COGNIZANT TECHNOLOGY SOLUTIONS CORP
Form 10-Q
August 04, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2011

¨ **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 0-24429

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**13-3728359**
(State or Other Jurisdiction of	**(I.R.S. Employer**
Incorporation or Organization)	**Identification No.)**

Glenpointe Centre West	
500 Frank W. Burr Blvd.	
Teaneck, New Jersey	**07666**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code (201) 801-0233

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 x No: ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 x 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. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer s class of common stock, as of July 29, 2011:

Class	**Number of Shares**
Class A Common Stock, par value $.01 per share	303,655,336

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited).

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share data)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenues	$ 1,485,242	$ 1,105,154	$ 2,856,495	$ 2,064,874
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	860,871	641,019	1,643,047	1,196,923
Selling, general and administrative expenses	326,718	234,547	623,048	429,540
Depreciation and amortization expense	27,695	23,673	55,077	49,479
Income from operations	269,958	205,915	535,323	388,932
Other income (expense), net:				
Interest income	9,474	6,547	18,411	12,601
Other, net	(1,827)	(4,454)	4,371	(14,773)
Total other income (expense), net	7,647	2,093	22,782	(2,172)
Income before provision for income taxes	277,605	208,008	558,105	386,760
Provision for income taxes	69,560	35,833	141,733	63,085
Net income	$ 208,045	$ 172,175	$ 416,372	$ 323,675
Basic earnings per share	$ 0.68	$ 0.57	$ 1.37	$ 1.08
Diluted earnings per share	$ 0.67	$ 0.56	$ 1.34	$ 1.05
Weighted average number of common shares outstanding Basic	303,989	299,889	304,015	298,887
Dilutive effect of shares issuable under stock-based compensation plans	7,488	8,598	7,625	8,689
Weighted average number of common shares outstanding Diluted	311,477	308,487	311,640	307,576

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(in thousands, except par values)

	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 1,193,040	$ 1,540,969
Short-term investments	1,076,371	685,419
Trade accounts receivable, net of allowances of $22,821 and $20,991, respectively	1,075,193	901,308
Unbilled accounts receivable	152,399	112,960
Deferred income tax assets, net	80,756	96,164
Other current assets	180,138	181,414
Total current assets	3,757,897	3,518,234
Property and equipment, net of accumulated depreciation of $402,581 and $352,472, respectively	614,494	570,448
Goodwill	224,136	223,963
Intangible assets, net	87,850	85,136
Deferred income tax assets, net	112,846	109,808
Other noncurrent assets	119,479	75,485
Total assets	$ 4,916,702	$ 4,583,074
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 89,057	$ 75,373
Deferred revenue	84,629	84,590
Accrued expenses and other current liabilities	713,665	770,763
Total current liabilities	887,351	930,726
Deferred income tax liabilities, net	3,558	4,946
Other noncurrent liabilities	73,944	62,971
Total liabilities	964,853	998,643
Commitments and contingencies (See Note 7)		
Stockholders equity:		
Preferred stock, $.10 par value, 15,000 shares authorized, none issued		
Class A common stock, $.01 par value, 1,000,000 shares authorized at June 30, 2011 and 500,000 shares authorized at December 31, 2010; 303,608 and 303,941 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	3,036	3,039
Additional paid-in capital	756,896	846,886
Retained earnings	3,115,280	2,698,908
Accumulated other comprehensive income (loss)	76,637	35,598
Total stockholders equity	3,951,849	3,584,431
Total liabilities and stockholders equity	$ 4,916,702	$ 4,583,074

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	For the Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	$ 416,372	$ 323,675
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	58,237	52,629
Provision for doubtful accounts	2,517	5,515
Deferred income taxes	(1,819)	38,860
Stock-based compensation expense	39,744	27,935
Excess tax benefit on stock-based compensation plans	(22,041)	(28,411)
Other	164	(799)
Changes in assets and liabilities:		
Trade accounts receivable	(170,419)	(192,309)
Other current assets	(37,511)	(78,822)
Other assets	(17,163)	(12,726)
Accounts payable	7,644	20,618
Other current and noncurrent liabilities	(14,983)	(18,543)
Net cash provided by operating activities	260,742	137,622
Cash flows from investing activities:		
Purchases of property and equipment	(89,550)	(66,165)
Purchases of investments	(771,018)	(413,918)
Proceeds from maturity or sale of investments	383,486	251,133
Acquisitions, net of cash acquired	(19,321)	(29,035)
Net cash used in investing activities	(496,403)	(257,985)
Cash flows from financing activities:		
Issuance of common stock under stock-based compensation plans	40,282	49,935
Excess tax benefit on stock-based compensation plans	22,041	28,411
Repurchases of common stock	(192,130)	(4,901)
Net cash (used in) provided by financing activities	(129,807)	73,445
Effect of currency translation on cash and cash equivalents	17,539	(14,326)
(Decrease) in cash and cash equivalents	(347,929)	(61,244)
Cash and cash equivalents, beginning of year	1,540,969	1,100,930
Cash and cash equivalents, end of period	$ 1,193,040	$ 1,039,686

