

Mastech Holdings, Inc.
Form 10-Q
November 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-34099

MASTECH HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA (State or other jurisdiction of	26-2753540 (I.R.S. Employer
incorporation or organization)	Identification No.)
1000 Commerce Drive, Suite 500	
Pittsburgh, PA (Address of principal executive offices)	15275 (Zip Code)
Registrant's telephone number, including area code: (412) 787-2100	

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

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

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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

The number of shares of the registrant's Common Stock, par value \$.01 per share, outstanding as of October 31, 2013 was 3,359,546.

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FOR THE QUARTER ENDED SEPTEMBER 30, 2013
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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****MASTECH HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Amounts in thousands, except per share data)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 28,283	\$ 22,774	\$ 78,418	\$ 67,295
Cost of revenues	22,948	18,405	63,739	54,623
Gross profit	5,335	4,369	14,679	12,672
Selling, general and administrative expenses	3,659	3,508	10,902	10,544
Income from operations	1,676	861	3,777	2,128
Interest income (expense), net	(23)	(17)	(77)	(50)
Other income (expense), net	(42)	52	4	29
Income from continuing operations before income taxes	1,611	896	3,704	2,107
Income tax expense	612	335	1,396	793
Income from continuing operations	999	561	2,308	1,314
Income from discontinued operations net of tax expense of \$22, \$39, \$68 and \$82	39	40	94	97
Gain on sale of discontinued operations, net of tax expense of \$43, nil, \$43 and nil	442		442	
Income from discontinued operations	481	40	536	97
Net income	\$ 1,480	\$ 601	\$ 2,844	\$ 1,411
Earnings per share:				
Basic:				
Continuing operations	\$.30	\$.18	\$.69	\$.40
Discontinued operations	.14	.01	.16	.03

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Total	\$.44	\$.19	\$.85	\$.43
Diluted:				
Continuing operations	\$.29	\$.17	\$.67	\$.39
Discontinued operations	.14	.01	.16	.03
Total	\$.43	\$.18	\$.83	\$.42
Weighted average common shares outstanding:				
Basic	3,352	3,176	3,346	3,271
Diluted	3,456	3,277	3,441	3,376

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**MASTECH HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Amounts in thousands)****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net income	\$ 1,480	\$ 601	\$ 2,844	\$ 1,411
Other comprehensive income (loss):				
Net unrealized gain/(loss) on cash flow hedges	20	71	(75)	75
Income tax (expense)/benefit	(8)	(28)	29	(30)
Total other comprehensive income (loss), net of taxes	\$ 12	\$ 43	\$ (46)	\$ 45
Total comprehensive income	\$ 1,492	\$ 644	\$ 2,798	\$ 1,456

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**MASTECH HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Amounts in thousands, except share and per share data)****(Unaudited)**

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,614	\$ 659
Accounts receivable, net of allowance for uncollectible accounts of \$358 in 2013 and \$438 in 2012	9,580	10,864
Unbilled receivables	6,244	2,927
Prepaid and other current assets	866	788
Deferred income taxes	156	153
Total current assets	18,460	15,391
Equipment, enterprise software, and leasehold improvements, at cost:		
Equipment	1,669	1,788
Enterprise software	720	720
Leasehold improvements	547	555
	2,936	3,063
Less accumulated depreciation	(2,753)	(2,814)
Net equipment, enterprise software, and leasehold improvements	183	249
Intangible assets, net		24
Deferred financing costs, net	25	46
Non-current deposits	211	214
Goodwill		405
Deferred income taxes	178	91
Total assets	\$ 19,057	\$ 16,420

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities:		
Short-term borrowings	\$	\$ 2,610
Accounts payable	2,539	1,984
Accrued payroll and related costs	6,077	4,424
Other accrued liabilities	412	342
Deferred revenue	42	173

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Total current liabilities	9,070	9,533
Total liabilities	9,070	9,533
Commitments and contingent liabilities (Note 3)		
Shareholders' equity:		
Preferred Stock, no par value; 20,000,000 shares authorized; none outstanding		
Common Stock, par value \$.01; 100,000,000 shares authorized and 3,945,913 shares issued as of September 30, 2013 and 3,925,395 shares issued as of December 31, 2012	40	39
Additional paid-in-capital	11,353	11,036
Retained earnings (deficit)	1,763	(1,081)
Accumulated other comprehensive income (loss)	(38)	8
Treasury stock, at cost; 586,367 shares as of September 30, 2013 and 584,172 shares as of December 31, 2012	(3,131)	(3,115)
Total shareholders' equity	9,987	6,887
Total liabilities and shareholders' equity	\$ 19,057	\$ 16,420

