FINAL TRANSCRIPT

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CORPORATE PARTICIPANTS

Anil Nayar
Genpact - Head of IR

Pramod Bhasin
Genpact - Pres. CEO

Vivek Gour
Genpact - CFO

CONFERENCE CALL PARTICIPANTS

Joseph Foresi
Janney Montgomery - Analyst

Bryan Keane
Credit Suisse - Analyst

Tien-tsin Huang
JP Morgan - Analyst

Rod Bourgeois
Sanford Bernstein - Analyst

Jason Kupferberg
UBS - Analyst

Tim Fox
Deutsche Bank - Analyst

Karl Keirstead
Kaufman Brothers - Analyst

Ashwin Shirvaikar
Citigroup - Analyst

Ed Caso
Wachovia - Analyst

Vincent Lin
Goldman Sachs - Analyst

PRESENTATION

Operator

Good day ladies and gentlemen, and welcome to the Third quarter, 2008, Genpact Limited earnings conference call. My name is Clarissa and I will be your coordinator for today. (OPERATOR INSTRUCTIONS) I would like to turn the presentation over to your host for today's call, Mr. Anil Nayar, Head of Investor Relations. Please proceed.

Anil Nayar - *Genpact - Head of IR*

Thanks, Clarissa. Welcome to Genpact earnings call where we will discuss the results for the third quarter ending September 30, 2008. My name is Anil Nayar, Head of Investor Relations, and with me I have Pramod Bhasin, our President and Chief Executive Officer, and Vivek Gour, our Chief Financial Officer. We hope you have had an opportunity to review our press release. If not, you will find it at our website at genpact.com.

Our agenda for today is as follows. First we will begin with Pramod to give an overview of our results and an update on our guidance for the full year. Vivek will then take you through our financial performance in greater detail. This will be followed by Pramod's closing remarks after which we will take your questions. We expect the call to last for about an hour.

Last quarter we had reclassified foreign exchange gains and losses to the appropriate cost lines on the face of our income statement. Our comparative results are shown on this reclassified basis.

Please note that some of the matters we will discuss in today's call are forward-looking. These forward-looking statements involve a number of risks and 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 press release on the investor relations section of our website genpact.com. With that, let me turn the call over to Pramod.

Pramod Bhasin - *Genpact - Pres. CEO*

Thank you, Anil. Good morning, and thank you everyone for joining us on the call today. We completed a good third quarter despite dramatic changes in the global economy which began several months ago.

Here are the highlights. Our revenues grew 26% for the third quarter versus last year, and 28% for the year-to-date, driven primarily by Global Client revenue growth of approximately 61% for the quarter and 78% for the year-to-date. With these strong growth rates, Global Client revenues represent an even larger portion of Genpact total revenues, now 54% for the third quarter and 52% for the year-to-date. By the end of 2008 global client revenues will be more than $500 million dollars. This is a significant figure by any measure, especially considering that we have generated these revenues from almost a standing start less than four years ago.

We won a number of new deals in the third quarter across industry sectors and we believe these clients will provide additional growth opportunities for us. For example, a Fortune 500 computer software company where initial scope of work is around procurement, F&A and analytic was a great win for us as we were able to demonstrate strong capability and competency, good relationship connect with the customer and integration of our solutions to optimize value for the customer. Another unique deal was a global publisher and information provider where we are going to commence with F&A, but are looking at many other areas of growth such as re-engineering, analytics and ITO. In the BFSI space we won work with a large regional US bank on core banking operations and are looking at expanding the relationship to F&A, analytics and re-engineering over time. All of these wins in this tough environment demonstrate the value we are able to create for our customers through our business model and the continuing demand for our services. Our business with GE also continues to grow in the mid single digit range when GE divestitures are excluded.

Our growth in Europe and Asia Pacific also continues at a very healthy rate as we continue to diversify geographically which clearly differentiates us in the market place. This includes both developed markets in Europe and emerging growth markets such as China and India. Specifically we continued to ramp our India for India and China for China businesses, which we launched in the early part of this year, with positive results including a significant reengineering project for a large telecom company.

Vivek will provide the revenue details in his comments.

Adjusted income from operations margin increased 166 basis points to 18.3% in the third quarter from the prior year, and 106 basis points to 15.8% for the year-to-date, reflecting the leverage in our model as we manage our costs while adding scale.

We are investing in new global delivery centers to respond to client needs for geographic diversification. An example is our investment in Guatemala to strengthen our presence in Latin America. We plan to continue to use this investment strategy in the future as client needs and opportunities dictate.

Our financial position is strong. This affords us the liquidity and flexibility to continue to invest in operational initiatives as well as take advantage of appropriate opportunities as they arise. For the year-to-date, operating cash flow increased 60% to $128 million and as of September 30, 2008, we had more than $300 million of cash on hand.

Our people management practices continue to lead the industry. Our attrition rate for the nine months ending 2008 was approximately 26%, down significantly from 30% for the full year 2007. The lower attrition is seen across the industry as market uncertainties are causing people to reassess job changes which is likely to result in less pressure on wage increases. We believe that we have the best HR practices and processes in the industry and will continue to invest and strengthen these areas to adapt to new market demands. The reduced attrition is having a positive impact on our business with increased client satisfaction through improved quality and decrease in our costs of hiring and training.

In summary, we had a good third quarter.

Based on this performance and our outlook for the remainder of the year we are reaffirming our full year 2008 guidance. We expect revenue growth of 26% to 28% from a base of $823 million in 2007, and adjusted operating income margin of 17.1% to 17.3%, an increase of 80 to 100 basis points from 16.3% in 2007. However, given the changes in the global economy, particularly as these changes are disproportionately impacting discretionary project-based work, for both revenue and adjusted operating income margin we expect our results to most likely come in at the lower end of the range. I will talk more about the current environment after Vivek takes you through the financial results in greater detail.

Genpact has been a public company for over a year and through an increasingly turbulent economic environment, we have established a proven track record of superior growth. We attribute this performance to our talented team, disciplined execution and breadth and depth of our expertise as well as the strength of our unique business model that combines high visibility with a relatively large percentage of highly sticky non-discretionary work.

