THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

G - Q2 2015 Genpact Ltd Earnings Call

EVENT DATE/TIME: AUGUST 04, 2015 / 8:30PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Roger Sachs *Genpact Limited - Head of IR*

Tiger Tyagarajan *Genpact Limited - President & CEO*

Ed Fitzpatrick *Genpact Limited - CFO*

CONFERENCE CALL PARTICIPANTS

Ashwin Shirvaikar *Citigroup - Analyst*

Joseph Foresi *Janney Montgomery Scott - Analyst*

Tien-tsin Huang *JPMorgan - Analyst*

Edward Caso *Wells Fargo Securities, LLC - Analyst*

Anil Doradla *William Blair & Company - Analyst*

Keith Bachman *Bank of Montreal - Analyst*

George Tong *Piper Jaffray - Analyst*

Bryan Keane *Deutsche Bank - Analyst*

Dave Koning *Robert W. Baird & Company, Inc. - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the second quarter 2015 Genpact Limited earnings conference call. My name is Steve and I will be your conference moderator for today. At this time, all participants are in a listen-only mode. We will conduct the question-and-answer session towards the end of this 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 Roger Sachs, Head of Investor Relations at Genpact. Please proceed, sir.

Roger Sachs - *Genpact Limited - Head of IR*

Thank you, Steve. Good afternoon, everyone, and welcome to Genpact's earnings call to discuss our results for the second quarter ended June 30, 2015. We hope you 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 today are Tiger Tyagarajan, our President and Chief Executive Officer; and Ed Fitzpatrick, our Chief Financial Officer. Our agenda today is as follows: Tiger will provide some high-level overview of our second-quarter results as well as an update on some of our strategic initiatives. Ed will follow and will discuss our financial performance in greater detail. Tiger will then provide closing comments and then we will take your questions. We expect the call to last about an hour.

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 are set forth in our press release.

During 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 will find a reconciliation of these measures to GAAP in our earnings release in the IR section of our website. With that, let me turn the call over to Tiger.

Tiger Tyagarajan *- Genpact Limited - President & CEO*

Thanks, Roger, and welcome aboard. For those of you who have not yet spoken with or met Roger, he recently joined us as our new Head of Investor Relations, with Bharani Bobba transitioning to a critical client-facing role in the Company. I want to thank Bharani for his great work leading our IR efforts over the past three years. I'm sure all of you will enjoy working with Roger.

Good afternoon, everyone, and thank you for joining us in our second-quarter 2015 earnings call. As you saw in our earnings release, Genpact delivered another solid quarter. We're very pleased with our top line growth driven by industry-leading global client BPO growth rates. Specifically, total revenues increased 11% on a constant currency basis. Adjusted operating income was up 15%, with a corresponding margin of 16.5% and adjusted EPS was $0.32, up 21% year-over-year.

During the quarter, global client revenue was up 15% year-over-year on a constant currency basis. This strong performance was broad based across most of our targeted verticals, including banking and financial services, CPG, life sciences, high-tech and insurance. Similarly, most of our service lines, including finance and accounting, our core industrial vertical operations, analytics and consulting services all drove global client growth during the quarter. GE revenues declined 4%, primarily due to nonrecurring project work during the similar period last year. Our full year outlook for our GE business remains unchanged. Ed will provide further details on our second quarter results in a few minutes.

What I'd like to do is to spend a few minutes discussing the significantly changing world of our clients today and our strengthening position in that changing world. There are five big trends that have emerged over the past few quarters that not only impact the way our clients are thinking about the industries they are in and the customers they serve, but also how they run their businesses.

Let me elaborate. First, established companies continue to operate in a volatile, uncertain and lower-growth world with increasing regulatory oversight, forcing them to completely transform their businesses by making them more nimble, with cost structures that are lower and much more variable. At the same time, there are a set of newer companies that are disrupting established business models and are on an incredible growth journey. It is clearly a two-speed world.

Second, companies are adopting new digital technologies in order to leapfrog and disrupt established business models. These all new business models often deliver superior customer experience at a fraction of the cost and with dramatic cycle-time improvements as compared to legacy models. Third, as companies adopt these new business models, they are ratcheting up investments in digital technologies while, at the same time, slashing spend on deployment, maintenance and running legacy IT infrastructure platforms and applications.

Fourth, these new business models require companies to create new organizational structures, as well as new information and process flows, requiring a complete reimagining of process to transform the way that businesses operate. Finally, these new process flows use digital technologies leveraging both data from within the enterprise, as well as external data to build realtime insights. These insights bring more intelligence into these processes in the form of self-learning, advanced predictive analytics and self-monitoring, driving huge value for clients.

As these trends have become more pervasive in the marketplace, companies are looking for partners who can help them navigate their transformation journeys. Partners who truly understand their domain, their industry, their specific processes, the inter-linkages, the risks and the leverage points in the business. In other words, someone who aligns activities to business outcomes and speaks their language.

Partners who can articulate the change that is needed to everyone in the C suite; the CFO, the COO, the Chief Procurement Officer, the Chief Risk Officer, in addition to the CIO, all of whom can build a more comprehensive C suite relationships, as well as form peer-to-peer connections and establish deep credibility. Partners who know how to string together new modular digital technologies really well because they have a deep understanding of domain and process and, therefore, can get a great transformation partner.

All of this represents a tremendous opportunity for Genpact. It is clearly our time. As companies embark on these transformation journeys, mid- and back-office structures will be redesigned, reimagined and digitized. This is where we shine the most and where we are bringing real innovation.

Two years ago, we recognized the opportunity ahead of us and pivoted our strategy around investing in our chosen verticals, service lines and geographies. We have significantly added new capabilities and strengthened our domain expertise. We continue to build solutions combining process, domain, digital technology and analytics. These are truly innovative solutions.

We also put in place strong client-facing leaders to partner with the C suite. Our domain and process depth, as well as our smart enterprise process, or SEP frameworks, have always been a strong differentiator that wins us business. Over the last few quarters, we've taken our capabilities to a completely different level by integrating new digital technologies and data analytics and have developed what we now call digital SEPs.

Historically, our Lean Six Sigma teams have been one of our core strengths. We are now taking this many steps further with our hundreds of Black Belts and Master Black Belts going through digital immersion, to create a certified group of new digital Black Belts and digital Master Black Belts in order to make our value proposition even more relevant to our client journeys.

