

India Globalization Capital, Inc.  
Form 10-Q  
November 14, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the quarterly period ended September 30, 2012
- Transition report under Section 13 or 15(d) of the Exchange Act of 1934.

Commission file number 1-32830

INDIA GLOBALIZATION CAPITAL, INC.  
(Exact name of small business issuer in its charter)

Maryland  
(State or other jurisdiction of incorporation or organization)

20-2760393  
(I.R.S. Employer Identification No.)

4336 Montgomery Ave. Bethesda, Maryland 20814  
(Address of principal executive offices)

(301) 983-0998  
(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act:

| Title of Each Class  | Name of exchange on which registered |
|--|--------------------------------------|
| Units, each consisting of one share of Common Stock and two Warrants | NYSE MKT                             |
| Common Stock   | NYSE MKT                             |
| Common Stock Purchase Warrants                                       | NYSE MKT                             |

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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

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(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding for each of the issuer’s classes of common equity as of the latest practicable date.

| Class                           | Shares Outstanding as of October 15, 2012 |
|---------------------------------|---|
| Common Stock, \$.0001 Par Value | 60,061,737                                |

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INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

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## PART I – Financial Information

## Item 1. Financial Statements

INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

All amounts in USD except share data

|   | As of                    |                        |
|---|--------------------------|------------------------|
|   | 30-Sep-12<br>(unaudited) | 31-Mar-12<br>(audited) |
| <b>ASSETS</b>   |                          |                        |
| Current assets:   |                          |                        |
| Cash and cash equivalents   | \$ 611,297               | \$ 562,948             |
| Accounts receivable, net of allowances  | 1,574,148                | 1,641,868              |
| Inventories   | 429,348                  | 387,481                |
| Advance taxes   | 41,452                   | 41,452                 |
| Prepaid expenses and other current assets   | 2,429,779                | 2,586,514              |
| Total current assets  | \$ 5,086,024             | \$ 5,220,263           |
| Property, plant and equipment, net  | 8,169,652                | 8,491,796              |
| Investments in affiliates   | 5,109,058                | 5,109,058              |
| Intangible Assets and Goodwill  | 4,495,807                | 4,803,828              |
| Investments-others  | 311,910                  | 637,620                |
| Other non-current assets  | 1,047,359                | 997,513                |
| Total assets  | \$ 24,219,810            | \$ 25,260,078          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                          |                        |
| Current liabilities:  |                          |                        |
| Short-term borrowings   | \$ 177,300               | \$ 210,010             |
| Trade payables  | 367,255                  | 337,145                |
| Accrued expenses  | 936,940                  | 916,710                |
| Notes payable   | 1,800,000                | 1,800,000              |
| Dues to related parties   | -                        | 310,681                |
| Deferred tax liabilities  | 135,980                  | 135,980                |
| Loans – others  | 222,389                  | 222,389                |
| Other current liabilities   | 478,391                  | 563,105                |
| Total current liabilities   | \$ 4,118,255             | \$ 4,496,020           |
| Deferred Income taxes   | 713,897                  | 713,897                |
| Other non-current liabilities   | 4,210,388                | 4,233,978              |
| Total liabilities   | \$ 9,042,540             | \$ 9,443,895           |
| Stockholders' equity:   |                          |                        |
| Common stock — \$.0001 par value; 150,000,000 shares authorized; 60,061,737 issued and outstanding as of Sept 30, 2012 and 60,061,737 issued and outstanding as of March 31, 2012 | \$ 6,007                 | \$ 6,007               |
| Additional paid-in capital  | 54,821,952               | 54,821,952             |
| Accumulated other comprehensive income  | (2,467,252)              | (2,542,453)            |
| Retained earnings (Deficit)   | (38,115,857)             | (37,444,832)           |
| Total equity attributable to Parent   | \$ 14,244,850            | \$ 14,840,674          |
| Non-controlling interest  | \$ 932,420               | \$ 975,509             |
| Total stockholders' equity  | 15,177,270               | 15,816,183             |

|  |               |               |
|--|---------------|---------------|
| Total liabilities and stockholders' equity | \$ 24,219,810 | \$ 25,260,078 |
|--|---------------|---------------|

The accompanying notes should be read in connection with the financial statements.

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INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

All amounts in USD except share data

|   | Three months ended<br>September 30, |              | Six months ended September<br>30, |                |
|---|-------------------------------------|--------------|-----------------------------------|----------------|
|   | 2012                                | 2011         | 2012                              | 2011           |
| Revenues  | \$1,351,466                         | \$912,121    | \$2,619,146                       | \$1,972,368    |
| Cost of revenues (excluding depreciation)   | (1,108,357 )                        | (903,523 )   | (2,045,801 )                      | (1,877,832 )   |
| Selling, general and administrative expenses  | (341,783 )                          | (652,375 )   | (782,558 )                        | (1,385,515 )   |
| Depreciation  | (245,125 )                          | (75,621 )    | (328,719 )                        | (126,865 )     |
| Operating income (loss)   | (343,799 )                          | (719,398 )   | (537,932 )                        | (1,417,844 )   |
| Interest expense  | (15,740 )                           | (148,965 )   | (26,298 )                         | (449,733 )     |
| Interest income   |                                     | 59,085       | 836                               | 126,433        |
| Impairment loss   | -                                   | -            | -                                 | -              |
| Equity in (gain)/loss of joint venture  | -                                   | 25,832       | -                                 | 62,051         |
| Other income, net   | 204,375                             | (14,770 )    | (164,235 )                        | 9,924          |
| Income before income taxes and minority interest attributable to non-controlling interest | \$(155,164 )                        | \$(798,216 ) | \$(727,629 )                      | \$(1,669,169 ) |
| Income taxes benefit/ (expense)   | (9,735 )                            | -            | 21,975                            | -              |
| Net income/(loss)   | \$(164,899 )                        | \$(798,216 ) | \$(705,654 )                      | \$(1,669,169 ) |
| Non-controlling interests in earnings of subsidiaries                                     | 22,191                              | 8,963        | 34,629                            | 10,714         |
| Net income / (loss) attributable to common stockholders                                   | \$(142,708 )                        | \$(789,253 ) | \$(671,025 )                      | \$(1,658,455 ) |
| Earnings/(loss) per share attributable to common stockholders:                            |                                     |              |                                   |                |
| Basic   | \$(0.00 )                           | \$(0.04 )    | \$(0.01 )                         | \$(0.08 )      |
| Diluted   | \$(0.00 )                           | \$(0.04 )    | \$(0.01 )                         | \$(0.08 )      |
| Weighted-average number of shares used in computing earnings per share amounts:           |                                     |              |                                   |                |
| Basic   | 60,061,737                          | 20,960,433   | 60,061,737                        | 20,699,660     |
| Diluted   | 60,061,737                          | 20,960,433   | 60,061,737                        | 20,699,660     |

The accompanying notes should be read in connection with the financial statements.

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INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(Unaudited)

|  | Three months ended September 30 |                             |              |              |                             |              |
|--|---------------------------------|-----------------------------|--------------|--------------|-----------------------------|--------------|
|  | 2012                            |                             |              | 2011         |                             |              |
|  | IGC                             | Non-controlling<br>interest | Total        | IGC          | Non-controlling<br>interest | Total        |
| Net income /<br>(loss)                         | \$(142,708 )                    | \$(22,191 )                 | \$(164,899 ) | \$(789,253 ) | \$(8,963 )                  | \$(798,216 ) |
| Foreign currency<br>translation<br>adjustments | \$(71,815 )                     | \$40,872                    | \$(30,943 )  | \$(155,104 ) | \$(223 )                    | \$(155,327 ) |
| Comprehensive<br>income (loss)                 | \$(214,523 )                    | \$18,681                    | \$(195,842 ) | \$(944,357 ) | \$(9,186 )                  | \$(953,543 ) |

|  | Six months ended September 30 |                             |              |                |                             |                |
|--|-------------------------------|-----------------------------|--------------|----------------|-----------------------------|----------------|
|  | 2012                          |                             |              | 2011           |                             |                |
|  | IGC                           | Non-controlling<br>interest | Total        | IGC            | Non-controlling<br>interest | Total          |
| Net income /<br>(loss)                         | \$(671,026 )                  | \$(34,629 )                 | \$(705,654 ) | \$(1,658,455 ) | \$(10,714 )                 | \$(1,669,169 ) |
| Foreign currency<br>translation<br>adjustments | \$75,201                      | \$3,977                     | \$79,178     | \$(144,411 )   | \$(707 )                    | \$(145,118 )   |
| Comprehensive<br>income (loss)                 | \$(595,825 )                  | \$(30,652 )                 | \$(626,476 ) | \$(1,802,866 ) | \$(11,421 )                 | \$(1,814,287 ) |

The accompanying notes should be read in connection with the financial statements.

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INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(Unaudited)

All amounts in USD except share data

|   | No of Shares | Amount   | Additional<br>Paid in<br>Capital | Accumulated<br>Earnings<br>(Deficit) | Accumulated<br>Other<br>Comprehensive<br>Income/(loss) | Non-Controlling<br>Interest | Total<br>Stockholders'<br>Equity |
|---|--------------|----------|----------------------------------|--------------------------------------|--|-----------------------------|----------------------------------|
| Balance at<br>March 31, 2011<br>(audited)     | 14,890,181   | \$ 1,490 | \$ 38,860,319                    | \$ (29,692,907)                      | \$ (2,502,596)   | \$ 626,553                  | \$ 7,292,859                     |
| Issue of equity<br>shares                     | 40,302,966   | 4,030    | 3,544,437                        |                                      |  |                             | 3,548,467                        |
| Reversal of<br>recession rights               | 4,868,590    | 487      | 3,081,895                        |                                      |  |                             | 3,082,382                        |
| Stock option<br>issue cost                    |              |          | 9,335,301                        |                                      |  |                             | 9,335,301                        |
| Loss for the<br>year                          |              |          |                                  | (7,751,925)                          |  |                             | (7,751,925)                      |
| Net Income for<br>non-controlling<br>interest |              |          |                                  |                                      |  | (139,365)                   | (139,365)                        |
| Loss on<br>Translation                        |              |          |                                  |                                      | (39,857)   | (72,993)                    | (112,850)                        |
| NCI on<br>acquisition of<br>Ironman           |              |          |                                  |                                      |  | 561,314                     | 561,314                          |
| Balance at<br>March 31, 2012<br>(audited)     | 60,061,737   | \$ 6,007 | \$ 54,821,952                    | \$ (37,444,832)                      | \$ (2,542,453)   | \$ 975,509                  | \$ 15,816,183                    |
| Loss on<br>Translation                        |              |          |                                  |                                      | 75,201   | (8,460)                     | 66,741                           |
| Net income for<br>non-controlling<br>interest |              |          |                                  |                                      |  | (34,629)                    | (34,629)                         |
| Net income /<br>(loss)                        |              |          |                                  | (671,025)                            |  |                             | (671,025)                        |
| Balance at Sep<br>30, 2012<br>(unaudited)     | 60,061,737   | \$ 6,007 | \$ 54,821,952                    | \$ (38,115,857)                      | \$ (2,467,252)   | \$ 932,420                  | \$ 15,177,270                    |

The accompanying notes should be read in connection with the financial statements.



