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CORPORATE PARTICIPANTS

Bharani Bobba *Genpact Ltd - VP of IR*

Tiger Tyagarajan *Genpact Ltd - President and CEO*

Ed Fitzpatrick *Genpact Ltd - CFO*

CONFERENCE CALL PARTICIPANTS

Jeff Rossetti *Janney Montgomery Scott - Analyst*

Edward Caso *Wells Fargo Securities, LLC - Analyst*

Keith Bachman *BMO Capital Markets - Analyst*

Anil Doradla *William Blair - Analyst*

George Tong *Piper Jaffray - Analyst*

Evan Bull *Deutsche Bank - Analyst*

Ashwin Shirvaikar *Citigroup - Analyst*

Puneet Jain *JP Morgan - Analyst*

S.K. Prasad Borra *Goldman Sachs - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the third-quarter 2014 Genpact Limited earnings conference call. My name is Ryan, I will be the operator for today.

(Operator Instructions)

As a reminder, this call is being recorded for replay purposes.

And now I would like to turn the call over to Mr. Bharani Bobba, head of investor relations at Genpact. Please proceed, Sir.

Bharani Bobba - *Genpact Ltd - VP of IR*

Thank you, Ryan.

Welcome to Genpact's earnings call to discuss our results for the third-quarter ended September 30, 2014. We hope you've 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 an overview of our results and address our progress in executing our more focused strategy, followed by Ed, who will discuss our financial performance in greater detail. Tiger will 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.

In our call today, we will refer to certain non-GAAP financial measures, which we believe will 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 in our earnings release in the IR section of our website.

With that, I will hand the call over to Tiger.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

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

Genpact delivered strong financial results in the third-quarter of 2014, highlighted by Global Client revenues resuming double-digit growth. We continued the disciplined execution of our strategy by focusing our resources and investments in our chosen verticals, geographies and service lines.

We are ahead of our planned investments in client-facing teams and domain-led capability builds. We have also improved productivity in our client-facing teams, which is reflected in bookings momentum and improved win rates. All of this demonstrates that our growth strategy is generating results.

Our strategy is to run our business with a more targeted focus that can drive faster growth in key areas and deepen client relationships. The four pillars of our strategy are as follows-

First, concentrate our investments to ensure market leadership in select key industry verticals, focused service lines, and targeted geographic markets.

Second, expand our team of subject matter experts and lead solution architects, who bring extensive knowledge and domain expertise to clients.

Third, further integrate our core operations, technology and analytical offerings to differentiate our solutions and,

Finally, deepen our client relationships.

The goal of our strategy is to capture a bigger set of opportunities in our large and still highly under-penetrated growth markets. By focusing our efforts, we are finding more opportunities to pursue and enhancing our credibility and differentiation in those pursuits. This is driving our increased investment both in capabilities, and in client-facing teams, where we continue to add highly talented and experienced professionals. We are seeing these investments begin to pay off, as evidenced by the acceleration of our Global Client growth rate and increased sales force productivity. As we've seen our revenue growth accelerate through the year, we have stepped up our investments in the third quarter and are ahead of our objective for the full year. These are disciplined choices that we have made in our targeted verticals and we expect these investments to translate into a new level of transformative discussions with our existing and prospective clients.

We are making significant progress in our strategy execution journey- First we continue to build on the momentum we created at the beginning of the year and are making further progress in converting our big deal pipeline into revenue. In the third quarter, we signed another significant transformational engagement. We are partnering with Hitachi, a leading diversified manufacturing company, to transform and outsource their finance and accounting operations in Japan. Our partnership will support their Smart Transformation initiative aimed at optimizing and streamlining operations, while ensuring continued global growth and innovation.

Second, we continued to add domain and subject-matter experts in our focused industry verticals, service lines and geographies, and depth to our client-facing teams, with highly talented and experienced professionals. As I mentioned, we are actually ahead of our plan this quarter and now expect to spend approximately 6.5% of our revenue in Sales and Marketing for the full year.

Third, the integration of our recently announced acquisition in the life sciences regulatory space is ahead of plan. This acquisition is a great example of our new, more focused strategy in action, as we made a significant investment in the vertical where we already have a market leadership position.

Fourth, we launched our technology System of Engagement-building and delivering an engagement layer of technology that will sit on top of a client's multiple ERP systems to drive automation for the end-to-end processes we transform and run for clients. The exciting aspect of our System of Engagement is that it builds on our foundation of deep domain understanding and process expertise with advanced technologies, such as enterprise-ready clouds, mobility, big data analytics, and visualization, to provide differentiated client insights and business impact.

Fifth, we have stepped up the integration of rapid robotic automation with our process excellence heritage to drive further improved process quality and operational intelligence for our clients. We are collaborating with select research institutions and technology startups on new technologies that will allow our clients, for example, to automate a manual three-way match process in Procure to Pay. We believe, identifying the right technology, based on our process expertise, improving that process through re-engineering and re-design, and integrating that technology, is one of the largest levers in our business today in driving significant business impact. It is becoming a key differentiator for us in winning client engagements.