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Table of Contents**MASTECH HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Amounts in thousands)****(Unaudited)**

	Nine Months Ended September 30,	
	2013	2012
OPERATING ACTIVITIES:		
Net income	\$ 2,844	\$ 1,411
Adjustments to reconcile net income to net cash provided by (used in) operating activities of continuing operations:		
Net income from discontinued operations, net of tax	(536)	(97)
Depreciation and amortization	123	125
Interest amortization of deferred financing costs	21	20
Stock-based compensation expense	257	152
Deferred income taxes, net	(65)	26
(Gain) loss on derivative contract	21	(25)
Loss on capital asset retirements	1	
Working capital items:		
Accounts receivable and unbilled receivables	(3,301)	(2,049)
Prepaid and other current assets	(265)	(294)
Accounts payable	644	(537)
Accrued payroll and related costs	2,016	1,377
Other accrued liabilities	(41)	18
Deferred revenue	(125)	(2)
Net cash flows provided by operating activities of continuing operations	1,594	125
Net cash flows provided by (used in) operating activities of discontinued operations	979	(112)
Net cash flows provided by operating activities	2,573	13
INVESTING ACTIVITIES:		
Recovery of non-current deposits	14	3
Capital expenditures	(78)	(116)
Net cash flows (used in) investing activities of continuing operations	(64)	(113)
Net cash flows provided by investing activities of discontinued operations	996	11
Net cash flows provided by (used in) investing activities	932	(102)

FINANCING ACTIVITIES:		
Proceeds from (payment of) short-term borrowings, net	(2,610)	
Purchase of treasury stock	(16)	(2,522)
Proceeds from the exercise of stock options	16	67
Increase in excess tax benefits related to stock options, net	60	42
Net cash flows (used in) financing activities of continuing operations	(2,550)	(2,413)
Net cash flows (used in) financing activities of discontinued operations		
Net cash flows (used in) financing activities	(2,550)	(2,413)
Net change in cash and cash equivalents	955	(2,502)
Cash and cash equivalents, beginning of period	659	5,755
Cash and cash equivalents, end of period	\$ 1,614	\$ 3,253

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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MASTECH HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

(Unaudited)

1. Description of Business and Basis of Presentation:

References in this Quarterly Report on 10-Q to we, our, Mastech or the Company refer collectively to Mastech Holdings, Inc. and its wholly-owned operating subsidiaries, which are included in these Condensed Consolidated Financial Statements.

Recent Developments

In August 2013, the Company sold its healthcare staffing business to Accountable Healthcare Staffing, Inc., as more fully described in Note 2 Discontinued Operations of these Notes to the Condensed Consolidated Financial Statements. The Condensed Consolidated Statements of Operations and Cash Flows for all periods presented have been recast to reflect the healthcare staffing business as discontinued operations.

On October 30, 2013, the Company announced that its Board of Directors approved a five-for-four (25 percent) stock split and declared a special cash dividend of \$0.50 per post-split share of common stock. The record date for the stock split is November 15, 2013. Shareholders of record as of such date will receive one new share of common stock for every four shares that they own. The distribution of the new shares will be made on November 29, 2013. The cash dividend will be paid on December 20, 2013 to shareholders of record at the close of December 9, 2013.

Description of Business

We are a provider of IT staffing services. Our IT staffing business combines technical expertise with business process experience to deliver a broad range of services within business intelligence / data warehousing; web services; enterprise resource planning & customer resource management; and eBusiness solutions. We work with businesses and institutions with significant IT spending and recurring staffing needs. We also support smaller organizations with their project focused temporary IT staffing requirements. Our services span a broad range of industry verticals including: automotive; consumer products; education; financial services; government; healthcare; manufacturing; retail; technology; telecommunications; transportation; and utilities.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements (the Financial Statements) have been prepared by management in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and applicable rules and regulations of the Securities and Exchange Commission (the SEC). Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting principally of normal recurring adjustments, considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates. These financial

statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2012, included in our Annual Report on Form 10-K filed with the SEC on March 22, 2013. Additionally, our operating results for the three months and nine months ended September 30, 2013 are not necessarily indicative of the results that can be expected for the year ending December 31, 2013 or for any other period.

Principles of Consolidation

The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation. The Company utilizes the equity method of accounting, as prescribed by ASC Topic 323 The Equity Method of Accounting for Investments in Common Stock, when it is able to exercise significant management influence over the entity's operations, which generally occurs when Mastech has an ownership interest of between 20% and 50% in an entity. The cost method of accounting is used when the Company does not exercise significant management influence, generally when Mastech has an ownership interest of less than 20%.

