Genpact LTD
Form 10-Q
May 10, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period ended March 31, 2013

Or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period from to

Commission file number: 001-33626

GENPACT LIMITED

(Exact name of registrant as specified in its charter)

Bermuda	**98-0533350**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Canon s Court

22 Victoria Street

Hamilton HM 12

Bermuda

(441) 295-2244

(Address, including zip code, and telephone number, including area code, of registrant s principal executive office)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer , large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of the registrant s common shares, par value $0.01 per share, outstanding as of April 29, 2013 was 228,697,831.

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Item 1. Financial Statements

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)

(In thousands, except per share data and share count)

	Notes	As of December 31, 2012	As of March 31, 2013
Assets			
Current assets			
Cash and cash equivalents	4	$ 459,228	$ 474,573
Accounts receivable, net	5	451,960	460,885
Accounts receivable from related party, net	5, 20	29	
Short term deposits		18,292	18,374
Deferred tax assets	19	48,489	44,427
Prepaid expenses and other current assets		150,769	173,728
Total current assets		$ **1,128,767**	$ **1,171,987**
Property, plant and equipment, net	8	200,362	197,853
Deferred tax assets	19	91,383	84,763
Investment in equity affiliates	20	416	303
Customer-related intangible assets, net	9	84,748	89,751
Marketing-related intangible assets, net	9	21,585	22,111
Other intangible assets, net	9	6,054	5,819
Goodwill	9	956,064	992,541
Other assets		116,548	111,882
Total assets		**$ 2,605,927**	**$ 2,677,010**

See accompanying notes to the Consolidated Financial Statements

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GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)

(In thousands, except per share data and share count)

	Notes	As of December 31, 2012	As of March 31, 2013
Liabilities and equity			
Current liabilities			
Short-term borrowings	13	$ 80,000	$ 115,000
Current portion of long-term debt	14	4,982	4,986
Current portion of capital lease obligations		1,301	1,476
Accounts payable		18,652	16,246
Income taxes payable	19	22,304	26,271
Deferred tax liabilities	19	538	578
Accrued expenses and other current liabilities		390,041	346,908
Total current liabilities		**$ 517,818**	**$ 511,465**
Long-term debt, less current portion	14	656,879	655,625
Capital lease obligations, less current portion		2,533	2,825
Deferred tax liabilities	19	6,068	5,747
Other liabilities		250,848	243,253
Total liabilities		**$ 1,434,146**	**$ 1,418,915**
Shareholders equity			
Preferred shares, $0.01 par value, 250,000,000 authorized, none issued			
Common shares, $0.01 par value, 500,000,000 authorized, 225,480,172 and 228,028,597 issued and outstanding as of December 31, 2012 and March 31, 2013, respectively		2,253	2,278
Additional paid-in capital		1,202,448	1,222,006
Retained earnings		281,982	328,719
Accumulated other comprehensive income (loss)		(318,272)	(296,909)
Genpact Limited shareholders equity		**$ 1,168,411**	**$ 1,256,094**
Noncontrolling interest		3,370	2,001
Total equity		**$ 1,171,781**	**$ 1,258,095**
Commitments and contingencies	21		
Total liabilities and equity		**$ 2,605,927**	**$ 2,677,010**

See accompanying notes to the Consolidated Financial Statements.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Income

(Unaudited)

(In thousands, except per share data and share count)

	Notes	Three months ended March 31, 2012	2013
Net revenues			
Net revenues from services others		$ 435,324	$ 503,657
Net revenues from services related party	20	155	191
Total net revenues		435,479	503,848
Cost of revenue			
Services	15, 20	265,465	311,726
Total cost of revenue		265,465	311,726
Gross profit		**$ 170,014**	**$ 192,122**
Operating expenses:			
Selling, general and administrative expenses	16, 20	105,005	113,224
Amortization of acquired intangible assets	9	5,290	5,551
Other operating (income) expense, net	17	(712)	(602)
Income from operations		**$ 60,431**	**$ 73,949**
Foreign exchange (gains) losses, net		3,671	3,382
Other income (expense), net	18	(124)	(5,111)
Income before Equity-method investment activity, net and income tax expense		**$ 56,636**	**$ 65,456**
Equity-method investment activity, net		13	(44)
Income before income tax expense		**$ 56,623**	**$ 65,500**
Income tax expense	19	16,367	17,248
Net Income		**$ 40,256**	**$ 48,252**
Net income attributable to noncontrolling interest		1,716	1,515
Net income attributable to Genpact Limited shareholders		**$ 38,540**	**$ 46,737**
Net income available to Genpact Limited common shareholders	12	$ 38,540	$ 46,737
Earnings per common share attributable to Genpact Limited common shareholders	12		
Basic		$ 0.17	$ 0.21
Diluted		$ 0.17	$ 0.20
Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited common shareholders			
Basic		222,810,236	227,227,226
Diluted		227,472,915	233,620,751

