, and Good afternoon, everyone. Today I will review our second-quarter performance, followed by a summary of key highlights on the balance sheet and statements of cash flow.

On a year-to-date basis, our revenues were $1.039 billion, up 15% compared to the first six months of 2012. Our adjusted operating income for the first six months of 2013 was $171.9 million, also up 15% compared to the same period last year, representing a margin of 16.6%, up 10 basis points.

We closed the second quarter of 2013 with revenues of $534.8 million, an increase of 14.4% year-over-year and 6.1% sequentially.

Revenues from Global Clients increased 20% year-over-year. Within Global Clients, Business Process Management revenues increased 18%, while ITO revenues increased 25%. GE revenues declined 1% with growth in ITO more than offset by a decline in Business Process Management.

Our overall Business Process Management revenues increased 12%, within which Smart Decision Services grew 9%. Our overall IT services revenues increased 21%, driven by healthy growth in both Global Clients and GE, including the contribution from our February 2013 acquisition in Jawood.

Adjusted income from operations totaled $89.2 million, an increase of $11.3 million from the prior year. This represents a margin of 16.7%, up from 16.6% in the second quarter of 2012.

Our gross profit for the quarter totaled $202 million, representing a gross margin of 37.8% compared to 39% last year. This margin decline was less than expected with wage inflation, foreign exchange and recent acquisitions offset by operating efficiencies.

SG&A expenses totaled $118 million, representing 22.1% of revenue, an improvement of 230 basis points from 24.4% or $114 million, in the second quarter of last year. The improvement was driven by better utilization of resources and technology and phasing of our investments towards the second half of the year.

Our sales and marketing expenditure as a percentage of revenue was approximately 4.3% in the second quarter, compared to approximately 5% in the same quarter last year. We continue to ramp-up client facing and domain-expert teams. We plan to accelerate hiring and increased marketing spend in the second half of 2013.

Net income was $63.9 million or $0.27 per diluted share in the second quarter of 2013, up from $61.1 million and $0.27 per diluted share in the second quarter of 2012. Our adjusted EPS for the second quarter of 2013 was $0.32 per share, equal to the second quarter last year. The year-over-year contributions from higher operating income of $0.04 per share, was offset by a lesser benefit from foreign exchange re-measurement recorded below the income from operations line of $0.02 per share and a higher net interest expense of $0.02 per share.

Before I turn to the remainder of the income statement I would like to provide color on the debt refinancing we completed this quarter. In June 2013, we refinanced the existing credit facility of $925 million. Under the new facility, we were able to bring down the applicable margin over LIBOR on the term loan from 3.25% per annum to 2.75% per annum, and on the revolving credit facility from 3.25% to 2.5% per annum. In addition, the LIBOR floor on the term loan was reduced from 1% to 75 basis points.

Going forward, our interest expense will benefit from these lower interest rates. We now expect our pre-tax interest expense to be approximately $7.5 million per quarter instead of $9.3 million per quarter mentioned in prior calls.

In the second quarter of 2013, we incurred a net interest expense of $8.3 million compared to $1 million in the same quarter last year, representing an increase of $0.02 per share. Our net interest expense was higher primarily due to the following -

1. The impact of the credit facility that we closed in the third quarter of 2012 of approximately $0.02 per share;

2. A one-time write-off relating to the second quarter of 2013 refinancing transaction that included upfront fee and payment of a soft call on the previous facility of approximately $0.01 per share;

3. This was partly offset by higher interest income of approximately $0.01 per share.

In the second quarter of 2013, Foreign Exchange re-measurement gain recorded below the income from operations line was $17.2 million compared to $22 million in the second quarter of 2012. This resulted in lesser benefit of $0.02 per share mentioned earlier.

