

Genpact LTD
Form 10-Q
November 06, 2015
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 September 30, 2015**

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 HM12
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

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 October 30, 2015 was 212,690,181.

Table of Contents

TABLE OF CONTENTS

Item No.		Page No.
PART I	Financial Statements	
1.	<u>Unaudited Consolidated Financial Statements</u>	
	<u>Consolidated Balance Sheets as of December 31, 2014 and September 30, 2015</u>	1
	<u>Consolidated Statements of Income for the three months and nine months ended September 30, 2014 and 2015</u>	3
	<u>Consolidated Statements of Comprehensive Income (Loss) for the three months and nine months ended September 30, 2014 and 2015</u>	4
	<u>Consolidated Statements of Equity for the nine months ended September 30, 2014 and 2015</u>	5
	<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2015</u>	7
	<u>Notes to the Consolidated Financial Statements</u>	8
	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
2.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	47
3.	<u>Controls and Procedures</u>	48
4.		
PART II	Other Information	
1.	<u>Legal Proceedings</u>	48
1A.	<u>Risk Factors</u>	48
2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	48
3.	<u>Defaults upon Senior Securities</u>	49
5.	<u>Other Information</u>	49
6.	<u>Exhibits</u>	49
	<u>SIGNATURES</u>	50

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, 2014	As of September 30, 2015
Assets			
<i>Current assets</i>			
Cash and cash equivalents	4	\$ 461,788	\$ 467,504
Accounts receivable, net	5	525,754	549,438
Deferred tax assets	22	45,486	35,529
Prepaid expenses and other current assets	8	155,480	183,048
Total current assets		\$ 1,188,508	\$ 1,235,519
Property, plant and equipment, net	9	175,936	163,848
Deferred tax assets	22	59,135	75,587
Investment in equity affiliates		494	5,747
Intangible assets, net	10	114,544	102,933
Goodwill	10	1,057,214	1,042,539
Other assets		146,706	162,832
Total assets		\$ 2,742,537	\$ 2,789,005

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, 2014	As of September 30, 2015
Liabilities and equity			
<i>Current liabilities</i>			
Short-term borrowings	11	\$ 135,000	\$ 21,500
Current portion of long-term debt	12	4,288	39,122
Accounts payable		15,544	15,288
Income taxes payable	22	13,586	71,852
Deferred tax liabilities	22	1,239	1,394
Accrued expenses and other current liabilities	13	452,457	436,825
Total current liabilities		\$ 622,114	\$ 585,981
Long-term debt, less current portion	12	649,314	747,118
Deferred tax liabilities	22	6,671	6,266
Other liabilities		179,302	168,289
Total liabilities		\$ 1,457,401	\$ 1,507,654
Shareholders' equity			
Preferred shares, \$0.01 par value, 250,000,000 authorized, none issued			
Common shares, \$0.01 par value, 500,000,000 authorized, 218,684,205 and 213,612,787 issued and outstanding as of December 31, 2014 and September 30, 2015, respectively			
		2,184	2,133
Additional paid-in capital		1,296,730	1,322,959
Retained earnings		398,706	415,003
Accumulated other comprehensive income (loss)		(412,484)	(458,744)
Genpact Limited shareholders' equity		\$ 1,285,136	\$ 1,281,351
Non-controlling interest			
Total equity		\$ 1,285,136	\$ 1,281,351
Commitments and contingencies	24		
Total liabilities and equity		\$ 2,742,537	\$ 2,789,005

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 September 30,		Nine months ended September 30,	
		2014	2015	2014	2015
Net revenues					
Net revenues from services	23	\$ 588,107	\$ 617,831	\$ 1,677,908	\$ 1,814,516
Cost of revenue					
Services	18, 23	354,475	375,830	1,018,889	1,099,610
Gross profit		\$ 233,632	\$ 242,001	\$ 659,019	\$ 714,906
<i>Operating expenses:</i>					
Selling, general and administrative expenses	19, 23	153,148	144,723	418,361	442,701
Amortization of acquired intangible assets	10	7,989	7,219	20,617	21,875
Other operating (income) expense, net	20	(372)	2,716	(3,124)	(416)
Income from operations		\$ 72,867	\$ 87,343	\$ 223,165	\$ 250,746
Foreign exchange (gains) losses, net		4,671	(4,210)	12,093	(4,098)
Other income (expense), net	21	(6,439)	(1,868)	(19,477)	(26,976)
Income before equity-method investment activity, net and income tax expense		\$ 61,757	\$ 89,685	\$ 191,595	\$ 227,868
Loss (gain) on equity-method investment activity, net		(33)	3,432	(87)	7,995
Income before income tax expense		\$ 61,790	\$ 86,253	\$ 191,682	\$ 219,873
Income tax expense	22	15,124	18,203	45,263	44,469
Net income		\$ 46,666	\$ 68,050	\$ 146,419	\$ 175,404
Net income (loss) attributable to non-controlling interest		13		169	
Net income attributable to Genpact Limited shareholders		\$ 46,653	\$ 68,050	\$ 146,250	\$ 175,404
Net income available to Genpact Limited common shareholders					
	17	\$ 46,653	\$ 68,050	\$ 146,250	\$ 175,404
Earnings per common share attributable to Genpact Limited common shareholders					
	17				
Basic		\$ 0.22	\$ 0.32	\$ 0.66	\$ 0.80
Diluted		\$ 0.21	\$ 0.31	\$ 0.65	\$ 0.80
Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited common shareholders					
Basic		216,472,908	215,311,322	222,036,262	217,909,722
Diluted		220,535,530	217,595,704	226,440,350	220,301,712

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)