Other companies talk about these capabilities, but we deliver them every day and we believe it shows in our results. Our operational rigor and unique combination of core capabilities sets us apart and drives success in winning business and delivering value to all of our constituencies. Our core capabilities include-

First, our investment in talent. We have created a culture that excels at Six Sigma process and in technology expertise and re-engineering capability. This allows us to deepen our client relationships, move up the value chain, increase productivity and improve margins. As one measure of this investment revenue per employee increased to $30,300 year to date on an annualized basis from $28,200 in 2007, which is a 7% increase.

Second, our continued focus on operational excellence. Our operating rigor drives internal and external benefits. As a result of our process discipline day in and day out, our existing clients have become our best sales people through the references they provide to prospective clients. Internally, it seems we can leverage our cost base as we build scale with clients or make adjustments quickly, if necessary. Our adjusted operating income margin improvement in the third quarter exemplifies the leverage in our model.

And third, the depth and breadth of our expertise. This includes deep domain expertise a global delivery platform, in-depth knowledge of vertical markets and essential practice areas across industries, such as F&A and procurement, et cetera, that our clients require to operate their businesses. Clients choose Genpact because of our experience, successful track record and relentless focus on best-in-class metrics to capture and demonstrate value delivered.

This model is the basis for our performance and growth and it strengthens our ability to navigate through the near-term environment.

Now, I will turn the call over to Vivek and I will make a few closing remarks before we open the call for Q&A.

Vivek Gour - *Genpact - CFO*

Thank you, Pramod. Good morning everybody and good afternoon and good evening to those in Europe and Asia.

Our financial results reflect the strength and the resilience of our business model and our ability to execute and create value for our clients. We continue to drive productivity and efficiency in our internal processes and are on course to deliver strong growth in 2008.

Our Net Revenues for the quarter came in at $271 million, a 26% increase from the third quarter of 2007.

Global Client revenues increased 61% in the third quarter year-over-year, to a total of $147 million, and 78% for the year-to-date, to total $395 million.

Reported GE revenues remained flat for the quarter, however they were 6% when GE divestitures are excluded for both the quarter and year-to-date.

More than 80% of our overall growth in revenues comes from existing clients. We typically start small, build strong strategic relationships, demonstrate the results, and enhance business growth. Currently 26 client relationships each account for $5 million or more in revenues, compared to 14 in the prior year third quarter. Of these, 4 each account for $25 million or more in annual revenues. We continue to diversify our client base and added four key clients in the third quarter. We believe these clients will provide additional growth opportunities for Genpact. As Pramod mentioned, these are great wins in this environment as we continue to win deals due to capability, competency, relationship connect and referenceability of our existing customer base, the last point being a very key factor for future success. It demonstrates the continuing demand for our services even in this environment.

Our portfolio continues to be balanced with multiple engines for sustainable long term growth. Our client base is diversified across industries, sectors, and geographies. In the third quarter, both BFSI clients and manufacturing clients accounted for 42% of revenues. The remaining 16% of revenues was from clients in other industries including the services sector. In most cases, the work we are doing is non-discretionary and critical for the sustainability of daily operations. Some examples of this non-discretionary work would include closing the books, paying the bills, processing sales orders, collection of cash, et cetera, which are all part of our Finance and Accounting practice. Our finance and accounting practice across industries accounts for roughly 30% of total Genpact annual revenue.

Our financial services vertical client business grew 24% in the third quarter over the prior year and 26% for the year-to-date, while our manufacturing and services businesses together grew 28% for the quarter, and 30% for the year-to-date.

We continue to diversify our business geographically. In the third quarter, European revenues grew 29%, and revenues from Asia Pacific revenues grew 80%, compared to the prior year.

In terms of our BPO/IT mix, the proportion of our business process revenues increased slightly to 81% of overall revenue for the quarter. IT services accounted for the balance of 19%. The slight decrease in IT revenue reflects the continuing industry softness in discretionary spending in areas such as software services. We expect the split between business processes and IT services revenues to remain roughly the same through the rest of 2008.

As you are aware, there has recently been a significant appreciation of the US dollar against the Rupee and other currencies. Because we have hedged most of our Rupee costs, we do not anticipate any positive impact of this trend on our results just as we did not have a significant negative impact when the dollar weakened in the past.

Turning to the rest of the profit and loss statement.

Our gross profit totaled $115 million in the quarter, up 25%. Third quarter gross margin of 42.5% was comparable to 42.9% in the third quarter of 2007. For the first nine months of 2008, gross margin was 40.9%, again comparable to 40.5% for the prior year same period.

Our SG&A expenses for the third quarter increased only 21% to $71 million, but as a percentage of revenues, decreased to 26.3% of revenues from 27.5% in the third quarter of 2007. This change reflected continuous improvements in productivity and leveraging the investments in our client management. At the same time, we continue to invest in business development.

Our Adjusted Income from Operations grew to $49 million, which represents a 39% increase from the third quarter of 2007. The Adjusted Income from Operations Margin was 18.3% up from 16.6% in the third quarter of 2007, an increase of 166 basis points. This margin improvement was driven primarily by improved operational efficiency and lowering of our SG&A costs.

Adjusted Net Income was $46 million in the third quarter compared to $28 million in the third quarter of 2007, an increase of 64%. This was driven primarily by business growth, improvements in SG&A. productivity and interest income in this year's third quarter, versus interest expense in the prior year's quarter. Our adjusted diluted EPS was $0.21, compared to $0.13 in the third quarter of 2007.

Our effective tax rate for the third quarter was 14.5% compared to 13% in the first half of 2008, which is in line with our expectations. We continue to expect our full-year effective tax rate to be in the range of 13% to 17%.

I would like to walk you through key items on our balance sheet and statements of cash flow. We have a strong balance sheet with approximately $303 million of Cash and Cash Equivalents against approximately $104 million of long-term debt.

Our Accounts Receivable increased in line with our growth in revenues. Our days sales outstanding measure is currently 77 days, down from 82 days in September 2007 and 79 days in June 2008.