Finally, our Know Your Customer solution with Markit in the Capital Markets space, is gaining momentum. The end market is huge with just the Top 10 banks spending approximately $1 billion annually on KYC requirements. Our solution will help them to comply with the many rules governing these KYC requirements in an efficient and cost-effective manner. Our partnership is an active dialogue with a set of additional banks beyond the original four design partners for the utility. As we take our KYC offering to the market, we expect our investment to increase through 2015, while revenue is expected to ramp in the second half of 2015 and accelerate into 2016.

Other key highlights for the third-quarter demonstrate our steady progress. Total revenues increased 10% year-over-year and 5% sequentially in the third quarter, and our Global Client revenues grew 13% year over year. Four of our target verticals continue to lead Global Client revenue growth in the third quarter, namely Life Sciences, CPG, Insurance and Infrastructure, Manufacturing Services, which all grew in double-digits year over year. From a service line perspective, Finance and Accounting, Core Vertical Operations and Consulting led growth. GE revenues declined less than 1%, with strong growth in IT out-sourcing and projects nearly offsetting expected declines in other parts of the business.

Adjusted Operating Income margins totaled 15.0% in the third-quarter, reflecting accelerated investments. These investments, focused on the four pillars of our strategy, and our focus on the core verticals are already resulting in increased bookings and revenue acceleration, and we believe will position us for long-term profitable growth.

Our pipeline continues to be healthy with good inflows of larger, complex deals. We have bolstered our capabilities with increased investments in advanced technologies and automation, as well as Consulting, particularly in the area of Finance and Accounting and in the Risk and Regulatory arena in Financial services. Year to date, pipeline inflows are strong and win rates have improved. I mentioned the Hitachi deal this past quarter, but I also want to highlight that we are on track for successful execution of some key wins that we mentioned earlier this year.

- Our work on the large Consumer Packaged Goods deal is resonating within the industry as we are quickly building unique Core Vertical Operations capabilities that help clients grow revenue faster by combining industry expertise with cutting edge technology and analytics to improve customer service and sales support for our client.

- We are well on our way to creating a Finance Center of Excellence for one of the largest global insurance companies. When this is fully ramped up, we will be providing complex services such as Statutory and Regulatory Reporting, Corporate Accounting, Reinsurance Accounting, Tax and Financial Planning and Analysis. In this specific case, our insurance industry knowledge, our depth of understanding complex F&A in this vertical, and our DNA of transforming client processes to generate better outcomes, allowed us to become the chosen partner.

- We are deeply engaged with the Information Services company we talked about in the second-quarter, helping them transition from a portfolio of disparate businesses into an integrated enterprise. As part of this engagement, we have partnered with them to take over the client shared services center, drive working capital benefits and provide enhanced controllership and visibility within their finance organization.

These examples are indicative of an evolution in the market over the last year or so, as clients, particularly in our targeted verticals, have focused their attention on significant transformation and this is resulting in an increasing opportunity to engage in large deal discussions.

In summary, we believe we have the right strategy with the right areas of focus, to increase our market share and drive growth in our under-penetrated markets. Although early, we are demonstrating great progress on this very exciting journey.

I will now turn it over to our new CFO, Ed Fitzpatrick. As you know, Ed joined Genpact right before our second-quarter earnings call when he introduced himself. He now has a full quarter under his belt and I'm happy to turn the call over to him.

Ed Fitzpatrick - *Genpact Ltd - CFO*

Thank you, Tiger. Good afternoon, everyone.

Today, I will review our third-quarter performance, followed by a summary of key highlights on the balance sheet and cash flows. We closed the third-quarter of 2014 with revenues of $588 million, an increase of 10% year-over-year. Revenue growth was 8%, excluding Pharmalink, which we acquired in May 2014.

Third-quarter revenues from Global Clients increased 13% year over year. Excluding Pharmalink, revenue growth was 10%. Within Global Clients, Business Process Outsourcing revenues increased 16%. Our Global Clients IT services revenue increased 4%. GE revenues performed better than expected, with a decline of less than 1% year over year.

Our overall BPO revenues increased 11%. Our overall IT services revenue increased 6% driven by growth in both Global Clients and GE.

We continued to expand relationships with global clients in 2014, across a range of our industry verticals. In the 12 months ending September 30, 2014, we grew the number of client relationships with annual revenues over $5 million to 88 from 77 as of September 30, 2013. This includes client relationships with more than $15 million in annual revenues increasing to 30 from 25, and client relationships with more than $25 million in annual revenue increasing to 15 from 12.

Adjusted income from operations totaled $89 million, compared to $95 million in the prior-year. This represents a margin of 15.0% versus 17.8% in the third quarter of 2013, as we are ahead of our planned investments in client-facing teams and domain subject matter experts.