See accompanying notes to the Consolidated Financial Statements.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(In thousands)

	Three months ended March 31, 2012		2013	
	Genpact Limited Shareholders	Noncontrolling interest	Genpact Limited Shareholders	Noncontrolling interest
Net Income	$ 38,540	$ 1,716	$ 46,737	$ 1,515
Other comprehensive income:				
Currency translation adjustments	43,156	37	1,833	(13)
Net unrealized income (loss) on cash flow hedging derivatives, net of taxes (Note 7)	44,527		19,530	
Other comprehensive income (loss)	$ 87,683	$ 37	$ 21,363	$ (13)
Comprehensive income	**$ 126,223**	**$ 1,753**	**$ 68,100**	**$ 1,502**

See accompanying notes to the Consolidated Financial Statements.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Equity

(Unaudited)

(In thousands, except share count)

	Genpact Limited Shareholders						
	Common shares		Additional	Retained	Accumulated Other Comprehensive	Non controlling	Total
	No. of Shares	Amount	Paid-in Capital	Earnings	Income (loss)	interest	Equity
Balance as of January 1, 2012	**222,347,968**	**$ 2,222**	**$ 1,146,203**	**$ 605,386**	**$ (320,753)**	**$ 2,625**	**$ 1,435,683**
Issuance of common shares on exercise of options (Note 11)	257,855	3	2,030				2,033
Issuance of common shares under the employee share purchase plan (Note 11)	21,768		314				314
Net settlement on vesting of restricted share units (Note 11)	64,042	1	(414)				(413)
Distribution to noncontrolling interest						(1,252)	(1,252)
Stock-based compensation expense (Note 11)			7,263				7,263
Comprehensive income:							
Net income				38,540		1,716	40,256
Other comprehensive income					87,683	37	87,720
Balance as of March 31, 2012	**222,691,633**	**$ 2,226**	**$ 1,155,396**	**$ 643,926**	**$ (233,070)**	**$ 3,126**	**$ 1,571,604**

See accompanying notes to the Consolidated Financial Statements.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Equity

(Unaudited)

(In thousands, except share count)

	Genpact Limited Shareholders						
	Common shares		Additional	Retained	Accumulated Other Comprehensive	Non controlling	Total
	No. of shares	Amount	Paid-in Capital	Earnings	Income (loss)	interest	Equity
Balance as of January 1, 2013	**225,480,172**	**$ 2,253**	**$ 1,202,448**	**$ 281,982**	**$ (318,272)**	**$ 3,370**	**$ 1,171,781**
Issuance of common shares on exercise of options (Note 11)	**1,911,004**	19	15,801				15,820
Issuance of common shares under the employee stock purchase plan (Note 11)	**23,575**		373				373
Net settlement on vesting of restricted share units (Note 11)	**122,413**	1	(864)				(863)
Net settlement on vesting of performance units (Note 11)	**491,433**	5	(2,278)				(2,273)
Disposition of noncontrolling interest						(1,055)	(1,055)
Distribution to noncontrolling interest						(1,816)	(1,816)
Stock-based compensation expense (Note 11)			6,526				6,526
Comprehensive income:							
Net income				46,737		1,515	48,252
Other comprehensive income					21,363	(13)	21,350
Balance as of March 31, 2013	**228,028,597**	**$ 2,278**	**$ 1,222,006**	**$ 328,719**	**$ (296,909)**	**$ 2,001**	**$ 1,258,095**