Our gross capital expenditure spend in the third quarter totaled $21 million, bringing the year-to-date total to $53 million, which represents approximately 7% of revenue. We expect full-year capital expenditures to be in the range of 7% to 8% of full-year revenue based on our fourth-quarter plans to invest in special economic zone facilities in India, and expand in other global regions.

Our cash flow from operations for the nine months ended September 2008 was $128 million compared to $80 million for the same period in 2007. This is a significant increase based on higher operating income. Our year-to-date free cash flow increased by $41 million to $81 million, as a result primarily of higher cash from operations. We have significant Cash on our Balance Sheet as well as sufficient access to undrawn credit lines. We maintain a prudent and conservative approach to managing cash balances and working capital, and will be even more vigilant in the months ahead. With this, I hand it over to Pramod for his closing remarks.

Pramod Bhasin - *Genpact - Pres. CEO*

Thank you Vivek.

The world has changed dramatically just as we were closing our third quarter, as we all know. And like the rest of the world, we are monitoring the situation closely and will continue to do so in the months ahead.

There is no question that in the near term, many of our clients will be faced with fundamental changes which could cause disruption in their businesses and delay decision-making in some new work, especially more discretionary project-based work.

Now, more than ever, our investment in talent, operating expertise, and breadth and depth of global capabilities, as well as the strength of our unique business model, will differentiate our performance from our competition.

We believe the prudent course of action is to take decisive steps now. Fortunately we can pull multiple levers in response to the current environment.

First and foremost, we will focus intensively on providing superior service, value and results to our clients and continue to grow those relationships.

Second, we will leverage our existing relationship management team, which has tremendous operating experience to convert our pipeline. Our pipeline, which increased to record levels in the third quarter, gives us a great opportunity for continued growth in the coming year.

Third, we are very well positioned with our existing end to end solutions to help clients with cost reduction, production efficiencies and cash flow. We also have expertise in areas such as integration of operations, risk management and compliance which will all have bigger focus in today's environment.

Fourth, we will continue our relentless focus on cost discipline and improved productivity, and

fifth, we will continue to diversify our business geographically especially in emerging growth markets.

Now, let me take a moment to talk about Wachovia, one of our 4 largest clients and the changes it is under going. I can say that we have an excellent relationship with the Wachovia team, and remain on track with our plan for the year. We believe we have an excellent opportunity to showcase our capabilities to help the merged organization. And in the meantime, we will continue to do what we do best- Focus on our client's needs, demonstrate operating excellence and deliver results.

Our relationship with GE also continues to grow as GE considers Genpact a key strategic partner who can help them through these turbulent times. I can tell you from long experience that GE will move quickly to right-size their cost structure and adjust to market conditions. We have helped GE achieve these goals in the past. We value them as a client and strategic partner, and our business with them is also extremely well diversified.

In summary, we believe the fundamentals that drive the globalization of services and technology, such as the need for continuous improvement in cost and efficiencies, major demographic shifts and the shift in business strategy to a focus on core competencies, may have actually improved for the long term. For now we will continue to take a cautious approach. Our plan is to stay nimble, closely monitor our costs and cash, and be prepared to respond as the market environment evolves.

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

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) First question comes from [Joseph Foresi, of Janney Montgomery Scott].

Joseph Foresi - *Janney Montgomery - Analyst*

Hi guys. My first question here is just - versus last quarter, what are you seeing in the quarter going forward as far as any delays or cancellations. Sounds like Wachovia is still an account. Maybe some of the other companies are still accounts. Are you expecting the business for the back half of the year and what kind of adjustments are you seeing?

Pramod Bhasin - *Genpact - Pres. CEO*

We basically are seeing a range of work. In most cases for our nondiscretionary work that we do, the work is continuing and we're continuing to plow ahead and build capabilities and build up revenues. There are discretionary projects, et cetera, where we are seeing some delays and cancellations and the lead time for new deals certainly has been getting longer, but that is something we have been seeing, frankly, from the beginning of the year.

Joseph Foresi - *Janney Montgomery - Analyst*

So, could we expect at least a lull or dip next quarter as we kind of and maybe pick up in the quarter after. How should we think about that quantitatively.

Pramod Bhasin - *Genpact - Pres. CEO*

I think the guidance we have provided, I hope will help in terms of the full year numbers that we are expecting and quite honestly, Joe, we don't want to manage on a quarterly basis, we don't try to. We manage on a calendar basis.

And that's what we'll stick to. So my view though, overall is that there is going to be near-term disruption at the same time there are going to be new opportunities coming up. I've just come off a conference call with a major customer who suddenly threw the door wide open to say - look, every opportunity we were looking at, let's accelerate it. So, I think you are going to see all elements. We will have to be prepared to react and respond to that very quickly and stay very nimble as we go forward and really look at that going forward, closer towards the end of the year so we get a better idea of where we are at.

Joseph Foresi - *Janney Montgomery - Analyst*

In reference to the BPO, versus IT how has it increased as a percentage of revenue. Is BPO a better spend in this environment or better proposition in this environment, and if so, why do you think that takes place?

Pramod Bhasin - *Genpact - Pres. CEO*

I think BPO overall is probably a better spend in this environment. Mainly because it is non-discretionary work. I think companies are going to cut back on all discretionary projects all around the world and I think that is going to impact the discretionary type projects which are clearly in greater proportion on the IT side than they are on the business process side. That's why I think the stickiness of the BPO business will be stronger. And in the IT side, the stickiness will really depend on non-discretionary type of work that companies are doing. Because I really believe the discretionary projects, based on what we're seeing in the economy, are going to get canned.

Joseph Foresi - *Janney Montgomery - Analyst*

Lastly, on the acquisition front, are you currently in talks or looking at any acquisitions. What are you is a seeing from a valuation perspective. Are those mostly captives.