This digital innovation is being led by our global digital leader, whose team drives this effort from Silicon Valley where they are based. Working in the Valley allows our team to participate in the ecosystem of the latest technologies and to design and architect our systems of engagement, which are 10 cloud-based digital layers of advanced technologies linking multiple legacy platforms. We have identified 12 specific new cutting-edge technology areas such as dynamic workflows, mobility, advanced cognitive and artificial intelligence tools that we are building into our various client solutions.

Over the years, we have successfully leveraged our domain capabilities to build and integrate new cloud-based technology solutions that automate processes around commercial lending, mortgage origination, order to cash, as well as source to pay services in the CFO world. We have had great success embedding big data and social media analytics into our platforms to drive realtime actionable intelligence.

Let me discuss two very interesting examples of how we are partnering with clients in their confirmation journeys, reimagining their processes using digital technologies. First, we are collaborating with Duke Energy Renewables to design solutions that capture, cleanse and analyze realtime data generated from turbines in several of their wind farms to perform predictive modeling to accurately schedule preventive maintenance of equipment that not only ensures much higher uptime, but helps them significantly reduce maintenance expense and replacement-part costs. This is cutting-edge innovation that one of those business leveraging the Internet of Things.

Next, within our largest functional area of finance and accounting, reimagining process is becoming part of almost every solution using our digital systems of engagement. For example, we've partnered with one of the largest Japanese engineering and electronics manufacturers, which has been struggling with a fragmented ERP landscape that has made it difficult to deploy standardized financial accounting processes across its subsidiaries.

Through our most recent partnership, we are implementing a new systems of engagement platform, that interfaces directly with the clients' existing ERP systems, that leverages our best-in-class design. This provides a unified integrated solution for transactional processing with realtime embedded business analytics on a single configurable and customizable platform.

As you can see, the world is changing and digital expertise is critical to the future success of our clients. We believe our approach that combines advanced new technologies with deep operational process and domain drives real value for clients and we have been rewarded for this innovation with wins in the marketplace.

During the second quarter, we continued to see momentum in converting and winning big deals, as we signed two large transformational deals during the quarter, bringing our total to 10 over the past 18 months. In the first engagement, we expanded our current partnership with one of the largest global insurance companies to now provide high-end analytics, predictive modeling, internal control and audit, in addition to the complex F&A services that we won last year.

Our second big win was with a leading US financial services client, where we have been asked to transform and run their core mortgage origination operations, including underwriting and closing services. Our pipeline continues to be healthy across our targeted industry verticals, service lines and geographies as inflows are up and win rates continue to hold at very good levels.

We are also seeing productivity gains from our newer sales hires. As they spend more time with the Company, and we are pleased that as a whole they are meeting internal metrics we track for the group.

Lastly, a quick update on our GE relationship as they continue to execute their strategy of divesting significant parts of their GE Capital businesses. We are actively having several dialogues with all the new owners of recently disposed assets, both for the continuance of critical work we currently perform, as well as possibly expanding the scope of these engagements.

As we had said last quarter, this situation presents a balance of both risks and opportunities for us, but our primary focus is to continue to be a great partner to GE. Our relationship remains very strong as we continue to drive value for them and we are currently also discussing new areas of engagement given GE's focus on their industrial businesses.

With that, let me turn the call over to Ed for a more detailed review of the quarter. Ed?

Ed Fitzpatrick - *Genpact Limited - CFO*

Thank you, Tiger, and good afternoon, everyone. Today I'll provide more detail on our second-quarter performance followed by key balance sheet and cash flow highlights. We closed the second quarter of 2015 with revenues of $610 million, an increase of 9% year-over-year, or 11% on a constant currency basis. Excluding Pharmalink, which we acquired in May 2014, revenue growth was 7% or 10% on a constant currency basis.

Second-quarter revenues from Global Clients increased 12% year-over-year, or 15% on a constant currency basis. Excluding Pharmalink, revenue growth was 11%, or 14% on a constant currency basis. Within Global Clients, business process outsourcing revenues increased 18%. Our Global Client IT services revenues declined 5%. GE revenues declined 4%. In this quarter, our overall business process outsourcing revenues increased 13%, or 16% on a constant currency basis. Our overall IT services revenues declined 6%, or 4% on a constant currency basis.

We continue to expand relationships with Global Clients across a range of our industry verticals. In the 12 months ending June 30, 2015, we grew the number of client relationships with annual revenues over $5 million to 102 from 85. This includes client relationships with more than $15 million in annual revenue increasing to 31 from 27 and client relationships with more than $25 million in annual revenue increasing to 17 from 14. And client relationships with more than $50 million in annual revenue increasing to four from three.

Adjusted income from operations for the quarter totaled $101 million, compared to $88 million in the prior year. This represents a margin of 16.5%, compared to 15.6% in the second quarter of 2014. Margins were higher year-over-year, in part, due to an approximate 100 basis point benefit from favorable foreign currency and certain other nonrecurring items. Gross margins grew to 39.9% from 39.4% last year, due to operating efficiencies and favorable foreign exchange.

SG&A expenses totaled $149 million, compared to $143 million in the second quarter of last year. Our sales and marketing expense as a percentage of revenue this quarter was approximately 6.8%, compared to 6.6% in the same quarter last year. This is down sequentially from 7.3% during the first quarter of 2015 in line with our expectations. We were able to drive leverage in overall SG&A expenses year-over-year due to productivity savings and the impact of foreign currencies more than offsetting our investments in capabilities and sales and marketing personnel.

Our adjusted EPS for the second quarter was $0.32 per share, compared to $0.27 per share last year. The year-over-year increase of $0.05 per share was primarily driven by higher revenues, as well as higher gross margin and operating margins as I discussed previously. Below operating margins, foreign currency re-measurement gains were largely offset by the write-off of prior debt issuance cost as a result of our refinancing.

With respect to refinancing, on June 30, we entered into a new five-year, $1.15 billion credit facility, replacing our prior $925 million facility. We were able to take advantage of the current low interest rate environment to secure this new facility that expands our maturity profile and debt capacity, significantly reduces prior restrictive covenants and lowers our interest costs. Specifically, the facility is made up of a new $800 million term loan and a $350 million revolver, most of which was undrawn as of the end of the quarter. We anticipate savings of $125 million and 100 basis points on a new term loan and revolver, respectively, as compared to the rates on our prior facility. As I mentioned previously, our current quarter income includes costs of approximately $0.03 per share related to the write-off of upfront fees on the prior facility.