Our tax expense for the second quarter was $19.2 million, down from $21.6 million in the second quarter of 2012, representing an effective tax rate of 23.1%, down from 26.1% in 2012. The improvement in the effective tax rate was primarily driven by growth in tax-exempt and low-tax jurisdictions, one-time items such as foreign currency fluctuation gains, and the impact of certain rate increases on our deferred tax assets.

In 2013, we now expect our effective tax rate to be in the range of 25%-27%, an improvement over the 27%-29% range that we mentioned in the last quarter call. We expect continued growth in tax-exempt and low-tax jurisdictions.

I will now turn to our balance sheet. Our cash and liquid assets totaled approximately $536 million, up from $493 million at the end of the first quarter of 2013. This balance was after utilizing $11 million towards capital expenditure and $9 million towards upfront costs relating to the recent refinancing transaction. With $536 million of cash and an undrawn debt capacity of approximately $128 million, we continue to have the necessary resources to pursue growth opportunities. Our net debt to EBITDA for the last four rolling quarters was approximately 0.7X.

Our days sales outstanding stood at 80 days, an improvement of two days from the second quarter last year as well as sequentially, driven by continued process improvements.

Turning to operating cash flows, we generated $76 million of cash from operations in the second quarter of 2013 compared to $127 million in the same quarter last year. Our second-quarter 2012 cash flows included a receipt of an upfront client payment of approximately $45 million. Normalizing for the timing of this payment, our second-quarter 2013 cash flows declined by 7% due to accelerated payments from clients in the first quarter as well as timing of employee bonus payments across quarter end.

On a year-to-date basis, after normalizing for the upfront client payment, our cash flow from operations has grown 24% in 2013.

We now expect our full-year 2013 cash flow from operations to be 5%-10% lower than last year, an improvement over the 10%-15% decline indicated in our previous calls.

Capital expenditures as a percentage of revenue were approximately 1.9% in the first half of 2013. Capital expenditures are at lower levels due to better utilization of existing infrastructure and technology, and planned phasing of investments in the second half.

We now expect capital expenditures as a percentage of revenue to be in the range of 3% to 3.5% for the full year compared to 3% to 4% mentioned in the last quarter call.

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

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Thank you, Mohit.

In closing, Genpact helps clients navigate economic and secular change. Our clients continue to face uncertainty that is forcing them to demand better returns on investment, develop more competitive insights and re-think their business models while they drive growth. In order to best serve them and our shareholders, we continue to focus on four things -

First, we are excited about what we believe is a considerable runway for growth and our position of strength in our core Global Client Business Process Management market.

Second, we continue to refine and evolve our growth strategy, with increasing focus on those opportunities and vertical markets where the growth potential and our competitive advantages are clear.

Third, we are strategically investing to provide clients in our targeted industry verticals with the differentiated and integrated capabilities, insights and services that will enable them to transform and run their business processes and operations better.

Finally, our relentless focus on operational excellence drives measurable business outcomes and high client satisfaction levels, as measured by our industry-leading Net Promoter Scores.

To sum it up, our goal is to provide world-class service to our clients, and to drive sustainable profitable growth and value for our shareholders.

Lastly, I want to provide you with an update on our outlook for 2013. The macro environment continues to be mixed, challenging for some industries and geographies, improving in others. Our pipeline is healthy and stable, with a significant uptick in larger deals. Large, transformational engagements are where we want to be, but they are complex and do have a longer decision cycle time. As a result of these longer cycle times, together with more subdued GE revenues, we now expect revenues for the full year 2013 to be in the lower half of our range of $2.15 to $2.2 billion. We continue to expect adjusted operating income margin in the range of 15.8% to 16.3%.

I will now hand the call back to Bharani.

Bharani Bobba - *Genpact Limited - VP, IR*

Thank you, Tiger. We would like to open up for Q&A at this time. Operator, can you give the instructions?

QUESTIONS AND ANSWERS

Operator

(Operator instructions) Tien-Tsin Huang, JPMorgan.

