Genpact LTD
Form 10-K
March 01, 2019
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2018.
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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common shares, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Annual Report on Form 10-K or any amendment to this Annual Report on Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of June 30, 2018, the aggregate market value of the common stock of the registrant held by non-affiliates of the registrant was $4,301,213,430, based on the closing price of the registrant's common shares, par value of $0.01 per share, reported on the New York Stock Exchange on such date of $28.93 per share. Directors, executive officers and significant shareholders of Genpact Limited are considered affiliates for purposes of this calculation, but should not necessarily be deemed affiliates for any other purpose.

As of February 20, 2019, there were 189,456,783 common shares of the registrant outstanding.

Documents incorporated by reference:

The registrant intends to file a definitive proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2018. Portions of the proxy statement are incorporated herein by reference to the following parts of this Annual Report on Form 10-K:

Part III, Item 10, Directors, Executive Officers and Corporate Governance;

Part III, Item 11, Executive Compensation;

Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters;

Part III, Item 13, Certain Relationships and Related Transactions, and Director Independence; and

Part III, Item 14, Principal Accounting Fees and Services.

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Special Note Regarding Forward-Looking Statements

We have made statements in this Annual Report on Form 10-K (the "Annual Report") in, among other sections, Item 1—"Business," Item 1A—"Risk Factors," and Item 7—"Management's Discussion and Analysis of Financial Condition a Results of Operations" that are forward-looking statements. In some cases, you can identify these statements by forward-looking terms such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "could," "may," "shall," and variations of such words and similar expressions, or the negative of such words or similar expressions. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, which in some cases may be based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks outlined under Item 1A—"Risk Factors" in this Annual Report. These forward-looking statements include, but are not limited to, statements relating to:

- our ability to retain existing clients and contracts;
- our ability to win new clients and engagements;
- the expected value of the statements of work under our master service agreements;
- our beliefs about future trends in our market;
- political, economic or business conditions in countries where we have operations or where our clients operate, including the uncertainty related to the pending withdrawal of the United Kingdom from the European Union, commonly known as Brexit, and heightened economic and political uncertainty within and among other European Union member states;
- expected spending on business process outsourcing and information technology services by clients;
- foreign currency exchange rates;
- our ability to convert bookings to revenue;
- our rate of employee attrition;
- our effective tax rate; and
- competition in our industry.

Factors that may cause actual results to differ from expected results include, among others:

- our ability to develop and successfully execute our business strategies;
- our ability to grow our business and effectively manage growth and international operations while maintaining effective internal controls;
- our dependence on favorable policies and tax laws that may be changed or amended in a manner adverse to us or be unavailable to us in the future, including as a result of recently adopted tax legislation in the United States, and our ability to effectively execute our tax planning strategies;
- our ability to comply with data protection laws and regulations and to maintain the security and confidentiality of personal and other sensitive data of our clients, employees or others;
- our dependence on revenues derived from clients in the United States and Europe and clients that operate in certain industries, such as the financial services industry;
- our ability to successfully consummate or integrate strategic acquisitions;
- our ability to maintain pricing and asset utilization rates;

- our ability to hire and retain enough qualified employees to support our operations;
- increases in wages in locations in which we have operations;
- our relative dependence on the General Electric Company (GE) and our ability to maintain our relationships with divested GE businesses;
- financing terms, including, but not limited to, changes in the London Interbank Offered rate, or LIBOR, including the pending global phase-out of LIBOR, and changes to our credit ratings;
- our ability to meet our corporate funding needs, pay dividends and service debt, including our ability to comply with the restrictions that apply to our indebtedness that may limit our business activities and investment opportunities;
- restrictions on visas for our employees traveling to North America and Europe;
- fluctuations in currency exchange rates between the currencies in which we transact business, primarily the U.S. dollar, Australian dollar, Chinese renminbi, Euro, Indian rupee, Japanese yen, Mexican peso, Philippine peso, Polish zloty, Romanian leu and U.K. pound sterling;
- our ability to retain senior management;
- the selling cycle for our client relationships;
- our ability to attract and retain clients and our ability to develop and maintain client relationships on attractive terms;
- legislation in the United States or elsewhere that adversely affects the performance of business process outsourcing and information technology services offshore;
- increasing competition in our industry;
- telecommunications or technology disruptions or breaches, or natural or other disasters;
- our ability to protect our intellectual property and the intellectual property of others;
- deterioration in the global economic environment and its impact on our clients, including the bankruptcy of our clients;
- regulatory, legislative and judicial developments, including the withdrawal of governmental fiscal incentives;
- the international nature of our business;
- technological innovation;
- our ability to derive revenues from new service offerings; and
- unionization of any of our employees.

Although we believe the expectations reflected in the forward-looking statements are reasonable at the time they are made, we cannot guarantee future results, level of activity, performance or achievements. Achievement of future results is subject to risks, uncertainties, and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements. We undertake no obligation to update any of these forward-looking statements after the date of this filing to conform our prior statements to actual results or revised expectations. You are advised, however, to consult any further disclosures we make on related subjects in our Forms 10-Q and Form 8-K reports to the SEC.

In this Annual Report on Form 10-K, we use the terms “Genpact,” “Company,” “we” and “us” to refer to Genpact Limited and its subsidiaries. Our registered office is located at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

PART I

Item 1. Business

About Genpact

Genpact is a global professional services firm that makes business transformation real. We drive digital-led innovation and run digitally-enabled intelligent operations for our clients, guided by our experience running thousands of processes for hundreds of Fortune Global 500 clients. We have more than 87,000 employees serving clients in key industry verticals from more than 25 countries. Our 2018 total net revenues were $3.0 billion.

In 2018, we continued to implement a strategy focused on differentiated, domain-led solutions, growing our expertise in strategic industries and geographic markets, and expanding our client relationships. We made acquisitions in 2018 to increase our domain expertise in our areas of focus, and we invested in our people and our solutions – in particular our digital capabilities –in an effort to drive more agile business models for our clients and help them to stay ahead of the disruptive challenges they are facing.

Our Approach

We use our Smart Enterprise Processes℠ (SEP) —a patented and highly granular approach to dramatically improving the performance of business processes – to help our clients make their business processes more efficient and effective. SEPs, and their more recent evolution, Digital SEPs, combine Lean Six Sigma methodologies – which reduce waste and inefficiency and improve process quality – with design-thinking principles and our deep expertise in how businesses run. Our SEPs test the effectiveness of client processes using best-in-class benchmarks we have developed by mapping and analyzing hundreds of millions of client transactions across thousands of end-to-end business processes. In this way, we identify opportunities for improving client processes and technologies, and we apply our deep process knowledge and process-centric technology to transform them. Our Digital SEPs build on our SEP framework by adding domain-specific digital products and solutions that draw on our expertise in mobility, cloud, workflow, advanced visualization, robotics, and machine learning.

Genpact Cora integrates our proprietary automation, analytics, and AI technologies into a unified platform. It draws insights from our deep domain and operations expertise in our target industries and service lines, and is focused on improving the customer experience. Our teams use Genpact Cora to embed the latest technologies along with our deep domain knowledge into our solutions to accelerate our clients' digital transformations.

Domain-led digital transformation

Our clients are operate in increasingly complex business environments, driven by an explosion in technology opportunities, new and disruptive competitors, and shifting market dynamics. Companies need to reimagine their business models and adapt to rapid change.

These organizations seek partners that can both improve productivity and manage cost while creating competitive advantages and realizing top-line benefits, such as expanded market share, seamless customer experiences, increased revenue, and minimized risk and loss. We believe our approach to business transformation, enabled through combining our deep industry and process expertise with our advanced skills in digital, differentiates us from our competitors.

Our Lean Digital[SM] Innovation Centers help clients learn about new digital solutions that can address their business needs. We use these innovation centers to bring together clients, partners, and other industry leaders for brainstorming and hackathon-style workshops. As part of this process, we apply design thinking to make the most of human capabilities, domain expertise, and innovative technology, and create solutions that quickly and aptly meet client objectives. The results can include quick-turnaround prototypes that clients can install and test in their own environments.

We enable domain-led digital transformation for our clients primarily in two ways: designing and running Intelligent Operations℠ and providing digital-led Transformation Services.

Intelligent Operations

Our Intelligent Operations embed digital and advanced analytics into our business process outsourcing solutions to automate and transform our clients' operations. This allows enterprises to be more flexible and helps them focus on what they need to do to better compete in their industries.

Transformation Services

Our transformation services include our digital products, services and solutions, consulting services, and analytics offerings.

Digital: Through our portfolio of digital products, we help our clients harness the power of digital. Our Genpact Cora platform helps us design and implement our digital solutions, making use of advanced technologies, including robotic process automation, AI and data engineering.

Consulting: Our consulting practice, which includes digital experts, helps clients:

- Get a complete picture of how they run their operations across their organization in our areas of focus;
- Measure how their operating processes compare to industry best practices;
- Create custom roadmaps to help them meet their business goals; and
- Train client teams to execute on our recommendations.

Analytics: We use advanced analytics and data engineering to help our clients make timely, informed and fact-based decisions. We offer analytics services and solutions in areas where we have domain expertise, both on a standalone basis and embedded in our other service offerings. We use quantitative and qualitative methods to analyze a client's data to help them assess new business opportunities, manage risk, and make better business decisions. Our Lean Digital Innovation Centers in Bangalore and Delhi, India, Boston and Palo Alto, United States, and Netyana, Israel bring together our clients, partners, and other industry experts to design and develop new ideas.

Our service offerings

For clients across our chosen industry verticals, we offer the following professional services:

- Finance and accounting services;
- Core industry operations specific to our chosen industry verticals;
- Sourcing, procurement and supply chain services; and
- IT services.

Finance and accounting

We believe we are one of the world's premier providers of financial and accounting services. Our services in this area include:

- Accounts payable: document management, invoice processing, approval and resolution management, and travel and expense processing;

- Invoice-to-cash: customer master data management, credit and contract management, fulfillment, billing, collections, and dispute management services;
- Record to report: accounting, treasury, tax services, product cost accounting, and closing and reporting, including SEC and regulatory reporting;
- Enterprise performance management: budgeting, forecasting, and business performance reporting; and

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- Enterprise risk and compliance: operational risk and controls across a wide range of regulatory environments.

Core industry operations

We help our clients design, transform and run core enterprise operations specific to their industries. On the foundation of domain expertise embedded in our SEP frameworks, we use our Lean Digital approach to leverage digital technologies and specialized analytics to power Intelligent Operations. We support our clients' core operations in all of our chosen industry verticals.

Sourcing, procurement and supply chain services

We offer direct and indirect strategic sourcing, category management, spend analytics, procurement operations, master data management, and other procurement and supply chain advisory services.

We use our expertise in this area to help clients transform and run sourcing strategies across expense categories, drive process compliance and realize significant cost reduction in their businesses. Using our Lean Digital approach and best-in-class SEPs, we help clients improve productivity and their customers' experiences by:

- Improving sourcing and procurement processes;
- Optimizing inventory management and the overall supply chain;
- Automating processes, such as order management;
- Integrating separate technology systems and analyzing disparate data sources; and
- Providing a single dashboard to see metrics in one place.

IT services

Our IT services include end-user computing support, infrastructure management, application production support, and database management. We provide support in more than 25 languages.

Monitoring and management: We help our clients monitor and manage their data centers, servers, storage, emails, networks, databases, applications, and end-user devices.

Infrastructure management: We offer cloud infrastructure services, IT service integration and management and cybersecurity services.

Business intelligence and data warehousing: We leverage our deep domain and process expertise to help clients with business intelligence and big data, enterprise resource planning, quality assurance, technology integration, and business intelligence reporting. We also have significant expertise in Hyperion, SAS and Cognos, and platform support for ERP systems such as Oracle, SAP, and Microsoft.

Industries we serve

We work with clients across our chosen industry verticals, which are areas in which we believe we have deep industry acumen. In addition to our professional services, such as finance and accounting, that are available to clients across our verticals, we offer core industry-specific services to clients in select verticals.

Banking and financial services

Our clients in this vertical include retail, investment and commercial banks, mortgage lenders, equipment and lease financing providers and other financial services companies. Our services for these clients include application processing, collections and customer services, equipment and auto loan servicing, mortgage origination and servicing, risk management and compliance services, reporting and monitoring services, and wealth management operations support.

Capital markets

Our clients in this vertical include investment banks, wealth and asset management firms, broker/dealers, exchanges, clearing and settlement organizations and other financial enterprises. Our services for these clients include end-to-end information technology services, application development and maintenance, managed services, risk management and compliance services, and consulting.

Insurance

Our services for clients in the insurance industry – such as property and casualty insurers, life and annuities insurers, reinsurance providers and insurance brokerage firms – include underwriting, claims management, risk and catastrophe modelling, and customer segmentation and loyalty.

Consumer goods and retail

Our clients in this vertical include companies in the food and beverage, household goods, apparel, personal goods and consumer health industries as well as grocery chains and other retailers. The services we provide to these clients include supply chain management, order management, trade promotion optimization, and supplier risk management.

Life sciences and healthcare

Our clients in this vertical include pharmaceutical, medical technology and biotechnology companies as well as healthcare payers (health insurers) and providers and pharmacy benefit managers. Our services for life sciences clients include regulatory affairs services, such as lifecycle management, regulatory operations, Chemistry Manufacturing Controls compliance, safety and pharmacovigilance, and regulatory information management. Our services for healthcare clients include managing the end-to-end lifecycle of a claim, from claims processing and adjudication to claims recovery and payment integrity.

Infrastructure, manufacturing and services

Our clients in this vertical include companies in the automotive, chemicals, energy, hospitality, manufacturing, media and entertainment, and transportation and logistics sectors. Our solutions for these clients include industry-specific solutions for the Internet of Things (IIoT), aftermarket services support, industrial asset optimization, engineering services covering the complete product lifecycle from concept to release and sustaining engineering, supply chain management, direct procurement and logistics services.

High Tech

Our clients in this vertical include companies in the electronics, software and technology sectors. The services we provide to these clients include industry-specific solutions for the IIoT, order and supply chain management, and risk management.

Our clients

We serve more than 700 clients across many industries and geographies. Our clients include some of the biggest brands in the world, many of which are leaders in their industries.

GE

GE has been our largest client since our inception and accounted for $268.2 million, or approximately 8.9%, of our total net revenues in 2018. We serve most of GE's business units, including GE Aviation, Baker Hughes GE, GE Corporate, GE Current, GE Digital, GE Healthcare, GE Industrial Finance, GE Power, GE Renewables and GE Transportation.

We provide broad services to GE across all of our service offerings. Commitments with respect to services we may perform for GE are set forth in statements of work, or SOWs, purchase orders and business services agreements, or BSAs, that we may enter into with individual GE business units from time to time. These SOWs, purchase orders and BSAs cover in more detail the type of work to be performed and the associated amounts to be billed. In general, each GE business unit decides whether to enter into a SOW, purchase order or BSA with us and on what terms it will do so. Therefore, although some decisions may be made centrally at GE, our revenues from GE come from many different businesses, each with its own leader who makes decisions about our services.

Global clients

We serve about one fourth of the Fortune Global 500, including clients such as Aon, Bayer, Boeing, Citigroup, Hyatt, McKesson, PayPal, Walgreens Boots Alliance and Walmart.

Our net revenues from Global Clients, which include all clients other than GE, have grown from $1.6 billion in 2013 to $2.7 billion in 2018, representing a compound annual growth rate of 11%. Our net revenues from Global Clients as a percentage of total net revenues increased from approximately 77% in 2013 to approximately 91% in 2018. See Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations—Classification of Certain Net Revenues."

Our contracts with clients often take the form of a master services agreement, or MSA, which is a framework agreement that we then supplement with SOWs, and we also frequently enter into software-as-a-service and consulting agreements with our clients depending on the scope of the services to be performed. Our MSAs specify the general terms that apply to the services we will provide. For more about our contracting frameworks, see Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Net Revenues."

Our people

Our people are critical to the success of our business. We have created, and constantly reinforce, a culture that emphasizes collaboration, innovation, process improvement, and dedication to our clients. We seek to attract, retain and develop employees who exhibit our core values – curiosity, incisiveness and courage – and who uphold our dedication to integrity consistent with our Code of Ethical Business Conduct. We are committed to the career development of our employees, and our increasingly mobile, agile and inclusive learning infrastructure supports focused and meaningful technical, functional, industry-specific, managerial, and leadership skill development for our employees based on their roles and levels. Our performance management approach supports our career philosophy by encouraging employees to reflect on their performance, set challenging goals, identify their development needs and find relevant learning and training opportunities.

As of December 31, 2018, we had approximately 87,000 employees working in more than 25 countries.

Partnerships and alliances

We have entered into and continue to pursue alliances with companies whose solutions complement ours. Together, we work to enhance our existing solutions or create new solutions to meet market needs.

Our alliances generally fall into one of the following categories:

- Joint ventures
- Strategic, go-to-market alliances
- Deal-specific relationships to jointly solve a specific issue for a client
- Digital and other "white label" embedded technology-based relationships

We have three primary types of partners: consulting partners, digital partners, and solution partners. Our digital and solution partnerships aim to nurture relationships with established and emerging players and start-ups. These potential partners specialize in leading-edge disruptive digital technologies and solutions that we can embed into our offerings or proactively bring to market.

Corporate social responsibility

Genpact’s approach to corporate social responsibility focuses on three pillars that reflect our strengths, core expertise, and causes that our employees care about:

- Education and employability
- Gender diversity and inclusion
- Sustainability

We foster a culture of giving and volunteering through several global platforms, projects, and social initiatives. Our more than 31,000 employee volunteers have, among other things, helped underprivileged children get better access to education, assisted unemployed women in developing job skills and finding jobs, and worked on projects to help improve infrastructure and education in the communities in which we work and live. Additionally, more than 10,000 of our employees participate in our payroll-based charitable donation programs.

Sales and marketing

We market our services to both existing and potential clients through our business development team and our global relationship managers. Members of this team are based around the globe, including in the United States, Europe, Australia and Asia, and dedicate their time to expanding the services we provide to our existing clients as well as acquiring new clients.

We have designated client partners and global relationship managers for each of our strategic relationships. The relationship manager is supported by digital and analytics, process improvement, quality, transition, finance, human resources, information technology and industry/product subject matter expert teams to ensure the best possible solution is provided to our clients. We constantly measure our client satisfaction levels to ensure that we maintain high service levels for each client, using measures such as the Net Promoter Score. Our sales force is primarily organized by industry vertical teams that are supported by horizontal service offerings.

The length of our selling cycle varies depending on the type of engagement. The sales cycle for project work is typically much shorter than the sales cycle for a large business process engagement. Our efforts may begin in response to our lead generation program, a perceived opportunity, a reference by an existing client, a request for proposal or otherwise. In addition to our business development personnel, the sales effort involves people from the relevant service areas, people familiar with that prospective client’s industry and business leaders. We may expend substantial time and resources in securing new business. See Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview—Net Revenues.”

As our relationship with a client grows, the time required to win an engagement for additional services often gradually declines. In addition, as we become more knowledgeable about a client’s business and processes, our ability to identify opportunities to create value for the client typically increases. For example, productivity benefits and greater business impact can often be achieved by applying our Lean Digital℠ approach and SEP℠ methodology, by focusing on processes that are “upstream” or “downstream” from the processes we initially handle, or by applying our analytical, consulting and digital capabilities to transform processes.

We also strive to foster relationships between our senior leadership team and our clients’ senior management. These “C-level” relationships ensure that both parties are focused on establishing priorities, aligning objectives and driving client value from the top down. High-level executive relationships have been particularly constructive as a means of increasing business from our existing clients. It also provides us with a forum for addressing client concerns. Our governance methodology is designed to ensure that we are well connected at all levels of our clients’ organizations (executive, management and operations).

Significant new business opportunities are reviewed by business and sales leaders from the applicable industry vertical, operations personnel, and members of our finance department. If they

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determine that the new business is aligned with our strategic objectives and a good use of our resources, then our business development team is authorized to pursue the opportunity.

Global delivery

We serve our clients using our global network of 88 delivery centers in 17 countries. We have delivery centers in Australia, Brazil, China, Guatemala, India, Israel, Japan, Latvia, Malaysia, Mexico, the Netherlands, the Philippines, Poland, Romania, Slovakia, the United Kingdom, and the United States. We also have many employees who work with our clients either onsite or virtually, which offers flexibility for both clients and employees.

With this global network, we are able to manage complex processes around the world. We use different locations for different types of services depending on client needs and the mix of skills and cost of employees at each location.

Our presence around the world gives us:

- multilingual capabilities;
- access to a larger talent pool; and
- "near-shoring" capabilities to take advantage of time zones.

We also regularly look for new places to open delivery centers and offices, both in new countries or new cities in countries where we already have a presence. Before we choose a new location, we consider several factors, such as the talent pool, infrastructure, government support, operating costs, and client demand.

Service delivery model

We seek to be a seamless extension of our clients' operations. To that end, we developed the Genpact Virtual Captive℠ service delivery model, in which we create a virtual extension of our clients' teams and environments. Our clients get dedicated employees and management, as well as dedicated infrastructure at our delivery centers. We also train our teams in our clients' cultures, processes, and business environments.

Intellectual Property

The solutions we offer our clients often include a range of proprietary methodologies, software, and reusable knowledge capital. We also develop intellectual property in the course of our business and our agreements with our clients regulate the ownership of such intellectual property. We seek to protect our intellectual property through various means, including by agreement and applications for patents, trademarks, service marks, copyrights and domain names. Some of our intellectual property rights are trade secrets and relate to proprietary business process enhancements.

We often use third-party and client software platforms and systems to provide our services. Our agreements with our clients normally include a license to use the client's proprietary systems to provide our services. Clients authorize us to access and use third party software licenses held by the client so that we may provide our services.

It is our practice to enter into agreements with our employees and independent contractors that:

- ensure that all new intellectual property developed by our employees or independent contractors in the course of their employment or engagement is assigned to us;
-

provide for employees’ and independent contractors’ cooperation in intellectual property protection matters even if they no longer work for us; and

- include a confidentiality undertaking by our employees and independent contractors.

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Competition

We operate in a highly competitive and rapidly evolving global market. We have a number of competitors offering services that are the same as or similar to ours. Our competitors include:

- large multinational service providers and accounting firms that provide consulting and other professional services;
- companies that are primarily business process service providers operating from low-cost countries, most commonly India;
- companies that are primarily information technology service providers with some business process service capabilities;
- smaller, niche service providers that provide services in a specific geographic market, industry or service area, including digital; and
- in-house departments of companies that use their own resources rather than engage an outside firm for the types of services and solutions we provide.

Our revenues are derived primarily from Fortune Global 500 and Fortune 1000 companies. We believe that the principal competitive factors in our industry include:

- skills and capabilities;
- technical and industry expertise;
- innovative service and product offerings, including digital offerings;
- ability to add value, including through continuous process improvement;
- reputation and client references;
- contractual terms, including competitive pricing;
- scope of services;
- quality of services and solutions;
- ability to sustain long-term client relationships; and
- global reach and scale.

Our clients typically retain us on a non-exclusive basis.

Regulation

We are subject to regulation in many jurisdictions around the world as a result of the complexity of our operations and services, particularly in the countries where we have operations and where we deliver services. We are also subject to regulation by regional bodies such as the European Union, or EU.

In addition, the terms of our service contracts typically require that we comply with applicable laws and regulations. In some of our service contracts, we are contractually required to comply even if such laws and regulations apply to our clients, but not to us, and sometimes our clients require us to take specific steps intended to make it easier for them to comply with applicable requirements. In some of our service contracts, our clients undertake the responsibility to inform us about laws and regulations that may apply to us in jurisdictions in which they are located.

If we fail to comply with any applicable laws and regulations, we may be restricted in our ability to provide services, and may also be the subject of civil or criminal actions involving penalties, any of which could have a material adverse effect on our operations. Our clients generally have the right to terminate our contracts for cause in the event of regulatory failures, subject to notice periods. See Item 1A—“Risk Factors—Risks Related to our Business—Our global operations expose us to numerous and sometimes

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conflicting legal and regulatory requirements, and violations of these laws and regulations could harm our business.” If we fail to comply with contractual commitments to facilitate our clients’ compliance, we may be liable for contractual damages, and clients in regulated industries may be less willing to use our services.

We are affected by laws and regulations in the United States, the United Kingdom, the EU and its member states, and other countries in which we do business that are intended to limit the impact of outsourcing on employees in those jurisdictions, and occasional changes to laws and regulations in such jurisdictions may impose changes that further restrict or discourage offshore outsourcing or otherwise harm our business. See Item 1A—“Risk Factors—Risks Related to our Business—Future legislation or executive action in the United States and other jurisdictions could significantly affect the ability or willingness of our clients and prospective clients to utilize our services.”

Our collection, use, disclosure and retention of personal health-related and other information is subject to an array of privacy, data security, and data breach notification laws and regulations that change frequently, are inconsistent across the jurisdictions in which we do business, and impose significant compliance costs. In the United States, personal information is subject to numerous federal and state laws and regulations relating to privacy, data security, and breach notification, including, for example, the Gramm-Leach-Bliley Act, Health Insurance Portability and Accountability Act, Federal Trade Commission Act, Family Educational Rights and Privacy Act, Communications Act, and Electronic Communications Privacy Act. As of 2018, all fifty U.S. states and the District of Columbia have implemented separate data security and breach notification laws with which we must comply; in addition, some states have strengthened their existing laws. Some courts have become more willing to allow individuals to pursue claims in data breach cases, indicating that it may become easier for consumers to sue companies for data breaches. California’s new privacy law, which is expected to take effect in 2020, will impose additional obligations related to the collection and usage of California residents’ data. Related laws and regulations govern our direct marketing activities and our use of personal information for direct marketing, including the Telemarketing and Consumer Fraud and Abuse Prevention Act, Telemarketing Sales Rule, Telephone Consumer Protection Act and rules promulgated by the Federal Communications Commission, and CAN-SPAM Act. In 2018, the Clarifying Lawful Overseas Use of Data, or CLOUD, Act established new required processes and procedures for handling U.S. law enforcement requests for data that we may store outside of the U.S. In the EU, a new, comprehensive General Data Protection Regulation, or the GDPR, went into effect in May 2018. The GDPR supersedes EU member states’ national protection laws and imposes privacy and data security compliance obligations and increased penalties for noncompliance. In particular, the GDPR has introduced numerous privacy-related changes for companies operating in the EU, including greater control for data subjects, increased data portability for EU consumers, data breach notification requirements and increased fines. GDPR enforcement has begun, and companies have faced fines for violations of certain provisions. Fines can reach as high as 4% of a company’s annual total revenue, potentially including the revenue of a company’s international affiliates. Additionally, foreign governments outside of the EU are also taking steps to fortify their data privacy laws and regulations. For example, some countries in Latin America and Asia are considering GDPR-like data protection laws, and Canada implemented a new mandatory breach reporting and recordkeeping regime in November 2018. Evolving laws and regulations in India protecting the use of personal information could also impact our engagements with clients, vendors and employees in India. As privacy laws and regulations around the world continue to evolve, these changes could adversely affect our business operations, websites and mobile applications that are accessed by residents in the applicable countries.

In the United States, we are either directly subject to, or contractually required to comply or facilitate our clients’ compliance with, laws and regulations arising out of our work for clients operating there, especially in the area of banking, financial services and insurance, such as the Financial Modernization Act (sometimes referred to as the Gramm-Leach-Bliley Act), the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act, the Right to Financial Privacy Act, the Bank Secrecy Act, the USA PATRIOT Act, the Bank Service Company Act, the Home Owners Loan Act, the Electronic Funds Transfer Act, the Equal Credit Opportunity Act, and regulation by U.S. agencies such as the SEC, the Federal Reserve, the Federal Deposit Insurance Corporation, the National Credit Union

Administration, the Commodity Futures Trading Commission, the Federal Financial Institutions Examination Council, the Office of the Comptroller of the Currency, and the Consumer Financial Protection Bureau.

Because of our debt collections work in the United States, we are also regulated by laws such as the Truth in Lending Act, the Fair Credit Billing Act, the Fair Debt Collection Practices Act, the Telephone Consumer Protection Act and related regulations. We are currently licensed to engage in debt collection activities in all jurisdictions in the United States where licensing is required. U.S. banking and debt collection laws and their implementing regulations are occasionally amended, and these changes may impose new obligations on us or may change existing obligations.

Because of our insurance processing activities in the United States, we are currently licensed as a third-party administrator in 41 states and are regulated by the department of insurance in each such state. In two other states, we qualify for regulatory exemption from licensing based on the insurance processing activities we provide.

In the United States, we are subject to laws and regulations governing foreign trade, such as export control, customs and sanctions regulations maintained by government bodies such as the Commerce Department's Bureau of Industry and Security, the Treasury Department's Office of Foreign Assets Control, and the Homeland Security Department's Bureau of Customs and Border Protection.

Several of our service delivery centers, primarily located in India, China, the Philippines and Guatemala, benefit from tax incentives or concessional rates provided by local laws and regulations. The Indian Special Economic Zones Act of 2005, or SEZ legislation, introduced a tax holiday in certain situations for operations established in designated "special economic zones," or SEZs. The SEZ tax benefits are available only for new business operations that are conducted at qualifying SEZ locations. We cannot predict what percentage of our operations or income in India or other jurisdictions in future years will be eligible for a tax holiday. See Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Income Taxes." In addition to the tax holidays described above, certain benefits are also available to us under certain Indian state laws. These benefits include rebates and waivers in relation to payments for the transfer or registration of property (including for the purchase or lease of premises), waivers of conversion fees for land, exemption from state pollution control requirements, entry tax exemptions, labor law exemptions and commercial usage of electricity.

Our hedging activities and currency transfer are restricted by regulations in certain countries, including India, Romania and China.

Certain Bermuda Law Considerations

As a Bermuda company, we are also subject to regulation in Bermuda. Among other things, we must comply with the provisions of the Companies Act 1981 of Bermuda as amended, or the Companies Act, regulating the declaration and payment of dividends and the making of distributions from contributed surplus.

We are classified as a non-resident of Bermuda for exchange control purposes by the Bermuda Monetary Authority. Pursuant to our non-resident status, we may engage in transactions in currencies other than Bermuda dollars. There are no restrictions on our ability to transfer funds in and out of Bermuda or to pay dividends to United States residents that are holders of our common shares.

Under Bermuda law, "exempted" companies are companies formed for the purpose of conducting business outside Bermuda. As an exempted company, we may not, without a license granted by the Minister of Finance, participate in certain business transactions, including transactions involving Bermuda landholding rights and the carrying on of business of any kind, for which we are not licensed in Bermuda.

Organizational structure

We conduct our business primarily through direct and indirect subsidiaries of our parent company, Genpact Limited, which is a Bermuda exempted limited company.

Our business was initially conducted through various entities and divisions of GE. We began operating as an independent company in 2004, when GE spun off our operations and sold indirect interests in us to our initial investors. In 2007, we completed our initial public offering. In 2012, affiliates of Bain Capital Investors, LLC, or Bain Capital, acquired the majority of the remaining interests held by our initial investors. Following an offering in February 2019, Bain Capital (through its affiliates) owned approximately 17% of our outstanding equity as of February 15, 2019.

Available Information

We file current and periodic reports, proxy statements, and other information with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, at www.sec.gov. We make available free of charge on our website, www.genpact.com, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The contents of our website are not incorporated by reference into this Annual Report.

Executive Officers

The following table sets forth information concerning our executive officers as of February 15, 2019:

Name	Age	Position(s)
N.V. Tyagarajan	57	President, Chief Executive Officer and Director
Edward Fitzpatrick	52	Senior Vice President, Chief Financial Officer
Patrick Cogny	52	Senior Vice President, Infrastructure, Manufacturing & Services and High Tech
Balkrishan Kalra	49	Senior Vice President, Consumer Goods, Retail, Life Sciences and Healthcare
Ahmed Mazhari	49	Senior Vice President, Chief Growth Officer
Piyush Mehta	50	Senior Vice President, Chief Human Resources Officer
Darren Saumur	51	Senior Vice President, Global Operating Officer
Heather White	46	Senior Vice President, General Counsel and Corporate Secretary

N.V. Tyagarajan has served as our President and Chief Executive Officer since June 2011. From February 2009 to June 2011, he was our Chief Operating Officer. From February 2005 to February 2009, he was our Executive Vice President and Head of Sales, Marketing and Business Development. From October 2002 to January 2005, he was Senior Vice President, Quality and Global Operations, for GE’s Commercial Equipment Finance division. Between 1999 and 2002, he served as our Chief Executive Officer.

Edward Fitzpatrick has served as our Chief Financial Officer since July 2014. Prior to joining Genpact, he spent 13 years at Motorola Solutions Inc. and its predecessor company Motorola Inc., most recently serving as executive vice president and Chief Financial Officer. Prior to Motorola, he worked at General Instrument Corporation, which was acquired by Motorola Inc., and Price Waterhouse, LLP. Mr. Fitzpatrick also currently serves as a director of CBOE, Inc.

Patrick Cogny has served as our Senior Vice President of Infrastructure, Manufacturing and Services since September 2011 and has also been responsible for our High Tech business since January 2017. From 2005 to August 2011, he was the Chief Executive Officer of Genpact Europe. Prior to this, he spent 15 years working for GE in the Healthcare business and in the GE Europe corporate headquarters, in France, the United States and Belgium.

Balkrishan Kalra has served as our Senior Vice President, Consumer Goods, Retail and Life Sciences since 2008 and has also been responsible for our Healthcare business since 2016. Prior to this, he held various roles at Genpact since joining us in 1999.

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Ahmed Mazhari has served as our Senior Vice President and Chief Growth Officer since September 2016. In this role, he is currently responsible for our global sales and marketing functions, partnerships and alliances, transitions, digital solutioning and robotic process automation. From 2013 to 2016, he served as our Head of Global Sales and Client Relationships. Prior to this, he held various roles at Genpact, including European business leader and sales leader for Europe. Mr. Mazhari joined us in 1997.

Piyush Mehta has served as our Senior Vice President, Chief Human Resources Officer since March 2005. He has worked for us since 2001, initially as Vice President of Human Resources.

Darren Saumur became our Senior Vice President, Global Operating Officer in April 2018. Prior to joining Genpact, he was an executive vice president responsible for the services business at Infor from 2014 to 2018. From 2005 to 2014, he worked at SAP where he ran SAP's global consulting businesses. Mr. Saumur began his career at Ernst & Young, where he worked from 1991 to 2005.

Heather White became our Senior Vice President, General Counsel and Corporate Secretary in April 2018. Ms. White has been with Genpact since 2005, and served most recently as our Senior Vice President and Deputy General Counsel. Prior to joining Genpact, she was a corporate attorney in the New York and London offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP.

Item 1A. Risk Factors

Risks Related to our Business

Our success largely depends on our ability to achieve our business strategies, and our results of operations and financial condition may suffer if we are unable to continually develop and successfully execute our strategies.

Our future growth, profitability and cash flows largely depend upon our ability to continually develop and successfully execute our business strategies. While we have confidence that our strategic plans reflect opportunities that are appropriate and achievable, the execution of our strategy may not result in long-term growth in revenue or profitability due to a number of factors, including incorrect assumptions, global or local economic conditions, competition, changes in the industries in which we operate, sub-optimal resource allocation or any of the other risks described in this “Risk Factors” section. In pursuit of our growth strategy, we may also invest significant time and resources into new product or service offerings, and these offerings may fail to yield sufficient return to cover our investments in them. The failure to continually develop and execute optimally on our business strategies could have a material adverse effect on our business, financial condition and results of operations.

Our results of operations could be adversely affected by economic and political conditions and the effects of these conditions on our clients’ businesses and levels of business activity.

Global macroeconomic conditions affect our clients’ businesses and the markets they serve. Volatile, negative or uncertain economic conditions in our significant markets have in the past undermined and could in the future undermine business confidence in our significant markets or in other markets, which are increasingly interdependent, and cause our clients to reduce or defer their spending on new initiatives, or may result in clients reducing, delaying or eliminating spending under existing contracts with us, which would negatively affect our business. Growth in the markets we serve could be at a slow rate, or could stagnate or contract, in each case, for an extended period of time. Differing economic conditions and patterns of economic growth and contraction in the geographical regions in which we operate and the industries we serve have affected and may in the future affect demand for our services.

A material portion of our revenues and profitability is derived from our clients in North America and Europe. Weak demand in these markets could have a material adverse effect on our results of operations. Additionally, major political events, including the United Kingdom’s planned withdrawal from the European Union scheduled to occur on March 29, 2019 (“Brexit”), create uncertainty for businesses that operate in these markets. As the United Kingdom and EU continue to negotiate the terms of the United Kingdom’s withdrawal, there remains uncertainty on topics that are relevant to our operations in the United Kingdom, such as privacy regulations, trade agreements, immigration laws and employment laws. We face uncertainty in our operations as to the impact of Brexit on, among other things, the free movement of our employees between the United Kingdom and EU member states and the movement of data between the United Kingdom and EU member states. Furthermore, a significant portion of our revenues from clients in the United Kingdom is generated in British pounds. As a result, we are exposed to the risk that revenues from clients based in the United Kingdom will be affected by adverse movements in foreign currency exchange rates. Additionally, uncertainty as to the future trade terms between the United Kingdom and the EU could negatively impact our clients who are based or have operations in the United Kingdom or the EU, including clients in the financial services sector, and as a consequence could adversely impact our financial condition and results of operations. We are currently examining the various possible impacts Brexit may have on our business and operating model in an effort to develop solutions to address any of the potential outcomes of the negotiations. Any of these factors, or the possibility of a less orderly Brexit that adversely affects global economic conditions and the stability of global financial markets, could have a material adverse effect on our business, financial condition and results of operations.

Ongoing economic volatility and uncertainty and changing demand patterns affect our business in a number of other ways, including making it more difficult to accurately forecast client demand and effectively build our revenue and resource plans. Economic volatility and uncertainty is particularly challenging because it may take some time for the effects and changes in demand patterns resulting from these and other factors to manifest themselves in our business and results of operations. Changing demand patterns from economic volatility and uncertainty could have a significant negative impact on our results of operations.

Our business depends on generating and maintaining ongoing, profitable client demand for our services and solutions, including through the adaptation and expansion of our services and solutions in response to ongoing changes in technology and offerings, and a significant reduction in such demand or an inability to respond to the evolving technological environment could materially affect our results of operations.

Our revenue and profitability depend on the demand for our services and solutions with favorable margins, which could be negatively affected by numerous factors, many of which are beyond our control and unrelated to our work product. Our success depends, in part, on our ability to continue to develop and implement services and solutions that anticipate and respond to rapid and continuing changes in technology and offerings to serve the evolving needs of our clients. Examples of areas of significant change include digital- and cloud-related offerings, which are continually evolving as developments such as AI, automation, Internet of Things and as-a-service solutions are commercialized. Technological developments such as these may materially affect the cost and use of technology by our clients and, in the case of as-a-service solutions, could affect the nature of how we generate revenue. Some of these technologies, such as cloud-based services, AI and automation, and others that may emerge, have reduced and replaced some of our historical services and solutions and may continue to do so in the future. This has caused, and may in the future cause, clients to delay spending under existing contracts and engagements and to delay entering into new contracts while they evaluate new technologies. Such delays can negatively impact our results of operations if the pace and level of spending on new technologies is not sufficient to make up any shortfall.

Developments in the industries we serve, which may be rapid, also could shift demand to new services and solutions. If, as a result of new technologies or changes in the industries we serve, our clients demand new services and solutions, we may be less competitive in these new areas or need to make significant investment to meet that demand. Our growth strategy focuses on responding to these types of developments by driving innovation that will enable us to expand our business into new growth areas. If we do not sufficiently invest in new technology and adapt to industry developments, or evolve and expand our business at sufficient speed and scale, or if we do not make the right strategic investments to respond to these developments and successfully drive innovation, our services and solutions, our results of operations, and our ability to develop and maintain a competitive advantage and to execute on our growth strategy could be negatively affected.

Companies in the industries we serve sometimes seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If one of our current clients merges or consolidates with a company that relies on another provider for the services and solutions we offer, we may lose work from that client or lose the opportunity to gain additional work if we are not successful in generating new opportunities from the merger or consolidation.

Future legislation or executive action in the United States and other jurisdictions could significantly affect the ability or willingness of our clients and prospective clients to utilize our services.

In the United States, federal and state measures aimed at limiting or restricting offshore outsourcing have been occasionally proposed and enacted. In addition, public figures in the United States, including the current President, members of his administration and other elected officials, continue to suggest that U.S. businesses be subjected to tax or other adverse consequences for outsourcing, with incentives for returning outsourced operations to the United States, although it is not known what specific measures might be proposed or how they would be implemented and enforced, or whether emerging or enacted tax reform or other near-term Congressional action will affect companies' outsourcing practices. There can be no assurance that pending or future legislation or executive action in the United States that would significantly adversely affect our business, results of operations, and financial condition will not be enacted.

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Legislation enacted in certain European jurisdictions and any future legislation in Europe, Japan or any other country in which we have clients restricting the performance of business process services from an offshore location or imposing burdens on companies that outsource data processing functions could also have a material adverse effect on our business, results of operations and financial condition. For example, evolving EU cloud computing standards and regulations and proposed taxes on outsourced data center activities or new EU and Japanese regulations on international transfers of personal data may limit or restrict our operations, or make them more costly. Moreover, legislation enacted in the United Kingdom and by many EU countries, provides that if a company outsources all or part of its business to a service provider or changes its current service provider, the affected employees of the company or of the previous service provider are entitled to become employees of the new service provider, generally on the same terms and conditions as their original employment. In addition, dismissals of employees who were employed by the company or the previous service provider immediately prior to that outsourcing, if the dismissals resulted solely or principally from the outsourcing, are automatically considered unfair dismissals that entitle such employees to compensation. As a result, in order to avoid unfair dismissal claims we may have to offer, and become liable for, voluntary redundancy payments to the employees of our clients in the United Kingdom and other EU countries who have adopted similar laws who transfer business to us. Additionally, the United Kingdom's decision to leave the EU has introduced uncertainty into trade relations and could result in increased costs, delays, and regulatory complexity in our business involving the United Kingdom.

Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violations of these laws and regulations could harm our business.

We are subject to, or subject to contractual requirements to comply with or facilitate our clients' compliance with, numerous, and sometimes conflicting, legal regimes on matters such as anticorruption, import/export controls, trade restrictions, taxation, immigration, internal and disclosure control obligations, securities regulation, anti-competition, data privacy and protection, wage-and-hour standards, and employment and labor relations. Our clients' business operations are also subject to numerous regulations, and our clients may require that we perform our services in compliance with regulations applicable to them or in a manner that will enable them to comply with such regulations.

The global nature of our operations increases the difficulty of compliance. Compliance with diverse legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these regulations in the conduct of our business could result in significant fines, criminal sanctions against us and/or our employees, prohibitions on doing business, breach of contract damages and harm to our reputation. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws may not be well developed or provide sufficiently clear guidance and may be insufficient to protect our rights.

In particular, our collection, use, disclosure, and retention of personal health-related and other information is subject to an array of privacy, data security, and data breach notification laws and regulations that change frequently, are inconsistent across the jurisdictions in which we do business, and impose significant compliance costs. Changes in these laws and regulations and inconsistencies in the standards that apply to our business in different jurisdictions may impose significant compliance costs, reduce the efficiency of our operations, and expose us to enforcement risks. In the EU, a new, comprehensive General Data Protection Regulation, or the GDPR, went into effect in May 2018. It supersedes EU member states' national protection laws and imposes privacy and data security compliance obligations and increased penalties for noncompliance. In particular, the GDPR has introduced numerous privacy-related changes for companies operating in the EU, including greater control for data subjects, increased data portability for EU consumers, data breach notification requirements and increased fines. GDPR enforcement has begun, and companies have faced fines for violations of certain provisions. Fines can reach as high as 4% of a company's annual total revenue, potentially including the revenue of a company's international affiliates. Additionally, foreign governments outside of the EU are also taking steps to fortify their data privacy laws and regulations. For example, some countries in Latin America and Asia are considering GDPR-like data protection laws, and Canada implemented a new mandatory breach reporting and recordkeeping regime in November 2018. Evolving laws and regulations in India protecting the use of personal information could also impact our engagements with clients, vendors and employees in India. As privacy laws and regulations around the world continue to evolve, these changes could adversely affect our business operations, websites and mobile applications that are accessed by residents in the applicable countries.

In addition, in many parts of the world, including countries in which we operate and/or seek to expand, common practices in the local business community might not conform to international business standards and could violate anticorruption laws or regulations, including the U.S. Foreign Corrupt Practices Act and the UK Bribery Act 2010. Our employees, subcontractors, agents, joint venture partners, the companies we acquire and their employees, subcontractors and agents, and other third parties with which we associate, could take actions that violate policies or procedures designed to promote legal and regulatory compliance or applicable anticorruption laws or regulations. Violations of these laws or regulations by us, our employees or any of these third parties could subject us to criminal or civil enforcement actions (whether or not we participated or knew about the actions leading to the violations), including fines or penalties, disgorgement of profits and suspension or disqualification from work, any of which could materially adversely affect our business, including our results of operations and our reputation.