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INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

|  | Six months ended September, 30 |                |
|--|--------------------------------|----------------|
|  | 2012                           | 2011           |
| Cash flows from operating activities:                                |                                |                |
| Net income (loss)  | \$ (705,655)                   | \$ (1,669,169) |
| Adjustment to reconcile net income (loss) to net cash:               |                                |                |
| Non-cash compensation expense  |                                | 235,267        |
| Deferred taxes   | (498)                          |                |
| Depreciation   | 328,719                        | 126,865        |
| Non-cash financial expense (including amortization of debt discount) |                                | 418,886        |
| Share in profits of joint venture                                    |                                | (62,051)       |
| Unrealized exchange losses/(gains)                                   | 154,156                        |                |
| Changes in:  |                                |                |
| Accounts receivable  | 4,830                          | 656,451        |
| Inventories  | (45,380)                       | 18,376         |
| Prepaid expenses and other assets                                    | 127,458                        | (656,310)      |
| Trade payables   | 111,536                        | (18,058)       |
| Other current liabilities  | (483,764)                      | 31,928         |
| Other non – current liabilities                                      | (2,822)                        | (390,902)      |
| Non-current assets   | 235,452                        | 565,391        |
| Accrued Expenses   | 40,361                         | (70,487)       |
| Net cash used in operating activities                                | \$ (235,607)                   | \$ (813,813)   |
| Cash flow from investing activities:                                 |                                |                |
| Purchase of property and equipment                                   |                                |                |
| Proceeds from sale of property and equipment                         | 4,280                          | (630)          |
| Deposit towards acquisitions, net of cash acquired                   | 308,255                        |                |
| Restricted cash  |                                | 38,979         |
| Net cash provided/(used) by investing activities                     | \$ 312,535                     | \$ 38,349      |
| Cash flows from financing activities:                                |                                |                |
| Net movement in other short-term borrowings                          | (25,137)                       |                |
| Issuance of equity shares  |                                |                |
| Net cash provided/(used) by financing activities                     | \$ (25,137)                    | \$ -           |
| Effects of exchange rate changes on cash and cash equivalents        | (3,442)                        | (40,991)       |
| Net increase/(decrease) in cash and cash equivalents                 | 48,349                         | (816,455)      |
| Cash and cash equivalent at the beginning of the period              | 562,948                        | 1,583,284      |
| Cash and cash equivalent at the end of the period                    | \$ 611,297                     | \$ 766,829     |
| Supplementary information:   |                                |                |
| Cash paid for interest   | \$ Nil                         | \$ Nil         |
| Cash paid for taxes  | \$ Nil                         | \$ Nil         |

The accompanying notes should be read in connection with the financial statements.



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INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

NOTE 1 – OVERVIEW

a) Description of the Company

IGC, a Maryland corporation, organized on April 29, 2005, as a blank check company formed for the purpose of acquiring one or more businesses with operations primarily in India through a merger, capital stock exchange, asset acquisition or other similar business combination or acquisition. On March 8, 2006, we completed an initial public offering of our Common Stock. On February 19, 2007, we incorporated India Globalization Capital, Mauritius, Limited (IGC-M), a wholly owned subsidiary, under the laws of Mauritius. On March 7, 2008, we consummated the acquisition of interests in two companies in India, Sricon Infrastructure Private Limited (“Sricon”) and Techni Bharathi Limited (“TBL”). Currently, IGC owns 77% of TBL and these shares are held by IGC-M. TBL is focused on the infrastructure industry. On June 21, 2012, IGC entered into a Memorandum of Settlement (the “MoS”) with Sricon and related parties, pursuant to which the Company gave up the 22% minority interest in Sricon in exchange for approximately 5 acres of land in Nagpur. The settlement is expected to close by the end of this year.

On February 19, 2009, IGC-M beneficially purchased 100% of IGC Mining and Trading Private Limited (IGC-IMT) based in Chennai, India. IGC-IMT was formed on December 16, 2008, as a privately held start-up company engaged in the business of mining and trading. Its current activity is to operate shipping hubs and to export iron ore to China from India. On July 4, 2009, IGC-M beneficially purchased 100% of IGC Materials, Private Limited (IGC-MPL) based in Nagpur, India, which conducts IGC’s quarrying business, and 100% of IGC Logistics, Private Limited (IGC-LPL) based in Nagpur, India, which is involved in the transport and delivery of ore, cement, aggregate and other materials. Each of IGC-IMT, IGC-MPL and IGC-LPL were formed by third parties at the behest of IGC-M to facilitate the creation of the subsidiaries. The purchase price paid for each of IGC-IMT, IGC-MPL and IGC-LPL was equal to the expenses incurred in incorporating the respective entities with no premium paid. India Globalization Capital, Inc. (“IGC,” the “Company,” or “we”) and its subsidiaries are engaged in the sale of materials, and in mining, quarrying, and construction.

On December 30, 2011, IGC acquired a 95% equity interest in LinXi HeFei Economic and Trade Co., aka Linxi H&F Economic and Trade Co., a People’s Republic of China-based company (“PRC Ironman”) by acquiring 100% of the equity of H&F Ironman Limited, a Hong Kong company (“HK Ironman”). Collectively, PRC Ironman and HK Ironman are referred to as “Ironman.”

IGC operates in India and China geographies specializing in the infrastructure sector. Operating as a fully integrated infrastructure company, IGC, through its subsidiaries, has expertise in mining and quarrying, and road building. The Company’s medium term plans are to expand the number of iron ore mines it has in China and continue to build its iron ore assets. The business offerings of the Company include construction as well as a materials business. The Company’s core businesses are in mining, materials and construction.

b) List of subsidiaries with percentage holding

The operations of IGC are based in India and China. The financial statements of the following subsidiaries have been considered for consolidation.

| Subsidiaries | Immediate holding company | Country of Incorporation | Percentage of holding | Percentage of holding |
|--------------|---------------------------|--------------------------|-----------------------|-----------------------|
|--------------|---------------------------|--------------------------|-----------------------|-----------------------|

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|  |               |                               | as of Sept.30,<br>2012 | as of March 31,<br>2012 |
|--|---------------|-------------------------------|------------------------|-------------------------|
| IGC – Mauritius<br>("IGC-M")                                   | IGC           | Mauritius                     | 100                    | 100                     |
| IGC India Mining and Trading Private<br>Limited<br>("IGC-IMT") | IGC-M         | India                         | 100                    | 100                     |
| IGC Logistic Private Limited<br>("IGC-LPL")                    | IGC-M         | India                         | 100                    | 100                     |
| IGC Materials Private Limited<br>("IGC-MPL")                   | IGC-M         | India                         | 100                    | 100                     |
| H&F Ironman Limited<br>("HK Ironman")                          | IGC           | Hong Kong                     | 100                    | 100                     |
| Linxi H&F Economic and Trade Co.<br>("PRC Ironman")            | HK<br>Ironman | Peoples' Republic of<br>China | 95                     | 95                      |
| Techni Bharathi Limited<br>("TBL")                             | IGC-M         | India                         | 77                     | 77                      |

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The Company has prepared the accompanying unaudited Condensed Consolidated Financial Statements (“Financial Statements”) in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles (“GAAP”) for complete financial statements. Therefore, the Financial Statements should be read in conjunction with the audited Consolidated Financial Statements contained in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2012 filed with the SEC on July 16, 2012. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included in the Financial Statements. The results for interim periods do not necessarily indicate the results that may be expected for any other interim period or for the full year. The significant accounting policies adopted by the Company, in respect of these consolidated financial statements, are set out below. The Company’s current fiscal year ends on March 31, 2013.

b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries that are more than 50% owned and controlled. The financial statements of the parent company and its majority owned or controlled subsidiaries have been combined on a line by line basis by adding together the book values of all items of assets, liabilities, incomes and expenses after eliminating all inter-company balances and transactions and resulting unrealized gain or loss. Operating results of companies acquired are included from the dates of acquisition.

c) Non-controlling interests

Non-controlling interests in the Company’s consolidated financial statements result from the accounting for non-controlling interests in its subsidiaries. Non-controlling interests represent the subsidiaries’ earnings and components of other comprehensive income that are attributed to the non-controlling parties’ equity interests. The Company consolidates the subsidiaries into its consolidated financial statements. Transactions between the Company and its subsidiaries have been eliminated in the consolidated financial statements.

The Company accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the investee but not control. In situations, such as the Company’s ownership interest in Sricon Infrastructure Private Limited (“Sricon”), wherein the Company is not able to exercise significant influence in spite of having 20% or more of the voting stock, the Company has accounted for the investment based on the cost method. In addition, the Company consolidates any Variable Interest Entity (“VIE”) if it is determined to be the primary beneficiary. However, as of September 30, 2012, the Company does not have any interest in any VIE or equity method investment.

The non-controlling interest disclosed in the accompanying unaudited interim consolidated financial statements represents the non-controlling interest in Techni Bharathi Limited (“TBL”) and in Linxi H&F Economic and Trade Co. (PRC Ironman) through 100% owned subsidiary, H&F Ironman Limited (HK Ironman) and the profits or losses associated with the non-controlling interest in those operations.

The adoption of Accounting Standards Codification (ASC) 810-10-65 “Consolidation — Transition and Open Effective Date Information” (previously referred to as SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51”), has resulted in the reclassification of amounts previously attributable to minority interest (now referred to as non-controlling interest) to a separate component of shareholders’ equity on the

accompanying consolidated balance sheets and consolidated statements of shareholders' equity and comprehensive income (loss). Additionally, net income attributable to non-controlling interest is shown separately from net income in the consolidated statements of income. This reclassification had no effect on our previously reported financial position or results of operations.

d) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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Management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are prudent and reasonable. Significant estimates and assumptions are used for, but not limited to: allowance for uncollectible accounts receivable; future obligations under employee benefit plans; the useful lives of property, plant, equipment; intangible assets; the valuation of assets and liabilities acquired in a business combination; impairment of goodwill and investments; recoverability of advances; the valuation of options granted and warrants issued; and income tax and deferred tax valuation allowances. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Critical accounting estimates could change from period to period and could have a material impact on IGC's results, operations, financial position and cash flows.

Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

## e) Foreign currency translation

The functional currency is the currency in which the Company's subsidiaries operate and it largely reflects the economic substance of the underlying events and circumstance of the Company's subsidiaries. The functional currencies of the Company's Indian and Chinese subsidiaries are the Indian rupee (INR) and the renminbi (RMB), respectively. The currency used in our financial statements is the United States dollar (USD or \$). Operating and capital expenditures of the Company's subsidiaries located in India and China are denominated in their local currencies, which are the currencies most compatible with their expected economic results.

In accordance with ASC 830, "Foreign Currency Matters," all transactions and account balances are recorded in the local Company's subsidiaries' currencies. The Company translates the value of these local currencies denominated assets and liabilities into USD at the rates in effect at the balance sheet date. Resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive income (loss). The local currencies denominated statement of income amounts are translated into U.S. dollars using the average exchange rates in effect during the period. Realized foreign currency transaction gains and losses are included in the consolidated statements of income.

The exchange rates used for translation purposes are as follows:

| Period                                   | Period End Average<br>Rate<br>(P&L rate) | Period End Rate<br>(Balance sheet rate) |
|--|--|---|
| Three months ended<br>September 30, 2011 | INR 46.80 per USD                        | INR 49.05 per USD                       |
| Year ended March<br>31, 2012             | INR 47.715 per USD                       | INR 50.89 per USD                       |
|  | RMB 6.29 per USD                         | RMB 6.30 per USD                        |
| Three months ended<br>September 30, 2012 | INR 51.91 per USD                        | INR 52.92 per USD                       |
|  | RMB 6.29 per USD                         | RMB 6.29 per USD                        |

## f) Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured. In government contracting, the Company recognizes revenue when a government

consultant verifies and certifies an invoice for payment.

The majority of the revenue recognized for the three months ended September 30, 2012 and 2011 was derived from the Company's subsidiaries, which derive revenue from the following sources.

Revenue from sale of goods is recognized when substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.

For the sale of goods, the timing of the transfer of substantial risks and rewards of ownership is based on the contract terms negotiated with the buyer, e.g., FOB or CIF. IGC considers the guidance provided under SAB 104 in determining revenue from sales of goods. Considerations have been given to all four conditions for revenue recognition under that guidance. The four conditions are:

- Contract – Persuasive evidence of our arrangement with the customers;
- Delivery – Based on the terms of the contracts, the Company assesses whether the underlying goods have been delivered and therefore the risks and rewards of ownership are completely transferred;
- Fixed or determinable price – The Company enters into contracts where the price for the goods being sold is fixed and not contingent upon other factors.
- Collection is deemed probable – At the time of recognition of revenue, the Company makes an assessment of its ability to collect the receivable arising on the sale of the goods and determines that collection is probable.



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Revenue for any sale is recognized only if all of the four conditions set forth above are met. These criteria are assessed by the Company at the time of each sale. In the absence of meeting any of the criteria set out above, the Company defers revenue recognition until all of the four conditions are met.