Pramod Bhasin - *Genpact - Pres. CEO*

We are in the market and looking around very carefully. We clearly want to make very strategic acquisitions which bring us domain expertise and customers and perhaps geographical diversity as well. There are both captives as well as non-captives which are in the market. I think there will be perhaps some time lag before we see valuations come down to where they really belong. We will remain very cautious in how we approach this, especially given the current economic environment. But clearly there will be opportunities, Joe, and we're going to stay very close to those opportunities to make sure we can spring on them and once we believe that valuations have reached the level they should.

Joseph Foresi - *Janney Montgomery - Analyst*

Are you looking in the BPO area. The IT services area. Is there any specific area you are targeting?

Pramod Bhasin - *Genpact - Pres. CEO*

I think our focus is more on - can we do acquisitions that give us the domain expertise which give us new customer base, which perhaps give us front-end capability. Because those are the areas where we feel there are gaps. In many cases, the offerings may be joint and may have more to do - and will bring a combination of a solution or a platform based approach. Having said all of that, the fact is acquisitions are always going to be opportunistic. Who knows what will actually work out based on our own criteria for what fits the filter and what fits the bill for our purposes.

Joseph Foresi - *Janney Montgomery - Analyst*

Thank you, Pramod.

Pramod Bhasin - *Genpact - Pres. CEO*

Thank you.

Operator

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

Bryan Keane - *Credit Suisse - Analyst*

Yeah, hi. The head count growth has slowed and it looks like you only added about 500 heads this quarter. And year-over-year looks like it's now about 14%. Can you help us understand what that means for the future revenue growth as we go into 2009?

Pramod Bhasin - *Genpact - Pres. CEO*

I am not sure where the 14% comes from. Are you talking about-- I presume you may be talking about head count growth. And I think our head count growth, year over year hasn't been much more than 400.

Pramod Bhasin - *Genpact - Pres. CEO*

Or I assume you are talking quarter on quarter. But it has been greater than 400. So, we will be happy to explain that later on. No, we have seen very strong growth and I think the increase in revenue per head count demonstrates the value we are getting from our clients and demonstrates the value we are able to deliver to them. Our increase in revenue per head count is driven by reengineering, by higher value business that we do, by the analytic business that we do. All of which are significantly higher than our regular head count.

Bryan Keane - *Credit Suisse - Analyst*

Okay. I only had you down for 500 increase in heads for the quarter. Maybe we got that number wrong.

Vivek Gour - *Genpact - CFO*

No, our headcount for the quarter versus the prior quarter of Q2, '08, has increased by close to a thousand heads.

Bryan Keane - *Credit Suisse - Analyst*

So, there is no real plans to slow down head count growth from where we have had it before.

Pramod Bhasin - *Genpact - Pres. CEO*

No, I think we like the higher value processes and the increasing values they represent that we deliver to our customers. So, we will constantly try and get higher revenue per head count because I think that is the business model we strive for.. Only in that context.

Vivek Gour - *Genpact - CFO*

Then, just to add to that, our revenue generating head count, the associate on the shop floor, grew by 1600 heads between quarter two and quarter three of this year.

Bryan Keane - *Credit Suisse - Analyst*

Can you talk a little about pricing and than individual volumes you are seeing from clients. I know you guys talked about the F&A work but even inside the BPO, have you seen volumes decrease due to the economic environment.

Pramod Bhasin - *Genpact - Pres. CEO*

I think in some cases we have, no question about it. I think in some cases, where perhaps volume or revenues that a customer is going through, have decreased then some of our business decreased. At the same time, volumes in other areas have gone up. So, areas such as collections and risk management are clearly up. Because that's where people need additional support. So one has been offsetting the other. But clearly, yes, there have been some areas where there have been some volume decreases, offset by other areas.

Bryan Keane - *Credit Suisse - Analyst*

Now, about pricing. Any push on pricing. People trying to renegotiate lower prices.

Pramod Bhasin - *Genpact - Pres. CEO*

No, I don't think we have seen anyone try to renegotiate lower prices. I do think, though, there will be a general pricing push. That we are ready for. Because I think we've got enough leverage in our system that we can deploy to get increased productivity. So we are very comfortable even if there is a pricing push, we will be able to manage that push fairly well.

Bryan Keane - *Credit Suisse - Analyst*

Okay. Finally, has there been much irrational behavior on pricing in the market place.

Pramod Bhasin - *Genpact - Pres. CEO*

I think some of our competitors have absolutely demonstrated a little of what we would call irrational behavior. I think we will resist the temptation as we have done in the past. There may be a need to think about pricing as we go forward. But we certainly don't like participating in that, But, yes, we have seen some people trying to get in there to grab market share as much as they can.

Bryan Keane - *Credit Suisse - Analyst*

Okay. Congratulations on the quarter.

Pramod Bhasin - *Genpact - Pres. CEO*

Thank you.

Operator

Your next question comes from the line of Tien-tsin Huang of JP Morgan. Please proceed.

Tien-tsin Huang - *JP Morgan - Analyst*

Thank you, good quarter. I had a question about the discretionary project base work. Can you remind us how much of your business we should classify as discretionary project base work and where have you seen the greatest change in demand for this type of work.

Pramod Bhasin - *Genpact - Pres. CEO*

I think it is about 15%, our discretionary project work in terms of total revenue. And that's why the impact of some of the slow downs is quite small on our total in the proportional total revenue. The key areas are on the IT side, we have discretionary project work, where we may see some slow downs and I think we've talked about that in the script that I just went through. I think we have also seen some slow down in discretionary project work around re-engineering. where companies have said, guys, this is a project I am not going to take it on now, maybe I'll take it on next quarter. I need to save my money here. Again, we will offset that by a variety of other means of showing value and pricing based on value delivered et cetera. That I think we feel pretty good about it for the long-term. Those are the two areas we have seen some discretionary project work slow down or get delayed or get cancelled.

Tien-tsin Huang - *JP Morgan - Analyst*

Got it, and then I think, I'm not sure I heard Pramod, did you comment on the pipeline and how that is changed since the last quarter and then maybe if you can comment on your win rate in general.