We could be liable to our clients or others for damages, subject to criminal liability, fines or penalties, and our reputation could be damaged, if our information systems are breached or confidential or sensitive client or employee data is compromised.

We are often required to collect, process and store proprietary, personally identifying or other sensitive or confidential client data in the operation of our business or in connection with the services we provide under our contracts, including, for example, names, address, social security numbers, personal health information, credit card account numbers, payment history records, and checking and savings account numbers. In addition, we collect and store data regarding our employees and contractors. As a result, we are subject to numerous data protection and privacy laws and regulations designed to protect this information in the countries in which we operate as well as the countries of residence of the persons whose data we process. Data may be accessed or modified improperly as a result of theft, error or malfeasance by our employees, contractors or other third parties, and others may attempt to fraudulently induce our employees, clients or other third parties into disclosing sensitive information such as user names, passwords or other information in order to gain access to our data or IT systems or our clients', contractors’ or other third parties' data or IT systems. If any person, including any of our current or former employees or contractors, negligently disregards or intentionally breaches our or our clients’ established controls with respect to sensitive data or if we do not adapt to changes in data protection legislation, we could be subject to significant litigation, monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions.

In addition, the products, services and software that we provide to our clients may contain or introduce cybersecurity threats or vulnerabilities to our clients’ information technology networks, intentionally or unintentionally. Our clients may maintain their own proprietary, sensitive, or confidential information that could be compromised in a cybersecurity attack, or their systems may be disabled or disrupted as a result of such an attack. Our clients, regulators, or other third parties may attempt to hold us liable, through contractual indemnification clauses or directly, for any such losses or damages resulting from such an attack.

The threat of incursion into our information systems and technology infrastructure has increased and evolved in recent years with the increasing number and sophistication of third parties who have hacked, attacked, disrupted or otherwise invaded information systems of other companies and have misappropriated or disclosed data. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. The steps we have taken to protect our data security may be inadequate. If an actual or perceived breach of our security occurs, whether through breach of our computer systems, systems failure or otherwise, the market perception of the effectiveness of our security measures and our reputation could be harmed and we could lose existing or potential customers. Media or other reports of perceived security vulnerabilities in our network security, even if nothing has actually been attempted or occurred, could also adversely impact our brand and reputation and materially affect our business.

In addition, we might not be able to prevent others from using our data and proprietary information to compete with us. Existing trade secret, copyright and trademark laws offer only limited protection. In addition, the laws of some foreign countries may not protect our data and proprietary information. For example, doing business in certain jurisdictions poses risks, including but not limited to theft of intellectual property and data and potentially different treatment of foreign owned intellectual property rights and data than that owned or developed in such jurisdictions. If we have to resort to legal proceedings to enforce our rights, the proceedings could be burdensome, protracted and expensive and could involve a high degree of risk and be unsuccessful.

Our clients, suppliers, subcontractors, and other third parties with whom we do business, including in particular cloud service providers and software vendors, generally face similar cybersecurity threats, and in some cases we must rely on the safeguards adopted by these parties. We may also be liable to our clients or others for damages caused by disclosure of confidential information or system failures. Many of our contracts do not limit our potential liability for breaches of confidentiality. We may also be subject to civil actions and criminal prosecution by governments or government agencies for breaches relating to such data. Our insurance coverage or indemnification protections for breaches or mismanagement of such data may not be adequate to cover all costs related to data loss, cybersecurity attacks, or disruptions resulting from such events, or they may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims against us and our insurers may disclaim coverage as to any future claims. The impact of these cybersecurity attacks, data losses, and other security breaches cannot be predicted, but any such attack, loss or breach could disrupt our operations, or the operations of our clients, suppliers, subcontractors, or other third parties. Incidents of this type could require significant management attention and resources, could result in the loss of business, regulatory enforcement and financial liability, and could harm our reputation among our clients and the public, any of which could have a material adverse impact on our financial condition, results of operation, or liquidity.

While we have developed and implemented security measures and internal controls designed to prevent, detect and respond to cyber and other security threats and incidents, such measures cannot ensure security and may not be successful in preventing future security breaches. We are subject to regular incursion attempts from a variety of sources, and we have experienced data security incidents such as inadvertent or unauthorized disclosures of data, including as a result of phishing or malware, and other unauthorized access to or use of our systems or those of third parties. To date such incidents have not had a material impact on our operations or financial results; however, there is no assurance that such impacts will not be material in the future.

Tax matters may have an adverse effect on our operations, effective tax rate and financial condition.

We are subject to income taxes in the United States and in numerous foreign jurisdictions, notably in India where we have substantial operations. Our provision for income taxes, actual tax expense and cash tax liability could be adversely affected by a variety of factors including, but not limited to, lower income before taxes generated in countries with lower tax rates; higher income generated in countries with higher tax rates; changes in tax laws and regulations or in applicable income tax treaties; changes in accounting principles or interpretations thereof or in the valuation of deferred tax assets and liabilities; the possible disappearance or expiration of certain tax concessions that we have enjoyed in prior years; and adverse outcomes of tax examinations and pending tax-related litigation. Any of these factors could have a material adverse effect on our operations, effective tax rate and financial condition.

We are subject to examination of our income tax returns by the U.S. Internal Revenue Service and tax authorities around the world, notably in India where we have substantial operations, and there can be no assurance that negative outcomes from those examinations or any appeals therefrom will not adversely affect our provision for income taxes and cash tax liability, which in turn could have a material adverse effect on our operations, effective tax rate and financial condition. For example, the Government of India has appealed a 2011 ruling by the Delhi High Court that Genpact India Private Limited (one of our subsidiaries) cannot be held to be a representative assessee of GE in connection with an assertion that GE has tax liability in India by reason of a 2004 transfer of shares of our predecessor company. We believe that, if the Government of India is successful in its appeal, GE would be obligated to indemnify us for any resulting tax, though there can be no assurance as to the outcome of this matter.

In addition, the Government of India issued assessment orders to us in 2014, 2015 and 2016 seeking to assess tax on certain transactions that occurred in 2009, 2010 and 2013. We do not believe that the transactions should be subject to tax in India under applicable law, including due to the relief provided under the Mauritius-India treaty, and have accordingly filed appeals. Our appeal in respect of tax year 2010 has been resolved in our favor. We have received demands for potential tax claims resulting from assessments related to tax years 2009 and 2013 in an aggregate amount of $158 million, including interest. To date, we have paid a total of $23 million toward these demands to the Indian tax authority under protest, and may be required to pay the remainder of the demands pending resolution of the matter. There is no assurance that we will prevail in this matter or similar transactions, including where we have relied on the Mauritius-India treaty, and a final determination of tax in the amounts claimed could have a material adverse effect on our operations, effective tax rate and financial condition.

More generally, the Indian tax authorities may claim that Indian tax is owed with respect to certain of our transactions, such as our acquisitions (including our subsidiaries organized under Indian law or owning assets located in India), internal reorganizations and the sale of our shares in public offerings or otherwise by our existing significant shareholders, in which indirect transfers of Indian subsidiaries or assets are involved. Those authorities may seek to impose tax on us directly or as a withholding agent or representative assessee of the seller in these or other transactions.

Furthermore, there is growing pressure in many jurisdictions, including the United States, and from multinational organizations such as the Organization for Economic Cooperation and Development (OECD) and the EU to amend existing international tax rules in order to render them more responsive to current global business practices. For example, the OECD has published a package of measures for reform of the international tax rules as a product of its Base Erosion and Profit Shifting (BEPS) initiative, which was endorsed by the G20 finance ministers. Many of the initiatives in the BEPS package require amendments to the domestic tax legislation of various jurisdictions. Separately, the EU is asserting that a number of country-specific favorable tax regimes and rulings in certain member states may violate, or have violated, EU law, and may require rebates of some or all of the associated tax benefits to be paid by benefitted taxpayers in particular cases. In 2016, the EU adopted the Anti-Tax Avoidance Directive which requires EU member states to implement measures to prohibit tax avoidance practices beginning January 1, 2019.

In addition, in December 2017, the Tax Cuts and Jobs Act was passed by the U.S. Congress and signed into law by President Trump, bringing about far-ranging changes to the existing corporate tax system. This legislation establishes a territorial-style system for taxing foreign-source income of multinational corporations and, among other items and with varying effective dates, includes changes to U.S. federal tax rates, an additional minimum tax measured in part by “base erosion payments” involving certain members of affiliated groups, significant additional limitations on the deductibility of interest, the modification of constructive ownership rules used to determine the status of certain non-U.S. companies as “controlled foreign corporations,” and changes to the rules governing taxable and tax-free cross-border transfers of intangible property. Many of the provisions in this legislation are unclear or incomplete in their application. While this legislation has not so far had a material overall impact on our effective tax rate or business practices and operations, it is possible that our tax liability may materially increase in the future as a result of this legislation. Other legislative and regulatory proposals may also affect our tax position or our business practices and operations, depending on whether and in what form they may ultimately take effect. See Item 1A—“Risk Factors—Risks Related to our Business—Future legislation or executive action in the United States and other jurisdictions could significantly affect the ability or willingness of our clients and prospective clients to utilize our services.”

Although we monitor these developments, it is very difficult to assess to what extent recent changes and other proposals, if enacted, may be implemented in the United States and other jurisdictions in which we conduct our business or may impact the way in which we conduct our business or our effective tax rate due to their unpredictability and interdependency. As these and other tax laws and related regulations and practices change, those changes could have a material adverse effect on our operations, effective tax rate and financial condition.

If the transfer pricing arrangements we have among our subsidiaries are determined to be inappropriate, our tax liability may increase.

We have transfer pricing arrangements among our subsidiaries in relation to various aspects of our business, including operations, financing, marketing, sales and delivery functions. U.S. and Indian transfer pricing regulations, as well as regulations applicable in other countries in which we operate, require that any international transaction involving associated enterprises be on arm's-length terms. We consider the transactions among our subsidiaries to be substantially on arm's-length terms. If, however, a tax authority in any jurisdiction reviews any of our tax returns and determines that the transfer prices and terms we have applied are not appropriate, or that other income of our affiliates should be taxed in that jurisdiction, we may incur increased tax liability, including accrued interest and penalties, which would cause our tax expense to increase, possibly materially, thereby reducing our profitability and cash flows, which in turn could have a material adverse effect on our operations, effective tax rate and financial condition.

GE accounts for a significant portion of our revenues and any material loss of business from, or change in our relationship with, GE could have a material adverse effect on our business, results of operations and financial condition.

Historically, we have derived a significant portion of our revenues from GE. In 2016, 2017 and 2018, GE accounted for 13.9%, 9.8% and 8.9% of our revenues, respectively. In the past, GE has divested businesses we serve, including a significant portion of its GE Capital business. We expect that our services for GE will decline in the future if GE pursues further divestitures. We intend to continue to make efforts to procure contracts with respect to GE's divested businesses; however, there can be no assurance that we will be able to procure any such contracts or that such contracts would be on favorable terms. GE is not obligated to provide us with any exclusivity or opportunity to work on GE projects and GE is not required to purchase a minimum amount of services from us. In addition, GE has the right to terminate our services in whole or in part for any reason by providing us with a short period of advance notice. Any material loss of business from, or change in relationship with, GE could have a material adverse effect on our business, results of operations and financial condition. Further, our revenues from GE may be more volatile in the future and this volatility could have a material adverse effect on our business and results of operations. See Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Net Revenues" fo further information regarding our relationship with GE.

We expect that our business with GE will continue to come from a variety of GE's businesses and that, in general, GE's decisions to use our services will continue to be made by a number of people within GE. Therefore, although some decisions may be made centrally at GE, we expect that the total level of business we receive will continue to depend on the decisions of the various operating managers of such businesses. Finally, there can be no assurance that GE will not establish its own business unit to provide English-language business process services from low-wage countries or otherwise compete with us. Any of the foregoing events could have a material adverse effect on our business, results of operations and financial condition.

Our revenues are highly dependent on clients located in the United States and Europe, as well as on clients that operate in certain industries. If events or conditions occur which adversely affect the economic health of the United States or Europe, demand in the United States or Europe or in certain industries for the type of services we provide, or the rate of growth in the industries in which our clients operate, our business, results of operations and financial condition may be materially and adversely affected.

In 2018, more than 65% of our revenues were derived from clients based in North America and more than 15% of our revenues were derived from clients based in Europe. Additionally, in 2018, more than 35% of our revenues were derived from clients in the financial services industry, which includes insurance.

A number of factors could adversely affect our ability to do business in the United States or Europe, which could in turn have a material adverse effect on our business, results of operations and financial condition. For example, the United Kingdom's negotiations with the EU over Brexit and ongoing uncertainty within the UK Government and Parliament sustains the possibility of the United Kingdom leaving the EU on March 29, 2019 without a withdrawal agreement and associated transition period in place, which is likely to cause significant market and economic disruption.

Brexit has created, and continues to create, political and economic uncertainty about the future relationship between the United Kingdom and the EU and as to whether any other European countries may similarly seek to exit the EU. We have operations in the United Kingdom and a number of countries in the EU and our global operations serve clients with operations in these regions, and as a result our business, financial condition and results of operations may be impacted by such uncertainty and by the terms of the United Kingdom's pending withdrawal from the EU.

Furthermore, any deterioration in economic activity in the United States or Europe could adversely affect demand for our services, thus reducing our revenue. Increased regulation, changes in existing regulation or increased government intervention in the industries in which our clients operate may adversely affect growth in such industries and therefore have an adverse impact on our revenues.

We may face difficulties in providing end-to-end business solutions or delivering complex, large or unique projects for our clients that could cause clients to discontinue their work with us, which in turn could harm our business and our reputation.

We continue to expand the nature and scope of our engagements, including by incorporating digital solutions that use social, mobility, big data and cloud-based technologies. Our ability to effectively offer a wide range of business solutions depends on our ability to attract existing or new clients to new service offerings, and the market for our solutions is highly competitive. We cannot be certain that our new service offerings, particularly our digital offerings, will effectively meet client needs or that we will be able to attract clients to these service offerings. The complexity of our new service offerings, our inexperience in developing or implementing them, and significant competition in the markets for these services may affect our ability to market these services successfully. In addition, the breadth of our existing service offerings continues to result in larger and more complex projects with our clients, which have risks associated with their scope and complexities. Our failure to deliver services that meet the requirements specified by our clients could result in termination of client contracts, and we could be liable to our clients for significant penalties or damages or suffer reputational harm. Larger projects may involve multiple engagements or stages, and there is a risk that a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. These terminations, cancellations or delays may result from factors that have little or nothing to do with the quality of our services, such as the business or financial condition of our clients or the economy generally. Such cancellations or delays make it difficult to plan for project resource requirements and inaccuracies in such resource planning and allocation may have a negative impact on our profitability.

From time to time we also enter into agreements that include unique service level delivery requirements or novel pricing arrangements with which we have no experience and that may be unique in the industry. These projects can include performance targets that become more rigorous over the term of the contracts and service delivery components that are partially subjective by design, and we may be unable achieve such targets or to satisfy our clients' expectations in delivering such services. Our failure to deliver such engagements to our clients' expectations could result in termination of client contracts, and we could be liable to our clients for penalties or damages or suffer reputational harm. We may also discover that we have not priced such engagements appropriately, which could adversely affect our profitability and results of operations.

Our partnerships, alliances and relationships with third-party suppliers and contractors and other third parties with whom we do business expose us to a variety of risks that could have a material adverse effect on our business.

Our partnerships and alliances and our relationships with a variety of third parties, including suppliers, contractors and others, expose us to a variety of risks that could have a material adverse effect on our business, and we may not be successful in mitigating such risks. Our operations depend on our ability to anticipate our needs for products and services, as well as our suppliers’ ability to deliver sufficient quantities and quality of products and services at reasonable prices and in time for us to meet commitments for the delivery of our own services. In addition, we must adequately address quality issues associated with our services, including with respect to any third-party components to our services. Any performance failure on the part of our partners or the third parties with whom we do business could delay our performance of client deliverables, which could deprive us of potential revenue. Additionally, our partners, third-party suppliers and contractors and other third parties with whom we do business may not be able to comply with current good business practices or applicable laws or regulatory requirements. Our failure, or the failure of such third parties, to comply with applicable laws and regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties and criminal prosecutions, any of which could significantly and adversely affect our business.

We may have limited control over the amount and timing of resources that our partners and third parties with whom we do business dedicate to their arrangements with us. Our ability to generate revenues from these arrangements will depend on our partners' or other third parties' desire and ability to successfully perform the functions assigned to them in these arrangements. Further, certain of our suppliers, partners and other contractors may decide to discontinue conducting business with us.

In addition, we are a party to a number of license agreements with third parties and expect to enter into additional licenses in the future. Our existing licenses impose, and we expect that future licenses will impose, various obligations and restrictions on us. If we fail to comply with these obligations and restrictions, the licensor may have the right to terminate the license, in which event we might not be able to market any product or service that is covered by these agreements, which could materially adversely affect our business. Termination of these license agreements or reduction or elimination of our licensed rights may result in our having to negotiate new or reinstated licenses with less favorable terms, or cause us to lose rights in important intellectual property or technology.

Any of the foregoing may prevent us from working with our partners or third parties with whom we do business and could subject us to losses, affect our ability to bring products and services to market, cause us to fail to satisfy our client obligations and harm our reputation.

We may fail to attract and retain enough qualified employees to support our operations.

Our industry relies on large numbers of skilled employees and our success depends on our ability to attract, train and retain a sufficient number of qualified employees. Historically, high employee attrition has been common in our industry. See Item 1—"Business—Our people." In 2018, our attrition rate for all employees who were employed for a day or more was approximately 28%. We cannot assure you that we will be able to reduce our level of attrition or even maintain our attrition rate at the 2018 level. If our attrition rate increases, our operating efficiency and productivity may decrease.

Competition for qualified employees, particularly in India and China, remains high and we expect such competition to continue. We compete for employees not only with other companies in our industry but also with companies in other industries, such as software services, engineering services and financial services companies. In many locations in which we operate, there is a limited pool of employees who have the skills and training needed to do our work. If our business continues to grow, the number of people we will need to hire will increase. We will also need to increase our hiring if we are not able to maintain our attrition rate through innovative recruiting and retention policies. Significant competition for employees could have an adverse effect on our ability to expand our business and service our clients, as well as cause us to incur greater personnel expenses and training costs.

Wage increases in the countries in which we have operations may prevent us from sustaining our competitive advantage and may reduce our profit margin.

Salaries and related benefits of our employees are our most significant costs. Most of our employees are based in India and other countries in which wage levels have historically been significantly lower than wage levels in the United States and Western Europe for comparably skilled professionals, which has been one of our competitive advantages. However, wage levels for comparably skilled employees in most of the countries in which we operate have increased and further increases are expected at a faster rate than in the United States and Western Europe because of, among other reasons, faster economic growth, increased competition for skilled employees and increased demand for business process services. We will lose this competitive advantage to the extent that we are not able to control or share wage increases with our clients. Sharing wage increases may cause our clients to be less willing to utilize our services. In addition, wage increases may reduce our margins. We will attempt to control such costs by our efforts to add capacity in locations where we consider wage levels of skilled personnel to be satisfactory, but we may not be successful in doing so. We may need to increase our wage levels significantly and rapidly in order to attract the quantity and quality of employees that are necessary for us to remain competitive, which may have a material adverse effect on our business, results of operations and financial condition. In addition, a recent judicial decision in India that we are still evaluating could increase the amount we will be required to pay to or for the benefit of our employees in India. Further, if this decision is implemented with retrospective application, the amount of the payments that we are required to make at that time to or for the benefit of our employees could be substantial and could have a material adverse effect on our business, results of operations and financial condition. We have also increased, and expect to further increase, the number of employees we have in the United States from the levels than we have had historically, and this could have a negative effect on our profit margin.

Currency exchange rate fluctuations in various currencies in which we do business, especially the Indian rupee, the euro and the U.S. dollar, could have a material adverse effect on our business, results of operations and financial condition.

Most of our revenues are denominated in U.S. dollars, with the remaining amounts largely in euros, UK pounds sterling, the Australian dollar, the Japanese yen and the Indian rupee. Most of our expenses are incurred and paid in Indian rupees, with the remaining amounts largely in U.S. dollars, Chinese renminbi, Romanian lei, euros, UK pounds sterling, Philippine pesos, Japanese yen, Polish zloty, Mexican pesos, Guatemalan quetzals and the Australian dollar. As we expand our operations to new countries, we will incur expenses in other currencies. We report our financial results in U.S. dollars. The exchange rates between the Indian rupee, the euro and other currencies in which we incur costs or receive revenues, on the one hand, and the U.S. dollar, on the other hand, have changed substantially in recent years and may fluctuate substantially in the future. See Item 7A—"Quantitative and Qualitative Disclosures about Market Risk."

Our results of operations could be adversely affected over time by certain movements in exchange rates, particularly if the Indian rupee or other currencies in which we incur expenses appreciate against the U.S. dollar or if the currencies in which we receive revenues, such as the euro, depreciate against the U.S. dollar. Although we take steps to hedge a substantial portion of our Indian rupee-U.S. dollar, Mexican peso-U.S. dollar, Philippines peso-U.S. dollar, euro-U.S. dollar, euro- Romanian leu, pound sterling-U.S. dollar, Australian dollar-U.S. dollar and our Chinese renminbi-Japanese yen foreign currency exposures, there is no assurance that our hedging strategy will be successful or that the hedging markets will have sufficient liquidity or depth for us to implement our strategy in a cost effective manner. In addition, in some countries such as India and China, we are subject to legal restrictions on hedging activities, as well as convertibility of currencies, which could limit our ability to use cash generated in one country in another country and could limit our ability to hedge our exposures. Finally, our hedging policies only provide near term protection from exchange rate fluctuations. If the Indian rupee or other currencies in which we incur expenses appreciate against the U.S. dollar, we may have to consider additional means of maintaining profitability, including by increasing pricing, which may or may not be achievable. See also Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview—Foreign exchange gains (losses), net."

Restrictions on entry visas may affect our ability to compete for and provide services to clients, which could have a material adverse effect on our business and financial results.

A portion of our business depends on the ability of our employees to obtain the necessary visas and entry permits to do business in the countries where our clients and, in some cases, our delivery centers, are located. In recent years, in response to terrorist attacks, global unrest and political rhetoric, immigration authorities generally, and those in the

United States in particular, have increased the level of scrutiny in granting visas. If further terrorist attacks occur, global unrest intensifies, or political rhetoric continues, then obtaining visas for our personnel may become even more difficult. Local immigration laws may also require us to meet certain other legal requirements as a condition to obtaining or maintaining entry visas. Countries where our clients may be located, including the United States, may through legislation or regulation restrict the number of visas or entry permits available. In general, immigration laws are subject to legislative change and varying standards of application and enforcement due to political forces, economic conditions, terrorist attacks or other events. In addition, there is currently uncertainty with respect to immigration laws and standards in the United States due to legislation introduced in Congress and policy changes suggested and adopted by the current U.S. President and members of his administration. Current U.S. efforts to reduce the number of first-time and renewal H-1B and H-4 visas could result in fewer employees eligible to work for us in the United States under those programs, as could executive actions that prohibit citizens of designated countries from emigrating to and/or working in the United States. It is not currently known what, if any, other such visa restrictions might be proposed or how they would be implemented or enforced.

Our senior leadership team is critical to our continued success and the loss of such personnel could harm our business.

Our future success substantially depends on the continued service and performance of the members of our senior leadership team. These personnel possess business and technical capabilities that are difficult to replace. In particular, our Chief Executive Officer and other members of our senior leadership team have been involved in our business since its commencement under GE. Our employment agreement with our Chief Executive Officer does not obligate him to work for us for any specified period. If we lose key members of our senior leadership team, we may not be able to effectively manage our current operations or meet ongoing and future business challenges, and this may have a material adverse effect on our business, results of operations and financial condition.

We may be unable to service our debt or obtain additional financing on competitive terms.

On August 9, 2018, we entered into an amended and restated five-year credit agreement with certain financial institutions as lenders which replaced our prior credit facility. The amended and restated credit agreement provides for a $680 million term credit facility and a $500 million revolving credit facility, each of which may be increased subject to certain conditions. The credit agreement obligations are unsecured, and guaranteed by certain subsidiaries. As of December 31, 2018, the total amount due under the credit facility, including the amount utilized under the revolving facility, was $958 million. The credit agreement contains covenants that require maintenance of certain financial ratios, including consolidated leverage and interest coverage ratios, and also, under certain conditions, restrict our ability to incur additional indebtedness, create liens, make certain investments, pay dividends or make certain other restricted payments, repurchase common shares, undertake certain liquidations, mergers, consolidations and acquisitions and dispose of certain assets or subsidiaries, among other things. If we breach any of these restrictions and do not obtain a waiver from the lenders, subject to applicable cure periods the outstanding indebtedness (and any other indebtedness with cross-default provisions) could be declared immediately due and payable, which could adversely affect our liquidity and financial condition.

On March 27, 2017, we issued $350.0 million aggregate principal amount of 3.70% senior notes in a private offering. On July 24, 2018, an exchange offer was completed and all outstanding unregistered notes were exchanged for freely tradable notes registered under the Securities Act of 1933, as amended. As of December 31, 2018, the amount outstanding under the notes, net of debt amortization expense of $1.7 million, was $348.3 million, which is payable on April 1, 2022 when the notes mature. We are required to pay interest on the notes semi-annually in arrears on April 1 and October 1 of each year, ending on the maturity date. The notes are subject to certain customary covenants, including limitations on our ability to incur debt secured by liens, engage in certain sale and leaseback transactions and consolidate, merge, convey or transfer our assets. Upon certain change of control transactions, we would be required to make an offer to repurchase the notes at a price equal to 101% of the aggregate principal amount of such notes, plus accrued and unpaid interest. The interest rate payable on the notes is subject to adjustment if the credit rating of the notes is downgraded up to a maximum increase of 2.0%. We may redeem the registered notes at any time in whole or in part, at a redemption price equal to 100% of the principal amount of the notes redeemed, together with accrued and unpaid interest or, if the notes are redeemed

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prior to March 1, 2022, a specified “make-whole” premium. The notes are our senior unsecured obligations and rank equally with all our other senior unsecured indebtedness outstanding from time to time.

Our indebtedness and related debt service obligations can have negative consequences, requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which reduces the funds we have available for other purposes such as acquisitions and capital investment; limiting our ability to obtain additional financing and limiting our ability to undertake strategic acquisitions; increasing our vulnerability to adverse economic and industry conditions, including by reducing our flexibility in planning for or reacting to changes in our business and market conditions; and exposing us to interest rate risk since a portion of our debt obligations are at variable rates. We may incur more debt in the future, and there can be no assurance that our cost of funding will not substantially increase.

Central banks around the world, including the Federal Reserve, have commissioned working groups with the goal of finding suitable replacements for LIBOR. The U.K. Financial Conduct Authority, which regulates LIBOR, has announced that it has commitments from panel banks to continue to contribute to LIBOR through the end of 2021. Accordingly, there is considerable uncertainty regarding the publication of such rates beyond 2021. The full impact of such reforms and actions, together with any transition away from LIBOR, including the potential or actual discontinuance of LIBOR publication, remains unclear. These changes may have an adverse impact on us since we have LIBOR-based debt obligations.

We often face a long selling cycle to secure a new contract as well as long implementation periods that require significant resource commitments, which result in a long lead time before we receive revenues from new relationships.

We often face a long selling cycle to secure a new contract. If we are successful in obtaining an engagement, that is generally followed by a long implementation period in which the services are planned in detail and we demonstrate to a client that we can successfully integrate our processes and resources with their operations. During this time a contract is also negotiated and agreed. There is then a long ramping up period in order to commence providing the services. We typically incur significant business development expenses during the selling cycle. We may not succeed in winning a new client’s business, in which case we receive no revenues and may receive no reimbursement for such expenses. Even if we succeed in developing a relationship with a potential new client and begin to plan the services in detail, a potential client may choose a competitor or decide to retain the work in-house prior to the time a final contract is signed. If we enter into a contract with a client, we will typically receive no revenues until implementation actually begins. Our clients may also experience delays in obtaining internal approvals or delays associated with technology or system implementations, thereby further lengthening the implementation cycle. We generally hire new employees to provide services to a new client once a contract is signed. We may face significant difficulties in hiring such employees and incur significant costs associated with these hires before we receive corresponding revenues. If we are not successful in obtaining contractual commitments after the selling cycle, in maintaining contractual commitments after the implementation cycle or in maintaining or reducing the duration of unprofitable initial periods in our contracts, it may have a material adverse effect on our business, results of operations and financial condition.

Our profitability will suffer if we are not able to price appropriately, maintain asset utilization levels and control our costs.

Our profitability is largely a function of the efficiency with which we utilize our assets, and in particular our people and delivery centers, and the pricing that we are able to obtain for our services. Our utilization rates are affected by a number of factors, including our ability to transition employees from completed projects to new assignments, hire and assimilate new employees, forecast demand for our services and thereby maintain an appropriate headcount in each of our geographies and workforce and manage attrition, and our need to devote time and resources to training, professional development and other typically non-chargeable activities. The prices we are able to charge for our services are affected by a number of factors, including our clients' perceptions of our ability to add value through our services, competition, introduction of new services or products by us or our competitors, our ability to accurately estimate, attain and sustain revenues from client engagements, margins and cash flows over increasingly longer contract periods and general economic and political conditions. Therefore, if we are unable to price appropriately or manage our asset utilization levels, there could be a material adverse effect on our business, results of operations and financial condition. Our profitability is also a function of our ability to control our costs and improve our efficiency. As we increase the number of our employees and grow our business, we may not be able to manage the significantly larger and more geographically diverse workforce that may result and our profitability may not improve. New taxes may also be imposed on our services such as sales taxes or service taxes which could affect our competitiveness as well as our profitability. Additionally, we may fail to appropriately estimate our costs in agreeing to provide new or novel services with unique pricing arrangements or service delivery requirements.

Our results of operations and share price could be adversely affected if we are unable to maintain effective internal controls.

The accuracy of our financial reporting is dependent on the effectiveness of our internal controls. We are required to provide a report from management to our shareholders on our internal control over financial reporting that includes an assessment of the effectiveness of these controls. Internal control over financial reporting has inherent limitations, including human error, sample-based testing, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud. Because of these inherent limitations, internal control over financial reporting might not prevent or detect all misstatements or fraud. If we cannot maintain and execute adequate internal control over financial reporting or implement required new or improved controls that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, we could suffer harm to our reputation, fail to meet our public reporting requirements on a timely basis, be unable to properly report on our business and our results of operations, or be required to restate our financial statements, and our results of operations, the market price of our common shares and our ability to obtain new business could be materially adversely affected.

We make estimates and assumptions in connection with the preparation of our consolidated financial statements, and any changes to those estimates and assumptions could adversely affect our financial results.

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The application of generally accepted accounting principles requires us to make estimates and assumptions about certain items and future events that affect our reported financial condition, and our accompanying disclosure with respect to, among other things, revenue recognition and income taxes. We base our estimates on historical experience, contractual commitments and on various other assumptions that we believe to be reasonable under the circumstances and at the time they are made. These estimates and assumptions involve the use of judgment and are subject to significant uncertainties, some of which are beyond our control. If our estimates, or the assumptions underlying such estimates, are not correct, actual results may differ materially from our estimates, and we may need to, among other things, adjust revenues or accrue additional charges that could adversely affect our results of operations.

Our operating results may experience significant fluctuations.

Our operating results may fluctuate significantly from period to period. The long selling cycle for many of our services as well as the time required to complete the implementation phases of new contracts makes it difficult to accurately predict the timing of revenues from new clients or new SOWs as well as our costs. In addition, our future revenues, operating margins and profitability may fluctuate as a result of: lower demand for our services; lower win rates versus our competition; changes in pricing in response to client demands and competitive pressures; changes to the financial condition of our clients; employee wage levels and utilization rates; changes in foreign exchange rates, including the Indian rupee versus the U.S. dollar and the euro versus the U.S. dollar; the timing of collection of accounts receivable; enactment of new taxes; changes in domestic and international income tax rates and regulations;

and changes to levels and types of share-based compensation awards and assumptions used to determine the fair value of such awards. As a result of these factors, it is possible that in some future periods, our revenues and operating results may be significantly below the expectations of public market analysts and investors. In such an event, the price of our common shares would likely be materially and adversely affected.

We enter into long-term contracts and fixed price contracts with our clients. Our failure to price these contracts correctly may negatively affect our profitability.

The pricing of our services is usually included in SOWs entered into with our clients, many of which are for terms of two to five years. In certain cases, we have committed to pricing over this period with only limited sharing of risk regarding inflation and currency exchange rates. In addition, we are obligated under some of our contracts to deliver productivity benefits to our clients. If we fail to estimate accurately future wage inflation rates, currency exchange rates or our costs, or if we fail to accurately estimate the productivity benefits we can achieve under a contract, it could have a material adverse effect on our business, results of operations and financial condition.

A portion of our SOWs are currently billed on a fixed price basis rather than on a time and materials basis. We may increase the number of fixed price contracts we perform in the future. Any failure to accurately estimate the resources or time required to complete a fixed price engagement or to maintain the required quality levels or any unexpected increase in the cost to us of employees, office space or technology could expose us to risks associated with cost overruns and could have a material adverse effect on our business, results of operations and financial conditions.

We may be subject to claims and lawsuits for substantial damages by our clients arising out of disruptions to their businesses or our inadequate performance of services.

We depend in large part on our relationships with clients and our reputation for high-quality services to generate revenue and secure future engagements. Most of our service contracts with clients contain service level and performance requirements, including requirements relating to the quality of our services. Failure to consistently meet service requirements of a client or errors made by our employees in the course of delivering services to our clients could disrupt the client’s business and result in a reduction in our revenues, clients terminating their business relationships with us and/or a claim for damages against us. Additionally, we could incur liability if a process we manage for a client were to result in internal control failures or impair our client’s ability to comply with its own internal control requirements. We are also subject to actual and potential claims, lawsuits, investigations and proceedings outside of errors and omissions claims.

Under our MSAs with our clients, our liability for breach of our obligations is generally limited to actual damages suffered by the client and is typically capped at the greater of an agreed amount or the fees paid or payable to us under the relevant agreement. These limitations and caps on liability may be unenforceable or otherwise may not protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients or liability for breaches of confidentiality, are generally not limited under those agreements. Our MSAs are governed by laws of multiple jurisdictions, therefore the interpretation of such provisions, and the availability of defenses to us, may vary, which may contribute to the uncertainty as to the scope of our potential liability. Although we have commercial general liability insurance coverage, the coverage may not continue to be available on acceptable terms or in sufficient amounts to cover one or more large claims and our insurers may disclaim coverage as to any future claims.

The successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material adverse effect on our reputation, business, results of operations and financial condition. It is also possible that future results of operations or cash flows for any particular quarterly or annual period could be materially adversely affected by an unfavorable resolution of these matters. In addition, these matters divert management and personnel resources away from operating our business. Even if we do not experience significant monetary costs, there may be adverse publicity associated with these matters that could result in reputational harm, either to us directly or to the industries or geographies we operate in, that may materially adversely affect our business, client or employee relationships. Further, defending against these claims can involve potentially significant costs, including legal defense costs.

If we are unable to collect our receivables or unbilled services, our results of operations, financial condition and cash flows could be adversely affected.

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. We have established allowances for losses of receivables and unbilled services. Actual losses on client balances could differ from those that we currently anticipate, and, as a result, we might need to adjust our allowances. We might not accurately assess the creditworthiness of our clients. Macroeconomic conditions could also result in financial difficulties for our clients, including bankruptcy and insolvency. Additionally, cyberattacks on any of our clients could disrupt their internal systems and capability to make payments. The occurrence of such events could cause clients to delay payments to us, request modifications to their payment arrangements that could increase our receivables balance, or default on their payment obligations to us. If we experience an increase in the time to bill and collect for our services, our cash flows could be adversely affected.

Some of our contracts contain provisions which, if triggered, could result in lower future revenues and have a material adverse effect on our business, results of operation and financial condition.

Some of our contracts allow a client, in certain limited circumstances, to request a benchmark study comparing our pricing and performance with that of an agreed list of other service providers for comparable services. Based on the results of the study and depending on the reasons for any unfavorable variance, we may be required to make improvements in the services we provide or to reduce the pricing for services on a prospective basis to be performed under the remaining term of the contract, which could have an adverse effect on our business, results of operations and financial condition.

Some of our contracts contain provisions that would require us to pay penalties to our clients and/or provide our clients with the right to terminate the contract if we do not meet pre-agreed service level requirements. Failure to meet these requirements could result in the payment of significant penalties by us to our clients which in turn could have a material adverse effect on our business, results of operations and financial condition.

A few of our MSAs provide that during the term of the MSA and under specified circumstances, we may not provide similar services to the competitors of our client. Some of our contracts also provide that, during the term of the contract and for a certain period thereafter ranging from six to 12 months, we may not provide similar services to certain or any of our client’s competitors using the same personnel. These restrictions may hamper our ability to compete for and provide services to other clients in the same industry, which may inhibit growth and result in lower future revenues and profitability.

Some of our contracts with clients specify that if a change of control of our company occurs during the term of the contract, the client has the right to terminate the contract. These provisions may result in our contracts being terminated if there is such a change in control, resulting in a potential loss of revenues. In addition, these provisions may act as a deterrent to any attempt by a third party to acquire our company.

Some of our contracts with clients require that we bear the cost of any sales or withholding taxes or unreimbursed value-added taxes imposed on payments made under those contracts. While the imposition of these taxes is generally minimized under our contracts, changes in law or the interpretation thereof and changes in our internal structure may result in the imposition of these taxes and a reduction in our net revenues.

Our industry is highly competitive, and we may not be able to compete effectively.

Our industry is highly competitive, highly fragmented and subject to rapid change. We believe that the principal competitive factors in our markets are breadth and depth of process, technology and domain expertise, service quality, the ability to attract, train and retain qualified people, compliance rigor, global delivery capabilities, price and marketing and sales capabilities. We compete for business with a variety of companies, including large multinational firms that provide consulting, technology and/or business process services, off-shore business process service providers in low-cost locations like India, in-house captives of potential clients, software services companies that also provide business process services and accounting firms that also provide consulting or outsourcing services.

Some of our competitors have greater financial, marketing, technological or other resources and larger client bases than we do, and may expand their service offerings and compete more effectively for clients and employees than we do. Some of our competitors have more established reputations and client relationships in our markets than we do. In addition, some of our competitors who do not have global delivery capabilities may expand their delivery centers to the countries in which we are located which could result in increased competition for employees and could reduce our competitive advantage. There could also be new competitors that are more powerful as a result of strategic consolidation of smaller competitors or of companies that each provide different services or service different industries.

Increased competition may result in lower prices and volumes, higher costs for resources, especially people, and lower profitability. We may not be able to supply clients with services that they deem superior and at competitive prices and we may lose business to our competitors. Any inability to compete effectively would adversely affect our business, results of operations and financial condition.

Our business could be materially and adversely affected if we do not protect our intellectual property or if our services are found to infringe on the intellectual property of others.

Our success depends in part on certain methodologies, practices, tools and technical expertise we utilize in designing, developing, implementing and maintaining applications and other proprietary intellectual property rights. In order to protect our rights in these various intellectual properties, we rely upon a combination of nondisclosure and other contractual arrangements as well as patent, trade secret, copyright and trademark laws. We also generally enter into confidentiality agreements with our employees, consultants, clients and potential clients and limit access to and distribution of our proprietary information. India is a member of the Berne Convention, an international intellectual property treaty, and has agreed to recognize protections on intellectual property rights conferred under the laws of other foreign countries, including the laws of the United States. There can be no assurance that the laws, rules, regulations and treaties in effect in the United States, India and the other jurisdictions in which we operate and the contractual and other protective measures we take, are adequate to protect us from misappropriation or unauthorized use of our intellectual property, or that such laws will not change. We may not be able to detect unauthorized use and take appropriate steps to enforce our rights, and any such steps may not be successful. Infringement by others of our intellectual property, including the costs of enforcing our intellectual property rights, may have a material adverse effect on our business, results of operations and financial condition.

Although we believe that we are not infringing on the intellectual property rights of others, claims may nonetheless be successfully asserted against us in the future. The costs of defending any such claims could be significant, and any successful claim may require us to modify, discontinue or rename any of our services. Any such changes may have a material adverse effect on our business, results of operations and financial condition.

A substantial portion of our assets and operations are located in India and we are subject to regulatory, economic, social and political uncertainties in India.

We are subject to several risks associated with having a substantial portion of our assets and operations located in India.

We have benefited from many policies of the Government of India and the Indian state governments in the states in which we operate which are designed to promote foreign investment generally and the business process services industry in particular, including significant fiscal incentives, relaxation of regulatory restrictions, liberalized import and export duties and preferential rules on foreign investment and repatriation. There is no assurance that such policies will continue. Various factors, such as changes in the central or state governments, could trigger significant changes in India's economic liberalization and deregulation policies and disrupt business and economic conditions in India generally and our business in particular.

In addition, our financial performance and the market price of our common shares may be adversely affected by general economic conditions and economic and fiscal policy in India, including changes in exchange rates and controls, interest rates and taxation policies, as well as social stability and political, economic or diplomatic developments affecting India in the future. In particular, India has experienced significant economic growth over the last several years, but faces major challenges in sustaining that growth in the years ahead. These challenges include the need for substantial infrastructure development and improving access to healthcare and education. Recent economic reform efforts have been disruptive and may increase the level of economic uncertainty in India. Our ability to recruit, train and retain qualified employees, develop and operate our delivery centers, and attract and retain clients could be adversely affected if India does not successfully meet these challenges.

Our delivery centers are at risk of damage from natural disasters and other disruptions.

Our delivery centers and our data and voice communications may be damaged or disrupted as a result of natural disasters such as earthquakes, floods, heavy rains, epidemics, tsunamis and cyclones, technical disruptions such as electricity or infrastructure breakdowns, including damage to telecommunications cables, computer glitches and electronic viruses or human-caused events such as protests, riots, labor unrest and cyberattacks. Such events may lead to the disruption of information systems and telecommunication services for sustained periods. They also may make it difficult or impossible for employees to reach our business locations. Damage or destruction that interrupts our provision of services could adversely affect our reputation, our relationships with our clients, our leadership team's ability to administer and supervise our business or it may cause us to incur substantial additional expenditure to repair or replace damaged equipment or delivery centers. We may also be liable to our clients for disruption in service resulting from such damage or destruction. While we currently have commercial liability insurance, our insurance coverage may not be sufficient. Furthermore, we may be unable to secure such insurance coverage at premiums acceptable to us in the future or at all. Prolonged disruption of our services would also entitle our clients to terminate their contracts with us. Any of the above factors may adversely affect our business, results of operations and financial condition.

We may face difficulties as we expand our operations into countries in which we have no prior operating experience.

We intend to continue to expand our global footprint in order to maintain an appropriate cost structure and meet our clients' delivery needs. This may involve expanding into countries other than those in which we currently operate. It may involve expanding into less developed countries, which may have less political, social or economic stability and less developed infrastructure and legal systems. As we expand our business into new countries we may encounter regulatory, personnel, technological and other difficulties that increase our expenses or delay our ability to start up our operations or become profitable in such countries. This may affect our relationships with our clients and could have an adverse effect on our business, results of operations and financial condition.

Terrorist attacks and other acts of violence involving any of the countries in which we or our clients have operations could adversely affect our operations and client confidence.

Terrorist attacks and other acts of violence or war may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect our business, results of operations, financial condition and cash flows. These events could adversely affect our clients' levels of business activity and precipitate sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to our delivery centers and operations around the world.

Southern Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries, including India and Pakistan. In recent years, military confrontations between India and Pakistan have occurred in the region of Kashmir and along the India/Pakistan border. There have also been incidents in and near

India, such as continued terrorist activity around the northern border of India, troop mobilizations along the India/Pakistan border and an aggravated geopolitical

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situation in the region. Such military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Resulting political tensions could create a greater perception that investments in companies with Indian operations involve a high degree of risk, and that there is a risk of disruption of services provided by companies with Indian operations, which could have a material adverse effect on our share price and/or the market for our services. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue our operations. We generally do not have insurance for losses and interruptions caused by terrorist attacks, military conflicts and wars.

If more stringent labor laws become applicable to us or if our employees unionize, our profitability may be adversely affected.

India has stringent labor legislation that protects employee interests, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment. Though we are exempt from some of these labor laws at present under exceptions in some states for providers of IT-enabled services, there can be no assurance that such laws will not become applicable to us in the future. If these labor laws become applicable to our employees, it may become difficult for us to maintain flexible human resource policies and attract and employ the numbers of sufficiently qualified candidates that we need or discharge employees, and our compensation expenses may increase significantly.