Revenue from construction/project related activity and contracts for supply/commissioning of complex plant and equipment is recognized as follows:

- a) Cost plus contracts: Contract revenue is determined by adding the aggregate cost plus proportionate margin as agreed with the customer and expected to be realized.
  - b) Fixed price contracts: Contract revenue is recognized using the percentage completion method and the percentage of completion is determined as a proportion of cost incurred-to-date to the total estimated contract cost. Changes in estimates for revenues, costs to complete and profit margins are recognized in the period in which they are reasonably determinable.
- In many of the fixed price contracts entered into by the Company, significant expenses are incurred in the mobilization stage in the early stages of the contract. The expenses include those that are incurred in the transportation of machinery, erection of heavy machinery, clearing of the campsite, workshop ground cost, overheads, etc. All such costs are booked to deferred expenses and written off over the period in proportion to revenues earned.
  - Where the modifications of the original contract are such that they effectively add to the existing scope of the contract, the same are treated as a change orders. On the other hand, where the modifications are such that they change or add an altogether new scope, these are accounted for as a separate new contract. The Company adjusts contract revenue and costs in connection with change orders only when they are approved by both, the customer and the Company with respect to both the scope and invoicing and payment terms.
  - In the event of claims in our percentage of completion contracts, the additional contract revenue relating to claims is only accounted after the proper award of the claim by the competent authority. The contract claims are considered in the percentage of completion only after the proper award of the claim by the competent authority.

Full provision is made for any loss in the period in which it is foreseen.

Revenue from service related activities and miscellaneous other contracts are recognized when the service is rendered using the proportionate completion method or completed service contract method.

### g) Accounts receivable

Accounts receivable is recorded at the invoiced amount, taking into consideration any adjustments made by the Indian government consultants who verify and certify construction and material invoices. Accounts receivable is also recorded when material, like iron ore, is physically delivered and accepted by the customer or is contractually deemed to have been delivered to the customer. Also, the Company evaluates the collectability of selected accounts receivable on a case-by-case basis and makes adjustments to the bad debt reserve for expected losses. For all other accounts, the Company estimates reserves for bad debts based on general aging, experience and past-due status of the accounts.

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of clients to make required payments. The allowance for doubtful accounts is determined by evaluating the relative credit worthiness of each client, historical collections experience and other information, including the aging of the receivables. If circumstances related to customers change, estimates of recoverability would be further adjusted.

Long-term accounts receivables are typically for Build-Operate-Transfer (BOT) contracts. It is money due to the Company by the private or public sector to finance, design, construct, and operate a facility stated in a concession contract over an extended period of time.

The Company did not recognize any bad debt expense for the three months ended September 30, 2012 and 2011. Unbilled accounts receivable represent revenue on contracts to be billed, in subsequent periods, as per the terms of the related contracts.

h) Inventories

Inventories primarily comprise finished goods, raw materials, work in progress, stock at customer site, stock in transit, components and accessories, stores and spares, scrap and residue. Inventory is valued at the lower of cost (weighted average) or estimated net realizable value and includes the cost of materials, labor and manufacturing overhead.

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The cost of various categories of inventories is determined on the following basis:

- Raw material is valued at weighed average of landed cost (purchase price, freight inward and transit insurance charges).
- Work in progress is valued as confirmed, valued and certified by the technicians and site engineers and finished goods at material cost plus appropriate share of labor cost and production overheads.
- Components and accessories, stores erection, materials, spares and loose tools are valued on a first-in-first-out basis.

The Company periodically reviews inventory for evidence of slow-moving or obsolete parts, and the estimated reserve is based on management’s reviews of inventories on hand, compared to estimated future usage and sales and the likelihood of obsolescence.

i) Investments

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. The Company's equity in the earnings/(losses) of affiliates is included in the statement of income and the Company's share of net assets of affiliates is included in the balance sheet. Where the Company’s ownership interest in spite of being in excess of 20% is not sufficient to exercise significant influence, the Company has accounted for the investment based on the cost method.

j) Property, Plant and Equipment (PP&E)

Property and equipment are recorded at cost net of accumulated depreciation and depreciated over their estimated useful lives using the straight-line method. The estimated useful lives of assets are as follows:

|                        |       |       |
|------------------------|-------|-------|
| Buildings              | 5-25  | years |
| Plant and machinery    | 10-20 | years |
| Computer equipment     | 3-5   | years |
| Office equipment       | 3-5   | years |
| Furniture and fixtures | 5-10  | years |
| Vehicles               | 5-10  | years |

Upon retirement or disposition, cost and related accumulated depreciation of the property and equipment are de-recognized from the books of accounts and the gain or loss is reflected in the results of operation. Cost of additions and substantial improvements to property and equipment are capitalized in the books of accounts. The cost of maintenance and repairs of the property and equipment are charged to operating expenses as incurred.

k) Impairment of long – lived assets

The Company reviews its long-lived assets, with finite lives, for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Such circumstances include,

though are not limited to, significant or sustained declines in revenues or earnings, future anticipated cash flows, business plans and material adverse changes in the economic climate, such as changes in operating environment, competitive information, impact of change in government policies, etc. For assets that the Company intends to hold for use, if the total of the expected future undiscounted cash flows produced by the assets or subsidiary company is less than the carrying amount of the assets, a loss is recognized for the difference between the fair value and carrying value of the assets. For assets the Company intends to dispose of by sale, a loss is recognized for the amount by which the estimated fair value less cost to sell is less than the carrying value of the assets. Fair value is determined based on quoted market prices, if available, or other valuation techniques including discounted future net cash flows.

l) Earnings per common share

Basic earnings per share is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the additional dilution from all potentially dilutive securities such as stock warrants and options.

m) Income taxes

The Company accounts for income taxes under the asset and liability method, in accordance with ASC 740, Income Taxes, which requires an entity to recognize deferred tax liabilities and assets. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using the enacted tax rate 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 rates is recognized in income in the period that included the enactment date. A valuation allowance is established and recorded when management determines that some or all of the deferred tax assets are not likely to be realized and therefore, it is necessary to reduce deferred tax assets to the amount expected to be realized.

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In evaluating a tax position for recognition, management evaluates whether it is more-likely-than-not that a position will be sustained upon examination, including resolution of related appeals or litigation processes, based on technical merits of the position. If the tax position meets the more-likely-than-not recognition threshold, the tax position is measured and recognized in the Company's financial statements as the largest amount of tax benefit that, in management's judgment, is greater than 50% likely of being realized upon settlement. As of September 30, 2012 and 2011, there was no significant liability for income tax associated with unrecognized tax benefits.

The issuance by IGC of its common stock to HK Ironman stockholders in exchange for HK Ironman stock, as contemplated by the stock purchase agreement ("Stock Purchase Agreement") between the Company, HK Ironman, PRC Ironman and their stockholders, generally will not be a taxable transaction to U.S. holders for U.S. federal income tax purposes. It is expected that IGC and its stockholders will not recognize any gain or loss because of the approval of the Share Issuance Proposal for U.S. federal income tax purposes.

n) Cash and cash equivalents

For financial statement purposes, the Company considers all highly liquid debt instruments with maturity of three months or less, to be cash equivalents. The Company maintains its cash in bank accounts in the United States of America, Mauritius, India and China, which at times may exceed applicable insurance limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalent. The Company does not invest its cash in securities that have an exposure to U.S. mortgages.

o) Restricted cash

Restricted cash consists of deposits pledged to various government authorities and deposits used as collateral with banks for guarantees and letters of credit, given by the Company to its customers or vendors. Restricted cash has been reclassified and included in Other Non-current Assets.

p) Fair value of financial instruments

As of September 30, 2012 and March 31, 2012, the carrying amounts of the Company's financial instruments, which included cash and cash equivalents, accounts receivable, unbilled accounts receivable, restricted cash, accounts payable, accrued employee compensation and benefits and other accrued expenses, approximate their fair values due to the nature of the items.

q) Concentration of credit risk and significant customers

Financial instruments, which potentially expose the Company to concentrations of credit risk, are primarily comprised of cash and cash equivalents, investments, derivatives, accounts receivable and unbilled accounts receivable. The Company places its cash, investments and derivatives in highly-rated financial institutions. The Company adheres to a formal investment policy with the primary objective of preservation of principal, which contains credit rating minimums and diversification requirements. Management believes its credit policies reflect normal industry terms and business risk. The Company does not anticipate non-performance by the counterparties and, accordingly, does not require collateral.

PRC Ironman's customers include local traders and steel mills near the port of Tianjin. Three of Ironman's customers accounted for 95% of its total revenue for the quarter ended September 30, 2012.

Two customers in India accounted for approximately 95% of gross accounts receivable as of September 30, 2012. As of September 30, 2011, thirteen clients accounted for approximately 89% of gross accounts receivable.

Routine non-renewal or termination of our relationships with our current customers are not expected to have a material adverse effect on the Company's revenue, as the number of potential customers is high.

r) Leased mineral rights

In China, costs to obtain leased mineral rights are capitalized and amortized to operations as depletion expense within the leased periods, using the straight-line method. Depletion expenses are included in depreciation and amortization on the accompanying statement of operations.

s) Business combinations

In accordance with ASC Topic 805, Business Combinations, the Company uses the purchase method of accounting for all business combinations consummated after June 30, 2001. Intangible assets acquired in a business combination are recognized and reported apart from goodwill if they meet the criteria specified in ASC Topic 805. Any purchase price allocated to an assembled workforce is not accounted separately.

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t) Employee benefits plan

In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering certain categories of employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. In addition, all employees receive benefits from a provident fund, a defined contribution plan. The employee and employer each make monthly contributions to the plan equal to 12% of the covered employee's salary. The contribution is made to the Government's provident fund.

At this time the Company doesn't participate in a multi-employer defined contribution plan in China to provide employees with certain retirement, medical and other fringe benefits because most of our workers are contractors employed through agencies or other companies.

u) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigations, 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.

v) Accounting for goodwill and related impairment

Goodwill represents the excess cost of an acquisition over the fair value of our share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is disclosed separately. Goodwill is stated at cost less impairment losses incurred, if any.

The Company adopted the provisions of Accounting Standards Codification ("ASC") 350, "Intangibles – Goodwill and Others" (previously referred to as SFAS No. 142, "Goodwill and Other Intangible Assets," which sets forth the accounting for goodwill and intangible assets subsequent to their acquisition. ASC 350 requires that goodwill and indefinite-lived intangible assets be allocated to the reporting unit level, which the Company defines as each subsidiary. ASC 350 also prohibits the amortization of goodwill and indefinite-lived intangible assets upon adoption, but requires that they be tested for impairment at least annually, or more frequently as warranted, at the reporting unit level.

As per ASC 350-20-35-4 through 35-19, the impairment testing of goodwill is a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, thus the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test shall be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test, used to measure the amount of impairment loss, compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss shall be recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill. After a goodwill impairment loss is recognized, the adjusted carrying amount of goodwill shall be its new accounting basis. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited once the measurement of that loss is completed.

In ASC 350.20.20, a reporting unit is defined as an operating segment or one level below the operating segment. A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that

component. The Company has determined that IGC operates in a single operating segment. While the CEO reviews the consolidated financial information for the purposes of decisions relating to resource allocation, the CFO, on a need basis, looks at the financial statements of the individual legal entities in India and China for the limited purpose of consolidation. Given the existence of discrete financial statements at an individual entity level in India and China, the Company believes that each of these entities constitute a separate reporting unit under a single operating segment.

Therefore, the first step in the impairment testing for goodwill is the identification of reporting units and the allocation of goodwill to these reporting units. Accordingly, TBL and PRC Ironman, which are legal entities, are also considered separate reporting units and therefore the Company believes that the assessment of goodwill impairment at the subsidiary level, which is also a reporting unit, is appropriate.

The analysis of fair value is based on the estimate of the recoverable value of the underlying assets. For long-lived assets such as land, the Company obtains appraisals from independent professional appraisers to determine the recoverable value. For other assets such as receivables, the recoverable value is determined based on an assessment of the collectability and any potential losses due to default by the counter parties. Unlike goodwill, long-lived assets are assessed for impairment only where there are any specific indicators for impairment.



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w) Reclassifications

Certain prior period balances have been reclassified to the presentation of the current period.

x) Recently issued and adopted accounting pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board (“FASB”) in the form of accounting standards updates (“ASUs”) to the FASB's Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. Newly issued ASUs not listed below are expected to have no impact on the Company’s consolidated financial position and results of operations, because either the ASU is not applicable or the impact is expected to be immaterial.