Pramod Bhasin - *Genpact - Pres. CEO*

Sure. The pipeline has - is at a record level in the third quarter. No question about it. And while the closure of deals is taking longer than in the past and ramp ups are taking longer, the pipeline per-se is at the highest level that we have ever had. I think also on the win rate, we're very, very happy with our win rates. Our win rates are in the 33% type of range. They are down somewhat from last year, but I think that is only to be expected given the competitive environment. We're still very happy with that high a win rate, frankly, at this point in time.

Tien-tsin Huang - *JP Morgan - Analyst*

My last question is on GE. Sounds like good performance but just visibility going into 2009 with GE - any color there?

Pramod Bhasin - *Genpact - Pres. CEO*

If you don't mind, we won't talk about 2009 in specifics right now. What I will tell you about GE is- GE moves very fast in that type of environment and we have gone to them with a number of big ideas as to how they can take further cost out. They're coming to us with a number of new ideas of areas they want to attack. So our traction with them continues to be very good and our performance with them during this year has been very good. Clearly on the IT side, they tend to cut back on all discretionary projects which impacts us somewhat but everywhere else we have seen terrific traction from them and they consider us a very strong strategic partner and we have gone to them with some very big ideas on how we can help them take costs out which are meaningful. And therefore, I feel very good about the way we are working with GE and our partnership.

Tien-tsin Huang - *JP Morgan - Analyst*

Good to know. Thank you.

Operator

Your next question comes from the line of Rod Bourgeois of Bernstein. Please proceed.

Rod Bourgeois - *Sanford Bernstein - Analyst*

Yeah, Rod Bourgeois here. It sounds like your pipeline has increased in the past three months and I'm wondering if you can quantify how much of that pipeline increase is a function of deals that have been delayed and are thus causing a build up in the deals in your pipeline. Or, how much of the pipeline increase is a function of a new wave of deals that are entering the pipeline of late.

Pramod Bhasin - *Genpact - Pres. CEO*

It's primarily, Rod, new deals entering the pipeline. There are a few deals that have got delayed, but it is not a sizeable number. And in fact, the total number of deals added is quite significant and the total contract value in that five times budget limit. But it as very small proportionate of deals that were delayed and are now coming back in.

Rod Bourgeois - *Sanford Bernstein - Analyst*

Great. If you look at the characteristics of the deals that have come into the pipeline recently, can you talk about the characteristics of those deals relative to what you were seeing in the pipeline a year ago. In other words, are the deals smaller or larger? Are they in different verticals or are they focused on different processes? Can you just talk about what is new about the new deals coming into the pipeline?

Pramod Bhasin - *Genpact - Pres. CEO*

Great question. I think, versus last year, what we are seeing is smaller deals, larger number of customers but smaller deals in terms of overall size. The smaller deals, in my view, are driven by a couple of things. One, by a far closer, laser sharp view of where the real cost benefits lie which was easiest to extract. My apologies-- and which one has the fastest pay back.

Two, versus the prior year when a company may have said, look I want to consolidate all operations around the world, they are now getting much sharper and let's do these countries first and we'll come to the rest later on. We are seeing good deals in F&A again, on supply chain we're seeing deals on ITO this time, infrastructure, and also we're seeing deals. All of these are areas where companies are coming out and saying we want to start in this area but in most cases clearly thinking at that time about the contract may not include it today but the discussions are around the broader range of services over time.

Rod Bourgeois - *Sanford Bernstein - Analyst*

Okay great. And then, earlier this year, it sounds like you were seeing momentum in your Six Sigma base fast payback cost containment type deals, but it also sounds like maybe that part of the business has either been delayed or disrupted recently. Is that an accurate assessment?

Pramod Bhasin - *Genpact - Pres. CEO*

I would say that they have been some delays in that part of the business, but frankly that part of the business has grown at well above 60 to 80% or nearly 100%. So the extent of the delays are very minor, and they can have some impact on a quarter in terms of timing, but broadly, we have seen good-- we continue to see very good traction in that area and in a few cases, there have been delays but really not a huge number.

Rod Bourgeois - *Sanford Bernstein - Analyst*

All right. Thank you.

Pramod Bhasin - *Genpact - Pres. CEO*

Thanks, Rod.

Operator

Next question comes from Ashwin Shirvaikar with Citigroup. Please proceed.

Ashwin Shirvaikar - *Citigroup - Analyst*

My first question is - TCS acquired Citi's back-office recently this was a deal you guys were in the running for about 12 months ago. Can you talk about whether you were in the running this time around. And also, from a strategic standpoint, what is the impact of the large IT providers like TCS and Infosys, sort of closing the gap and acquiring good BPO capability.

Pramod Bhasin - *Genpact - Pres. CEO*

I think you know, if I may, I obviously for confidentiality reasons et cetera, I can't comment on the specific deals. However, talking about ITO and IT providers acquiring BPO capabilities, we are clearly seeing increased competition from them so the IT guys do have broader capabilities, we see them far more often in deals. But we are very comfortable that given the range of expertise and depth that we have, they have a long way to go before they can begin to close the gap. Similarly, I'm sure, TCS will do fine being with the Citi captive that they bought, but as we all know, I think it takes a long time to build that capability, to commercialize it. And then again, it's a limited capability for the things that does and it is never going to be as broad as what we have.

We are also making very strong strides on the business process side to provide what we call end-to-end solutions. Solutions that are truly integrated between IT, BPO, analytics and insight and best practices and judgment that we have accumulated. That's what I think customers want. I think we are building up deep domain, backed by Six Sigma, backed by re-engineering capabilities and I don't think those are easily replicable over the medium-term. It has taken us many, many years to build that capability and I don't think you get there by one acquiring one business or trying to get that done in a short period of time.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay. That's useful. My second question is. You know, in the last quarter, you had strengthened the project-based work, it is because the clients wanted shorter term ROI services. Now there is weakness and you seem to be saying those same services are more discretionary. So, are clients not looking for short term ROI fixes? Are they now saying - this is a bigger-term, longer-term issue and we need to talk about BPO, is that the case.