While operating margins were down year over year, due to selling and marketing investments, our gross margins grew to 39.7% from 38.4% last year, aided by operating efficiencies and favorable foreign exchange. As a result of the increased revenue and gross margin levels, total gross profits grew to $234 million, from $206 million in the third quarter of 2013.

SG&A expenses totaled $153 million compared to $117 million in the third quarter of last year. Our sales and marketing expense as a percentage of revenues this quarter, was approximately 6.8%, up from 4.7% in the same quarter last year. On the full-year basis, we expect sales and marketing expense to be approximately 6.5% of sales, versus our previous estimate of 6%.

Including capabilities, our incremental investments are now expected to total approximately $60 million for the full-year 2014, versus our original estimate of $45 million, or closer to an incremental 2.5% of revenue versus our previous expectation of approximately 2% of revenue. As we have mentioned previously, these investments have been ramping in and 2014 and will have a full year impact in 2015.

Net income was $46.7 million, or $0.21 per diluted share, in the third-quarter of 2014, compared to $70.3 million, and $0.30 per diluted share, in the third quarter of 2013.

Our adjusted EPS for the third quarter 2014 with $0.26 per share, down from $0.33 per share in the third-quarter of 2013. The year-over-year decrease of $0.09 in earnings per share was primarily driven by unfavorable foreign exchange re-measurement, as well as lower operating income due to increased selling and marketing expenses.

Our tax expense for the third quarter was $15.1 million, down from $21.9 million in the third quarter of 2013, representing an effective tax rate of 24.5%, up from 23.8% in the third quarter of last year. The increase in effective tax rate was driven by certain one-time benefits recorded last year.

I will now turn to our balance sheet. Our cash and liquid assets totaled proximally $424 million, up from $377 million at the end of the second quarter. This was after repayment of $12 million of debt. With undrawn debt capacity of $83 million and existing cash, as stated earlier, we continue to have flexibility to pursue growth opportunities. Our net debt to EBITDA for the last four rolling quarters was approximately 1.1.

Our days sales outstanding improved sequentially to 82 days from 84 days, due to stepped up efforts on larger past due accounts. DSO's are up year over year by two days, so this will be an area of continued focus.

Turning to operating cash flows, we generated $86 million of cash from operations in third quarter of 2014, compared to $126 million in the same quarter last year. This decline was in line with our expectations and was primarily driven by foreign exchange, re-measurement impacts, strong sequential revenue growth resulting in higher receivables, and lower operating income.

Capital expenditures as a percentage of revenue were approximately 2.9% in the third quarter 2014, this was mostly invested to support incremental client operations.

Finally, our outlook for the remainder of the year. We continue to expect 2014 to be a pivotal year for Genpact, both in terms of revenue growth and adjusted operating margins. We expect GE revenues to decline approximately 2% to 3%, slightly better than our initial expectations.

We expect Global Client revenue growth to be at approximately the midpoint of our 7% to 9% range, with stronger growth in the second half of the year than the first. As a result, we now expect revenue for 2014 to be at the high end of the range of $2.24 to $2.28 billion.

With the accelerated investments in sales and marketing and capabilities, we expect our adjusted operating margins to be at the low end of the range of 15% to 15.5%.

I want to add one more comment before I hand it over to Tiger. I've met some of you in person and on the phone and I look forward to meeting with all of our investors in the near future. I've been asked several times what I see in the opportunity at Genpact and my answer is, that I see a company with a leading market position in high-growth industry that is still in its early innings.

A sticky recurring revenue model based on multi-year engagements with clients and a very strong cash generating business with great capital allocation options. This is a very exciting opportunity for Genpact and for me personally to be part of this great team.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Thank you, Ed.

As Ed said, 2014 continues to be a pivotal year for Genpact. We are executing on our more focused strategy and are already seeing positive results across a broader opportunity set by adding differentiating capabilities and building world-class client facing teams. In addition, the headwinds we experienced in 2013 and early 2014 have diminished in impact. The momentum and forward indicators, such as pipeline and bookings, has been building throughout 2014.

We expect revenue growth to continue to accelerate into next year. Many of the investments we are making this year will have full-year impact in 2015. We expect 2015 margins to remain broadly consistent with 2014, especially as we invest in ramping up the large deals we have won this year. It is important to note, however, that we believe the investments we are making should position us well to return to mid-teens Global Client growth rate by 2016.

With that, I will hand the call back to Bharani.

Bharani Bobba - *Genpact Ltd - VP of IR*

Thank you, Tiger. Ryan can you open up the call to Q&A?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Joe Foresi.