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(dollar amounts in thousands)

Note 1 Interim Condensed Consolidated Financial Statements

The terms Cognizant, we, our, us and Company refer to Cognizant Technology Solutions Corporation unless the context indicates otherwise have prepared the accompanying unaudited condensed consolidated financial statements included herein in accordance with generally accepted accounting principles in the United States of America and Article 10 of Regulation S-X under the Securities and Exchange Act of 1934, as amended. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements (and notes thereto) included in our Annual Report on Form 10-K for the year ended December 31, 2010. In our opinion, all adjustments considered necessary for a fair presentation of the accompanying unaudited condensed consolidated financial statements have been included, and all adjustments are of a normal and recurring nature. Operating results for the interim periods are not necessarily indicative of results that may be expected to occur for the entire year.

Note 2 Investments

Investments were as follows:

	June 30, 2011	December 31, 2010
Available-for-sale securities:		
U.S. Treasury and agency debt securities	$ 423,673	$ 340,384
Corporate and other debt securities	228,000	122,909
Asset-backed securities	95,836	33,154
Municipal debt securities	42,081	41,655
Foreign government debt securities	9,562	7,926
Total available-for-sale securities	799,152	546,028
Time deposits	277,219	139,391
Total investments	$ 1,076,371	$ 685,419

Our available-for-sale investment securities consist primarily of U.S. Treasury notes, U.S. government agency debt securities, municipal debt securities, non-U.S. government debt securities, U.S. and international corporate bonds, debt securities issued by supranational institutions and asset-backed securities, including those backed by auto loans, credit card receivables, mortgage loans and other receivables. Our investment guidelines are to purchase securities with a credit rating of A and above at the time of acquisition. We monitor the credit ratings of the securities in our portfolio on an ongoing basis. The carrying value of the time deposits approximated fair value as of June 30, 2011 and December 31, 2010.

Available-for-Sale Securities

The amortized cost, unrealized gains and losses and fair value of available-for-sale investment securities at June 30, 2011 were as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and agency debt securities	$ 422,077	$ 1,670	$ (74)	$ 423,673
Corporate and other debt securities	226,654	1,422	(76)	228,000

Asset-backed securities	95,783	146	(93)	95,836
Municipal debt securities	42,093	81	(93)	42,081
Foreign government debt securities	9,446	118	(2)	9,562
Total available-for-sale investment securities	$ 796,053	$ 3,437	$ (338)	$ 799,152

The amortized cost, unrealized gains and losses and fair value of available-for-sale investment securities at December 31, 2010 were as follows:

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	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and agency debt securities	$ 339,982	$ 994	$ (592)	$ 340,384
Corporate and other debt securities	122,137	835	(63)	122,909
Asset-backed securities	33,258	33	(137)	33,154
Municipal debt securities	41,802	2	(149)	41,655
Foreign government debt securities	7,844	83	(1)	7,926
Total available-for-sale investment securities	$ 545,023	$ 1,947	$ (942)	$ 546,028

The fair value and related unrealized losses of available-for-sale investment securities in a continuous unrealized loss position for less than 12 months and for 12 months or longer were as follows as of June 30, 2011:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and agency debt securities	$ 100,897	$ (74)	$	$	$ 100,897	$ (74)
Corporate and other debt securities	55,771	(76)			55,771	(76)
Asset-backed securities	41,966	(84)	944	(9)	42,910	(93)
Municipal debt securities	9,101	(93)			9,101	(93)
Foreign government debt securities	1,522	(2)			1,522	(2)
Total	$ 209,257	$ (329)	$ 944	$ (9)	$ 210,201	$ (338)

The fair value and related unrealized losses of available-for-sale investment securities in a continuous unrealized loss position for less than 12 months were as follows as of December 31, 2010:

	Fair Value	Unrealized Losses
U.S. Treasury and agency debt securities	$ 200,772	$ (592)
Corporate and other debt securities	16,518	(63)
Asset-backed securities	17,791	(137)
Municipal debt securities	25,598	(149)
Foreign government debt securities	1,203	(1)
Total	$ 261,882	$ (942)

As of December 31, 2010, we did not have any investments in available-for-sale securities that had been in an unrealized loss position for 12 months or longer.