In addition, our employees may in the future form unions. If employees at any of our delivery centers become eligible for union membership, we may be required to raise wage levels or grant other benefits that could result in an increase in our compensation expenses, in which case our profitability may be adversely affected.

We may engage in strategic transactions that could create risks.

As part of our business strategy, we regularly review potential strategic transactions, including potential acquisitions, dispositions, consolidations, joint ventures or similar transactions, some of which may be material. Through the acquisitions we pursue, we may seek opportunities to add to or enhance the services we provide, to enter new industries or expand our client base, or to strengthen our global presence and scale of operations. We have completed numerous acquisitions since our inception. There can be no assurance that we will find suitable candidates in the future for strategic transactions at acceptable prices, have sufficient capital resources to accomplish our strategy, or be successful in entering into agreements for desired transactions.

Acquisitions, including completed acquisitions, also pose the risk that any business we acquire may lose clients or employees or could under-perform relative to expectations. We could also experience financial or other setbacks if transactions encounter unanticipated problems, including problems related to execution, integration or unknown liabilities. Although we conduct due diligence in connection with our acquisitions, there could be liabilities that we fail to discover, that we inadequately assess or that are not properly disclosed to us. Any material liabilities associated with our acquisitions could harm our business, results of operations and financial condition. Following the completion of an acquisition, we may have to rely on the seller to provide administrative and other support, including financial reporting and internal controls, to the acquired business for a period of time. There can be no assurance that the seller will do so in a manner that is acceptable to us.

Our principal shareholders exercise significant influence over us, and their interests in our business may be different from yours.

A significant percentage of our issued and outstanding common shares are currently beneficially owned by affiliates of Bain Capital. Following a recent offering in February 2019, Bain Capital (through its affiliates) beneficially owned approximately 17% of our outstanding common shares as of February 15, 2019. Our shareholder agreement with Bain Capital and its co-investors provides that Bain Capital has the right to designate for nomination four directors to our board, so long as it maintains certain minimum shareholding thresholds, and the shareholders party to the agreement have agreed to vote their shares for the election of such persons. The number of directors that Bain Capital is entitled to designate for nomination is reduced if its ownership of our common shares declines below certain levels and such right ceases if such ownership falls below 7.5% of our outstanding common shares, and also may be increased in certain circumstances. Following the February 2019 offering, given the size of its shareholding, the number of directors that Bain Capital is entitled to designate for nomination pursuant to our shareholder agreement was reduced to two.

These shareholders can exercise significant influence over our business policies and affairs and all matters requiring a shareholders' vote, including the composition of our board of directors, the adoption of amendments to our certificate of incorporation and bye-laws, the approval of mergers or sales of substantially all of our assets, our dividend policy and our capital structure and financing. This concentration of ownership also may delay, defer or even prevent a change in control of our company and may make some transactions more difficult or impossible without the support of these shareholders, even if such transactions are beneficial to other shareholders. The interests of these shareholders may conflict with your interests. Bain Capital currently holds interests in companies that compete with us and it may, from to time, make significant investments in companies that could compete with us. In addition, pursuant to our shareholder agreement and to the extent permitted by applicable law, our directors who are affiliated with Bain Capital are not required to present to us corporate opportunities (e.g., acquisitions or new potential clients) of which they become aware. So long as Bain Capital owns a significant amount of our equity it will be able to strongly influence our decisions.

We may become subject to taxation as a result of our incorporation in Bermuda or place of management, which would have a material adverse effect on our business, results of operations and financial condition.

We have received a written assurance from the Bermuda Minister of Finance under The Exempted Undertaking Tax Protection Act 1966 of Bermuda to the effect that if there is enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to us or to any of our operations or common shares, debentures or other obligations or securities until March 31, 2035, except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by us in respect of real property owned or leased by us in Bermuda. We cannot assure you that after such date we would not be subject to any such tax. If we were to become subject to taxation in Bermuda or any other jurisdiction as a result of our incorporation in Bermuda, it could have a material adverse effect on our business, results of operations and financial condition.

The introduction of economic substance requirements in Bermuda could adversely affect us.

Harmful tax practices have become the focus of increased scrutiny from the European Union. The Council of the European Union adopted a resolution on a code of conduct for business taxation directed at counteracting the effects of zero tax and preferential tax regimes around the world. In 2017, the Code of Conduct Group (Business Taxation) ("COCG") investigated the tax policies of both European Union member states and non-European Union member states, assessing tax transparency, fair taxation and the implementation of anti–base erosion and profit shifting measures.

Following assessment by the COCG, Bermuda was included in a list of jurisdictions which are required by the European Union to address concerns of the COCG relating to the demonstration of economic substance. On December 31, 2018, the Bermuda Government implemented legislation which brought certain substance requirements into force with effect from January 1, 2019 for newly-incorporated entities, and with effect from July 1, 2019 for currently existing entities. The introduction of the substance regime in Bermuda may present difficulties for us. There is not yet any guidance on what would constitute "adequate substance" under the newly-implemented legislation. The new substance requirements could be difficult to manage in a short timeframe for implementation and compliance and could have a material adverse effect on us or our operations.

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We may not be able to realize the entire book value of goodwill and other intangible assets from acquisitions.

As of December 31, 2018, we had $1,393.8 million of goodwill and $177.1 million of intangible assets. We periodically assess these assets to determine if they are impaired and we monitor for impairment of goodwill relating to all acquisitions and our formation in 2004. Goodwill is not amortized but is tested for impairment at least on an annual basis as of December 31 of each year, based on a number of factors including macro-economic conditions, industry and market considerations, overall financial performance, business plans and expected future cash flows. Impairment testing of goodwill may also be performed between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of goodwill below its carrying amount. We perform 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 results of the qualitative assessment, 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 the book value of our goodwill and other intangible assets is impaired, any such impairment would be charged to earnings in the period of impairment. We cannot assure you that future impairment of goodwill and other intangible assets will not have a material adverse effect on our business, financial condition or results of operations.

Risks Related to our Shares

Future sales of our common shares could cause our share price to decline.

Sales of substantial amounts of common shares by our employees and other shareholders, or the possibility of such sales, may adversely affect the price of our common shares and impede our ability to raise capital through the issuance of equity securities. Following an offering in February 2019, Bain Capital (through its affiliates) and its co-investors beneficially owned approximately 20% of our outstanding common shares as of February 15, 2019. Subject to certain restrictions set forth in our shareholder agreement with Bain Capital and its co-investors, such shareholders are able to sell their common shares in the public market from time to time without registering them, subject to certain limitations on the timing, amount and method of those sales imposed by Rule 144 under the Securities Act of 1933, as amended.

Pursuant to our shareholder agreement, Bain Capital has the right, subject to certain conditions and with certain exceptions, to require us to file registration statements covering all of the common shares it owns or to include those common shares in registration statements that we may file for ourselves or for another holder of our common shares. Following their registration and sale under the applicable registration statement, those shares will become freely tradable. By exercising their registration rights and selling a large number of common shares, these holders could cause the price of our common shares to decline. In addition, the perception in the public markets that sales by them might occur could also adversely affect the market price of our common shares.

There can be no assurance that we will continue to declare and pay dividends on our common shares, and future determinations to pay dividends will be at the discretion of our board of directors.

Prior to 2017, we did not declare regular dividends. In February 2017, we announced the declaration of the first quarterly cash dividend on our common shares in the amount of $0.06 per common share. In February 2018, we announced an increase in our quarterly cash dividend to $0.075 per common share, and in February 2019 we announced an increase in our quarterly cash dividend to $0.085 per share, representing a planned annual dividend of $0.34 per share. Any determination to pay dividends to holders of our common shares in the future, including future payment of a regular quarterly cash dividend, will be at the discretion of our board of directors and will depend on many factors, including our financial condition, results of operations, general business conditions, statutory requirements under Bermuda law and any other factors our board of directors deems relevant. Our ability to pay dividends will also continue to be subject to restrictive covenants contained in credit facility agreements governing indebtedness we and our subsidiaries have incurred or may incur in the future. In addition, statutory requirements under Bermuda law could require us to defer making a dividend payment on a declared dividend date until such time as we can meet statutory requirements under Bermuda law. A reduction in, delay of, or elimination of our dividend payments could have a negative effect on our share price.

We are organized under the laws of Bermuda, and Bermuda law differs from the laws in effect in the United States and may afford less protection to shareholders.

Our shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a state of the United States. As a Bermuda company, we are governed by, in particular, the Companies Act. The Companies Act differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including the provisions relating to interested directors, mergers, amalgamations, takeovers and indemnification of directors.

Generally, the duties of directors and officers of a Bermuda company are owed to the company only. Shareholders of Bermuda companies generally do not have the right to take action against directors or officers of the company except in limited circumstances. Directors of a Bermuda company must, in exercising their powers and performing their duties, act honestly and in good faith with a view to the best interests of the company, exercising the care and skill that a reasonably prudent person would exercise in comparable circumstances. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose any personal interest in any material contract or arrangement with the company or any of its subsidiaries. If a director of a Bermuda company is found to have breached his or her duties to that company, he may be held personally liable to the company in respect of that breach of duty. A director may be liable jointly and severally with other directors if it is shown that the director knowingly engaged in fraud or dishonesty (with such unlimited liability as the courts shall direct). In cases not involving fraud or dishonesty, the liability of the director will be determined by the Supreme Court of Bermuda or other Bermuda court (with such liability as the Bermuda court thinks just) who may take into account the percentage of responsibility of the director for the matter in question, in light of the nature of the conduct of the director and the extent of the causal relationship between his or her conduct and the loss suffered.

In addition, our bye-laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving or arising out of any fraud or dishonesty on the part of the officer or director or to matters which would render it void pursuant to the Companies Act. This waiver limits the rights of shareholders to assert claims against our officers and directors unless the act or failure to act involves fraud or dishonesty. Therefore, our shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a state within the United States.

The market price for our common shares has been and may continue to be volatile.

The market price for our common shares has been and may continue to be volatile and subject to price and volume fluctuations in response to market and other factors, some of which are beyond our control. Among the factors that could affect our stock price are:

- actual or anticipated fluctuations in our quarterly and annual operating results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other companies engaged in providing business process and information technology services;
- loss of one or more significant clients;
- addition or loss of executive officers or key employees;
- regulatory developments in our target markets affecting us, our clients or our competitors;
- announcements of technological developments;
- limited liquidity in our trading market;
- sales or expected sales of additional common shares, either by us or any of our shareholders, or purchases or expected purchases of common shares, including by us under existing or future share repurchase programs, which purchases are at the discretion of our board of directors and may not continue in the future;
- terrorist attacks or natural disasters or other such events impacting countries where we or our clients have operations; and
- actions or announcements by activist shareholders or others.

In addition, securities markets generally and from time to time experience significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may have a material adverse effect on the market price of our common shares.

You may be unable to effect service of process or enforce judgments obtained in the United States or Bermuda against us or our assets in the jurisdictions in which we or our executive officers operate.

We are incorporated and organized under the laws of Bermuda, and a significant portion of our assets are located outside the United States. It may not be possible to enforce court judgments obtained in the United States against us in Bermuda or in countries, other than the United States, where we have assets based on the civil liability or penal provisions of the federal or state securities laws of the United States. In addition, there is some doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of United States courts obtained against us or our directors or officers based on the civil liability or penal provisions of the federal or state securities laws of the United States or would hear actions against us or those persons based on those laws. We have been advised by Appleby (Bermuda) Limited, our Bermuda counsel, that the United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on United States federal or state securities laws, would not automatically be enforceable in Bermuda. Similarly, those judgments may not be enforceable in countries, other than the United States, where we have assets.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We have delivery centers in 17 countries. Our only material properties are our premises in India at Phase V, Gurgaon, which comprises approximately 212,531 square feet, and Uppal, Hyderabad which comprises approximately 449,286 square feet, both of which we own. We have a mixture of owned and leased properties and substantially all of our leased properties are leased under long-term leases with varying expiration dates. We believe that our properties and facilities are suitable and adequate for our present purposes and are well-maintained.

Item 3. Legal Proceedings

There are no legal proceedings pending against us that we believe are likely to have a material adverse effect on our business, results of operations and financial condition.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Price Information and Stockholders

The principal market on which the Company's common shares are traded is the New York Stock Exchange under the symbol "G." As of January 31, 2019, there were 15 holders of record of our common shares.

The following graph and table compare the performance of an investment in our common shares (measured as the cumulative total shareholder return) with investments in the S&P 500 Index (capitalization weighted) and a peer group of companies for the period from January 1, 2014 to December 31, 2018. The selected peer group for the period presented is comprised of six companies that we believe are our closest reporting issuer competitors: Accenture plc, Cognizant Technology Solutions Corp., ExlService Holdings, Inc., Infosys Technologies Limited, Wipro Technologies Limited, and WNS (Holdings) Limited. The returns of the component entities of our peer group index are weighted according to the market capitalization of each company as of the beginning of each period for which a return is presented. The returns assume that $100 was invested on December 31, 2013 and that all dividends were reinvested. The performance shown in the graph and table below is historical and should not be considered indicative of future price performance.

	3/31/14	6/30/14	9/30/14	12/31/14	3/31/15
Genpact	94.83	95.43	88.84	103.05	126.57
Peer Group	99.40	97.20	98.92	105.85	118.51
S&P 500	101.81	107.14	108.34	113.69	114.77

	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16
Genpact	116.11	128.52	135.98	148.01	146.11
Peer Group	115.18	122.45	120.05	131.66	126.87
S&P 500	115.09	107.68	115.26	116.82	119.68

	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17
Genpact	130.38	132.50	135.11	152.19	157.55
Peer Group	118.79	119.27	124.55	129.62	138.52
S&P 500	124.29	129.05	136.88	141.10	147.42

	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18
Genpact	174.26	176.05	159.62	169.31	149.70
Peer Group	149.16	155.19	162.33	167.81	146.03
S&P 500	157.22	156.03	161.38	173.83	150.33

This graph is not deemed to be "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, and should not be deemed to be incorporated by reference into any of our prior or subsequent filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Dividends

In February 2018, our board of directors approved a 25% increase in our quarterly cash dividend to $0.075 per common share, representing a planned annual dividend of $0.30 per common share. In 2018, dividends were declared in February, May, July and October and paid in March, June, September and December. In February 2019, our board of directors approved an approximately 13% increase in our quarterly cash dividend to $0.085 per common share, representing a planned annual dividend of $0.34 per common share for 2019. Any future dividends will be at the discretion of the board of directors and subject to Bermuda and other applicable laws.

Unregistered Sales of Equity Securities

None.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

Share repurchase activity during the three months ended December 31, 2018 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share ($)	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program ($)
October 1-October 31, 2018	—	—	—	327,997,960
November 1-November 30, 2018	806,310	29.71	806,310	304,041,985
December 1-December 31, 2018	—	—	—	304,041,985

In February 2017, our board of directors authorized a $500 million increase to our existing $750 million share repurchase program, first announced in February 2015, bringing the total authorization under our existing program to $1.25 billion. This repurchase program does not obligate us to acquire any specific number of shares and does not specify an expiration date. All shares repurchased under the plan have been cancelled. See Note 19—"Capital stock" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules" for additional information.

Item 6. Selected Financial Data

The table below presents selected historical financial data.

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Financial data as of December 31, 2017 and 2018 and for the three-year period ended December 31, 2018 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Financial data as of December 31, 2014, 2015 and 2016 and for the years ended December 31, 2014 and 2015 have been derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K.

You should read the selected financial data below together with the financial statements included herein and Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year ended December 31,				
	2014	2015	2016	2017	2018
	(dollars and share count in millions, except per share data)				
Statement of income data:					
Total net revenues	$ 2,279.4	$ 2,461.0	$ 2,570.8	$ 2,736.9	$ 3,000.8
Income from operations	$ 294.0	$ 334.2	$ 341.2	$ 331.3	$ 348.2
Net income available to Genpact Limited common shareholders	$ 192.0	$ 239.8	$ 269.7	$ 263.1	$ 282.0
Earnings per common share					
Basic	$ 0.87	$ 1.11	$ 1.30	$ 1.36	$ 1.48
Diluted	$ 0.85	$ 1.09	$ 1.28	$ 1.34	$ 1.45
Weighted average number of common shares used in computing earnings per common share					
Basic	220.8	216.6	206.9	193.9	190.7
Diluted	225.2	219.1	210.1	197.0	194.0
Cash dividend per common share	$—	$—	$—	$ 0.24	$ 0.30

	As of December 31,				
	2014	2015	2016	2017	2018
	(dollars in millions)				
Balance sheet data:					
Cash and cash equivalents	$ 461.8	$ 450.9	$ 422.6	$ 504.5	$ 368.4
Total assets	2,742.5	2,793.5	2,885.9	3,449.6	3,529.4
Long-term debt, including current portion	653.6	776.5	737.3	1,045.9	1,009.1
Genpact Limited shareholders' equity	$ 1,285.1	$ 1,304.4	$ 1,286.6	$ 1,424.0	$ 1,404.2

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes that appear elsewhere in this Annual Report on Form 10-K. In addition to historical information, this discussion includes forward-looking information that involves risks and assumptions, which could cause actual results to differ materially from management's expectations. See "Special Note Regarding Forward-Looking Statements" included elsewhere in this Annual Report on Form 10-K.

Overview

Our 2018 revenues were $3.001 billion, an increase of 10% year-over-year, or 9% on a constant currency basis. See "Net Revenues" below for an explanation of how we calculate net revenue growth on a constant currency basis, which is a non-GAAP financial measure.

Net Revenues

Revenue by top clients. The table below sets forth the percentage of our total net revenues derived from our largest clients, including GE, in the years ended December 31, 2016, 2017 and 2018:

	Percentage of Total Net Revenues Year ended December 31,		
	2016	2017	2018
Top five clients	24.3%	20.3%	21.9%
Top ten clients	33.3%	29.2%	31.5%
Top fifteen clients	39.7%	35.9%	37.9%
Top twenty clients	44.4%	40.9%	42.8%

We earn revenues pursuant to contracts that generally take the form of a master service agreement, or MSA, which is a framework agreement that is then supplemented by statements of work, or SOWs. Our MSAs specify the general terms applicable to the services we will provide. Our MSAs are generally for terms of three to seven years, although they may also have an indefinite term or be for terms of less than three years. In most cases they do not specify pricing terms or obligate the client to purchase a particular amount of services. We then enter into SOWs under an MSA, which specify particular services to be provided and the pricing terms. Most of our revenues are from SOWs with terms of two to five years. We typically have multiple SOWs under any given MSA, and the terms of our SOWs vary depending on the nature of the services provided. We seek to develop long-term relationships with our clients. We believe that these relationships best serve our clients as they create opportunities for us to provide a variety of services using the full range of our capabilities and to deliver continuous process improvement.

New business proposals are reviewed in line with our strategy to target specific industry verticals and geographical markets. We begin each year with a set of named accounts, including prospective clients with operations in our target areas, and all opportunities during the year are reviewed by business leaders from the applicable industry vertical, operations personnel, and members of our finance team. In this way, we try to ensure that contract terms meet our pricing, cash and service objectives. See Item 1—“Business—Sales and marketing.”

There are a variety of aspects to our pricing of contracts. Under some of our MSAs, we are able to share a limited amount of inflation and currency exchange risk for engagements lasting longer than 12 months. Many of our MSAs also provide that, under transaction-based and fixed-price SOWs, we are entitled to retain a portion of certain productivity benefits we achieve. However, some of our MSAs and SOWs require certain minimum productivity benefits to be passed on to our clients. Once an MSA and related SOWs are signed and production of services commences, our revenues and expenses increase as services are ramped up to the agreed upon level. In many cases, we may have opportunities to increase our margins over the life of an MSA or SOW, driven by a number of factors. Our revenues include gains or losses arising upon the maturity of qualified cash flow hedges.

Under our services agreements with GE, GE has the right to terminate the MSA or any SOW in whole or in part for any reason by providing us with a short period of advance notice. GE is not obligated to provide us with any exclusivity or opportunity to work on GE projects and GE is not required to purchase a minimum amount of services from us.

Although some decisions about our services may be made centrally at GE, the total level of business we receive from GE generally depends on the decisions of the various operating managers of the GE businesses we serve. Because our business from GE is derived from a variety of businesses within GE, our exposure to GE is diversified in terms of industry risk. See Item 1A—"Risk Factors— GE accounts for a significant portion of our revenues and any material loss of business from, or change in our relationship with, GE could have a material adverse effect on our business, results of operations and financial condition."

Classification of certain net revenues.   We classify our net revenues in two categories: net revenues from GE and net revenues from Global Clients. Net revenues from Global Clients consist of revenues from services provided to all clients other than GE and the companies in which GE owns 20% or less of the outstanding equity interest. If GE ceases to own at least 20% of a business we serve, we reclassify the revenues from such business as Global Client revenues following the divestiture. Prior to 2016, we reclassified revenues from these divested GE businesses as Global Client revenues in each fiscal quarter beginning on the date of divestiture. However, beginning with 2016, we reclassify such revenue as Global Client revenue only at the end of each fiscal year. We believe that this allows us to provide a more consistent view of quarterly trends underlying our Global Client and GE businesses. After reclassifying $69.7 million of revenues from businesses that GE divested in 2016, our 2016 revenues from Global Clients and GE were $2,212.9 million and $357.9 million, respectively. The impact of the reclassification of revenue from divested GE businesses to Global Client revenue in 2017 and 2018 was immaterial.

In many cases, we have continued to perform services for GE-divested businesses following their divestiture by GE even though they were not obligated by the GE MSA to continue to use our services. In such cases, we have either entered into new MSAs with respect to such businesses following their divestiture by GE or agreed with such businesses to continue to work pursuant to the terms agreed to by GE. We are currently undertaking efforts, and plan to continue efforts, to procure engagements with the businesses that GE divests as part of its GE Capital divestitures.

In 2016, we also reclassified revenue from our 2016 acquisitions of Endeavour Software Technologies Private Limited and PNMSoft Ltd. as revenue from BPO services rather than revenue from IT services to better align with the digital business process client solutions derived from these businesses. After reclassifying $12.4 million of revenues from these acquisitions, our 2016 revenues from BPO and IT services were $2,083.4 million and $487.3 million, respectively.

Expenses. Personnel expenses are a major component of both our cost of revenue and our selling, general and administrative expenses. Personnel expenses include salaries and benefits (including stock-based compensation) as well as costs related to recruiting and training. Personnel expenses are allocated between cost of revenue and selling, general and administrative expenses based on the classification of the employee. Stock-based compensation and depreciation and amortization expense are allocated between cost of revenue and selling, general and administrative expenses based on an employee’s function.

Our industry is labor-intensive. Wage levels in the countries in which our delivery centers are located have historically increased on a year-over-year basis. We attempt to address the impact of wage increases, and pressures to increase wages, in a number of ways, which include seeking to control entry-level wages, managing our attrition rate, delivering productivity and “right-skilling,” which refers to ensuring that positions are not filled by overqualified employees. We try to control increases in entry-level wages by implementing innovative recruiting policies, utilizing continuous training techniques, emphasizing promotion opportunities and maintaining an attractive work atmosphere and company culture.

In planning capacity expansion, we look for locations that help us ensure global delivery capability while helping us control average salary levels. In India and in other countries where we may open multiple locations, we try to expand into cities where competition for personnel and wage levels may be lower than in more developed cities. In addition, under some of our contracts we have the ability to share with our clients a portion of any increase in costs due to inflation. Nevertheless, despite these steps, we expect general increases in wage levels in the future, which could adversely affect our margins. A significant increase in attrition rates would also increase our recruiting and training costs and decrease our operating efficiency, productivity and profit margins. Increased attrition rates or increased pricing may also cause some clients to be less willing to use our services. See Item 1A—“Risk Factors—Wage increases in the countries in which we have operations may prevent us from sustaining our competitive advantage and may reduce our profit margin.”

Our operational expenses include facilities maintenance expenses, travel and living expenses, IT expenses, and consulting and certain other expenses. Consulting charges, consisting of the cost of consultants and contract employees with specialized skills who are directly responsible for the performance of services for clients, are included in cost of revenue. Facilities maintenance expenses and certain other expenses are allocated between cost of revenue and selling, general and administrative expenses based on the employee's function.

Cost of revenue. The principal component of cost of revenue is personnel expenses. We include in cost of revenue all personnel expenses for employees who are directly responsible for the performance of services for clients, their supervisors and certain support personnel who may be dedicated to a particular client or a set of processes. Travel and living expenses are included in cost of revenue if the personnel expense for the employee incurring such expense is included in cost of revenue. These expenses include gains or losses that arise upon the maturity of qualified cash flow hedges.

The ratio of cost of revenue to revenues for any particular SOW or for all SOWs under an MSA is typically higher in the early periods of the contract or client relationship than in later periods. This is because the number of supervisory and direct support personnel relative to the number of employees who are performing services declines. It is also because we may retain a portion of the benefit of productivity increases realized over time.

Selling, general and administrative expenses. Our selling, general and administrative, or SG&A, expenses are primarily comprised of personnel expenses for senior management, corporate personnel in enabling functions such as human resources, finance, legal, marketing, sales and sales-related personnel, and other support personnel. The operational costs component of SG&A expenses also includes travel and living costs for such personnel. Additionally, the operational costs component of SG&A expenses includes professional fees, which represent the costs of third-party legal, tax, accounting and other advisors, and an allowance for doubtful receivables. These expenses include gains or losses that arise upon the maturity of qualified cash flow hedges.

Amortization of acquired intangible assets. Amortization of acquired intangible assets consists of amortization expenses relating to intangible assets acquired through acquisitions.

Other operating (income) expense, net. Other operating (income) expense, net primarily consists of the impact of the change in the fair value of earn-out consideration relating to business acquisitions and certain operating losses resulting from the impairment of property, plant and equipment and intangible assets.

Foreign exchange gains (losses), net. Foreign exchange gains (losses), net, primarily consist of gains or losses on the re-measurement of non-functional currency assets and liabilities. In addition, it includes gains or losses from derivative contracts entered into to offset the impact of the re-measurement of non-functional currency assets and liabilities. It also includes the realized and unrealized gains or losses on derivative contracts that do not qualify for hedge accounting.

We also enter into derivative contracts to offset the impact of the re-measurement of non-functional currency expenditures and income. The gains or losses on derivative contracts that qualify for hedge accounting are deferred and included under other comprehensive income (loss) until the derivative contracts mature, at which time the gains or losses on such cash flow hedges are classified as net revenues, cost of revenue or selling, general and administrative expenses based on the underlying risk being hedged. See Note 2—"Summary of significant accounting policies" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules'' and Item 7A—"Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risk."

Approximately 76% of our fiscal 2018 revenues were earned in U.S. dollars. We also received payments in euros, U.K. pounds sterling, Australian dollars, Chinese renminbi, Japanese yen and Indian rupees. Our costs are primarily in Indian rupees, as well as in U.S. dollars, Chinese renminbi, euros and the currencies of the other countries in which we have operations. While some of our contracts provide for limited sharing of the risk of inflation and fluctuations in currency exchange rates, we bear a substantial portion of this risk, and therefore our operating results could be negatively affected by adverse changes in wage inflation rates and foreign currency exchange rates. See our discussion of wage inflation under "Expenses" above. We enter into forward currency contracts, which are generally designed to qualify for hedge accounting, in order to hedge most of our cost currency exposure between the U.S. dollar and the Indian rupee and Mexican peso, and between the euro and the Romanian leu, and our revenue currency exposure between the U.S. dollar and the pound sterling, Australian dollar, Philippine peso and euro, and between the Chinese renminbi and the Japanese yen. However, our ability to hedge such risks is limited by local law, the liquidity of the market for such hedges and other practical considerations. Thus, our results of operations may be adversely affected if we are not able to enter into the desired hedging arrangements or if our hedging strategies are not successful. See Note 2—"Summary of significant accounting policies" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules" for additional information.

Interest income (expense), net. Interest income (expense), net consists primarily of interest expense on indebtedness, including resulting from interest rate swaps, capital lease obligations, interest adjustments relating to earn-out consideration in connection with certain acquisitions, certain items related to debt restructuring, and interest income on certain deposits. We manage a portion of our interest rate risk related to floating rate indebtedness by entering into interest rate swaps under which we receive floating rate payments based on the greater of LIBOR and the floor rate under our term loan and make payments based on a fixed rate.

Other income (expense), net. Other income (expense), net primarily includes the gain or loss on the divestitures of certain businesses and certain government incentives received by our subsidiaries.

Net loss (income) attributable to redeemable non-controlling interest. Non-controlling interest primarily refers to the loss associated with the redeemable non-controlling interest in the operations of SSE, which we acquired in the first quarter of 2016. We purchased the remainder of the outstanding equity interest in SSE in the first quarter of 2018. See Note 3—"Business acquisitions and divestiture" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules."

Equity-method investment activity, net. Equity-method investment activity, net primarily represents our share of loss in a non-consolidated affiliate that we divested on June 30, 2017.

Income taxes. We are incorporated in Bermuda and have operations in many countries. Our effective tax rate has historically varied and will continue to vary from year to year based on the tax rate in our jurisdiction of organization, the geographical sources of our earnings and the tax rates in those countries, the tax relief and incentives available to us, the financing and tax planning strategies employed by us, changes in tax laws or the interpretation thereof, and movements in our tax reserves, if any.

Bermuda taxes. We are organized in Bermuda. Bermuda does not impose any income tax on us.

Indian taxes. Indian SEZ legislation provides for a 15-year tax holiday scheme for operations established in designated special economic zones, or SEZs. Under the SEZ legislation, qualifying operations are eligible for a deduction from taxable income equal to (i) 100% of their profits or gains derived from the export of services for a period of five years from the commencement of operations; (ii) 50% of such profits or gains for the next five years; and (iii) 50% of such profits or gains for an additional period of five years, subject to the creation of a "Special Economic Zone Re-investment Reserve Account," to be utilized only for acquiring new plant or machinery or for other business purposes, not including the distribution of dividends. This holiday is available only for new business operations that are conducted at qualifying SEZ locations and is not available to operations formed by splitting up or reconstructing existing operations or transferring existing plant and equipment (beyond prescribed limits) to new locations. During the last ten years, we established new delivery centers that we believe are eligible for the SEZ benefits. However, we cannot forecast what percentage of our operations or income in India will in the future be eligible for SEZ benefits, as this will depend on how much of our business can be conducted at the qualifying locations and how much of that business can be considered to meet the restrictive conditions described above.

Our tax expense will increase as a result of the expiration of our tax holidays, and our after-tax profitability will be materially reduced, unless we can obtain comparable benefits under new legislation or otherwise reduce our tax liability.

Additionally, the governments of foreign jurisdictions from which we deliver services may assert that certain of our clients have a "permanent establishment" in such jurisdictions by reason of the activities we perform on their behalf, particularly those clients that exercise control over or have substantial dependency on our services. Such an assertion could affect the size and scope of the services requested by such clients in the future.

Transfer pricing. We have transfer pricing arrangements among our subsidiaries involved in various aspects of our business, including operations, marketing, sales and delivery functions. U.S. and Indian transfer pricing regulations, as well as the regulations applicable in the other countries in which we operate, require that any international transaction involving affiliated enterprises be made on arm's-length terms. We consider the transactions among our subsidiaries to be substantially on arm's-length pricing terms. If, however, a tax authority in any jurisdiction reviews any of our tax returns and determines that the transfer prices we have applied are not appropriate, or that other income of our affiliates should be taxed in that jurisdiction, we may incur increased tax liability, including accrued interest and penalties, which would cause our tax expense to increase, possibly materially, thereby reducing our profitability and cash flows.

Other taxes. We have operating subsidiaries in other countries, including Australia, Brazil, Canada, China, the Czech Republic, Germany, Guatemala, Hungary, Israel, Japan, Kenya, Latvia, Malaysia, Mexico, the Netherlands, New Zealand, the Philippines, Poland, Romania, Singapore, Slovakia, South Africa, the United Kingdom and the United States, as well as sales and marketing subsidiaries in certain jurisdictions, including the United States and the United Kingdom, which are subject to tax in such jurisdictions.

In 2009, one of our subsidiaries in China obtained a ruling from the Government of China certifying it to be a Technologically Advanced Service Enterprise. As a result, that subsidiary was subject to a lower corporate income tax rate of 15%, initially for a three-year period that began in 2009, which was extended through December 31, 2018, subject to the fulfillment of certain conditions. Our delivery centers also enjoy corporate tax holidays or concessional tax rates in certain other jurisdictions, including the Philippines and Israel. These tax concessions will expire over the next few years, possibly increasing our overall tax rate.

Our ability to repatriate surplus earnings from our foreign subsidiaries in a tax-efficient manner is dependent upon interpretations of local laws, possible changes in such laws and the renegotiation of existing double tax avoidance treaties. Changes to any of these may adversely affect our overall tax rate.

Tax audits. Our tax liabilities may also increase, including due to accrued interest and penalties, if the applicable income tax authorities in any jurisdiction, during the course of any audits, were to disagree with any of our tax return positions. Through the period ended December 30, 2004, we have an indemnity from GE for any additional taxes attributable to periods prior to December 30, 2004.

Tax losses and other deferred tax assets. Our ability to utilize our tax loss carry-forwards and other deferred tax assets and credits may be affected if our profitability deteriorates or if new legislation is introduced that changes carry-over or crediting rules. Additionally, reductions in enacted tax rates may affect the value of our deferred tax assets and our tax expense.

Certain Acquisitions

From time to time we may make acquisitions or engage in other strategic transactions if suitable opportunities arise, and we may use cash, securities, other assets or a combination thereof as consideration.

On August 30, 2018, we acquired 100% of the outstanding equity/partnership interests in Barkawi Management Consultants GmbH & Co. KG, a German limited partnership, and certain affiliated entities in the United States, Germany and Austria (collectively referred to as “Barkawi”) for total purchase consideration of $101.3 million. This amount includes cash consideration of $95.6 million, net of cash acquired of $5.7 million. This acquisition enhances our supply chain management consulting capabilities. Goodwill arising from the acquisition amounted to $81.3 million, which has been allocated to our India reporting unit and is partially deductible for tax purposes. The goodwill represents primarily the acquired consulting expertise, operating synergies and other benefits expected to result from combining the acquired operations with those of our existing operations.

On July 3, 2018, we acquired 100% of the outstanding equity interest in Commonwealth Informatics Inc. (“Commonwealth”), a Massachusetts corporation, for preliminary purchase consideration of $17.6 million. This amount includes cash consideration of $16.1 million, net of cash acquired of $1.5 million, and preliminary adjustments for working capital and indebtedness. This acquisition enhances our signal management and pharmacovigilance capabilities for clients in the life sciences industry. Goodwill arising from the acquisition amounted to $11.2 million, which has been allocated to our India reporting unit and is deductible for tax purposes. The goodwill represents primarily the acquired capabilities, operating synergies and other benefits expected to result from combining the acquired operations with our existing operations.

On January 8, 2016, we acquired 51% of the outstanding equity interest in Strategic Sourcing Excellence LLC ("SSE"), a Delaware limited liability company, for total consideration of $14.5 million. This amount includes the fair value of earn-out consideration and cash consideration of $2.6 million, adjusted for working capital, transaction expenses, indebtedness and measurement period adjustments, which did not have a significant impact on our consolidated statements of income, balance sheets or cash flows in the periods in which the adjustments were made. This acquisition strengthens our procurement consulting, transformation and strategic sourcing capabilities. The equity purchase agreement between us and the selling equity holders provides for contingent earn-out consideration of up to $20.0 million, payable by us to the selling equity holders based on the performance of SSE following closing relative to the thresholds specified in the earn-out calculation. Up to $9.8 million of the total potential earn-out consideration, representing the selling equity holders' redeemable, non-controlling 49% interest in SSE, was payable by us to the selling equity holders only if either the put or call option, each as described below, was exercised. Goodwill arising from the acquisition amounted to $14.4 million, which has been allocated to our India reporting unit and is deductible for tax purposes. The goodwill represents future economic benefits we expect to derive from our expanded presence in the sourcing and procurement consulting domains, operating synergies and other anticipated benefits of combining the acquired operations with our existing operations. The equity purchase agreement granted us a call option to purchase the remaining 49% equity interest in SSE, which option we had the right to exercise between January 1, 2018 and January 31, 2018. As we did not exercise our call option during such period, the selling equity holders exercised their put option on March 1, 2018 in accordance with the terms of the equity purchase agreement to require us to purchase their 49% interest in SSE for $3.0 million. We also paid the selling equity holders $1.8 million in earn-out consideration in the first quarter of 2018.

On September 5, 2017, we acquired 100% of the outstanding equity interest in TandemSeven, Inc. ("TandemSeven"), a Massachusetts corporation, for total purchase consideration of $35.6 million. This amount includes cash consideration of $31.8 million, net of cash acquired of $3.9 million, and an adjustment for working capital and indebtedness. TandemSeven's focus on improving the design of customer experiences complements our existing capabilities aimed at transforming clients' processes end-to-end. Goodwill arising from the acquisition amounted to $25.2 million, which has been allocated to our India reporting unit and is deductible for tax purposes. The goodwill represents primarily the acquired expertise, operating synergies and other benefits expected to result from combining the acquired operations with our existing operations.

On May 3, 2017, we acquired 100% of the outstanding equity interest in each of BrightClaim LLC, a Delaware limited liability company, BrightServe LLC, a Georgia limited liability company, National Vendor LLC, a Delaware limited liability company, and BrightClaim Blocker, Inc., a Delaware corporation (collectively referred to as "BrightClaim"). The total purchase consideration for the acquisition of BrightClaim was $56.5 million. This amount includes cash consideration of $52.4 million, net of cash acquired of $4.0 million, adjusted for working capital, net debt, transaction expenses and measurement period adjustments which did not have a significant impact on our consolidated statements of income, balance sheets or cash flows in the applicable adjustment periods. This acquisition enhances our breadth and depth of service offerings for clients in the insurance industry. Goodwill arising from the acquisition amounted to $42.6 million, which has been allocated to our India reporting unit and is partially deductible for tax purposes. The goodwill represents primarily the capabilities, operating synergies and other benefits expected to be derived from combining the acquired operations with our existing operations.

On April 13, 2017, we acquired 100% of the outstanding equity interest in RAGE Frameworks, Inc. ("RAGE"), a Delaware corporation, for total purchase consideration of $125.3 million. This amount includes cash consideration of $124.1 million, net of cash acquired of $1.6 million, and an adjustment for working capital and indebtedness. This acquisition enhances our digital and artificial intelligence capabilities by adding knowledge-based automation technology and services. Goodwill arising from the acquisition amounted to $105.5 million, which has been allocated to our India reporting unit and is not deductible for tax purposes. The goodwill represents primarily the acquired digital and artificial intelligence capabilities, operating synergies and other benefits expected to be derived from combining the acquired operations with our existing operations.

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During 2017, we also completed five individually immaterial business acquisition transactions, namely the acquisition of a supply chain management delivery center in the U.S. (“U.S. Delivery Center”), the purchase of all of the outstanding equity interest in OnSource, LLC (“OnSource”), the purchase of the IT business of Birlasoft (“Birlasoft”), the purchase of the image processing business of Fiserv Solutions of Australia Pty Ltd. (“Fiserv”) and the purchase of all of the outstanding equity interest in Lease Dimensions, Inc. (“Lease Dimensions”). The aggregate total consideration to consummate these acquisitions was $87.6 million. This aggregate amount includes the fair value of contingent earn-out consideration, cash consideration of $76.6 million, net of cash acquired of $0.3 million, and adjustments for closing date working capital, indebtedness, value transfer, seller transaction expenses and certain employee-related liabilities.

The U.S. Delivery Center acquisition enhances our supply chain management capabilities for clients in the consumer packaged goods industry. The OnSource acquisition brings incremental digital capabilities to our insurance service offerings. The Birlasoft transaction expands our end-to-end capabilities for clients in the healthcare and aviation industries. The Fiserv transaction strengthens our financial services portfolio and expands our Australia footprint. The Lease Dimensions acquisition enhances our capabilities in commercial lending and leasing.

The purchase agreement for the acquisition of the U.S. Delivery Center provides for contingent earn-out consideration ranging from $0 to $10.0 million, payable by us to the seller based on the achievement of certain milestones relative to the thresholds specified in the earn-out calculation. The purchase agreement for the Lease Dimensions acquisition provides for contingent earn-out consideration ranging from $0 to $3.0 million, payable by us to the sellers based on the performance of the business following closing relative to the thresholds specified in the earn-out calculation.

Goodwill arising from these acquisitions amounted to $56.5 million. This goodwill represents primarily the capabilities, operating synergies and other benefits expected to result from combining the acquired operations with our existing operations. The following table sets forth, with respect to each of the five acquisitions, the acquisition date, goodwill reporting unit and goodwill deductibility for tax purposes:

Acquisition	Acquisition date	Goodwill reporting unit	Tax deductibility of goodwill
U.S. Delivery Center	October 16, 2017	India	Deductible
OnSource	July 18, 2017	India	Deductible
Birlasoft	July 18, 2017	IT Services	Deductible
Fiserv	May 11, 2017	India	Non-deductible
Lease Dimensions	February 15, 2017	Americas	Non-deductible

Divestiture

In November 2017, we completed the sale of a portion of our legacy IT support business in Europe. Net proceeds from the sale of this business were $0. As a result of this divestiture, we recorded a loss of $5.7 million under “other income (expense)” in our consolidated statement of income.

Secondary Offerings

On August 18, 2017, we completed a secondary offering of our common shares, pursuant to which certain of our shareholders affiliated with Bain Capital Investors, LLC, namely Glory Investments A Limited and its affiliated assignees, together with their co-investor, GIC Private Limited (the “Selling Shareholders”), sold 10.0 million common shares at a price of $28.72 per share in an underwritten public offering. All of the common shares were sold by the Selling Shareholders and, as a result, we did not receive any of the proceeds from the offering.

On November 20, 2017, we completed an additional secondary offering of our common shares pursuant to which the Selling Shareholders sold 10.0 million common shares at a price of $30.26 per share in an underwritten public offering. All of the common shares were sold by the Selling Shareholders and, as a result, we did not receive any of the proceeds from the offering.

On February 15, 2019, we completed an additional secondary offering of our common shares pursuant to which the Selling Shareholders sold 10.0 million common shares at a price of $32.215 per share in an underwritten public offering. All of the common shares were sold by the Selling Shareholders and, as a result, we did not receive any of the proceeds from the offering.

Bookings

New bookings is an operating or other statistical measure. We define new bookings as the total contract value of new client contracts, and certain renewals, extensions and changes to existing contracts to the extent that such contracts represent incremental future business. In determining total contract value for this purpose, we assume the minimum volume to which the client has committed. However, for deals that have a total contract value in excess of $200 million and include employees transferring to us from a client, we include as new bookings for any given year only that portion of the total contract value which relates to services performed in connection with employee transfers that are initiated during that year. Regular renewals of contracts with no change in scope, which we consider business as usual, are not counted as new bookings. We provide information regarding our new bookings because we believe doing so provides useful trend information regarding changes in the volume of our new business over time and may be a useful metric as an indicator of future revenue growth potential. New bookings is also used by management to measure our sales force productivity.

New bookings in 2018 were approximately $3.9 billion, up 40% from approximately $2.8 billion in 2017. The overall increase in new bookings is due to strong growth in our transformation services bookings and new sales of digitally-enabled services in our BPO business. We attribute this growth to strategic investments in our digital and analytics capabilities, domain expertise, our people and our brand, together with a focus on growth opportunities in a specific set of industry verticals and service lines.

New bookings can vary significantly year to year depending in part on the timing of the signing of a small number of large contracts. The types of services clients are demanding, the duration of the contract and the pace and level of their spending may impact the conversion of new bookings to revenues. For example, business process outsourcing, or BPO, bookings, which are typically for multi-year contracts, generally convert to revenue over a longer period of time compared to information technology outsourcing bookings, which are often for short-term, project-based work.

Information regarding our new bookings is not comparable to, nor should it be substituted for, an analysis of our revenues over time. The calculation of new bookings involves estimates and judgments. There are no third-party standards or requirements governing the calculation of new bookings. We do not update our new bookings for material subsequent terminations or reductions related to bookings originally recorded in prior fiscal years. New bookings are recorded using then-existing foreign currency exchange rates and are not subsequently adjusted for foreign currency exchange rate fluctuations. Our revenues recognized each year will vary from the new bookings value since new bookings is a snapshot measurement of a portion of the total client contract value at a given time.

Critical Accounting Policies and Estimates

A summary of our significant accounting policies is included in Note 2—"Summary of significant accounting policies" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules." An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made and if changes in the estimate that are reasonably possible could materially impact the financial statements or require a higher degree of judgment than others in their application. We base our estimates on historical experience, contractual commitments and on various other assumptions that we believe to be reasonable under the circumstances and at the time they are made. We believe the following critical accounting policies require a higher level of management judgment and estimates than others in preparing the consolidated financial statements. Management believes that the estimates used in the preparation of the consolidated financial statements are reasonable. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

Revenue recognition. We typically face a long selling cycle in securing a new client. It is not unusual for us to spend twelve to eighteen months or more from the time we begin actively soliciting a new client until we begin to recognize revenues.