Jeff Rossetti - *Janney Montgomery Scott - Analyst*

Good afternoon this is Jeff Rossetti in for Joe. Tiger, I was wondering if you could maybe quantify some of the bookings momentum and improved win rates that you discussed, maybe relative to three months ago and at the end of last year?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Jeff, we will be providing more color around bookings, as we said, in the last couple of quarter calls as we get into next year. Suffice to say that the momentum around bookings is a little better than what we had expected, and part of that is driven by the big deal bookings, which as we have said many quarters, takes longer to get to final contract.

These are complex, large deals, that take time to solution and find the right answer for our clients, and the four deals that we have closed in the big deal category this year, the last one being Hitachi that we talked about, provides the momentum in that booking that we talked about. Obviously, that also leads to better win rate, given that some of our pipeline is now composed of these large complex deals that we are winning.

Jeff Rossetti - *Janney Montgomery Scott - Analyst*

Okay. Is there any change in the sales cycle for these large transformational deals that you are seeing, in terms of ramp and closing?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

No, Jeff, the life cycle deals are different from the more flow type of business that we have, both with existing clients and with new prospects. These large deals do take longer. They are taking as long as we have been saying they are taking, so no change in that, but the fact is they do take longer.

Jeff Rossetti - *Janney Montgomery Scott - Analyst*

Okay. And then finally on GE, seems like one of your competitors has been growing with their relationship, and I just wanted to see what you see from GE going forward outside of maybe your guidance for this particular year? What kind of changes with the account are you seeing, are there particular areas where you can expand the relationship? Thanks.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Jeff, we've always talked about GE as being hugely penetrated by us, in terms of the range of services across all the businesses that we offer globally. We have also said that we continue to innovate along new service lines with GE, and it is one of the relationships that we do a lot of innovative services with, and that continues to be the way we are working.

For example, in the Regulatory and Risk space, a lot of the work that we are doing across our client base includes a lot of the work we are seeing with GE Capital. We've always looked at GE as a flat up-down, plus or minus 2%, and that's kind of the way it's playing out this year, a little better than what we had expected.

Jeff Rossetti - *Janney Montgomery Scott - Analyst*

Thank you.

Operator

Edward Caso.

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

Hi, good evening. I didn't hear a lot of conversation about analytics and so forth. Obviously, you had some terrific success with the big wins.

But could you talk about the role of analytics, whether it's a standalone offering or, if it gets more integrated, is it a door opener? Where does it fit into the puzzle?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Ed, hi. It is all of the above, and that is probably the right way to answer it. It is an evolution that we are seeing, both in the marketplace as well as in the way we go to market and build our capabilities. One, it is a very significant standalone offering that we've always had, and continues to be a significant offering.

We talked about Risk and Regulatory services, that is all analytics. I think Risk and Regulatory services is a significant component of the analytics service offerings we have always gone to market with. It's obviously one of those services that has seen, for obvious reasons, great traction.

We're also embedding analytics very significantly into a number of service lines, and that's part of the capability build investments that they are doing. I talked about the Systems of Engagement, that is not just technology. It's visualization, it's dash-boarding, it's predictive analytics, along that technology that sits on top of complex legacy ERP platforms, so that is embedding analytics into our service lines.

It is certainly the door opener in many cases because some of the crying needs of clients in many industries is: I want to drive growth, I want to drive cross-sell, I want to mitigate risk, I want to answer regulators. So a great door opener.

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

For Ed, the way you guided adjusted operating margin, does that imply that the fourth-quarter will be below 15%? If I've done my math right?

Ed Fitzpatrick - *Genpact Ltd - CFO*

You've done the math right. You've done the math. It is really related to the investments having the full impact, right? We have ramped up significantly, as we've talked about, and it's hitting the quarter in such a way.

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

Now you said that the reason, or maybe one of the reasons, for the margins being similar, 15%, 15.5% in 2015, was because of the ramping of large deals, so could the continued success on the new business front keep margins in that range for the foreseeable future? Some of your competitors are starting to show improved margins.

Ed Fitzpatrick - *Genpact Ltd - CFO*

Let me comment and Tiger can add. We won't guide too far into the future, but I would say next year's impacted by a few things, and we talked a little bit about each of them on the call and on prior calls.

But the ramping of large deals is one, the full-year impact of the investments that we are making, and selling and marketing, and in capabilities having a full-year impact, is the other. That is the other significant piece there, so I think that is what is impacting next year, more so. We haven't communicated where we would go after that, but I would say we should experience some leverage going forward, but next year is more of a challenge because of particularly the investments we made this year.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Just on that one point, on what happens when we have large deal transitions. You know the way the business model works.

When you accelerate growth, which is what we are experiencing, you have more transitions in a year than the previous year. When you have steady state growth, then, while you're doing new transitions, older transitions are maturing, so those tend to wash each other out.

We are experiencing acceleration and that's one of the reasons you will see an impact. We expect an impact in 2015, but we will talk more about it as we get into the next quarter.