In January 2010, the FASB issued an amendment to the accounting standards related to the disclosures about an entity's use of fair value measurements. Under these amendments, entities will be required to provide enhanced disclosures about transfers into and out of the Level 1 (fair value determined based on quoted prices in active markets for identical assets and liabilities) and Level 2 (fair value determined based on significant other observable inputs) classifications, provide separate disclosures about purchases, sales, issuances and settlements relating to the tabular reconciliation of beginning and ending balances of the Level 3 (fair value determined based on significant unobservable inputs) classification and provide greater disaggregation for each class of assets and liabilities that use fair value measurements. Except for the detailed Level 3 roll-forward disclosures, the new standard was effective for the Company for interim and annual reporting periods beginning after December 31, 2009. The adoption of this accounting standards amendment did not have a material impact on the Company's disclosure or consolidated financial results. The requirement to provide detailed disclosures about the purchases, sales, issuances and settlements in the roll-forward activity for Level 3 fair value measurements is effective for the Company for interim and annual reporting periods beginning after December 31, 2010. The adoption of this accounting standard did not have a material impact on the Company's disclosure or consolidated financial results.

In December 2010, the FASB issued a new accounting standard, which requires that Step 2 of the goodwill impairment test be performed for reporting units whose carrying value is zero or negative. This guidance is effective for fiscal years beginning after December 15, 2010 and interim periods within those years. Our adoption of this standard did not have a material impact on the Company's disclosure or consolidated financial results.

In December 2010, the FASB issued new guidance clarifying some of the disclosure requirements related to business combinations that are material on an individual or aggregate basis. Specifically, the guidance states that, if comparative financial statements are presented, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year occurred as of the beginning of the comparable prior annual reporting period only. Additionally, the new standard expands the supplemental pro forma disclosure required by the authoritative guidance to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination in the reported pro forma revenue and earnings. This guidance became effective January 1, 2011. Our adoption of this standard did not have a material impact on the Company's disclosure or consolidated financial results. However, it may result in additional disclosures in the event that we enter into a business combination that is material on either an individual or a consolidated basis.

In May 2011, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2011-04, “Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS”. This update defines fair value, clarifies a framework to measure fair value and requires specific disclosures of fair value measurements. The guidance is effective for interim and annual reporting periods beginning after January 1, 2012 and is required to be applied retrospectively. The Company does not expect adoption of this guidance to have

a material impact on its financial condition or results of operations.

In June 2011, the FASB issued ASU 2011-05, which is now part of ASC 220: "Presentation of Comprehensive Income". The new guidance will require companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The standard does not change the items, which must be reported in other comprehensive income. These provisions are to be applied retrospectively and will be effective for us as of January 1, 2012. Because this guidance impacts presentation only, it will have no effect on our financial condition, results of operations or cash flows.

In September 2011, the FASB issued an Accounting Standards Update that permits companies to assess qualitative factors to determine if it is more-likely-than-not that goodwill is impaired before performing the two-step goodwill impairment test required under current accounting standards. The guidance is effective for us beginning in the first quarter of fiscal 2013, with early adoption permitted. The adoption of this standard will not impact our financial results.

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In December 2011, the FASB issued new accounting disclosure requirements about the nature and exposure of offsetting arrangements related to financial and derivative instruments. The requirements are effective for fiscal years beginning after January 1, 2013, which for us is the fiscal ending March 2014. The requirements will not impact our results of operations or financial position.

## NOTE 3 – OTHER CURRENT AND NON-CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

| Pre-paid & Other Current Assets  | Period Ended<br>Sept. 30, 2012 | Year Ended<br>March 31,<br>2012 |
|----------------------------------|--------------------------------|---------------------------------|
| Prepaid / Preliminary Expenses   | \$ 25,792                      | \$ 82,120                       |
| Advance to suppliers & services  | 972,994                        | 620,148                         |
| Security & other Advances        | 82,145                         | 125,503                         |
| Advances to Employees            | 1,136,330                      | 1,561,123                       |
| Prepaid / accrued interest       | 689                            | 717                             |
| Deposit and other current assets | 211,829                        | 196,903                         |
| <b>Total</b>                     | <b>\$ 2,429,779</b>            | <b>\$ 2,586,514</b>             |

In the above Table, Advances to Employees represents advances made to employees of Ironman by Ironman, prior to its acquisition by IGC.

Other non-current assets consist of the following:

|  | Period Ended<br>Sept 30, 2012 | Year Ended<br>March 31,<br>2012 |
|--|-------------------------------|---------------------------------|
| Restricted cash                        | \$ 12,283                     | \$ 12,773                       |
| Deferred income taxes                  | -                             | (14,076)                        |
| Sr. Debtors - pending more than 1 year | 529,469                       | 557,758                         |
| Advance pending more than 1 year       | 505,607                       | 441,058                         |
| <b>Total</b>                           | <b>\$ 1,047,359</b>           | <b>\$ 997,513</b>               |

## NOTE 4 – ACCOUNTS RECEIVABLES

The accounts receivable, net of allowances, amounted to \$1,574,148 and \$1,641,868, as of September 30, 2012 and March 31, 2012, respectively. The Company maintains an allowance for doubtful accounts based on present and prospective financial condition of the customer and the inherent credit risk. Accounts receivable are not collateralized.

## NOTE 5 – SHORT-TERM BORROWINGS

There is no current portion of long-term debt that is classified as short-term borrowings. Short-term borrowings consist of the following:

| Period Ended<br>Sept 30, 2012 | Year Ended<br>March 31, |
|-------------------------------|-------------------------|
|-------------------------------|-------------------------|

2012

|         |            |            |
|---------|------------|------------|
| Secured | \$ 177,300 | \$ 210,010 |
| Total   | \$ 177,300 | \$ 210,010 |

The above debt is secured by hypothecation of materials, stock of spares, work in progress, receivables and property and equipment, in addition to a personal guarantee of three India-based directors, and collaterally secured by mortgage of the relevant subsidiary's land and other fixed properties of directors and their relatives.

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## NOTE 6 – OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities consist of the following:

|                              | Period Ended<br>Sept 30, 2012 | Year Ended<br>March 31,<br>2012 |
|------------------------------|-------------------------------|---------------------------------|
| Statutory payables           | \$ 12,830                     | \$ 11,951                       |
| Employee related liabilities | 113,275                       | 112,709                         |
| Other liabilities            | 352,286                       | 438,445                         |
| Total                        | \$ 478,391                    | \$ 563,105                      |

Other non-current liabilities consist of the following:

|                                 | Period Ended<br>Sept 30, 2012 | Year Ended<br>March 31,<br>2012 |
|---------------------------------|-------------------------------|---------------------------------|
| Creditors aged more than 1 year | \$ 616,043                    | \$ 643,495                      |
| Provision for Expenses          | 3,594,345                     | 3,590,483                       |
| Total                           | \$ 4,210,388                  | \$ 4,233,978                    |

Sundry creditors consist primarily of creditors to whom amounts are due for supplies and materials received in the normal course of business.

## NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's current assets and current liabilities approximate their carrying value because of their short-term nature. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months.

## NOTE 8 – INTANGIBLE ASSETS AND GOODWILL

The movement in intangible assets and goodwill is given below.

|   | Period ended<br>September 30,<br>2012 | Year ended<br>March 31,<br>2012 |
|---|---------------------------------------|---------------------------------|
| Intangible assets                               | \$ 3,841,553                          | \$ 3,838,090                    |
| Goodwill balance at the beginning of the period | 965,738                               | 410,454                         |
| Acquisition related goodwill                    |                                       | 643,117                         |
| Elimination of acquisition indebtedness         | (311,484)                             | -                               |
| Effect of foreign exchange translation          |                                       | (87,833)                        |
| Total intangible assets and goodwill            | \$ 4,495,807                          | \$ 4,803,828                    |

## NOTE 9 – NOTES PAYABLE

In March 2011, the Company finalized an agreement with Bricoleur Partners, L.P. (“Bricoleur”) to exchange the promissory note issued to Bricoleur on October 16, 2009 (the “Bricoleur Note”) for a new promissory note with a later maturity date.

The Bricoleur Note was due on June 30, 2011 with no prior payments due and did not bear interest. The Company issued additional 688,500 shares of its common stock to Bricoleur on February 25, 2011 in connection with the extension of the term regarding the Bricoleur note. Currently, the Company is negotiating a further restructuring of the Bricoleur note. Please see Subsequent Events for a more recent update.

#### NOTE 10 - RELATED PARTY TRANSACTIONS

The Company had agreed to pay Integrated Global Network, LLC (“IGN, LLC”), an affiliate of our Chief Executive Officer, Mr. Mukunda, an administrative fee of \$4,000 per month for office space and general and administrative services. For the three months ended September 30, 2012, a total of \$12,000 was accrued as payable to IGN LLC.

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## NOTE 11 -COMMITMENTS AND CONTINGENCY

No significant commitments and contingencies were made or incurred during the three months ended September 30, 2012.

## NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

| Category                          | Useful Life<br>(years) | Period Ended<br>Sept 30, 2012 | Year Ended<br>March 31, 2012 |
|-----------------------------------|------------------------|-------------------------------|------------------------------|
| Land                              | N/A                    | \$ 11,226                     | \$ 11,226                    |
| Building (Flat)                   | 25                     | 329,110                       | 309,585                      |
| Plant and Machinery               | 20                     | 9,229,652                     | 9,371,150                    |
| Computer Equipment                | 3                      | 218,150                       | 219,110                      |
| Office Equipment                  | 5                      | 202,303                       | 228,794                      |
| Furniture and Fixtures            | 5                      | 88,272                        | 88,804                       |
| Vehicles                          | 5                      | 492,701                       | 474,622                      |
| Assets under construction         | N/A                    | 3,923,931                     | 3,918,729                    |
| <b>Total</b>                      |                        | <b>\$ 14,495,345</b>          | <b>\$ 14,622,020</b>         |
| Less: Accumulated<br>Depreciation |                        | \$ (6,325,693 )               | \$ (6,130,224 )              |
| <b>Net Assets</b>                 |                        | <b>\$ 8,169,652</b>           | <b>\$ 8,491,796</b>          |

Depreciation and amortization expense for the six months ended September 30, 2012 and September 30, 2011 was \$328,719 and \$126,865, respectively. Capital work-in-progress represents advances paid towards the acquisition of property and equipment and the cost of property and equipment not put to use before the balance sheet date.

## NOTE 13 – STOCK-BASED COMPENSATION

On April 1, 2009 the Company adopted ASC 718, “Compensation-Stock Compensation” (previously referred to as SFAS No. 123 (revised 2004), Share Based Payment). ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. As of September 30, 2012, the Company granted 78,820 shares of common stock and a total of 2,783,450 stock options (1,413,000 granted in 2009 and 1,370,450 stock options granted during the three months ended June 30, 2011, the “2012 Options”) to its directors and employees. All of the options vested fully on the date of the grant. The exercise price of each of the options is \$1.00 and \$0.56 per share, respectively, and each of the options will expire on May 13, 2014 and June 27, 2016, respectively. The aggregate fair value of the underlying stock on the grant date was \$39,410 and the fair value of the stock options on the grant dates was \$90,997 and \$235,267, respectively. As of September 30, 2012, under the 2008 Omnibus Plan, 2,783,450 stock options and 78,820 shares of common stock have been awarded and an aggregate of 6,161,475 shares of Common Stock remain available for future grants of options or stock awards.

The fair value of stock option awards is estimated on the date of grant using a Black-Scholes Pricing Model with the following assumptions for options awarded as of September 30, 2012:

|                          | Granted in<br>2009 | Granted in<br>June 2011<br>Quarter |
|--------------------------|--------------------|------------------------------------|
| Expected life of options | 5 years            | 5 years                            |

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|                         |       |   |       |   |
|-------------------------|-------|---|-------|---|
| Vested options          | 100   | % | 100   | % |
| Risk free interest rate | 1.98  | % | 4.10  | % |
| Expected volatility     | 35.35 | % | 83.37 | % |
| Expected dividend yield | Nil   |   | Nil   |   |

The volatility estimate was derived using historical data for the IGC stock.