All costs we incur prior to signing a contract with a client are expensed as incurred, except for any incremental and direct costs incurred for acquiring the contracts, such as certain sales commissions to employees or third parties, which are classified as contract cost assets and are amortized over the expected period of benefit. Contract acquisition fees or other upfront fees paid to a client are classified as contract assets which are amortized over the expected period of benefit and recorded as an adjustment to the transaction price.

Once a contract is signed, we defer revenues from the transition of services to our delivery centers, as well as the related cost of revenue where such activities do not represent separate performance obligations. Revenues relating to such transition activities are classified under contract liabilities and subsequently recognized ratably over the period in which the related services are performed. Costs relating to such transition activities are fulfillment costs which are directly related to the contract and result in the generation or enhancement of resources. Such costs are expected to be recoverable under the contract and are therefore classified as contract cost assets and recognized ratably over the estimated expected period of benefit under cost of revenue.

Our client contracts sometimes also include incentive payments received for discrete benefits delivered or promised to be delivered to clients or service level agreements that could result in credits or refunds to the clients. Revenues relating to such arrangements are accounted for as variable consideration when the amount of revenue to be recognized can be estimated to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

We include offerings such as sale of licenses, in certain contracts, which may be perpetual or subscription-based. We recognize upfront revenue from distinct perpetual licenses at the point in time when the software is made available to the client. Revenue from distinct subscription-based licenses is recognized at the point in time it is transferred to the client. Revenue from any associated maintenance or ongoing support services is recognized ratably over the term of the contract. For a combined software license/services performance obligation, revenue is recognized over the period that the services are performed.

We price our services under a variety of arrangements, including time and materials, transaction-based and, to a lesser extent, fixed-price contracts. When services are priced on a time-and-materials basis, we charge the client based on full-time equivalent, or FTE, rates for the personnel who will directly perform the services. The FTE rates are determined on a periodic basis, vary by category of service delivery personnel and are set at levels to reflect all of our costs, including the cost of supervisory personnel, the allocable portion of other costs, and a margin. In some cases, time-and-materials contracts are based on hourly rates of the personnel providing the services. We recognize revenues when the promised services are delivered to customers for an amount that reflects the consideration to which we expect to be entitled in exchange for those services. We accrue for revenue and unbilled receivables for services rendered between the last billing date and the balance sheet date.

In transaction-based pricing, clients are charged a fixed fee per transaction, with the fee per transaction sometimes linked to the total number of transactions processed. Some of our contracts give the client the option to prospectively change from a time-and-materials model to a transaction-based pricing model. Revenues from services rendered under time-and-material and transaction-based contracts are recognized as the services are provided.

In the case of fixed-price contracts, including those for application development, maintenance and support services, revenues are recognized ratably over the terms of the contracts.

We sometimes enter into multiple-element revenue arrangements in which a customer may purchase a combination of our services. Revenue from multiple-element arrangements is recognized, for each element, based on an allocation of the transaction price to each performance obligation on a relative standalone basis.

Revenue for performance obligations that are satisfied over time is recognized in accordance with the methods prescribed for measuring progress. The input (effort or cost expended) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates.

Timing of revenue recognition may differ from the timing of invoicing. If we receive payment in respect of services prior to the time a contract is signed, we recognize the payment as an advance from a client. When the related contract is signed, the advance becomes revenue to the extent the services are rendered and price is fixed or determinable.

Significant judgements involved include (a) determining whether services are considered distinct performance obligations that should be accounted for separately rather than together where we enter into contracts with clients that include promises to transfer multiple products and services, (b) determining the standalone selling price for each distinct performance obligation and (c) estimating credits or refunds to our clients resulting from incentive payments received for discrete benefits delivered to clients or under service level agreements. In instances where a standalone selling price for a performance obligation is not directly observable, we use information that may include market conditions and other observable inputs. We estimate credit or refund amounts at contract inception and adjust them at the end of each reporting period as additional information becomes available only to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

Accounts receivable. Our accounts receivable include amounts for services that we have performed but for which we have not received payment. Accounts receivable are recorded at the invoiced or to-be-invoiced amount and do not bear interest. We typically follow a 30-day billing cycle and, as such, at any point in time we may have accrued up to 30 days of revenues that have not been billed. We maintain an allowance for doubtful accounts for estimated losses inherent in our accounts receivable portfolio. In establishing the required allowance, we consider current market conditions and our clients' financial condition, the amount of receivables in dispute, and the current receivables' aging and current payment patterns of the client. We do not have any off-balance-sheet credit exposure related to our clients.

Business combinations. The application of business combination accounting requires the use of significant estimates and assumptions. We account for business combinations using the acquisition method of accounting, by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling 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. The measurement of purchase price, including future contingent consideration, if any, and its allocation, requires significant estimates in determining the fair values of assets acquired and liabilities assumed, including with respect to intangible assets and deferred and contingent consideration. Significant estimates and assumptions we may make include, but are not limited to, the timing and amount of future revenue and cash flows based on, among other things, anticipated growth rates, customer attrition rates, and the discount rate reflecting the risk inherent in future cash flows.

Goodwill and other intangible assets. Goodwill represents the cost of acquired businesses in excess of the fair value of the identifiable tangible and intangible net assets purchased. Goodwill is tested for impairment at least on an annual basis on December 31, or as circumstances warrant based on a number of factors, including operating results, business plans and future cash flows. We perform 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 our assessment of events or circumstances, we perform a quantitative assessment of goodwill impairment if it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on the results of our assessments of qualitative factors, we determined that the fair values of all of our reporting units are likely to be higher than their respective carrying amounts as of December 31, 2018 and December 31, 2017.

We capitalize certain software and technology development costs incurred in connection with developing or obtaining software or technology for sale/lease to customers when the initial design phase is completed and commercial and technological feasibility has been established. Any development cost incurred before technological feasibility is established is expensed as incurred as research and development costs. Technological feasibility is established upon completion of a detailed design program or, in its absence, completion of a working model. Capitalized software and technology costs include only (i) the external direct costs of materials and services utilized in developing or obtaining software and technology and (ii) compensation and related benefits for employees who are directly associated with the project.

We review for impairment our intangible assets with defined useful lives whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether we have incurred an impairment loss requires comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. When determining the fair value of our intangible assets, we utilize various assumptions, including discount rates, estimated growth rates, economic trends and projections of future cash flows. These projections also take into account factors such as the expected impact of new client contracts, expanded or new business from existing clients, efficiency initiatives, and the maturity of the markets in which each of our businesses operates. We generally categorize intangible assets acquired individually or with a group of other assets or in a business combination as customer-related, marketing-related, technology-related, and other intangible assets. See Note 2—"Summary of significant accounting policies—Business combinations, goodwill and other intangible assets" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules'' for more information about how we value our intangible assets. Actual results may vary, and may cause significant adjustments to the valuation of our assets in the future.

Derivative instruments and hedging activities. We enter into forward foreign exchange contracts to mitigate foreign exchange risk on intercompany transactions and forecasted transactions denominated in foreign currencies, and we enter into interest rate swaps to mitigate interest rate fluctuation risk on our indebtedness. Most of these transactions meet the criteria for hedge accounting as cash flow hedges under FASB guidance on Derivatives and Hedging.

With respect to derivatives designated as cash flow hedges, we formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking various hedge transactions. In addition, we formally assess, both at the inception of a hedge and on a quarterly basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If we determine that a derivative or a portion thereof is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, we prospectively discontinue hedge accounting with respect to that derivative.

We recognize derivative instruments and hedging activities as either assets or liabilities in our consolidated balance sheets and measure them at fair value. Changes in the fair values of these hedges are deferred and recorded as a component of other comprehensive income (losses), net of tax, until the hedged transactions occur and are recognized in the Consolidated Statements of Income along with the underlying hedged item and disclosed as a part of "Total net revenues," "Cost of revenue", "Selling, general and administrative expenses," and "Interest expense" as applicable.

We value our derivatives based on market observable inputs, including both forward and spot prices for currencies. Derivative assets and liabilities included in Level 2 of the fair value hierarchy primarily represent foreign currency forward contracts. The quotes are taken from independent sources and databases.

Income taxes. We account for income taxes using the asset and liability method. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their tax bases and operating losses are carried forward, if any. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates or tax status is recognized in the statement of income in the period that includes the enactment date or the filing or approval date of the tax status change. Deferred tax assets are recognized in full, subject to a valuation allowance that reduces the amount recognized to that which is more likely than not to be realized. In assessing the likelihood of realization, we consider estimates of future taxable income. In the case of an entity that benefits from a corporate tax holiday, deferred tax assets or liabilities for existing temporary differences are recorded only to the extent such temporary differences are expected to reverse after the expiration of the tax holiday.

We also evaluate potential exposures related to tax contingencies or claims made by tax authorities in various jurisdictions and determine if a reserve is required. A reserve is recorded if we believe that a loss is more likely than not to occur and the amount can be reasonably estimated. Any such reserves are based on estimates and are subject to changing facts and circumstances considering the progress of ongoing audits, case law and new legislation. We believe that the reserves we have established are adequate.

We apply a two-step approach for recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining, based on the technical merits, that the position is more likely than not to be sustained upon examination. The second step is to measure the tax benefit as the largest amount of the tax benefit that is greater than 50% likely of being realized upon settlement. We also include interest and penalties related to unrecognized tax benefits within our provision for income tax expense.

We generally plan to indefinitely reinvest the undistributed earnings of foreign subsidiaries, except for those earnings that can be repatriated in a tax-free manner. Accordingly, we do not currently accrue any material income, distribution or withholding taxes that would arise if such earnings were repatriated.

Employee benefit plans. We record annual costs relating to defined benefit plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return on plan assets, future compensation increases and attrition rates. We review these assumptions on an annual basis and modify the assumptions based on current rates and trends when it is appropriate to do so. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

Stock-based compensation expense. We recognize and measure compensation expense for all stock-based awards based on the grant date fair value. For option awards, grant date fair value is determined under the option pricing model (Black-Scholes-Merton model) and, for stock-based awards other than option awards, grant date fair value is determined on the basis of the fair market value of the Company’s shares on the grant date of such awards. Determining the fair value of stock-based awards requires estimates and assumptions, including estimates of the period the stock awards will be outstanding before they are exercised, future volatility in the price of our common shares, and the number of stock-based awards that are likely to be forfeited. The Black-Scholes-Merton option pricing model also involves the use of additional key assumptions, including dividend yield and risk-free interest rate. For performance share units, we are required to estimate the most probable outcome of the performance conditions in order to determine the stock-based compensation cost to be recorded over the vesting period. We periodically assess the reasonableness of our assumptions and update our estimates as required. If actual results differ significantly from our estimates, stock-based compensation expense and our results of operations could be materially affected.

Government incentives. We recognize government incentives in the income statement under “other income (expense), net” Incentives are recognized in the income statement when there is reasonable assurance that we will comply with the conditions for their receipt and a reasonable expectation that the funds will be received. In certain circumstances, the receipt of an incentive may not be subject to any condition or requirement to incur further costs, in which case the incentive is recognized in the income statement in the period in which it becomes receivable. In the event that it becomes likely that we will be required to repay an incentive that has already been recognized, we make a provision for the estimated liability.

Results of Operations

The following table sets forth certain data from our income statement for the years ended December 31, 2016, 2017 and 2018.

	Year ended December 31,			Percentage Change Increase/(Decrease)	
				2017 vs.	2018 vs.
	2016	2017	2018	2016	2017
	(dollars in millions)				
Net revenues—GE*	$ 357.9	$ 269.2	$ 268.2	(24.8)%	(0.4)%
Net revenues—Global Clients*	2,212.9	2,467.7	2,732.6	11.5 %	10.7 %
Total net revenues	2,570.8	2,736.9	3,000.8	6.5 %	9.6 %
Cost of revenue	1,554.3	1,681.4	1,921.8	8.2 %	14.3 %
Gross profit	1,016.4	1,055.5	1,079.0	3.8 %	2.2 %
Gross profit margin	39.5 %	38.6 %	36.0 %		
Operating expenses					
Selling, general and administrative expenses	653.0	689.5	693.9	5.6 %	0.6 %
Amortization of acquired intangible assets	27.2	36.4	38.9	34.0 %	6.7 %
Other operating (income) expense, net	(4.9)	(1.7)	(1.8)	(66.4)%	11.1 %
Income from operations	341.2	331.3	348.2	(2.9)%	5.1 %
Income from operations as a percentage of net revenues	13.3 %	12.1 %	11.6 %		
Foreign exchange gains (losses), net	2.6	2.0	15.2	(24.1)%	663.5 %
Interest income (expense), net	(16.2)	(31.7)	(37.1)	96.1 %	17.0 %
Other income (expense), net	9.7	23.6	35.8	143.4 %	51.6 %
Income before equity-method investment activity, net and income tax expense	337.3	325.1	362.0	(3.6)%	11.4 %
Equity-method investment activity, net	(7.7)	(4.5)	(0.0)	(41.0)%	(99.7)%
Income before income tax expense	329.6	320.6	362.0	(2.7)%	12.9 %
Income tax expense	62.1	59.7	80.8	(3.8)%	35.2 %
Net income	267.5	260.8	281.3	(2.5)%	7.8 %
Net loss attributable to redeemable non-controlling interest	2.1	2.3	0.8	6.2 %	(66.5)%
Net income attributable to Genpact Limited common shareholders	$ 269.7	$ 263.1	$ 282.0	(2.4)%	7.2 %
Net income attributable to Genpact Limited common shareholders as a percentage of net revenues	10.5 %	9.6 %	9.4 %		

*As described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview—Classification of Certain Net Revenues,” net revenues from certain businesses in which GE ceased to be a 20% shareholder are reclassified from GE net revenues to Global Client net revenues only at the end of each fiscal year. Net revenues from GE in the year ended December 31, 2016, after excluding net revenues from such divested GE businesses, decreased by 8.2% compared to the year ended December 31, 2015. Net revenues from GE in the year ended December 31, 2017, after excluding net revenues from such divested GE businesses, decreased by 18.5% compared to the year ended December 31, 2016. There was no significant impact on net revenues from GE in the year ended December 31, 2018 as a result of excluding net revenues from such divested GE businesses.

Fiscal Year Ended December 31, 2018 Compared to the Fiscal Year Ended December 31, 2017

Net revenues. Our net revenues were $3,000.8 million in 2018, up $263.9 million, or 9.6%, from $2,736.9 million in 2017. The growth in our net revenues was primarily driven by an increase in BPO services – including our transformation services – delivered to our Global Clients, and incremental revenue from acquisitions completed in 2017 and 2018. Adjusted for foreign exchange, primarily the impact of changes in the values of the euro, the U.K. pound sterling, Japanese yen and the Indian rupee against the U.S. dollar, our net revenues grew 9% compared to 2017. Revenue growth on a constant currency basis is a non-GAAP measure. We provide information about our revenue growth on a constant currency basis so that our revenue may be viewed without the impact of foreign currency exchange rate fluctuations compared to prior fiscal periods, thereby facilitating period-to-period comparisons of our business performance. Total net revenues on a constant currency basis are calculated by restating current-period activity using the prior fiscal period's foreign currency exchange rates and adjusted for hedging gains/losses.

Our average headcount increased to approximately 79,900 in 2018 from approximately 75,500 in 2017.

	Year ended December 31,		Percentage Change Increase/ (Decrease) 2018 vs. 2017
	2017	2018	
	(dollars in millions)		
Global Clients:			
BPO services	$ 2,089.2	$ 2,345.0	12.2 %
IT services	378.5	387.6	2.4
Total net revenues from Global Clients	$ 2,467.7	$ 2,732.6	10.7 %
GE:			
BPO services	175.1	157.8	(9.9)%
IT services	94.1	110.4	17.3
Total net revenues from GE	$ 269.2	$ 268.2	(0.4)%
Total net revenues from BPO services	2,264.3	2,502.8	10.5
Total net revenues from IT services	472.6	498.0	5.4
Total net revenues	$ 2,736.9	$ 3,000.8	9.6 %

Net revenues from Global Clients in 2018 were $2,732.6 million, up $264.9 million, or 10.7%, from $2,467.7 million in 2017. This increase was primarily driven by growth in several of our verticals, including high tech, healthcare, consumer goods and insurance. As a percentage of total net revenues, net revenues from Global Clients increased from 90.2% in 2017 to 91.1% in 2018.

Net revenues from GE in 2018 were $268.2 million, down $1.0 million, or 0.4%, from 2017. The decrease is attributable to the impact of a decline in services delivered to certain GE businesses in 2018 compared to 2017. Prior to 2016, we reclassified revenues from GE-divested businesses as Global Client revenues in each fiscal quarter beginning on the dates of divestiture. However, beginning with 2016, we reclassify such revenue as Global Client revenue only at the end of each fiscal year. We believe that this allows us to provide a more consistent view of quarterly trends underlying our Global Clients and GE businesses. There was no significant impact on net revenues from GE in the year ended December 31, 2018 as a result of excluding net revenues from such divested GE businesses.

Net revenues from BPO services in 2018 were $2,502.8 million, up $238.5 million, or 10.5%, from $2,264.3 million in 2017. This increase was primarily attributable to an increase in services delivered to our Global Clients, including transformation services. Net revenues from IT services were $498.0 million in 2018, up $25.4 million, or 5.4%, from $472.6 million in 2017.

Net revenues from BPO services as a percentage of total net revenues increased to 83.4% in 2018 from 82.7% in 2017 with a corresponding decline in the percentage of total net revenues attributable to IT services.

Cost of revenue and gross margin. The following table sets forth the components of our cost of revenue and the resulting gross margin:

	Year ended December 31,		As a Percentage of Total Net Revenues	
	2017	2018	2017	2018
	(dollars in millions)			
Personnel expenses	$ 1,153.5	$ 1,322.7	42.1 %	44.1 %
Operational expenses	481.0	543.0	17.6	18.1
Depreciation and amortization	46.9	56.1	1.7	1.9
Cost of revenue	$ 1,681.4	$ 1,921.8	61.4 %	64.0 %
Gross margin	38.6 %	36.0 %		

Cost of revenue was $1,921.8 million in 2018, up $240.3 million, or 14.3%, from $1,681.4 million in 2017. Wage inflation, increases in our operational headcount, including in the number of onshore personnel – in particular for transformation services delivery – the unfavorable impact of foreign exchange on our expenditures in certain currencies, primarily the Indian rupee, and higher stock-based compensation expense contributed to the increase in cost of revenue in 2018 compared to 2017. Fluctuations in foreign exchange rates result in gains and losses on our foreign currency hedges and a translation impact when we convert our non-U.S. dollar income statement items to the U.S. dollar, our reporting currency. These increases were partially offset by improved operational efficiencies in 2018 compared to 2017.

Our gross margin decreased from 38.6% in 2017 to 36.0% in 2018 primarily due to the factors described above.

Personnel expenses. Personnel expenses as a percentage of total net revenues increased from 42.1% in 2017 to 44.1% in 2018. Personnel expenses were $1,322.7 million, up $169.2 million, or 14.7%, from $1,153.5 million in 2017. The impact of wage inflation, an approximately 2,800-person, or 4.3%, increase in our operational headcount, including an increase in the number of onshore personnel – in particular for transformation services delivery – and the unfavorable impact of foreign exchange contributed to higher personnel expenses in 2018 compared to 2017. Higher stock-based compensation expense also resulted in higher personnel expenses in 2018 compared to 2017.

Operational expenses. Operational expenses as a percentage of total net revenues increased from 17.6% in 2017 to 18.1% in 2018. Operational expenses were $543.0 million, up $62.0 million, or 12.9%, from 2017 primarily due to higher travel and onshore infrastructure expenses and the unfavorable impact of foreign exchange. The increase in operational expenses was partially offset by improved operational efficiencies and lower IT expenses.

Depreciation and amortization expenses. Depreciation and amortization expenses as a percentage of total net revenues were 1.9% in 2018, compared to 1.7% in 2017. Depreciation and amortization expenses as a component of cost of revenue were $56.1 million in 2018, up $9.2 million, or 19.5%, from $46.9 million in 2017. This increase was primarily due to the expansion of certain existing facilities.

Selling, general and administrative expenses. The following table sets forth the components of our selling, general and administrative, or SG&A, expenses:

	Year ended December 31,		As a Percentage of Total Net Revenues	
	2017	2018	2017	2018
	(dollars in millions)			
Personnel expenses	$ 501.1	$ 518.9	18.3 %	17.3 %
Operational expenses	178.6	166.4	6.5	5.5
Depreciation and amortization	9.8	8.5	0.4	0.3
Selling, general and administrative expenses	$ 689.5	$ 693.9	25.2 %	23.1 %

SG&A expenses as a percentage of total net revenues decreased from 25.2% in 2017 to 23.1% in 2018. SG&A expenses were $693.9 million, up $4.4 million, or 0.6%, from 2017. Higher stock-based compensation expenses, an increase in our sales headcount and the unfavorable impact of foreign exchange on our expenses in certain currencies, primarily the Indian rupee, all contributed to higher SG&A expenses in 2018 compared to 2017. These increases were largely offset by cost efficiencies resulting from focused cost optimization initiatives across all support functions, related operating leverage and a lower reserve for doubtful receivables in 2018 compared to 2017. Our sales and marketing expenses as a percentage of total net revenues was approximately 6.8% in 2018, compared to 7.0% in 2017.

Personnel expenses. Personnel expenses as a percentage of total net revenues decreased from 18.3% in 2017 to 17.3% in 2018. Personnel expenses as a component of SG&A expenses were $518.9 million, up $17.8 million, or 3.6%, from $501.1 million in 2017. This increase is primarily due to wage inflation and the unfavorable impact of foreign exchange. Higher stock-based compensation expense also resulted in higher personnel expenses in 2018 compared to 2017. These increases were largely offset by the cost efficiencies described above in 2018.

Operational expenses. Operational expenses as a component of SG&A expenses were $166.4 million, down $12.1 million, or 6.8%, from $178.6 million in 2017. Operational expenses as a percentage of total net revenues decreased from 6.5% in 2017 to 5.5% in 2018. The decrease in operational expenses was primarily due to a lower reserve for doubtful receivables and the cost efficiencies described above, including lower travel and infrastructure expenses in 2018 compared to 2017, and was partially offset by the unfavorable impact of foreign exchange in 2018 compared to 2017.

Depreciation and amortization. Depreciation and amortization expenses as a percentage of total net revenues were 0.3% in 2018, compared to 0.4% in 2017. Depreciation and amortization expenses as a component of SG&A expenses were $8.5 million, down $1.3 million, or 13.2%, from $9.8 million in 2017.

Amortization of acquired intangibles. Non-cash charges on account of the amortization of acquired intangibles were $38.9 million in 2018, up $2.4 million, or 6.7%, from $36.4 million in 2017. This increase is primarily due to the amortization of intangibles acquired during 2017 and 2018, partially offset by a reduction in amortization as a result of the expiration of the lives of intangibles acquired in prior periods.

Other operating (income) expense, net. The following table sets forth the components of other operating (income) expense, net:

	Year ended December 31,		Percentage Change Increase/(Decrease)
	2017	2018	2018 vs. 2017
	(dollars in millions)		
Other operating (income) expense	$ (7.3)	$ (0.5)	(93.7)%
Provision for impairment of intangible assets and property, plant and equipment	9.3	4.3	(54.2)
Change in the fair value of earn-out consideration, deferred consideration (relating to business acquisitions)	(3.7)	(5.7)	53.0
Other operating (income) expense, net	$ (1.7)	$ (1.8)	11.1%
	(0.1)%	(0.1)%	

Other operating (income) expense, net as a percentage of total net revenues

Other operating income, net of expenses, was $1.8 million in 2018, up $0.2 million from $1.7 million in 2017. We recorded a gain of $7.3 million in other operating income in 2017, primarily due to a gain on the sale of certain real property and as a result of the reversal of certain provisions, compared to a gain of $0.5 million in 2018. We also recorded a gain of $3.7 million in 2017 due to changes in the fair value of earn-out consideration payable in connection with certain acquisitions, compared to a gain of $5.7 million in 2018. Additionally, we recorded a $4.3 million charge in 2018 compared to a $9.3 million charge in 2017 relating to certain computer software and technology-related intangible assets, which charge we discuss in Note 9—"Property, plant and equipment, net" and Note 10—"Goodwill and intangible assets" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules."

Income from operations. As a result of the foregoing factors, income from operations as a percentage of total net revenues decreased from 12.1% in 2017 to 11.6% in 2018. Income from operations was $348.2 million, up 5.1%, or $16.9 million, from $331.3 million in 2017.

Foreign exchange gains (losses), net. We recorded a net foreign exchange gain of $15.2 million in 2018, compared to a $2.0 million gain in 2017. The gain in 2018 resulted primarily from the depreciation of the Indian rupee against the U.S. dollar. The gain in 2017 resulted primarily from the appreciation of the euro and Australian dollar against the U.S. dollar.

Interest income (expense), net. The following table sets forth the components of interest income (expense), net:

	Year ended December 31,		Percentage Change Increase/(Decrease)
	2017	2018	2018 vs. 2017
	(dollars in millions)		
Interest income	$ 8.2	$ 11.4	39.2 %
Interest expense	(39.9)	(48.5)	21.5
Interest income (expense), net	$ (31.7)	$ (37.1)	17.0 %
Interest income (expense), net as a percentage of total net revenues	(1.2) %	(1.2) %	

Our net interest expense was $37.1 million in 2018, up $5.4 million from $31.7 million in 2017, primarily due to an $8.6 million increase in interest expense, partially offset by a $3.2 million increase in interest income. The increase in interest expense is primarily due to (i) $3.2 million increase in interest on the senior notes we issued in March 2017, (ii) an increase in LIBOR, resulting in higher interest expense on the term loan under our LIBOR-linked credit facility, partially offset by gains on interest rate swaps in 2018 compared to losses in 2017, which we discuss in the section titled "Liquidity and Capital Resources—Financial Condition" below, and (iii) higher drawdown on our revolving credit facility in 2018 compared to 2017. Our interest income increased by $3.2 million in 2018 compared to 2017, primarily due to higher account balances in India, where we earn higher interest rates on our deposits than in other jurisdictions where we have deposits. The weighted average rate of interest on our debt, including the net impact of interest rate swaps, increased from 2.8% in 2017 to 3.2% in 2018.

Other income (expense), net. The following table sets forth the components of other income (expense), net:

	Year ended December 31,		Percentage Change Increase/(Decrease)
	2017	2018	2018 vs. 2017
	(dollars in millions)		
Government incentives	$ 26.9	$ 36.1	34.3 %
Other income/(expense)	(3.3)	(0.3)	(89.7)

Other income (expense), net	$ 23.6	$ 35.8	51.6 %
Other income (expense), net as a percentage of total net revenues	0.9 %	1.2 %	

Our net other income was $35.8 million in 2018, up $12.2 million from $23.6 million in 2017. This increase is primarily due to the recording of higher income in connection with an export subsidy in 2018 compared to 2017. This subsidy was introduced under the Foreign Trade Policy of India to encourage the export of specified services from India and is currently available for eligible export services through March 31, 2019. In 2017, we recorded a loss of $5.2 million on the divestiture of a non-strategic portion of our legacy IT support business in Europe. No such loss was recorded in 2018.

Equity-method investment activity, net. Equity-method investment activity, net in 2017 primarily represents our share of loss in a non-consolidated affiliate that we divested on June 30, 2017.

Income tax expense. Our income tax expense increased from $59.7 million in 2017 to $80.8 million in 2018 due to higher pre-tax income and an increase in our effective tax rate, or ETR. Our ETR was 22.3% in 2018, up from 18.5% in 2017. The increase in our ETR is primarily due to recording an increase in tax expense as a result of an internal restructuring, certain special economic zone units in India becoming partially taxable, and a change in the jurisdictional mix of our income, offset by the tax benefits recorded on employment-related tax deductions in India and the impact of certain provisions under the U.S. Tax Cut and Jobs Act (the "Tax Act").

Net income attributable to redeemable non-controlling interest. Non-controlling interest primarily refers to the loss associated with the redeemable non-controlling interest in the operations of SSE, in which we acquired a controlling interest in 2016. We purchased the remaining share of the outstanding equity interest in SSE in the first quarter of 2018. See Note 3—"Business acquisitions and divestiture" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules."

Net income attributable to Genpact Limited common shareholders. As a result of the foregoing factors, net income attributable to our common shareholders as a percentage of net revenues decreased from 9.6% in 2017 to 9.4% in 2018. Net income attributable to our common shareholders increased by $18.9 million from $263.1 million in 2017 to $282.0 million in 2018.

Fiscal Year Ended December 31, 2017 Compared to the Fiscal Year Ended December 31, 2016

Net revenues. Our net revenues were $2,736.9 million in 2017, up $166.2 million, or 6.5%, from $2,570.8 million in 2016. The growth in our net revenues was primarily driven by an increase in BPO services – including our transformation services – delivered to our Global Clients, and incremental revenue from acquisitions. Adjusted for foreign exchange, primarily the impact of changes in the values of the U.K. pound sterling, euro and Australian dollar against the U.S. dollar, our net revenues grew 7% compared to 2016. We provide information about our revenue growth on a constant currency basis so that our revenue may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of our business performance. Total net revenue growth on a constant currency basis is calculated by restating current-period activity using the prior fiscal period's foreign currency exchange rates and hedging gains/losses.

Our average headcount increased to approximately 75,500 in 2017 from approximately 74,600 in 2016.

	Year ended December 31,				Percentage Change Increase/ (Decrease)	
	2016		2017		2017 vs. 2016	
	(dollars in millions)					
Global Clients:						
BPO services	$	1,825.4	$	2,089.2	14.5	%
IT services		387.4		378.5	(2.3	)
Total net revenues from Global Clients	$	2,212.9	$	2,467.7	11.5	%
GE:						
BPO services		258.0		175.1	(32.1	)%
IT services		99.9		94.1	(5.8	)
Total net revenues from GE	$	357.9	$	269.2	(24.8	)%
Total net revenues from BPO services		2,083.4		2,264.3	8.7	
Total net revenues from IT services		487.3		472.6	(3.0	)
Total net revenues	$	2,570.8	$	2,736.9	6.5	%

Net revenues from Global Clients in 2017 were $2,467.7 million, up $254.8 million, or 11.5%, from $2,212.9 million in 2016. This increase was primarily driven by growth in several verticals, including banking and financial services, consumer product goods, life sciences, insurance and high tech. As a percentage of total net revenues, net revenues from Global Clients increased from 86.1% in 2016 to 90.2% in 2017.

Net revenues from GE in 2017 were $269.2 million, down $88.7 million, or 24.8%, from 2016. The decline in net revenues from GE was largely due to GE's dispositions of GE Capital businesses in 2016. Prior to 2016, we reclassified revenues from GE-divested businesses as Global Client revenues in each fiscal quarter beginning on the dates of divestiture. However, beginning with 2016, we reclassify such revenue as Global Client revenue only at the end of each fiscal year. We believe that this change allows us to provide a more consistent view of quarterly trends underlying our Global Client and GE businesses.

After reclassifying $69.7 million of revenues from businesses that GE divested in 2016, our 2016 revenues from Global Clients and GE were $2,212.9 million and $357.9 million, respectively. Due to the sustained growth in our net revenues from Global Clients, net revenues from GE now comprise less than 10% of our total net revenues. Net revenues from GE declined as a percentage of our total net revenues from 13.9% in 2016 to 9.8% in 2017. If all 2016 revenue reclassifications had occurred on January 1, 2016, revenue from GE would have decreased 18.7% year over year. If GE pursues further divestitures of businesses we serve, we expect that our revenues from GE will continue to be volatile in the future. See Item 1A—“Risk Factors—GE accounts for a significant portion of our revenues and any material loss of business from, or change in our relationship with, GE or GE’s businesses could have a material adverse effect on our business, results of operations and financial condition.”

Net revenues from BPO services in 2017 were $2,264.3 million, up $180.9 million, or 8.7%, from $2,083.4 million in 2016. This increase is primarily attributable to an increase in services delivered to our Global Clients, particularly finance and accounting services, core industry vertical operations services and transformation services. Net revenues from IT services were $472.6 million in 2017, down $14.7 million, or 3.0%, from $487.3 million in 2016 due to a decline in IT services engagements for Global Clients in the investment banking and healthcare industries.

Net revenues from BPO services as a percentage of total net revenues increased to 82.7% in 2017 from 81.0% in 2016 with a corresponding decline in the percentage of total net revenues attributable to IT services.

Cost of revenue and gross margin. The following table sets forth the components of our cost of revenue and the resulting gross margin:

	Year ended December 31,		As a Percentage of Total Net Revenues	
	2016	2017	2016	2017
	(dollars in millions)			
Personnel expenses	$ 1,061.1	$ 1,153.5	41.3 %	42.1 %
Operational expenses	446.9	481.0	17.4	17.6
Depreciation and amortization	46.3	46.9	1.8	1.7
Cost of revenue	$ 1,554.3	$ 1,681.4	60.5 %	61.4 %
Gross margin	39.5 %	38.6 %		

Cost of revenue was $1,681.4 million in 2017, up $127.1 million, or 8.2%, from 2016. Incremental expenses from acquisitions, wage inflation, increases in our operational headcount, an increase in the number of onshore personnel, and higher stock-based compensation expense to support growth in 2017 compared to 2016 contributed to the increase in cost of revenue. These increases were partially offset by improved operational efficiencies, a decrease in IT and travel expenses, and the favorable impact of foreign exchange on our expenditures in certain currencies, primarily the Indian rupee and U.K. pound sterling. Fluctuations in foreign exchange rates result in gains and losses on our foreign currency hedges and a translation impact when we convert our non-U.S. dollar income statement items to the U.S. dollar, our reporting currency.

Our gross margin decreased from 39.5% in 2016 to 38.6% in 2017 primarily due to the factors described above.

Personnel expenses. Personnel expenses as a percentage of total net revenues increased marginally from 41.3% in 2016 to 42.1% in 2017. Personnel expenses were $1,153.5 million, up $92.3 million, or 8.7%, from $1,061.1 million in 2016. The impact of wage inflation, higher stock-based compensation expense, incremental expenses from acquisitions and an approximately 2,500-person, or 4.0%, increase in our operational headcount resulted in higher personnel expenses in 2017 compared to 2016. These increases were partially offset by the favorable impact of foreign exchange and improved operational efficiencies.

Operational expenses. Operational expenses as a percentage of total net revenues increased from 17.4% in 2016 to 17.6% in 2017. Operational expenses were $481.0 million, up $34.1 million, or 7.6%, from 2016 primarily due to incremental expenses from acquisitions. The increase in operational expenses was partially offset by improved operational efficiencies, lower travel and IT expenses and the favorable impact of foreign exchange.

Depreciation and amortization expenses. Depreciation and amortization expenses as a percentage of total net revenues were 1.7%, compared to 1.8% in 2016. Depreciation and amortization expenses as a component of cost of revenue were $46.9 million, up $0.66 million, or 1.4%, from 2016. This marginal increase was primarily due to the expansion of certain existing facilities in India, partially offset by the favorable impact of foreign exchange.

Selling, general and administrative expenses. The following table sets forth the components of our selling, general and administrative, or SG&A, expenses:

	Year ended December 31,		As a Percentage of Total Net Revenues	
	2016	2017	2016	2017
	(dollars in millions)			
Personnel expenses	$ 469.9	$ 501.1	18.3 %	18.3 %
Operational expenses	174.1	178.6	6.8	6.5
Depreciation and amortization	9.0	9.8	0.4	0.4
Selling, general and administrative expenses	$ 653.0	$ 689.5	25.4 %	25.2 % %

SG&A expenses as a percentage of total net revenues decreased from 25.4% in 2016 to 25.2% in 2017. SG&A expenses were $689.5 million, up $36.5 million, or 5.6%, from 2016. Incremental expenses from acquisitions, higher personnel expenses, higher stock-based compensation expenses, an increase in fees paid for professional services to support growth, and an increase in marketing expenditures related to a branding update all contributed to higher SG&A expenses in 2017 compared to 2016. These increases were partially offset by lower travel expenses and the favorable impact of foreign exchange on our expenditures in certain currencies, primarily the Indian rupee and U.K. pound sterling. Our sales and marketing expenses as a percentage of total net revenues in 2017 decreased marginally compared to 2016.

Personnel expenses. Personnel expenses as a percentage of total net revenues were 18.3% in 2017, unchanged from 2016. Personnel expenses as a component of SG&A expenses were $501.1 million, up $31.2 million, or 6.6%, from 2016. Wage inflation, incremental expenses from acquisitions and higher stock-based compensation expenses resulted in higher personnel costs as a component of SG&A expenses in 2017 compared to 2016. These increases were partially offset by the favorable impact of foreign exchange.

Operational expenses. Operational expenses as a component of SG&A expenses were $178.6 million, up $4.5 million, or 2.6%, compared to 2016. This increase is primarily due to incremental expenses from acquisitions, a higher reserve for doubtful receivables, incremental expenses from acquisitions, an increase in fees paid for professional services and an increase in marketing expenditures related to a branding update. These increases were partially offset by lower travel expenses and favorable foreign exchange. Operational expenses as a percentage of total net revenues decreased marginally from 6.8% in 2016 to 6.5% in 2017.

Depreciation and amortization. Depreciation and amortization expenses as a percentage of total net revenues were 0.4% in 2017, unchanged from 2016. Depreciation and amortization expenses as a component of SG&A expenses were $9.8 million, up $0.8 million, or 9.1%, from 2016.

Amortization of acquired intangibles. Non-cash charges on account of the amortization of acquired intangibles were $36.4 million in 2017, up $9.2 million, or 34%, from 2016. This increase is primarily due to the amortization of intangibles acquired during 2017.

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Other operating (income) expense, net. The following table sets forth the components of other operating (income) expense, net:

	Year ended December 31,		Percentage Change
	2016	2017	Increase/(Decrease) 2016 vs. 2017
	(dollars in millions)		
Other operating (income) expense	$ (1.3)	$ (7.3)	474.8%
Provision for impairment of intangible assets and property, plant and equipment	11.2	9.3	(16.8)
Change in the fair value of earn-out consideration, deferred consideration (relating to business acquisitions)	(14.9)	(3.7)	(75.1)
Other operating (income) expense, net	$ (4.9)	$ (1.7)	(66.4)%
Other operating (income) expense, net as a percentage of total net revenues	(0.2)%	(0.1)%	

Other operating income, net of expenses, was $1.7 million in 2017, down $3.3 million from $4.9 million in 2016. This decrease was primarily due to a $3.7 million gain in 2017 compared to a $14.9 million gain in 2016 due to changes in the fair value of earn-out consideration payable in connection with certain acquisitions. We also recorded $7.3 million in other operating income in 2017, primarily due to a gain on the sale of rights to certain real property and as a result of the reversal of certain liabilities, compared to $1.3 million in other operating income in 2016. Additionally, we recorded a $9.3 million write-down of intangible assets in 2017, compared to an $11.2 million write-down of a software intangible asset in 2016, which are discussed in Note 10—“Goodwill and intangible assets” to our consolidated financial statements under Part IV, Item 15—“Exhibits and Financial Statement Schedules” for additional information.

Income from operations. As a result of the foregoing factors, income from operations as a percentage of total net revenues decreased from 13.3% in 2016 to 12.1% in 2017. Income from operations was $331.3 million, down $9.9 million from $341.2 million in 2016.

Foreign exchange gains (losses), net. We recorded a net foreign exchange gain of $2.0 million in 2017, compared to a $2.6 million gain in 2016, primarily due to the re-measurement of non-functional currency assets and liabilities and related foreign exchange contracts. The gain in 2017 resulted primarily from the appreciation of the euro and Australian dollar against the U.S. dollar, and the gain in 2016 resulted primarily from the depreciation of the Indian rupee and U.K. pound sterling against the U.S. dollar.

Interest income (expense), net. The following table sets forth the components of interest income (expense), net:

	Year ended December 31,		Percentage Change
	2016	2017	Increase/(Decrease) 2017 vs. 2016

	(dollars in millions)			
Interest income	$ 7.2	$ 8.2	12.9	%
Interest expense	(23.4)	(39.9)	70.4	
Interest income (expense), net	$ (16.2)	$ (31.7)	96.1	%
Interest income (expense), net as a percentage of total net revenues	(0.6)%	(1.2)%		

Our net interest expense was $31.7 million in 2017, up $15.6 million from $16.2 million in 2016, primarily due to a $16.5 million increase in interest expense in 2017 compared to 2016. The $16.5 million increase in interest expense is primarily due to (i) $9.9 million in interest on the senior notes we issued in March 2017, (ii) an increase in LIBOR, resulting in higher interest expense on the term loan under our

LIBOR-linked credit facility, partially offset by gains on interest rate swaps in 2017 compared to 2016, which we discuss in the section titled “Liquidity and Capital Resources—Financial Condition” below, and (iii) higher drawdown on our revolving credit facility in 2017 compared to 2016. Our interest income increased by $0.9 million in 2017 compared to 2016, primarily due to higher average account balances in India, where we earn higher interest rates on our deposits than in other jurisdictions where we have deposits. The weighted average rate of interest on our indebtedness increased from 2.2% in 2016 to 2.8% in 2017.

Other income (expense), net. The following table sets forth the components of other income (expense), net:

	Year ended December 31,		Percentage Change
	2016	2017	Increase/(Decrease) 2017 vs. 2016
	(dollars in millions)		
Government incentives	$ —	$ 26.9	100.0 %
Other income/(expense)	9.7	(3.3)	(134.0)
Other income (expense), net	$ 9.7	$ 23.6	143.4 %
Other income (expense), net as a percentage of total net revenues	0.4 %	0.9 %	

Our net other income was $23.6 million in 2017, up $13.9 million from $9.7 million in 2016. This increase is primarily due to a subsidy received by one of our subsidiaries in India in 2017, partially offset by a $5.7 million provision for an expected loss on the divestiture of a non-strategic portion of our legacy IT support business in Europe in 2017 and a $5.2 million gain on the divestiture of our cloud-hosted technology platform for the rural banking sector in India in 2016.

Equity-method investment activity, net. Equity-method investment activity, net in 2017 primarily represents our $4.5 million share of loss, compared to our $7.7 million share of loss in 2016, in a former non-consolidated affiliate that ceased to be a non-consolidating affiliate in June 2017.

Income tax expense. Our income tax expense decreased marginally from $62.1 million in 2016 to $59.7 million in 2017 due to lower pre-tax income. Our effective tax rate, or ETR, was 18.5% in 2017, marginally down from 18.7% in 2016. The decrease in our ETR is primarily due to certain discrete items, including the reversal of a valuation allowance and a change in the jurisdictional mix of our income, which was largely offset by the partial expiration of tax holidays applicable to certain of our SEZ units in India.

Net income attributable to redeemable non-controlling interest. Redeemable non-controlling interest primarily refers to the loss associated with the non-controlling interest in the operations of SSE, in which we acquired a controlling interest in 2016 and which is discussed in Note 3—“Business acquisitions and divestiture” to our consolidated financial statements under Part IV, Item 15—“Exhibits and Financial Statement Schedules” for additional information.

Net income attributable to Genpact Limited common shareholders. As a result of the foregoing factors, net income attributable to our common shareholders as a percentage of net revenues decreased from 10.5% in 2016 to 9.6% in 2017. Net income attributable to our common shareholders decreased by $6.6 million from $269.7 million in 2016 to $263.1 million in 2017.

Seasonality

Our financial results may vary from period to period. Our revenues are typically higher in the third and fourth quarters than in other quarters, as a result of several factors. We generally find that demand for short-term IT projects, transformation services and analytics services increases in the fourth quarter as our clients utilize the balance of their budgets for the year. In addition, contracts for long-term IT Services and BPO engagements are often signed in the first and second quarters as clients begin new budget cycles. Volumes under such contracts then increase in the latter part of the year as engagements ramp up. Additionally, demand for certain services, such as collections and transaction processing, is often greater in the second half of the year as our clients' volumes in such areas increase.

The tables in Note 31—"Quarterly financial data" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules" present unaudited quarterly financial information for each of our last eight fiscal quarters on a historical basis. We believe the quarterly information set forth therein contains all adjustments necessary to fairly present such information. The comparison of our results for the first quarter of 2018 with the fourth quarter of 2017 reflects the seasonal trends described above. The results for any interim period are not necessarily indicative of the results that may be expected for the full year.

Statement of financial position

Key changes in our financial position during 2018

Following are the significant changes in our financial position as of December 31, 2018 compared to December 31, 2017:

- Short-term borrowings increased by $125.0 million

Our short-term borrowings increased, primarily as a result of the drawdown of $125.0 million (net of repayments) on our revolving credit facility to meet short-term internal funding requirements. See Note 15—"Short-term borrowings" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules" for additional information.