Table of Contents***Critical Accounting Policies***

Please refer to Note 1 Summary of Significant Accounting Policies of the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in our Annual Report on Form 10-K for the year ended December 31, 2012 for a more detailed discussion of our significant accounting policies and critical accounting estimates. Other than *discontinued operations* discussed below, there were no material changes to these critical accounting policies during the nine months ended September 30, 2013.

Discontinued Operations: In August 2013, the Company sold its healthcare staffing business to Accountable Staffing Healthcare, Inc. The healthcare staffing business meets the criteria for being reported as a discontinued operation. Accordingly, the Condensed Consolidated Statements of Operations and Cash Flows for all periods presented have been recast to reflect the presentation of discontinued operations. The carrying value of assets and liabilities of discontinued operations that have been retained by the Company are disclosed below in Note 2 Discontinued Operations in these Notes to the Condensed Consolidated Financial Statements. These assets, net of liabilities, are expected to be monetized by the Company with the next 12-month period. Unless otherwise indicated, all disclosures and amounts in these Notes to the Condensed Consolidated Financial Statements relate to the Company's continuing operations.

Segment Reporting

The Company has one reportable segment in accordance with ASC Topic 280 Disclosures About Segments of an Enterprise and Related Information .

2. Discontinued Operations

In August 2013, the Company sold its healthcare staffing business to Accountable Healthcare Staffing, Inc. Under the terms of the Sales and Purchase Agreement the purchase price totaled \$1.15 million and consisted of \$1 million cash consideration at closing, plus the assumption of certain liabilities by the buyer. Total net assets sold excluded cash balances on hand, accounts receivables and other current assets which approximated \$1.5 million, net of current liabilities retained by the Company, at the transaction date.

The healthcare staffing business meets the criteria for being reported as a discontinued operations and has been segregated from continuing operations. Accordingly, the Condensed Consolidated Statements of Operations and Cash Flows for all periods presented have been recast to reflect the presentation of discontinued operations. Unless otherwise indicated, all disclosures in these Notes to Condensed Consolidated Financial Statements relate to the Company's continuing operations.

The carrying value of assets and liabilities of discontinued operations included in the September 30, 2013 and December 31, 2012 Condensed Consolidated Balance Sheets were as follows (in thousands):

	At September 30, 2013	At December 31, 2012
ASSETS:		
Accounts receivables	\$ 495	\$ 1,763

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Prepaid and other current assets	103	143
Deferred income taxes	33	8
Non-current deposits	23	13
Fixed assets, net		21
Goodwill and other intangibles		429
Total	654	2,377
LIABILITIES:		
Accounts payable	68	157
Accrued payroll and related cost		362
Other accrued liabilities	317	134
Total	385	653
TOTAL NET ASSETS	\$ 269	\$ 1,724

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The Condensed Statements of Operations of discontinued operations were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 1,253	\$ 2,855	\$ 7,058	\$ 8,100
Costs of revenues	1,045	2,339	5,856	6,598
Gross profit	208	516	1,202	1,502
Selling, general and administrative expenses	147	437	1,040	1,323
Income before income taxes	61	79	162	179
Income tax expense	22	39	68	82
Net income	\$ 39	\$ 40	\$ 94	\$ 97

The gain on the sale of the healthcare business was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Pretax gain on sale transaction	\$ 485	\$ 485	\$ 485	\$ 485
Income tax expense	43		43	
Net gain	\$ 442	\$ 442	\$ 442	\$ 442

Income tax expense on the sale transaction included the utilization of \$147,000 of tax benefits (capital loss carry-forwards) which were previously deemed non-realizable by the Company.

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The cash flows provided by (used in) discontinued operations were as follows (in thousands):

	Nine Months Ended September 30,	
	2013	2012
OPERATING ACTIVITIES:		
Net income from discontinued operations	\$ 536	\$ 97
Adjustments to reconcile net income to net cash provided by (used in) operating activities of discontinued operations:		
Depreciation and amortization	16	31
Bad debt (credit) expense	(25)	
Stock-based compensation expense	(15)	9
Deferred income taxes, net	(25)	5
(Gain) on sale of discontinued operations, net of tax	(442)	
Working capital items:		
Accounts receivable and unbilled receivables	1,291	(417)
Prepaid and other current assets	41	5
Accounts payable	(89)	135
Accrued payroll and related costs	(363)	(16)
Other accrued liabilities	54	39
Total cash provided by (used in) operating activities of discontinued operations	979	(112)
INVESTING ACTIVITIES:		
Recovery of (increase in) non-current deposits	(10)	21
Capital expenditures	(3)	(10)
Proceeds from sale of discontinued operations	1,009	
Total cash provided by investing activities of discontinued operations	996	11
FINANCING ACTIVITIES:		
None		
Total cash flow provided by (used in) discontinued operations	\$ 1,975	\$ (101)

3. Commitments and Contingencies***Lease Commitments***

The Company rents certain office space and equipment under non-cancelable leases which provides for future minimum rental payments. Total lease commitments have not materially changed from the amounts disclosed in the Company's 2012 Annual Report on Form 10-K.