On February 27, we announced a $250 million share repurchase program. In the second quarter, we repurchased approximately 3 million shares at a weighted average price of $22.42, for total purchases of $68 million. Year to date, we have repurchased approximately 3.6 million shares for total purchases of $81 million.

Our effective tax rate was 19.5%, down from 22% in the second quarter of last year. The decrease in effective tax rate reflects changes in our jurisdictional mix of income and is driven mainly by higher earnings in these lower tax jurisdictions.

I'll now turn to our balance sheet.

Our cash and liquid assets totaled approximately $442 million, up from $434 million at the end of the first quarter of 2015. With undrawn debt capacity of $326 million and existing cash balances, we continue to have ample flexibility to pursue growth opportunities. Our net debt to EBITDA for the last four rolling quarters was approximately 1.

Turning to operating cash flows, we generated $90 million of cash from operations in the second quarter of 2015 compared to $79 million in the same quarter last year, driven by higher revenue growth and improved operating margins. Our days sales outstanding were 82 days, which was in line with our expectations for the quarter.

Capital expenditures as a percentage of revenue were 2.1% in the second quarter.

Finally, our full-year outlook for 2015. We continue to expect revenues to be between $2.46 billion and $2.5 billion, which now assumes an adverse foreign exchange impact of approximately 200 basis points or $45 million at today's exchange rates versus 180 basis points, or $42 million communicated on the May earnings call. We expect our adjusted operating margins to be approximately 15% to 15.2%. We expect margins for the second half of 2015 to be approximately 15%, due to the impact of investments made during the first half of the year and those planned for the second half.

Our 2015 effective tax rate is now expected to be approximately 22% to 23% versus our prior outlook of 23% to 24%. We now expect our cash flow from operations to grow approximately 5% to 10% in 2015, versus our prior outlook of 2% to 5%. Capital expenditures as a percentage of revenues are expected to be approximately 3%.

With that, I'll hand it over to Tiger for his closing comments.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Thank you, Ed. So, in summary, we are very pleased with our second-quarter results and are optimistic about the prospects ahead of us. We are now more relevant than ever for our clients as they go through their design transform and run journeys. In all of this, our teams are innovating more and more to solve our clients' problems.

Before I close, I want to recognize the great work performed by all the members of Genpact's global team. All of their innovative thinking, very hard work and dedication to creating real business impact is not only being recognized by our clients, but also by industry-leading analysts and research firms. During the past several months, we've been recognized for our achievements and leadership in providing BPM services and analytics by leading consulting and market research firms such as the Everest Group, IDC and Gartner. Congratulations to all of our team members on achieving these industry honors.

Genpact has also recently been awarded a US patent for smart enterprise processes, SEP framework, developed over time. By leveraging the thousands of business processes and hundreds of millions of client transactions that we have run for our clients over many years, SEP enables us to design client processes on an end-to-end basis to drive better outcomes and take them towards best-in-class benchmarks. As I said earlier, we are now incorporating digital into these frameworks and beginning to take our digital SEPs to clients.

With that, I'd like to open our call for Q&A. Operator, can you please give the instructions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ashwin Shirvaikar from Citi. Ashwin, your line is open. You may be on mute.

Ashwin Shirvaikar - *Citigroup - Analyst*

Sorry about that. I guess my first question is with regards to the metrics that you provide on those various thresholds for how many incremental clients you have in each threshold over $1 million, over $10 million and so on and so forth. The question is, what's the penetration level, or is there a way to think about a penetration level with regards to what the potential is from those clients?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Ashwin, that's a great question. It's actually one of the most important things that a typical client partner, a sales relationship manager, my global sales leader and a business leader would do for every one of these clients. You know, they create an account plan.

They look at the entire range of services that potentially could be offered to the client, what that potential could be in terms of total scope and size of their addressable market, what potential penetration that could reach in the most penetrated account and then, where is it today? And that creates the road map to try and get there.

Obviously, it's going to be different by customer, by industry, by service line. There is no standard answer. Here's one way I will tell you the answer. 80%, 90%, pick a number, of the clients that we serve are probably penetrated, broadly, probably 25%, 30% at the outer limit of what potentially one could penetrate.

That is probably the best way to describe what I just said, which is why we have found over the last couple of years, as we've invested, both in capabilities and in the front-end team serving these clients and having the right conversation at the right level, a number of our large relationships become even larger. Over the next few years, we would expect that penetration of these larger clients to increase even more.

Ashwin Shirvaikar - *Citigroup - Analyst*

That makes sense. Where I was going with the question, was that this has been, obviously, a key part of -- for broader BPO, BPM investment cases, is this lack of penetration. So, the question is, in terms of the investments you've made, both in the sales force, in product and capabilities and so on, which of those are having the most traction, that you can kind of say there is going to be a material difference to your growth rate, a material upward difference, obviously, in the coming couple of years?

I'm not looking for a broad answer like how it's going to be digital, but more specific, what should we hope for in the next 12 to 18 months?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

The first answer, which of those have had a bigger impact? I think the best way to think about it is that one without the other is not going to work. The two go hand-in-hand. The two investments that we've done go hand-in-hand. It's absolutely essential to continue to sharpen the capabilities, the solutions we have, in order to make it more cutting edge, to bring thought leadership.

And that's the journey we've been on and we keep finding new opportunities to be able to do that, either new solutions, new ways of integrating those solutions, new technologies to bring in in order to get those solutions, including digital, et cetera. But, in order to identify the opportunities to create the value proposition, to actually make the customer come up with the real problem statement, which often they actually don't know what they don't know, it was senior leaders with deep domain understanding right at the front end talking to the C suite. The combination of those two is what creates that traction that then generates the long-term growth.

One of the answers to your question, also is the fact that while all of that is what we can do, the reality is that in our business, it's a very big change for our clients. So there is a cadence to that change. There is a rhythm to that change and there is a time at which a particular account client is ready for that change.

Our job is to constantly explore opportunities -- is to constantly explore the different journeys clients are on and insert ourselves into those conversations that make sense for that client in that situation. Sometimes, for two years, nothing may happen. And then one fine day, the client says, now I'm ready. And it's a question of when the client is ready for a specific change, which is one of the reasons why this journey takes a long time to penetrate and it's a long-term penetration journey, because each of these is a big-change event for our clients.