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NOTE 14 – COMMON STOCK

The Company has three securities listed on the NYSE MKT (NYSE Amex): (1) Common Stock, \$.0001 par value (ticker symbol: IGC) (“Common Stock”), (2) redeemable warrants to purchase Common Stock (ticker symbol: IGC.WT), and (3) units consisting of one share of Common Stock and two redeemable warrants to purchase Common Stock (ticker symbol: IGC.U). The units may be separated into Common Stock and warrants. Each warrant entitles the holder to purchase one share of Common Stock at an exercise price of \$5.00. The warrants issued in our initial public offering that were to expire on March 3, 2011, are now to expire on March 8, 2013 since the Company exercised its right to extend the terms of those warrants.

The registration statement for the initial public offering was declared effective on March 2, 2006. The Company’s outstanding warrants are exercisable and may be exercised by contacting IGC or the transfer agent, Continental Stock Transfer & Trust Company. The Company has a right to call the warrants, provided the Common Stock has traded at a closing price of at least \$8.50 per share for any 20 trading days within a 30-trading day period ending on the third business day prior to the date on which notice of redemption is given. If the Company calls the warrants, either the holder will have to exercise the warrants by purchasing the Common Stock from the Company for \$5.00 or the warrants will expire. In accordance with the terms of the outstanding warrant agreements between the Company and its warrant holders, the Company in its sole discretion may lower the price of its warrants at any time prior to their expiration date.

During the twelve months ended March 31, 2011, the Company also issued 30,000 shares of Common Stock to American Capital Ventures and Maplehurst Investment Group for services rendered and 9,135 shares to Red Chip Companies valued at \$8,039 for investor relations related services rendered.

The Company also issued a total of 400,000 shares of Common Stock, as consideration for the extension of the loans under the promissory notes described in Notes Payable during the twelve months ended March 31, 2011.

In February 2011, the Company consummated another transaction with Bricoleur to exchange the promissory note held by Bricoleur for a new note with an extended repayment term. The Company issued 688,500 shares of Common Stock valued at approximately \$419,985 as consideration for the exchange, as discussed in corresponding note.

In March 2011, the Company and Oliveira agreed to exchange the promissory note held by Oliveira for a new note with an extended repayment term and provisions permitting the Company at its discretion to repay the loan through the issuance of equity shares at a stated value over a specific term. As of December 31, 2011, the Company has issued 1,570,001 shares of Common Stock valued at \$798,176 to this debt holder, which constituted an element of repayment of principal as well as the interest in equated installments.

On December 31, 2011, the Company finalized the purchase of HK Ironman pursuant to a stock purchase agreement (the “Stock Purchase Agreement”) that was approved by the shareholders of the Company on that date. Related to the acquisition of HK Ironman, the Company’s shareholders approved the issuance of 31,500,000 equity shares to the owners of HK Ironman in exchange for 100% of the equity of HK Ironman; these shares have been considered as outstanding as of this date. The acquisition of HK Ironman and the offering of the Common Stock pursuant thereto was exempt from registration under the Securities Act pursuant to Regulation S of the Securities Act, which exempts private issuances of securities in which the securities are not offered or advertised to the general public and such offering occurs outside of the United States to non-U.S. persons. No underwriting discounts or commissions were paid with respect to such sale. These securities were subsequently registered in a Form S-1 on March 5, 2012, which was declared effective on May 25, 2012.

Further, as of September 30, 2012, the Company had issued 2,783,450 stock options to some of its directors and employees pursuant to a stock option plan all of which are outstanding as of September 30, 2012; issued 3,150,000 retention shares of IGC Common Stock for key management of IGC and PRC Ironman in order to retain the individuals with the Company for at least a year following the acquisition; issued 4,426,304 shares as a settlement against the Oliveira loan payable; and issued 25,000 shares of Common Stock to Atlanta Capital Partners valued at approximately \$6,250 for investor relations related services rendered. As of September 30, 2012, IGC has 60,061,737 shares of Common Stock issued and outstanding.

#### NOTE 15 - INCOME TAXES

The Company adopted ASC 740, Accounting for Uncertainty in Income Taxes. In assessing the recoverability of its deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible. The management considers historical and projected future taxable income, and tax planning strategies in making this assessment.

The Company's effective tax rate was 6.3% for the quarter ending September 30, 2012. Since the Company continued to sustain losses during the current quarter ending September 30, 2012, no valuation allowance was released for the current period. Our assessment concludes that it is more likely that some portion or all of the deferred tax assets will not be realized based on current and historical operating results.

The Company recorded an income tax expense of \$9,735 resulting from operational results of its foreign entities for the three month period ending September 30, 2012.

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## NOTE 16 - SEGMENT INFORMATION

Accounting pronouncements establish standards for the manner in which public companies report information about operating segments in annual and interim financial statements. Operating segments are component of an enterprise that have distinct financial information available and evaluated regularly by the chief operating decision-maker ("CODM") to decide how to allocate resources and evaluate performance. The Company's CODM is considered to be the Company's chief executive officer ("CEO"). The CEO reviews financial information presented on an entity level basis for purposes of making operating decisions and assessing financial performance. Therefore, the Company has determined that it operates in a single operating and reportable segment.

As of now, the reports that are available to the CEO do not contain account information for the separate entities in India and China used for the purposes of consolidation. After the Acquisition of Ironman, the Company is in the process of revising its CODM reports to capture details relating to the Acquisition separately. Accordingly, the Company expects to review and ultimately revise the segments that would be reported in its future reports.

## NOTE 17 – INVESTMENTS – OTHERS

Investments – others for each of the periods ended September 30, 2012 and March 31, 2012 consist of the following:

|  | Period Ended<br>Sept 30, 2012 | Year Ended<br>March 31,<br>2012 |
|--|-------------------------------|---------------------------------|
| Investment in equity shares of an unlisted company | \$ 56,688                     | \$ 58,950                       |
| Investment in partnership                          | 255,222                       | 578,670                         |
| <b>Total</b>                                       | <b>\$ 311,910</b>             | <b>\$ 637,620</b>               |

## NOTE 18 – OTHER INCOME

Other income for the three-month and six-month periods ended September 30, 2012 contains certain foreign exchange gains/losses arising on account of re-measurement of certain intercompany receivables between the U.S. holding company and the foreign subsidiaries. The total foreign exchange gain/(loss) for the three-month and six-month periods ended September 30, 2012 amounted to \$199,043 and (\$175,707), respectively.

## NOTE 19 - IMPAIRMENT

For the year ended March 31, 2012, the Company conducted an impairment test on its 22% investment in Sricon. Effective October 1, 2009, the Company diluted its investment in Sricon from 63% to 22%. Post dilution, the Company continued to account for the investment in Sricon based on the equity method of accounting. However, the Company entered into a management dispute with Sricon after the Company was not able to obtain the financial statements of Sricon after March 31, 2010. The Company conducted the impairment test based on the information available with it and the recoverable value of assets that it could ascertain. Based on a revaluation of the assets including the real estate owned by Sricon, the Company determined that a further impairment loss amounting to \$1.2 million relating to the investment in Sricon was required. The carrying value of the investment in Sricon was accordingly \$5.1 million as of March 31, 2012. The carrying value as of March 31, 2012 approximated the recoverable assessed value as determined as on that date. There have been no further indicators for impairment in the current quarter and accordingly, the Company has not conducted an impairment test for the three months ended September 30, 2012.

NOTE 20 – RECONCILIATION OF EPS

For the three months ended September 30, 2012 and 2011, the basic shares include: founders shares, shares sold in the market, shares sold in a private placement, shares sold in the IPO, shares sold in the registered direct, shares arising from the exercise of warrants issued in the placement of debt, shares issued in connection with debt, shares issued to employees, directors and vendors, and shares issued in connection to the acquisition of Ironman: (i) to HK Ironman shareholders (the “Exchange Shares”) and (ii) to Ironman and IGC employees (the “Compensation Shares”). The fully diluted shares include the basic shares plus warrants issued as part of the units sold in the private placement and IPO, warrants sold as part of the units sold in the registered direct, and employee options. The historical weighted average per share for our shares through September 30, 2012, was applied using the treasury method of calculating the fully diluted shares. The weighted average number of shares outstanding as of September 30, 2012 used for the computation of basic EPS is 60,061,737. The diluted EPS is equal to the basic EPS.

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NOTE 21 – ACCOUNTS RECEIVABLES

IGC has access to about INR 140 million (\$2.5 million at an exchange rate of 55 INR to 1 USD) in funds held by the High Court in Delhi after its subsidiary TBL won an arbitration award. The amount deposited by the National Highway Authority of India (NHAI) pursuant to an order dated April 10, 2012 by the High Court, includes the award principal and the corresponding interest. IGC has to provide the High Court with a letter of credit, as is customary in India, to have immediate access to the full \$2.5 million.

From the conservative accounting perspective, the corresponding receivable from Delhi High Court has been accounted only to the extent of the principal amount. As of September 30, 2012, the accounts receivable includes \$1.35 million relating to principal amount of this particular award of claim. The company is confident of receiving the entire amount (approx.\$2.5 million) together with the accumulated interest within the current fiscal year.

NOTE 22 – SUBSEQUENT EVENTS

As reported on Form 8-K on October 9, 2012 Bricoleur Partners, L.P. (“Bricoleur”) exchanged the previously outstanding unsecured promissory note issued by IGC to Bricoleur in the principal amount of \$1,800,000 (the “2011 Bricoleur Note”) for an unsecured promissory note in the principal amount of \$1,800,000 (the “2012 Bricoleur Note”) and shares of the Company’s common pursuant to a Note and Share Purchase Agreement (the “2012 Bricoleur Purchase Agreement”) as reported on Form 8-K filed with the SEC on October 12, 2012.

As reported on Form 8-K on October 18, 2012, India Globalization Capital, Inc. (“IGC” or the “Company”), through three of its subsidiaries, Techni Bharathi Private Limited (“TBL”), IGC India Mining, Trading Private Limited (“IGC-IMT”) and IGC Materials Private Limited (“IGC-MPL”), entered into a Settlement Agreement (the “SA”) and a Share Purchase Agreement (the “SPA”) with Mr. Jortin Antony, Mrs. Sheeba Jortin, Mr. V.C.Antony, Mrs. Kunjamma Antony, V.C. Homes Private Limited, and the shareholders of TBL represented by Mr. Jortin Anthony, collectively ‘Mr. Jortin Antony Group,’ pursuant to which TBL becomes a fully-owned subsidiary of IGC.

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### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed financial statements and related notes that appear elsewhere in this Quarterly Report on Form 10-Q, and the Annual Report filed on Form 10-K on July 16, 2012. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in Part II, Item 1A of this Quarterly Report on Form 10-Q, as well as in our Annual Report on Form 10-K filed on July 16, 2012, including the risk factors set out in Item 1A therein. Therefore, the financial statements included in the Report should be read in conjunction with the audited Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2012 filed with the SEC on July 16, 2012.

#### Overview

In response to the increased demand for infrastructure in India and China, our focus is to supply construction materials in India and to China as well as execute infrastructure projects. We do this entirely through our subsidiaries. We supply construction materials such as iron ore and rock aggregate to the construction industry. We build interstate highways, rural roads, and execute civil works in high temperature cement and steel plants. We own and operate rock aggregate quarries. We are pursuing joint venture partnerships with mine owners and have applied for licenses to mine iron ore in India. We have customers in India and China and are exploring other regional opportunities. We also actively continue to pursue joint venture partnerships with mine owners for acquisition of mines and mining rights in India and China and have started materializing our efforts by acquiring PRC Ironman thru HK Ironman in China. Our approach is to offer integrated solutions to our customers such as construction services combined with the sale and transportation of materials. However, since fiscal year ended March 31, 2012, we have focused more on building mining assets like iron ore mines and less on construction.

On June 21, 2012, IGC through its Chinese subsidiary Linxi H&F Economic and Trade Company Limited ("PRC Ironman") acquired land in Linxi, Inner Mongolia, China. The agreement signed by PRC Ironman gives PRC Ironman the right to either register the land in its name or leave it registered in the name of the current owner and have unlimited rights to the land forever. This type of an agreement is typical and enforceable in China. The actual sale deed is all the evidence that is filed with the government in the event the Company decides to register the land in the name of the Company.

#### Company Overview

We are a materials and construction company offering a suite of services including: 1) the supply of iron ore to customers in China and India, 2) operations and supply of rock aggregate, and 3) the civil construction of roads and highways. Our present and past clients include various Indian government organizations and steel mills in China. Including our subsidiaries, we have approximately 105 employees and contractors. We are focused on building out mining assets including iron ore, rock aggregate, setting up customer relations, and export hubs for the export of materials to China.

