

Genpact LTD
Form 10-Q
May 09, 2016
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, 2016**

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 April 29, 2016 was 210,520,443.

Table of Contents

TABLE OF CONTENTS

| Item No. | | Page No. |
|--------------------------|---|-----------------|
| PART I | Financial Statements | |
| 1. | Unaudited Consolidated Financial Statements | |
| | <u>Consolidated Balance Sheets as of December 31, 2015 and March 31, 2016</u> | 1 |
| | <u>Consolidated Statements of Income for the three months ended March 31, 2015 and 2016</u> | 2 |
| | <u>Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2015 and 2016</u> | 3 |
| | <u>Consolidated Statements of Equity for the three months ended March 31, 2015 and Consolidated Statements of Equity and Redeemable</u> | |
| | <u>Non-controlling Interest for the three months ended March 31, 2016</u> | 4 |
| | <u>Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2016</u> | 6 |
| | <u>Notes to the Consolidated Financial Statements</u> | 7 |
| | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 28 |
| 2. | | |
| 3. | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 38 |
| 4. | <u>Controls and Procedures</u> | 39 |
| PART II | 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> | 39 |
| 3. | <u>Defaults upon Senior Securities</u> | 40 |
| 5. | <u>Other Information</u> | 40 |
| 6. | <u>Exhibits</u> | 40 |
| <u>SIGNATURES</u> | | 41 |

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, 2015 | As of March 31, 2016 |
|--|-------|----------------------------|-------------------------|
| Assets | | | |
| <i>Current assets</i> | | | |
| Cash and cash equivalents | 4 | \$ 450,907 | \$ 429,795 |
| Accounts receivable, net | 5 | 590,137 | 605,598 |
| Prepaid expenses and other current assets | 8 | 154,025 | 198,535 |
| Total current assets | | \$ 1,195,069 | \$ 1,233,928 |
| Property, plant and equipment, net | 9 | 175,396 | 179,699 |
| Deferred tax assets | 22 | 99,395 | 103,906 |
| Investment in equity affiliates | 23 | 6,677 | 8,315 |
| Intangible assets, net | 10 | 98,601 | 89,648 |
| Goodwill | 10 | 1,038,346 | 1,055,737 |
| Other assets | | 180,005 | 172,331 |
| Total assets | | \$ 2,793,489 | \$ 2,843,564 |
| Liabilities and equity | | | |
| <i>Current liabilities</i> | | | |
| Short-term borrowings | 11 | \$ 21,500 | \$ 81,500 |
| Current portion of long-term debt | 12 | 39,134 | 39,148 |
| Accounts payable | | 10,086 | 9,222 |
| Income taxes payable | 22 | 24,122 | 33,079 |
| Accrued expenses and other current liabilities | 13 | 499,638 | 427,420 |
| Total current liabilities | | \$ 594,480 | \$ 590,369 |
| Long-term debt, less current portion | 12 | 737,332 | 727,538 |
| Deferred tax liabilities | 22 | 2,093 | 1,977 |
| Other liabilities | | 155,228 | 170,455 |
| Total liabilities | | \$ 1,489,133 | \$ 1,490,339 |
| Redeemable non-controlling interest | | | 3,621 |
| Shareholders equity | | | |

Edgar Filing: Genpact LTD - Form 10-Q

Preferred shares, \$0.01 par value, 250,000,000 authorized, none issued

| | | |
|--|---------------------|---------------------|
| Common shares, \$0.01 par value, 500,000,000 authorized, 211,472,312 and 210,490,107 issued and outstanding as of December 31, 2015 and March 31, 2016, respectively | 2,111 | 2,100 |
| Additional paid-in capital | 1,342,022 | 1,354,406 |
| Retained earnings | 411,508 | 437,043 |
| Accumulated other comprehensive income (loss) | (451,285) | (443,945) |
| Total equity | \$ 1,304,356 | \$ 1,349,604 |
| Commitments and contingencies | 24 | |
| Total liabilities, redeemable non-controlling interest and equity | \$ 2,793,489 | \$ 2,843,564 |

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, | |
|--|--------|------------------------------|-------------------|
| | | 2015 | 2016 |
| Net revenues | | \$ 587,153 | \$ 609,703 |
| Cost of revenue | 18, 23 | 357,476 | 372,848 |
| Gross profit | | \$ 229,677 | \$ 236,855 |
| <i>Operating expenses:</i> | | | |
| Selling, general and administrative expenses | 19, 23 | 148,748 | 160,149 |
| Amortization of acquired intangible assets | 10 | 7,341 | 6,145 |
| Other operating (income) expense, net | 20 | (462) | (5,061) |
| Income from operations | | \$ 74,050 | \$ 75,622 |
| Foreign exchange gains (losses), net | | (7,545) | (998) |
| Interest income (expense), net | 21 | (9,025) | (2,838) |
| Other income (expense), net | | 458 | 878 |
| Income before equity-method investment activity, net and income tax expense | | \$ 57,938 | \$ 72,664 |
| Gain (loss) on equity-method investment activity, net | | (2,223) | (2,145) |
| Income before income tax expense | | \$ 55,715 | \$ 70,519 |
| Income tax expense | 22 | 11,062 | 12,243 |
| Net income | | \$ 44,653 | \$ 58,276 |
| Net loss (income) attributable to non-controlling interest | | | 289 |
| Net income attributable to Genpact Limited shareholders | | \$ 44,653 | \$ 58,565 |
| Net income available to Genpact Limited common shareholders | 17 | \$ 44,653 | \$ 58,565 |
| Earnings per common share attributable to Genpact Limited common shareholders | 17 | | |
| Basic | | \$ 0.20 | \$ 0.28 |
| Diluted | | \$ 0.20 | \$ 0.27 |
| Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited | | | |

Edgar Filing: Genpact LTD - Form 10-Q

common shareholders

| | | |
|---------|-------------|-------------|
| Basic | 219,892,695 | 210,780,165 |
| Diluted | 222,347,101 | 213,892,964 |

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, except per share data and share count)

| | Three months ended March 31, | | | |
|--|-------------------------------------|---|------------------------------------|---|
| | 2015 | | 2016 | |
| | Genpact Limited Shareholders | Redeemable Non-controlling interest | Genpact Limited Shareholders | Redeemable Non- controlling interest |
| Net Income (loss) | \$ 44,653 | \$ | \$ 58,565 | \$ (289) |
| Other comprehensive income: | | | | |
| Currency translation adjustments | (11,179) | | 5,217 | |
| Net income (loss) on cash flow hedging derivatives, net of taxes (Note 7) | 21,833 | | 1,970 | |
| Retirement benefits, net of taxes | 286 | | 153 | |
| Other comprehensive income (loss) | \$ 10,940 | \$ | \$ 7,340 | \$ |
| Comprehensive income (loss) | \$ 55,593 | \$ | \$ 65,905 | \$ (289) |

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)**

| | Common shares | | Additional Paid-in | Retained | Accumulated Other Comprehensive Income | Total |
|--|--------------------|-----------------|---------------------|-------------------|---|---------------------|
| | No. of Shares | Amount | Capital | Earnings | (Loss) | Equity |
| Balance as of January 1, 2015 | 218,684,205 | \$ 2,184 | \$ 1,296,730 | \$ 398,706 | \$ (412,484) | \$ 1,285,136 |
| Issuance of common shares on exercise of options (Note 15) | 659,257 | 7 | 5,834 | | | 5,841 |
| Issuance of common shares under the employee stock purchase plan (Note 15) | 34,162 | | 683 | | | 683 |
| Net settlement on vesting of restricted share units (Note 15) | 65,244 | 1 | (79) | | | (78) |
| Net settlement on vesting of performance units (Note 15) | 845,524 | 8 | (8) | | | |
| Stock repurchased and retired (Note 16) | (590,713) | (6) | | (13,292) | | (13,298) |
| Expenses related to stock purchase (Note 16) | | | | (12) | | (12) |
| Stock-based compensation expense (Note 15) | | | 4,660 | | | 4,660 |
| Comprehensive income: | | | | | | |
| Net income | | | | 44,653 | | 44,653 |
| Other comprehensive income | | | | | 10,940 | 10,940 |
| Balance as of March 31, 2015 | 219,697,679 | \$ 2,194 | \$ 1,307,820 | \$ 430,055 | \$ (401,544) | \$ 1,338,525 |

See accompanying notes to the Consolidated Financial Statements.

Table of Contents**GENPACT LIMITED AND ITS SUBSIDIARIES****Consolidated Statements of Equity and Redeemable Non-controlling Interest****(Unaudited)****(In thousands, except share count)**

| | Common shares | | Paid- Retained | | Accumulated Other Comprehensive Income (Loss) | Redeemable Total non-controlling Equity interest | |
|---|--------------------|-----------------|---------------------|-------------------|---|--|-----------|
| | No. of Shares | Amount | in Capital | Earnings | | | |
| Balance as of January 1, 2016 | 211,472,312 | \$ 2,111 | \$ 1,342,022 | \$ 411,508 | \$ (451,285) | \$ 1,304,356 | \$ |
| Issuance of common shares on exercise of options (Note 15) | 248,316 | 2 | 4,210 | | | 4,212 | |
| Issuance of common shares under the employee stock purchase plan (Note 15) | 30,487 | | 725 | | | 725 | |
| Net settlement on vesting of restricted share units (Note 15) | 95,191 | 1 | (50) | | | (49) | |
| Net settlement on vesting of performance units (Note 15) | | | | | | | |
| Stock repurchased and retired (Note 16) | (1,356,199) | (14) | | (33,003) | | (33,017) | |
| Excess tax benefit on stock-based Compensation | | | 2,163 | | | 2,163 | |
| Expenses related to stock purchase (Note 16) | | | | (27) | | (27) | |