See accompanying notes to the Consolidated Financial Statements.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Three months ended March 31, 2012	Three months ended March 31, 2013
Operating activities		
Net income attributable to Genpact Limited shareholders	$ 38,540	$ 46,737
Net income attributable to noncontrolling interest	1,716	1,515
Net income	**$ 40,256**	**$ 48,252**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,154	13,579
Amortization of debt issue costs	666	596
Amortization of acquired intangible assets	5,310	5,551
Reserve for doubtful receivables	456	3,450
Reserve for mortgage loans	20	
Unrealized (gain) loss on revaluation of foreign currency asset/liability	1,167	(733)
Equity-method investment activity, net	13	(44)
Stock-based compensation expense	7,263	6,526
Deferred income taxes	(2,676)	254
Others, net	(11)	52
Change in operating assets and liabilities:		
Increase in accounts receivable	(41,794)	(8,582)
Increase in other assets	(17,524)	(7,301)
Decrease in accounts payable	(1,982)	(1,782)
Decrease in accrued expenses and other current liabilities	(36,501)	(42,953)
Increase in income taxes payable	3,592	3,426
Increase in other liabilities	32,501	11,257
Net cash provided by operating activities	**$ 4,910**	**$ 31,548**
Investing activities		
Purchase of property, plant and equipment	(21,916)	(14,623)
Proceeds from sale of property, plant and equipment	174	135
Investment in affiliates	(205)	
Short term deposits placed	(26,303)	(18,675)
Redemption of short term deposits	20,277	18,675
Payment for business acquisitions, net of cash acquired		(46,134)
Disposition of business (refer note 3B(a))		(1,049)
Net cash used for investing activities	**$ (27,973)**	**$ (61,671)**
Financing activities		
Repayment of capital lease obligations	(610)	(461)
Repayment of long-term debt		(1,687)
Proceeds from Short-term borrowings		35,000
Repayment of Short-term borrowings	(1,000)	
Proceeds from issuance of common shares under stock based compensation plans	2,347	16,060

Payment for net settlement of stock based awards		(3,136)
Payment of Earn-out consideration		(85)
Distribution to noncontrolling interest	(1,252)	(1,816)
Net cash provided by (used for) financing activities	**$ (515)**	**$ 43,875**
Effect of exchange rate changes	21,455	1,593
Net increase (decrease) in cash and cash equivalents	(23,578)	13,752
Cash and cash equivalents at the beginning of the period	408,020	459,228
Cash and cash equivalents at the end of the period	**$ 405,897**	**$ 474,573**
Supplementary information		
Cash paid during the period for interest	$ 2,113	$ 8,016
Cash paid during the period for income taxes	$ 26,203	$ 25,363
Property, plant and equipment acquired under capital lease obligation	$ 488	$ 787

See accompanying notes to the Consolidated Financial Statements

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

1. Organization

Nature of Operations

The Company is a global leader in business process management and technology services, leveraging the power of smarter processes, smarter analytics and smarter technology to help its clients drive intelligence across the enterprise. The Company believes that its Smart Enterprise Processes (SEP^{SM}) framework, its unique science of process combined with deep domain expertise in multiple industry verticals, leads to superior business outcomes. The Company s Smart Decision Services deliver valuable business insights to its clients through targeted analytics, re-engineering expertise, and advanced risk management. Making technology more intelligent by embedding it with process and data insights, the Company also offers a wide range of technology services. Driven by a passion for process innovation and operational excellence built on its Lean and Six Sigma DNA and the legacy of serving GE for more than 15 years, its 60,000+ professionals around the globe deliver services to more than 700 clients from a network of 70+ delivery centers across 18 countries supporting more than 30 languages.

Prior to December 30, 2004, the business of the Company was conducted through various entities and divisions of the General Electric Company (GE). On December 30, 2004, in a series of transactions referred to as the 2004 Reorganization , GE transferred such operations to the Company. In August 2007, the Company completed an initial public offering of its common shares, pursuant to which the Company and certain of its existing shareholders each sold 17,647,059 common shares. On March 24, 2010, the Company completed a secondary offering pursuant to which GE s shareholding in the Company decreased to 9.1% and it ceased to be a significant shareholder, although it continued to be a related party. During the year ended December 31, 2012, GE s shareholding subsequently declined to less than 5.0%, as a result of which GE is no longer considered a related party.

On December 14, 2012, a secondary offering of the Company s common shares by General Atlantic (GA) and Oak Hill Capital Partners (OH) was completed. Upon the completion of the secondary offering, GA and OH each owned approximately 2.4% of the Company s common shares outstanding, and they ceased to be significant shareholders and related parties.

2012 Recapitalization

On August 1, 2012, the Company announced that Glory Investments A Limited, formerly known as South Asia Private Investments and an affiliate of Bain Capital Investors, LLC (Bain Capital), had entered into an agreement to purchase approximately 67,750,678 common shares of the Company from affiliates of GA and OH for $14.76 per share, or approximately $1,000,000, after payment by the Company of a special cash dividend of $2.24 per share. The special cash dividend was declared by the Company s board of directors on August 30, 2012, and paid on September 24, 2012 to holders of record as of September 10, 2012. On October 25, 2012, Bain Capital and its affiliated assignees completed the purchase of 57,537,264 common shares of the Company. As permitted under the share purchase agreement, two additional co-investors (RGIP, LLC, an investor in certain investment funds which are affiliated with Bain Capital, and Twickenham Investment Private Limited, an affiliate of the Government of Singapore Investment Corporation Private Limited) purchased the remaining 50,812 shares and 10,162,602 shares of the Company, respectively, covered by the share purchase agreement.