- Prepaid expenses, other current assets, contract cost assets and other assets increased by $29.3 million

The increase in other assets, contract cost assets and prepaid expenses is primarily due to the capitalization of certain sales incentives as contract cost assets as a result of our adoption of ASC 606. Refer to Note 3—"Summary of significant accounting policies" and Note 27— "Contract balances" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules" for additional information. The balance of the increase is primarily the result of an export subsidy expected to be received by one of our subsidiaries in India and prepaid expenses mainly related to IT licenses and employee group insurance, partially offset by lower client acquisition costs, the impact of mark-to-market gains on derivative financial instruments and fluctuations in foreign exchange, primarily the depreciation of the Indian rupee against the U.S. dollar.

- Net accounts receivable increased by $81.1 million

The increase in our accounts receivable is primarily due to increased revenues in 2018, partially offset by an improvement in our days sales outstanding.

- Goodwill and intangible assets increased by $102.2 million

Goodwill increased by $56.7 million, primarily due to goodwill arising out of our 2018 acquisitions, and was partially offset by the impact of foreign exchange fluctuations. Our intangible assets increased by $45.5 million, primarily due an increase in intangible assets under development and intangible assets arising out of our 2018 acquisitions, partially offset by amortization expenses and the write-down in 2018 of a group of assets including computer software and technology-related intangible assets. See Note 10—"Goodwill and intangible assets, net" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules."

- Accounts payable, accrued expenses, other current liabilities and other liabilities increased by $11.0 million

The increase in accounts payable, accrued expenses, other current liabilities and other liabilities is primarily due to higher mark-to-market losses on derivative financial instruments, accounts payable and employee-related accruals in 2018, partially offset by the impact of fluctuations in foreign exchange, primarily the depreciation of the Indian rupee against the U.S. dollar.

- Long-term debt decreased by $36.7 million

In August 2018, we amended our existing credit facility through a new credit facility. As a result of the amendment, we extinguished the outstanding term loan under the prior facility of $129.2 million and obtained additional funding of $129.2 million, resulting in no change to the outstanding principal of the term loan under the amended facility. For additional information, see Note 14—"Long-term debt" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules." We also made principal repayments totaling $37.0 million on our long-term debt in 2018.

- Net deferred tax assets decreased by $1.1 million

Our net deferred tax assets decreased by $1.1 million. See Note 25—"Income taxes" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules."

Liquidity and Capital Resources

Overview

Information about our financial position as of December 31, 2017 and 2018 is presented below:

	As of December 31, 2017	As of December 31, 2018	Percentage Change Increase/(Decrease) 2018 vs. 2017
	(dollars in millions)		
Cash and cash equivalents	$ 504.5	$ 368.4	(27.0) %
Short-term borrowings	170.0	295.0	73.5
Long-term debt due within one year	39.2	33.5	(14.6)
Long-term debt other than the current portion	1,006.7	975.6	(3.1)
Genpact Limited total shareholders' equity	$ 1,424.0	$ 1,404.2	(1.4) %

Financial Condition

We have historically financed our operations and our expansion, including acquisitions, with cash from operations and borrowing facilities.

As of December 31, 2018, $363.6 million of our $368.4 million in cash and cash equivalents was held by our foreign (non-Bermuda) subsidiaries. $131.6 million of this cash is held by foreign subsidiaries for which we expect to incur and have accrued a deferred tax liability on the repatriation of $25.0 million of retained earnings. $232.0 million of the cash and cash equivalents is held by foreign subsidiaries in jurisdictions where no tax is expected to be imposed upon repatriation of retained earnings or is being indefinitely reinvested.

In February 2017, our board of directors approved a dividend program under which we paid a regular quarterly cash dividend of $0.06 per share to holders of our common shares, representing an annual dividend of $0.24 per share in 2017. On each of March 28, 2017, June 28, 2017, September 21, 2017 and December 20, 2017, we paid dividends of $0.06 per share, amounting to $12.0 million, $11.6 million, $11.6 million and $11.6 million in the aggregate, to shareholders of record as of March 10, 2017, June 12, 2017, September 8, 2017 and December 8, 2017, respectively.

In February 2018, our board of directors approved a 25% increase in our quarterly cash dividend to $0.075 per common share, representing an annual dividend of $0.30 per common share. On each of March 21, 2018, June 20, 2018, September 19, 2018 and December 19, 2018, we paid dividends of $0.075 per share, amounting to $14.4 million, $14.2 million, $14.3 million and $14.2 million in the aggregate, to shareholders of record as of March 9, 2018, June 8, 2018, September 10, 2018 and December 10, 2018, respectively.

In February 2019, our board of directors approved an approximately 13% increase in our quarterly cash dividend to $0.085 per common share, representing a planned annual dividend of $0.34 per common share for 2019. Any future dividends will be at the discretion of the board of directors and subject to Bermuda and other applicable laws.

As of December 31, 2016, our board of directors had authorized repurchases of up to $750.0 million in value of our common shares under our share repurchase program first announced in February 2015. On February 10, 2017, our board of directors approved up to an additional $500.0 million in share repurchases, bringing the total authorization under our existing program to $1,250.0 million. Since the date our share repurchase program was initially authorized in 2015, we have repurchased 29,538,140 shares at an average price of $25.25 per share.

On March 29, 2017, we entered into an accelerated share repurchase, or ASR, agreement with Morgan Stanley & Co. LLC to repurchase an aggregate of $200.0 million of our common shares. We received an initial delivery of 6,578,947 common shares on March 30, 2017, an additional delivery of 350,006 common shares on December 29, 2017 and a final delivery of 163,975 common shares on January 17, 2018 upon final settlement of the transaction. During the years ended December 31, 2018 and December 31, 2017, we also purchased 4,921,192 and 808,293 of our common shares, respectively, on the open market at a weighted average price of $31.30 and $24.48 per share, respectively, for an aggregate cash amount of $154.1 million and $19.8 million, respectively.

For additional information, see Note 19—“Capital stock” to our consolidated financial statements under Part IV, Item 15—“Exhibits and Financial Statement Schedules.”

We expect that in the future our cash from operations, cash reserves and debt capacity will be sufficient to finance our operations, our growth and expansion plans, dividend payments and additional share repurchases we may make under our share repurchase program. In addition, we may raise additional funds through public or private debt or equity financings. Our working capital needs are primarily to finance our payroll and other administrative and information technology expenses in advance of the receipt of accounts receivable. Our primary capital requirements include opening new delivery centers, expanding related operations to support our growth and financing acquisitions and enhancing capabilities.

Cash flows from operating, investing and financing activities, as reflected in our consolidated statements of cash flows, are summarized in the following table:

	Year ended, December 31, 2017	2018	Percentage Change Increase/(Decrease) 2018 vs. 2017
	(dollars in millions)		
Net cash provided by (used for)			
Operating activities	$ 359.1	$ 339.5	(5.4) %
Investing activities	(362.0)	(276.1)	(23.7)
Financing activities	47.2	(135.2)	(386.5)
Net increase (decrease) in cash and cash equivalents	$ 44.3	$ (71.7)	(262.0) %

Cash flows from operating activities. Net cash provided by operating activities was $339.5 million in 2018, compared to $359.1 million in 2017. This decrease is primarily due to a $78.7 million net change in our operating assets and liabilities in 2018 compared to 2017, mainly driven by an increase in accounts receivable due to higher revenues in 2018, higher interest and tax payments, and receivables recorded in 2018 in connection with an export subsidy which will be realized in the future, partially offset by higher net income.

Cash flows from investing activities. Our net cash used for investing activities was $276.1 million in 2018, down $85.9 million from $362.0 million in 2017. We made payments of $111.6 million in the aggregate related to acquisitions completed in 2018 compared to payments of $284.8 million in 2017. Payments for acquired/internally generated intangible assets and purchases of property, plant and equipment (net of sales proceeds) were $87.8 million higher in 2018 than in 2017. This increase includes an advance paid to acquire certain software platforms to be used for client service delivery.

Cash flows from financing activities. Our net cash used for financing activities was $135.2 million in 2018, compared to net cash generated from financing activities of $47.2 million in 2017. In March 2017, we issued $350.0 million aggregate principal amount of 3.70% senior notes in a private offering. We made principal repayments totaling $37.0 million on our long-term debt in 2018 compared to $40.0 million in 2017. We received proceeds from short-term borrowings of $250.0 million and $295.0 million in 2018 and 2017, respectively. Of the short-term borrowings, we also repaid $125.0 million and $285.0 million in 2018 and 2017, respectively. For additional information, see Notes 14 —"Long-term debt" and 15 —"Short-term borrowings" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules." Additionally, payments in connection with the issuance of common shares under stock-based compensation plans (net of proceeds) were $1.9 million in 2018 compared to net proceeds of $5.2 million in 2017. Payments related to earn-out or deferred consideration were $2.9 million lower in 2018 than in 2017. In 2018, we paid cash dividends in an aggregate amount of $57.1 million compared to $46.7 million in 2017. Payments for share repurchases (including related expenses) were $154.2 million in 2018 compared to $219.8 million in 2017. In August 2018, we amended our existing credit facility through a new credit facility. As a result of the amendment, we paid $4.3 million in expenses, extinguished $129.2 million of the outstanding term loan under the 2015 Facility and obtained additional funding of $129.2 million from a different lender, resulting in no change to the outstanding principal of the term loan under the amended facility. For additional information, see Note 14—"Long-term debt" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules."

Financing Arrangements (Credit Facility)

In June 2015, we refinanced our 2012 credit facility through a new credit facility comprised of a term loan of $800 million and a revolving credit facility of $350 million, or the 2015 Facility.

In August 2018, we amended the 2015 Facility. The amended facility is comprised of a $680.0 million term loan, which represents the outstanding balance under the 2015 facility as of the date of amendment, and a $500.0 million revolving credit facility. The amended facility expires on August 8, 2023. The amendment did not result in a substantial modification of $550.8 million of the outstanding term loan under the 2015 Facility. Further, as a result of the amendment, we extinguished $129.2 million of the outstanding term loan under the 2015 Facility and obtained additional funding of $129.2 million from a different lender, resulting in no change to the outstanding principal of the term loan under the amended facility. In connection with the amendment, we expensed $2.0 million, representing partial acceleration of the amortization of the existing unamortized debt issuance costs and an additional fee paid to our lenders related to the term loan.

The overall borrowing capacity under the revolving facility increased from $350.0 million to $500.0 million. The remaining unamortized costs and an additional third party fee paid in connection with the amendment will be amortized over the term of the amended facility, which expires on August 8, 2023. For additional information, see Note 14—"Long-term debt" and Note 15—"Short-term borrowings" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules."

Borrowings under the amended facility bear interest at a rate equal to, at our election, either LIBOR plus an applicable margin equal to 1.375% per annum, compared to a margin of 1.50% under the 2015 facility, or a base rate plus an applicable margin equal to 0.375% per annum, compared to a margin of 0.50% under the 2015 facility, in each case subject to adjustment based on our credit ratings assigned by Standard & Poor’s Rating Services and Moody’s Investors Service, Inc. Based on our election and current credit rating, the applicable interest rate is equal to LIBOR plus 1.375% per annum. As of December 31, 2017 and December 31, 2018, our outstanding term loan, net of debt amortization expense of $1.8 million and $2.2 million, respectively, was $698.2 million and $660.8 million, respectively. We also have fund-based and non-fund based credit facilities with banks, which are available for operational requirements in the form of overdrafts, letters of credit, guarantees and short-term loans. As of December 31, 2017 and December 31, 2018, the limits available under such facilities were $15.1 million and $14.3 million, respectively, of which $7.9 million and $7.4 million, respectively, was utilized, constituting non-funded drawdown. As of December 31, 2017 and December 31, 2018, a total of $171.0 million and $297.1, respectively, of our revolving credit facility was utilized, of which $170.0 million and $295.0 million, respectively, constituted funded drawdown and $1.0 million and $2.1 million, respectively, constituted non-funded drawdown.

We have entered into interest rate swaps under which we receive floating rate payments based on the greater of LIBOR and the floor rate under our term loan and make payments based on a fixed rate. As of December 31, 2018, we were party to interest rate swaps covering a total notional amount of $507.4 million. Under our swap agreements, the rate that we pay to banks in exchange for LIBOR ranges between 0.88% and 2.65%.

In March 2017, we issued $350.0 million aggregate principal amount of 3.70% senior notes in a private offering, resulting in cash proceeds of approximately $348.5 million and an underwriting fee of approximately $1.5 million. In addition, there were other debt issuance related costs of $1.2 million. The total debt issuance cost of $2.6 million incurred in connection with the offering of the notes is being amortized over the life of the notes as additional interest expense. As of December 31, 2017 and December 31, 2018, the amount outstanding under the notes, net of debt amortization expense of $2.2 million and $1.7 million, was $347.8 million and 348.3 million, respectively, which is payable on April 1, 2022 when the notes mature. In connection with the offering, we entered into a registration rights agreement with the initial purchasers of the outstanding unregistered notes pursuant to which we agreed to complete an exchange offer within 455 days after the date of the private offering upon terms identical in all material respects to the terms of the outstanding unregistered notes, except that the transfer restrictions, registration rights and additional interest provisions applicable to the outstanding unregistered notes would not apply to the exchange notes. On July 24, 2018, the unregistered notes exchange offer was completed and all outstanding unregistered notes were exchanged for freely tradable notes registered under the Securities Act of 1933, as amended. For additional information, see Notes 14 and 15—“Long-term debt” and “Short-term borrowings” to our consolidated financial statements under Part IV, Item 15—“Exhibits and Financial Statement Schedules.”

Goodwill Impairment Testing

Goodwill of a reporting unit is tested for impairment at least annually and 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. In accordance with ASU 2011-08, the Company has an option to perform an assessment of qualitative factors, such as macro-economic conditions, industry and market considerations, overall financial performance, business plans and expected future cash flows, to determine whether events or circumstances exist which lead 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 our assessment of such qualitative factors, in accordance with ASU 2011-08, we concluded that as of December 31, 2018 and December 31, 2017, the fair values of all of our reporting units are likely to be higher than their respective carrying values.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of foreign exchange contracts and certain operating leases. For additional information, see Item 1A—“Risk Factors—Currency exchange rate fluctuations in various currencies in which we do business, especially the Indian rupee, the euro and the U.S. dollar, could have a material adverse effect on our business, results of operations and financial condition,” the section titled “Contractual Obligations” below, and Note 7—“Derivative financial instruments” to our consolidated financial statements under Part IV, Item 15—“Exhibits and Financial Statement Schedules.”

Contractual Obligations

The following table sets forth our total future contractual obligations as of December 31, 2018:

	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
	(dollars in millions)				
Long-term indebtedness	$1,107.3	$ 58.6	$ 117.3	$ 931.4	$ —
— Principal payments	1,009.1	33.5	67.0	908.6	—
— Interest payments*	98.2	25.1	50.3	22.8	—
Short-term borrowings	298.0	298.0	—	—	—
— Principal payments	295.0	295.0	—	—	—
— Interest payments**	3.0	3.0	—	—	—
Capital leases	4.2	1.7	2.0	0.5	—
— Principal payments	3.5	1.8	1.4	0.3	—
— Interest payments	0.7	(0.1)	0.6	0.2	—
Operating leases	264.3	45.9	80.6	55.5	82.3
Purchase obligations	40.3	29.9	10.4	—	—
Capital commitments net of advances	4.9	4.9	—	—	—
Earn-out consideration	17.5	17.3	0.2	—	—
— Reporting date fair value	17.1	16.9	0.2	—	—
— Interest	0.4	0.4	—	—	—
Other liabilities	59.1	32.2	20.6	6.3	—
Total contractual obligations	$1,795.6	$ 488.5	$ 231.1	$ 993.7	$ 82.3

* Our interest payments on long-term debt are calculated based on our current debt rating at a rate equal to LIBOR plus a margin of 1.375% per annum as of December 31, 2018, which excludes the impact of interest rate swaps. Interest payments on long-term debt also include interest on our senior notes due in 2022 at a rate of 3.70% per annum, which is not based on LIBOR.

** Our interest payments on short-term debt are calculated based on our current debt rating at a rate equal to LIBOR plus a margin of 1.375% per annum as of December 31, 2018 and our expectation for the repayment of such debt

Recent Accounting Pronouncements

Recently adopted accounting pronouncements

For a description of recently adopted accounting pronouncements, see Note 2—"Recently issued accounting pronouncements" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules" and Part II, Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations"—"Critical Accounting Policies and Estimates" in this Annual Report on Form 10-K.

Recently issued accounting pronouncements

For a description of recently issued accounting pronouncements, see Note 2—"Recently issued accounting pronouncements" to our consolidated financial statements under Part IV, Item 15—"Exhibits and Financial Statement Schedules" in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Foreign currency risk

Our exposure to market risk arises principally from exchange rate risk. A substantial portion of our revenues (approximately 76% in fiscal 2018) is received in U.S. dollars. We also receive revenues in Japanese yen, euros, U.K. pounds sterling, Australian dollars, Chinese renminbi, and Indian rupees. Our expenses are primarily in Indian rupees and we also incur expenses in U.S. dollars, Chinese renminbi, euros and the currencies of the other countries in which we have operations. Our exchange rate risk arises from our foreign currency revenues, expenses, receivables and payables. Based on the results of our European operations for fiscal 2018, and excluding any hedging arrangements that we had in place during that period, a 5.0% appreciation or depreciation of the Euro against the U.S. dollar would have increased or decreased, as applicable, our revenues in fiscal 2018 by approximately $5 million. Similarly, excluding any hedging arrangements that we had in place during that period, a 5.0% depreciation of the Indian rupee against the U.S. dollar would have decreased our expenses incurred and paid in Indian rupees in fiscal 2018 by approximately $38 million. Conversely, a 5.0% appreciation of the Indian rupee against the U.S. dollar would have increased our expenses incurred and paid in rupees in fiscal 2018 by approximately $42 million.

We have sought to reduce the effect of any Indian rupee-U.S. dollar, Philippine Peso-U.S. dollar, Chinese renminbi-Japanese yen, euro-Romanian leu, Mexican peso-U.S. dollar and certain other local currency exchange rate fluctuations on our results of operations by purchasing forward foreign exchange contracts to cover a portion of our expected cash flows and accounts receivable. These instruments typically have maturities of zero to sixty months. We use these instruments as economic hedges and not for speculative purposes, and most of them qualify for hedge accounting under the FASB guidance on derivatives and hedging. Our ability to enter into derivatives that meet our planning objectives is subject to the depth and liquidity of the market for such derivatives. In addition, the laws of China and India limit the duration and amount of such arrangements. We may not be able to purchase contracts adequate to insulate us from Indian rupee-U.S. dollar and Chinese renminbi-Japanese yen foreign exchange currency risks. In addition, any such contracts may not perform adequately as hedging mechanisms. See Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations—Foreign exchange gains (losses), net."

Interest rate risk

Our exposure to interest rate risk arises principally from interest on our indebtedness. As of December 31, 2018, we had $1304.1 million of indebtedness, comprised of (a) $955.8 million of indebtedness under our credit facility, comprised of a long-term loan of $660.8 million, net of $2.2 million in unamortized debt issuance expenses, and a revolving loan of $295 million, and (b) $348.3 million in indebtedness under our 3.70% senior notes issued in March 2017, net of $1.7 million in unamortized bond issuance expenses. Interest on indebtedness under our credit facility is variable based on LIBOR and we are subject to market risk from changes in interest rates. Borrowings under our term loan bear interest at floating rates based on LIBOR, but in no event less than the floor rate of 0.0% plus an applicable margin. Based on our indebtedness as of December 31, 2018, a 1% change in interest rates, including the impact on the cost of our interest rate swaps, would have had an approximately $5.2 million impact on our net interest expense in fiscal 2018. Additionally, the interest rate on our 3.70% senior notes is subject to adjustment based on the ratings assigned by Moody's and S&P to the notes from time to time. A decline in such ratings could result in an increase of up to 2% in the rate of interest on the notes. For fiscal 2018, such an increase would have had an impact of up to $7.0 million on our net interest expense

We manage a portion of our interest rate risk related to floating rate indebtedness by entering into interest rate swaps under which we receive floating rate payments based on the greater of LIBOR and the floor rate under our term loan and make payments based on a fixed rate. As of December 31, 2018, we were party to interest rate swaps covering a total notional amount of $507.4 million. Under our swap agreements, the rate that we pay to banks in exchange for LIBOR ranges between 0.88% and 2.65%.

Credit risk

As of December 31, 2018, we had accounts receivable, including long-term accounts receivable, net of provisions for doubtful receivables, of $778.3 million. $84.4 million of this amount was owed by GE, and the balance, or $693.9 million, was owed by Global Clients. No single Global Client owed more than 10% of our accounts receivable balance as of December 31, 2018.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required by this item are listed in Item 15—"Exhibits and Financial Statement Schedules" of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures

Disclosure controls and procedures are the Company's controls and other procedures which are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer along with the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, the Company's Chief Executive Officer along with the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

Management's Report on Internal Control over Financial Reporting

Genpact's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of management and/or our Board of Directors; and

(iii) provide reasonable assurance regarding the prevention or timely detection of any unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Due to its inherent limitations, including that it relies on sample-based testing, internal control over financial reporting may not prevent or detect misstatements. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in

Internal Control—Integrated Framework (2013). Based on its evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

During 2018, we acquired Barkawi Management Consultants GmbH & Co. KG and certain related entities and Commonwealth Informatics Inc., and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018 Barkawi Management Consultants GmbH & Co. KG and certain related entities and Commonwealth Informatics Inc.'s internal control over financial reporting associated with total assets of $132.9 million (of which $107.4 million represent goodwill and intangible assets included within the scope of the assessment) and total revenues of $22.2 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2018.

KPMG, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of its audit, has issued an attestation report, included herein, on the effectiveness of our internal control over financial reporting. See "Report of Independent Registered Public Accounting Firm" on page F-3.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarterly period ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information about our executive officers is contained in the section titled "Executive Officers" in Part I of this Annual Report on Form 10-K. The other information required by this Item will be included in our Proxy Statement for the 2019 Annual General Meeting of Shareholders under the captions "Director Nominees," "Corporate Governance," and "Section 16(a) Beneficial Ownership Reporting Compliance," which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2018 and is incorporated by reference in this report.

Item 11. Executive Compensation

The information required by this Item will be included in our Proxy Statement for the 2019 Annual General Meeting of Shareholders under the caption "Information about Executive and Director Compensation," which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2018 and is incorporated by reference in this report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be included in our Proxy Statement for the 2019 Annual General Meeting of Shareholders under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Securities Authorized for Issuance under Equity Compensation Plans," which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2018 and is incorporated by reference in this report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be included in our Proxy Statement for the 2019 Annual General Meeting of Shareholders under the captions "Certain Relationships and Related Party Transactions" and "Director Independence," which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2018 and is incorporated by reference in this report.

Item 14. Principal Accounting Fees and Services

The information required by this Item will be included in our Proxy Statement for the 2019 Annual General Meeting of Shareholders under the caption "Independent Registered Public Accounting Firm Fees and Other Matters," which will be filed with the SEC no later than 120 days after the close of the fiscal year ended December 31, 2018 and is incorporated by reference in this report.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements

The consolidated financial statements required to be filed in the Annual Report on Form 10-K are listed on page F-1 hereof. The required financial statements appear on pages F-4 through F-85 hereof.

2. Financial Statement Schedules

Separate financial statement schedules have been omitted either because they are not applicable or because the required information is included in the consolidated financial statements.

3. Exhibit Index:

Exhibit Number	Description
3.1	Memorandum of Association of the Registrant (incorporated by reference to Exhibit 3.1 to Amendment No. 2 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on July 16, 2007).
3.2	Bye-laws of the Registrant (incorporated by reference to Exhibit 3.3 to Amendment No. 4 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on August 1, 2007).
4.1	Form of specimen certificate for the Registrant's common shares (incorporated by reference to Exhibit 4.1 to Amendment No. 4 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on August 1, 2007).
4.2	Base Indenture, dated as of March 27, 2017, by and among the Registrant, Genpact Luxembourg S.à r.l. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on March 28, 2017).
4.3	First Supplemental Indenture, dated as of March 27, 2017, by and among the Registrant, Genpact Luxembourg S.à r.l. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on March 28, 2017).
4.4	

	Form of 3.700% Senior Note due 2022 (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on March 28, 2017).
4.5	Registration Rights Agreement, dated March 27, 2017, by and among the Registrant, Genpact Luxembourg S.à r.l. and Citigroup Global Markets Inc., Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on March 28, 2017).

Exhibit Number	Description
10.1†	Form of Director Indemnity Agreement (incorporated by reference to Exhibit 10.21 to Amendment No. 4 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on August 1, 2007).
10.2†	Amended and Restated U.S. Employee Stock Purchase Plan and Amended and Restated International Employee Stock Purchase Plan (incorporated by reference to Exhibit 1 to the Registrant's Proxy Statement on Schedule 14A (File No. 001-33626) filed with the SEC on April 10, 2018).
10.3†	Amended and Restated Genpact Limited 2007 Omnibus Incentive Compensation Plan (incorporated by reference to Exhibit 1 to the Registrant's Definitive Proxy Statement on Schedule 14A (File No. 001-33626) filed with the SEC on April 15, 2011).
10.4†	First Amendment to the Genpact Limited 2007 Omnibus Incentive Compensation Plan (as Amended and Restated April 11, 2012), effective as of August 1, 2012 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on August 3, 2012).
10.5†*	Form of Share Option Agreement under the Genpact Limited 2007 Omnibus Incentive Compensation Plan.
10.6†*	Form of Restricted Share Unit Issuance Agreement under the Genpact Limited 2007 Omnibus Incentive Compensation Plan.
10.7†*	Form of Performance Share Award Agreement under the Genpact Limited 2007 Omnibus Incentive Compensation Plan.
10.8†	Genpact Limited 2017 Omnibus Incentive Compensation Plan (incorporated by reference to Exhibit 1 to the Registrant's Proxy Statement on Schedule 14A (File No. 001-33626) filed with the SEC on April 10, 2017).
10.9†*	Form of Share Option Agreement under the Genpact Limited 2017 Omnibus Incentive Compensation Plan.
10.10†*	Form of Restricted Share Unit Issuance Agreement under the Genpact Limited 2017 Omnibus Incentive Compensation Plan.
10.11†*	Form of Performance Share Award Agreement under the Genpact Limited 2017 Omnibus Incentive Compensation Plan.
10.12†	Genpact LLC Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on July 6, 2018).
10.13†	Employment Agreement by and between the Registrant and N.V. Tyagarajan, dated June 15, 2011 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on June 17, 2011).
10.14†	Employment Agreement by and between Genpact LLC and Patrick Cogny, dated August 5, 2011 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K

	(File No. 001-33626) filed with the SEC on August 10, 2011).
10.15	Letter Agreement dated August 1, 2012 between the Registrant and South Asia Private Investments (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on August 3, 2012).
10.16	Letter Agreement dated August 1, 2012 by and among the Registrant and the shareholders listed on the signature pages thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on August 3, 2012).

Exhibit Number	Description
10.17	Amended and Restated Shareholder Agreement, dated as of October 25, 2012, by and among the Registrant, Glory Investments A Limited, Glory Investments B Limited, Glory Investments IV Limited, Glory Investments IV-B Limited, RGIP, LLC, Twickenham Investment Private Limited and Glory Investments TA IV Limited (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on October 25, 2012).
10.18†	Form of Director Indemnity Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-33626) filed with the SEC on August 9, 2013).
10.19†	Employment Agreement by and between the Registrant and Edward Fitzpatrick, dated June 26, 2014 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on July 2, 2014).
10.20†	Form of Share Option Agreement with Edward Fitzpatrick (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on July 2, 2014).
10.21†	Form of Director Indemnity Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-33626) filed with the SEC on August 8, 2014).
10.22	Expense Reimbursement Agreement, dated as of March 3, 2015, by and between the Registrant and Bain Capital Partners, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on March 6, 2015).
10.23	Amended & Restated Credit Agreement, dated as of August 9, 2018, among Genpact International, Inc., Genpact Global Holdings (Bermuda) Limited, Genpact Luxembourg S.À R.L., the Registrant, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, swingline lender, term lender, an issuing bank and a revolving lender, and the other parties thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-33626) filed with the SEC on August 9, 2018).
10.24†	Amendment No. 1 to Employment Agreement by and among Genpact International, Inc., Genpact LLC and Patrick Cogny, dated as of December 15, 2015 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33626) filed with the SEC on December 18, 2015).
10.25+	Master Services Agreement, dated as of December 22, 2016, by and between Genpact International, Inc. and General Electric International, Inc. (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K (File No. 001-33626) filed with the SEC on March 1, 2017).
10.26*	Borrower Assignment & Assumption and Amendment Agreement, dated as of January 17, 2019, by and among Genpact International, LLC (formerly Genpact International, Inc.), as the assignor, Genpact USA, Inc., as the assignee, Genpact Global Holdings (Bermuda) Limited, Genpact Luxembourg S.à r.l., the Company, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent.
21.1*	Subsidiaries of the Registrant.

23.1*	Consent of KPMG.
24.1*	Powers of Attorney (included on the signature pages of this report).

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Exhibit Number	Description
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS	XBRL Instance Document (1)
101.SCH	XBRL Taxonomy Extension Schema Document (1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)

* Filed with this Annual Report on Form 10-K.
+ Confidential treatment has been requested for portions of this exhibit. Confidential materials have been omitted and filed separately with the Securities and Exchange Commission.
‡ Indicates a management contract or compensatory plan, contract or arrangement in which any director or executive officer participates.
(1) Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2017 and December 31, 2018, (ii) Consolidated Statements of Income for the years ended December 31, 2016, December 31, 2017 and December 31, 2018, (iii) Consolidated Statement of Comprehensive Income (Loss) for the years ended December 31, 2016, December 31, 2017 and December 31, 2018, (iv) Consolidated Statement of Equity and Redeemable Non-controlling Interest for the years ended December 31, 2016, December 31, 2017 and December 31, 2018, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2016, December 31, 2017 and December 31, 2018, and (vi) Notes to Consolidated Financial Statements.

Item 16. Form 10-K Summary

None.

GENPACT LIMITED AND ITS SUBSIDIARIES

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the shareholders and board of directors
Genpact Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Genpact Limited and subsidiaries ("Genpact Limited" or the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income (loss), equity, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 01, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/KPMG

We have served as the Company's auditor since 2004.

Gurugram, Haryana, India
March 01, 2019

Report of Independent Registered Public Accounting Firm

To the shareholders and board of directors
Genpact Limited:

Opinion on Internal Control Over Financial Reporting

We have audited Genpact Limited and subsidiaries ("Genpact Limited" or the "Company") internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income (loss), equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the "consolidated financial statements"), and our report dated March 01, 2019 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired Barkawi Management Consultants GmbH & Co. KG and certain related entities, and Commonwealth Informatics Inc., and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018, Barkawi Management Consultants GmbH & Co. KG and certain related entities and Commonwealth Informatics Inc.'s internal control over financial reporting associated with total assets of $132,908 thousands (of which $107,351 thousands represent goodwill and intangible assets included within the scope of the assessment) and total revenues of $22,207 thousands included in the consolidated financial statements of the Company as of and for the year ended December 31, 2018. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Barkawi Management Consultants GmbH & Co. KG and certain related entities and Commonwealth Informatics Inc.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/KPMG

Gurugram, Haryana, India
March 01, 2019

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets

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

	Notes	As of December 31, 2017	As of December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	4	$ 504,468	$ 368,396
Accounts receivable, net	5	693,085	774,184
Prepaid expenses and other current assets	8	236,342	212,477
Total current assets		$ 1,433,895	$ 1,355,057
Property, plant and equipment, net	9	207,030	212,715
Deferred tax assets	25	76,929	74,566
Investment in equity affiliates	28	886	836
Intangible assets, net	10	131,590	177,087
Goodwill	10	1,337,122	1,393,832
Contract cost assets	27	—	160,193
Other assets	11	262,169	155,159
Total assets		$ 3,449,621	$ 3,529,445
Liabilities and equity			
Current liabilities			
Short-term borrowings	15	$ 170,000	$ 295,000
Current portion of long-term debt	14	39,226	33,483
Accounts payable		15,050	42,584
Income taxes payable	25	30,026	33,895
Accrued expenses and other current liabilities	13	584,482	571,350
Total current liabilities		$ 838,784	$ 976,312
Long-term debt, less current portion	14	1,006,687	975,645
Deferred tax liabilities	25	6,747	8,080
Other liabilities	16	168,609	165,226
Total liabilities		$ 2,020,827	$ 2,125,263
Redeemable non-controlling interest		4,750	—
Shareholders' equity			
Preferred shares, $0.01 par value, 250,000,000 authorized, none issued		—	—
Common shares, $0.01 par value, 500,000,000 authorized, 192,825,207 and 189,346,101 issued and outstanding as of December 31, 2017 and December 31, 2018, respectively		1,924	1,888
Additional paid-in capital		1,421,368	1,471,301
Retained earnings		355,982	438,453
Accumulated other comprehensive income (loss)		(355,230)	(507,460)

Total equity		$ 1,424,044	$ 1,404,182
Commitments and contingencies	30		
Total liabilities, redeemable non-controlling interest and equity		$ 3,449,621	$ 3,529,445

See accompanying notes to the Consolidated Financial Statements

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Income

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

	Notes	Year ended December 31, 2016 (1)	2017 (1)	2018
Net revenues	26	$2,570,756	$2,736,929	$3,000,790
Cost of revenue	21, 28	1,554,340	1,681,438	1,921,768
Gross profit		$1,016,416	$1,055,491	$1,079,022
Operating expenses:				
Selling, general and administrative expenses	22, 28	652,967	689,461	693,865
Amortization of acquired intangible assets	10	27,183	36,412	38,850
Other operating (income) expense, net	23	(4,940)	(1,661)	(1,845)
Income from operations		$341,206	$331,279	$348,152
Foreign exchange gains (losses), net		2,630	1,996	15,239
Interest income (expense), net	24	(16,184)	(31,735)	(37,119)
Other income (expense), net	29	9,691	23,586	35,761
Income before equity-method investment activity, net and income tax expense		$337,343	$325,126	$362,033
Equity-method investment activity, net		(7,698)	(4,543)	(12)
Income before income tax expense		$329,645	$320,583	$362,021
Income tax expense	25	62,098	59,742	80,763
Net income		$267,547	$260,841	$281,258
Net loss attributable to redeemable non-controlling interest		2,137	2,270	761
Net income attributable to Genpact Limited shareholders		$269,684	$263,111	$282,019
Net income available to Genpact Limited common shareholders		$269,684	$263,111	$282,019
Earnings per common share attributable to Genpact Limited common shareholders	20			
Basic		$1.30	$1.36	$1.48
Diluted		$1.28	$1.34	$1.45
Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited common shareholders	20			
Basic		206,861,536	193,864,755	190,674,740
Diluted		210,126,023	197,049,552	193,980,038

(1)Cost of revenue, selling, general and administrative expenses, other income (expense) and income from operations for the year ended December 31, 2016 and 2017 have been restated due to the adoption of ASU No. 2017-07 with effect from January 1, 2018. The impact of such restatement is not material to the Company’s consolidated results of operations, cash flows, financial position and disclosures.
See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

	Year ended December 31, 2016		2017		2018	
	Genpact Limited Shareholders	Redeemable Non-controlling interest	Genpact Limited Shareholders	Redeemable Non-controlling interest	Genpact Limited Shareholders	Redeemable Non-controlling interest
Net income (loss)	$269,684	$ (2,137)	$263,111	$ (2,270)	$282,019	$ (761)
Other comprehensive income:						
Currency translation adjustments	(46,340)	104	93,871	(341)	(109,656)	(424)
Net income (loss) on cash flow hedging derivatives, net of taxes (Note 7)	43,742	—	12,611	—	(46,293)	—
Retirement benefits, net of taxes	(4,042)	—	(3,787)	—	1,454	—
Other comprehensive income (loss)	(6,640)	104	102,695	(341)	(154,495)	(424)
Comprehensive income (loss)	$263,044	$ (2,033)	$365,806	$ (2,611)	$127,524	$ (1,185)

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Equity and Redeemable Non-controlling Interest

(In thousands, except share count)

	Genpact Limited Shareholders Common shares						
	No. of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity	Redeemable non-controlling interest
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 18)	994,155	10	14,886	-	-	14,896	—
Issuance of common shares under the employee stock purchase plan (Note 18)	146,685	1	3,331	—	—	3,332	—
Net settlement on vesting of restricted share units (Note 18)	121,682	1	(884)	—	—	(883)	—
Stock repurchased and retired (Note19)	(13,940,782)	(139)	—	(345,061)	—	(345,200)	—
Deferred tax assets recognized on early adoption of ASU 2016-09 (Note 25)	—	—	—	24,912	—	24,912	—
Expenses related to stock purchase (Note 19)	-	-	-	(279)	—	(279)	—
Stock-based compensation expense (Note 18)	-	-	25,113	-	-	25,113	—
Acquisition of redeemable non controlling interest	—	—	—	—	—	—	3,910
Change in fair value of redeemable non-controlling interest	—	—	—	(2,643)	—	(2,643)	2,643

Comprehensive income:							
Net income	-	-	-	269,684	-	269,684	(2,137)
Other comprehensive income (loss)	-	-	-	-	(6,640)	(6,640)	104
Balance as of December 31, 2016	198,794,052	$ 1,984	$ 1,384,468	$ 358,121	$ (457,925)	$ 1,286,648	$ 4,520

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Equity and Redeemable Non-controlling Interest

(In thousands, except share count)

	Genpact Limited Shareholders						
	Common shares						
	No. of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity	Redeemable non-controlling interest
Balance as of January 1, 2017	198,794,052	$ 1,984	$ 1,384,468	$ 358,121	$ (457,925)	$ 1,286,648	$ 4,520
Issuance of common shares on exercise of options (Note 18)	743,045	7	10,765	—	—	10,772	—
Issuance of common shares under the employee stock purchase plan (Note 18)	190,435	2	4,754	—	—	4,756	—
Net settlement on vesting of restricted share units (Note 18)	103,220	1	(358)	—	—	(357)	—
Net settlement on vesting of performance units (Note 18)	731,701	7	(9,946)	—	—	(9,939)	—
Stock repurchased and retired (Note 19)	(7,737,246)	(77)	(4,000)	(215,707)	—	(219,784)	—
Expenses related to stock repurchase (Note 19)	—	—	—	(16)	—	(16)	—
Stock-based compensation expense (Note 18)	—	—	35,685	—	—	35,685	—
Change in fair value of redeemable non-controlling interest	—	—	—	(2,841)	—	(2,841)	2,841

Comprehensive income (loss):							
Net income (loss)	—	—	—	263,111	—	263,111	(2,270)
Other comprehensive income (loss)	—	—	—	—	102,695	102,695	(341)
Dividend (Note 19)	—	—	—	(46,686)	—	(46,686)	—
Balance as of December 31, 2017	192,825,207	$ 1,924	$ 1,421,368	$ 355,982	$ (355,230)	$ 1,424,044	$ 4,750

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Equity and Redeemable Non-controlling Interest

(In thousands, except share count)

	Genpact Limited Shareholders						
	Common shares				Accumulated Other Comprehensive		Redeemable
	No. of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Income (Loss)	Total Equity	non-controlling interest
Balance as of January 1, 2018, as previously reported	192,825,207	$ 1,924	$ 1,421,368	$ 355,982	$ (355,230)	$ 1,424,044	$ 4,750
Adoption of ASU 2014-09 (Note 2(c))	—	—	—	17,924	—	17,924	—
Adjusted balance as of January 1, 2018	192,825,207	$ 1,924	$ 1,421,368	$ 373,906	$ (355,230)	$ 1,441,968	$ 4,750
Adoption of ASU 2018-02 (Note 7, 25)	—	—	—	(2,265)	2,265	—	—
Issuance of common shares on exercise of options (Note 18)	441,076	4	7,254	—	—	7,258	—
Issuance of common shares under the employee stock purchase plan (Note 18)	245,467	2	6,774	—	—	6,776	—
Net settlement on vesting of restricted share units (Note 18)	227,560	2	(2,651)	—	—	(2,649)	—
Net settlement on vesting of performance units (Note 18)	691,958	7	(13,277)	—	—	(13,270)	—
Stock repurchased and retired (Note 19)	(5,085,167)	(51)	4,000	(158,007)	—	(154,058)	—
Expenses related to stock repurchase (Note 19)	—	—	—	(98)	—	(98)	—
Stock-based compensation expense (Note 18)	—	—	48,998	—	—	48,998	—
Payment for purchase of redeemable non-controlling interest	—	—	(1,165)	—	—	(1,165)	(3,565)

Comprehensive income (loss):							
Net income (loss)	—	—	—	282,019	—	282,019	(761)
Other comprehensive income (loss)	—	—	—	—	(154,495)	(154,495)	(424)
Dividend (Note 19)	—	—	—	(57,102)	—	(57,102)	—
Balance as of December 31, 2018	189,346,101	$ 1,888	$ 1,471,301	$ 438,453	$ (507,460)	$ 1,404,182	$ —

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

	Year ended December 31,		
	2016	2017	2018
Operating activities			
Net income attributable to Genpact Limited shareholders	$269,684	$263,111	$282,019
Net loss attributable to redeemable non-controlling interest	(2,137)	(2,270)	(761)
Net income	$267,547	$260,841	$281,258
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	54,553	58,503	64,868
Amortization of debt issuance costs (including loss on extinguishment of debt)	1,531	1,884	3,975
Amortization of acquired intangible assets	27,183	36,412	38,850
Write-down of intangible assets and property, plant and equipment	11,195	9,311	4,265
Reserve for doubtful receivables	7,282	9,819	1,857
Unrealized loss (gain) on revaluation of foreign currency asset/liability	1,717	(11,830)	3,352
Equity-method investment activity, net	7,698	4,543	12
Stock-based compensation expense	25,113	35,685	48,998
Deferred income taxes	30,454	(10,391)	6,054
Loss (gain) on divestiture	(5,214)	5,668	—
Others, net	(41)	(4,785)	1,317
Change in operating assets and liabilities:			
Increase in accounts receivable	(48,612)	(57,267)	(76,894)
Increase in prepaid expenses, other current assets, contract cost assets and other assets	(62,852)	(28,381)	(76,392)
Increase (decrease) in accounts payable	(463)	(2,155)	26,401
Increase in accrued expenses, other current liabilities and other liabilities	27,977	46,581	5,993
Increase in income taxes payable	704	4,640	5,597
Net cash provided by operating activities	$345,772	$359,078	$339,511
Investing activities			
Purchase of property, plant and equipment	(81,926)	(57,231)	(84,978)
Payment for acquired/internally generated intangible assets (including intangibles under development)	(6,846)	(16,441)	(75,439)
Proceeds from sale of property, plant and equipment	547	1,738	668
Investment in equity affiliates	(9,620)	(496)	—
Payment for business acquisitions, net of cash acquired	(45,162)	(284,822)	(111,571)
Proceeds from divestiture of business, net of cash divested	17,242	(4,738)	—
Payment for purchase of redeemable non-controlling interest	—	—	(4,730)
Net cash used for investing activities	$(125,765)	$(361,990)	$(276,050)
Financing activities			
Repayment of capital lease obligations	(1,793)	(2,708)	(2,395)
Payment of debt issuance costs	—	(2,630)	(4,293)
Proceeds from long-term debt	—	350,000	129,186

Repayment of long-term debt	(40,000)	(40,000)	(166,186)
Proceeds from short-term borrowings	200,000	295,000	250,000
Repayment of short-term borrowings	(61,500)	(285,000)	(125,000)
Proceeds from issuance of common shares under stock-based compensation plans	18,228	15,528	14,034
Payment for net settlement of stock-based awards	(769)	(10,296)	(15,919)
Payment of earn-out/deferred consideration	(1,485)	(6,219)	(3,356)
Dividend paid	—	(46,686)	(57,102)
Payment for stock repurchased and retired	(345,200)	(219,784)	(154,058)
Payment for expenses related to stock repurchase	(279)	(16)	(98)
Net cash provided by/(used for) financing activities	$(232,798)	$47,189	$(135,187)
Effect of exchange rate changes	(15,493)	37,568	(64,346)
Net increase (decrease) in cash and cash equivalents	(12,791)	44,277	(71,726)
Cash and cash equivalents at the beginning of the period	450,907	422,623	504,468
Cash and cash equivalents at the end of the period	$422,623	$504,468	$368,396
Supplementary information			
Cash paid during the period for interest (including interest rate swaps)	$19,530	$27,915	$41,484
Cash paid during the period for income taxes	$46,731	$66,238	$81,411
Property, plant and equipment acquired under capital lease obligations	$2,206	$2,318	$2,031

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

1. Organization

The Company is a global professional services firm that drives digitally-led innovation and runs digitally-enabled intelligent operations for its clients, guided by its experience running thousands of processes for hundreds of Fortune Global 500 clients. The Company has over 87,000 employees serving clients in key industry verticals from more than 25 countries.