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

Last question, as a leader in F&A, we continue to hear from the advisers and other people that the F&A part of the world is increasingly commoditized and under intensified price pressure. Are you seeing that, and how are you sort of getting around that to protect margins? Thanks.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Ed, the way I would characterize it is, price pressure and competitive pricing has always been the nature of this business, and that hasn't changed. I would not characterize it as commoditization, because what is happening in many spaces, Finance Accounting being an example, is more complex, more embedded analytics in that journey, higher value-added services, more global delivery, and more technology embedment that sits on top of the ERP layer. So I would actually characterize the current journey that transformative clients are on, actually as more complex and less commoditized.

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

Okay. Thank you.

Ed Fitzpatrick - *Genpact Ltd - CFO*

Again, just to add to that, we did mention that margins are holding steady, actually improving a bit this quarter, so another indicator.

Operator

Keith Bachman.

Keith Bachman - *BMO Capital Markets - Analyst*

Hello, I wanted to go back to the question Ed was asking. I'm still not sure what the message is.

The math would suggest that you are going to be in the 14% range for the fourth quarter, and yet you said FY15 margins would look like FY14 margins. But I'm not sure if the message is FY15 looks like 14%, or if it's in the range that you are suggesting of 15% to 15.5%? If you could clarify (multiple speakers) --

Ed Fitzpatrick - *Genpact Ltd - CFO*

I'm sorry. I didn't mean to cut you off.

Keith Bachman - *BMO Capital Markets - Analyst*

That's okay, everybody does. So the message is FY15 will look like FY14, which is 15% to 15.5%. Is that the message?

Ed Fitzpatrick - *Genpact Ltd - CFO*

Yes, we are saying more in line with the full-year numbers.

Keith Bachman - *BMO Capital Markets - Analyst*

Okay, because that's a very different context. Therefore, the conclusion is, you are making some incremental investments in Q4 here? I don't want to say are one time, but won't be replicated, so we are not going to see a 14% kind of margin in FY15, you don't think?

Ed Fitzpatrick - *Genpact Ltd - CFO*

I wouldn't comment in the quarter by quarter, but I would just say right now our expectation is full year, we're expect to be more in line with what we do in 2014.

Keith Bachman - *BMO Capital Markets - Analyst*

Okay, fair enough. My broader question is also similar. Accenture in particular, and Cognizant to some extent, are messaging that there is more bundling going on, if you will. That is to say, a combination of various services, consulting, IT integration, analytics, etc, including BPO, that is really winning the business.

So as you think about your strategy, how effective are Genpact, because you are sub-scale when you're going against the likes of Accenture and some of the other larger players. How are you effectively competing in the larger deals, in particular?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Keith, the first answer to the question is we are obviously effectively competing, because we are winning. The same people you named, because a lot of these are complex deals and those are the players who typically are present in those conversations.

Obviously, the basis of competition is different for different people. Our basis of competition is our understanding of the domain, our understanding of the process, and our understanding of being able to drive effectiveness apart from efficiency and outcomes.

Something we have built over many, many years, and we've talked about it in many other calls before. It's modern, the price process, process benchmarking that drives outcomes. And then we're bringing in what we think is the technology of the future, which is a thin-layer, cloud-based, mobility-based, big data-based that sits on top of the ERPs. That is our basis of competition, and for us it is winning a fair share of what we want to win.

Keith Bachman - *BMO Capital Markets - Analyst*

Okay. Fair enough. I am going to sneak on in, and then I'll cede the floor. Ed, if you just think philosophically about cash flow, or free cash flow more specifically, as you think about CY15, is your initial impression that CY15 will be flat, up or down, in terms of free cash flow year-over-year?

Ed Fitzpatrick - *Genpact Ltd - CFO*

I think as you model it, as we guide that, as we get into next year at the end of the fourth-quarter, the way I think of it, it should be in line with our profitability growth, so as net income grows, cash flow should grow. I did mention receivables and working capital being an area of focus, so we need to make sure we continue to stay on that, such that we do drive through as much of net income to cash flow as possible. So that's the way we're thinking about it.

Keith Bachman - *BMO Capital Markets - Analyst*

All right. Fair enough. Many thanks, guys. Thank you.

Operator

Anil Doradla.

Anil Doradla - *William Blair - Analyst*

The Hitachi deal, Tiger, can you share with us, how long did it take and how competitive this deal was?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

How competitive? Anil, how long did it take? Overall, I suspect from the beginning of the conversation to the end, about 18 months.

If I were to talk about when we actually first started engaging, that goes back to the time we started in Japan, which is 10 years, because these are large corporations, global corporations, and it takes time for something like that in Japan.

And your other question was around competition. Competitive, but again, in some markets, in some services, competition thins out very quickly.

Japan, as an example, is one of those geographies where we've been present for 12-odd years. We have a strong local presence. We have a very credible, 12-plus year heritage of delivering services from China into Japan.