Ashwin Shirvaikar - *Citigroup - Analyst*

Last quick question on IT. Those metrics continue to slide. Is there a point at which you kind of say, we're really, a BPM company, IT, we should just monetize the best we can and maybe get out of that particular set of capabilities? Or is there something core about those IT capabilities that you absolutely need to have?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

The straight, simple answer to that question is never, ever will we not do IT as part of our core offerings. I think it always will be part of our core offerings. I think the key question I'd like to answer is, so what is our IT business? Our IT business, I would characterize in three or four buckets.

Bucket one is the old original GE IT business, which is a lot of the original IT business that we came out of GE with. That's undergoing change driven by some of the divestment activities that GE is undergoing, some of the rationalization activities they are undergoing. And as a result, some of the project work we are doing for them, that's shrunk in the second quarter. And we expect that to continue as we go through the balance of the year.

The second part of the IT business is what I would call, quote-unquote, legacy IT services for a number of our Global Clients. And by definition, as I said, a number of our Global Clients are transferring spend from those legacy areas to new digital areas. And as that happens, some of the work that we're doing shrinks. And third, as capital markets are as a vertical.

Actually, that particular vertical continues to do well for us. Of specific importance is the KYC JV that we formed with market and I think the work we are beginning to do as a utility platform in that area is great and that's a clear combination of technology with profits and deep domain understanding of that space.

The last one, which is probably the most difficult one to separate out and we don't think it's a right thing to separate out, is what we are calling digital services. Actually, it's not separated out because we think it's not possible to separate it out, which is embedded into a number of our core offerings, whether it's the mortgage services example I talked about, the commercial lending platform, it's the order tocash platform, it's the open wealth, wealth management platform, or it's a number of the digital bolt-ons and new technology that we talked about.

Our journey will be to continue to find the new avenues of bringing in the new technologies to take those to the market and we continue to believe that the characterization of our business, or any of our businesses, as BPO versus ITO is probably the wrong characterization. We would like to characterize businesses as solutions in specific areas that bring together a number of these competencies in order to solve for the big problems our clients are facing.

Ashwin Shirvaikar - *Citigroup - Analyst*

Thank you for that detail. Thanks.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Thanks, Ashwin.

Operator

Joseph Foresi of Janney Montgomery Scott.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

You talked about in your opening remarks that you've signed 10 large deals over -- and two transformational deals this quarter. Both yourselves and your competitors have talked about the return to large deals. I know that you mentioned digital. Maybe you could give us a better understanding of what's happening in the market that these large deals have come back over, let's call it, a six -- last six to 12 months and what you expect from the pipeline going forward?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Joe, thanks for the question. A great question. I would say, I don't think it's the last six months. We've talked about large deals, actually, now, for more than 18 months, actually close to 24 months now.

We started talking about the wins in large deals about 18 months back, which is why we're not counting them as 10 large deal wins in the last 18 months. We saw that happening a couple of years back. I think I would point out three or four drivers of that. Some of them already talked about in our macro trends, the fact that the world is what I called a two-speed world.

There are a set of clients and a set of industries that are undergoing pretty significant transformation driven by volatility, driven by, in the case of life sciences, the patent cliff. In the case of the banking and insurance world, regulatory oversight. In the case of healthcare in the US, driven by significant changes in the way the healthcare industry is functioning today and will function tomorrow. So a number of those are making clients revisit their business models.

When that happens, they take a complete look at their business model and then come to the table saying I want to completely re architect the way I run my business. That means I'm going to talk about a big transformation and I want someone who can be my partner on that journey, or I want more than one person to be the partner on my journey.

So, that's one big driver. The second is coming out of the global financial crisis. After everyone had hunkered down and had, quote-unquote, shrunk themselves through their core, whatever that meant for them, then it was a question of, now how do I drive efficiency and effectiveness in what I've already shrunk to after I've already cut out my waste? And that meant now coming out and saying, Now I need a partner to go take me to the next level.

The third is disruption and we shouldn't underestimate the second speed of the world I talked about, which is disruption. The fact that there are new disruptive forces in our clients' industries; the fact that there companies that can be born tomorrow that can actually take significant market share in one quarter, using new, digital technologies in their verticals, means that these businesses are driven to taking action much faster than they used to. And that means they need to take faster, deeper, bigger, broader action and that means bigger deals.

And, the last thing I would say, these are not people who are going to be doing this for the first time. They're looking around and saying other people have done this. I'm not the first. Therefore, I don't have to be the guinea pig. I am a fast follower here. That is part of the reason this is happening, I think.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Okay. Then, on the margin profile, obviously they ticked up this quarter and for the year, but there is maybe some one-times. You talked at the Investor Day that the margin profile is going to get better over the long term and maybe you can help us understand that versus the large deals, because I know traditionally in BPO you have to higher for the large deals. We saw some headcount move up this quarter. How do you balance those two to continue to get margin expansion as we go forward here?

Ed Fitzpatrick - *Genpact Limited - CFO*

I'll take the first crack and then Tiger and I will tag-team on this. I think on the large deals, we have talked about, typically, large deals come in at lower margin, but then over time, we do ratchet those up. To the extent that your pace of large deals is accelerating, that might put some pressure on gross margins.

But with that said, not necessarily on operating margins because the rest of the firm will be able to leverage. So I think that does have a phenomenon impacting it.

Shorter-term, we talked about the operating margins, and I will give a little clarity on the current quarter, [16.5], we did talk about there being about 100 basis points of somewhat of an unusual and nonrecurring in nature foreign currency that was a part of that, that benefit in the quarter, to the tune of $2 million to $3 million, and then other nonrecurring items to the tune of $2 million to $3 million as well, cause that to be higher.

So that, for the rest of the year, the 15% we talked about, approximately 15% for the second half, really does reflect a combination that you should expect a slightly lower gross margins, right, because current core gross margins were 39.9%. We expect that to be closer to 39%, a bit lower than what we saw in Q2.

SG&A, probably a bit higher as well, because of that nonrecurring items you saw hit during the current quarter. Those are the two items. The full year, 15% -- 15% to 15.2% guidance factors in; approximately 15% operating margins for the second half

---

Tiger Tyagarajan - *Genpact Limited - President & CEO*

And in the medium term, the way I would answer that, too, after what Ed said, is our job as a Management team is to look around us in the underpenetrated world that we talked about, in the world that is changing rapidly, where there is a real opportunity to be part of these transformation agendas, we absolutely must balance the opportunity to be able to do those with clients versus operating margin growth.