Contingencies

In the ordinary course of our business, the Company is involved in a number of lawsuits and administrative proceedings. While uncertainties are inherent in the final outcome of these matters, the Company's management believes, after consultation with legal counsel, that the disposition of these proceedings should not have a material adverse effect on our financial position, results of operations or cash flows.

4. Employee Benefit Plan

The Company provides an Employee Retirement Savings Plan (the Retirement Plan) under Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code) that covers substantially all U.S. based salaried employees. Employees may contribute a percentage of eligible compensation to the Plan, subject to certain limits under the Code. For the nine months ended September 30, 2013 and September 30, 2012, the Company did not provide for any matching contributions.

Table of Contents**5. Mastech Stock Incentive Plan**

In 2008, the Company adopted a Stock Incentive Plan (the Plan) which provides that up to 800,000 shares of the Company's common stock shall be allocated for issuance to directors, officers and key personnel. Grants under the Plan can be made in the form of stock options, stock appreciation rights, performance shares or stock awards. During the three and nine months ended September 30, 2013, there were -0- and 50,000 performance share grants made under this Plan. For the three and nine months ended September 30, 2012, the Company granted 155,000 performance shares to various directors, officers and key employees.

As of September 30, 2013, there were 48,317 shares available for grant under the Plan.

6. Stock-Based Compensation

Stock-based compensation expense for the three months ended September 30, 2013 and 2012 was \$90,000 and \$76,000, respectively, and for the nine months ended September 30, 2013 and 2012 was \$257,000 and \$152,000, respectively. Stock-based compensation expense is included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

During the three and nine months ended September 30, 2013, the Company issued 14,001 shares and 20,518 shares related to the exercise of stock options and vesting of restricted stock grants. During the three and nine months ended September 30, 2012, the Company issued 17,092 and 47,725 shares related to exercise of stock options and vesting of restricted stock grants.

7. Income Taxes

The components of income before income taxes from continuing operations, as shown in the accompanying Condensed Consolidated Financial Statements, consisted of the following for the three and six months ended September 30, 2013 and 2012:

	Three Months Ended September 30, 2013		September 30, 2012	
	(Amounts in Thousands)		(Amounts in Thousands)	
Income before income taxes:				
Domestic	\$ 1,611	\$ 896	\$ 3,704	\$ 2,107
Foreign				
Income before income taxes	\$ 1,611	\$ 896	\$ 3,704	\$ 2,107

The provision for income taxes from continuing operations, as shown in the accompanying Condensed Consolidated Financial Statements, consisted of the following for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	2012		2012	
	(Amounts in Thousands)		(Amounts in Thousands)	
Current provision:				
Federal	\$ 543	\$ 295	\$ 1,330	\$ 630
State	58	20	131	49
Total current provision	601	315	1,461	679
Deferred provision:				
Federal	10	18	(57)	101
State	1	2	(8)	13
Total deferred provision (benefit)	11	20	(65)	114
Total provision for income taxes	\$ 612	\$ 335	\$ 1,396	\$ 793

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The reconciliation of income taxes computed using the statutory U.S. income tax rate and the provision for income taxes from continuing operations for the three and nine months ended September 30, 2013 and 2012 were as follows (amounts in thousands):

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012	
Income taxes computed at the federal statutory rate	\$ 548	34.0%	\$ 305	34.0%
State income taxes, net of federal tax benefit	59	3.7	22	2.5
Other net	5	0.3	8	0.9
	\$ 612	38.0%	\$ 335	37.4%

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
Income taxes computed at the federal statutory rate	\$ 1,259	34.0%	\$ 716	34.0%
State income taxes, net of federal tax benefit	123	3.3	62	2.9
Other net	14	0.4	15	0.7
	\$ 1,396	37.7%	\$ 793	37.6%

A reconciliation of the beginning and ending amounts of unrecognized tax benefits related to uncertain tax positions, including interest and penalties, are as follows:

(Amounts in thousands)	Nine Months Ended September 30, 2013
Balance as of December 31, 2012	\$ 78
Additions related to current period	28
Additions related to prior periods	
Reductions related to prior periods	
Balance as of September 30, 2013	\$ 106

Although it is difficult to anticipate the final outcome of these uncertain tax positions, the Company believes that the total amount of unrecognized tax benefits could be reduced by approximately \$32,000 during the next twelve months due to the expiration of the statute of limitations.