A very local team in Japan and a local team in China, and leverages all our global capabilities in Finance and Accounting. And when you put that all together, with a global conglomerate like Hitachi, it doesn't take long to figure out that it becomes a very specific conversation with a few people, to figure out the right solution for Hitachi.

Anil Doradla - *William Blair - Analyst*

How do you think this deal is going to evolve? Is going to be an all-encompassing Hitachi, or certain subsidiaries, and then from there you'll kind of grow from here? Could this be a top five customer view, say, in the next three years?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

I wouldn't necessarily predict over the next three years, but very clearly, given the size of the company, the nature of their business, multi-business environment, and our heritage, its -- one could easily argue this could be one of the largest relationships that we could have over many years.

Anil Doradla - *William Blair - Analyst*

Interesting. Tiger, you also talked about investments that you are talking about in the core verticals, and highlighted some subsequent good traction. Now, specifically, can you give a little more color? Is it largely mostly around personnel or was it around tools, or I mean when you talked about some of these investments, can you maybe provide a little bit more color?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

We've always said that our investments are kind of split between client-facing people with domain expertise in the specific service lines and industry verticals, and that's about two-thirds of our total investment.

One-third of the investment is actually bringing together subject matter experts in those service lines and verticals, in order to build industry-leading solutions that combine process domain understanding, technology and analytics, to solve big problems that clients are facing in these areas, and big opportunities that they want to tackle.

That is kind of the way that investment is being split. They play into each other. A lot of the leading conversations are had by our thought leaders with our clients in the front, and the build-out of those are done by deep subject matter experts who bring all that together at the back. And obviously, their teams are combined to actually make that happen.

Anil Doradla - *William Blair - Analyst*

Tiger, you did talk about it, I'm not sure whether I got the answer, but did you quantify how much revenue we are getting from analytics?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

No. I did not.

Anil Doradla - *William Blair - Analyst*

I would love to hear how much it would be? (Laughter)

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

It is more and more embedding itself into a number of our deals. So part of the challenge in your question, and trying to answer the question, is slicing and dicing that.

I mean, if you think about a large insurance deal, where you are managing end-to-end claims, that includes often actually processing the claims. It includes the technology system of engagement that I talked about in order to sit on top of a -- probably a legacy claims platform, and it includes building from analytics engines, building models that catch frauds much before they happen.

That becomes the overall, full solution. So more and more, the way we think about the business is as solutions that solve either a big opportunity or a problem for a client, to deliver great outcomes for them.

Anil Doradla - *William Blair - Analyst*

All right. Thanks a lot, guys.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Thank you.

Operator

George Tong.

George Tong - *Piper Jaffray - Analyst*

Hi, it's George from Piper. Based on what you have in the pipeline and bookings, how much growth would you say is in the bag for next year in Global Clients?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

George, I think the best way to answer that question is, we see good momentum, based on that booking, and based on the pipeline and based on our win rate. We see good momentum in our Global Client growth.

Obviously, right now, as we speak, we are in the middle of our planning cycle. We will complete that exercise by late December, early January, and we will be ready to talk about specific numbers by that time, we come out and talk in late January.

THOMSON REUTERS

George Tong - *Piper Jaffray - Analyst*

Great. I want to further explore how you are thinking about investments in client-facing teams and capabilities. Are you accelerating investments from next year into this year, or are you increasing investments on a sustained run rate basis? If this were an acceleration in investments, any reason why we shouldn't expect to see margin expansion next year?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

It is actually a little bit of acceleration more than anything else at the moment, and the prime reason for not seeing that play out in margins next year is because this is a full-year impact next year, and of course we talked about large deal transitioning, more next year than they did this year. Those would be the two drivers.

George Tong - *Piper Jaffray - Analyst*

Perfect. Last question, can you discuss whether your stepped-up investments are designed to sustain your current growth rate, which is very strong in Global Clients, or are they meant to further accelerate growth above and beyond 13%?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

So the way, George, we've talked about it is that in the medium-term, and for the purposes of this discussion, we've said 2016, we would like our Global Client growth to get to broadly the mid-teens arena. And if you model that out, it looks like a steady move from now to 2015 and into 2016.

George Tong - *Piper Jaffray - Analyst*

Great. Thank you.

Operator

Bryan Keane.

Evan Bull - *Deutsche Bank - Analyst*

This is Evan Bull on for Bryan. Just digging a little deeper on the Global Client growth rate, it looks like there was some nice acceleration, even on an organic basis, of 10%. Can you give some puts and takes behind that acceleration? Was most of that from the two deals that you signed in the last quarter ramping?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

I would say it is a combination of big deals, it's a combination of the client-facing teams, with some of our larger relationships that took new capabilities to our existing big relationships, and added new growth to those relationships. Part of the reason why our relationships over $25 million, and the $15 million to $25 million category rose, was growing with existing clients, so I would say it's a combination of all of them.