That balance is a fine balance that we will always strike. I think, clearly, when we do large deals, it requires investments. We love that, because we know that these are long-term relationships. We've demonstrated our ability to grow those long-term relationships in a sustainable fashion, to maintain them, to get high net promoter score and to be able to deliver value for our clients. And through that journey, get leverage in operating margins.

We know we can do that. So therefore, we will always strike the right balance and find the opportunities to continue to invest. And the more opportunities we find to invest, we know we continue to drive future growth.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Got it. Lastly, real quickly, on the GE side, has your outlook for that business changed at all since the last time you gave some color around what it looks like going forward?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Not at all; not at all, Joe. We continue to maintain the outlook for the year, which is down 2% to 4% for the entire GE business and we continue to see the GE Capital divestiture in the medium-term as a nice balance of risk and opportunities.

As I said, we are engaged with every one of the divestitures that GE -- so GE Capital and GE have so far announced for us to engage with the new buyers, in order to be able to both continue the services we offer, as well as find opportunities to expand and grow those services. We further feel very good about that balance right now.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Got it. Thank you.

Operator

Tien-tsin Huang from JPMorgan.

Tien-tsin Huang - *JPMorgan - Analyst*

Just a couple of follow-ups to Joe's question there on the GE divestiture side. When do you think you'll get better visibility on that piece? It sounds like it's more of a 2016 event at the earliest.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Great question. I'd love to have it available today, just as you would, too. To some extent, obviously, it's the pace of divestiture of GE, of its different GE Capital businesses. And as each of these get divested, we get engaged in each one of them and each one of them is independent of the other, because they're different bars. Each of them have their rhythm.

So you are really talking about, all of a sudden, us having 10 new deals in the funnel, which is actually, by the way, a great opportunity for us, if you just think about that. It's going to play its course. If I were to pick a date, I would say by the time we get to the end of 2016, I think we will have pretty good visibility to a range of these conversations, assuming that GE Capital continues to -- or GE continues to divest, as it has announced out to the street.

Tien-tsin Huang - *JPMorgan - Analyst*

Right. Okay. So there is some time here. Also, to clarify on the margin question. What, exactly, is driving the margin guide up here? Obviously, you had a couple of transformation deals. You mentioned the gross-margin impact on that, but you're still taking the number up a little bit. What's driving it exactly?

Ed Fitzpatrick - *Genpact Limited - CFO*

It's really just a combination of feeling good about productivity that we are delivering on the productivity organization and foreign currency also had a bit of a benefit in the quarter that we expect to flow through to the full year.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

I don't know if necessarily one would characterize it as margin up, in terms of guide. We had said at the beginning of the year, approximately 15%. We are just giving it a more narrower and a more pointed direction of that approximately 15%. I'm saying it's 15% to 15.2%, that's all. It's not that much of change and a guide up in our margin for the year.

Ed Fitzpatrick - *Genpact Limited - CFO*

Given that we're halfway through the year, and given the items that I just talked about just gives us a little more confidence and that's why we gave a little more precision there.

Tien-tsin Huang - *JPMorgan - Analyst*

Understood. Forgive me for being a nerd and going out so many decimal points. (Laughter) I think I'm all set. Thank you.

Operator

Edward Caso from Wells Fargo.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

Congratulations on the quarter.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Thank you, Ed. Thank you.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

On the two large deals, were they with existing clients, or with new ones, and if they are existing, were either one of them with GE or the new GE children?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

No. One of them was an existing client, which is the insurance client we talked about with a global insurance major. In fact, we started that journey, I think, just over a year and a half, two years back, with a broad finance and accounting, particularly high-end finance and accounting. Now, we've added much more of the closing the books and hiring [FP&A] and analytics and predictive analytics, and so on. (Technical difficulty) global insurance major, had nothing to do with GE, because GE is no longer in the insurance business.

The second one was a financial services major in the mortgage space and it was more mortgage originations. You know, right up to underwriting and loan processing, so -- and that was a new client. So one of them an existing client; one of them a new client. The existing client, as you would expect, much more of a sole-source situation, given the, quote-unquote, excellence of our delivery and the relationship we built and the promises we've kept and the journey we've undertaken on transformation of a client.

The mortgage run, much more around with a vision of SEP, the end-to-end transformation agenda the client had and our domain understanding of the mortgage space and the underwriting in the mortgage space, and the technology and digital interventions that we have built over many years, actually, in the mortgage space that we are bringing to the table.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

You seem to be talking a lot more about digital on this call than you have recently. Now, you've reset your sales force focus about a year or so ago. And, sort of, before you started talking of digital and my impression of Genpact is it's always been process excellence and digital works with that, but it's a new cut on it.

My question is is this sales group that you're bringing in, are they in line with where your strategic thinking is evolving to? In other words, are they front end or high enough up in the client here to have impact for where you want to go? Thanks.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Ed, actually that's a great question and it's exactly the journey we undertook. The two big parts of the front-end journey are -- or it's the three big parts of the front-end journey that we have undertaken, and it's still not over, because we continue to actually add to that front-end team -- has been around size and scale of that team, so just sheer numbers and, therefore, coverage.

Second, the caliber, experience, seniority and the ability to have C-suite conversations in our clients, both existing clients and new clients, so that's the experience on that level. And the third is the domain understanding that they bring to those conversations. So someone who talks to the Pharma client with a pretty significant understanding of how regulatory affairs and Pharma clients are dealing with the fact that there is a pattern cliff and what does R&D cycle collapsing to a much shorter cycle and normal block buster drugs, what does that mean for different parts of the Pharma business?

The same applies to various other industry verticals. Those are the three dimensions that we went after. And if you think about the kind of services that we offer and the transformation journey that our client's on, those are the people who are able to, therefore, have those conversations that then allow us to talk about bigger inflows, better win rates and a larger pipeline.

Now, digital, for us, is one more capability that we actually started building as part of our investment journey on the capability side. We talked about it now because we have now got to a point where we want to talk about it. We've been building it, actually, for the last nine-odd months as part of our capability investments.