Tien-Tsin Huang - *JPMorgan Chase & Co. - Analyst*

I just wanted to ask first just about GE, maybe just what has specifically changed since last quarter, your comments around things being subdued there. It sounds like it's BPM. Can you just elaborate? Thanks.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

The first part of the answer is that, it is regular ebb and flow as we go quarter by quarter and through our year. If you look at our GE growth over the years, it has been always around the very low-single digits. A couple of years back, we had a couple of quarters where we had similar ebb and flow. We are so penetrated with the GE businesses that transactional activity, our transactional activity is also a reflection of GE's own transactional activities.

GE Capital's balance continues to shrink and there is clear discretionary expense focus in the GE businesses. Our relationship, as I said, continues to be really strong. Our Net Promoter Scores are actually, again, at a historic high this year. And the good thing about discretionary expense focus with GE is that, over the medium- and longer-term, it comes back as new business opportunities that we can talk to GE about.

So in the context of transactional activity, GE Capital balance sheet and discretionary expense, we now think that the GE revenue for the year will be more around the flat mark.

Tien-Tsin Huang - *JPMorgan Chase & Co. - Analyst*

Okay, so just the normal volatility, no share loss, obviously, with the high NPS score, is that a fair summary?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Yes, absolutely right, Tien-Tsin, yes.

Tien-Tsin Huang - *JPMorgan Chase & Co. - Analyst*

Okay, I just wanted to make sure, Tiger; that's helpful. Just one more follow-up, if you don't mind. Just decision cycle times on the larger deals -- I heard that. But has it changed in the last three months? I heard you say it is stable and healthy, but has the cycle times changed in the last three months? Is that the difference in the commentary?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

No. So here is the way I would articulate that. Larger deals tend to be more complex and have always taken longer decision cycle times. I would pick 12 to 18 months as long decision cycle times on larger deals. The proportion of larger deals in our pipeline is much higher now than before, and it is truly a reflection of the clear signs of our sales investment now leading to large deal pipeline growth in the industries and the domain areas that we had aligned our sales team to as we recruited them over the last 18 months.

So that segment of our pipeline obviously will take longer for decision cycle times, because they often go to board levels, given the nature and the complexity of these change management and transformational programs. The overall cycle time in the broad industry from our perspective hasn't changed.

Tien-Tsin Huang - *JPMorgan Chase & Co. - Analyst*

Okay, makes sense, thanks for the clarification.

Operator

Bryan Keane, Deutsche Bank.

Ashish Sabadra - *Deutsche Bank - Analyst*

This is Ashish Sabadra calling on behalf of Bryan. I was wondering if you can give the organic growth in the ITO business, excluding the JAWOOD acquisition. Also last quarter, you had highlighted strength in IT business for healthcare, capital market insurance verticals. I was wondering if those are still the growth drivers and if you can give some color on the sustainability of these accelerated growth rates.

Mohit Bhatia - *Genpact Limited - CFO*

So for the ITO business, if you were to exclude the acquisition, our organic growth rates, Ashish, would be 8% to 9%.

Ashish Sabadra - *Deutsche Bank - Analyst*

And comments on the growth driver and the sustainability of the growth in those verticals?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Yes, so let me take that, Ashish. So clearly, let's start with capital markets. It's one of the verticals where we have seen these large, transformational, big deals. And they are significant IT combined with back-office process transformational engagements. -- exactly what we thought the industry would go through as it undergoes major transformation with the secular change.

We are seeing different but similar changes in the healthcare segment where, with our Jawood acquisition, our ability to take some of those capabilities to our healthcare payer market -- we are beginning to now take them there. Those are early days because that acquisition is more recent.

So we continue to see strong pipeline in the capital markets vertical and technology in the healthcare vertical, as well as, as you rightly pointed out, in insurance. So those continue to be -- and they are some of the areas that we are actually focusing a lot of energies on.