The unrealized losses for the above securities as of June 30, 2011 and as of December 31, 2010 are primarily attributable to changes in interest rates. As of June 30, 2011, we do not consider any of the investments to be other-than-temporarily impaired.

The gross unrealized gains and losses in the above tables were recorded, net of tax, in accumulated other comprehensive income (loss).

The contractual maturities of available-for-sale investment securities as of June 30, 2011 are set forth in the following table:

	Amortized Cost	Fair Value
Due within one year	$ 79,665	$ 79,849
Due after one year through five years	609,235	612,167
Due after five years through ten years	1,069	1,026
Due after ten years	10,301	10,274
Asset-backed securities	95,783	95,836
Total available-for-sale investment securities	$ 796,053	$ 799,152

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Asset-backed securities were excluded from the maturity categories because the actual maturities may differ from the contractual maturities since the underlying receivables may be prepaid without penalties. Further, actual maturities of debt securities may differ from those presented above since certain obligations provide the issuer the right to call or prepay the obligation prior to scheduled maturity without penalty.

Proceeds from sales of available-for-sale investment securities and the gross gains and losses that have been included in earnings as a result of those sales were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Proceeds from sales of available-for-sale investment securities	$ 132,201	$ 19,093	$ 259,728	$ 19,093
Gross gains	$ 828	$ 82	$ 1,310	$ 82
Gross losses	(35)	(56)	(168)	(56)
Net gains on sales of available-for-sale securities	$ 793	$ 26	$ 1,142	$ 26

Note 3 Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities were as follows:

	June 30, 2011	December 31, 2010
Compensation and benefits	$ 463,489	$ 533,067
Income taxes	29,991	14,999
Professional fees	32,613	34,121
Travel and entertainment	19,656	16,531
Customer volume incentives	90,701	85,180
Derivative financial instruments	8,219	7,504
Deferred income taxes	1,131	1,134
Other	67,865	78,227
Total accrued expenses and other current liabilities	$ 713,665	$ 770,763

Note 4 Income Taxes

Our Indian subsidiaries, collectively referred to as Cognizant India, are primarily export-oriented and are eligible for certain income tax holiday benefits granted by the government of India for export activities. These benefits for export activities conducted within Software Technology Parks, or STPs, expired during the first quarter ended March 31, 2011, and the income from such activities is now subject to corporate income tax at the current rate of 32.4%, resulting in a significant increase in our effective tax rate for 2011. In addition to STPs, we have constructed and expect to continue to locate most of our newer development centers in areas designated as Special Economic Zones, or SEZs. Development centers operating in SEZs are entitled to certain income tax incentives for export activities for periods up to 15 years. Effective April 1, 2011, all Indian profits, including those generated within SEZs, are subject to the Minimum Alternative Tax, or MAT, at the current rate of approximately 20.0%. Any MAT paid is creditable against future corporate income taxes, subject to limitations.

Our effective income tax rates were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010

Effective income tax rate	25.1%	17.2%	25.4%	16.3%

For the 2011 and 2010 periods, the principal difference between our effective income tax rates and the U.S. federal statutory rate is the effect of the Indian tax benefits and earnings taxed in countries that have lower rates than the United States.

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Note 5 Fair Value Measurements

We measure our cash equivalents, investments, and foreign exchange forward contracts at fair value. The authoritative guidance defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The authoritative guidance also establishes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity s pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.