2. Summary of significant accounting policies

(a) Basis of preparation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The accompanying consolidated financial statements reflect all adjustments that management considers necessary for a fair presentation of the results of operations for these periods.

The accompanying financial statements have been prepared on a consolidated basis and reflect the financial statements of Genpact Limited, a Bermuda company, 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 significant influence over the entity, the Company applies the equity method of accounting. All intercompany transactions and balances are eliminated in consolidation.

Non-controlling interest in subsidiaries that is redeemable outside of the Company’s control for cash or other assets is reflected in the mezzanine section between liabilities and equity in the consolidated balance sheets at the redeemable value, which approximates fair value. Redeemable non-controlling interest is adjusted to its fair value at each balance sheet date. Any resulting increases or decreases in the estimated redemption amount are affected by corresponding charges to additional paid-in capital. The share of non-controlling interest in subsidiary earnings is reflected in net loss (income) attributable to redeemable non-controlling interest in the 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, intangibles and goodwill, revenue recognition, reserves for doubtful receivables, valuation allowances for deferred tax assets, the valuation of derivative financial instruments, measurements of stock-based compensation, assets and obligations related to employee benefits, and 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 best knowledge of current events and actions, actual results could differ from these estimates. Any changes in estimates are adjusted prospectively in the Company's consolidated financial statements.

(c) Changes in accounting policies

Except as described below, the Company has applied accounting policies consistently to all periods presented in these consolidated financial statements. The Company adopted Accounting standard codification (ASC) Topic 606, Revenue from Contracts with Customers ("Topic 606"), effective January 1, 2018. The revenue accounting policy followed by the company before its adoption of Topic 606 is described below.

2. Summary of significant accounting policies (Continued)

The Company derives its revenue primarily from business process outsourcing and information technology services, which are provided on a time-and-material, transaction or fixed-price basis. The Company recognizes revenue when persuasive evidence of an arrangement exists, the sales price is fixed or determinable, services have been rendered and collectability is reasonably assured. Revenues from services rendered under time-and-materials and transaction-based contracts are recognized as the services are provided. The Company's fixed-price contracts include contracts for application development, maintenance and support services. Revenues from these contracts are recognized ratably over the term of the agreement. The Company accrues for revenue and unbilled receivables for the services rendered between the last billing date and the balance sheet date.

Customer contracts can also include incentive payments received for discrete benefits delivered to clients. Revenues relating to such incentive payments are recorded when the contingency is satisfied and the Company concludes the amounts are earned.

Revenue from fixed-price contracts for the development of software and related services is recognized in accordance with the percentage-of-completion method. Guidance has been drawn from Financial Accounting Standards Board ("FASB") guidance on Software—Revenue Recognition to account for revenue from fixed-price arrangements for software development and related services in conformity with FASB guidance on Revenue Recognition—Construction—Type and Production-Type Contracts. The input (effort or cost expended) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates.

The Company has deferred the revenue and costs attributable to certain process transition activities with respect to its customers where such activities do not represent the culmination of a separate earnings process. Such revenue and costs are subsequently recognized ratably over the period in which the related services are performed. Further, the deferred costs are limited to the amount of the deferred revenues.

Revenues are reported net of value-added tax, business tax and applicable discounts and allowances. Reimbursements of out-of-pocket expenses received from clients have been included as part of revenues.

The Company enters into multiple-element revenue arrangements in which a client may purchase a combination of its services. Revenue from multiple-element arrangements is recognized, for each element, based on (1) the attainment of the delivery criterion; (2) its fair value, which is determined using the selling price hierarchy of vendor-specific objective evidence ("VSOE") of fair value, third-party evidence or best estimated selling price, as applicable, and (3) its allocated selling price, which is based on the relative sales price method.

The Company has changed its accounting policy for revenue recognition as detailed below. The Company applied Topic 606 using the modified retrospective method, which involves recognizing the cumulative effect of initially applying Topic 606 as an adjustment to the Company's opening equity balance as of January 1, 2018. Therefore, comparative information has not been adjusted and continues to be reported under Topic 605. As a result of the Company's adoption of this new standard, certain sales incentive programs meet the requirements for capitalization.

Such costs are amortized over the period of expected benefit rather than being expensed as incurred as was the Company's prior practice. The cumulative impact of the adoption of this standard

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

resulted in an increase in retained earnings of $17,924 as of January 1, 2018 with a corresponding impact on contract cost assets of $23,227 and deferred tax liabilities of $5,303. As of January 1, 2018, contract assets and contract liabilities of $21,348 relating to the same customer contracts have been offset against each other.

(d) Revenue recognition (effective January 1, 2018)

The Company derives its revenue primarily from business process outsourcing and information technology services, which are provided primarily on a time-and-material, transaction or fixed-price basis. The Company recognizes revenue when the promised services are delivered to customers for an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Revenues from services rendered under time-and-material and transaction-based contracts are recognized as the services are provided. The Company's fixed-price contracts include contracts for application development, maintenance and support services. Revenues from these contracts are recognized ratably over the term of the agreement. The Company accrues for revenue and unbilled receivables for services rendered between the last billing date and the balance sheet date.

The Company's customer contracts sometimes also include incentive payments received for discrete benefits delivered or promised to be delivered to clients or service level agreements that could result in credits or refunds to the client. Revenues relating to such arrangements are accounted for as variable consideration when the amount of revenue to be recognized can be estimated to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

The Company records deferred revenue attributable to certain process transition activities where such activities do not represent separate performance obligations. Revenues relating to such transition activities are classified under contract liabilities and subsequently recognized ratably over the period in which the related services are performed. Costs relating to such transition activities are fulfillment costs which are directly related to the contract and result in the generation or enhancement of resources. Such costs are expected to be recoverable under the contract and are therefore classified as contract cost assets and recognized ratably over the estimated expected period of benefit under cost of revenue.

Revenues are reported net of value-added tax, business tax and applicable discounts and allowances. Reimbursements of out-of-pocket expenses received from clients have been included as part of revenues.

Revenue for performance obligations that are satisfied over time is recognized in accordance with the methods prescribed for measuring progress. The input (effort or cost expended) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates.

The Company enters into multiple-element revenue arrangements in which a client may purchase a combination of products or services. Revenue from multiple-element arrangements is recognized, for each element, based on an allocation of the transaction price to each performance obligation on a relative standalone basis.

Certain contracts may include offerings such as sale of licenses, which may be perpetual or subscription-based. Revenue from distinct perpetual licenses is recognized upfront at the point in time when the software is made available to the customer. Revenue from distinct subscription-based licenses is recognized at the point in time it is transferred to the client. Revenue from any associated maintenance or ongoing support services is recognized ratably over the term of the contract. For a combined software license/services performance obligation, revenue is recognized over the period that the services are performed.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

All incremental and direct costs incurred for acquiring contracts, such as certain sales commissions, are classified as contract cost assets. Such costs are amortized over the expected period of benefit and recorded under selling, general and administrative expenses.

Other upfront fees paid to clients are classified as contract assets. Such costs are amortized over the expected period of benefit and recorded as an adjustment to the transaction price and subtracted from revenue.

Timing of revenue recognition may differ from the timing of invoicing. If a payment is received in respect of services prior to the delivery of services, the payment is recognized as an advance from clients and classified as a contract liability. Contract assets and contract liabilities relating to the same client contract are offset against each other and presented on a net basis in the consolidated financial statements. See note 27 for information and related disclosures regarding contract balances.

Significant judgements

The Company often enters into contracts with clients that include promises to transfer multiple products and services to the client. Determining whether products and services are considered distinct performance obligations that should be accounted for separately rather than together may require significant judgment.

Judgment is also required to determine the standalone selling price for each distinct performance obligation. In instances where the standalone selling price is not directly observable, it is determined using information that may include market conditions and other observable inputs.

Client contracts sometimes include incentive payments received for discrete benefits delivered to clients or service level agreements that could result in credits or refunds to the client. Such amounts are estimated at contract inception and are adjusted at the end of each reporting period as additional information becomes available only to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

Impact on consolidated financial statements

The following tables summarize the impact of the Company's adoption of Topic 606 on its consolidated financial statements for the year ended December 31, 2018.

Consolidated Balance Sheet As of December 31, 2018	As reported	Adjustments	Balances without adoption of Topic 606
Assets			
Current assets			
Cash and cash equivalents	$368,396		$368,396
Accounts receivable, net	774,184		774,184
Prepaid expenses and other current assets (a, c)	212,477	56,594	269,071
Total current assets	$1,355,057	56,594	$1,411,651
Property, plant and equipment, net	212,715		212,715
Deferred tax assets (b)	74,566	5,984	80,550
Investment in equity affiliates	836		836
Intangible assets, net	177,087		177,087
Goodwill	1,393,832		1,393,832
Contract cost assets (a, b)	160,193	(160,193)	-
Other assets (a, c)	155,159	107,133	262,292
Total assets	$3,529,445	9,518	$3,538,963
Liabilities and equity			
Current liabilities			
Short-term borrowings	295,000		295,000
Current portion of long-term debt	33,483		33,483
Accounts payable	42,584		42,584
Income taxes payable	33,895		33,895
Accrued expenses and other current liabilities (c)	571,350	10,289	581,639
Total current liabilities	$976,312	10,289	$986,601
Long-term debt, less current portion	975,645		975,645
Deferred tax liabilities	8,080		8,080

Other liabilities (c)	165,226	19,136	184,362
Total liabilities	$2,125,263	29,425	$2,154,688
Redeemable non-controlling interest	-		-
Shareholders' equity			
Preferred shares, $0.01 par value, 250,000,000 authorized, none issued	-		-
Common shares, $0.01 par value, 500,000,000 authorized,192,825,207 and 189,346,101 issued and outstanding as of December 31, 2017 and December 31, 2018, respectively	1,888		1,888
Additional paid-in capital	1,471,301		1,471,301
Retained earnings (b)	438,453	(19,907)	418,546
Accumulated other comprehensive income (loss)	(507,460)		(507,460)
Total equity	$1,404,182	(19,907)	$1,384,275
Commitments and contingencies			
Total liabilities, redeemable non-controlling interest and equity	$3,529,445	9,518	$3,538,963

(a) As a result of its adoption of ASC 606, the Company has reclassified deferred transition costs from "Prepaid expenses and other current assets" amounting to $48,704 and "Other assets" amounting to $85,598 to "Contract cost assets" amounting to $134,302.

(b) The cumulative impact of the adoption of ASC 606 resulted in a $160,193 increase in "Contract cost assets," which includes the reclassification of $134,302 (refer to note a in the table above) and a closing balance of $25,891 related to sales incentive programs, with a corresponding impact on retained earnings of $ 19,907 and on deferred tax assets of $5,984 which has been offset against deferred tax assets.

(c) As a result of its adoption of ASC 606, the company has offset contract assets amounting to $7,890 under "Prepaid expenses and other current assets" and $21,535 under "Other assets" against contract liabilities amounting $10,289 under "Accrued expenses and other current liabilities" and $19,136 under "Other liabilities" related to the same customer contract.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

Consolidated Statement of Income Year ended December 31,2018	As reported	Adjustments	Balances without adoption of Topic 606
Net revenues	$3,000,790		$3,000,790
Cost of revenue	1,921,768		1,921,768
Gross profit	$1,079,022	—	$1,079,022
Operating expenses:			
Selling, general and administrative expenses (e)	693,865	2,664	696,529
Amortization of acquired intangible assets	38,850		38,850
Other operating (income) expense, net	(1,845)		(1,845)
Income from operations	$348,152	(2,664)	$345,488
Foreign exchange gains (losses), net	15,239		15,239
Interest income (expense), net	(37,119)		(37,119)
Other income (expense), net	35,761		35,761
Income before equity-method investment activity, net and income tax expense	$362,033	(2,664)	$359,369
Equity-method investment activity, net	(12)	—	(12)
Income before income tax expense	$362,021	(2,664)	$359,357
Income tax expense (benefit)	80,763	(681)	80,082
Net income	$281,258	(1,983)	$279,275
Net loss (income) attributable to non-controlling interest	761	—	761
Net income attributable to Genpact Limited shareholders	$282,019	(1,983)	$280,036

(e) During the year ended December 31, 2018, the Company amortized $14,788 in contract costs related to obtaining a contract. Following the adoption of ASC 606, the Company capitalized such costs in an amount of $17,452 resulting in a net adjustment of $2,664 with a corresponding impact on income tax benefit of $681.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

Consolidated Statement of Cash flow
Year ended December 31, 2018

	As reported	Adjustments	Balances without adoption of Topic 606
Operating activities			
Net income attributable to Genpact Limited shareholders (f)	$282,019	(1,983)	$280,036
Net loss attributable to redeemable non-controlling interest	(761)		(761)
Net income (f)	$281,258	(1,983)	$279,275
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	64,868		64,868
Amortization of debt issuance costs (including loss on extinguishment of debt)	3,975		3,975
Amortization of acquired intangible assets	38,850		38,850
Write-down of intangible assets and property, plant and equipment	4,265		4,265
Reserve for doubtful receivables	1,857		1,857
Unrealized loss (gain) on revaluation of foreign currency asset/liability	3,352		3,352
Equity-method investment activity, net	12		12
Stock-based compensation expense	48,998		48,998
Deferred income taxes (f)	6,054	(681)	5,373
Others, net	1,317		1,317
Change in operating assets and liabilities:			
Increase in accounts receivable	(76,894)		(76,894)
Increase in prepaid expenses, other current assets, contract cost assets and other assets (f, g)	(76,392)	(5,413)	(81,805)
Increase in accounts payable	26,401		26,401
Increase in accrued expenses, other current liabilities and other liabilities (g)	5,993	8,077	14,070
Increase in income taxes payable	5,597		5,597
Net cash provided by operating activities	$339,511	—	$339,511
Investing activities			
Purchase of property, plant and equipment	(84,978)		(84,978)
Payment for internally generated intangible assets (including intangibles under development)	(75,439)		(75,439)
Proceeds from sale of property, plant and equipment	668		668
Payment for business acquisitions, net of cash acquired	(111,571)		(111,571)
Payment for redeemable non-controlling interest	(4,730)		(4,730)
Net cash used for investing activities	$(276,050)	—	$(276,050)
Financing activities			

Repayment of capital lease obligations	(2,395)		(2,395)
Payment of debt issuance and refinancing costs	(4,293)		(4,293)
Proceeds from long term debt	129,186		129,186
Repayment of long-term debt	(166,186)		(166,186)
Proceeds from short-term borrowings	250,000		250,000
Repayment of short-term borrowings	(125,000)		(125,000)
Proceeds from issuance of common shares under stock-based compensation plans	14,034		14,034
Payment for net settlement of stock-based awards	(15,919)		(15,919)
Payment of earn-out/deferred consideration	(3,356)		(3,356)
Dividend paid	(57,102)		(57,102)
Payment for stock repurchased and retired	(154,058)		(154,058)
Payment for expenses related to stock repurchase	(98)		(98)
Net cash used for financing activities	$(135,187)	—	$(135,187)
Effect of exchange rate changes	(64,346)		(64,346)
Net increase (decrease) in cash and cash equivalents	(71,726)		(71,726)
Cash and cash equivalents at the beginning of the period	504,468		504,468
Cash and cash equivalents at the end of the period	$368,396	—	$368,396

(f) During the year ended December 31, 2018, the Company amortized $14,788 in contract costs related to obtaining a contract. Following the adoption of ASC 606, the Company capitalized such costs in an amount of $17,452, resulting in a net adjustment of $2,664 and a tax impact of $(681) which is further adjusted by note (g) below.

(g) Following the adoption of ASC 606, the Company offset certain contract assets against contract liabilities related to the same client contract in an amount of $8,077.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

(e) Accounts receivable

Accounts receivable are recorded at the invoiced or to be invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and clients' financial conditions, the amount of receivables in dispute, and the current receivables' aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its clients.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and all highly liquid investments purchased with an original maturity of three months or less.

(g) Short-term investments

All liquid investments with an original maturity greater than 90 days but less than one year are considered to be short-term investments. Marketable short-term investments are classified and accounted for as available-for-sale investments. Available-for-sale investments are reported at fair value with changes in unrealized gains and losses recorded as a separate component of other comprehensive income (loss) until realized. Realized gains and losses on investments are determined based on the specific identification method and are included in "Other income (expense), net." The Company does not hold these investments for speculative purposes.

(h) Property, plant and equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Expenditures for replacements and improvements are capitalized, whereas the costs of maintenance and repairs are charged to earnings as incurred. The Company depreciates and amortizes all property, plant and equipment using the straight-line method over the following estimated economic useful lives of the assets:

	Years
Buildings	40
Furniture and fixtures	4
Computer equipment and servers	4
Plant, machinery and equipment	4
Computer software	4-7
Leasehold improvements	Lesser of lease period

	or 10 Years
Vehicles	3-4

The Company capitalizes certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use when both the preliminary project stage is completed and it is probable that the software will be used as intended. Capitalized software costs include only (i) external direct costs of materials and services utilized in developing or obtaining computer software, (ii) compensation and related benefits for employees who are directly associated with the software project, and (iii) interest costs incurred while developing internal-use computer software.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

Capitalized computer software costs are included in property, plant and equipment on the Company's balance sheet and amortized on a straight-line basis when placed into service over the estimated useful lives of the software.

Advances paid towards acquisition of property, plant and equipment outstanding as of each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under "Capital work in progress."

(i) Business combinations, goodwill and other intangible assets

The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805, Business Combinations, by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling 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 as of 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.

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 a 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 a reporting unit exceeds the fair value of such goodwill, an impairment loss is recognized in an amount equal to the excess. In addition, the Company performs a 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 a reporting unit below its carrying amount. See Note 10 for information and related disclosures.

Intangible assets including technology acquired / developed 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
Technology-related intangible assets	2-8 years
Other intangible assets	3-5 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.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

The Company also capitalizes certain software and technology development costs incurred in connection with developing or obtaining software or technology for sale/lease to customers when the initial design phase is completed and commercial and technological feasibility has been established. Any development cost incurred before technological feasibility is established is expensed as incurred as research and development costs. Technological feasibility is established upon completion of a detailed design program or, in its absence, completion of a working model. Capitalized software and technology costs include only (i) external direct costs of materials and services utilized in developing or obtaining software and technology and (ii) compensation and related benefits for employees who are directly associated with the project.

Costs incurred in connection with developing or obtaining software or technology for sale/lease to customers which are under development and not put to use are disclosed under “intangible assets under development.” Advances paid toward the acquisition of intangible assets outstanding as of each balance sheet date are disclosed under “intangible assets under development.”

Capitalized software and technology costs are included in intangible assets under technology-related intangible assets on the Company’s balance sheet and amortized on a straight-line basis when placed into service over the estimated useful lives of the software and technology.

(j) Impairment of long-lived assets

Long-lived assets, including certain intangible assets, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are required to be tested for impairment if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated from the assets. The impairment amount to be recognized is measured as the amount by which the carrying value of the assets exceeds their fair value. The Company determines fair value by using a discounted cash flow approach.

(k) Foreign currency

The Company’s consolidated financial statements are reported in U.S. dollars, the Company’s functional currency. The functional currency for the Company’s subsidiaries organized in Europe, other than the United Kingdom, the Czech Republic, Luxembourg and one subsidiary in Poland, is the euro, and the functional currencies of the Company’s subsidiaries organized in Brazil, China, Colombia, Guatemala, India, Israel, Japan, Morocco, South Africa, the Philippines, Poland, the Czech Republic, Hong Kong, Singapore, Australia and Canada are their respective local currencies. The functional currency of all other Company subsidiaries is the U.S. dollar. The translation of the functional currencies of the Company’s subsidiaries into U.S. dollars is performed for balance sheet accounts using the exchange rates in effect as of the balance sheet date and for revenues and expense accounts using a monthly average exchange rate prevailing during the respective period. The gains or losses resulting from such translation are reported as currency translation adjustments under other comprehensive income (loss), net, under accumulated other comprehensive income (loss) as a separate component of equity.

Monetary assets and liabilities of each subsidiary denominated in currencies other than the subsidiary's functional currency are translated into their respective functional currency at the rates of exchange prevailing on the balance sheet date. Transactions of each subsidiary in currencies other than the subsidiary's functional currency are translated into the respective functional currencies at the average monthly exchange rate prevailing during the period of the transaction. The gains or losses resulting from foreign currency transactions are included in the consolidated statements of income.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

(l) Derivative instruments and hedging activities

In the normal course of business, the Company uses derivative financial instruments to manage fluctuations in foreign currency exchange rates and interest rate fluctuation. The Company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on intercompany transactions and forecasted transactions denominated in foreign currencies and interest rate swaps to mitigate interest rate fluctuation risk on its indebtedness.

The Company recognizes derivative instruments and hedging activities as either assets or liabilities in its consolidated balance sheets and measures them at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. Changes in the fair values of derivatives designated as cash flow hedges are deferred and recorded as a component of other comprehensive income (loss) reported under accumulated other comprehensive income (loss) until the hedged transactions occur and are then recognized in the consolidated statements of income along with the underlying hedged item and disclosed as part of “Total net revenues,” “Cost of revenue,” “Selling, general and administrative expenses,” and “Interest expense,” as applicable. Changes in the fair value of derivatives not designated as hedging instruments and the ineffective portion of derivatives designated as cash flow hedges are recognized in the consolidated statements of income and are included in foreign exchange gains (losses), net, and other income (expense), net, respectively.

With respect to derivatives designated as hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also formally assesses, both at the inception of the hedge and on a quarterly basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that a derivative or portion thereof is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, the Company will prospectively discontinue hedge accounting with respect to that derivative.

In all situations in which hedge accounting is discontinued and the derivative is retained, the Company continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent change in its fair value in the consolidated statements of income. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and recognizes immediately, in foreign exchange gains (losses), net in the consolidated statements of income, the gains and losses attributable to such derivative that were accumulated in other comprehensive income (loss).

(m) Income taxes

The Company accounts for income taxes using the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and all operating loss and tax credit carry forwards, if any. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in the statement of income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

The Company applies a two-step approach for recognizing and measuring the benefit of tax positions. The first step is to evaluate the tax position for recognition by determining, based on the technical merits, that the position will more likely than not be sustained upon examination. The second step is to measure the tax benefit as the largest amount of the tax benefit that is greater than 50 percent likely of being realized upon settlement. The Company includes interest and penalties related to underpayment of income taxes within income tax expense.

The Company follows the specific identification approach for releasing stranded tax effects from AOCI upon recognition of these AOCI items in the Company's statement of income.

(n) Employee benefit plans

Contributions to defined contribution plans are charged to consolidated statements of income in the period in which services are rendered by the covered employees. Current service costs for defined benefit plans are accrued in the period to which they relate. The liability in respect of defined benefit plans is calculated annually by the Company using the projected unit credit method. Prior service cost, if any, resulting from an amendment to a plan is recognized and amortized over the remaining period of service of the covered employees. The Company recognizes its liabilities for compensated absences dependent on whether the obligation is attributable to employee services already rendered, relates to rights that vest or accumulate and payment is probable and estimable.

On January 1, 2018, the Company adopted ASU 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The service cost is recognized under "cost of revenue" and "selling, general and administrative expenses," depending on the functional area of the underlying employees included in the plans, and the non-operating components of net benefit plan costs are included within "other income (expense), net" in the consolidated statements of income.

The Company records annual amounts relating to its defined benefit plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases and turnover rates. The Company reviews its assumptions on an annual or quarterly basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in other comprehensive income (loss) and amortized to net periodic cost over future periods using the corridor method. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

(o) Deferred Compensation Plans

The Company maintains a non-qualified deferred compensation plan for certain employees. The plan is accounted for using the fair value measurement approach. Plan earnings are calculated by reference to actual earnings of the funds chosen by individual participants. In connection with the administration of this plan, the Company has purchased Company-owned life insurance policies insuring the lives of certain employees, held under a Rabbi Trust. The Company consolidates the invested assets of the trust. The cash surrender value of these insurance policies is included in “other assets” in the consolidated balance sheets at fair value. Gains or losses on the plan’s assets and changes in the fair value of deferred compensation liabilities are included in “other income (expense), net,” and “selling, general and administrative expenses,” respectively, in the consolidated statements of income.

(p) Stock-based compensation

The Company recognizes and measures compensation expense for all stock-based awards based on the grant date fair value. For option awards, grant date fair value is determined under the option-pricing model (Black-Scholes-Merton) and for awards other than option awards, grant date fair value is determined on the basis of the fair market value of a Company common share on the date of grant of such awards. The Company recognizes compensation expense for stock-based awards net of estimated forfeitures. Stock-based compensation recognized in the consolidated statements of income is based on awards ultimately expected to vest. As a result, the expense has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from such estimates.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

(q) Accelerated Share Repurchase

The Company entered into an accelerated share repurchase (“ASR”) agreement in 2017 with a third-party financial institution to repurchase shares of the Company’s common stock. Under the ASR agreement, the Company paid an upfront amount to the financial institution and received an initial delivery of shares. Upon an interim delivery and settlement of the ASR agreement, the financial institution delivered additional shares to the Company, with the final number of shares delivered determined by reference to the volume-weighted average price of the Company’s common shares over the term of the agreement, less an agreed-upon discount. The transactions were accounted for as equity transactions. All shares repurchased under the ASR agreement were retired. The number of weighted average common shares outstanding used by the Company for purposes of calculating basic and diluted earnings per share was reduced as of the date of delivery of the common shares.

(r) Government incentives

The Company recognizes incentives in the consolidated statement of income under “other income (expense), net.” Incentives are recognized in the income statement when there is reasonable assurance that the Company will comply with the conditions for their receipt and a reasonable expectation that the funds will be received. In certain circumstances, the receipt of an incentive may not be subject to any condition or requirement to incur further costs, in which case the incentive is recognized in the income statement for the period in which it becomes receivable. In the event that it becomes likely that the Company will be required to repay an incentive that has already been recognized, the Company makes a provision for the estimated liability.

(s) 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, 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 creditworthiness of the corporations and banks with which it does business. To reduce its credit risk on accounts receivable, the Company conducts ongoing credit evaluations of its clients. GE accounted for 11% of the Company’s receivables as of both December 31, 2017 and 2018. GE accounted for 14%, 10% and 9% of the Company’s revenues in the years ended December 31, 2016, 2017 and 2018, respectively.

(t) Earnings (loss) per share

Basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period. For the purposes of calculating diluted earnings per share, the treasury stock method is used for stock-based awards except where the results would be anti-dilutive.

(u) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with such liabilities are expensed as incurred.

(v) Debt Restructuring

The Company accounts for any restructuring of its credit facility using the ten percent cash flow test in accordance with ASC 470, Debt. If the cash flow effect of the change in terms on a present-value basis is less than ten percent, the debt instruments are not considered to be substantially different, and are accounted for as a modification. If the change is more than ten percent, it is treated as an extinguishment. In performing the cash flow test, the Company includes all amounts paid to its lenders in connection with the restructuring but excludes third party expenses. In the case of a modification, all new fees paid to lenders are capitalized and amortized as part of the existing effective yield and any new fees paid to third parties are expensed as incurred under selling, general and administrative expenses. No gain or loss is recorded in the case of a modification. In the case of an extinguishment, all new fees paid to lenders are expensed as incurred under selling, general and administrative expenses and any new fees paid to third parties are capitalized and amortized as a debt issuance cost. The old debt is derecognized and the new debt is recorded at fair value and a gain or loss is recorded for the difference between the net carrying value of the original debt and the fair value of the new debt.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

(w) Recently issued accounting pronouncements

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

The following recently released accounting standard has been adopted by the Company:

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvement to Employee Share-Based Payment Accounting. The new standard contains several amendments that will simplify the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, statutory tax withholding requirements, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The changes in the new standard eliminate the requirement for excess tax benefits to be recognized in additional paid-in capital and tax deficiencies recognized either in income tax expense or in additional paid-in capital. In the quarter ended December 31, 2016, the Company elected to early adopt ASU 2016-09 effective January 1, 2016 and applied ASU 2016-09 using a modified retrospective approach. The treatment of forfeitures has not changed as the Company is electing to continue its current process of estimating the number of forfeitures. With the early adoption of ASU 2016-09, the Company has elected to present the cash flow statement on a prospective transition method and no prior periods have been adjusted.

The Company adopted ASC Topic 606, Revenue from Contracts with Customers, with a date of initial application of January 1, 2018 using the modified retrospective method. The cumulative impact of the adoption of this standard is described in section (c) above.

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The new standard provides guidance to "allow a reclassification from accumulated other comprehensive income ("AOCI") to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act." The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those years, and the guidance may be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal income tax rate in the Tax Cuts and Jobs Act is recognized. Early adoption is permitted. On January 1, 2018, the Company elected the early adoption of ASU 2018-02, which was adopted at the beginning of the period and no prior periods have been adjusted.

In addition, the following recently released accounting standards have been adopted by the Company. Adoption of these standards did not have a material impact on the Company's consolidated results of operations, cash flows, financial position or disclosures:

Effective January 1, 2016, the Company adopted FASB ASU 2015-01 (Topic 225): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items ("ASU 2015-01"). Such items are defined as transactions or events that are both unusual in nature and infrequent in occurrence, and, currently, are required to be presented separately in the income statement, net of income tax, after income from continuing operations. The changes eliminate the concept of an extraordinary item and, therefore, the presentation of such items will no longer be required. Notwithstanding this change, the Company will still be required to present and disclose a transaction or event that is both unusual in nature and infrequent in occurrence in the notes to the consolidated financial statements.

Effective January 1, 2016, the Company adopted FASB ASU 2015-16 (Topic 805), Business Combinations ("ASU 2015-16"), which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. The guidance requires that the acquirer shall recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

Effective January 1, 2016, the Company adopted FASB ASU 2015-02. In February 2015, the FASB issued ASU No. 2015-02, Amendment to the Consolidation Analysis, which specifies changes to the analysis that an entity must perform to determine whether it should consolidate certain types of legal entities. These changes (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.

Effective January 1, 2017, the Company adopted FASB ASU 2016-06, Derivatives and Hedging (Topic 815). The amendments in this update clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this update is required to assess the embedded call (put) options solely in accordance with a four-step decision sequence.

Effective January 1, 2017, the Company early adopted FASB ASU 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments." The new guidance is intended to reduce diversity in how certain transactions are classified in the statement of cash flows.

Effective January 1, 2018, the Company adopted FASB ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business.” The new guidance revises the definition of a business. The definition of a business affects many areas of accounting (e.g., acquisitions, disposals, goodwill impairment, consolidation).

Effective January 1, 2018, the Company adopted FASB ASU 2016-16, “Intra-Entity Transfers of Assets Other Than Inventory.” The new guidance eliminates the exception for deferment of tax recognition until the transferred asset is sold to a third party or otherwise recovered through use for all intra-entity sales of assets other than inventory.

Effective January 1, 2018, the Company adopted FASB ASU 2017-07, “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” The ASU requires entities to (1) disaggregate the current service-cost component from the other components of net benefit cost (the “other components”) and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, the

ASU requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines.

The following recently released accounting standards have not yet been adopted by the Company:

In February 2016, FASB established Topic 842, “Leases”, by issuing ASU No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The ASU requires extensive qualitative and quantitative disclosures, including with respect to significant judgments made by management. Subsequently, the FASB issued ASU No. 2017-13, in September 2017, ASU No. 2018-01, in January 2018, ASU No. 2018-10, in July 2018, ASU No. 2018-11, in July 2018, ASU No. 2018-20, in December 2018 which amends and clarifies ASU 2016-02. The ASU will be effective for the Company beginning January 1, 2019, including interim periods in the fiscal year 2019. Early adoption is permitted. The Company will use a modified retrospective adoption approach using a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption with the effective date as its date of initial application on January 1, 2019, in its first reporting on adoption.

The Company has concluded its assessment of adopting ASU No. 2016-02 and expects that this standard will have a material effect on its financial statements. The assessment included reviewing existing leases and service contracts, which may include embedded leases. The Company is in the process of making necessary changes to its policies, processes, and internal controls as well as system enhancements to generate the information necessary for the new disclosures. The most significant effects of this new standard on the Company relate to (1) the recognition of new ROU (“Right of Use”) assets and lease liabilities on its balance sheet for various real estate operating leases and (2) providing significant new disclosures about its leasing activities.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2. Summary of significant accounting policies (Continued)

The Company has elected the "package of practical expedients," which allows the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company has also elected the practical expedient to not separate lease and non-lease components for all of its leases. As a result of adoption of the ASU, the Company will recognize additional liabilities ranging from $320,000 to $340,000, with corresponding ROU assets ranging from $300,000 to $320,000 based on the present value of the remaining minimum rental payments under current leasing standards for existing leases.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of credit losses on financial instruments." The ASU requires measurement and recognition of expected credit losses for financial assets held by the Company. The ASU is effective for the Company beginning January 1, 2020, including interim periods in fiscal year 2020. Subsequently, the FASB issued ASU No. 2018-19, in November 2018 which amends and clarifies some parts of ASU 2016-13.Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging." The amendment expands an entity's ability to do hedge accounting to non-financial and financial risk components and requires changes in fair value of hedging instruments to be presented in the same income statement line as the hedged item. The ASU also amends the presentation and disclosure requirements for the effect of hedge accounting. Subsequently, the FASB issued ASU No. 2018-16 in October 2018 which includes the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) rate as a benchmark interest rate for hedge accounting purposes. These ASUs are effective for the Company beginning January 1, 2019, including interim periods in the fiscal year 2019. The Company does not expect the adoption of this update to have a material impact on its consolidated results of operations, cash flows, financial position or disclosures.

In August 2018, the FASB issued ASU No. 2018-13, "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." The ASU modifies the disclosure requirements with respect to fair value measurements. The ASU is effective for the Company beginning January 1, 2020, including interim periods in fiscal year 2020. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

In August 2018, the FASB issued ASU No. 2018-14, "Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans." The ASU modifies the disclosure requirements with respect to defined benefit pension plans. The ASU is effective for the Company beginning January 1, 2021. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

In August 2018, the FASB issued ASU No. 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract." The ASU modifies the capitalization requirements with respect to implementation costs incurred by the customer in a hosting arrangement that is a service contract. The ASU is effective for the Company beginning January 1, 2020. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

(w) Reclassification

Certain reclassifications have been made in the consolidated financial statements of prior periods to conform to the classification used in the current period. The impact of such reclassifications on the consolidated financial statements is not material.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

3. Business acquisitions and divestiture

A. Certain acquisitions

(a) Barkawi Management Consultants GmbH & Co. KG and certain related entities

On August 30, 2018, the Company acquired 100% of the outstanding equity/partnership interests in Barkawi Management Consultants GmbH & Co. KG, a German limited partnership, and certain affiliated entities in the United States, Germany and Austria (collectively referred to as "Barkawi") for total purchase consideration of $101,307. This amount includes cash consideration of $95,625, net of cash acquired of $5,682. The total purchase consideration paid by the Company was $100,969, resulting in a payable of $338, which is outstanding as of December 31, 2018. During the quarter ended December 31, 2018, the Company recorded certain measurement period adjustments. These adjustments did not have a significant impact on the Company's consolidated statements of income, balance sheets or cash flows. The Company is evaluating adjustments related to certain tax positions, which, when determined, may result in the recognition of additional assets and liabilities as of the acquisition date. The measurement period will not exceed one year from the acquisition date. This acquisition enhances the Company's supply chain management consulting capabilities.

In connection with the acquisition of Barkawi, the Company recorded $10,200 in customer-related intangibles and $1,800 in marketing-related intangibles, which have a weighted average amortization period of three years. Goodwill arising from the acquisition amounted to $81,250, which includes measurement period adjustments and has been allocated to the Company's India reporting unit and is partially deductible for tax purposes. The goodwill represents primarily the consulting expertise, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

Acquisition-related costs of $1,842 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of $17,314, assumed certain liabilities amounting to $10,149 and recognized a net deferred tax asset of $892. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition.

(b) Commonwealth Informatics Inc.

On July 3, 2018, the Company acquired 100% of the outstanding equity interest in Commonwealth Informatics Inc. (“Commonwealth”), a Massachusetts corporation, for preliminary purchase consideration of $17,599. This amount includes cash consideration of $16,123, net of cash acquired of $1,477, and preliminary adjustments for working capital and indebtedness. As of December 31, 2018, the total consideration paid by the Company to the sellers was $17,333, resulting in a payable of $266. The Company is evaluating certain tax positions, which, when determined, may result in the recognition of additional assets and liabilities as of the acquisition date. The measurement period will not exceed one year from the acquisition date. This acquisition enhances the Company’s signal management and pharmacovigilance capabilities for clients in the life sciences industry.

In connection with the acquisition of Commonwealth, the Company recorded $2,200 in customer-related intangibles and $2,600 in technology-related intangible assets, which have a weighted average amortization period of four years. Goodwill arising from the acquisition amounted to $11,248, which has been allocated to the Company’s India reporting unit and is deductible for tax purposes. The goodwill represents primarily the acquired capabilities, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

Acquisition-related costs of $521 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of $2,583 and assumed certain liabilities amounting to $1,032. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company’s consolidated financial statements with effect from the date of the acquisition.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

3. Business acquisitions and divestiture (Continued)

(c) Strategic Sourcing Excellence Limited

On January 8, 2016, the Company acquired 51% of the outstanding equity interest in Strategic Sourcing Excellence LLC ("SSE"), a Delaware limited liability company. The total consideration paid by the Company to the selling equity holders for the acquired interest in SSE was $14,541. This amount includes the fair value of earn-out consideration, cash consideration of $2,550, adjusted for working capital, transaction expenses, indebtedness and measurement period adjustments which did not have a significant impact on the Company' consolidated statements of income, balance sheets or cash flows in the adjustment periods. The equity purchase agreement between the Company and the selling equity holders of SSE also provided for contingent earn-out consideration of up to $20,000, payable by the Company to the selling equity holders based on the future performance of the acquired business relative to the thresholds specified in the earn-out calculation. Up to $9,800 of the total potential earn-out consideration, representing the selling equity holders' redeemable, non-controlling 49% interest in SSE, was payable only if either the put or call option, each as described below, was exercised. This acquisition enhanced the Company's sourcing and procurement consulting domain expertise.

The equity purchase agreement granted the Company a call option to purchase the remaining 49% equity interest in SSE, which the Company had the right to exercise between January 1, 2018 and January 31, 2018. As the Company did not exercise its call option during such period, the selling equity holders exercised their put option on March 1, 2018 in accordance with the terms of the equity purchase agreement to require the Company to purchase their 49% interest in SSE for $2,950. The Company also paid $1,780 in earn-out consideration to the selling equity holders during the three months ended March 31, 2018. The amount paid in excess of carrying amount has been recorded in additional paid-in capital.

Acquisition-related costs of $164 have been included in selling, general and administrative expenses as incurred. Through this transaction, the Company acquired assets with a value of $412 and assumed liabilities amounting to $617. The results of operations of the acquired business, the fair value of the acquired assets and assumed liabilities, and redeemable non-controlling interest are included in the Company's Consolidated Financial Statements with effect from the date of the acquisition.

In connection with the transaction, the Company recorded $300 in customer-related intangible assets with an amortization period of five years. Goodwill arising from the acquisition amounted to $14,445, which has been allocated to the Company's India reporting unit and is deductible for tax purposes. The goodwill represents future economic benefits the Company expects to derive from its expanded presence in the sourcing and procurement consulting domains, operating synergies and other anticipated benefits of combining the acquired operations with those of the Company.

(d) TandemSeven, Inc.

On September 5, 2017, the Company acquired 100% of the outstanding equity interest in TandemSeven, Inc. ("TandemSeven"), a Massachusetts corporation, for total purchase consideration of $35,637. This amount includes cash consideration of $31,784, net of cash acquired of $3,853, and an adjustment for working capital and indebtedness. During the quarter ended March 31, 2018, the Company recorded certain measurement period adjustments. These adjustments did not have a significant impact on the Company's consolidated statements of income, balance sheets or cash flows. TandemSeven's focus on improving the design of customer experiences complements the Company's existing capabilities aimed at transforming clients' processes end-to-end.

In connection with the acquisition of TandemSeven, the Company recorded $2,000 in customer-related intangibles, $1,700 in marketing-related intangibles and $800 in technology-related intangible assets, which have a weighted average amortization period of two years. Goodwill arising from the acquisition amounted to $25,227, which has been allocated to the Company's India reporting unit and is deductible for tax purposes. The goodwill represents primarily the acquired design expertise, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

Acquisition-related costs of $932 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of $7,378, assumed certain liabilities amounting to $1,207 and recognized a net deferred tax liability of $260. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

3. Business acquisitions and divestiture (Continued)

(e) BrightClaim LLC and associated companies

On May 3, 2017, the Company acquired 100% of the outstanding equity interest in each of BrightClaim LLC, a Delaware limited liability company, BrightServe LLC, a Georgia limited liability company, National Vendor LLC, a Delaware limited liability company, and BrightClaim Blocker, Inc., a Delaware corporation (collectively referred to as "BrightClaim") for total purchase consideration of $56,461. This amount includes cash consideration of $52,395, net of cash acquired of $4,002, adjusted for working capital, net debt, transaction expenses and measurement period adjustments which did not have a significant impact on the Company' consolidated statements of income, balance sheets or cash flows in the period of adjustments. This acquisition enhanced the Company's breadth and depth of service offerings for clients in the insurance industry.

In connection with the acquisition of BrightClaim, the Company recorded $8,000 in customer-related intangibles, $3,200 in marketing related intangibles, $2,200 in technology-related intangibles and $200 in other intangibles, which have a weighted average amortization period of four years. Goodwill arising from the acquisition amounted to $42,638, which has been allocated to the Company's India reporting unit and is partially deductible for tax purposes. The goodwill represents primarily the capabilities, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

Acquisition-related costs of $1,563 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of $10,367, assumed certain liabilities amounting to $7,415, and recognized a net deferred tax liability of $2,728. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition.

(f) RAGE Frameworks, Inc.

On April 13, 2017, the Company acquired 100% of the outstanding equity interest in RAGE Frameworks, Inc. ("RAGE"), a Delaware corporation, for total consideration of $125,329. This amount includes cash consideration of $124,149, net of cash acquired of $1,605, and an adjustment for working capital and indebtedness. During the quarters ended December 31, 2017 and June 30, 2018, the Company recorded certain measurement period adjustments. These measurement period adjustments did not have a significant impact on the Company's consolidated statements of income, balance sheets or cash flows. This acquisition enhances the Company's digital and artificial intelligence capabilities by adding knowledge-based automation technology and services.

In connection with the acquisition of RAGE, the Company recorded $1,600 in customer-related intangibles, $600 in marketing-related intangibles, $12,400 in technology-related intangible assets and $100 in other intangible assets, which have a weighted average amortization period of seven years. Goodwill arising from the acquisition amounted to $105,451, which has been allocated to the Company's India reporting unit and is not deductible for tax purposes. The goodwill represents primarily the acquired digital and artificial intelligence capabilities, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

Acquisition-related costs of $881 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of $13,836 and assumed certain liabilities amounting to $9,752. The Company also recognized a net deferred tax asset of $1,094. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

3. Business acquisitions and divestiture (Continued)

(g) Other acquisitions in 2017

In 2017, the Company also completed five individually immaterial business acquisition transactions, namely the acquisition of a supply chain management delivery center in the U.S. (“U.S. Delivery Center”), the purchase of all of the outstanding equity interest in OnSource, LLC (“OnSource”), the purchase of the IT business of Birlasoft (“Birlasoft”), the purchase of the image processing business of Fiserv Solutions of Australia Pty Ltd. (“Fiserv”) and the purchase of all of the outstanding equity interest in Lease Dimensions, Inc. (“Lease Dimensions”). The aggregate total consideration the Company paid to consummate these acquisitions was $87,586. This aggregate amount includes the fair value of contingent earn-out consideration, cash consideration of $76,612, net of cash acquired of $254, and adjustments for closing date working capital, indebtedness, value transfer, seller transaction expenses and certain employee-related liabilities. In addition, this amount reflects measurement period adjustments related to the Birlasoft and Fiserv transactions. These adjustments did not have a significant impact on the Company’s consolidated statements of income, balance sheets or cash flows in the periods in which they were made.

The U.S. Delivery Center acquisition enhanced the Company’s supply chain management capabilities for its clients in the consumer packaged goods industry. The OnSource acquisition brought incremental digital capabilities to the Company’s insurance service offerings. The Birlasoft transaction expanded the Company’s end-to-end capabilities for its clients in the healthcare and aviation industries. The Fiserv transaction strengthened the Company’s financial services portfolio and expanded its Australia footprint. The Lease Dimensions acquisition enhanced the Company’s capabilities in commercial lending and leasing.

The purchase agreement for the acquisition of the U.S. Delivery Center provides for contingent earn-out consideration ranging from $0 to $10,000, payable by the Company to the seller based on the achievement of certain milestones relative to the thresholds specified in the earn-out calculation. The purchase agreement for the Lease Dimensions acquisition provides for contingent earn-out consideration ranging from $0 to $3,000, payable by the Company to the sellers based on the future performance of the business relative to the thresholds specified in the earn-out calculation.