On August 30, 2012, the Company terminated its existing credit facility of $380,000 and entered into a new credit facility of $925,000, to repay the previous existing credit facility, fund a portion of the special cash dividend, pay fees and expenses in connection with the foregoing and to provide for general corporate purposes of the Company, including working capital requirements. Net proceeds from the credit facility along with cash on hand were partially used to fund the dividend payment of $2.24 per share, or $501,620 in the aggregate, which was paid on all issued and outstanding common shares. In accordance with the terms of the Company s stock-based compensation plans, in order to preserve the value of stock-based awards outstanding as of the record date, the Company reduced the exercise price per share of each outstanding stock option award and increased the number of shares in relation to all outstanding stock-based awards as of the record date of the special cash dividend. This transaction, together with other related transactions, is referred to as the 2012 Recapitalization .

The Company incurred expenses of approximately $23,464 for the 2012 Recapitalization excluding the fees associated with the previous existing credit facility and the new credit facility. Out of the total expenses of $23,464, $6,237 was incurred and recorded as a part of selling, general and administrative expenses in the Consolidated Statements of Income for the year ended December 31, 2012. The balance of the total expenses of approximately $17,227 relating to the share purchase transaction was incurred and accrued as of December 31, 2012 and reported as a part of other income (expense), net in the Consolidated Statements of Income for the year ended December 31,2012. GA and OH collectively reimbursed $17,000 of the $17,227 to the Company on October 25, 2012 at the closing of the share purchase transaction in accordance with the letter agreement among the Company, GA and OH. This reimbursement was recorded as a part of other income (expense), net in the Consolidated Statements of Income for the year ended December 31, 2012.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

2. Summary of significant accounting policies

(a) Basis of preparation and principles of consolidation

The unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Accordingly, they do not include certain information and footnote disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

The unaudited interim consolidated financial statements reflect all adjustments that management considers necessary for a fair presentation of the results of operations for these periods. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

The accompanying unaudited interim consolidated financial statements have been prepared on a consolidated basis and reflect the financial statements of Genpact Limited and all of its subsidiaries that are more than 50% owned and controlled. When the Company does not have a controlling interest in an entity, but exerts a significant influence on the entity, the Company applies the equity method of accounting. All inter-company transactions and balances are eliminated in consolidation.

The noncontrolling interest disclosed in the accompanying unaudited interim consolidated financial statements represents the noncontrolling partners interest in the operation of Genpact Netherlands B.V. and the noncontrolling shareholders interest in the operation of Hello Communications (Shanghai) Co., Ltd. and the profits or losses associated with the noncontrolling interest in those operations. The noncontrolling partners of Genpact Netherlands B.V. are individually liable for the tax obligations on their shares of profit as it is a partnership and, accordingly, noncontrolling interest relating to Genpact Netherlands B.V. has been computed prior to tax and disclosed accordingly in the unaudited interim Consolidated Statements of Income.

(b) Use of estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, the carrying amount of property, plant and equipment, intangibles and goodwill, the reserve for doubtful receivables and the valuation allowance for deferred tax assets, the valuation of derivative financial instruments, the measurements of stock-based compensation, assets and obligations related to employee benefits, income tax uncertainties and other contingencies. Management believes that the estimates used in the preparation of the consolidated financial statements are reasonable. Although these estimates are based upon management s knowledge of current events and actions, actual results could differ from these estimates. Any changes in estimates are adjusted prospectively in the consolidated financial statements.

(c) Business combinations, goodwill and other intangible assets

The Company accounts for its business combinations by recognizing the identifiable tangible and intangible assets and liabilities assumed, and any noncontrolling interest in the acquired business, measured at their acquisition date fair values. Contingent consideration is included within the acquisition cost and is recognized at its fair value on the acquisition date. A liability resulting from contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. Changes in fair value are recognized in earnings. All assets and liabilities of the acquired businesses, including goodwill, are assigned to reporting units. Acquisition related costs are expensed as incurred under Selling, General and Administrative Expenses.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

2. Summary of significant accounting policies (Continued)

Goodwill represents the cost of acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. Goodwill is not amortized but is tested for impairment at least on an annual basis on December 31, based on a number of factors including operating results, business plans and future cash flows. The Company performs an assessment of qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on the assessment of events or circumstances, the Company performs the quantitative assessment of goodwill impairment if it determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If based on the quantitative impairment analysis the carrying value of the goodwill of the reporting unit exceeds the fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. In addition, the Company shall perform the qualitative assessment of Goodwill impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. See note 9 for information and related disclosures.