Ed Fitzpatrick - *Genpact Ltd - CFO*

It was pretty broad. We mentioned the verticals when we saw that growth as well, right?

So it wasn't in one vertical or another. There were four or five that grew pretty nicely in the quarter?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Correct.

Evan Bull - *Deutsche Bank - Analyst*

Okay, great. I guess on GE, it looks as if this is the third straight quarter that GE has outperformed Company expectations.

How much visibility do you have in that business quarter-to-quarter? Can you help us see that? And the expectation, I guess for this quarter, you guys have been well ahead of the mid-single decline you outlined, so just an update there?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Yes, a little bit of the acceleration was driven by projects and -- IT projects and consulting projects. By definition, therefore, they have a shorter cycle and shorter tenure nature to them.

Visibility for GE, the depth of our relationship and the breadth of what we do, actually means that cycles are very, very short, and that's the way it should be. The deeper the relationship, the more we are connected end-to-end of the process, the shorter the cycles. And therefore, to that extent, things crop up, and we get engaged and drive the change very quickly.

Actually, to some extent, projects crop up and we are onto it, and then they get completed and those projects disappear. That's the way I would think about that relationship, which is why, the right way think about the GE relationship is flat, up or down 2%, on a year-over-year basis.

Evan Bull - *Deutsche Bank - Analyst*

Great. Then, Ed, a question for you on capital allocation. It seems like the past couple quarters, you guys been pretty focused principally on investing for growth first as a priority, whether that was internal investment in sales force or through M&A.

I guess my question is, has that changed now that we are starting to see some pretty solid growth come through? Have you reevaluated your capital allocation priorities, and maybe focus more on shareholder returns through buyback or dividend? Thanks.

Ed Fitzpatrick - *Genpact Ltd - CFO*

I would say the Company is still, and will continue to always be focused first on driving profitable growth. I think the Company has done that, and has done that very well, and we are seeing some of the fruits of that come through this quarter, as we've talked about.

On capital allocation, I would say the Company has done a good job of this in the past with returning capital to shareholders. It's been a diverse set of tools that we have used to return capital to shareholders, but I think we've done it effectively, including the most recent share repurchase that we have done a quarter or so back.

I think going forward, though, Tiger and I are working on a framework with the Board, such that we can formalize in such a way a methodology that we are going to pursue, such that investors won't be surprised by anything that we do going forward, or at least there shouldn't be any surprises in the types of things we are going to allocate our capital to going forward. And we'll come back to you with that framework near term.

Evan Bull - *Deutsche Bank - Analyst*

Thanks and congrats again.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Thank you.

Okay, we will move on. Ashwin Shirvaikar.

Ashwin Shirvaikar - *Citigroup - Analyst*

Congratulations on the quarter.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Thank you, Ashwin.

Ashwin Shirvaikar - *Citigroup - Analyst*

I guess really a revenue growth question, as I look forward. Obviously, this year several factors affected the growth rate. A few of those were sort of one-off actions that you were taking. A couple of quarters down, now that you had a chance to implement some of these things, such as exiting non-core areas, and there's been a chance to potentially lap some of that headwind from the analytic clients that went away and so on and so forth, could you lay out for investors over the next few quarters how growth can step back up? Obviously, a positive next step is going to be the contracts you signed ramping, but I just want to understand how some of the original factors are faring?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Ashwin, I think I would start with the new deal momentum, the big deal momentum, the by plan, the booking, and the win rates as a big driver. Then in terms of some of the factors that impacted particularly the second half of 2013 and the first half of 2014, I would call out the mortgage headwind as one of those which, from a year on year comparison basis, starts becoming not a headwind as we get into next year, and that's good, because that did create a headwind.

One of the other headwinds we have talked about was foreign exchange. The reality is, foreign exchange moves up and down, but I would think that probably does continue into next year. So, clearly, some of the headwinds that we had go away.

In terms of our focus and not focusing on some peripheral businesses, that has been in action through 2014, and is still, in fact, continuing, and will continue into the first couple of quarters of 2015. These are again, longer cycle, longer term relationships and work that we do.

I think that will play itself out probably in the next couple of quarters. So a combination of growth, and some of the headwinds that we talked about going away.

Ashwin Shirvaikar - *Citigroup - Analyst*

Understood and -- and as you look at growth going forward, what -- how would you sort of weight going after new deals in the new deal pipeline, as it rebuilds, versus ramping existing clients, versus going back and selling or cross-selling or up-selling some of the clients that you had for a few years and making them larger? Where is your focus and the focus of your sales force?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

So Ashwin, the reality is that you have to focus on both. We have in our front end, line facing teams, one group of people whose role is to work with new clients in our chosen verticals, and take capabilities and services, and have the right conversations with them, based on the journeys that they are on.