In connection with these transactions, the Company recorded $33,494 in customer-related intangibles, $1,936 in marketing-related intangibles, $2,956 in technology-related intangibles and $100 in other intangibles, which have a weighted average amortization period of five years. Goodwill arising from these acquisitions amounted to $56,521. The goodwill represents primarily the capabilities, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

The following table sets forth, with respect to each of the five acquisitions, the acquisition date, goodwill reporting unit and the tax deductibility of the goodwill:

Acquisition	Acquisition date	Goodwill reporting unit	Tax deductibility - goodwill
U.S. Delivery Center	October 16, 2017	India	Deductible
OnSource	July 18, 2017	India	Deductible
Birlasoft	July 18, 2017	IT Services	Deductible
Fiserv	May 11, 2017	India	Non-deductible
Lease Dimensions	February 15, 2017	Americas	Non-deductible

Acquisition-related costs for these acquisitions, amounting to $2,369 in the aggregate, have been included in selling, general and administrative expenses as incurred. Through these transactions, the Company acquired assets with a value of $10,387, assumed liabilities amounting to $11,239, and recognized a net deferred tax liability of $6,570. The results of operations of the acquired businesses and the fair value of the acquired assets and assumed liabilities are included in the Company’s consolidated financial statements with effect from the respective dates of the acquisitions.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

3. Business acquisitions and divestiture (Continued)

B. Divestiture

(a) A portion of IT support business in Europe

In November 2017, the Company completed the sale of a portion of its legacy IT support business in Europe (the "Business"). Sale proceeds were $0. During the year ended December 31, 2017, the Business recorded net revenues of $4,546 and a net loss of $9,706.

The Company recorded a loss of $5,668 in its consolidated statement of income in connection with the sale of the Business, calculated as follows:

Net sale proceeds	$	—
Net assets of the business, including the translation impact thereof	5,569	
Selling expenses	99	
Loss on divestiture included in other income (expense), net	$	5,668

4. Cash and cash equivalents

	As of December 31,	
	2017	2018
Cash and other bank balances	$504,468	$368,396
Total	$504,468	$368,396

5. Accounts receivable, net of reserve for doubtful receivables

The following table provides details of the Company's reserve for doubtful receivables:

	Year ended December 31,		
	2016	2017	2018
Opening balance as of January 1	$11,530	$15,519	$23,660
Additions due to acquisitions	—	235	—
Additions charged/reversal released to cost and expense	7,282	9,819	1,857
Deductions/effect of exchange rate fluctuations	(3,293)	(1,913)	(1,557)
Closing balance	$15,519	$23,660	$23,960

Accounts receivable were $716,745 and $798,144 , and reserves for doubtful receivables were $23,660 and $23,960, resulting in net accounts receivable balances of $693,085 and $774,184 as of December 31, 2017 and 2018, respectively. In addition, accounts receivable due after one year amounting to $1,624 and $4,099 as of December 31, 2017 and 2018, respectively, are included under other assets in the consolidated balance sheets.

Accounts receivable from related parties were $36 and $99 as of December 31, 2017 and 2018, respectively. There are no doubtful receivables in amounts due from related parties.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

6. Fair Value Measurements

The Company measures certain financial assets and liabilities, including derivative instruments, at fair value on a recurring basis. The fair value measurements of these financial assets and liabilities were determined using the following inputs as of December 31, 2017 and 2018:

	As of December 31, 2017 Fair Value Measurements at Reporting Date Using						
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Other Unobservable Inputs (Level 3)	
Assets							
Derivative instruments (Note a, c)	$73,098	$	—	$	73,098	$	—
Total	$73,098	$	—	$	73,098	$	—
Liabilities							
Earn out consideration (Note b, d)	$24,732	$	—	$	—	$	24,732
Derivative instruments (Note b, c)	$18,188	$	—	$	18,188	$	—
Total	$42,920	$	—	$	18,188	$	24,732
Redeemable non-controlling interest (Note e)	$4,750	$	—	$	—	$	4,750

	As of December 31 2018 Fair Value Measurements at Reporting Date Using						
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Other Unobservable Inputs (Level 3)	
Assets							
Derivative instruments (Note a, c)	$44,099	$	—	$	44,099	$	—
Deferred compensation plan assets (a, f)	1,613		—		—		1,613
Total	$45,712	$	—	$	44,099	$	1,613
Liabilities							
Earn-out consideration (Note b, d)	$17,073	$	—	$	—	$	17,073
Derivative instruments (Note b, c)	35,245		—		35,245		—
Deferred compensation plan liability (b, g)	1,582		—		—		1,582
Total	$53,900	$	—	$	35,245	$	18,655

(a) Included in “prepaid expenses and other current assets” and “other assets” in the consolidated balance sheets.
(b) Included in “accrued expenses and other current liabilities” and “other liabilities” in the consolidated balance sheets.
(c) The Company values its derivative instruments based on market observable inputs, including both forward and spot prices for the relevant currencies and interest rate indices for relevant interest rates. The quotes are taken from an independent market database.
(d) The fair value of earn-out consideration, calculated as the present value of expected future payments to be made to the sellers of acquired businesses, was derived by estimating the future financial performance of the acquired businesses using the earn-out formula and performance targets specified in each purchase agreement and adjusting the result to reflect the Company’s estimate of the likelihood of achievement of such targets. Given the significance of the unobservable inputs, the valuations are classified in level 3 of the fair value hierarchy.
(e) The Company’s estimate of the fair value of redeemable non-controlling interest as of December 31, 2017 is based on unobservable inputs considering the assumptions that market participants would make in pricing the obligation. Given the significance of the unobservable inputs, the valuation was classified in level 3 of the fair value hierarchy. Refer to Note 3—Business Acquisitions.
(f) Deferred compensation plan assets consist of life insurance policies held under a Rabbi Trust. Assets held in the Rabbi Trust are valued based on the cash surrender value of the insurance contract, which is determined based on the fair value of the underlying assets included in the insurance portfolio and are therefore classified within level 3 of the valuation hierarchy.

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Notes to the Consolidated Financial Statements

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

6. Fair Value Measurements (Continued)

(g) The fair value of the deferred compensation plan liability is derived based on the fair value of the underlying assets in the insurance policies and is therefore classified within level 3 of the valuation hierarchy.

The following table provides a roll-forward of the fair value of earn-out consideration categorized as level 3 in the fair value hierarchy for the years ended December 31, 2017 and 2018:

	Year ended December 31, 2017	Year ended December 31, 2018
Opening balance	$22,435	$24,732
Earn-out consideration payable in connection with acquisitions	10,720	—
Payments made on earn-out consideration	(7,239)	(3,356)
Change in fair value of earn out consideration (Note a)	(3,695)	(5,655)
Others (Note b)	2,511	1,352
Ending balance	$24,732	$17,073

(a) Changes in the fair value of earn-out consideration are reported in "other operating (income) expense, net" in the consolidated statements of income.

(b) Interest expense is included in "interest income (expense), net" and the impact of changes in foreign exchange is reported in "foreign exchange gains (losses), net" in the consolidated statements of income. The cumulative translation adjustment is reported as a component of "other comprehensive income (loss)."

The following table provides a roll-forward of the fair value of deferred compensation plan assets categorized as level 3 in the fair value hierarchy for the year ended December 31, 2017 and 2018:

	Year ended December 31, 2017	Year ended December 31, 2018
Opening balance	$—	$—
Redemptions	—	—
Additions	—	1,669

Change in fair value of deferred compensation plan assets (note a)	—	(56)
Closing balance	$—	$1,613

(a) Changes in the fair value of plan assets are reported in “other income (expense), net” in the consolidated statements of income.

The following table provides a roll-forward of the fair value of deferred compensation liabilities categorized as level 3 in the fair value hierarchy for the year ended December 31, 2017 and 2018:

	Year ended December 31,	
	2017	2018
Opening balance	$—	$—
Redemptions	—	—
Additions	—	1669
Change in fair value of deferred compensation plan liabilities (note a)	—	(87)
Closing balance	$—	$1,582

(a) Changes in the fair value of deferred compensation liabilities are reported in “selling, general and administrative expenses” in the consolidated statements of income.

GENPACT LIMITED AND ITS SUBSIDIARIES

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7. Derivative financial instruments

The Company is exposed to the risk of rate fluctuations on foreign currency assets and liabilities and on foreign currency denominated forecasted cash flows. The Company has established risk management policies, including the use of derivative financial instruments to hedge foreign currency assets and liabilities and foreign currency denominated forecasted cash flows and interest rate risks. These derivative financial instruments are largely deliverable and non-deliverable forward foreign exchange contracts and interest rate swaps. The Company enters into these contracts with counterparties that are banks or other financial institutions, and the Company considers the risk of non-performance by such counterparties not to be material. The forward foreign exchange contracts and interest rate swaps mature over periods of up to 60 months and the forecasted transactions are expected to occur during the same periods.

The following table presents the aggregate notional principal amounts of outstanding derivative financial instruments together with the related balance sheet exposure:

	Notional principal amounts (note a)		Balance sheet exposure asset (liability) (note b)	
	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018
Foreign exchange forward contracts denominated in:				
United States Dollars (sell) Indian Rupees (buy)	$ 1,289,400	$ 1,439,000	$ 54,398	$ (3,643)
United States Dollars (sell) Mexican Peso (buy)	9,000	—	(441)	—
United States Dollars (sell) Philippines Peso (buy)	76,650	55,800	69	(1,510)
Euro (sell) United States Dollars (buy)	170,542	136,412	(2,069)	4,804
Pound Sterling (buy) United States Dollars (sell)	24,041	128	253	(128)
Euro (sell) Romanian Leu (buy)	35,826	41,198	(892)	(299)
Japanese Yen (sell) Chinese Renminbi (buy)	60,768	40,568	1,918	(2,195)
Pound Sterling (sell) United States Dollars (buy)	80,871	27,517	(2,478)	495
Australian Dollars (sell) United States Dollars (buy)	136,092	89,780	(5,180)	3,548
Interest rate swaps (floating to fixed)	432,117	507,425	9,332	7,782
			54,910	8,854

(a) Notional amounts are key elements of derivative financial instrument agreements but do not represent the amount exchanged by counterparties and do not measure the Company's exposure to credit, foreign exchange, interest rate or other market risks. However, the amounts exchanged are based on the notional amounts and other provisions of the underlying derivative financial instrument agreements.

(b) Balance sheet exposure is denominated in U.S. dollars and denotes the mark-to-market impact of the derivative financial instruments on the reporting date.

FASB guidance on derivatives and hedging requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. In accordance with the FASB guidance on derivatives and hedging, the Company designates foreign exchange forward contracts and interest rate swaps as cash flow hedges. Foreign exchange forward contracts are entered into to cover the effects of future exchange rate variability on forecasted revenue and purchases of services, and interest rate swaps are entered into to cover interest rate fluctuation risk. In addition to this program, the Company uses derivative instruments that are not accounted for as hedges under the FASB guidance in order to hedge foreign exchange risks related to balance sheet items, such as receivables and intercompany borrowings, that are denominated in currencies other than the Company's underlying functional currency.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

7. Derivative financial instruments (Continued)

The fair values of the Company's derivative instruments and their location in the Company's financial statements are summarized in the table below:

	Cash flow hedges		Non-designated	
	As of December 31,	As of December 31,	As of December 31,	As of December 31,
	2017	2018	2017	2018
Assets				
Prepaid expenses and other current assets	$ 43,557	$ 23,038	$ 4,635	$ 11,490
Other assets	$ 24,906	$ 9,571	$ —	$ —
Liabilities				
Accrued expenses and other current liabilities	$ 10,092	$ 15,148	$ 254	$ 225
Other liabilities	$ 7,842	$ 19,872	$ —	$ —

Cash flow hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain (loss) on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction is recognized in the consolidated statements of income. Gains (losses) on the derivatives, representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness, are recognized in earnings as incurred.

In connection with cash flow hedges, the gains (losses) recorded as a component of other comprehensive income (loss), or OCI, and the related tax effects are summarized below:

	Year ended December 31,								
	2016			2017			2018		
	Before-Tax amount	Tax (Expense) or Benefit	Net of tax Amount	Before-Tax amount	Tax (Expense) or Benefit	Net of tax Amount	Before-Tax amount	Tax (Expense) or Benefit	Net of tax Amount
Opening balance	$ (30,090)	$ 9,830	$ (20,260)	$ 37,461	$ (13,979)	$ 23,482	$ 50,529	$ (14,436)	$ 36,093
Adoption of ASU 2018-02 (refer to note	—	—	—	—	—	—	—	2,265	2,265

25)

Net gains (losses) reclassified into statement of income on completion of hedged transactions (Note (a))	(6,799)	409	(6,390)	54,494	(17,725)	36,769	9,336	(1,073)	8,263
Changes in fair value of effective portion of outstanding derivatives, net	60,752	(23,400)	37,352	67,562	(18,182)	49,380	(43,604)	5,574	(38,030)
Gain (loss) on cash flow hedging derivatives, net	67,551	(23,809)	43,742	13,068	(457)	12,611	(52,940)	6,647	(46,293)
Closing balance	$37,461	$(13,979)	$23,482	$50,529	$(14,436)	$36,093	$(2,411)	$(5,524)	$(7,935)

Note (a) The tax (expense) benefit includes the effect of novating certain hedging instruments as part of an intercompany transfer.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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7. Derivative financial instruments (Continued)

The gains or losses recognized in other comprehensive income (loss) and their effects on financial performance are summarized below:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) recognized in OCI on Derivatives (Effective Portion) Year ended December 31, 2016	2017	2018	Location of Gain (Loss) reclassified from OCI into Statement of Income (Effective Portion)	Amount of Gain (Loss) reclassified from OCI into Statement of Income (Effective Portion) Year ended December 31, 2016	2017	2018
Forward foreign exchange contracts	$54,664	$66,037	$(45,840)	Revenue	$12,859	$5,858	$(716)
Interest rate swaps	6,088	1,525	2,236	Cost of revenue	(14,223)	37,849	4,723
				Selling, general and administrative expenses	$(3,765)	10,849	1,543
				Interest expense	(1,670)	(62)	3,786
	$60,752	$67,562	$(43,604)		$(6,799)	$54,494	$9,336

There were no gains (losses) related to the ineffective portion of derivatives for the periods shown.

Non-designated Hedges

Amount of Gain (Loss) recognized in Statement of Income on Derivatives Year ended December 31,

Derivatives not designated as hedging instruments	Location of Gain (Loss) recognized in Statement of Income on Derivatives	2016	2017	2018
Forward foreign exchange contracts (Note a)	Foreign exchange gains (losses), net	$2,921	$16,696	$(6,240)
		$2,921	$16,696	$(6,240)

(a) These forward foreign exchange contracts were entered into to hedge fluctuations in foreign exchange rates for recognized balance sheet items, such as receivables and intercompany borrowings, and were not originally designated as hedges under FASB guidance on derivatives and hedging. Realized gains (losses) and changes in the fair value of these derivatives are recorded in foreign exchange gains (losses), net in the consolidated statements of income.

8. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of December 31,	
	2017	2018
Advance income and non-income taxes	$51,832	$58,701
Deferred transition costs	62,029	—
Contract asset (Note 27)	—	22,472
Customer acquisition cost	19,327	—
Prepaid expenses	16,944	25,996
Derivative instruments	48,192	34,528
Employee advances	5,014	3,772
Deposits	4,719	2,758
Advances to suppliers	2,705	1,998
Others	25,580	62,252
	$236,342	$212,477

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

9. Property, plant and equipment, net

Property, plant and equipment, net consist of the following:

	As of December 31,	
	2017	2018
Land	$10,209	$9,401
Buildings	46,007	43,078
Furniture and fixtures	43,091	47,206
Computer equipment and servers	210,725	210,239
Plant, machinery and equipment	92,981	88,937
Computer software	137,459	138,824
Leasehold improvements	102,072	105,965
Vehicles	6,418	5,309
Capital work in progress	17,069	11,795
Property, plant and equipment, gross	$666,031	$660,754
Less: Accumulated depreciation and amortization	(459,001)	(448,039)
Property, plant and equipment, net	$207,030	$212,715

Depreciation expense on property, plant and equipment for the years ended December 31, 2016, 2017 and 2018 was $45,826, $44,909 and $49,518, respectively. Software amortization for the years ended December 31, 2016, 2017 and 2018 amounted to $9,471, $11,415 and $12,317, respectively.

The depreciation and amortization expenses set forth above include the effect of the reclassification of foreign exchange (gains) losses related to the effective portion of foreign currency derivative contracts, amounting to $744, $(1,712) and $(231) for the years ended December 31, 2016, 2017 and 2018, respectively.

Property, plant and equipment, net include assets held under capital lease arrangements amounting to $3,302 and $2,343 as of December 31, 2017 and December 31, 2018, respectively. Depreciation expense in respect of these assets was $1,564, $1,682 and $1,395 for the years ended December 31, 2016, 2017 and 2018, respectively.

During the year ended December 31, 2018, the Company tested for recoverability a group of assets, comprised of computer software and technology-related intangible assets, as a result of a downward revision to the forecasted cash flows to be generated by this group of assets. Based on the results of its testing, the Company determined that the carrying value of the group of assets exceeded the estimated undiscounted cash flows and the Company recorded a $4,265 write-down to reduce the carrying value to its fair value. The Company used the income approach to determine the fair value of the group of assets for the purpose of calculating the charge. This write-down has been recorded in other operating (income) expenses, net in the consolidated statement of income and has been allocated to computer software and technology-related intangible assets, amounting to $1,200 and $3,065, respectively.

During the year ended December 31, 2017, the Company tested for recoverability a group of assets, comprised of computer software and a technology-related intangible asset, as a result of a downward revision to the forecasted cash flows to be generated by this group of assets. Based on the results of its testing, the Company determined that the carrying value of the group of assets exceeded the estimated undiscounted cash flows and the Company recorded an $8,000 write-down to reduce the carrying value to its fair value. The Company used the income approach to determine the fair value of the group of assets for the purpose of calculating the charge. This write-down has been recorded in other operating (income) expenses, net in the consolidated statement of income and has been allocated to computer software and technology-related intangible assets, amounting to $5,760 and $2,240, respectively.

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10. Goodwill and intangible assets

The following table presents the changes in goodwill for the years ended December 31, 2017 and 2018:

	As of December 31,	
	2017	2018
Opening balance	$1,069,408	$1,337,122
Goodwill relating to acquisitions consummated during the period	229,745	91,936
Impact of measurement period adjustments	(106)	816
Effect of exchange rate fluctuations	38,075	(36,042)
Closing balance	$1,337,122	$1,393,832

Goodwill has been allocated to the following reporting units, which represent different business units of the Company, as follows:

	As of December 31,	
	2017	2018
India	$735,596	$794,902
China	60,171	59,319
Europe	41,775	40,033
Americas	57,021	57,021
IT services	442,559	442,557
	$1,337,122	$1,393,832

In the year ended December 31, 2018 and December 31, 2017, in accordance with ASU 2011-08, the Company performed an assessment of qualitative factors to determine whether events or circumstances exist that may lead 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 such assessment, as at December 31, 2018 and December 31, 2017, the Company concluded that it is not more likely than not that the fair values of any of the Company’s reporting units are less than their carrying amounts.

The total amount of the Company’s goodwill deductible for tax purposes is $120,617 and $187,546 as of December 31, 2017 and 2018, respectively.

The Company’s intangible assets acquired either individually or with a group of other assets or in a business combination are as follows:

	As of December 31, 2017			As of December 31,2018		
	Gross carrying amount	Accumulated amortization & Impairment	Net	Gross carrying amount	Accumulated amortization & Impairment	Net
Customer-related intangible assets	$369,173	$ 293,029	$76,144	$368,558	$ 306,582	$61,976
Marketing-related intangible assets	52,443	39,212	13,231	54,714	46,591	8,123
Technology-related intangible assets	54,189	28,278	25,911	76,790	33,976	42,814
Other intangible assets	3,081	2,314	767	1,204	1,077	127
Intangible assets under development	15,537	-	15,537	64,047	-	64,047
	494,423	362,833	$131,590	$565,313	$ 388,226	$177,087

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

10. Goodwill and intangible assets (Continued)

Amortization expenses for intangible assets disclosed in the Consolidated Statements of Income under amortization of acquired intangible assets for the years ended December 31, 2016, 2017 and 2018 were $27,183, $36,412 and $38,850, respectively.

Amortization expenses for technology-related internally developed intangible assets disclosed in the consolidated statements of income under "cost of revenue" and "selling, general and administrative expense" for the years ended December 31, 2016, 2017 and 2018 were $0, $452 and $2,807, respectively.

Amortization expenses for the technology-related, internally-developed intangible assets set forth above include the effect of the reclassification of foreign exchange (gains) losses related to the effective portion of foreign currency derivative contracts, amounting to $0, $(15) and $5 for the years ended December 31, 2016, 2017 and 2018, respectively.

The Company recorded write-downs to technology-related intangible assets during the years ended December 31, 2017 and 2018, as described in note 9.

During the year ended December 31, 2017, the Company tested a customer-related intangible asset for recoverability as a result of the termination of a client contract. Based on the results of such testing, the Company recorded a $1,311 write-down to reduce the amount of the asset's total carrying value. The Company used the income approach to determine the fair value of the intangible asset for the purpose of calculating the resulting charge. This write-down has been recorded in other operating (income) expenses, net in the consolidated statement of income. During the year ended December 31, 2017, the Company also recorded a write-down to a technology-related intangible asset as described in note 9.

During the year ended December 31, 2016, the Company tested an intangible software asset for recoverability as a result of a downward revision to the forecasted cash flows to be generated by the intangible asset. The Company previously recorded a charge to this asset in the third quarter of 2015. Based on the results of its testing, the Company determined that the carrying value of the intangible asset exceeded its estimated undiscounted cash flows by $10,324 and recorded an additional write-down to further reduce the carrying value by this amount. The Company used the income approach to determine the fair value of the intangible asset for the purpose of calculating the charge. This write-down had been recorded in other operating (income) expenses, net in the consolidated statement of income.

During the year ended December 31, 2016, the Company also tested a customer-related intangible asset for recoverability as a result of the termination of a client contract. Based on results of such testing, the Company recorded an $871 write-down in the amount of the asset's total carrying value. The Company used the income approach to determine the fair value of the intangible asset for the purpose of calculating the resulting charge. This write-down had been recorded in other operating (income) expenses, net in the consolidated statement of income.

The estimated amortization schedule for the Company's intangible assets for future periods is set out below:

2019	$36,395
2020	34,949
2021	20,814
2022	10,957
2023 and beyond	9,925
	$113,040

GENPACT LIMITED AND ITS SUBSIDIARIES

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11. Other Assets

Other assets consist of the following:

	As of December 31,	
	2017	2018
Customer acquisition cost	$37,017	—
Contract asset (Note 27)	—	22,563
Advance income and non-income taxes	63,474	62,942
Deferred transition costs	77,255	—
Deposits	32,174	25,984
Derivative instruments	24,906	9,571
Prepaid expenses	2,849	5,052
Accounts Receivable due after one year	1,624	4,099
Others	22,870	24,948
	$262,169	$155,159

12. Leases

The Company has leased vehicles, furniture and fixtures, computer equipment and servers, and plants, machinery and equipment from various lessors under capital lease arrangements which are not material to the consolidated financial statements.

The Company conducts its operations using facilities under non-cancellable operating lease agreements that expire at various dates. Future minimum lease payments under these agreements are as follows:

As of December 31:	
2019	$64,099
2020	58,434
2021	53,170

2022	47,976
2023	38,862
2024 and beyond	147,765
Total minimum lease payments	$410,306

Rental expenses in agreements with rent holidays and scheduled rent increases are recorded on a straight-line basis over the applicable lease term. Rent expenses under cancellable and non-cancellable operating leases were $50,827, $59,484 and $66,110 for the years ended December 31, 2016, 2017 and 2018, respectively.

The rental expenses set out above include the effect of the reclassification of foreign exchange (gains) losses related to the effective portion of foreign currency derivative contracts amounting to $598, $(1,533) and $(195) for the years ended December 31, 2016, 2017 and 2018, respectively.

GENPACT LIMITED AND ITS SUBSIDIARIES

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13. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of December 31,	
	2017	2018
Accrued expenses	$204,997	$179,843
Accrued employee cost	204,506	210,251
Earn-out consideration	14,928	16,875
Statutory liabilities	36,283	42,728
Retirement benefits	21,074	22,921
Derivative instruments	10,346	15,373
Advance from customers	25,476	—
Contract liabilities (Note 27)	—	64,744
Deferred transition revenue	52,233	—
Other liabilities	13,093	16,807
Capital lease obligations	1,546	1,808
	$584,482	$571,350

14. Long-term debt

In August 2018, the Company amended its 2015 credit facility (“the 2015 Facility”), which was comprised of an $800,000 term loan and a $350,000 revolving credit facility. The amended facility (the “2018 Facility”) is comprised of a $680,000 term loan, which represents the outstanding balance under the 2015 Facility as of the date of amendment, and a $500,000 revolving credit facility. The 2018 Facility expires on August 8, 2023. The amendment did not result in a substantial modification of $550,814 of the outstanding term loan under the 2015 Facility. Further, as a result of the amendment, the Company extinguished the outstanding term loan under the 2015 Facility of $129,186 and obtained additional funding of $129,186, resulting in no change to the outstanding principal of the term loan under the 2018 Facility. In connection with the amendment, the Company expensed $2,029, representing partial acceleration of the amortization of the existing unamortized debt issuance costs and an additional fee paid to the Company’s lenders related to the term loan. The overall borrowing capacity under the revolving credit facility increased from $350,000 to $500,000. The amendment of the revolving credit facility resulted in accelerated amortization of $82 relating to existing unamortized debt issuance cost. The remaining unamortized costs and an additional third party fee paid in connection with the amendment will be amortized over the term of the amended facility, which will expire on August 8, 2023.   .

Borrowings under the 2018 Facility bear interest at a rate equal to, at the election of the Company, either LIBOR plus an applicable margin equal to 1.375% per annum, compared to a margin of 1.50% under the 2015 facility, or a base rate plus an applicable margin equal to 0.375% per annum, compared to a margin of 0.50% under the 2015 facility, in each case subject to adjustment based on the Company's debt ratings provided by Standard & Poor's Rating Services and Moody's Investors Service, Inc. Based on the Company's election and current credit rating, the applicable interest rate is equal to LIBOR plus 1.375% per annum. The amended credit agreement contains certain customary covenants, including a maximum leverage covenant and a minimum interest coverage ratio. During the year ended December 31, 2018, the Company was in compliance with the financial covenants.

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14. Long-term debt (Continued)

As of December 31, 2017 and December 31, 2018, the amount outstanding under the term loan, net of debt amortization expense of $1,848 and $2,158, was $698,152 and $660,841, respectively. As of December 31, 2017 and December 31, 2018, the term loan bore interest at a rate equal to LIBOR plus a margin of 1.50% per annum and 1.375% per annum, respectively. Indebtedness under the 2018 Facility is unsecured. The amount outstanding on the term loan as of December 31, 2018 requires quarterly payments of $8,500, and the balance of the loan is due and payable upon the maturity of the term loan on Aug 8, 2023.

The maturity profile of the term loan outstanding as of December 31, 2018, net of debt amortization expense, is as follows:

Year ended	Amount
2019	$33,483
2020	33,509
2021	33,537
2022	33,564
2023	526,748
Total	$660,841

In March 2017, Genpact Luxembourg S.à.r.l. (the “Issuer”), a wholly owned subsidiary of the Company, issued $350,000 aggregate principal amount of 3.70% senior notes in a private offering, resulting in cash proceeds of approximately $348,519, net of an underwriting fee of $1,481. The issuance was fully guaranteed by the Company. In connection with the offering, the Company incurred other debt issuance costs of $1,161. The total debt issuance cost of $2,642 is being amortized over the life of the notes as additional interest expense. As of December 31, 2017 and December 31, 2018, the amount outstanding under the notes, net of debt amortization expense of $2,239 and $1,713, was $347,761 and $348,287 respectively, which is payable on April 1, 2022. The Issuer will pay interest on the notes semi-annually in arrears on April 1 and October 1 of each year, ending on the maturity date of April 1, 2022. The Company, at its option, may redeem the notes at any time in whole or in part, at a redemption price equal to (i) 100% of the principal amount of the notes redeemed, together with accrued and unpaid interest on the redeemed amount, and (ii) if the notes are redeemed prior to March 1, 2022, a specified “make-whole” premium. The notes are subject to certain customary covenants, including limitations on the ability of the Company and certain of its subsidiaries to incur debt secured by liens, engage in certain sale and leaseback transactions and consolidate, merge, convey or transfer their assets, and during the year ended December 31, 2018, the Company and its applicable subsidiaries were in compliance with the covenants. Upon certain change of control transactions, the Issuer will be required to make an offer to repurchase the notes at a price equal to 101% of the aggregate principal amount of such notes, plus accrued and unpaid interest. The interest rate payable on the notes is subject to adjustment if the credit rating of the notes is downgraded, up to a maximum increase of 2.0%. In connection with the 3.70% senior notes private offering, the Issuer and the Company entered into a registration rights agreement with the initial purchasers of the outstanding unregistered notes pursuant to which the Issuer and the Company agreed to complete an exchange offer within 455 days after the date of the private offering upon terms identical in all material respects to the terms of the outstanding unregistered notes, except that the transfer restrictions, registration rights and additional interest provisions applicable to the outstanding unregistered notes would not apply to the exchange notes. On July 24, 2018, the unregistered notes exchange offer was completed and all outstanding unregistered notes were exchanged for freely tradable notes registered under the Securities Act of 1933, as amended.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

15. Short-term borrowings

The Company has the following borrowing facilities:

(a) Fund-based and non-fund-based credit facilities with banks, which are available for operational requirements in the form of overdrafts, letters of credit, guarantees and short-term loans. As of December 31, 2017 and December 31, 2018, the limits available were $15,064 and $14,281, respectively, of which $7,900 and $7,389 was utilized, constituting non-funded drawdown.

(b) A fund-based and non-fund based revolving credit facility of $500,000 which the Company obtained through an amendment of its existing credit agreement on August 9, 2018, as described in note 14. Prior to the amendment, the Company's revolving credit facility was $350,000. The amended credit facility expires on August 8, 2023. The funded drawdown amount under the Company's revolving facilities bore interest at a rate equal to LIBOR plus a margin of 1.50% as of December 31, 2017 compared to a rate equal to LIBOR plus a margin of 1.375% as of December 31, 2018. The unutilized amount on the revolving facilities bore a commitment fee of 0.25% as of December 31, 2017 compared to a commitment fee of 0.20% as of December 31, 2018. As of December 31, 2017 and December 31, 2018, a total of $170,978 and $297,098 respectively, was utilized, of which $170,000 and $295,000, respectively, constituted funded drawdown and $978 and $2,098, respectively, constituted non-funded drawdown. The Company's amended credit agreement contains certain customary covenants, including a maximum leverage covenant and a minimum interest coverage ratio. During the year ended December 31, 2018, the Company was in compliance with the financial covenants of the credit agreement.

16. Other liabilities

Other liabilities consist of the following:

	As of December 31,	
	2017	2018
Accrued employee cost	$14,020	$6,341
Earn-out consideration	9,804	198
Retirement benefits	40,520	50,370
Derivative instruments	7,842	19,872
Advance from customers	790	—
Contract liabilities (Note 27)	—	53,796
Deferred transition revenue	70,900	—
Others	22,069	32,935
Capital lease obligations	2,664	1,714
	$168,609	$165,226

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

17. Employee benefit plans

The Company has employee benefit plans in the form of certain statutory and other schemes covering its employees.

Defined benefit plans

In accordance with Indian law, the Company provides a defined benefit retirement plan (the “Gratuity Plan”) covering substantially all of its Indian employees. The Gratuity Plan provides a lump-sum payment to vested employees upon retirement or termination of employment in an amount based on each employee’s salary and duration of employment with the Company. The Gratuity Plan benefit cost for the year is calculated on an actuarial basis. The Company contributes the required funding for all ascertained liabilities to the Gratuity Plan. Trustees administer contributions made to the trust, and contributions are invested in specific designated instruments as permitted by Indian law. The Company’s overall investment strategy is to invest predominantly in fixed income funds managed by asset management companies and a small portion in equity funds. These funds further invest in debt securities such as money market instruments, government securities and public and private bonds. During the years ended December 31, 2016, 2017 and 2018, all of the plan assets were primarily invested in debt securities.

In addition, in accordance with Mexican law, the Company provides certain termination benefits (the “Mexican Plan”) to all of its Mexican employees based on the age, duration of service and salary of each eligible employee. The full-year benefit cost of the Mexican Plan is calculated on an actuarial basis.

In addition, certain of the Company’s subsidiaries organized or operating in the Philippines and Japan have sponsored defined benefit retirement programs (respectively, the “Philippines Plan” and the “Japan Plan”). The full-year benefit costs of the Japan Plan and the Philippines Plan are calculated on an actuarial basis. Company contributions in respect of these plans are made to insurer-managed funds or to a trust. The trust contributions are further invested in government bonds.

In addition, in accordance with Israeli law, the Company provides certain termination benefits (the “Israeli Plan”) to all of its Israeli employees based on the age, duration of service and salary of each eligible employee. The full-year benefit cost of the Israeli Plan is calculated on an actuarial basis.

Current service costs for defined benefit plans are accrued in the year to which they relate on a monthly basis. Actuarial gains or losses, or prior service costs, if any, resulting from amendments to the plans are recognized and amortized over the remaining period of service of the employees or over the average remaining life expectancies for inactive employees if most of the plan obligations are payable to inactive employees.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

17. Employee benefit plans (Continued)

The following table sets forth the funded status of the Company's defined benefit plans and the amounts recognized in the Company's financial statements based on actuarial valuations carried out as of December 31, 2017 and 2018.

	As of December 31,	
	2017	2018
Change in benefit obligation		
Projected benefit obligation at the beginning of the year	$45,283	$58,094
Service cost	7,735	7,833
Actuarial loss (gain)	4,493	470
Interest cost	3,252	3,822
Liabilities assumed on acquisition	—	503
Benefits paid	(5,367)	(6,277)
Special termination benefit	57	—
Plan amendments	—	995
Effect of exchange rate changes	2,641	(3,992)
Projected benefit obligation at the end of the year	$58,094	$61,448
Change in fair value of plan assets		
Fair value of plan assets at the beginning of the year	$30,871	$45,560
Employer contributions	15,176	1,573
Actual gain on plan assets	2,746	1,929
Actuarial gain/(loss)	11	(9)
Benefits paid	(5,301)	(6,228)
Effect of exchange rate changes	2,057	(3,142)
Fair value of plan assets at the end of the year	$45,560	$39,683

Amounts included in other comprehensive income (loss) as of December 31, 2017 and 2018 were as follows:

	As of December 31,	
	2017	2018
Net actuarial loss	$(12,228)	$(11,037)
Net Prior Service Credit / (Cost)	—	(967)
Deferred tax assets	2,221	3,451
Other comprehensive income, net	$(10,007)	$(8,553)

Changes in other comprehensive income (loss) during the year ended December 31, 2018 were as follows:

	2018
Net actuarial loss	$(951)
Amortization of net actuarial loss	1,202
Deferred income taxes	1,407
Net prior service credit/(cost)	(944)
Effect of exchange rate changes	740
Other comprehensive income (loss), net	$1,454

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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17. Employee benefit plans (Continued)

Net defined benefit plan costs for the years ended December 31, 2016, 2017 and 2018 include the following components:

	Year ended December 31,		
	2016	2017	2018
Service costs	$5,661	$7,735	$7,833
Interest costs	2,585	3,252	3,822
Amortization of actuarial loss	(113)	1,177	806
Expected return on plan assets	(2,043)	(2,412)	(2,435)
One time cost	—	209	—
Special termination benefits	—	426	—
Net defined benefit plan costs	$6,090	$10,387	$10,026

The amount in “other comprehensive loss” that is expected to be recognized as a component of net periodic benefit cost over the next fiscal year is $1,116.

The weighted average assumptions used to determine the benefit obligations of the Gratuity Plan as of December 31, 2017 and 2018 are presented below:

	As of December 31,	
	2017	2018
Discount rate	7.40% - 7.60%	8.30% - 8.40%
Rate of increase in compensation per annum	5.20%-11.00%	5.20%-11.00%

The weighted average assumptions used to determine the Gratuity Plan costs for the years ended December 31, 2016, 2017 and 2018 are presented below:

	Year ended December 31,		
	2016	2017	2018
Discount rate	8.30% - 8.45%	7.10% - 7.5%	7.40% - 7.60%

Rate of increase in compensation per annum	5.20% - 11.00%	5.20% - 11.00%	5.20% - 11.00%
Expected long term rate of return on plan assets per annum	7.50%	7.50%	7.50%

The weighted average assumptions used to determine the benefit obligations of the Mexican Plan as of December 31, 2017 and 2018 are presented below:

	As of December 31,	
	2017	2018
Discount rate	7.60%	9.25%
Rate of increase in compensation per annum	5.50%	5.50%

The weighted average assumptions used to determine the costs of the Mexican Plan for the years ended December 31, 2016, 2017 and 2018 are presented below:

	Year ended December 31,		
	2016	2017	2018
Discount rate	6.50%	6.80%	7.60%
Rate of increase in compensation per annum	5.50%	5.50%	5.50%
Expected long term rate of return on plan assets per annum	0.00%	0.00%	0.00%

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

17. Employee benefit plans (Continued)

The weighted average assumptions used to determine the benefit obligation of the Japan Plan as of December 31, 2017 and 2018 are presented below:

	As of December 31,	
	2017	2018
Discount rate	0.113%-0.789%	0.076%-0.269%
Rate of increase in compensation per annum	0.00% - 3.55%	0.00%

The weighted average assumptions used to determine the costs of the Japan Plan for the years ended December 31, 2016, 2017 and 2018 are presented below:

	Year ended December 31,		
	2016	2017	2018
Discount rate	0.24% - 1.30%	0.08% - 1.30%	0.113%-0.789%
Rate of increase in compensation per annum	0.00% - 3.55%	0.00% - 3.55%	0.00% - 3.55%
Expected long term rate of return on plan assets per annum	0.00% - 3.77%	0.00% - 3.09%	0-1.84%

The expected returns on plan assets set forth above are based on the Company's expectation of the average long-term rate of return expected to prevail over the next 15 to 20 years on the types of investments prescribed by applicable statute.

The Company evaluates these assumptions based on projections of the Company's long-term growth and prevalent industry standards. Unrecognized actuarial loss is amortized over the average remaining service period of the active employees expected to receive benefits under the plan.

The fair values of the Company's plan assets as of December 31, 2017 and 2018 by asset category are as follows:

Total			
As of December 31, 2018			
Fair Value Measurements at Reporting Date Using			
	Quoted Prices in	Significant Other	Significant Other

	Total	Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Asset category				
Equity	$7	$ 7	$—	$ —
Cash	381	381	—	—
Fixed income securities (Note a)	36,499	3,345	33,154	—
Other securities (Note b)	2,796	2,381	415	—
Total	$39,683	$ 6,114	$33,569	$ —

	Total As of December 31, 2017 Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Asset category				
Cash	$ 472	$ 472	$ —	$ —
Fixed income securities (Note a)	42,328	3,419	38,909	—
Other securities (Note b)	2,760	2,437	323	—
Total	$ 45,560	$ 6,328	$ 39,232	$ —

(a) Includes investments in funds that invest 100% of their assets in fixed income securities such as money market instruments, government securities and public and private bonds.

(b) Includes investments in funds that invest primarily in fixed income securities and the remaining portion in equity securities.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

17. Employee benefit plans (Continued)

The expected benefit plan payments set forth below reflect expected future service:

Year ending December 31,	
2019	$9,983
2020	10,454
2021	10,686
2022	10,877
2023	11,193
2024 - 2028	53,112
	$106,305

The Company’s expected benefit plan payments are based on the same assumptions that were used to measure the Company’s benefit obligations as of December 31, 2018.

Defined contribution plans

During the years ended December 31, 2016, 2017 and 2018, the Company contributed the following amounts to defined contribution plans in various jurisdictions:

	Year ended December 31,		
	2016	2017	2018
India	$19,074	$22,242	$23,877
U.S.	10,379	11,147	13,454
U.K.	6,593	7,823	9,619
China	15,512	15,950	17,625
Other regions	4,684	4,059	4,604
Total	$56,242	$61,221	$69,179

Deferred compensation plan

On July 1, 2018, Genpact LLC, a wholly-owned subsidiary of the Company, adopted an executive deferred compensation plan (the "Plan"). The Plan provides a select group of U.S.-based members of Company management with the opportunity to defer from 1% to 80% of their base salary and from 1% to 100% of their qualifying bonus compensation (or such other minimums or maximums as determined by the Plan administrator from time to time) pursuant to the terms of the Plan. Participant deferrals are 100% vested at all times. The Plan also allows for discretionary supplemental employer contributions by the Company, in its sole discretion, which will be subject to a two-year vesting schedule (50% vesting on the one-year anniversary of approval of the contribution and 50% vesting on the second year anniversary of approval of the contribution) or such other vesting schedule as determined by the Company. Deferred compensation plan assets consist of life insurance policies. In December 2018, the Company transferred these policies to a Rabbi Trust, which now holds the assets under the Plan.

The Plan also provides an option for participants to elect to receive deferred compensation and earnings thereon on either fixed date(s) no earlier than two years following the applicable Plan year (or end of the applicable performance period for performance-based bonus compensation) or following a separation from service, in each case either in a lump sum or in annual installments over a term of up to 15 years. Each Plan participant's compensation deferrals and discretionary supplemental employer contributions (if any) will be credited or debited with notional investment gains and losses equal to the experience of selected hypothetical investment funds offered under the Plan and elected by the participant.

The Company has investments in funds held in Company-owned life insurance policies which are held in a Rabbi Trust that are classified as trading securities. Management determines the appropriate classification of the securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. The securities are classified as trading securities because they are held for resale in anticipation of short-term fluctuations in market prices. The trading securities are stated at fair value.

GENPACT LIMITED AND ITS SUBSIDIARIES

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

17. Employee benefit plans (Continued) The liability for the deferred compensation plan was $0 and $1,582 as of December 31, 2017 and December 31, 2018, respectively, and is included in “other liabilities” in the consolidated balance sheets. In connection with the administration of the Plan, the Company has purchased company-owned life insurance policies insuring the lives of certain employees. The cash surrender value of these policies was $0 and $1,613 as of December 31, 2017 and December 31, 2018, respectively. The cash surrender value of these insurance policies is included in “other assets” in the consolidated balance sheets. During the years ended December 31, 2017 and 2018, the change in the fair value of Plan assets was $0 and $(56), respectively, which is included in “other income (expense), net,” in the consolidated statements of income. During the year ended December 31, 2017 and 2018, the change in the fair value of deferred compensation liabilities was $0 and $(87), respectively, which is included in “selling, general and administrative expenses.”

18. Stock-based compensation

The Company has issued options under the Genpact Limited 2007 Omnibus Incentive Compensation Plan (the “2007 Omnibus Plan”) and the Genpact Limited 2017 Omnibus Incentive Compensation Plan (the “2017 Omnibus Plan”) to eligible persons, including employees, directors and certain other persons associated with the Company.

Under the 2007 Omnibus Plan, shares underlying options forfeited, expired, terminated or cancelled under any of the Company’s predecessor plans were added to the number of shares otherwise available for grant under the 2007 Omnibus Plan. The 2007 Omnibus Plan was amended and restated on April 11, 2012 to increase the number of common shares authorized for issuance by 5,593,200 shares to 15,000,000 shares.

During the year ended December 31, 2012, the number of common shares authorized for issuance under the 2007 Omnibus Plan was increased by 8,858,823 shares as a result of a one-time adjustment to outstanding unvested share awards in connection with a special dividend payment.

A brief summary of each plan is provided below:

2007 Omnibus Plan

The Company adopted the 2007 Omnibus Plan on July 13, 2007 and amended and restated it on April 11, 2012. The 2007 Omnibus Plan provided for the grant of awards intended to qualify as incentive stock options, non-qualified stock options, share appreciation rights, restricted share awards, restricted share units, performance units, cash incentive awards and other equity-based or equity-related awards. Under the 2007 Omnibus Plan, the Company was authorized to grant awards for the issuance of up to a total of 23,858,823 common shares.

2017 Omnibus Plan

On May 9, 2017, the Company's shareholders approved the adoption of the Genpact Limited 2017 Omnibus Incentive Compensation Plan (the "2017 Omnibus Plan"), pursuant to which 15,000,000 Company common shares are available for issuance. No grants may be made under the 2007 Omnibus Plan after the date of adoption of the 2017 Omnibus Plan. Grants that were outstanding under the 2007 Omnibus Plan as of the Company's adoption of the 2017 Omnibus Plan remain subject to the terms of the 2007 Omnibus Plan.