Intangible assets acquired individually or with a group of other assets or in a business combination are carried at cost less accumulated amortization based on their estimated useful lives as follows:

Customer-related intangible assets	1-14 years
Marketing-related intangible assets	1-10 years
Contract-related intangible assets	1 year
Other intangible assets	3-9 years

Intangible assets are amortized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized.

In business combinations, where the fair value of identifiable tangible and intangible net assets purchased exceeds the cost of the acquired business, the Company recognizes the resulting gain under Other operating (income) expense, net in the Consolidated Statements of Income.

(d) Financial instruments and concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk are reflected principally in cash and cash equivalents, short term deposits, derivative financial instruments and accounts receivable. The Company places its cash and cash equivalents and derivative financial instruments with corporations and banks with high investment grade ratings, limits the amount of credit exposure with any one corporation or bank and conducts ongoing evaluations of the credit worthiness of the corporations and banks with which it does business. To reduce its credit risk on accounts receivable, the Company performs an ongoing credit evaluation of customers. GE accounted for 30% and 27% of receivables as of December 31, 2012 and March 31, 2013, respectively. GE accounted for 27% and 23% of revenues for the three months ended March 31, 2012 and 2013, respectively.

(e) Recently adopted accounting pronouncements

The authoritative bodies release standards and guidance which are assessed by management for impact on the Company s consolidated financial statements.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

2. Summary of significant accounting policies (Continued)

The following recently released accounting standard has been adopted by the Company and certain disclosures in the consolidated financial statements and footnotes to the consolidated financial statements have been modified accordingly. Adoption of this standard did not have a material impact on the consolidated results of operations, cash flows, financial position or disclosures:

Effective January 1, 2013, the Company adopted FASB ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02). ASU 2013-02 amended existing guidance by requiring additional disclosure either on the face of the income statement or in the notes to the financial statements of significant amounts reclassified out of accumulated other comprehensive income. ASU 2013-02 requires prospective adoption and affects financial statement disclosure only.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

3. Business acquisitions and divestures

A Acquisitions

(a) NGEN Media Services Private Limited

On March 28, 2013, the Company acquired the remaining 50% of the outstanding equity interest in NGEN Media Services Private Limited, a private limited company organized under the laws of India (NGEN), and thereby increased its interest from 50% to 100%, providing the Company control over NGEN as a wholly-owned subsidiary. The Company acquired the 50% equity interest for cash consideration of $158. There are no contingent consideration arrangements in connection with the acquisition. NGEN is engaged in the business of media services outsourcing.

The Company previously accounted for its 50% interest in NGEN as an equity method investment. The Company re-measured this equity interest to fair value at the acquisition date and recognized a loss of $5 in the Consolidate Statements of Income under equity-method investment activity, net .

The following table summarizes the consideration to acquire NGEN and the amounts of identified assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the Company s existing investment in NGEN at the acquisition date:

Cash consideration	$ 158
Acquisition date fair value of the Company s investment in NGEN held before the business combination	158
Total	**$ 316**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	$ 432
Current assets	402
Tangible fixed assets	27
Other non-current assets	89
Current liabilities	(337)
Other liabilities	(274)
Total identifiable net assets acquired	**$ 339**
Gain recognized on acquisition	(23)
Total	**$ 316**

(b) Jawood Business Process Solutions, LLC and Felix Software Solutions Private Limited

On February 6, 2013, the Company completed its acquisition of 100% of the outstanding membership interest in Jawood Business Process Solutions, LLC, a Michigan limited liability company (Jawood) for cash consideration of $51,000, subject to adjustment based on closing date net working capital, indebtedness and cash and cash equivalents. There are no contingent consideration arrangements in connection with the acquisition of Jawood.

The transaction also included acquisition of 100% of the outstanding shares of Felix Software Solutions Private Limited, a company organized under the laws of India (Felix), for cash consideration of $2,295, subject to adjustment based on closing date net working capital. There are no contingent consideration arrangements in connection with the acquisition of Felix.