Level 3 Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following table summarizes our financial assets and (liabilities) measured at fair value on a recurring basis as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 416,372	$	$	$ 416,372
Time deposits		1,853		1,853
Commercial paper		26,476		26,476
Total cash equivalents	416,372	28,329		444,701
Investments:				
Time deposits		277,219		277,219
Available-for-sale securities:				
U.S. Treasury and agency debt securities	275,861	147,812		423,673
Corporate and other debt securities		228,000		228,000
Asset-backed debt securities		95,836		95,836
Municipal debt securities		42,081		42,081
Foreign government debt securities		9,562		9,562
Total available-for-sale securities	275,861	523,291		799,152
Total investments	275,861	800,510		1,076,371
Derivative financial instruments foreign exchange forward contracts:				
Other current assets		32,369		32,369
Accrued expenses and other current liabilities		(8,219)		(8,219)
Other noncurrent assets		36,087		36,087
Other noncurrent liabilities		(788)		(788)

Total	$ 692,233	$ 888,288	$	$ 1,580,521

The following table summarizes our financial assets and (liabilities) measured at fair value on a recurring basis as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 421,424	$	$	$ 421,424
Time deposits		67,703		67,703
Total cash equivalents	421,424	67,703		489,127

	Level 1	Level 2	Level 3	Total
Investments:				
Time deposits		139,391		139,391
Available-for-sale securities				
U.S. Treasury and agency debt securities	268,114	72,270		340,384
Corporate and other debt securities		122,909		122,909
Asset-backed debt securities		33,154		33,154
Municipal debt securities		41,655		41,655
Foreign government debt securities		7,926		7,926
Total available-for-sale securities	268,114	277,914		546,028
Total investments	268,114	417,305		685,419
Derivative financial instruments foreign exchange forward contracts:				
Other current assets		30,983		30,983
Accrued expenses and other current liabilities		(7,504)		(7,504)
Other noncurrent assets		8,144		8,144
Other noncurrent liabilities		(6,601)		(6,601)
Total	$ 689,538	$ 510,030	$	$ 1,199,568

We measure the fair value of money market funds and U.S. Treasury securities based on quoted prices in active markets for identical assets. The fair value of commercial paper, U.S. government agency securities, municipal debt securities, U.S. and international corporate bonds and foreign government debt securities is measured based on relevant trade data, dealer quotes, or model driven valuations using significant inputs derived from or corroborated by observable market data, such as yield curves and credit spreads. We measure the fair value of our asset-backed securities using model driven valuations based on dealer quotes, available trade information, spread data, current market assumptions on prepayment speeds and defaults and historical data on deal collateral performance.

We estimate the fair value of each foreign exchange forward contract by using a present value of expected cash flows model. This model calculates the difference between the current market forward price and the contracted forward price for each foreign exchange contract and applies the difference in the rates to each outstanding contract. The market forward rates included a discount and credit risk factor. The amounts were aggregated by type of contract and maturity.

During the three and six months ended June 30, 2011 and the year ended December 31, 2010, there were no transfers among Level 1, Level 2, or Level 3 financial assets and liabilities.

Note 6 Derivative Financial Instruments

In the normal course of business, we use foreign exchange forward contracts to manage foreign currency exchange rate risk. The estimated fair value of the foreign exchange forward contracts considers the following items: discount rate, timing and amount of cash flow and counterparty credit risk. Derivatives may give rise to credit risks from the possible non-performance by counterparties. Credit risk is generally limited to the fair value of those contracts that are favorable to us. We have limited our credit risk by entering into derivative transactions only with highly-rated global financial institutions, limiting the amount of credit exposure with any one financial institution and conducting ongoing evaluation of the creditworthiness of the financial institutions with which we do business.

The following table provides information on the location and fair values of derivative financial instruments included in our condensed consolidated statements of financial position as of June 30, 2011:

Designation of Derivatives	Location on Statement of Financial Position	Assets	Liabilities
Cash Flow Hedges Designated as hedging instruments			
Foreign exchange forward contracts	Other current assets	$ 32,369	$

Other noncurrent assets	36,087	
Accrued expenses and other current liabilities		346
Other noncurrent liabilities		788
Total	68,456	1,134

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Designation of Derivatives	Location on Statement of Financial Position	Assets	Liabilities
Other Derivatives Not designated as hedging instruments			
Foreign exchange forward contracts	Accrued expenses and other current liabilities		7,873
	Total		7,873
Total		$ 68,456	$ 9,007

The following table provides information on the location and fair values of derivative financial instruments in our condensed consolidated statements of financial position as of December 31, 2010:

Designation of Derivatives	Location on Statement of Financial Position	Assets	Liabilities
Cash Flow Hedges Designated as hedging instruments			
Foreign exchange forward contracts	Other current assets	$ 30,983	$
	Other noncurrent assets	8,144	
	Accrued expenses and other current liabilities		187
	Other noncurrent liabilities		6,601
	Total	39,127	6,788
Other Derivatives Not designated as hedging instruments			
Foreign exchange forward contracts	Accrued expenses and other current liabilities		7,317
	Total		7,317
Total		$ 39,127	$ 14,105

Cash Flow Hedges

We have entered into a series of foreign exchange forward contracts that are designated as cash flow hedges of certain salary payments in India. These contracts are intended to partially offset the impact of movement of exchange rates on future operating costs and are scheduled to mature each month during 2011, 2012, 2013, and 2014. Under these contracts, we purchase Indian rupees and sell U.S. dollars. The changes in fair value of these contracts are initially reported in the caption accumulated other comprehensive income (loss) on our accompanying condensed consolidated statements of financial position and are subsequently reclassified to earnings in the same period the hedge contract matures. The notional value of our outstanding contracts by year of maturity and the net unrealized gain included in accumulated other comprehensive income (loss) for such contracts were as follows:

	June 30, 2011	December 31, 2010
2011	$ 390,000	$ 780,000
2012	900,000	780,000
2013	900,000	600,000
2014	600,000	
Total notional value of contracts outstanding	$ 2,790,000	$ 2,160,000
Net unrealized gain included in accumulated other comprehensive income (loss), net of taxes	$ 53,307	$ 30,723

Upon settlement or maturity of the cash flow hedge contracts, we record the related gain or loss, based on our designation at the commencement of the contract, to salary expense reported within cost of revenues and selling, general and administrative expenses. The following table provides information on the location and amounts of pre-tax gains (losses) on our cash flow hedges for the three months ended June 30, 2011:

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	Increase (decrease) in Derivative Gains (Losses) Recognized in Accumulated Other Comprehensive Income (Loss) (effective portion)		Location of Net Derivative Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	Net Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	
Cash Flow Hedges Designated as hedging instruments					
Foreign exchange forward contracts	$	48,024	Cost of revenues	$	11,964
			Selling, general and administrative expenses		2,560
Total	$	48,024		$	14,524

The following table provides information on the location and amounts of pre-tax gains (losses) on our cash flow hedges for the three months ended June 30, 2010:

	Increase (decrease) in Derivative Gains (Losses) Recognized in Accumulated Other Comprehensive Income (Loss) (effective portion)		Location of Net Derivative Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	Net Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	
Cash Flow Hedges Designated as hedging instruments					
Foreign exchange forward contracts	$	(52,682)	Cost of revenues	$	7,800
			Selling, general and administrative expenses		1,726
Total	$	(52,682)		$	9,526

The following table provides information on the location and amounts of pre-tax gains (losses) on our cash flow hedges for the six months ended June 30, 2011:

	Increase (decrease) in Derivative Gains (Losses) Recognized in Accumulated Other Comprehensive Income (Loss) (effective portion)		Location of Net Derivative Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	Net Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	
Cash Flow Hedges Designated as hedging instruments					
Foreign exchange forward contracts	$	61,102	Cost of revenues	$	21,526
					4,593

			Selling, general and administrative expenses		
Total	$	61,102		$	26,119

The following table provides information on the location and amounts of pre-tax gains (losses) on our derivative financial instruments for the six months ended June 30, 2010:

	Increase (decrease) in Derivative Gains (Losses) Recognized in Accumulated Other Comprehensive Income (Loss) (effective portion)		Location of Net Derivative Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	Net Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	
Cash Flow Hedges Designated as hedging instruments					
Forward foreign exchange contracts	$	(10,658)	Cost of revenues	$	16,132
			Selling, general and administrative expenses		2,763
Total	$	(10,658)		$	18,895

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Other Derivatives

We also use foreign exchange forward contracts, which have not been designated as hedges, to hedge our foreign currency exposure to Indian rupee denominated net monetary assets. We entered into a series of foreign exchange forward contracts to purchase U.S. dollars and sell Indian rupees. Realized gains or losses and changes in the estimated fair value of these derivative financial instruments are recorded in Other, net in our condensed consolidated statements of operations.

Additional information related to our outstanding contracts is as follows:

	June 30, 2011	December 31, 2010
Notional value of contracts outstanding	$ 216,659	$ 234,021