We announced a global digital leader, close to about now, 11 months, 12 months back, Sanjay Srivastava, he's based in the Bay Area. He's been in the Company for four-plus years now; had a bunch of other responsibilities before this. He has now built out a team as part of investment strategy that brings in new technologies that are part of startups, builds new partnerships with some of these companies than then can partner with us on services, as well as looks for the right acquisitions that then our acquisition team and our business team gets into.

In every one of these, it's not a standalone, let's just go and do this technology. That is not our strategy right now. Our strategy continues to be exactly what you said, which is provide the end-to-end service, but bring in digital capabilities that we can wrap our services around. Because, one, that's good to do; two, it's disruptive for our clients; three, they want it; and, four, that creates huge value for the client and for us. So, in our journey to add capabilities, we clearly saw that as one of the opportunities and the things to do. And one of the interesting things in that journey is a realization that clearly we see, and our clients are seeing, where they are saying in order to be successful in this digital journey, particularly in the middle office and the back office -- and let's focus there, because that's our focus, middle and back office -- we better understand domain and we better lean out the process, because, without that, digital technologies fail.

Our big learning on digital technologies is that trying to implement them without leaning out the process and without understanding the domain and how you string these together will lead to failure. And I think there is a number of clients who have tried these out who actually see that value, which is where we are getting a lot of traction.

Edward Caso - *Wells Fargo Securities, LLC - Analyst*

Great. Thank you.

Operator

Anil Doradla from William Blair.

Anil Doradla - *William Blair & Company - Analyst*

Clarifications on the new-client trend. Tiger, the $5 million to $15 million clients, one of the highest that we've seen in recent times. The trend, the movement and the trend is very intuitive and drives well with whatever you talked about, about clients getting in with small accounts and building up. But when I switch to the greater than $25 million clients, the trend has been positive, too.

Can you try to explain, when you get a much larger new client engagement versus the smaller engagements, why do some of the larger, new client engagements occur whereas, as you pointed out, people really like to start with smaller ones. What is the difference there? As you string this out over the next couple of years, do you think this greater than $25 million client engagements, that trend would continue inching upwards?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

The simple answer to your question is it depends on the client. If you have a client who has just run into a significant earnings issue, cost issue, pick your poison, and declares -- and the CEO and the CFO declare that they want to take $2 billion of cost out, and they will do it in 24 months, then they have to get their act together to do it and they will do a bunch of things.

One of them is find a partner like us to actually undertake a big journey. And when they do that, they do that with a degree of speed, with a degree of I want to get this done, with a degree of changed management that says this bus is leaving the station. Those who want to get on to the bus, get on to the bus. Others are left behind.

That's the way those get driven in those companies at those points in time. But those are points in time. If there are two companies that are merging, then at some point in time, once the merger is closed and once the acquisition is closed, they are going to be -- let's find a way to take $0.5 billion of cost out, because we said that's part of the merger value proposition.

How is that going to happen? It's going to happen by combining a whole bunch of things between the two companies. Often, that requires someone like us or one of our competitors to get engaged.

So, there are events that come together to create real opportunities around big deals. Those events, one cannot predict way into the future, which is why it's important to be engaged with clients in various forms and fashions, and then, depending on the trajectory of clients, they get engaged.

There could be a situation, in many cases, where clients say I'm on a tremendous growth path. I have come to the conclusion that my growth is going to come from entering 20 new markets in 20 countries. We need $0.5 billion of investment over the next three years to make that happen.

THOMSON REUTERS

By the way, one of the ways to get control in the back office when we do that, is to actually create a global shared services group and I'm not going to do it myself. I have a partner who's going to do it for me. Another growth-driven trigger. So what we look for are triggers. When the right trigger occurs, we are in there. If we are already in there, so much the better.

And therefore, we will always have many client situations where it's a $1 million to $5 million, $5 million to $15 million. Three years later, suddenly it might become $25 or $50 million. There are some which starts with $25 or $50 million, So it's all a function of the specific client and the specific industry and the journey they are undergoing.

Anil Doradla - *William Blair & Company - Analyst*

Very interesting. So, Tiger, building upon that, so whenever there a big dislocations, M&A and changes in the industry, sounds like they obviously reach out to you. So, given whatever's going on in the healthcare industry, is it fair to say that over the next year or two, most of the bigger engagements wouldn't end up being for you on that space?

Also, since I'm on this, are you seeing any other, say, negative impacts on the recent consolidation within this space on any parts of your business? Thanks a lot.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

So, I wouldn't necessarily say that healthcare -- the only industry where there's dislocation happening -- I think we can go industry after industry, and actually there is no industry where dislocation is not happening. Obviously, different companies get engaged in the core areas of strength and differentiation.

Clearly, for us, healthcare is one of our chosen verticals. But, remember, it is actually one of the smaller verticals amongst the many verticals that we play in. And I'm talking about healthcare as it relates to payers and pharmacy benefits and the whole healthcare ecosystem, not Pharma and life sciences companies, which for us, we treat separately. So in the paired space, clearly consolidation is happening. That does throw up opportunities as those consolidations play themselves out. We are -- interestingly, have relationships with a number of them.

By definition, given the size of our healthcare verticals, those relationships are smaller relationships in the context of these healthcare companies, which is interesting because it actually provides us opportunities. As they consolidate, potentially, we could see some of those becoming much better opportunities, but we need to see how those play out. Right now, I wouldn't necessarily call out, for us, the consolidation of healthcare payers as one of the big things that is impacting our business.

I would say, for example, the regulatory changes in financial services and banking or the change that is happening in the Pharma industry or the low-growth world that consumer products is dealing with, CPG industry is dealing with across the globe or the Internet of Things that the large industrial manufacturing machine business are dealing with are the dislocations that, I think, because of the size and scale of our business in those verticals, we get engaged in, often, and that includes, for example, the property and casualty insurance business.

Anil Doradla - *William Blair & Company - Analyst*

Very good. Thanks a lot, guys.

Operator

Keith Bachman with Bank of Montreal.

Keith Bachman - *Bank of Montreal - Analyst*

I wanted to ask about the margin profile, again, on the large deals. You've got a number of deals, now, in-house. You do have lower margins at the outset, which you know -- do you have enough experience on the larger deals, to really make that thesis that you expect margins to go up over time? Again, you are incurring the cost now. You hope that margins go up. What's your experience curve, say, thus far?