Jawood and Felix (collectively referred to as the Jawood business) are, respectively, US and India based providers of business consulting and information technology services to the healthcare payer industry. Felix is a key sub-contractor to Jawood. This transaction strengthens the Company s solutions and services offerings in the healthcare payer market.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

3. Business acquisitions (Continued)

Pursuant to the terms of the acquisition agreements with the respective sellers, the preliminary estimated purchase consideration for the Jawood business is comprised of the following:

Base purchase price	$ 53,295
Estimated closing date net working capital adjustment	(2,663)
Estimated closing date indebtedness adjustment	(2,146)
Estimated closing date cash adjustment	1,179
Estimated seller expenses	(1,379)
Total preliminary estimated purchase price	$ 48,286

The acquisition of the Jawood business has been accounted for under the acquisition method of accounting in accordance with ASC 805, Business Combinations. The assets and liabilities of the Jawood business are recorded at fair value at the date of acquisition. The Company is evaluating certain tax positions with respect to the acquisition of Jawood business which, when determined, may result in the recognition of additional assets and liabilities as of the acquisition date. Changes to the preliminarily recorded assets and liabilities may result in a corresponding adjustment to goodwill. The measurement period will not exceed one year from the acquisition date. The following table summarizes the preliminary allocation of the preliminary estimated purchase price based on the fair value of the assets acquired and the liabilities assumed at the date of acquisition:

Preliminary estimated purchase price	$ 48,286
Acquisition related costs included in selling, general and administrative expenses as incurred	310
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	$ 1,364
Current assets	6,477
Tangible fixed assets	704
Intangible assets	11,200
Other non-current assets	548
Current liabilities	(7,866)
Long term liabilities	(56)
Total identifiable net assets acquired	**$ 12,371**
Goodwill	35,915
Total	**$ 48,286**

As of the date of these financial statements, the purchase consideration and the allocation for the acquisition is pending final adjustment for closing date net working capital, indebtedness and cash in accordance with the terms of acquisition agreement. As part of the acquisition, the total amount paid by the Company, net of cash acquired of $1,364 a holdback amount of $2,000 pursuant to the agreement and seller expenses amounting to $1,379, is $46,301.

Goodwill representing the excess of the preliminary estimated purchase price over the net assets acquired is deductible for tax purposes to the extent of $33,830 and has been allocated to the India reporting unit. The amortizable intangible assets are being amortized over their estimated useful lives using a method of amortization that reflects the expected pattern in which the economic benefits of the intangible assets will be consumed or otherwise realized. The value and estimated useful lives of the intangible assets are follows:

	Value	Estimated useful life
Customer related intangible assets	$ 10,200	1 7 years
Marketing related intangible assets	1,000	1 5 years

The weighted average amortization period in respect of the acquired intangible assets is 6 years.

The results of operations of the Jawood business and the fair value of the assets and liabilities are included in the Company s Consolidated Financial Statements with effect from February 6, 2013, the date of acquisition.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

3. Business acquisitions (Continued)

(c) Atyati Technologies Private Limited

On September 4, 2012, the Company acquired 100% of the outstanding common and preferred stock of Atyati Technologies Private Limited, an Indian private limited company (Atyati), for initial cash consideration of $19,368 subject to adjustment based on the closing date final working capital amount. The acquisition agreement also provides for additional deferred consideration which has a discounted value of $2,539 and earn-out consideration (ranging from $0 to $14,372 based on gross profit for the year ending March 31, 2014) which has an estimated fair value of $1,487.

As of the date of these financial statements, the purchase consideration for the acquisition is pending adjustment for the final working capital amount. Pursuant to the terms of the acquisition agreement with the sellers, the preliminary estimated purchase consideration is comprised of the following:

Cash consideration	$ 19,368
Acquisition date discounted value of deferred consideration	2,539
Acquisition date fair value of earn-out consideration	1,487
Estimated working capital adjustment	
Total preliminary estimated purchase price	$ 23,394

Atyati is a cloud-hosted technology platform provider for the rural banking sector in India. This acquisition gives the Company a platform-based banking solution for the rural and semi-rural consumer market.

The acquisition has been accounted for under the acquisition method of accounting in accordance with ASC 805, Business Combinations. The assets and liabilities of Atyati were recorded at fair value at the date of acquisition. The Company is evaluating certain tax positions with respect to this acquisition which, if known, would have resulted in the recognition of additional assets and liabilities as of the acquisition date. Changes to the assets and liabilities recorded may result in a corresponding adjustment to goodwill, and the measurement period will not exceed one year from the acquisition date. The following table summarizes the preliminary allocation of the preliminary estimated purchase price based on the fair value of the assets acquired and the liabilities assumed at the date of acquisition:

Preliminary estimated purchase price	**$ 23,394**
Acquisition related costs included in selling, general and administrative expenses	164
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	$ 2,000
Current assets	5,265
Tangible fixed assets	426
Intangible assets	8,767
Deferred tax asset/ (liability), net	(1,730)
Other non-current assets	175
Current liabilities	(3,424)