Our business model is as follows:

1. We beneficiate and supply iron ore to customers in China and trade in ore in the Indian markets.
2. We supply rock aggregate to the construction industry in India and trade in other construction materials in the Indian markets, and

3. We bid and execute construction and engineering contracts.

Our expansion plans include building on our current iron ore assets. This includes obtaining licenses for the mining of iron ore in India and acquiring other mines and beneficiation plants, as well as winning and executing construction contracts.

Subsidiaries Overview

HK Ironman is a Hong Kong-based company incorporated on December 20, 2010 to acquire PRC Ironman. PRC Ironman was incorporated as Linxi Hefei Economic & Trade Co., Ltd. in China on January 8, 2008. PRC Ironman is a Sino-foreign equity joint venture (“EJV”) established by both foreign and Chinese investors (i.e., Sino means “China” herein). HK Ironman owns 95% of PRC Ironman. PRC Ironman is engaged in the processing and extraction of iron ore from sand and dirt at its beneficiation plants in southwest Linxi in the autonomous region of eastern Inner Mongolia, under the administration of Chifeng City, Inner Mongolia, which is located 250 miles from Beijing, 185 miles from Tianjin Port and 125 miles from Jinzhou Port and well connected by roads, planes and railroad. PRC Ironman operates three beneficiation plants on three separate properties, all located in Linxi.

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IGC Materials, Private Limited (“IGC-MPL”) and IGC Logistics, Private Limited (“IGC-LPL”) are based in Nagpur, India and were incorporated in June 2009. The two companies focus on infrastructure materials like rock aggregate, bricks, concrete and other building materials, as well as, logistical support for the transportation of infrastructure materials. IGC India Mining and Trading (“IGC-IMT”) was incorporated in December 2008 in Chennai, India. IGC-IMT is focused on the export of iron ore to China as well as the sale of iron ore to customers in India. IGC-MPL, IGC-LPL and IGC-IMT are all wholly owned subsidiaries of IGC-M.

TBL was incorporated as a public limited company (but not listed on the stock exchange) on June 19, 1982, in Cochin, India. It was converted to a private limited company in 2012. TBL is an engineering and construction company engaged in the execution of civil construction, structural engineering projects, and trading. TBL has a focus in the Indian states of Kerala, Karnataka, and Tamil Nadu. Its present and past clients include various Indian government organizations.

### Core Business Competencies

As the infrastructures of India and China are built out and modernized, the demand for basic raw materials like stone aggregate and iron ore (steel) is high and expected to increase. We offer an integrated set of services to our customers based upon several core competencies. This integrated approach provides us with an advantage over our competitors. Our core business competencies are:

1. A sophisticated, integrated approach to project modeling, costing, management, and monitoring.
2. In-depth knowledge of southern and central Indian infrastructure development as well as knowledge, history and ability to work in Inner Mongolia and Mongolia.
3. Knowledge of low cost logistics for moving commodities across long distances in specific parts of India as well as knowledge of logistics in the autonomous region of Inner Mongolia.
4. In-depth knowledge of the licensing process for mines in Inner Mongolia and southern and central India and for quarries in southern and central India.
5. Strong relationships with several important construction companies and mine operators in southern and central India and strong relationships at the appropriate levels of government in the autonomous region of Inner Mongolia.
6. Great access to the sand ore in the hills of Inner Mongolia

Our core business areas are:

1. Mining and trading. Our mining and trading activity currently centers on the export of iron ore to China and the resale of iron ore to traders in India. India is the fourth largest producer of iron ore while China is the world’s largest steel producer. The Freedonia Group projected in May 2010 that China’s \$1.15 trillion construction industry would grow 9.1% every year until 2014. A Reuters’ poll published on the week of September 10, 2012, reports that the market consensus is for growth in 2012 to come in at 7.7 percent, with the last three months of the year picking up from 7.4 to 7.6 percent. However, China’s government has also announced a one trillion yuan (\$158 billion) infrastructure spending drive. This stimulus package will likely rekindle China’s demand for steel. According to the World Steel Association, China accounted for 648 million metric tons of steel production in 2010. As The Wall Street Journal reported, this production was almost half of total global output. On August 6, 2012, the Wall Street Journal stated that China produced 683 million metric tons in 2011 and is expected to produce about 679 million metric tons in 2012. China is also a net importer of iron ore from Australia, Brazil, India and other countries. According to Reuters, September 11, 2012, “China produces about 1 billion tons a year of iron ore and buys 60 percent of the steelmaking raw material traded globally.”

Global prices for iron ore are set through negotiations between China Steel and the large suppliers Rio Tinto, BHP Billiton and Vale. Once prices are set, the rest of the global markets follow that pricing. Prices for iron ore have



increased about seven fold from 2003 to a high of \$180 per metric ton at the end of 2010. However in fiscal 2012, iron ore prices dropped to between \$100 and \$125 per metric ton.

We believe that IGC is well positioned to provide some Chinese steel mills with the iron ore needed to meet their demand. Our subsidiary IGC Mining and Trading Private Limited (IGC-IMT), based in Chennai, India, and our subsidiary Ironman are engaged in the iron ore business. The IGC-IMT has relationships and in some cases agreements with mine owners in Orissa and Karnataka, two of the largest ore mining belts in India. In addition, it operates facilities at seaports on the west coast of India and to a lesser extent on the east coast of India. The facilities consist of an office and a plot of land within the port to store iron ore. IGC-IMP services a customer in China by buying ore from Indian mine owners, transporting it to seaports and then subcontracting stevedores to load the ships. For about two year the Indian government, pending an inquiry into illegal mining and environmental concerns, had closed the Indian mines. However, on September 3, 2012, the Economic Times announced that the Supreme Court lifted the ban on eighteen iron ore mines in Karnataka. This decision opens up to 5 million tons of production a year. However, Karnataka still has not allowed exporters to ship raw material overseas. The Company is exploring other countries from which to obtain a supply of low-grade iron ore.

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Ironman is engaged in the processing and extraction of iron ore from sand and dirt at its beneficiation plants, which converts low-grade ore to high-grade ore through a dry and wet separation process, provides IGC with a platform in China to expand its business, which includes shipping low-grade iron ore, which is available for export in India, to China in order to convert the ore to higher-grade ore before selling it to customers in China. Ironman's customers include local traders and steel mills near the port of Tianjin and steel mills located there. This area has excellent access roads consisting of multi-lane highways. Our staff is experienced in delivering and managing the logistics of ore transport. Even with the acquisition of Ironman, our share of the iron ore market is significantly less than 1%. However, we have an opportunity to consolidate and grow our market share in a specific geographic area.

2. Quarrying rock aggregate. As Indian infrastructure modernizes, the demand for raw materials like rock aggregate, iron ore and similar resources is projected to increase greatly. In 2009, according to the Freedonia Group, India was the third largest stone aggregate market in the world. The report projected that Indian demand for crushed stone will increase to 770 million metric tons in 2013 and 1.08 billion metric tons in 2018. In 2012, the Freedonia Group announced that "the global market for construction aggregates (e.g., sand, crushed stone, gravel) is expected to increase 5.2 percent annually through 2015 to 48.3 billion metric tons. The Asia/Pacific region will grow the fastest, followed by Eastern Europe and the Africa/Mideast region." Our subsidiary, IGC Materials Private Limited ("IGC-MPL"), is responsible for our rock aggregate production. The subsidiary currently has two quarrying agreements with two separate partners. With the production of these two quarries, our subsidiary is one of the largest suppliers in the immediate area. Our share of the overall market in India is currently less than 1%.

All quarrying or mining activities in India require a license. IGC and its subsidiaries do not directly hold any mining or quarrying licenses and therefore there are no licenses or expenses in connection with acquiring the same being reflected in the consolidated financial statements. However, we quarry under licenses held by our partners. For all quarries, the licenses are granted for two years. The licenses are automatically renewed for additional periods of two years, provided that all royalty payments and taxes to the Indian government are paid up to date. IGC-MPL has applied, on its own, for licenses for mining and quarrying. The process of obtaining a quarrying license is difficult and typically takes between 12-18 months. The process involves a competitive application process. As such, while we have applied for licenses, there is no assurance that we will be granted these licenses. The board is evaluating the strategic value associated with the quarry business.

3. Highway and heavy construction. The Indian government has developed a plan to build and modernize Indian infrastructure. The Wall Street Journal reported on March 23, 2010 that the government planned to double infrastructure spending from \$500 billion to \$1 trillion. It will pay for the expansion and construction of rural roads, major highways, airports, seaports, freight corridors, railroads and townships. A significant number of our customers are engaged in highway and heavy construction. According to BBC, India's government has pledged to move ahead with major infrastructure projects to give a boost to the country's slowing economy and revive the plans to build new highways, airports and ports, among other things during the ongoing fiscal year. Prime Minister Manmohan Singh stated last June 6, 2012, that some of the projects to start the economic boost include contracts to build 9,500km of roads; three new airports at Navi Mumbai, Goa and Kannur; the upgrade to international standard of at least "three or four" of five airports - Lucknow, Varanasi, Coimbatore, Trichy and Gaya; two new aviation hubs to make India a major transit point and two new ports in Andhra Pradesh and West Bengal. Minister Singh estimated 1 trillion dollars in the next five years to building the infrastructure planned and said that the government alone would be unable to invest the amount." Our subsidiary, TBL, a small road building company, is engaged in highway and heavy construction activities. TBL has constructed highways, rural roads, tunnels, dams, airport runways and housing complexes, mostly in southern states. TBL, because of its successful execution of contracts, is pre-qualified by the National Highway Authority of India (NHAI) and other agencies. TBL's share of the overall Indian construction market is very small. However, TBL's prequalification and prior track record provides a way to grow the Company in highway and heavy construction. Currently, TBL is engaged in the recovery of construction delay claims that it is pursuing against NHAI, the Airport Authority of Cochin and the Orissa State Works. Our share of the overall market in India is significantly less than 1%. The board is evaluating the strategic value associated with the construction

business.

According to the global market researcher eMpulse, the construction industry's total market size in India is approximately \$53 billion. According to Reuters, India exports about 100 million tons of iron ore per year. Prices for iron ore have averaged around \$140 per metric ton. The rock aggregate market in India is approximately \$3 billion.

The following table sets out the revenue contribution from our subsidiaries:

|               | Period ended<br>September 30,<br>2012 | Period ended<br>September<br>30,2011 |
|---------------|---------------------------------------|--------------------------------------|
| IGC           | 13%                                   | 0%                                   |
| TBL           | 1%                                    | 1%                                   |
| IGC-IMT       | 0%                                    | 83%                                  |
| IGC-MPL       | 0%                                    | 16%                                  |
| IGC-LPL       | 0%                                    | 0%                                   |
| PRC - Ironman | 86%                                   | 0%                                   |
|               | 100%                                  | 100%                                 |

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### Customers.

In China our present and past customers include several steel mills, including local traders and steel mills near the port of Tianjin. In India our present and past customers include the National Highway Authority of India, several state highway authorities, the Indian railways, and private construction companies.

### Construction contract bidding process.

In order to create transparency, the Indian government has centralized the contract awarding process for building interstate roads. The new process is as follows: at the “federal” level, NHAI publishes a Statement of Work for an interstate highway construction project. The Statement of Work has a detailed description of the work to be performed, as well as, the completion time frame. The bidder prepares two proposals in response to the Statement of Work. The first proposal demonstrates technical capabilities, prior work experience, specialized machinery, manpower required, and other qualifications required to complete the project. The second proposal includes a financial bid. NHAI evaluates the technical bids and short-lists technically qualified companies. Next, the short list of technically qualified companies are invited to place a detailed financial bid and show adequate financial strength in terms of revenue, net worth, credit lines, and balance sheets. Generally, the lowest bid wins the contract. Additionally, contract bidders must meet several requirements to demonstrate an adequate level of capital reserves:

1. An earnest money deposit between 2% to 10% of project costs,
2. A performance guarantee of between 5% and 10%,
3. An adequate overall working capital, and
4. Additional capital available for plant and machinery.

Bidding qualifications for larger NHAI projects are set by NHAI and are imposed on each contractor. As the contractor actually executes larger highway projects, then the contractor may qualify for even larger projects.