Pramod Bhasin - *Genpact - Pres. CEO*

No, I think, if I may again just re-emphasize, clients are looking for our re-engineering services. It is our entry point and continues to be our entry point into many companies. It is our ability to drive short pay-back, very good, faster on projects, along with our BPO services that attracts them to us. There have been a few minor delays. I want to emphasize the word minor. As a proportion of our total revenues, these are insignificant. Therefore, I don't want to give the impression that these are hurting. They're not at all.

Our growth, this year for re-engineering services is over a 100%. So, I hope that gives you an idea that the traction is very strong. I believe in this environment, the traction for our re-engineering services, focused on cost reduction, productivity driver, cash optimization, will come in even more at this point in time and I think based on the gain-sharing approach we have with our customers, I think these will be winners this year and next year. In the meantime, quarter-to-quarter, you may see a delay of a project or two but that's all it is. I want to make sure I re-emphasize, our re-engineering services are enormously successful and growing at 100% a year.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay. And are you still willing to sort of use your balance sheet or are clients asking you to use your balance sheet to structure contracts. Something you alluded to earlier in the year? Or has the current credit environment increased the level of caution in that area.

Pramod Bhasin - *Genpact - Pres. CEO*

We don't really use our balance sheet for clients. We don't like it, we don't want to do it and we haven't done it. What you are referring to I think in the past was transition cost that we have said. All right. You can pay up over a period of time and they used to-- and thereby helps them not book the up front cost day one. That transition cost also is a very small portion of the total billing. Therefore, the additional impact of that is very, very low. But, no we are not seeing that question being asked either by customers.

Ashwin Shirvaikar - *Citigroup - Analyst*

One question, how soon can you ramp up-- say you had a strong pipeline and new deals, how soon can you ramp up say call it a 500-seat or 1,000-seat contract. If it comes up and the client says and like you said - all doors are open.

Pramod Bhasin - *Genpact - Pres. CEO*

Right. I think a lot depends on the nature, obviously, of the work I think, in certain areas such as collection, et cetera. It is very much easier and we can ramp up frankly in one or two months and in other areas if its supply chain type work, or complex shared services type work, I think just the training period itself is what takes a longer time and then the ramp up can be three to five months. Depends on the nature of the work, if you understand what I am saying.

Ashwin Shirvaikar - *Citigroup - Analyst*

Yes. My last question, is, there is a spike in the other liabilities account. Is there anything in particular going on there?

Vivek Gour - *Genpact - CFO*

No, nothing really, Ashwin. Just basically, that our hedge is running out to 2010, 2011, 2012 and the hedge loss because of the depreciation of the Rupee and that part of that goes into our other liabilities.

Ashwin Shirvaikar - *Citigroup - Analyst*

Got it.

Vivek Gour - *Genpact - CFO*

You know, in our one-on-one, I will be happy to walk you through it.

Ashwin Shirvaikar - *Citigroup - Analyst*

That would be great. Thank you, guys. Nice quarter in a tough environment.

Pramod Bhasin - *Genpact - Pres. CEO*

Thanks a lot.

Operator

Your next question comes from the line of Jason Kupferberg of UBS Please proceed.

Jason Kupferberg - *UBS - Analyst*

Thanks. Hello guys. Wanted to start with a question, since you brought up the topic of Wachovia a little earlier. Are there any early indications in your guys side in terms of what might happen with Wells Fargo there. And have you met with those folks who give us a sense of what Wells Fargo historically has or has not outsourced. I would think that maybe there's upside opportunity for you here in the situation but obviously it has created some concern among investors given the uncertainty so any additional light you can shed there on how things may play out. Understanding it is still relatively early days.

Pramod Bhasin - *Genpact - Pres. CEO*

I will be happy to. As I said in the earlier discussion, our plans for Wachovia are on track for the year. That's item number One. Two, we are setting up the meetings to engage with Wells management, have them visit us and do all of those things that will allow us to engage at the right level. Clearly they are going through a lot of integration and other things amongst themselves, this is tough, we can read in the papers that stuff which is proprietary, I will not be shedding light on today here.

And I think there will be a period of time before the really fruitful discussions happen with them. For what we understand of them, they have a small captive which does mainly IT work in India and it is really very small. We believe this could represent an opportunity. What we also know is that we have extraordinarily strong supporters within Wachovia for what we do with them and I think that support will really help us during this period of time. We are getting ready to engage with them as soon as possible, so that we also get visibility into future direction. I believe this could be a terrific opportunity. given that Wells hardly does any outsourcing at this point in time.

Jason Kupferberg - *UBS - Analyst*

That's helpful. If you can provide some more color in terms of the client demand environment you talked about. Yes, there are both longer sale cycles and elongated ramp times as well in existing work. I guess, which of those issues right now is kind of more pronounced or more of a concern for you guys.

Pramod Bhasin - *Genpact - Pres. CEO*

The longer lead time in decision-making really is the area that we need to try and tackle. There are many more deals in the pipeline. Obviously we like to get them closed, we'd like to get them moving. I do think that as people begin to read where this overall economy is heading, we may see faster decision-making. That's just a guess.

But it is my view and when I talk to customers and a lot of them have gone through the initial restructuring, the management changes, a lot of other things that have happened. And they are looking at the rest of the economy and the rest the year ahead of them for next year and saying we may have to accelerate this. We haven't seen it happen yet. But that is what I think may happen over the course of the next two quarters.

Jason Kupferberg - *UBS - Analyst*

Okay. And last question. Obviously even at the low end of the range, you are showing some nice year-over-year margin improvements for 2008. Can you give us a sense of how much remaining headroom there might be in operating margins over the next year and beyond and what some of the levers might be to get you there.

Pramod Bhasin - *Genpact - Pres. CEO*

Sure. We think there is room in our overall cost bucket and in how we drive productivity and internal leverage against scale. We have always believed that. This is a throw-back to our GE days where you really believe you can never take out enough costs. Having said that, I think the world is also changing so we are very conscious of wanting to compete in the market place and think of about what we have in pricing overtime, how can we help our customers. And so, I think we have enough levers with us and I will tell you, the main area where we use levers and for instance we still think there is room in driving down infrastructure cost, I think rental rates will come down now, as you imagine, with the real estate issues. Hiring costs are coming down, training costs are coming down. I think wage increases will be lower. I think the amount of staffing-- as we get better and better at operations, the amount of supervisions and staffing we have to provide as an overview of processes is also going to decrease. I think there are multiple levers, telecom rates look to come down again in certain parts of the world. As we look at this, there are many multiple levers we can use and give us further headroom for the next few years.