Short term borrowings	(654)
Other liabilities	(737)
Total identifiable net assets acquired	**$ 10,088**
Goodwill	13,306
Total	**$ 23,394**

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

3. Business acquisitions (Continued)

Goodwill recorded in connection with the Atyati acquisition amounted to $13,306, representing the excess of the preliminary estimated purchase price over the net assets (including deferred taxes) acquired, has been allocated to the India reporting unit and is not deductible for tax purposes. The amortizable intangible assets are being amortized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. The value and estimated useful lives of the intangibles are as follows:

	Value	Estimated useful life
Customer related intangibles	$ 5,408	4 9 years
Other intangibles	3,359	7 years

The weighted average amortization period in respect of the acquired intangible assets is 7 years. The results of operations of Atyati and the fair value of its assets and liabilities are included in the Company s Consolidated Financial Statements with effect from September 4, 2012, the date of acquisition.

(d) Triumph Engineering Corp. and Triumph On-Demand, Inc.

On August 17, 2012, the Company acquired 100% of the outstanding equity interest in Triumph Engineering Corp. and Triumph On-Demand Inc., both Ohio corporations (collectively Triumph Companies) for initial cash consideration of $3,600, subject to adjustment based on working capital and closing indebtedness. The acquisition agreement provides for additional deferred consideration which has a discounted value of $379 and earn-out consideration (ranging from $0 to $4,500 based on gross profit for the years ending December 31, 2013 and 2014) which had an estimated fair value of $3,256.

The initial cash consideration paid to seller at the time of closing after an estimated adjustment of working capital and closing indebtedness is $1,779. As of the date of these financial statements, the purchase consideration for the acquisition is pending final adjustment for working capital and closing indebtedness. Pursuant to the terms of the acquisition agreement with the seller, the preliminary estimated purchase consideration is comprised of the following:

Cash consideration	$ 3,600
Acquisition date fair value of deferred consideration	379
Acquisition date fair value of earn-out consideration	3,256
Estimated working capital adjustment	(926)
Estimated closing indebtedness adjustment	(850)
Total preliminary estimated purchase price	$ 5,459

Triumph Companies are U.S. based provider of engineering services to the aviation, energy, and oil and gas industries. This acquisition provides the Company with capabilities in the engineering services space.

The acquisition has been accounted for under the acquisition method of accounting in accordance with ASC 805, Business Combinations. The assets and liabilities of Triumph Companies were recorded at fair value at the date of acquisition. The following table summarizes the allocation of the preliminary estimated purchase price based on the fair value of the assets acquired and the liabilities assumed at the date of acquisition:

Preliminary estimated purchase price	**$ 5,459**
Acquisition related costs included in selling, general and administrative expenses	134
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	$ 312
Current assets	1,708
Tangible fixed assets	175
Intangible assets	382
Deferred tax asset/ (liability), net	(565)
Current liabilities	(720)
Short term borrowing	(350)
Total identifiable net assets acquired	$ 942
Goodwill	4,517
Total	$ 5,459

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

3. Business acquisitions (Continued)

Goodwill recorded in connection with the acquisition of Triumph Companies amounted to $4,517, representing the excess of the preliminary estimated purchase price over the net assets (including deferred taxes) acquired, has been allocated to the India reporting unit and is not deductible for tax purposes. The amortizable intangible assets are being amortized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. The value and estimated useful lives of the intangibles are as follows:

	Value	Estimated useful life
Customer related intangibles	$ 382	1 to 10 years

The weighted average amortization period in respect of the acquired intangible assets is 8 years. The results of operations of Triumph Companies and the fair value of the assets and liabilities are included in the Company s Consolidated Financial Statements with effect from August 17, 2012, the date of acquisition.

(e) Accounting Plaza B.V.

On April 25, 2012, the Company acquired 100% of the outstanding equity interest in Accounting Plaza B.V., a private limited liability company organized under the laws of the Netherlands (Accounting Plaza), for cash consideration of $38,698 subject to adjustments based on transfer of pension funds, underfunding in pension funds, and sellers warranty breaches including certain other transactions and transaction costs. There are no contingent consideration arrangements in connection with the acquisition.

Pursuant to the terms of the acquisition agreement with the sellers, the purchase consideration is comprised of the following:

Initial consideration	$ 38,698
Adjustment for transfer of pension funds	
Adjustment for underfunding in pension funds	
Adjustment for sellers warranty breaches and certain other transactions	
Adjustment for transaction costs	
Purchase consideration	**$ 38,698**

Accounting Plaza is a provider of finance and accounting, human resources and PeopleSoft ERP services. This acquisition strengthens the Company s domain expertise in the retail industry and significantly expands its presence in Europe.