### Growth strategy and business model.

Our growth strategy and business model are to:

1. Leverage our expertise in the logistics and supply of iron ore by increasing the number of shipping hubs we operate from and continue to expand our offering into China and other Asian countries in order to take advantage of their expected strong infrastructure growth.
2. Increase our supply chain to acquire low-grade ore that can be used in the plants in China.
3. Expand our iron ore assets by acquiring more beneficiation plants and mines.

### Competition.

As mentioned before, Ironman’s beneficiation plants are located 185 miles from the port of Tianjin. Other than about 10 kilometers of dirt road leading over a bridge and over the hills, the access to Tianjin port and steel mills located there is excellent consisting of multi-lane highways. The competition in the immediate area consists of three other operators and is fairly limited mainly because demand for ore within China is high and the market can absorb almost any amount of ore that is produced. Further, we expect to install an iron ore crusher that can grind ore pebbles into fine ore particles, providing a value added service to the smaller mine owners. We compete on price, quantity, and quality. While the iron ore industry is well established and relatively efficient market, we remain competitive because

we have geographic advantage in Inner Mongolia as we are, with three plants, one of the larger suppliers in the area.

We operate in an industry that is competitive. However, the industry is fragmented in some geographic areas and while a number of our competitors are well qualified and better financed than we are, we believe that the demand for contractors in general will permit us to compete for projects and contracts that are appropriate for our size and capabilities.

Seasonality.

In 2011, the area of Chifeng and Inner Mongolia was subject to inclement weather. Typically, the months of May through September are rainy. On average, the rainfall is between 1.1 inches per month to a high of 4.7 inches per month, typically in July. This level of rainfall is not disruptive to the production of ore and in most cases the plant is operational. However, in 2011, the area received very heavy rainfall that caused flooding through the region. It had a serious impact on PRC Ironman's operations, as PRC Ironman could not operate the mines and the plant for over four months. The heavy rains and flooding destroyed over 16,000 houses and over 6,000 hectares of farmland. It also destroyed the bridge connecting our production facilities to the main highways. Limited damage was sustained to the plant and repairs have been made.

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There is seasonality in our business in India during the Indian monsoons. The northeast monsoons historically arrive on June 1st annually, followed by the southwest monsoons, which usually continue intermittently until September. Historically, many of the ports close during the monsoon months because of heavy rains. Activities such as the export of iron ore slows down due to the rough seas. Flooding in the mines can slow production during the monsoon season.

Employees and consultants.

As of September 30, 2012, we employed a work force of approximately 65 employees and contract workers in the U.S., India, China, Hong Kong and Mauritius. Employees are typically skilled workers including executives, engineers, accountants, sales personnel, truck drivers and other specialized experts. Contract workers require less specialized skills. The truck drivers tend to be contract workers. We make diligent efforts to comply with all employment and labor regulations, including immigration laws in the many jurisdictions in which we operate. In order to attract and retain skilled employees, we have implemented a performance based incentive program, offered career development programs, improved working conditions and provided United States work assignments, technology and U.S. GAAP training and other fringe benefits. Ironman tends to be the employer of choice as there are very few industries in the area it operates. We hope that our efforts will make our other companies more attractive.

Environmental regulations.

India and China have strict environmental, occupational, health and safety regulations. In most instances, the contracting agency regulates and enforces all regulatory requirements. As part of the mandate in the area, Ironman has undertaken a conservation effort as well as an effort to create a sustainable environment. Ironman actively plants grass and shrubs in the hills after they are excavated and uses the water from the processing plant to irrigate the grass and shrubs. We internally monitor and manage regulatory issues on a continuous basis. We believe that we are in compliance with all the regulatory requirements of the jurisdictions in which we operate. Furthermore, we do not believe that compliance will have a material adverse effect on our business activities. In addition, a certain portion of our revenue is set aside as a reserve fund for environmental development.

Current Chinese currency revaluation.

Bloomberg News reported on December 21, 2010 that U.S. Senators are strongly encouraging China to hold up to their promise to re-institute a "managed floating exchange rate." China may continue to institute a managed floating exchange rate regime that is tied to a basket of foreign currencies for the next eight or nine years, the China Securities Journal announced August 4, 2011. However, the RMB (the official currency of the People's Republic of China) is unlikely to be floated freely in the near term as the country's economy faces internal difficulties during its reform drive and external uncertainties of the global economy according to experts. Generally, the RMB is the best performer of the BRIC countries and has appreciated 24% to the dollar in the past decade. If a similar appreciation occurs, it will increase the purchasing power of Chinese steel mills buying iron ore, which is traded in U.S. dollars. Chinese firms could buy more ore, even at a higher price, and IGC would benefit from an appreciation of the RMB.

Information and timely financial reporting.

Our operations are located in India and now China where the respective accepted accounting standards are the Indian GAAP and the Chinese GAAP. In many cases, the Indian GAAP and the Chinese GAAP are not congruent with the U.S. GAAP. Indian and Chinese accounting standards are evolving toward IFRS (International Financial Reporting Standards). We engage independent public accounting firms registered with the U.S. PCAOB to conduct an annual audit of our financial statements. The process of producing financial statements is at times cumbersome and places significant demands upon our existing staff. We believe we are still some time away from having processes and

adequately trained personnel in China to meet the reporting timetables set out by U.S. reporting requirements. Until then we expect, on occasion, to file extensions to meet U.S. reporting timetables. We require extra time in order to consolidate financial statements between the two countries. While we endeavor to meet reporting time tables, it is possible that we may fail to meet these time tables. Failure to file our reports in a timely fashion can result in severe consequences including the potential delisting of our securities. In addition, our access to capital may become more difficult or limited if we fail to meet reporting deadlines. We will make our annual reports, quarterly reports, proxy statements and up-to-date investor presentations available on our website, [www.indiaglobalcap.com](http://www.indiaglobalcap.com), as soon as they are available. Our SEC filings are also available, free of charge, at [www.sec.gov](http://www.sec.gov).

#### Results of Operations

##### Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2011

Revenue - Total revenue was approximately \$1,351 thousand for the three months ended September 30, 2012 as compared to approximately \$912 thousand for the three months ended September 30, 2011. The revenue in the quarter is mostly from trading iron ore and other materials like rock aggregate.

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Cost of Revenue (excluding depreciation) – Cost of revenue for the three months ended September 30, 2012 was approximately \$1,108 thousand as compared to approximately \$903 thousand for the three months ended September 30, 2011. The cost of revenue reflects our expenses associated with buying raw material from local miners and traders.

Selling, General and Administrative - Selling, general and administrative expenses were approximately \$342 thousand for the three months ended September 30, 2012 as compared to approximately \$652 thousand for the three months ended September 30, 2011. The Company, as previously disclosed, has expended considerable resources aligning G&A to the mining and trading business. The decrease in G&A reflects a reduction in overheads associated with unprofitable businesses.

Depreciation – The depreciation expense was approximately \$245 thousand in the three months ended September 30, 2012 as compared to about \$76 thousand in the three months ended September 30, 2011. The increase in depreciation includes a one-time write down of old or damaged equipment that can no longer be used to generate revenue.

Interest and other financial expenses – The interest expense and other financial expenses for the three months ended September 30, 2012 were approximately \$16 thousand as compared to about \$149 thousand for the three months ended September 30, 2011. The decrease in interest reflects our efforts to settle liabilities and high interest debt.

Other income – Other income primarily consists of foreign exchange gain/loss arising from the restatement of the inter-company receivables denominated in Indian rupees in relation to payables to the U.S. entity. In the current quarter the Company reported a foreign exchange gain of approximately \$199,043.

Consolidated Net Income (loss) – Consolidated net loss for the three months ended September 30, 2012 was approximately \$165 thousand compared to a consolidated net loss of about \$798 thousand for the three months ended September 30, 2011. The improvement in the Net Loss reflects our realignment of resources and extinguishment of debt.

Six Months Ended September 30, 2012 Compared to Six Months Ended September 30, 2011

Revenue - Total revenue was approximately \$2,619 thousand for the six months ended September 30, 2012, as compared to about \$1,972 thousand for the six months ended September 30, 2011.

Cost of Revenue (excluding depreciation) – Cost of revenue for the six months ended September 30, 2012 was approximately \$2,046 thousand as compared to approximately \$1,877 thousand for the six months ended September 30, 2011.

Selling, General and Administrative - Selling, general and administrative expenses were about \$783 thousand for the six months ended September 30, 2012 as compared to approximately \$1,386 thousand for the six months ended September 30, 2011.

Depreciation – The depreciation expense was approximately \$329 thousand in the six months ended September 30, 2012 as compared to about \$127 thousand in the six months ended September 30, 2011.

Interest and other financial expenses – The interest expense and other financial expenses for the six months ended September 30, 2012 were about \$26 thousand as compared to approximately \$450 thousand for the six months ended September 30, 2011.

Other income – Other income primarily consists of foreign exchange gain/loss arising from the restatement of the inter-company receivables denominated in Indian rupees in relation to payables to the U.S. entity. For the six months



ended September 30, 2012, the Company reported a foreign exchange loss of \$175,707.

Consolidated Net Income (loss) – Consolidated net loss for the six months ended September 30, 2012 was approximately \$706 thousand compared to a consolidated net loss of about \$1,669 thousand for the six months ended September 30, 2011.

#### Off-Balance Sheet Arrangements

We do not have any investments in special purpose entities or undisclosed borrowings or debt.

#### Liquidity and Capital Resources

This liquidity and capital resources discussion compares the consolidated company financial position for the six-month periods ended September 30, 2012 and 2011.

During the six months ended September 30, 2012, cash used for operating activities was approximately \$235 thousand compared to about \$813 thousand used during the six months ended September 30, 2011.

During the six months ended September 30, 2012, investing activities from continuing operations provided about \$313 thousand of cash as compared to approximately \$38 thousand provided during the same period in 2011.

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For the quarter ended September 30, 2012, our non-GAAP cash burn was approximately \$109 thousand after adjusting for \$245 thousand of depreciation, \$199 thousand of non-cash foreign exchange gain, tax expense of \$9 thousand and write-back of minority interest \$22 thousand. This amount does not take into account approximately \$55 thousand of income from investments that do not flow through the P&L. Taking this into account the non-GAAP cash burn was approximately \$54 thousand in the quarter.

For the quarter ended September 30, 2012, our cash and cash equivalents along with restricted cash was approximately \$624 thousand.

The Company has access to about INR 140 million (\$2.5 million at an exchange rate of 55 INR to 1 USD) in funds deposited by the National Highway Authority of India (NHAI) with the high court in Delhi against an arbitration award that was won by TBL. The amount deposited pursuant to an order by the judge of the High Court, includes the principal of the award plus interest. The Company is allowed to access the amount deposited with the court immediately, but needs to make arrangements to provide a letter of credit to the high Court. The court is expected to meet on December 19, 2012 for a final decision on the claim. It is the Company expectation that the amount, subject to some adjustments relative to the rate of interest, will be released to the Company. The Company therefore, has decided not to issue a letter of credit preferring instead to await the outcome of the ruling.

## Critical Accounting Policies

See Note 2 - Significant Accounting Policies of the Notes to Consolidated Financial Statements in Part I, Item 1 herein for a discussion of critical accounting policies.

## Forward-Looking Statements

We believe that some of the information in this report constitutes forward-looking statements within the definition of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as “may,” “will,” “should”, “believes,” “expects,” “intends,” “anticipates,” “thinks,” “plans,” “estimates,” “seeks,” “pre” similar words or the negative of these words or other variations on these words or comparable terminology. You should read statements that contain these words carefully because they discuss future expectations, contain projections of future results of operations or financial conditions or state or other forward-looking information. Forward-looking statements are based on certain assumptions and expectations of future events. IGC cannot guarantee that these assumptions and expectations are accurate or will be realized. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions.