Ashish Sabadra - *Deutsche Bank - Analyst*

That's great. One quick follow-up, if I can -- the attrition that came in slightly higher and the number of employees remain unchanged from the end of last year. I believe you mentioned on the call that there are plans to hire employees through the rest of the year. But I was just wondering if you could provide any color on attrition and plans for hiring through the rest of the year.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So, one, attrition second quarter is always higher in general across the four quarters for obvious reasons because, particularly in India, the end of the first quarter and the beginning of the second quarter is when annual bonus payments go out. And this is industry-wide phenomenon, so we are not surprised with the general trend quarter to quarter.

In any case, I think again on attrition, quarter-to-quarter monitoring is not something that we focus too much of our energies on. We like what we see in our overall employee base. The extent to which they are engaged is reflected in the Net Promoter Score from our clients. Both GE and Global Clients is at a new historic high. We tend to promote a lot of people through training and domain expertise, so we feel very good about our industry-leading attrition rates for the types of services that we offer.

Ashish Sabadra - *Deutsche Bank - Analyst*

Okay, thanks.

Operator

Paul Thomas, Goldman Sachs.

Paul Thomas - *Goldman Sachs - Analyst*

Just following up on that guidance question from earlier, can you just talk a little more there about what is not materializing in the second half that you were anticipating? Because it sounds like SDS did pretty well returning to growth. So was there a little more push-out, I guess, in terms of these large deals, or is it a little more volatility expected in the second half from GE? Can you just talk a little bit more about what is not coming together in the second half right now?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So, Paul, let's start with GE, where I think, clearly, our expectation now for the year is more subdued than we had originally thought and planned. And, given the size of the relationship, that does make some difference.

Second, in terms of larger deals, yes, larger deals do tend to be, one, more complex. They are also complex because they are definitely global, so they are typically North American and European, and they are global.

Three, they tend to bring together multiple service lines and, therefore, add complexity.

And four, decision-making goes right up to the board. So our ability to exactly pin down decision cycle times and exact decision-making on some of these large transformative engagements is much less than it is on more flow type of business. As I said, we have a much larger proportion of large deals, again a reflection of all our sales investments that we did.

The final point I do want to make, and this won't come as a surprise, Paul, is that we do have a meaningful business that serves the mortgage origination market. It is not very big, but it is there. And particularly in the second quarter, we started seeing softness. That is not a surprise in the US market, around refinance and the volumes around refinance. And a lot of that volume gets processed through our origination business. So some of that is also flowing through into our outlook for the third and the fourth quarter.

Paul Thomas - *Goldman Sachs - Analyst*

That's helpful color, and then I guess maybe just one follow-up on SDS. I think you did say, Mohit, that it was 9% growth. How are the ramp-downs you were anticipating progressing? Are we going to have those all behind us at the end of 3Q?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So I didn't answer the SDS part of your question earlier. So we are seeing growth come back into SDS, as we had planned. But, remember, this is growth coming back into single digits and then will ramp through the year, and the ramp through the year is a reflection of some of the deletions and the work moving back that we talked about last quarter getting completed. But really, the impact of that will fully be felt only next year as we finish the full year because the year-to-year comparisons will still show some of that volume having gone away in a couple of those clients where that volume went back into their own operations.

Paul Thomas - *Goldman Sachs - Analyst*

Okay, thanks a lot, guys.

Operator

Arvind Ramnani, BNP Paribas.

Arvind Ramnani - *BNP Paribas - Analyst*

Just a couple of questions. Were there any specific clients, other than GE, or segments where you saw soft demand, or was it kind of lowering your guidance more due to overall weakness across your accounts?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

No, I think we talked about three things, Arvind, particularly in the context of the full year. We did start seeing GE and the transactional activity around both the GE Capital and some of the industrial businesses. And that is partly reflected beyond quarter two into quarter three and quarter four. The mortgage business, as I talked about in terms of origination, we started seeing that probably around May of this year, and we see that continuing into Q3 and Q4.