There is another set of people whose job it is to continue to add value to our existing relationships and grow them. We've got to do both, and that's been our journey so far, and our additions are actually nicely balanced between the two.

Ashwin Shirvaikar - *Citigroup - Analyst*

Got it. My last question is on sales force productivity. If you could comment on how that's progressing?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

It is progressing really well, Ashwin, starting with the kind of people we are attracting, and having joined the team, the caliber, the depth, the experience that they have, not just in our kind of business, but in many cases the industries that we serve and the solutions that they have conversations around, and the top leadership they bring into those conversations, and the conversations that they have at the C-suite level, across a range of functions. And then as those conversations progress, depending on whether their role is to bring in a new client, or their role is to work with existing clients, you have different productivity levels.

Obviously, new clients take longer. The cycles are long, as you know.

And then it also depends on the type of conversation you have. Is it a short cycle, quick decision, analytical opportunity or consulting reengineering-type opportunity, which is obviously something that it can start showing early.

We measure productivity in all kinds of ways, in terms of the cycle of deal, the activity level that each person is carrying, the range of those conversations, and then ultimately movement of that pipeline, conversion into booking, and subsequently into revenue. Obviously, we have a range of metrics, and a number of those metrics that we are watching as people get integrated into the team and become part of the team, are all moving in absolutely the right direction.

Ashwin Shirvaikar - *Citigroup - Analyst*

That's good to hear. Thank you again, and I look forward to seeing you tomorrow.

Ed Fitzpatrick - *Genpact Ltd - CFO*

Thanks, Ashwin.

Operator

Puneet Jain.

Puneet Jain - *JP Morgan - Analyst*

Thanks for taking my question. Many of your peers also talk about investments in automation processes tools. Do you think this is something that differentiates Genpact from peers, or is it increasingly becoming more like a must have capability to compete?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

So Puneet, the tool itself is not a differentiator, anyone can have the tool. It's available.

The reality is, how you use the tool is dependent on do you really understand the domain and the process, and that's our differentiator, and that will always be our differentiator.

Puneet Jain - *JP Morgan - Analyst*

Some of the partnerships you mentioned on the call and in the press release throughout the quarter, do you think they help you differentiate from peers?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Those partnerships give us the technology that we know how to configure and use in a specific situation. So again, those tools are great.

I think those companies that actually have developed these tools are great companies and great startups that have built these out. We need to bring them in, in the context of the domain and what the client is looking for, to be able to make it work.

Puneet Jain - *JP Morgan - Analyst*

Understood, understood. Can you also talk about pricing trends you are seeing on some of the large deals that are in the pipeline, and that you have recently [seen]?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Stable, is probably the best word to use. As I've said, I think, in a couple of calls before, large deals are complex. They require many things to come together to add value to the client.

The clients are looking not just for price. They are looking for true value, and therefore the evaluation is around true value. And to that extent, as I described earlier, these are not commoditized conversations.

Puneet Jain - *JP Morgan - Analyst*

Thank you.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Thanks, Puneet.

Operator

We will try again from S.K. Prasad Borra.

S.K. Prasad Borra - *Goldman Sachs - Analyst*

Thanks for taking my questions. Firstly, on the margins, if we ex-out the impact from this incremental investments, and also the ramp up of the deals and a subsequent impact on margins, on a more of a steady state situation, are you actually seeing underlying implement and operating margins?

Ed Fitzpatrick - *Genpact Ltd - CFO*

I would say, just if you look at the gross margin level, the answer is yes, right? So at least stabilized, for sure not down.

The reason we are down more so is because of the investments; in fact, without that, we would be up. As you saw gross margins are up 100 basis points or a little more, year-over-year, so the answer to that is, yes.

S.K. Prasad Borra - *Goldman Sachs - Analyst*

Okay. Probably just one on smaller contracts. Obviously, you seem to be developing a very good pipeline for larger deals. What are the plans or what is the agenda on smaller contracts?

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

We've talked about this earlier. Big deals are additive to what I would call regular flow business, both from existing client relationships as well as new relationships. So it's not a replacement, it is not an either/or.

There is good momentum in our core regular flow business. Those transformative deals are the ones that our clients are beginning to think about, particularly the larger clients, in terms of driving big transformational agendas.

In all of our chosen verticals, they are all undergoing transformation for a variety of different reasons. That is one of the ways went about choosing the verticals and the service lines that we would focus our energies, and attention and investment around.

S.K. Prasad Borra - *Goldman Sachs - Analyst*

Very clear, thank you.

Tiger Tyagarajan - *Genpact Ltd - President and CEO*

Thank you.

Operator

We have no other questions in queue, so I will pass it back over to Bharani for any closing comments.

Bharani Bobba - *Genpact Ltd - VP of IR*

That concludes our call for today. Thanks all for joining, and as always we will be available afterwards to answer further questions.

Operator

Great. Thanks everyone your time and your participation, and have a great rest of the day.