Ed Fitzpatrick - *Genpact Limited - CFO*

That's what we've been able to do over time. It's all part of the way we run the business, is that we take costs out over time, make it more efficient. As a result, by design, the margins -- our margins should improve, the clients' cost structure should continue to improve over time, and that's kind of the way we build it out. And we do the deal -- go ahead.

Keith Bachman - *Bank of Montreal - Analyst*

Just to be clear, I know Tiger said you've talked about big deals in the last 18 months, and, therefore, have been implementing those series of wins, now double digits. But in those series of wins, which involve more value-add services like analytics, have you gotten the results, even over that short period of time, that suggests you can grow margins over time?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

So, Keith, let me take that one. First of all, it's not the first time we are doing it in the last 18 months. We've actually done large deals, as well as large deals with analytics embedded in it and of the size and scale we talked about over our history of 17 years. The difference was that in the last 18 months there have been more of those as a proportion of the total pipeline, there have been more of those as a proportion of the bookings we've done, and so on, for the variety of reasons we talked about.

Therefore, our history of the cycle that a typical deal follows, we know that really, really well. Almost pat. And, given the fact that now even these new cohort of large deals, and it's only a cohort of large deals that are old and large deals, the new cohort of large deals, some of them are actually 18-plus months old, they are following the same pattern.

Keith Bachman - *Bank of Montreal - Analyst*

Okay. That's really what I was asking, Tiger.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

So very confident that the profile of the way this will work out -- and it's actually pretty simple, it's upfront investment in the leadership team; upfront investment in transition resources; upfront investment in all the connectivity and the platforms and the technology and the solutions and the solution team and the domain experts and all of that. That upfront investment comes before revenue comes. Over time, revenue goes up; that upfront investment also gets absorbed. And, by the way, over time, that upfront investment actually reduces.

Then other things play out. As you get more clear as to how the operation is run and it stabilizes, you will find opportunities to drive productivity. Some of that productivity, as part of the contract, is gain-shared with the client. You drive new technologies.

So a bunch of actions which we exactly know how to do, that actually creates that trajectory of long-term margin profile. The one other statement I would make in that journey, is that as we mature, the older big deals, we sign up newer big deals. As long as there is a steady state of continuously signing new deals, that are big deals, and continuously maturing older big deals, it reaches a point when some of them are maturing to better margin while you're taking on new deals with dilutive margin and over time, match themselves out.

It's only when you undergo a shift of a higher number of big deals, which we went through over the last couple of years, is when you see a margin shift for a short period of time.

Ed Fitzpatrick - *Genpact Limited - CFO*

And, Keith, the numbers that would bear that out, too, over the last year, two years, margin profile has not come down at all really in total as a result of that. It has really been the investments we've made in the marketing and selling capabilities that has caused the dip in the operating margins. Gross margin has actually held steady and actually gone up. And we track -- every new deal that we get, we add it to the booking deals that we have, we look at it and see the impact on future margins. We have pretty good visibility into that, moving forward.

Keith Bachman - *Bank of Montreal - Analyst*

Fair enough, Ed. My second question or follow-on, if I could, Ed, to go to GE, if GE is 19% of the revenues and you have GE Cap, I know you mentioned some of those GE Cap, they are equally balanced on an opportunity as well as a risk. Of that 19%, how much would fall into that category that you are looking at pretty copefully, is it 500 basis points, 1,000 -- any kind of quantification of what percent of that 19% that you are closely evaluating here with the transition of GE Cap?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Rough numbers, Keith, and I think we talked about it at the last earnings call, I think I would say about 4% to 5% of that 19%. 400 basis points to 500 basis points of revenue off that 19% of revenue is what is under, quote-unquote, will be under evaluation, over time, to the earlier question. Not all of it is right now under evaluation, because unless GE Capital announces a specific divestiture of a specific portfolio, it doesn't come up for evaluation.

I would say the announcements they intend to make off the total portfolio in terms of what has been announced as a divestiture, over time, would, in fact, total revenue up about 4% to 5% of our revenue. Another way to think about it is that over time, as these play out, GE revenue, nothing is changing, will naturally become 15% -- sub 15% of our revenue. And that's without assuming any further growth in global clients, which obviously, is not right, so as Global Client grows, that will further ratchet down.

Keith Bachman - *Bank of Montreal - Analyst*

Fair enough. Many thanks, guys.

Operator

George Tong from Piper Jaffray.

George Tong - *Piper Jaffray - Analyst*

Tiger, can you discuss the competitive landscape for digital design and transformative work? If you are seeing competitors increasingly enter this space and how, if at all, this changes your growth outlook?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

That's a great question. The reality is that the world is trying to absorb digital. It applies to us as a Company. We're actually trying to apply digital to our own business, the way we run our own internal operations, which is the right thing to do. Every business is doing it.

By definition, everyone in the competitive landscape is bringing in digital in order to be able to serve their clients, because their clients are demanding it. The question to ask that I think is important for us and we debated it and we came to a conclusion, is depending on each company's strength, they bring in digital in different areas and they bring that to the client in different areas.

Now, we came to the conclusion that, given our history of working across a range of industries, and a range of services, in what one would call the middle and back office, that is going to be our focus. That's the first conclusion we came to. And that's different from some of our competitors, who are actually building out capabilities at the front-end and that could be digital design, designing websites, designing creative, designing consumer access. That's not what we are focused on.

Our belief is that a number of our clients in different industries are trying to digitize the front-end. Our belief is that a number of them are struggling to think through similar digital interventions in the middle and back office. We are very clear along with them that if they don't do those interventions, they will end up inside the company with a two-speed company, one speed running at digital speed on the front with the middle and back unable to keep pace, and that's not good for anyone.

So, our digital interventions are bringing digital tools into the services that we offer in the middle and back office. And when we do that, we are doing that with a clear view that you have to lean out your processes, you have to standardize them in order to be able to get them digital ready. You cannot automate and intervene with digital tools unless you actually lean them out first.

We are discovering that with a range of banking clients we are working with, global banking clients. We're discovering that with a range of CPG clients we're working with, life sciences clients we're working with, insurance clients we're working with, and capital markets clients we are working with.

That is the way we are bringing that to the table and that is different from some of our competitors, because each of them bring digital to the table in their way that's relevant for them and that's their strength.