And the large deal one is more a reflection of Q3 and Q4, where we think that some of those deals will take longer to close just in the nature -- but that's a good thing to have, because you really want to deal with those complex situations, because we do think we are very differentiated in those conversations.

Arvind Ramnani - *BNP Paribas - Analyst*

But some of these large deals -- this is probably a pretty evolved, powerful strategy. It wasn't like suddenly you decided to focus on these large deals. So is it really fair to say that that is what caused you to adjust your estimates?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

No, I agree, so that's why I would call out the first two, but the third is not insignificant, Arvind. While we had planned for more large deals, given our sales investments, I think we are very pleased with the extent to which it spiked up. We also, obviously, anticipated a certain pace of closure, and that closure is taking its fair time. And one, the number of such large deals in our pipeline in proportion is higher; and, two, they are taking its full time.

Arvind Ramnani - *BNP Paribas - Analyst*

Great, and just one last thing for me. These larger deals typically have lower margins. So is there a chance like a year from now we may have to revisit your margins, or are you being pretty firm in negotiating pricing and making sure margins don't get impacted?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So I wouldn't necessarily characterize large deals as being low-margin, wouldn't necessarily agree, which is why the large deals we are talking about are complex. They tend to have multiple service lines pulled together. For us it is deep vertical. Our Finance and Accounting or Procurement-type horizontal enterprise-level process understanding with the underlying technology often wrapped in, particularly in verticals and horizontals that we have become very good at, in wrapping technology around and analytical insights and data insights.

When you pull those together; one, they tend to get more complex. Two, they tend to have much more differentiated value propositions that obviously drives much better value for clients and, therefore, commands the right price in margin. So don't expect large deals to therefore mean lower margins.

Arvind Ramnani - *BNP Paribas - Analyst*

Great, extremely helpful. Thank you very much.

Operator

(Operator instructions) Edward Caso, Wells Fargo.

Rick Eskelsen - *Wells Fargo Securities, LLC - Analyst*

It's actually Rick Eskelsen on for Ed, thanks for taking my question. A question actually here on the investments that you are making in sales and marketing -- can you just give us an update here on the deal win trends? And then also with the domain-focused investments in particular, are you seeing an increase in the volume of sole-sourced deals that you are able to now source? Thanks.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

The first part of the question -- as we do our sales investments, clearly, we are seeing more domain-led conversations, which is why a lot of our transformative deals are in exactly the areas where we made the sales and domain investments. Our pipeline growth in the US and in Europe, our pipeline growth in verticals such as Banking, Insurance, Capital Markets, Life Sciences, CPG, Industrial and Machinery, are all the verticals that we have made those investments. We think we still have runway to go in terms of making those investments, and these are still early days of those investments beginning to pay off in terms of pipeline growth.

We obviously need to win our fair share of that pipeline. Our win rates continue to be steady in that competitive environment across the different verticals and across the different service lines. Clearly, our win rates are lower when it comes to technology, which is much more competitive. On the analytics and BPM side, they tend to be higher. When it gets to mining and working with existing clients who know us well, they tend to be higher. But the overall trajectory of that is very similar to what it has been.

On the question around -- your second question was around sole-source. I think it takes time to build a sole-source relationship in this competitive environment. As you know, we compete often with Accenture, IBM, CapGemini and large competitive players in this space, and they have deep relationships right up to senior-most levels in organizations. It will take us time to build those relationships to be able to command sole-source discussions. I can tell you that, as we build our relationships with clients, they do tend to be sole-source value propositions. These are large corporations. They will still tend to run some sort of competitive environment, but obviously we are deep inside. We know the landscape better, so that puts us in a great position.

Operator

Rahul Bhangare, William Blair.

Rahul Bhangare - *William Blair & Company - Analyst*

I just had a question on the competitive environment, in particular on these transformational deals. Are you seeing the same players, or are you increasingly seeing some of the IT players?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Actually, Rahul, we continue to see the same players in the specific spaces that we have seen them. So in large global enterprise service-type deals, it continues to be the global majors. In specifically vertical focused deals -- an example would be the insurance vertical -- we tend to see people who have been focused on that vertical.