Many factors, including those discussed more fully in documents filed with the Securities and Exchange Commission, which we refer to as the SEC, by IGC, particularly under the heading “Risk Factors” in Part 1, Item 1A of IGC’s Annual Report on Form 10-K filed with the SEC on July 16, 2012, could cause results to differ materially from those stated. While we believe it is important to communicate our expectations to our stockholders, there may be events in the future that we are not able to predict or over which we have no control. The risk factors and cautionary language discussed in this report provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by us in our forward-looking statements, including among other things:

- The growth in global and specifically Asian GDP and more specifically infrastructure and the overall demand for steel;
- Competition in the iron ore sector;
- Legislation by the government of India and the government of China;
- Labor, trucking, and other logistic issues;

- Unanticipated cash requirements to support current operations, expand our business or incur capital expenditures;
- The loss of key management or scientific personnel;
- The activities of our competitors in the industry;
- The effect of volatility of currency exchange rates;
- Enactment of new government laws, regulations, court decisions, regulatory interpretations or other initiatives that are adverse to us or our interests;
- The effect of the Stock Purchase Agreement on our business relationships (including with employees, customers and suppliers), operating results and business generally; and
- Risks that the proposed transactions disrupt current business plans and operations and the potential difficulties in attracting and retaining employees as a result of the Stock Purchase Agreement;

You should be aware that the occurrence of the events described in the “Risk Factors” section above and elsewhere in this report, could have a material adverse effect on our business, financial condition and results of operations. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. All forward-looking statements included herein attributable to us or any person acting on either party’s behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

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Except to the extent required by applicable laws and regulations, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events. Any forward-looking statement made by us in this report speaks only as of the date on which we make it.

The information contained in this report identifies important factors that could adversely affect actual results and performance. All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statements.

### Item 3. Quantitative and Qualitative Disclosures about Market Risks

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. Market risk is the sensitivity of income to changes in interest rates, foreign exchanges, commodity prices, equity prices, and other market-driven rates or prices. The disclosures are not meant to be precise indicators of expected future losses, but rather, indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures.

#### Customer Risk

The Company's customers are the Indian government, state government, private companies, Indian government owned companies and Chinese steel mills and iron ore traders. Therefore, our business requires that we continue to maintain a pre-qualified status with our clients so we are not disqualified from bidding on future work. The loss of a significant client may have an adverse effect on the Company. Disqualification can occur if, for example, we run out of capital to finish contracts that we have undertaken.

#### Commodity Prices and Vendor Risk

The Company is affected by the availability, cost and quality of raw materials including cement, asphalt, steel, rock aggregate, iron ore and fuel. The prices and supply of raw materials and fuel depend on factors beyond the control of the Company, including general economic conditions, competition, production levels, transportation costs and import duties. The Company typically builds contingencies into the contracts, including indexing key commodity prices into escalation clauses. However, drastic changes in the global markets for raw materials and fuels could affect our vendors, which may create disruptions in delivery schedules that could affect our ability to execute contracts in a timely manner. We are taking steps to mitigate some of this risk by attempting to control the supply and quality of raw materials. We do not currently hedge commodity prices on capital markets, which exposes the Company to risks related to high prices.

#### Labor Risk

The building boom in India and the Middle East (India, Pakistan and Bangladesh export labor to the Middle East) had created pressure on the availability of skilled labor like welders, equipment operators, etc. This has recently changed with the shortage of financial liquidity and falling oil prices. We see limited labor risk in India or in China.

#### Compliance, Legal and Operational Risks

We operate under regulatory and legal obligations imposed by the Indian and Chinese governments and U.S. securities regulators. Those obligations relate, among other things, to the Company's financial reporting, trading activities, capital requirements and the supervision of its employees. For example, we file our financial statements in

four countries under four different GAAP standards. Failure to fulfill legal or regulatory obligations can lead to fines, censure or disqualification of management and/or staff and other measures that could have negative consequences for our activities and financial performance. We are mitigating this risk by hiring local consultants and staff who can manage the compliance in the various jurisdictions in which we operate. However, the cost of compliance in various jurisdictions could have a negative impact on our future earnings.

#### Interest Rate Risk

The infrastructure development industry is one in which leverage plays a large role. A typical contract requires that we furnish an earnest money deposit, a performance guaranty and the ability to discount letters of credit. Furthermore, most construction contracts demand that we reserve between seven and eleven percent of contract value in the form of bank guaranties and/or deposits. Finally, as interest rates rise, our cost of capital increases thus impacting our margins.

#### Exchange Rate Sensitivity

Our Indian subsidiaries conduct all business in Indian rupees with the exception of foreign equipment that is purchased from the U.S. or Europe. Our Chinese subsidiary, PRC Ironman, conducts all business in renminbi. Prices for ore are set in USD and then converted to RMB. PRC Ironman has no currency risk. However, PRC Ironman is subject to price volatility. Exchange rates have an insignificant impact on our financial results. However, as we convert from Indian rupees and renminbi to U.S. dollars and subsequently report in U.S. dollars, we may see an impact on translated revenue and earnings. Essentially, a stronger U.S. dollars decreases our reported earnings and a weakening U.S. dollars increases our reported earnings.

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In the analysis below, we have compared the reported revenue and expense numbers for the three months ended September 30, 2012 with the three months ended September 30, 2011 based on the average exchange rate used for the three months ended September 30, 2011 to highlight the impact of exchange rate changes on IGC's Indian rupee derived revenues and expenses. Expenses for China entities for the quarter ended September 30, 2012 have been retained at the average RMB for the quarter.

|                                     | Three months ended<br>September 30, 2012 |                           | Change   | Percentage |
|-------------------------------------|--|---------------------------|----------|------------|
|                                     | Current<br>Exchange<br>rate              | Previous<br>exchange rate |          |            |
| Revenue (India)                     | 7,358                                    | 8,161                     | 803      | 10.91      |
| Total expenses before taxes (India) | (103,204)                                | (114,462)                 | (11,258) | 10.91      |
| Revenue (China)                     | 1,207,976                                | 1,190,987                 | (16,939) | (1.40)     |
| Total expenses before taxes (China) | (1,492,187)                              | (1,471,261)               | 20,925   | (1.40)     |
| Net - India                         | (95,846)                                 | (106,301)                 | (10,455) |            |
| Net - China                         | (284,260)                                | (280,274)                 | 3,986    |            |

## Foreign Currency Translation

IGC mainly operates in India and China and a substantial portion of the Company's sales are denominated in the Indian rupee and the renminbi. As a result, changes in the relative values of the U.S. dollar and Indian rupee or the renminbi affect revenues and profits as the results are translated into U.S. dollars in the consolidated and pro forma financial statements.

The accompanying financial statements are reported in U.S. dollars. The Indian rupee and the renminbi are the functional currencies for the Company. The translation of the functional currencies into U.S. dollars is performed for assets and liabilities using the exchange rates in effect at the balance sheet date and for revenues, costs and expenses using average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income/(loss), a separate component of shareholders' equity.

The exchange rates used for translation purposes are as follows:

| Period                                   | Period End<br>Average Rate<br>(P&L rate) | Period End Rate<br>(Balance sheet<br>rate) |
|--|--|--|
| Three months ended<br>September 30, 2011 | INR 46.80 per<br>USD                     | INR 49.05 per<br>USD                       |
| Year ended March 31,<br>2012             | INR 47.715 per<br>USD                    | INR 50.89 per<br>USD                       |
|  | RMB 6.29 per<br>USD                      | RMB 6.30 per<br>USD                        |
| Three months ended<br>September 30, 2012 | INR----- 51.91<br>per USD                | INR 52.92 per<br>USD                       |
|  | RMB 6.29 per<br>USD                      | RMB 6.29 per<br>USD                        |

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are processes and procedures designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods, as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As of September 30, 2012, management conducted an evaluation (under the supervision and with the participation of the chief executive officer and the principal accounting officer), pursuant to Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act, of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2012. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. A material weakness in internal control over financial reporting (as defined in Auditing Standard No. 5 of the Public Company Accounting Oversight Board) is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected by the entity's internal control.

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On January 19, 2011, the SEC notified the Company of a material weakness with the financial statements filed with the Company's initial Form 10-K for the fiscal year ended March 31, 2010 because it did not comply with Rule 2-02 under Regulation S-X for audited financial statements, as a result of a qualification in the auditor's report with respect to the deconsolidation of Sricon. Such report has been filed without such qualification in Amendment No. 1 to the Company's Form 10-K for the fiscal year ended March 31, 2010. After a review of the circumstances, the Chief Executive Officer and Principal Accounting Officer were unable to conclude that the Company's disclosure controls and procedures were effective as of December 31, 2009. The Company's disclosure controls and procedures failed to identify and address the issue noted by the SEC regarding the audit report.

Further, as previously reported in the Company's Current Report on Form 8-K filed on June 15, 2011, the Board of Directors of the Company, based on the recommendation of the Audit Committee and in consultation with the independent accountants, concluded that the Company's previously issued financial statements for the fiscal years ended March 31, 2010 and the fiscal quarter of December 2009 should be restated to correct certain identified errors. Accordingly, the Company restated its previously issued financial statements for the fiscal years ended March 31, 2010 and the fiscal quarter of December 2009.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal period to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. However, the Company has taken steps to rectify the material weaknesses with the financial statements filed with the Company's initial Form 10-K for the fiscal year ended March 31, 2010. The Company's management has heightened its diligence in addressing the Company's disclosure controls and, throughout the period subsequent to the identification of such material weakness, management has added and is in the process of adding additional measures to improve and evaluate the effectiveness of its controls over financial reporting. These measures include the completion of checklists by the Company and its independent auditors with respect to the accounting and reporting standards, engaging external experts of U.S. GAAP to assist in the preparation and review of financial statements, and getting a subscription to an online knowledge base to provide the latest updates on U.S. GAAP and other accounting and disclosure matters. The Company also has provided U.S. GAAP and reporting training for our India-based accounting staff. On December 31, 2011 we concluded the acquisition of Ironman. We are in the process of training our China-based accounting staff and implementing procedures and processes for controls of financial reporting. Currently, we rely on manual steps for the consolidation of our financial statements because the financial systems used in India and China are different. We expect to address the systems aspects in the future as part of our continued effort to eliminate errors in our internal controls over financial reporting. The Company has also engaged a global consultant with the requisite experience with SEC accounting requirements to assist in the Company's disclosure and filings related to quarterly and annual reports.



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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There are no legal proceedings against the Company.

Item 1A. Risk Factors

The following is a risk factor that is in addition to the risk factors previously disclosed on Form 10-K for the Financial Year Ended March 31, 2012.

Outstanding pre-acquisition staff advances.

Prior to IGC's acquisition of Ironman, Ironman had granted advances to some its employees. There are no formal written agreements supporting these advances. The advances are still outstanding. IGC's approach to collect from the individuals is the following: 1) identify the individuals and the relationships, which we have done to a large degree, 2) consolidate, if possible, the amounts advanced into a smaller subset of individuals that can be held responsible for the collection, and 3) obtain documentation showing that the amounts were advanced and the individuals are responsible for repayment. While the Company is planning on collecting the Ironman staff advances, there is no guarantee that all the advances will be collected.

Item 2. Unregistered Sales of Equity Securities

There were no unregistered securities sold by us during the quarter ended September 30, 2012.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

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Item 6. Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.\*
- 31.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.\*
- 32.1 Certification of 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 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 Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of September 30, 2012 and March 31, 2012, (ii) Consolidated Statements of Operations for the three and six months ended September 30, 2012 and 2011, (iii) Consolidated Statements of Comprehensive income (loss) for the three and six months ended September 30, 2012 and 2010, (iv) Consolidated Statements of Stockholders Equity (Deficit) for the six months ended September 30, 2012, (v) Consolidated Statements of Cash Flow for the six months ended September 30, 2012 and 2011, and (vi) Notes to Condensed Consolidated Financial Statements for the six months ended September 30, 2012. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, and shall not be deemed “filed” or part of any registration statement or prospectus for purposes of Section 11 or 12 under the Securities Act or the Exchange Act, or otherwise subject to liability under those sections, except as shall be expressly set forth by specific reference in such filing.
- 101.INS XBRL Instance Document\*\*
- 101.SCH XBRL Taxonomy Extension Schema Document\*\*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*\*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document\*\*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*\*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*\*

\* Filed as an exhibit hereto.

\*\* Furnished herewith.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INDIA GLOBALIZATION CAPITAL, INC.

Date: November 14, 2012 By: /s/ Ram Mukunda  
Ram Mukunda  
Chief Executive Officer and President (Principal Executive Officer)

Date: November 14, 2012 By: /s/ John B. Selvaraj  
John B. Selvaraj  
Treasurer, Principal Financial and Accounting Officer

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