Stock-based compensation costs relating to the foregoing plans during the years ended December 31, 2016, 2017 and 2018, were $24,686, $35,112 and $48,196, respectively, and have been allocated to cost of revenue and selling, general, and administrative expenses.

Stock options

All options granted under the 2007 and 2017 Omnibus Plans are exercisable into common shares of the Company, have a contractual period of ten years and vest over four to five years unless specified otherwise in the applicable award agreement. The Company recognizes compensation cost over the vesting period of the option.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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18. Stock-based compensation (Continued)

Compensation cost is determined at the date of grant by estimating the fair value of an option using the Black-Scholes option-pricing model.

The following table shows the significant assumptions used in connection with the determination of the fair value of options granted in 2016, 2017 and 2018:

	2016	2017	2018
Dividend yield	—	0.97%	0.95%-1.01%
Expected life (in months)	84	84	84
Risk-free rate of interest for expected life	1.42% - 1.56%	2.25%	2.67%-2.93%
Volatility	25.60% - 27.22%	24.28%	22.55-22.73%

Volatility was calculated based on the historical volatility of the Company's share price during a period equivalent to the estimated term of the option. The Company estimates the expected term of an option using the "simplified method," which is based on the average of its contractual vesting term. The risk-free interest rate that the Company uses in the option valuation model is based on U.S. Treasury bonds with a term similar to the expected term of the options. The Company paid cash dividends of $0.06 and $0.075 per share in each quarter of fiscal 2017 and 2018, respectively.

The Company has issued, and intends to continue to issue, new common shares upon stock option exercises and the vesting of share awards under its equity-based incentive compensation plans.

A summary of stock option activity during the years ended December 31, 2016, 2017 and 2018 is set out below:

	Year ended December 31, 2016			
	Shares arising	Weighted	Weighted average	Aggregate

	out of options	average exercise price	remaining contractual life (years)	intrinsic value
Outstanding as of January 1, 2016	5,986,845	$ 16.99	5.8	$ —
Granted	860,000	26.80	—	—
Forfeited	(145,000)	17.77	—	—
Expired	—	—	—	—
Exercised	(994,155)	14.98	—	10,982
Outstanding as of December 31, 2016	5,707,690	$ 18.65	5.8	$ 34,641
Vested as of December 31, 2016 and expected to vest thereafter (Note a)	5,457,701	$ 18.42	5.8	$ 34,150
Vested and exercisable as of December 31, 2016	2,746,191	$ 15.62	4.0	$ 23,960
Weighted average grant-date fair value of options granted during the period	$ 8.50			

GENPACT LIMITED AND ITS SUBSIDIARIES

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18. Stock-based compensation (Continued)

	Year ended December 31, 2017			
	Shares arising out of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Outstanding as of January 1, 2017	5,707,690	$ 18.65	5.8	$ —
Granted	250,000	24.74	—	—
Forfeited	(80,000)	20.63	—	—
Expired	—	—	—	—
Exercised	(743,045)	14.50	—	8,512
Outstanding as of December 31, 2017	5,134,645	$ 19.52	5.6	$ 62,743
Vested as of December 31, 2017 and expected to vest thereafter (Note a)	4,988,875	$ 19.36	5.6	$ 61,779
Vested and exercisable as of December 31, 2017	2,203,146	$ 16.17	4.1	$ 34,303
Weighted average grant-date fair value of options granted during the period	$ 6.62			

	Year ended December 31, 2018			
	Shares arising out of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Outstanding as of January 1, 2018	5,134,645	$ 19.52	5.6	$ —
Granted	2,638,106	30.47	—	—
Forfeited	(70,000)	27.65	—	—
Expired	—	—	—	—
Exercised	(441,076)	16.46	—	6,731

Outstanding as of December 31, 2018	7,261,675	$ 23.61	6.4	$ 34,143
Vested as of December 31, 2018 and expected to vest thereafter (Note a)	7,107,605	$ 23.50	6.4	$ 33,997
Vested and exercisable as of December 31, 2018	3,313,570	$ 17.69	3.7	$ 30,806
Weighted average grant-date fair value of options granted during the period	$ 8.32			

(a) Options expected to vest reflect an estimated forfeiture rate.

Cash received by the Company upon the exercise of stock options amounted to $13,564, $14,896 and $10,772. Tax benefits from the exercise of stock options during the years ended December 31, 2016, 2017 and 2018 were $1,548 and $2,016 and $2,473 (including excess tax benefits of $1,004, $1,723 and $2,131), respectively.

Income tax benefits recognized in relation to stock-based compensation charges, excluding excess tax benefits, during the years ended December 31, 2016, 2017 and 2018 were $6,446, $9,600 and $11,783, respectively.

As of December 31, 2018, the total remaining unrecognized stock-based compensation cost for options expected to vest amounted to $21,925 which will be recognized over the weighted average remaining requisite vesting period of 4.0 years.

Restricted Share Units

The Company has granted restricted share units, or RSUs, under the 2007 and 2017 Omnibus Plans. Each RSU represents the right to receive one common share. The fair value of each RSU is the market price of one common share of the Company on the date of grant. The RSUs granted to date have graded vesting schedules of three months to four years. The compensation expense is recognized on a straight-line basis over the vesting term.

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18. Stock-based compensation (Continued)

A summary of RSU activity during the years ended December 31, 2016, 2017 and 2018 is set out below:

	Year ended December 31, 2016 Number of Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2016	157,390	$ 17.67
Granted	95,553	25.49
Vested (Note b)	(133,903)	20.66
Forfeited	(1,135)	14.18
Outstanding as of December 31, 2016	117,905	$ 20.65
Expected to vest (Note a)	107,366	

	Year ended December 31, 2017 Number of Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2017	117,905	$ 20.65
Granted	1,533,836	26.36
Vested (Note c)	(45,248)	18.31
Forfeited	(1,242)	25.53
Outstanding as of December 31, 2017	1605,251	$ 26.17
Expected to vest (Note a)	1,371,567	

Year ended December 31, 2018
Number of Restricted Weighted Average

	Share Units	Grant Date Fair Value
Outstanding as of January 1, 2018	1,605,251	$ 26.17
Granted	484,427	30.13
Vested (Note d)	(358,697)	25.53
Forfeited	(201,982)	27.09
Outstanding as of December 31, 2018	1,528,999	$ 27.45
Expected to vest (Note a)	1,360,048	

(a) RSUs expected to vest reflect an estimated forfeiture rate.

(b) Vested RSUs were net settled by issuing 29,719 shares (net of minimum statutory tax withholding). 86,517 RSUs vested in the year ended December 31, 2016. 17,802 common shares underlying 34,035 of such RSUs were issued in 2017 after withholding shares to the extent of minimum statutory withholding taxes. 52,482 RSUs vested in the year ended December 31, 2016, in respect of which 52,055 shares were issued in 2018 after withholding shares to the extent of minimum statutory withholding taxes.

(c) Vested RSUs were net settled by issuing 32,395 shares (net of minimum statutory tax withholding).

(d) 261,260 RSUs that vested during the period were net settled upon vesting by issuing 175,505 shares (net of minimum statutory tax withholding). 52,875 and 44,562 RSUs vested in the year ended December 31, 2017 and December 31, 2018 respectively, shares in respect of which will be issuable in 2019 after withholding shares to the extent of minimum statutory withholding taxes.

53,546 RSUs vested in the year ended December 31, 2015, 53,023 shares in respect of which were issued in 2017 after withholding shares to the extent of minimum statutory withholding taxes.

92,692 RSUs vested in the year ended December 31, 2014, in respect of which 91,963 shares were issued in 2016 after withholding shares to the extent of minimum statutory withholding taxes.

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18. Stock-based compensation (Continued)

As of December 31, 2018, the total remaining unrecognized stock-based compensation cost related to RSUs amounted to $24,946, which will be recognized over the weighted average remaining requisite vesting period of 2.3 years.

Performance Units

The Company also grants stock awards in the form of performance units, or PUs, and has granted PUs under both the 2007 and 2017 Omnibus Plans.

Each PU represents the right to receive one common share at a future date based on the Company's performance against specified targets. PUs granted to date have vesting schedules of six months to three years. The fair value of each PU is the market price of one common share of the Company on the date of grant and assumes that performance targets will be achieved. PUs granted under the plan are subject to cliff vesting. The compensation expense for such awards is recognized on a straight-line basis over the vesting terms. During the performance period, the Company's estimate of the number of shares to be issued is adjusted upward or downward based upon the probability of achievement of the performance targets. The ultimate number of shares issued and the related compensation cost recognized is based on a comparison of the final performance metrics to the specified targets.

A summary of PU activity during the years ended December 31, 2016, 2017 and 2018 is set out below:

	Year ended December 31, 2016		
	Number of Performance Units	Weighted Average Grant Date Fair Value	Maximum Shares Eligible to Receive
Outstanding as of January 1, 2016	2,499,322	$ 19.95	2,499,322
Granted	1,518,374	27.93	3,343,335
Vested	—	—	—
Forfeited	(252,842)	21.88	(325,817)
Adjustment upon final determination of level of performance goal achievement (Note b)	7,274	22.72	
Adjustment upon final determination of level of performance goal achievement (Note b)			7,274
Outstanding as of December 31, 2016	3,772,128	$ 23.04	5,524,114
Expected to vest (Note a)	2,226,489		

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

18. Stock-based compensation (Continued)

	Year ended December 31, 2017 Number of Performance Units	Weighted Average Grant Date Fair Value	Maximum Shares Eligible to Receive
Outstanding as of January 1, 2017	3,772,128	$ 23.04	5,524,114
Granted	1,811,292	25.22	3,622,584
Vested (Note c)	(1,136,047)	16.78	(1,136,047)
Forfeited (Note d)	(1,583,913)	27.57	(1,627,313)
Adjustment upon final determination of level of performance goal achievement (Note e)	37,480	25.22	
Adjustment upon final determination of level of performance goal achievement (Note f)			(3,482,398)
Outstanding as of December 31, 2017	2,900,940	$ 24.40	2,900,940
Expected to vest (Note a)	2,657,685		

	Year ended December 31, 2018 Number of Performance Units	Weighted Average Grant Date Fair Value	Maximum Shares Eligible to Receive
Outstanding as of January 1, 2018	2,900,940	$ 24.40	2,900,940
Granted	1,682,740	30.62	3,365,480

Vested (Note g)	(1,087,751)		22.73	(1,087,751)
Forfeited	(258,237)		26.03	(305,737)
Adjustment upon final determination of level of performance goal achievement (Note h)	474,800		30.68	
Adjustment upon final determination of level of performance goal achievement (Note i)				(1,160,530)
Outstanding as of December 31, 2018	3,712,402	$	28.40	3,712,402
Expected to vest (Note a)	3,261,069			

(a) PUs expected to vest are based on the probable achievement of the performance targets after considering an estimated forfeiture rate.

(b) Represents an adjustment made in March 2016 to the number of shares underlying the PUs granted in 2015 upon certification of the level of achievement of the performance targets for such awards.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

18. Stock-based compensation (Continued)

(c) Vested PUs were net settled upon vesting by issuing 731,701 shares (net of minimum statutory tax withholding).
(d) Includes 1,443,624 target shares underlying PUs granted in 2016 which were forfeited for failure to achieve all of the threshold performance targets under such awards.

(e) Represents a 2.7% increase in the number of target shares as a result of achievement of higher-than-target performance for certain PUs granted in 2017, partially offset by a 12.5% reduction as a result of achievement of lower-than-target performance for certain PUs granted in 2017.
(f) Represents the difference between the maximum number of shares achievable and the number of shares expected to vest under the PU awards granted in 2017 based on the level of achievement of the performance goals. Also includes the difference between the maximum number of shares achievable and the number of shares eligible to vest under the PU awards granted in 2016, which were forfeited for failure to achieve all of the threshold performance targets under such awards.
(g) Vested PUs were net settled upon vesting by issuing 691,958 shares (net of minimum statutory tax withholding).
(h) Represents a 28.77% increase in the number of target shares expected to vest as a result of achievement of higher-than-target performance for PUs granted in 2018 partially offset by an adjustment made in March 2018 to the number of shares subject to the PUs granted in 2017 upon certification of the level of achievement of the performance targets underlying such awards.
(i) Represents the difference between the maximum number of shares achievable and the number of shares expected to vest under the PU awards granted in 2018 based on the level of achievement of the performance goals. Also includes an adjustment made in March 2018 to the number of shares subject to the PUs granted in 2017 upon certification of the level of achievement of the performance targets underlying such awards.

As of December 31, 2018, the total remaining unrecognized stock-based compensation cost related to PUs amounted to $55,985, which will be recognized over the weighted average remaining requisite vesting period of 1.8 years.

Employee Stock Purchase Plan (ESPP)

On May 1, 2008, the Company adopted the Genpact Limited U.S. Employee Stock Purchase Plan and the Genpact Limited International Employee Stock Purchase Plan (together, the “ESPP”). In April 2018, these plans were amended and restated, and their terms were extended to August 31, 2028.

The ESPP allows eligible employees to purchase the Company’s common shares through payroll deductions at 90% of the closing price of the Company’s common shares on the last business day of each purchase interval. The dollar amount of common shares purchased under the ESPP must not exceed 15% of the participating employee’s base salary, subject to a cap of $25 per employee per calendar year. With effect from September 1, 2009, the offering periods commence on the first business day in March, June, September and December of each year and end on the last business day of the subsequent May, August, November and February. 4,200,000 common shares have been reserved for issuance in the aggregate over the term of the ESPP.

During the years ended December 31, 2016, 2017 and 2018, 146,685, 190,435 and 245,467 common shares, respectively, were issued under the ESPP.

The ESPP is considered compensatory under FASB guidance on Compensation-Stock Compensation.

The compensation expense for the ESPP is recognized in accordance with the FASB guidance on Compensation—Stock Compensation. The compensation expense for the ESPP during the years ended December 31, 2016, 2017 and 2018 was $428, $573 and $802, respectively, and has been allocated to cost of revenue and selling, general, and administrative expenses.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

19. Capital stock

The Company's authorized capital stock as of December 31, 2017 and 2018 consisted of 500 million common shares with a par value of $0.01 per share, and 250 million preferred shares with a par value of $0.01 per share. There were 192,825,207 and 189,346,101 common shares, and no preferred shares, issued and outstanding as of December 31, 2017 and 2018, respectively.

Holders of common shares are entitled to one vote per share. Upon the liquidation, dissolution or winding up of the Company, common shareholders are entitled to receive a ratable share of the available net assets of the Company after payment of all debts and other liabilities. The common shares have no preemptive, subscription, redemption or conversion rights.

The Company's board of directors by resolution can establish one or more series of preferred shares having such par value, designations, dividend rates, relative voting rights, conversion or exchange rights, redemption rights, liquidation rights and other relative participation, optional or other rights, qualifications, limitations or restrictions as may be fixed by the board of directors without shareholder approval. Such rights, preferences, powers and limitations as may be established could also have the effect of discouraging an attempt to obtain control of the Company. These preferred shares are of the type commonly known as "blank-check" preferred shares.

Under Bermuda law, the Company may declare and pay dividends from time to time unless there are reasonable grounds for believing that the Company is or would, after the payment, be unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than the aggregate of its liabilities, its issued share capital, and its share premium accounts. Under the Company's bye-laws, each common share is entitled to dividends if, as and when dividends are declared by the Company's board of directors. There are no restrictions in Bermuda on the Company's ability to transfer funds (other than funds denominated in Bermuda dollars) in or out of Bermuda or to pay dividends to U.S. residents who are holders of common shares. The Company's ability to declare and pay cash dividends is restricted by its debt covenants.

Share Repurchases

As of December 31, 2016, the Company's board of directors (the "Board") had authorized the Company to repurchase up to $750,000 in value of the Company's common shares under its share repurchase program first announced in February 2015. On February 10, 2017 the Board approved up to an additional $500,000 in share repurchases, bringing the total authorization under the Company's existing program to $1,250,000. The Company's share repurchase program does not obligate it to acquire any specific number of shares. Under the program, shares may be purchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

On March 29, 2017, the Company entered into an accelerated share repurchase ("ASR") agreement with Morgan Stanley & Co. LLC (the "Dealer") to repurchase Company common shares for an aggregate purchase price of $200,000. Pursuant to the ASR agreement, as amended in November 2017, the Company paid the aggregate purchase price to the Dealer upfront and received an initial delivery of 6,578,947 common shares on March 30, 2017, an additional delivery of 350,006 common shares on December 29, 2017 and a final delivery of 163,975 common shares on January

17, 2018 upon final settlement of the transaction. The weighted average price per share of the common shares delivered was $28.20. The Company's purchase of its common shares under the ASR has been recorded as a reduction in retained earnings. All repurchased shares have been retired.

The final number of common shares repurchased by the Company under the ASR agreement was based on the volume-weighted average share price of the Company's common shares during the term of the transaction, less a discount and subject to adjustments pursuant to the terms of the ASR agreement.

The ASR agreement contains customary provisions, including, among other things, with respect to mechanisms to determine the number of shares or the amount of cash that will be delivered at settlement, the required timing of delivery upon settlement, specific circumstances under which adjustments may be made to the repurchase transaction, and specific circumstances under which the repurchase transaction may be canceled prior to the scheduled maturity.

During the years ended December 31, 2018 and December 31, 2017, the Company also purchased 4,921,192 and 808,293 of its common shares, respectively, on the open market at a weighted average price of $31.30 and $24.48 per share, respectively, for an aggregate cash amount of $154,058 and $19,784, respectively. All repurchased shares have been retired.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

19. Capital stock (Continued)

The Company records repurchases of its common shares on the settlement date of each transaction. Shares purchased and retired are deducted to the extent of their par value from common stock and from retained earnings for the excess over par value. Direct costs incurred to acquire the shares are included in the total cost of the shares purchased. For the year ended December 31, 2016, December 31, 2017 and December 31, 2018, $279, $16 and $98, respectively, was deducted from retained earnings in direct costs related to share repurchases.

Dividend

In February 2017, the Company's board of directors approved a dividend program under which the Company paid a regular quarterly cash dividend of $0.06 per share to holders of its common shares, representing an annual dividend of $0.24 per share. On March 28, 2017, June 28, 2017, September 21, 2017, and December 20, 2017 the Company paid dividends of $0.06 per share, amounting to $11,957, $11,558, $11,581 and $11,590 in the aggregate, to shareholders of record as of March 10, 2017, June 12, 2017, September 8, 2017 and December 8, 2017, respectively.

On February 12, 2018, the Company announced that its Board of Directors had approved a 25% increase in its quarterly cash dividend to $0.075 per share, up from $0.06 per share in 2017, representing an annual dividend of $0.30 per common share, up from $0.24 per share in 2017, payable to holders of the Company's common shares. On March 21, 2018, June 20, 2018, September 19, 2018 and December 19, 2018, the Company paid dividends of $0.075 per share, amounting to $14,408, $14,240, $14,253 and $14,201 in the aggregate, to shareholders of record as of March 9, 2018, June 8, 2018, September 10, 2018 and December 10, 2018, respectively.

20. Earnings per share

The Company calculates earnings per share in accordance with FASB guidance on Earnings per Share. Basic and diluted earnings per common share give effect to the change in the number of common shares outstanding. The calculation of basic earnings per common share was determined by dividing net income available to common shareholders by the weighted average number of common shares outstanding. The potentially dilutive shares, consisting of outstanding options on common shares, restricted share units, common shares to be issued under the ESPP and performance units, have been included in the computation of diluted net earnings per share and number of weighted average shares outstanding, except where the result would be anti-dilutive.

The number of stock awards outstanding but not included in the computation of diluted earnings per common share because their effect was anti-dilutive is 781,215, 1,007,480 and 2,410,230 for the years ended December 31, 2016, 2017 and 2018, respectively.

	Year ended December 31,		
	2016	2017	2018
Net income available to Genpact Limited common shareholders	$269,684	$263,111	$282,019
Weighted average number of common shares used in computing basic earnings per common share	206,861,536	193,864,755	190,674,740
Dilutive effect of stock-based awards	3,264,487	3,184,797	3,305,298
Weighted average number of common shares used in computing dilutive earnings per common share	210,126,023	197,049,552	193,980,038
Earnings per common share attributable to Genpact Limited common shareholders			
Basic	$1.30	$1.36	$1.48
Diluted	$1.28	$1.34	$1.45

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

21. Cost of revenue

Cost of revenue consists of the following:

	Year ended December 31,		
	2016	2017	2018
Personnel expenses	$1,061,134	$1,153,479	$1,322,651
Operational expenses	446,922	481,012	543,006
Depreciation and amortization	46,284	46,947	56,111
	$1,554,340	$1,681,438	$1,921,768

22. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	Year ended December 31,		
	2016	2017	2018
Personnel expenses	$469,894	$501,059	$518,897
Operational expenses	174,060	178,573	166,437
Depreciation and amortization	9,013	9,829	8,531
	$652,967	$689,461	$693,865

23. Other operating (income) expense, net

	Year ended December 31,		
	2016	2017	2018
Other operating (income) expense	$(1,266)	$(7,277)	$(455)
Provision for impairment of intangible assets and property, plant and equipment	11,195	9,311	4,265
Change in fair value of earn-out consideration and deferred consideration (relating to business acquisitions)	(14,869)	(3,695)	(5,655)
Other operating (income) expense, net	$(4,940)	$(1,661)	$(1,845)

24. Interest income (expense), net

Interest income (expense), net consists of the following:

	Year ended December 31,		
	2016	2017	2018
Interest income	$7,247	$8,182	$11,388
Interest expense	(23,431)	(39,917)	(48,507)
Interest income (expense), net	$(16,184)	$(31,735)	$(37,119)

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

25. Income taxes

Income tax expense (benefit) for the years ended December 31, 2016, 2017 and 2018 is allocated as follows:

	Year ended December 31, 2016	2017	2018
Income from continuing operations	$62,098	$59,742	$80,763
Other comprehensive income:			
Unrealized gains (losses) on cash flow hedges	23,809	457	(6,647)
Retirement benefits	(1,885)	670	(1,407)
Retained earnings:			
Deferred tax benefit recognized on early adoption of ASU 2016-09	(24,912)	—	—
Reclassification from AOCI on early adoption of ASU 2018-02	—	—	2,265
Deferred tax expense recognized on adoption of ASU 2014-09	—	—	5,303
Accumulated other comprehensive income:			
Reclassification to retained earnings on early adoption of ASU 2018-02	—	—	(2,265)

The components of income before income tax expense from continuing operations are as follows:

	Year ended December 31, 2016	2017	2018
Domestic (U.S.)	$44,110	$8,440	$49,986
Foreign (Non-U.S.)	285,535	312,143	312,035
Income before income tax expense	$329,645	$320,583	$362,021

Income tax expense (benefit) attributable to income from continuing operations consists of:

	Year ended December 31, 2016	2017	2018
Current tax expense :			
Domestic (U.S. federal)	$78	$3,380	$6,466
Domestic (U.S. state)	1,069	1,268	3,508
Foreign (Non-U.S.)	30,497	65,485	64,735
	$31,644	$70,133	$74,709

Deferred tax expense (benefit) :			
Domestic (U.S. federal)	$11,379	$3,549	$6,577
Domestic (U.S. state)	(459)	(2,809)	(1,176)
Foreign (Non-U.S.)	19,534	(11,131)	653
	$30,454	$(10,391)	$6,054
Total income tax expense (benefit)	$62,098	$59,742	$80,763

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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25. Income taxes (Continued)

Income tax expense (benefit) attributable to income from continuing operations differed from the amounts computed by applying the U.S. federal statutory income tax rate of 21% for the year ended December 31, 2018 and 35% for the years ended December 31, 2017 and 2016 to income before income taxes, as a result of the following:

	Year ended December 31,		
	2016	2017	2018
Income before income tax expense	$329,645	$320,583	$362,021
Statutory tax rates	35 %	35 %	21 %
Computed expected income tax expense	115,376	112,204	76,024
Increase (decrease) in income taxes resulting from:			
Foreign tax rate differential	(18,574)	(25,224)	23,373
Tax benefit from tax holiday	(32,893)	(35,814)	(24,968)
Non-deductible expenses	4,559	3,985	3,245
Effect of change in tax rates	353	2,778	(147)
Change in valuation allowance	(4,830)	9,041	27,826
Unrecognized tax benefits	(627)	1,611	3,008
Other*	(1,266)	(8,839)	(27,598)
Reported income tax expense (benefit)	$62,098	$59,742	$80,763

*Following the transfer/closure of certain affiliated entities, deferred tax liabilities recorded against the outside basis difference were reversed amounting to $0, $9,600, $18,510 during the year ended December 31, 2016, 2017 and 2018. It was not more likely than not that the resulting net deferred tax asset would be realized. Therefore, a full valuation allowance was established to offset the reduction in deferred tax liabilities.

A portion of the profits of the Company's operations is exempt from income tax in India. One of the Company's Indian subsidiaries has ten units eligible for a tax holiday as a special economic zone unit in respect of 100% of the export profits it generates for a period of 5 years from commencement, 50% of such profits for the next 5 years (year 6 to year 10 from commencement) and 50% of the profits for an additional period of 5 years (year 11 to year 15 from commencement), subject to the satisfaction of certain capital investment requirements. The tax holidays for the Company's existing special economic zone units will begin to expire on March 31, 2022 and will have fully expired on March 31, 2030, assuming the Company satisfies the capital investment requirements.

The effect of the Indian tax holiday on basic earnings per share was $0.19, $0.18 and $0.13, respectively, for the years ended December 31, 2016, 2017 and 2018. The effect of the tax holiday on diluted earnings per share was $0.18, $0.18 and $0.13, respectively, for the years ended December 31, 2016, 2017 and 2018.

GENPACT LIMITED AND ITS SUBSIDIARIES

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25. Income taxes (Continued)

The components of the Company's deferred tax balances as of December 31, 2017 and 2018 are as follows:

	As of December 31, 2017	2018
Deferred tax assets		
Net operating loss carryforwards	$55,500	$64,013
Accrued liabilities and other expenses	41,177	36,812
Provision for doubtful debts	10,509	9,650
Property, plant & equipment and leased assets	6,179	7,904
Unrealized losses on cash flow hedges, net	275	672
Share-based compensation	19,789	18,236
Retirement benefits	5,817	7,559
Contract liabilities	22,948	3,150
Tax credit carryforwards	35,322	22,409
Other	6,662	8,885
Gross deferred tax assets	$204,178	$179,290
Less: Valuation allowance	(24,549)	(51,986)
Total deferred tax assets	$179,629	$127,304
Deferred tax liabilities		
Intangible assets	$23,545	$17,975
Property, plant and equipment	1,131	5,493
Deferred cost	33,816	2,725
Investments in foreign subsidiaries not indefinitely reinvested	18,949	4,835
Unrealized gains on cash flow hedges, net	14,711	8,990
Goodwill	7,145	12,957
Other	10,150	7,843
Total deferred tax liabilities	$109,447	$60,818
Net deferred tax asset	$70,182	$66,486

Classified as	As of December 31, 2017	2018
Deferred tax assets		
Non-current	$76,929	$74,566
Deferred tax liabilities		
Non-current	6,747	8,080
	$70,182	$66,486

The change in the total valuation allowance for deferred tax assets as of December 31, 2016, 2017 and 2018 is as follows:

	Year ended December 31,		
	2016	2017	2018
Opening valuation allowance	$20,091	$14,746	$24,549
Reduction during the year	(7,299)	(3,957)	(2,307)
Addition during the year	1,954	13,760	29,744
Closing valuation allowance	$14,746	$24,549	$51,986

GENPACT LIMITED AND ITS SUBSIDIARIES

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25. Income taxes (Continued)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which temporary differences are deductible.

Management considers the scheduled reversal of deferred tax liabilities and projected taxable income in making this assessment. In order to fully realize a deferred tax asset, the Company must generate future taxable income prior to the expiration of the deferred tax asset under applicable law. Based on the level of historical taxable income and projections for future taxable income over the periods during which the Company's deferred tax assets are deductible, management believes that it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances as of December 31, 2018. The amount of the Company's deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

In 2016, one of the Company's subsidiaries filed amended tax returns with respect to prior years, resulting in revised assessments, higher taxable income and the utilization of operating loss carryforwards. The use of operating loss carryforwards resulted in the complete reversal of the subsidiary's remaining valuation allowance of $3,377.

On January 1, 2016, the Company elected the early adoption of ASU 2016-09, which was applied using a modified retrospective approach. Accordingly, excess tax benefits relating to the exercise of stock options prior to December 31, 2015 amounting to $24,912 were recorded through retained earnings. For the years ended December 31, 2016 and 2017 and 2018, the Company recognized net excess tax benefits of $1,004, $1,723 and $2,131 in income tax expense attributable to continuing operations.

As of December 31, 2018, the Company's deferred tax assets related to net operating loss carryforwards of $276,040 amounted to $59,153 (excluding state net operating losses). Net operating losses of subsidiaries in the United Kingdom, Singapore, Malaysia, Australia, Brazil, Israel, South Africa, Hong Kong, Germany, the United States (for 2018) and Luxembourg (for 2016 and prior years) amounted to $164,014 and can be carried forward for an indefinite period.

GENPACT LIMITED AND ITS SUBSIDIARIES

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25. Income taxes (Continued)

The Company’s remaining tax loss carryforwards expire as set forth in the table below:

	US – Federal	Europe	Others
Year ending December 31,			
2020	$ —	2952	$—
2021	—	1,121	2,347
2022	—	5,904	105
2023	—	6,639	1,426
2024	—	771	7,748
2025	—	27,147	8,520
2026	—	234	1,396
2027	—	856	5,071
2028	—	34	2,716
2029	—	—	672
2034	—	18,820	—
2035	340	8,838	—
2036	477	—	—
2037	7252	—	—
2038	—	—	640
	$ 8,069	$ 73,316	$ 30,641

In the table above, “Europe” includes net operating losses of subsidiaries in Hungary, Poland, the Netherlands, the Czech Republic, Slovakia, Luxembourg, Latvia and Portugal, while “Others” includes net operating losses of subsidiaries in Mexico, Japan, China, India, New Zealand and Canada.

As of December 31, 2018, the Company had additional deferred tax assets for U.S. state and local tax loss carryforwards amounting to $4,859 with varying expiration periods between 2019 and 2037.

As of December 31, 2018, the company had a total foreign tax credit carryforward of $22,409, which will expire as set forth in the table below:

Year ending December 31,	Amount
2023	355
2024	2,819
2025	8,395
2026	5,728
2027	1,250
2028	3,862
	$22,409

With exceptions, the Company has not accrued any income, distribution or withholding taxes that would arise if the undistributed earnings of the Company's foreign (non-Bermuda) subsidiaries which cannot be repatriated in a tax-free manner were repatriated. Due to the Company's changing corporate structure, the various methods that are available to repatriate earnings, and uncertainty relative to the applicable taxes at the time of repatriation, it is not practicable to determine the amount of tax that would be imposed upon repatriation. If undistributed earnings are repatriated in the future, or are no longer deemed to be indefinitely reinvested, the company will accrue the applicable amount of taxes associated with such earnings at that time.

GENPACT LIMITED AND ITS SUBSIDIARIES

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25. Income taxes (Continued)

As of December 31, 2018, $363,560 of the Company's $368,396 in cash and cash equivalents was held by the Company's foreign (non-Bermuda) subsidiaries. $131,617 of this cash is held by foreign subsidiaries for which the Company expects to incur and has accrued a deferred tax liability on the repatriation of $25,043 of retained earnings. $231,943 of the Company's cash and cash equivalents is held by foreign subsidiaries in jurisdictions where no tax is expected to be imposed upon repatriation of the retained earnings of such foreign subsidiaries or is being indefinitely reinvested.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cut and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code that affect 2017. The Tax Act also establishes new tax laws that will affect 2018 and subsequent years, including a reduction in the U.S. federal corporate income tax rate from 35% to 21%.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740, Income Taxes. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements.

As a result of the reduction in the federal corporate income tax rate, the Company has revalued its net deferred tax assets, excluding tax credits to the extent affected by changes in the law as of December 31, 2017. Based on this revaluation, the Company has recorded a net income tax expense of $3,182 to reduce its net deferred tax asset balance, which was recorded as additional income tax expense for the year ended December 31, 2017.

The Company completed its accounting for the transition tax liability under the Tax Act during the third quarter of 2018 without any impact on income tax expense. There is no material change in the estimates as of September 30, 2018 based on the final calculation of the earnings and profit pool of the Company's controlled foreign corporations based on the Company's U.S. tax returns.

The Company reports its gain/loss on derivatives designated as cash flow hedges, actuarial gain/loss on retirement benefits and currency translation adjustment, net of taxes to the extent applicable, in accumulated other comprehensive income (loss) ("AOCI").

As of December 31, 2017, due to a reduction in the U.S. federal corporate income tax rate under the Tax Act from 35% to 21%, the Company revalued its net deferred tax assets, including deferred tax liabilities recorded through AOCI. Based on this revaluation, the Company recorded an income tax benefit of $2,265 relating to derivatives, reducing its net deferred tax liability balance, which was recorded as an income tax benefit in continuing operations for the year ended December 31, 2017.

In the quarter ended March 31, 2018, the Company elected to early adopt ASU 2018-02, effective January 1, 2018, and made an election to reclassify the stranded income tax effects of the Tax Act from AOCI to retained earnings for all items of AOCI. The Company has elected to adopt the new guidance at the beginning of the period, and no prior periods have been adjusted. Accordingly, a stranded tax effect in AOCI of $2,265 resulting from the Tax Act has been adjusted through retained earnings.

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Notes to the Consolidated Financial Statements

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

25. Income taxes (Continued)

The following table summarizes activities related to our unrecognized tax benefits from January 1 to December 31 for each of 2016, 2017 and 2018:

	2016	2017	2018
Opening balance at January 1	$26,357	$23,467	$26,060
Increase related to prior year tax positions, including recorded in acquisition accounting	370	2,582	1,851
Decrease related to prior year tax positions	(1,506)	(1,398)	(153)
Decrease related to divesture of business	(345)	—	—
Decrease related to prior year tax position due to lapse of applicable statute of limitation	(2,122)	(1,019)	(1,841)
Increase related to current year tax positions, including recorded in acquisition accounting	3,225	1,661	2,408
Decrease related to settlements with tax authorities	(2,000)	—	—
Effect of exchange rate changes	(512)	767	(1,603)
Closing balance at December 31	$23,467	$26,060	$26,722

As of December 31, 2016, 2017 and 2018, the Company had unrecognized tax benefits amounting to $22,469, $24,877 and $25,485, respectively, which, if recognized, would impact the effective tax rate.

As of December 31, 2016, 2017 and 2018, the Company had accrued $3,856, $4,614 and $5,081, respectively, in interest relating to unrecognized tax benefits. During the years ended December 31, 2016, 2017 and 2018, the Company recognized $367, $758 and $467, respectively, including exchange rate differences, in interest on unrecognized tax benefits. As of December 31, 2016, 2017 and 2018, the company had accrued $977, $1,033 and $995, respectively, for penalties.

In the next twelve months and for all tax years that remain open to examinations by U.S. federal and various state, local, and non-U.S. tax authorities, the Company estimates that it is reasonably possible that the total amount of its unrecognized tax benefits will vary. However, the Company does not expect significant changes within the next twelve months other than depending on the progress of tax matters or examinations with various tax authorities, which are difficult to predict.

With exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax audits by taxing authorities for years prior to 2015. The Company’s subsidiaries in India and China are open to examination by relevant taxing authorities for tax years beginning on or after April 1, 2011 and January 1, 2008, respectively. The Company regularly reviews the likelihood of additional tax assessments and adjusts its reserves as additional information or events require.

26. Segment reporting

The Company manages various types of business process and information technology services in an integrated manner for clients in various industries and geographic locations. The Company’s Chief Executive Officer, who has been identified as the Chief Operation Decision Maker (CODM), reviews financial information prepared on a consolidated basis, accompanied by disaggregated information about revenue and adjusted operating income by identified business units. The identified business units are organized for operational reasons and represent either services-based, customer-based, industry-based or geography-based units. There is significant overlap between the manner in which the business units are organized. Additionally, the composition and organization of the business units is fluid and the structure changes regularly in response to growth of the overall business, acquisitions and changes in the reporting structure, clients, services, industries served, and delivery centers.

Based on an overall evaluation of all facts and circumstances, and after combining operating segments with similar economic characteristics that comply with other aggregation criteria specified in the FASB guidance on segment reporting, the Company has determined that it operates as a single reportable segment.

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Notes to the Consolidated Financial Statements

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

26. Segment reporting (Continued)

Net revenues by customer type are as follows:

	Year ended December 31,		
	2016	2017	2018
GE	$357,894	$269,217	$268,210
Global Clients	2,212,862	2,467,712	2,732,580
Total net revenues	$2,570,756	$2,736,929	$3,000,790

Net revenues by service type are as follows:

	Year ended December 31,		
	2016	2017	2018
Business process outsourcing	$2,083,450	$2,264,335	$2,502,806
Information technology services	487,306	472,594	497,984
Total net revenues	$2,570,756	$2,736,929	$3,000,790

Revenues from clients based on the industry serviced are as follows:

	Year ended December 31,		
	2016	2017	2018
Banking, financial services and insurance	$1,021,609	$1,090,134	$1,099,189
Consumer goods, retail, life sciences and healthcare	769,432	832,088	891,640
High tech, manufacturing and services	779,715	814,707	1,009,961
Total net revenues	$2,570,756	$2,736,929	$3,000,790

The Company has reclassified the disaggregation of its revenue to reflect how the Company groups its clients into key industry verticals. Revenue from prior periods is also presented based on the classifications used in the current period.

Net revenues from geographic areas based on the location of the Company's service delivery centers are as follows. A portion of net revenues attributable to India consists of net revenues for services performed by delivery centers in India or at clients' premises outside of India by business units or personnel normally based in India.

	Year ended December 31,		
	2016	2017	2018
India	$1,804,113	$1,712,783	$1,739,455
Asia, other than India	249,839	286,338	327,462
North and Latin America	282,434	455,059	641,716
Europe	234,370	282,749	292,157
Total net revenues	$2,570,756	$2,736,929	$3,000,790

Revenues from GE comprised 14%, 10% and 9% of the Company's consolidated total net revenues in 2016, 2017 and 2018, respectively. No other customer accounted for 10% or more of the Company's consolidated total net revenues during these periods.

Property, plant and equipment, net by geographic region are as follows:

	As of December 31,	
	2017	2018
India	$125,490	$130,824
Asia, other than India	15,899	14,866
Americas	38,438	46,763
Europe	27,203	20,262
Total	$207,030	$212,715

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27. Contract balances

Accounts receivable include amounts for services that the Company has performed but for which payment has not been received. The Company typically follows a 30-day billing cycle and, as such, at any point in time may have accrued up to 30 days of revenues that have not been billed. The Company has determined that in instances where the timing of revenue recognition differs from the timing of invoicing, the related contracts generally do not include a significant financing component. Refer to note 5 for details on the Company's accounts receivable and reserve for doubtful receivables.

The following table provides details of the Company's contract liabilities:

Particulars	As of December 31, 2018 Advance from customers	Deferred transition revenue
Opening balance	$26,266	$101,785
Impact of opening balance offset	—	$21,348
Gross opening balance	$26,266	$123,133
Additions	33,328	67,838
Effect of business combinations	273	75
Revenue recognized	(32,091)	(68,697)
Currency translation adjustments	(1,063)	(1,097)
Gross closing balance	$26,713	$121,252
Impact of closing balance offset with contract asset	(3,821)	(25,604)
Closing balance (Note a)	$22,892	$95,648

(a) Included in "accrued expenses and other current liabilities" and "other liabilities" in the consolidated balance sheet.

The following table includes estimated revenue expected to be recognized in the future related to remaining performance obligations as of December 31, 2018:

Particulars	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Transaction price allocated to remaining performance obligations	$95,670	41,830	40,128	12,619	1,093

The Company has applied the practical expedient related to contract duration and has not disclosed information about remaining performance obligations that have original expected durations of one year or less.

The following table provides details of the Company’s contract assets:

Particulars	As of December 31,2018
Opening balance	$ 43,366
Impact of opening balance offset	21,348
Gross opening balance	$ 64,714
Additions	48,216
Reduction in revenue recognized	(38,470)
Gross closing balance	$ 74,460
Impact of closing balance offset with contract liability	(29,425)
Closing balance (Note b)	$ 45,035

(b) Included in "prepaid expenses and other current assets" and "other assets" in the consolidated balance sheet.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

27. Contract balances (Continued)

The following table provides details of the company's contract cost assets:

Particulars	As of December 31, 2018 Sales incentive programs	 Transition activities
Opening balance	$23,227	$139,284
Closing balance	25,891	134,302
Amortization	14,788	70,775

28. Related party transactions

The Company has entered into related party transactions with its non-consolidating affiliates. The Company has also entered into related party transactions with a significant shareholder and its affiliates.

The Company's related party transactions can be categorized as follows:

Revenue from services

In the years ended December 31, 2016, 2017, and 2018, the Company recognized net revenues of $335, $398 and $714, respectively, from a client that is also a significant shareholder of the Company.

In the years ended December 31, 2016 and 2017, the Company recognized net revenues of $8,077 and $5,400, respectively, from a client that was a non-consolidating affiliate of the Company. As of June 30, 2017, this non-consolidated affiliate ceased to be a related party.

Cost of revenue from services

The Company purchases certain services from its non-consolidating affiliates, mainly relating to training and recruitment, the costs of which are included in cost of revenue. For the years ended December 31, 2016, 2017 and 2018, cost of revenue includes an amount of $2,067, $2,043 and $1,094, respectively, attributable to the cost of such services provided by the Company's non-consolidating affiliates.

Selling, general and administrative expenses

The Company purchases certain services from its non-consolidating affiliates, mainly relating to training and recruitment, the costs of which are included in selling, general and administrative expenses. For the years ended December 31, 2016, 2017 and 2018, selling, general and administrative expenses include an amount of $291, $315 and $191, respectively, attributable to the cost of such services provided by the Company’s non-consolidating affiliates.

During the years ended December 31, 2016, 2017 and 2018, the Company engaged a significant shareholder of the Company to provide services to the Company at a cost of $58, $57 and $30, respectively.

Investment in equity affiliates

During the year ended December 31, 2017, the Company invested $496 in its non-consolidating affiliates.

During the year ended December 31, 2017, the Company recorded a charge of $2,849 related to an investment in one of its non-consolidating affiliates. This charge has been included in equity-method investment activity, net in the Company’s consolidated statement of income.

As of December 31, 2017 and 2018, the Company’s investments in its non-consolidating affiliates amounted to $886 and $836, respectively.

Others

During the years ended December 31, 2016 and 2017, the Company entered into transactions with one of its non-consolidating affiliates for certain cost reimbursements amounting to $1,162 and $477, respectively.

During the year ended December 31, 2017, the Company entered into transactions with a client that is a significant shareholder of the Company for certain cost reimbursements amounting to $127.

GENPACT LIMITED AND ITS SUBSIDIARIES

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28. Related party transactions (Continued)

During the year ended December 31, 2017, the Company made a payment of $3,847 to one of its non-consolidating affiliates under a tax-sharing arrangement in the U.K. This amount represents a portion of the non-consolidated affiliate's net operating losses surrendered to the Company under the tax sharing arrangement for the years 2015 and 2016. As of June 30, 2017 this non-consolidating affiliate ceased to be a related party.

29. Other Income (expense), net

	Year ended December 31,		
	2016	2017	2018
Government incentives	$-	$26,882	$ 36,099
Other income/(expense)	9,691	(3,296)	(338)
Other Income (expense), net	$9,691	$23,586	$ 35,761

30. Commitments and contingencies

Capital commitments

As of December 31, 2017 and 2018, the Company has committed to spend $8,314 and $4,859, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of such purchases.

Bank guarantees

The Company has outstanding bank guarantees amounting to $8,879 and $9,487 as of December 31, 2017 and 2018, respectively. Bank guarantees are generally provided to government agencies and excise and customs authorities for the purposes of maintaining a bonded warehouse. These guarantees may be revoked by the government agencies if they suffer any losses or damages through the breach of any of the covenants contained in the agreements governing such guarantees.

Other commitments

The Company's business process delivery centers in India are 100% export-oriented units or Software Technology Parks of India ("STPI") units under the STPI guidelines issued by the Government of India. These units are exempt from customs, central excise duties, and levies on imported and indigenous capital goods, stores, and spares. The Company has undertaken to pay custom duties, service taxes, levies, and liquidated damages payable, if any, in respect of imported and indigenous capital goods, stores, and spares consumed duty free, in the event that certain terms and conditions are not fulfilled.

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

31. Quarterly financial data (unaudited)

	Three months ended March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	Year ended December 31, 2018
Total net revenues	$688,912	$728,561	$ 747,978	$ 835,339	$ 3,000,790
Gross profit	$244,588	$265,663	$ 266,566	$ 302,205	$ 1,079,022
Income from operations	$63,761	$79,522	$ 94,028	$ 110,841	$