In financial services we tend to see some of the Indian IT players who have built capabilities around the financial services vertical in the BPM space. That hasn't changed much because the value proposition along these large, complex deals tend to be a lot of proof points, a lot of value creation that you can demonstrate, and the ability to really show domain expertise and process expertise and analytical skills, apart from an understanding of the technology platform.

Rahul Bhangare - *William Blair & Company - Analyst*

Got it, thank you.

Operator

Manish Hemrajani, Oppenheimer.

Kunal Doctor - *Oppenheimer - Analyst*

This is Kunal Doctor on behalf of Manish Hemrajani. The demand within BFSI has picked up a bit. Can you break it down into components, where physically you guys have seen strength in the vertical?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

Yes. So the way I would respond to that is, clearly, the regulatory environment is such that a number of banking, financial services clients, particularly in the consumer and commercial banking space, and not just in the US, but also in Europe and Australia, have much more work that needs to be done to comply with regulations, to do regulatory reporting. And all of that tends to be more work that needs to be done, more work that needs to be done in quick order. And that has been one of the drivers of our pipeline and growth in the BFSI vertical.

On the insurance side I think it is continued penetration of what is clearly an underpenetrated market, particularly if you look at property and casualty, for example, as an industry vertical.

Capital markets is a very different story. It has been on a big transformational agenda for some time now. That is beginning to populate the pipeline in terms of large transformational deals that I talked about, so it's a little different story, but different drivers in some of those verticals.

Operator

Ashwin Shirvaikar, Citi.

Ashwin Shirvaikar - *Citigroup - Analyst*

So I guess my question is what portion of your pipeline is the larger, more complex deals where decision-making is slow? And the reason I ask is, when I look at my previous number, I put in a 0% GE growth. I put in some slowdown for the mortgage origination. I am at the upper end of your new range. So I'm trying to get to what the real impact is from some of these slow decisions.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

So the way I would characterize our pipeline is on the larger deals, and we will talk about larger deals in the context of $10 million annual contract value, our pipeline has doubled. And that's a significant, material change, given that a lot of that is around the BPM space with technology and analytics wrapped around it.

Ashwin Shirvaikar - *Citigroup - Analyst*

So it has doubled in what time frame, Tiger?

Tiger Tyagarajan - *Genpact Limited - President and CEO*

In the last two quarters.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay.

Tiger Tyagarajan - *Genpact Limited - President and CEO*

As you can imagine, typically like any other pipeline, discussions progress to various stages in the pipeline, and the stage at which we are now saying that it's in there, in real discussions, fully qualified -- that portion has doubled.

Ashwin Shirvaikar - *Citigroup - Analyst*

Got it. And Mohit, I guess you said higher cash flow expectations then before. I guess to what extent is this? Because some of these decisions here got pushed out, so maybe your investment that you might need to make gets pushed out to later in the year or next year.

Mohit Bhatia - *Genpact Limited - CFO*

So cash flow from operations for the full year, Ashwin, like I had mentioned, we had initially forecasted closing the year at 10% to 15% lower cash flow from operations as compared to 2012. We now feel that that 10% to 15% is more like 5% to 10%. So that's a reasonable improvement over what I mentioned the last quarter on cash flow from operations.

While you are right that to a certain extent with slightly lower revenue I have lesser investment to make on receivables, but do bear in mind that this also takes into account a slew of investments that we have, in fact, planned for the second half of the year. So there are many puts and takes, but we are very happy, from where I sit, in terms of our new forecasted cash flow from operations for the year.

Operator

At this time, ladies and gentlemen, we have no further questions in queue. That will conclude today's conference. We thank you for your participation and you may all now disconnect and have a wonderful day.