Jason Kupferberg - *UBS - Analyst*

Okay. Thanks for the comments, guys.

Pramod Bhasin - *Genpact - Pres. CEO*

Thank you.

Operator

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

Tim Fox - *Deutsche Bank - Analyst*

Thank you, good evening. First question I had was around another one of your customers, that is unfortunately been in the headlines a bit lately is Genworth and I wonder if you can comment on your business there. It has been a long term relationship obviously and just wondering if you could talk, maybe characterize the kind of work you are doing for them if you're still on track for 2008 and what the outlook might be beyond?

Pramod Bhasin - *Genpact - Pres. CEO*

Sure. We have been working with Genworth for really 10 years. They were one the first people when they were part of GE to give work to us, so we know the whole team extremely well. And we are very strongly placed with them. Our work with them continues on plan. We really don't see, we have been giving them productivity year-in and year-out for many years now and continue to be able to do so.

We work with them in finance & accounting, in risk, analytics, ITO, in underwriting. We really do a massive range of work. We are, I would say, I guess in many respects, mission critical to what they do. Because we probably have the greatest level of penetration into Genworth of any company that we work with. And so, we feel very good about the work that we do. And we know that there is an awful lot of news about them but we feel very good.

Tim Fox - *Deutsche Bank - Analyst*

Okay. Thanks. That's helpful. Second question. Related to your top 26 customers and in your discussions with them, Pramod, I wondered if you could just talk about what their thinking is around their own restructuring efforts as far as the fact that there is significant number of layoffs going on. Do you think there is any pressure when they are in the process of doing layoffs to increase offshoring, there is going to be a pressure against doing more offshoring and in a related question, wondering what your opinion is about the new administration and the attitude towards offshoring in general. Do you get any sense from your customers that they may be pressured sometime over the next few years around this whole notion of protectionism.

Pramod Bhasin - *Genpact - Pres. CEO*

Yes, absolutely. I was actually hoping you guys might tell us more about what their views are. I will tell you my thoughts on it for what it is worth. From a customer's perspective, actually, we are not seeing that pressure. Maybe at some point we will see it. But right now, they have-- a lot of them actually have gone through their own restructuring so there's a lot of people changes et cetera, which in some cases have caused delays, because the decision maker has moved on or moved to another job or whatever the case may be.

However, what it is clear is that the pain many of them are feeling is so deep and so strong that even those people who may have been reluctant, no longer have that choice any more. In at least two or three customers, I can tell you the discussion going on with them internally is to various divisions is saying- Guys, at one time you had the luxury of sitting back and saying- You don't want to play. Now, that luxury is no longer available. Get moving and figure out how you will cut cost and how you're going to take advantage of it. Frankly, a lot of the work they do, how they can cut costs, and they will cut costs on site, but equally some of that work has to be done. And I think that will over time lead to increased business, we hope for us, in the medium to long-term. On the election front, there is so many discussion about outsourcing et cetera, I think a couple of things. One, some of the rhetoric seems to have died away certainly in the last month or so. Two, given the global trade environment, given the cooperation that I think the US will now have in even greater proportion with countries such as China and India as in other worlds starts to hang together to try to solve these problems, I think some of that pressure will go away and I don't know that elections more will effect outsourcing for them, the economy will. I think the economy will have a far more longer reaching impact.

And just to close up on the question you are asking, So we haven't seen that kind of behavior or discussion at all at this point in time. I just think the one or two instances where I have had a discussion with customers its been very clear, certainly with this one customer, literally this happened two three hours ago, anybody who wasn't playing in this, those days are over, we are looking for every opportunity, every good idea you have got, bring it to us we'll open it up. And so it is up to us really to jump all over that opportunity. And I think we're going to see more of that because of the pain they are going to feel is pretty deep.

Tim Fox - *Deutsche Bank - Analyst*

I appreciate your perspective on that. Lastly, on the cash, on the balance sheet. Good balance here. Still looking at M&A, any talk about buybacks at this point? I know liquidity isn't necessarily a big issue at this point, but given where the stock is, any thoughts about putting into place a modest buy back.

Pramod Bhasin - *Genpact - Pres. CEO*

We certainly thought about it. And we will certainly discuss it internally and with our board members. And so we haven't made a decision on it yet. The issue remains - do you hold cash for outstanding acquisitions because at some point in time, we do believe that you're going to see some amazing value, we hope, and you know, there our gaps in the portfolio that we would like to fill. And we have to weigh one up against the other. So we have absolutely looked at it, we thought about it, but we really haven't made any decision on it yet.

Tim Fox - *Deutsche Bank - Analyst*

Right Thank you. Nice execution in the quarter.

Pramod Bhasin - *Genpact - Pres. CEO*

Thank you.

Operator

Your next question comes from the line of Karl Keirstead from Kaufman Brothers. Please proceed.

Karl Keirstead - *Kaufman Brothers - Analyst*

Hi, good morning. Thank you for taking my call. I had a couple of questions about currency if I may. If I could start with the Rupee. First I notice you haven't disclosed the hedging gains, have you decided not to disclose that going forward and secondly could you remind us what Rupee/dollar rate you locked in for '08 and then in '09 to help us get comfortable with our margin estimates? Thanks.

Pramod Bhasin - *Genpact - Pres. CEO*

No. We haven't disclosed. We're a publicly listed company so I doubt if we have the choice of disclosing or not disclosing. What we do is as we have explained in the past, these currency gains are booked against the individual expense line and we reclassify the affect gains and losses on the appropriate cost lines on the face of our income statement. I will turn it over to Vivek to talk about what is the actual rate at which we have done some of this.