The acquisition has been accounted for under the acquisition method of accounting in accordance with ASC 805, Business Combinations. The assets and liabilities of Accounting Plaza were recorded at fair value as of the date of acquisition. The following table summarizes the allocation of the purchase consideration based on the fair value of the assets acquired and the liabilities assumed as of the date of acquisition:

Purchase consideration	**$ 38,698**
Acquisition related costs included in selling, general and administrative expenses	434
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	$ 1,664
Current assets	11,327
Tangible fixed assets	2,010
Intangible assets	13,138
Deferred tax asset/ (liability), net	(2,711)
Other non-current assets	971
Current liabilities	(9,062)
Other liabilities	(4,188)
Total identifiable net assets acquired	**$ 13,149**
Goodwill	25,549
Total	**$ 38,698**

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

3. Business acquisitions (Continued)

The fair value of the current assets acquired includes trade receivables with a fair value of $9,744. The gross amount due is $9,917, of which $173 is expected to be uncollectable.

During the period ended March 31, 2013, the Company recorded a measurement period adjustment which resulted in an increase in the purchase consideration by $107 with a corresponding increase in goodwill. The measurement period adjustments did not have a significant impact on our consolidated statements of income, balance sheets or cash flows in any period and, thus, were recorded in the consolidated balance sheet as of March 31, 2013.

Goodwill representing the excess of the purchase price over the fair value of the net assets (including deferred taxes) acquired is not deductible for tax purposes and has been allocated to the Europe reporting unit.

The amortizable intangible assets acquired are being amortized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. The value and estimated useful lives of the intangibles are as follows:

	Value	Estimated useful life
Customer related intangibles	$ 13,138	3 10 years

The weighted average amortization period in respect of the acquired intangible assets is 7 years. The results of operations of Accounting Plaza and the fair value of the assets and liabilities are included in the Company s Consolidated Financial Statements with effect from April 25, 2012, the date of acquisition.

(f) Earn-out and deferred consideration

The Company acquired Akritiv Technologies, Inc. (Akritiv), High Performance Partners LLC (HPP), Empower Research, LLC (Empower), Atyati and Triumph Companies on March 14, 2011, August 24, 2011, October 3, 2011, September 4, 2012 and August 17, 2012, respectively. The terms of the acquisition agreements for these business acquisitions provided for payment of additional earn-out consideration if certain future events or conditions are met. These earn-outs were recorded as liabilities based on their fair values as of the acquisition dates. The Company evaluates the fair value of earn-out consideration for the respective acquisitions for changes at each reporting period. During the three months ended March 31, 2013, the Company re-measured the fair value of such earn-out consideration with corresponding changes in the Consolidated Statements of Income as follows:

Increase in fair value of earn-out consideration for Empower	$ 267
Decrease in fair value of earn-out consideration for Triumph Companies	(214)
	$ 53

Further, during the period ended March 31, 2013, the Company paid $85 for HPP due to the fulfillment of certain earn-out conditions set forth in the acquisition agreements.

B Divestures

(a) Hello Communications (Shanghai) Co., Ltd.

On February 22, 2013, the Company completed the sale of Hello Communications (Shanghai) Co., Ltd. for cash consideration of $998 resulting in loss of $447. The expected loss on sale was recorded within other income (expense), net in the Consolidated Statements of Income for the year ended December 31, 2012 and was not materially different from the actual realized loss. The balance of cash and cash equivalents of Hello Communications (Shanghai) Co., Ltd. on the date of sale was $2,047, resulting in a net cash outflow of $1,049. The results of operations of Hello Communications (Shanghai) Co., Ltd. are not material to the Company s results of operations or financial condition and, therefore, are not reflected as discontinued operations for the periods presented.

(b) Clearbizz B.V.

During the period ended March 31, 2013, the Company decided to dispose one of its subsidiaries, namely, Clearbizz B.V. An amount of $716 has been reserved representing estimated loss on the expected sale of Clearbizz B.V. within other income (expense), net in the Consolidated Statements of Income. The results of operations of Clearbizz B.V. are not material to the Company s results of operations or financial condition and, therefore, are not reflected as discontinued operations for the periods presented.

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(Unaudited)

(In thousands, except per share data and share count)

4. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2012 and March 31, 2013 comprise:

	As of December 31, 2012	As of March 31, 2013
Deposits with banks	$ 283,660	$ 324,475
Other cash and bank balances	175,568	150,098