George Tong - *Piper Jaffray - Analyst*

Got it. That's helpful. My follow-up question for Ed. Can you elaborate more on how you expect investment spending and productivity savings to evolve in the back half of the year and what the implications are for the cadence of margin expansion?

Ed Fitzpatrick - *Genpact Limited - CFO*

I think for productivity, we expect to continue, we are kind of on the right pace. What I would say is the benefits of foreign currency were a bit better in the second quarter than you expect them to be in the second, and that's why gross margins, I would tell you, should be below the level you are seeing in the second quarter.

On the capability investments, you should expect our capability investments to increase. That will be offset by, as a percentage of sales, offset slightly by a decline in selling and marketing related investments from the levels where they are today, well above the 6.5% that we guided for the full year.

So I think those two things. Capabilities will ramp up and the things that Tiger talked about, in the digital space, and you'll see selling and marketing come down as a percentage of sales, not necessarily in total spend, but just as a percentage of sales. I think those are the two things you should expect to see.

Remember as well, we also had a nonrecurring item in SG&A in this quarter that won't recur. That's another reason why SG&A will likely be up a little bit more in the third quarter versus the second -- third and fourth quarter.

George Tong - *Piper Jaffray - Analyst*

Great. Thank you.

Operator

The next question comes from the line of Bryan Keane from Deutsche Bank.

Bryan Keane - *Deutsche Bank - Analyst*

I just want to ask about the guidance. Looking at the revenue guidance range for the year, what gets you to the low end of the range and what gets you to the high end?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Let's talk about the high end, first, Bryan. Obviously, as we've always said, we are a long-cycle business with lots of puts and takes. If you look at our constant currency growth, then buts of] foreign exchange, we would actually be very close to the higher end of what we originally thought the year would be as we look at the balance of the year.

Unfortunately, FX had its impact on the top line and, therefore, we are where we are and we are still in the range that we guided the year to. The world is volatile; the world is uncertain. Any of those kind of events could move that number towards the higher or lower end.

Obviously, if we win a couple of big deals that have significant, very quick ramp-up, which is not often that happens in our business, because in our business it's normally a slow ramp, then that number could move up to the higher end of that range. So a number of puts and takes that could move in that direction. At the end of the day, you're talking about $20 million or $30 million on a $2.5 billion revenue number.

Bryan Keane - *Deutsche Bank - Analyst*

Do you see a rebound in the IT revenue anytime soon, or will that continue to probably be soft, given the market environment?

Ed Fitzpatrick - *Genpact Limited - CFO*

I'd say a little worse this quarter. As you remember, we talked about Q2 last year, the GE IT revenues were a bit higher, so that spiked, so I'd say the percentage should be a little tempered as we move forward. But really, the same trend is consistent.

As Tiger said, it's really a migration from the supporting a legacy technology in IT into the BPO with the new digital technologies that we're supporting.

Bryan Keane - *Deutsche Bank - Analyst*

Okay. Two more for me. Attrition ticked up in the quarter. Anything you guys need to do about that? Or higher salaries or bonuses?

And then, on tax rate, I think on the effective tax rate, we're at a little bit below 20%. I think you were talking about 22% to 23%. Any reason why the tax rate would go up in the back half? Thanks so much.

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Let me take the attrition question and then Ed will address the tax question. Attrition, I would say, no cause for concern. We're not concerned at all. A quarter's attrition is not something we look at that closely. A quarter doesn't make that much difference because you have things moving around in a quarter. We have productivity that would drive significantly for our clients these days, it's always been the case.

But even more significantly in some cases now, with things like robotic automation, digital technology that actually drive more automation and therefore, more productivity for our clients, all of which is very good for our clients and for us. That means some people in some locations in some services with some skills sets may become redundant. That's part of our business.

The second is, when clients move work, and we move work from our clients from one city to another, from one continent to another, Europe to India, for example, all of those changes impact the quarter. I would call out one macro trend as something that we all need to be cognizant of, which is the fact that India as an economy is actually doing well.

And when India as an economy and as a macro economy does well, attrition does tick up across the economy. It doesn't matter which industry, because the economy is doing well. And we are beginning to see the kind of attrition numbers that we used to see towards the beginning of the global financial crisis. It is beginning to get to those levels. We know how to run this business with these attrition levels, so we are fine.

Ed Fitzpatrick - *Genpact Limited - CFO*

On the tax rate, there are a few discrete items and actions that we have in the plan that would cause that rate to come up closer to the 22% to 23% guidance that we gave for the full year. So it's specific items we expect to happen in the second half.

Bryan Keane - *Deutsche Bank - Analyst*

Okay. Thanks for the color.

Operator

Dave Koning from Baird.

Dave Koning - *Robert W. Baird & Company, Inc. - Analyst*

Nice job. And two quick ones. First of all, the Americas' delivery revenue was up significantly sequentially, up almost 20%. It was a big driver, I think, of sequential growth. I'm just wondering why so much revenue growth came from that delivery area?

Tiger Tyagarajan - *Genpact Limited - President & CEO*

Dave, thanks for the compliments. I don't think -- we'll get back to you with the answer. The interesting thing is we don't look at delivery revenue as anything of relevance and significance, which is why we are not able to answer the question off the top.

We will come back with the answer. We actually look at industry verticals, client services. Those are the things we focus our energies around. But we owe you an answer. We'll come back to you.

Dave Koning - *Robert W. Baird & Company, Inc. - Analyst*

Okay. And the other one is just a quick math question. There was the $16 million or $16.5 million of interest or other income that I think included $10 million of loan fees. Later in the supplement, you give a $31 million to $33 million interest range for the year. That's excluding the $10 million, is that right?

Ed Fitzpatrick - *Genpact Limited - CFO*

I will have to look at what the totals are. The $10 million that was included in the quarter relates to the write-off of the unamortized debt issuance costs from our prior financing that was, obviously, written off when we refinanced this quarter. And the range for the full year, I'll have to look at what it is -- what the current and the price -- if it moved by $10 million up, you could say that was the change. I'll have to look at it. We'll have to look at it and come back to you on the total.

Dave Koning - *Robert W. Baird & Company, Inc. - Analyst*

All right. Sounds great. Thank you.

Operator

We have no further questions at this time. I will now turn the call back over to Mr. Sachs for any closing remarks.

Roger Sachs - *Genpact Limited - Head of IR*

Thank you, everybody, for joining us on the call today and we look forward to speaking with you all next quarter. Thanks much.

Operator

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