Vivek Gour - *Genpact - CFO*

Karl, we won't be disclosing the rates at which we hedge. There would technically be a weighted average rate but hedges are at all rates, all across the board. And we as you know hedge out three years in advance. For the hedges we have for 2008 and '09 were done in '05 and '06 and often have little bearing to rates that you might see in the market today. Where our hedge gains and losses are concerned they would sit in the balance sheet for the unrealized portion of our hedges in the future in lines called other current assets and other assets, or other liabilities, if they were losses.

Karl Keirstead - *Kaufman Brothers - Analyst*

Okay, I'll follow up with you on that. And then if we could turn to the Euro or Pound, I didn't hear it, but did you disclose what portion of revenues for what portion of your revenue mix are derived from Euro or Pound denominated contracts. If you could provide that, that might help us gauge your exposure to the dollar Euro or dollar Pound movement. Thanks.

Vivek Gour - *Genpact - CFO*

Yeah. We typically do not provide rate up or revenue exposure by currency.

Pramod Bhasin - *Genpact - Pres. CEO*

It's approximately, it's not going to be more than 10 to 12% of our total revenues.

Vivek Gour - *Genpact - CFO*

And to the extent possible, we hedge those also.

Karl Keirstead - *Kaufman Brothers - Analyst*

So the dollar movement against the Euro/Pound has a de minimus effect on your P&L, is that correct? Or if it doesn't' can you help us understand how it affects your income statement?

Pramod Bhasin - *Genpact - Pres. CEO*

If I may suggest, we don't normally disclose all this data. We would be happy to walk you through it at a subsequent call to perhaps describe how we do it and the extent to which we do it.

Karl Keirstead - *Kaufman Brothers - Analyst*

Okay, that's helpful. thank you.

Operator

And your next question comes from the line of Ed Caso of Wachovia. Please proceed.

Ed Caso - *Wachovia - Analyst*

Hi. Ed Caso, thanks for taking my call. Earlier I had a sense that the competition was getting a little tighter. I wonder if you-- and maybe there was some irrational behavior. Could you differentiate between say the larger tier-one players and maybe some smaller players that are getting more desperate and maybe even throw the captives into the mix. Just trying to get a sense of where the pressure might be coming , and given that you've got sort of a Fortune 500 kind of clients are they listening to the tier-three players or are they sticking with the tier-ones.

Pramod Bhasin - *Genpact - Pres. CEO*

Really, I think the tier-three don't come into account. So the pressure we end up feeling quite often is-- can be from a IT company tier-one, a global IT company, not even what you would call tier-one Indian listed company. Global IT company wanting to make its mark on the business process side. Or it could be from an Indian IT company wanting to make its mark on its business process side. Sometimes we are just not certain about perhaps how they allocate costs internally or how they--- do they think about their expenses internally or the business process versus IT side. That's where we see some pricing which we look at and say how do you make any money on this, and how do you take on these kinds of liabilities. So we see that-- it's not often, but once in a while we see it.

Ed Caso - *Wachovia - Analyst*

Could you give us a sense on your visibility and your forward 12 month relative to say this time last year.

Pramod Bhasin - *Genpact - Pres. CEO*

I think we are going to obviously wait until we announce our '09 results to give you that. Typically, though, to your point, and I hope this is the question you are asking. We do have visibility of about 80% into next year, of our total revenue. I think that would generally hold good. It is between the 75 to 80 % is roughly where it sits.

Ed Caso - *Wachovia - Analyst*

If you could differentiate within GE, how much is BPO and how much is IT and maybe how much each of those segments is growing or not.

Pramod Bhasin - *Genpact - Pres. CEO*

Sure, the IT segment within GE is pretty flat. The BPO segment is the one that is growing at actually 9 to 10% or more-- or double digits. And within that part of the GE total business, about 25% would be IT.

Ed Caso - *Wachovia - Analyst*

Thank you.

Operator

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

Vincent Lin - *Goldman Sachs - Analyst*

Great, thanks a lot for taking my call. I got on a little bit late, sorry, but I'm just wondering if you can talk about whether there is any maturity for-- in terms of the main environment on a geographical basis, say here in the US, versus Europe and other parts of the world.

Pramod Bhasin - *Genpact - Pres. CEO*

Sure. I think the US as we said in the call our pipeline overall remains very full and is at its highest level it has ever been. Europe also, our pipeline is good, although I think the pipeline there is probably smaller than it is in the US. Having said that, our pipelines in China and India, where we are just starting off businesses, is looking terrific. These are high growth markets, the companies there are looking for these services and as we said in my discussion, we will increasingly focus on these types of markets, because we are seeing real traction and real revenue growth in these markets. And very strong revenue growth.

Vincent Lin - *Goldman Sachs - Analyst*

That's helpful. And then, just wanted to drill down your BPO versus your IT business a little bit. Whether you can comment about the margin profiles for each of your businesses. Given the continued softness that we have seen, on the IT side and also just on the IT specifically, whether we should expect to see continuing weakness or expect to see the IT business pretty much stabilizing at current levels. Thanks.

Pramod Bhasin - *Genpact - Pres. CEO*

If you won't mind, I apologize for this, but we don't really disclose the margins between the two businesses. I think you will find them - I think , depending on the cycle and depending on the nature of the work within, you know we have two different businesses IT construction services and the software business. Again within that the margins are different. So, I apologize I don't want to get into that discussion. We do think that the proportion of IT to BPO will stabilize and stay at this kind of level going forward.

Vincent Lin - *Goldman Sachs - Analyst*

Okay great, thanks.

Operator

At this time I would like to turn the call back over to Mr. Anil Nayar for closing remarks.

Anil Nayar - *Genpact - Head of IR*

Thanks Clarissa. Let me just thank everyone for joining us on the call today. In this environment we are very pleased with our financial results and our overall growth achieved to date. The short term will have some challenges for our customers as they will look to re-prioritize their business goals and objectives, but we are very confident in our people and our business model to help our customers achieve even greater heights. If you have any questions further please drop me a note and we will respond. Thank you.

Pramod Bhasin - *Genpact - Pres. CEO*

Thank you very much everyone.
