

Genpact LTD
Form 10-Q
May 09, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period ended March 31, 2014**

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
(State or other jurisdiction of
incorporation or organization)

98-0533350
(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 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 No

Edgar Filing: Genpact LTD - Form 10-Q

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 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

The number of the registrant's common shares, par value \$0.01 per share, outstanding as of May 2, 2014 was 216,078,754.

Table of Contents**TABLE OF CONTENTS**

Item No.		Page No.
<u>PART I</u>	Financial Statements	
1.	<u>Unaudited Consolidated Financial Statements</u>	
	<u>Consolidated Balance Sheets as of December 31, 2013 and March 31, 2014</u>	1
	<u>Consolidated Statements of Income for the three months ended March 31, 2013 and March 31, 2014</u>	3
	<u>Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2013 and March 31, 2014</u>	4
	<u>Consolidated Statements of Equity for the three months ended March 31, 2013 and 2014</u>	5
	<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2014</u>	7
	<u>Notes to the Consolidated Financial Statements</u>	8
2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	39
4.	<u>Controls and Procedures</u>	39
<u>PART II</u>	Other Information	
1.	<u>Legal Proceedings</u>	39
1A.	<u>Risk Factors</u>	39
2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
3.	<u>Defaults upon Senior Securities</u>	41
5.	<u>Other Information</u>	41
6.	<u>Exhibits</u>	41
<u>SIGNATURES</u>		43

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Balance Sheets****(Unaudited)****(In thousands, except per share data and share count)**

	Notes	As of December 31, 2013	As of March 31, 2014
Assets			
<i>Current assets</i>			
Cash and cash equivalents	4	\$ 571,276	\$ 567,266
Accounts receivable, net	5	504,714	513,145
Accounts receivable from related party, net	5, 20	403	71
Deferred tax assets	19	60,638	52,564
Prepaid expenses and other current assets		139,113	170,434
Total current assets		\$ 1,276,144	\$ 1,303,480
Property, plant and equipment, net	8	173,204	170,308
Deferred tax assets	19	89,305	76,048
Investment in equity affiliates		384	418
Intangible assets, net	9	99,116	97,326
Goodwill	9	953,849	964,088
Other assets		97,365	91,898
Total assets		\$ 2,689,367	\$ 2,703,566

See accompanying notes to the Consolidated Financial Statements.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Balance Sheets****(Unaudited)****(In thousands, except per share data and share count)**

	Notes	As of December 31, 2013	As of March 31, 2014
Liabilities and equity			
<i>Current liabilities</i>			
Current portion of long-term debt	11	\$ 4,263	\$ 4,269
Current portion of capital lease obligations		1,405	1,475
Accounts payable		18,412	18,447
Income taxes payable	19	15,007	22,267
Deferred tax liabilities	19	614	561
Accrued expenses and other current liabilities		421,992	378,416
Total current liabilities		\$ 461,693	\$ 425,435
Long-term debt, less current portion	11	653,601	652,523
Capital lease obligations, less current portion		2,657	2,752
Deferred tax liabilities	19	4,464	4,421
Other liabilities		242,884	189,343
Total liabilities		\$ 1,365,299	\$ 1,274,474
Shareholders equity			
Preferred shares, \$0.01 par value, 250,000,000 authorized, none issued			
Common shares, \$0.01 par value, 500,000,000 authorized, 231,262,576 and 233,347,651 issued and outstanding as of December 31, 2013 and March 31, 2014, respectively			
		2,310	2,331
Additional paid-in capital		1,268,344	1,266,733
Retained earnings		511,699	562,312
Accumulated other comprehensive income (loss)		(459,614)	(402,949)
Genpact Limited shareholders equity		\$ 1,322,739	\$ 1,428,427
Noncontrolling interest		1,329	665
Total equity		\$ 1,324,068	\$ 1,429,092
Commitments and contingencies	21		
Total liabilities and equity		\$ 2,689,367	\$ 2,703,566

Edgar Filing: Genpact LTD - Form 10-Q

See accompanying notes to the Consolidated Financial Statements.

Table of Contents**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,	
		2013	2014
Net revenues			
Net revenues from services	others	\$ 503,657	\$ 528,119
Net revenues from services	related party	191	71
	20		
Total net revenues		503,848	528,190
Cost of revenue			
Services	15, 20	311,726	324,289
Total cost of revenue		311,726	324,289
Gross profit		\$ 192,122	\$ 203,901
<i>Operating expenses:</i>			
Selling, general and administrative expenses	16, 20	113,224	122,498
Amortization of acquired intangible assets	9	5,551	6,018
Other operating (income) expense, net	17	(602)	(1,862)
Income from operations		\$ 73,949	\$ 77,247
Foreign exchange (gains) losses, net		3,382	3,593
Other income (expense), net	18	(5,111)	(6,533)
Income before equity-method investment activity, net and income tax expense		\$ 65,456	\$ 67,121
Equity-method investment activity, net		(44)	(20)
Income before income tax expense		\$ 65,500	\$ 67,141
Income tax expense	19	17,248	16,288
Net income		\$ 48,252	\$ 50,853
Net income attributable to noncontrolling interest		1,515	240
Net income attributable to Genpact Limited shareholders		\$ 46,737	\$ 50,613
Net income available to Genpact Limited common shareholders	14	\$ 46,737	\$ 50,613
Earnings per common share attributable to Genpact Limited common shareholders	14		

Edgar Filing: Genpact LTD - Form 10-Q

Basic	\$	0.21	\$	0.22
Diluted	\$	0.20	\$	0.21
Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited common shareholders				
Basic		227,227,226		232,093,917
Diluted		233,620,751		237,275,651

See accompanying notes to the Consolidated Financial Statements.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Statements of Comprehensive Income (Loss)****(Unaudited)****(In thousands)**

	Three months ended March 31,			
	2013		2014	
	Genpact Limited Shareholders	Non controlling interest	Genpact Limited Shareholders	Non controlling interest
Net Income	46,737	1,515	50,613	240
Other comprehensive income:				
Currency translation adjustments	1,833	(13)	18,593	(5)
Net income (loss) on cash flow hedging derivatives, net of taxes (Note 7)	19,530		37,992	
Retirement benefits, net of taxes			80	
Other comprehensive income (loss)	21,363	(13)	56,665	(5)
Comprehensive income (loss)	68,100	1,502	107,278	235

See accompanying notes to the Consolidated Financial Statements.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Statements of Equity****(Unaudited)****(In thousands, except share count)**

	Genpact Limited Shareholders			Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling interest	Total Equity
	Common shares		Additional Paid-in Capital				
	No. of Shares	Amount					
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 13)	1,911,004	19	15,801				15,820
Issuance of common shares under the employee stock purchase plan (Note 13)	23,575		373				373
Net settlement on vesting of restricted share units (Note 13)	122,413	1	(864)				(863)
Net settlement on vesting of performance units (Note 13)	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 13)			6,526				6,526
Comprehensive income:							
Net income				46,737		1,515	48,252
					21,363	(13)	21,350

Other
comprehensive
income

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.