8. Derivative Instruments and Hedging Activities

Commencing in June 2012, the Company entered into foreign currency forward contracts (derivative contracts) to mitigate and manage the risk of changes in foreign exchange rates related to highly probable expenditures in support of its Indian-based global recruitment operations. These forward contracts have been designated as cash flow hedging

instruments and qualified as effective hedges at inception under ASC Topic 815, Derivatives and Hedging .

All derivatives are recognized on the balance sheet at fair value. The effective portion of the changes in fair value on these instruments is recorded in other comprehensive income (loss) and is reclassified into the Consolidated Statements of Operations on the same line item and in the same period in which the underlying hedge transaction affects earnings. Changes in the fair value of these instruments deemed ineffective are recognized in the Consolidated Statements of Operations as foreign exchange gains (losses). Hedge effectiveness is assessed based on changes in the fair value of the forward contracts related to the difference between the spot price and the forward price. Forward points (premiums/discounts) are excluded from the assessment of hedge effectiveness and are recognized in the Consolidated Statements of Operations as foreign exchange gains/(losses).

As of September 30, 2013, the Company's outstanding contracts mature in fifteen monthly installments of 10 million rupees per month through December 2014, meet the qualifying criteria for hedge accounting and have been deemed to be effective. Accordingly, the Company has recorded other comprehensive pretax (losses) of (\$62,000) as of September 30, 2013.

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The following table presents information related to foreign currency forward contracts held by the Company:

Outstanding hedge transactions qualifying for hedge accounting as of September 30, 2013 (amounts in thousands):

	Maturity Date Ranges	Rupee Strike Price Ranges	Amount	Net Unrealized Gain/(Loss) September 30, 2013
Forward contracts USD:				
From:	October 21, 2013	57.60		
To:	December 22, 2014	70.41		
Total			\$ 2,320	\$ (62)

The effect of derivative instruments on the Condensed Consolidated Statements of Operations and Comprehensive Income are as follows (in thousands):

	Amount of Gain / (Loss)	Location of Gain / (Loss) reclassified from Accumulated OCI to Income (Expense)	Amount of Gain / (Loss) reclassified from OCI to Income (Expense)	Location of Gain / (Loss) reclassified in OCI to Income (Expense)	Amount of Gain / (Loss) recognized in Income (Expense)
Hedging Relationships	Derivatives	Derivatives	Derivatives	Derivatives	Derivatives
	(Effective Portion)	(Effective Portion)	(Effective Portion)	(Ineffective Portion/Amounts excluded from effectiveness testing)	
For the Three Months Ended September 30, 2013:					
Currency Forward Contracts	\$ 20	SG&A Expense	\$ (16)	Other Income/ (Expense)	\$ (40)
For the Nine Months Ended September 30, 2013:					
Currency Forward Contracts	\$ (75)	SG&A Expense	\$ (12)	Other Income/ (Expense)	\$ 1
For the Three Months Ended September 30, 2012:					
Currency Forward Contracts	\$ 71	SG&A Expense	\$ 5	Other Income/ (Expense)	\$ 24
For the Nine Months Ended September 30, 2012:					
Currency Forward Contracts	\$ 75	SG&A Expense	\$ 5		\$ 25

Other Income/
(Expense)**Information on the location and amounts of derivative fair values in the Condensed Consolidated Balance Sheets (in thousands):**

Derivative Instruments	September 30, 2013		December 31, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Currency Forward Contracts	Other Accrued Liabilities	\$ 56	Prepaid and Other Current Assets	\$ 41

The estimated amount of pretax losses as of September 30, 2013 that is expected to be reclassified from other comprehensive (loss) into earnings within the next 12 months is (\$71,000).

9. Fair Value Measurements

The Company has adopted the provisions of ASC 820, Fair Value Measurements and Disclosures (ASC 820) related to certain financial and nonfinancial assets and liabilities. ASC 820 establishes the authoritative definition of fair value; sets out a framework for measuring fair value; and expands the required disclosures about fair value measurements. The valuation techniques required by ASC 820 are based on observable and unobservable inputs using the following three-tier hierarchy: