

India Globalization Capital, Inc.  
Form 10-Q  
August 12, 2009

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 June 30, 2009
- Transition report under Section 13 or 15(d) of the Exchange Act of 1934.

Commission file number 000-1326205

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

Maryland	20-2760393
(State or other jurisdiction of incorporation or organization)	(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 Amex
Common Stock	NYSE Amex
Common Stock Purchase Warrants	NYSE Amex

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 is a large accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Edgar Filing: India Globalization Capital, Inc. - Form 10-Q

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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 July 15, 2009
Common Stock, \$.0001 Par Value	10,169,991

---

Table of Contents

INDEX  
India Globalization Capital  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009

Table of Contents

	Page
PART I – FINANCIAL INFORMATION	
Item 1.	<u>Financial Statements</u> 3
	<u>Consolidated Balance Sheets as of June 30, 2009 (unaudited) and March 31, 2008</u> 3
	<u>Consolidated Statements of Operations (unaudited) for the three months ended June 30, 2009 and 2008</u> 4
	<u>Consolidated Statements of Comprehensive income for the three months ended June 30, 2009 and 2008 (unaudited)</u> 5
	<u>Consolidated Statements of Stockholders (Deficit) Equity for the three months ended June 30, 2009 (unaudited)</u> 5
	<u>Consolidated Statements of Cash Flows (unaudited) for the three months ended June 30, 2009 and 2008</u> 6
	<u>Notes to Consolidated Financial Statements (unaudited)</u> 7
Item 2.	<u>Management’s Discussion and Analysis</u> 15
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 22
Item 4.	<u>Controls and Procedures</u> 22
PART II – OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u> 23
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 23
Item 3.	<u>Defaults Upon Senior Securities</u> 23
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u> 23
Item 5.	<u>Other Information</u> 23
Item 6.	<u>Exhibits</u> 23
	<u>Signatures</u> 24

---

Table of Contents

## PART I - Financial Information

## Item 1. Financial Statements

India Globalization Capital, Inc.  
CONSOLIDATED BALANCE SHEETS

	June 30, 2009 (audited)	March 31, 2009 (audited)
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,122,933	\$ 2,129,365
Accounts Receivable	10,626,497	9,307,088
Unbilled Receivables	2,735,110	2,759,632
Inventories	2,580,757	2,121,837
Prepaid taxes	88,683	88,683
Restricted cash	309,803	
Prepaid expenses and other current assets	2,471,079	2,801,148
Due from related parties	521,636	290,831
Total Current Assets	20,456,498	19,498,584
Property and equipment, net	6,821,584	6,601,394
Accounts Receivable – Long Term	2,950,754	2,769,196
Goodwill	17,483,501	17,483,501
Investment	75,381	70,743
Deposits towards acquisitions	261,479	261,479
Restricted cash, non-current	1,523,901	1,430,137
Deferred tax assets, net of valuation allowance	876,660	898,792
Other Assets	2,906,972	2,818,687
Total Assets	\$53,356,730	\$ 51,832,513
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	\$ 3,679,696	\$ 3,422,239
Trade payables	1,364,369	462,354
Advance from Customers	219,568	206,058
Accrued expenses	581,851	555,741
Taxes payable	76,569	76,569
Notes Payable to Oliveira Capital, LLC	1,758,666	1,517,328
Due to related parties	1,252,430	1,214,685
Other current liabilities	1,112,780	1,991,371
Total current liabilities	\$10,045,929	\$ 9,446,345
Long-term debt, net of current portion	1,475,919	1,497,458
Deferred taxes on income	650,116	590,159
Other liabilities	2,391,504	2,440,676
Total Liabilities	\$14,563,468	\$ 13,974,638
Minority Interest	14,339,160	14,262,606
<b>COMMITMENTS AND CONTINGENCY</b>		

## STOCKHOLDERS' EQUITY

Preferred stock \$.0001 par value; 1,000,000 shares authorized; none issued and outstanding

Common stock — \$.0001 par value; 75,000,000 shares authorized; 10,169,991 issued and outstanding at June 30, 2009 and 10,091,171 issued and outstanding at March 31, 2009.

	1,017	1,009
Additional paid-in capital	33,316,929	33,186,530
Retained Earnings (Deficit)	(5,198,686)	(4,662,689)
Accumulated other comprehensive (loss) income	(3,665,158)	(4,929,581)
Total stockholders' equity	24,454,102	23,595,269
Total liabilities and stockholders' equity	\$ 53,356,730	\$ 51,832,513

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

Table of Contents

India Globalization Capital, Inc.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008
Revenues:	\$ 2,723,342	\$ 17,928,381
Cost of revenues:	(1,792,329)	(13,155,698)
Gross Profit	931,013	4,772,683
Selling, General and Administrative (including \$139,407 stock based compensation for three months ended June 30, 2009)	(730,814)	(947,506)
Depreciation	(208,343)	(231,583)
Total operating expenses	(939,157)	(1,179,089)
Operating income (loss)	(8,144)	3,593,594
Other income (expense):		
Interest income	66,599	128,879
Interest expense	(411,482)	(474,310)
Total other income (expense)	(344,883)	(345,431)
Income (loss) before provision for income taxes	(353,027)	3,248,163
(Provision) benefit for income taxes	(106,416)	(1,089,090)
Income (loss) after provision for income tax	(459,443)	2,159,073
Minority interest	(76,554)	(872,255)
Net income (loss)	\$ (535,997)	\$ 1,286,818
Weighted average number of shares outstanding:		
Basic	10,169,991	8,570,107
Diluted	10,366,855	8,885,618
Net income per share:		
Basic	\$ (0.05)	\$ 0.15
Diluted	\$ (0.05)	\$ 0.14

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

Table of Contents

India Globalization Capital, Inc.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008
Net income / (loss)	\$ (535,997)	\$ (1,286,818)
Foreign currency translation adjustments	1,264,423	2,744,164
Comprehensive income (loss)	\$728,426	\$ 1,457,346

India Globalization Capital, Inc.  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Retained Earnings (Deficit)	Accumulated Other Comprehensive Income / Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at March 31, 2009	10,091,171	\$1,009	\$33,186,530	\$ (4,662,689 )	\$ (4,929,581 )	\$ 23,595,269
Stock Option for 1,413,000 grants			90,997			90,997
Issue of 78,820 common stock	78,820	8	39,402			39,410
Net Income (Loss)				(535,997 )		(535,997 )
Foreign currency translation adjustments					1,264,423	1,264,423
Balance at June 30, 2009	10,169,991	\$1,017	\$33,316,929	\$ (5,198,686 )	\$ (3,665,158 )	\$ 24,454,102

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

Table of Contents

India Globalization Capital, Inc.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(unaudited)

	Three months ended	
	June 30, 2009	June 30, 2008
Cash flows from operating activities:		
Net income	\$ (535,997)	\$ 1,286,818
Adjustment to reconcile net income to net cash used in operating activities:		
Non-cash compensation expense	130,407	
Deferred taxes	43,652	129,517
Depreciation	208,343	231,583
Loss/(Gain) on sale of property, plant and equipment		(33,740)
Amortization of debt discount on Oliveira loan	241,338	
Changes in:		
Accounts receivable	(694,938)	(4,685,180)
Unbilled Receivable	201,320	(29,286)
Inventories	(313,371)	(329,288)
Prepaid expenses and other current assets	400,838	3,284,246
Interest receivable - convertible debenture		(60,000)
Accrued expenses	26,109	(563,535)
Taxes payable		11,920
Trade Payable	855,373	1,009,317
Other Current Liabilities	(999,117)	2,690
Advance from Customers		(1,084,142)
Non current assets	94,577	(1,564,201)
Other non-current liabilities	(204,983)	(3,965,110)
Minority Interest	76,554	872,255
Net cash used in operating activities	(469,895)	(5,486,136)
Cash flows from investing activities:		
Net proceeds from purchase and sale of property and equipment		(1,587,653)
Purchase of investments		(3,679,227)
Restricted Cash	(241,995)	11,386
Net cash provided used in investing activities	(241,995)	(5,255,494)
Cash flows from financing activities:		
Net movement in cash credit and bank overdraft	32,418	2,414,063
Proceeds from other short-term and long-term borrowings	527,218	1,699,083
Repayment of long-term borrowings	(644,528)	(1,173,852)
Due to related parties	(247,459)	1,213,865
Net cash provided by financing activities	(332,351)	4,153,159
Effect of exchange rate changes on cash and cash equivalents	37,809	(259,442)
Net increase in cash and cash equivalent	(1,006,431)	(6,847,913)
Cash and cash equivalent at the beginning of the period	2,129,365	8,397,441
Cash and cash equivalent at the end of the period	\$ 1,122,933	\$ 1,549,528

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





Table of Contents

Background of India Globalization Capital, Inc. (IGC)

Notes to Consolidated Financial Statements (unaudited)

Note 1 - Nature of Operations and Basis of Presentation

The operations of IGC are based in India. IGC owns 100% of a subsidiary in Mauritius called IGC-Mauritius (IGC-M). This company in turn operates through five subsidiaries in India. We own sixty three percent of Sricon Infrastructure Private Limited (“Sricon”) and seventy seven percent of Techni Bharathi, Limited (“TBL”). We also beneficially own one hundred percent of IGC India Mining and Trading, Private Limited, IGC Logistic, Private Limited, and IGC Materials, Private Limited. Through our subsidiaries we operate in the infrastructure industry. IGC builds roads bridges, highways, and we are involved in mining and quarrying. Also, we provide civil construction and engineering of high temperature plants. The Company’s medium term plans are to expand each of these lines of business.

The Company’s operations are subject to certain risks and uncertainties, including among others, dependency on India’s economy and government policies, seasonal business factors, competitively priced raw materials, dependence upon key members of the management team and increased competition from existing and new entrants.

India Globalization Capital, Inc.

IGC, a Maryland corporation, was 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. 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 63% of the equity of Sricon Infrastructure Private Limited (Sricon) and 77% of the equity of Techni Bharathi Limited (TBL). On February 19, 2009 IGC-M beneficially purchased 100% of IGC Mining and Trading, Limited based in Chennai India.

On July 4, 2009 IGC-M beneficially purchased 100% of IGC Materials, Private Limited, and 100% of IGC Logistics, Private Limited. Both these companies are based in Nagpur, India.

Merger and Accounting Treatment

Most of the shares of Sricon and TBL acquired by IGC were purchased directly from the companies. IGC purchased a portion of the shares from the existing owners of the companies. The founders and management of Sricon own 37% of Sricon and the founders and management of TBL own 23% of TBL. Ownership interest of the founders and management, in these two companies, is reflected in the financial statements as “Minority Interest”.

Unless the context requires otherwise, all references in this report to the “Company”, “IGC”, “we”, “our”, and “us” refer to India Globalization Capital, Inc, together with its wholly owned subsidiary IGC-M, and its direct and indirect subsidiaries (Sricon, TBL IGC-IMT, IGC-LPL, and IGC-MPL).

IGC’s organizational structure is as follows:



## Table of Contents

### Securities

We have three securities listed on NYSE Amex : (1) common stock, \$.0001 par value (ticker symbol: IGC), (2) redeemable warrants to purchase common stock (ticker symbol: IGC.WS) and (3) units consisting of one share of common stock and two redeemable warrants to purchase common stock (ticker symbol: IGC.U). Each Unit consists of one share of common stock and two warrants. 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 expire on March 3, 2011, or earlier upon redemption. The registration statement for initial public offering was declared effective on March 2, 2006. The warrants may be exercised by contacting the Company or the transfer agent Continental Stock Transfer & Trust Company. We have 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 we call the warrants, the holder will either have to redeem the warrants by purchasing the common stock from us for \$5.00 or the warrants will expire.

On January 9, 2009 we completed an exchange of 11,943,878 public and private warrants for 1,311,064 new shares of common stock. Following the issuance of the shares relating to the warrant exercise, we had 10,091,971 shares of common stock and 11,855,122 warrants outstanding as of March 31, 2009. On May 13, 2009, we issued 78,820 shares of common stock. Subsequent to this issuance, as of June 30, 2009 we had 10,169,991 shares of common stock issued and outstanding.

### Unaudited Interim Financial Statements

The unaudited consolidated balance sheet as of June 30, 2009, consolidated statements of operations and cash flows for the three months ended June 30, 2009 and 2008 and consolidated statements of stockholders' equity (deficit) for the three months ended June 30, 2009 include the accounts of the Company and its subsidiaries. The unaudited financial statements include all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of such financial statements. Operating results for the interim periods presented are not necessarily indicative of the results to be expected for a full fiscal year.

### Prior Pro Forma Results of Operations

We previously disclosed Pro Forma results of Operations in our Quarterly Reports' Management's Discussion and Analysis sections. These Pro Forma statements were reported as if the acquisition of Sricon and TBL occurred on April 1, 2007 and April 1, 2008 respectively. We felt that this was a more meaningful presentation of our results of operations since we acquired both Sricon and TBL on March 7, 2008. Since all of the operation results for Sricon and TBL are included for the three month periods ending June 30, 2009 and June 20, 2008, we no longer believe that Pro Forma results of operations as reported in prior quarterly filings present a meaningful discussion of our results of operations starting with the three month period ended June 20, 2009.

### Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated.

Minority interest in subsidiaries consists of equity securities issued by a subsidiary of the Company. No gain or loss was recognized as a result of the issuance of these securities, and the Company owned a majority of the voting equity

of the subsidiary both before and after the transactions. The Company reflects the impact of the equity securities issuances in its investment in subsidiary and additional paid-in-capital accounts for the dilution or anti-dilution of its ownership interest in the subsidiary.

#### Reclassifications

Certain prior year balances have been reclassified to the presentation of the current year. Sales and services include adjustments made towards liquidated damages, price variation and charges paid for discounting of receivables arising from construction/project contracts on a non-recourse basis, wherever applicable.

#### Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Table of Contents

Revenue Recognition

The majority of the revenue recognized for the three month period ended June 30, 2009 was derived from the Company's subsidiaries and as follows:

Revenue is recognized based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

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.

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. 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

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

Revenue from property development activity is recognized when all significant risks and rewards of ownership in the land and/or building are transferred to the customer and a reasonable expectation of collection of the sale consideration from the customer exists.

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.

Income 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 reflect the additional dilution for all potentially dilutive securities such as stock warrants and options. The 11,855,122 warrants did not have an impact on the fully diluted shares, as the price of the common stock was below the exercise price of all outstanding warrants and therefore the warrants did not contribute to the dilution of basic shares.

Income taxes:

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Cash and Cash Equivalents:

For financial statement purposes, the Company considers all highly liquid debt instruments with maturity of three months or less when purchased to be cash equivalents. The company maintains its cash in bank accounts in the United States of America and Mauritius, 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.

Restricted cash:

Restricted cash consists of deposits pledged with various government authorities and deposits restricted as to usage under lien to banks for guarantees and letters of credit given by the Company. The restricted cash is primarily invested in time deposits with banks.

Accounts receivable:

Accounts receivables are recorded at the invoiced amount. Account balances are written off when the company believes that the receivables will not be recovered. The company's bad debts are included in selling and general administrative expenses. The company did not recognize any bad debts during the 3 month period ended June 30, 2009 and June 30, 2008, respectively.

Table of Contents

## 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, residue and real estate. Inventories are stated at the lower of cost or estimated net realizable value.

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

Raw Material are valued at weighted average of landed cost (Purchase price, Freight inward and transit insurance charges), Work in progress is valued as confirmed, valued & certified by the technicians & site engineers and Finished Goods at material cost plus appropriate share of labor cost and production overhead. Components and accessories, stores erection, materials, spares and loose tools are valued on a First-in-First out basis. Real Estate is valued at the lower of cost or net realizable value.

## Accounts Receivable – Long Term:

Known in India as Build-Operate-Transfer (BOT). 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.

## Investments:

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Investments generally comprises of fixed deposits with banks.

## Property, Plant and Equipment:

Property and equipment are stated at cost less accumulated depreciation. Depreciation of computers, construction, scrap processing and other equipments, buildings and other assets are provided based on the Straight-line method over useful life of the assets.

The value of plant and equipment that are capitalized include the acquisition price and other direct attributable expenses.

The estimated useful life of various assets and associated historical costs are as follows:

Category	Useful Life (years)		As of June 30, 2009	As of June 30, 2008
Land	N/A	\$	36,480	\$ 40,567
Building (Flat)	25		245,536	273,046
Plant and Machinery	20		9,988,592	11,005,719
Computer Equipment	3		278,217	295,686
Office Equipment	5		171,264	187,920
Furniture and Fixtures	5		136,051	148,692
Vehicles	5		789,461	906,557
Leasehold Improvements	Over the period of lease or useful life (if less)		148,310	164,927
Assets under construction	N/A		13,920	15,479
Total			11,807,831	13,038,593
			(4,986,247 )	(4,853,485)



Less: Accumulated Depreciation			
Net Assets	\$	6,821,584	\$ 8,185,108

Upon disposition, cost and related accumulated depreciation of the Property and equipment are removed from the 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.

## Table of Contents

### Policy for Goodwill / Impairment

Goodwill represents the excess cost of an acquisition over the fair value of the Group's 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 accumulated amortization and impairment losses, if any.

The company adopted provisions of FAS No. 142, "Goodwill and Other Intangible Assets" ('FAS 142') which sets forth the accounting for goodwill and intangible assets subsequent to their acquisition. FAS 142 requires that goodwill and indefinite-lived intangible assets be allocated to the reporting unit level, which the Group defines as each circle.

FAS 142 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.

The goodwill impairment test under FAS 142 is performed in two phases. The first step of the impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, goodwill of the reporting unit is considered impaired, and step two of the impairment test must be performed. The second step of the impairment test quantifies the amount of the impairment loss by comparing the carrying amount of goodwill to the implied fair value. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its implied fair value.

### Impairment of long – lived assets and intangible assets

The company reviews its long-lived assets, including identifiable intangible 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 and material adverse changes in the economic climate. 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.

### Asset retirement obligations:

Asset retirement obligations associated with the Company's leasehold land are subject to the provisions of FAS No. 143 "Accounting for Asset Retirement Obligations" and related interpretation, FIN No. 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143" .. The lease agreements entered into by the Company may contain clauses requiring restoration of the leased site at the end of the lease term and therefore create asset retirement obligations. The Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred and capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value of each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

### Foreign currency transactions:

Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency Indian Rupees at the rates of exchange in effect at the balance sheet date. Transactions in foreign currencies are recorded at rates ruling on the transaction dates. 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.

Operating leases:

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

Capital leases:

Assets acquired under capital leases are capitalized as assets by the Company at the lower of the fair value of the leased property or the present value of the related lease payments or where applicable, the estimated fair value of such assets. Amortization of leased assets is computed on straight line basis over the useful life of the assets. Amortization charge for capital leases is included in depreciation expense.

Table of Contents

Recent Pronouncements:

The Company adopted FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes,” an interpretation of FASB Statement No. 109 (“FIN 48”) on April 1, 2007. FIN 48 clarifies the criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position may be recognized only if it is “more likely than not” that the position is sustainable based on its technical merits. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In May 2007, the FASB issued Staff Position, FIN 48-1, “Definition of Settlement in FASB Interpretation No. 48” (FSP FIN 48-1) which provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 was effective with the initial adoption of FIN 48. The adoption of FIN 48 or FSP FIN 48-1 did not have a material effect on the Company’s financial condition or results of operations.

In December 2007, the Financial Accounting Standards Board released SFAS 160 “Non-controlling Interests in Consolidated Financial Statements” that is effective for annual periods beginning December 15, 2008. The pronouncement resulted from a joint project between the FASB and the International Accounting Standards Board and continues the movement toward the greater use of fair values in financial reporting. Upon adoption of SFAS 160, the Company will re-classify any non-controlling interests as a component of equity.

On April 1, 2009, the Company adopted SFAS No. 123 (revised 2004), Share Based Payment. SFAS No 123(R) 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. Following is a description of the various grants made and the impact to the financial statements.

In September 2006, the FASB issued FAS No.157, “Fair Value Measurements” (FAS No. 157). FAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The Company’s adoption of this Standard on January 1, 2008 did not have a material effect on its financial statements. Relative to FAS 157, the FASB issued FASB Staff Positions (FSP) FAS 157-1, FAS 157-2, and FAS 157-3. FSP FAS 157-1 amends SFAS 157 to exclude SFAS No. 13, “Accounting for Leases” (SFAS 13), and its related interpretive accounting pronouncements that address leasing transactions, while FSP FAS 157-2 delays the effective date of the application of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis. FSP FAS 157-3 clarifies the application of FAS 157 as it relates to the valuation of financial assets in a market that is not active for those financial assets. This FSP is effective immediately and includes those periods for which financial statements have not been issued. We currently do not have any financial assets that are valued using inactive markets, and as such are not impacted by the issuance of this FSP.

In February 2007, the FASB issued FAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities— Including an amendment of FASB Statement No. 115” (FAS No. 159). FAS No. 159 provides companies with a choice to measure certain financial assets and liabilities at fair value that are not currently required to be measured at fair value (the “Fair Value Option”). Election of the Fair Value Option is made on an instrument-by-instrument basis and is irrevocable. The Company’s adoption of this Standard on January 1, 2008 did not have a material effect on its financial statements.

In December 2007, the Financial Accounting Standards Board released SFAS 160 “Non-controlling Interests in Consolidated Financial Statements” that is effective for annual periods beginning December 15, 2008. The pronouncement resulted from a joint project between the FASB and the International Accounting Standards Board and

continues the movement toward the greater use of fair values in financial reporting. Upon adoption of SFAS 160, the Company will re-classify any non-controlling interests as a component of equity.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

**Segment and Geographic Reporting:**

India Globalization Capital, Inc. and its subsidiaries are significantly engaged in one segment, infrastructure construction. Since there is no Chief Officer who allocates resources as described in FAS No. 131, the Company is not required to report its operations by business segment reporting. All revenue reporting in the years ending June 30, 2009 and June 30, 2008 were earned solely in India. Therefore, no disclosures indicating source country revenue is provided in this annual report.

Table of Contents

Note 3 – SHORT TERM BORROWINGS & CURRENT PORTION OF LONG-TERM DEBT  
(Amounts in thousand US Dollars)

Short term debt for the consolidated companies consists of the following:

	As of June 30, 2009	As of March 31, 2009
Secured	\$ 2,718	\$ 2,502
Unsecured	265	249
Total	2,983	2,751
Add:		
Current portion of long term debt	696	671
Total	\$ 3,679	\$ 3,422

The above debt is secured by hypothecation of materials/stock of spares, Work in Progress, receivables and property & equipment in addition to personal guarantee of three directors & collaterally secured by mortgage of company's land & other immovable properties of directors and their relatives.

Long term debt for the consolidated companies consists of the following:

	As of June 30, 2009	As of March 31, 2009
Secured	\$ -	\$ -
Term loans		
Loan for assets purchased under capital lease	2,172	2,169
Total	2,172	2,169
Less: Current portion (Payable within 1 year)	696	671
Total	\$ 1,476	\$ 1,498

The secured loans were collateralized by:

- Unencumbered Net Asset Block of the Company
- Equitable mortgage of properties owned by promoter directors/ guarantors
- Term Deposits
- Hypothecation of receivables, assignment of toll rights, machineries and vehicles and collaterally secured by deposit of title deeds of land
- First charge on Debt-Service Reserve Account

Table of Contents

## NOTE 4 - RELATED PARTY TRANSACTIONS

For the three month period ended June 30, 2009, \$5,000 was paid to SJS Associates for Mr. Selvaraj's consulting services.

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. A total \$10,000 was paid to IGN, LLC for the prior period. The Company and IGN, LLC have agreed to continue the agreement on a month-to-month basis.

## NOTE 5 - COMMITMENTS AND CONTINGENCY

No significant commitments and contingencies were made during the 3 month period ended June 30, 2009.

## NOTE 6 - INVESTMENT ACTIVITIES

No significant investment activities occurred during the 3 month period ended June 30, 2009.

## NOTE 7 - COMMON STOCK

On May 13, 2009 we issued 78,820 shares of common stock to corporate officers as part of the board approved 2008 Omnibus Incentive Plan. At June 30, 2009 and 2008 we had 10,169,991 and 8,570,107 shares of common stock issued and outstanding respectively.

## NOTE 8 - STOCK-BASED COMPENSATION

On April 1, 2009 the Company adopted SFAS No. 123 (revised 2004), Share Based Payment. SFAS No 123(R) 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. During the three month period ended June 30, 2009, The Company granted 78,820 shares of common stock and 1,491,000 stock options. The exercise date of the options was May 13, 2009 (\$1.00 per share) and will expire on May 13, 2014. The fair value of the stock was \$39,410 on the exercise date and the fair value of stock options were \$90,997. Total share-based compensation expense, related to all of the Company's share-based awards, recognized for the 3 month period ended June 30, 2009 was \$130,407. Under the 2008 Omnibus Plan, 67,000 options remain issuable under the plan.

The fair value of stock option awards is estimated on the date of grant using a Black-Scholes Pricing Model with the following weighted average assumptions for the three months ended June 30, 2009:

	Three Months Ended June 30,	
	2009	2008
Expected life of options (years)	5	None
Risk free interest rate	1.98%	None
Expected volatility of stock	35.35%	None
Expected dividend yield	None	None

The volatility estimate was derived using historical data for the IGC stock and for public companies in the related industry.



Table of Contents

NOTE 9 - BUSINESS COMBINATIONS

As previously disclosed in our Form 8-K dated September 21, 2007 and Form 10-QSB for the quarterly period ended June 30, 2007, on September 21, 2007, the Company entered into a Share Subscription cum Purchase Agreement (the "Sricon Subscription Agreement") dated as of September 15, 2007 with Sricon Infrastructure Private Limited ("Sricon") and certain individuals (collectively, the "Sricon Promoters"), pursuant to which the Company or its subsidiary in Mauritius (IGC-M) will acquire (the "Sricon Acquisition") 4,041,676 newly-issued equity shares (the "New Sricon Shares") directly from Sricon for approximately \$26 million and 351,840 equity shares from Mr. R. L. Srivastava for approximately \$3 million (both based on an exchange rate of INR 40 per USD) so that at the conclusion of the transactions contemplated by the Sricon Subscription Agreement the Company would own approximately 63% of the outstanding equity shares of Sricon. We paid full price for the stock of Sricon, and we subsequently borrowed \$17.9 million (computed at an exchange rate of approximately 40 INR to \$1 USD) from Sricon. (. Failure to repay the note or negotiate a settlement could result in IGC having to decrease its ownership in Sricon by tendering all or a portion of the Sricon shares it owns to Sricon to repay the note. The Sricon Acquisition was consummated on March 7, 2008.

NOTE 10 - SUBSEQUENT EVENTS

Pursuant to the S-3 registration statement filed with the SEC on August 5, 2009, the Company may issue and sell securities with an aggregate offering price of up to \$ 6,000,000 for:

- (i) shares of common stock, par value \$0.0001 per share;
- (ii) shares of preferred stock, par value \$0.001 per share, in one or more series;
- (iii) senior debt securities, senior subordinated debt securities, subordinated debt securities and junior subordinated debt securities, which may be issued in one or more series pursuant to an indenture proposed to be entered into between the Company and a bank or trustee to be named;
- (iv) warrants to purchase Common Stock, Preferred Stock or Debt Securities pursuant to one or more warrant agreements proposed to be entered into between the Company and one or more warrant agents to be named; and
- (v) Units, each representing ownership of Common Stock, Preferred Stock, Debt Securities and/or Warrants or contracts to purchase Common Stock, Preferred Stock and/or Debt Securities, which may be issued under one or more agreements proposed to be entered into by the Company and one or more agents to be named.

The net proceeds from the sale of the securities listed in the prospectus could be used for: (1) repayment of indebtedness, (2) working capital, (3) capital expenditures, and (4) acquisitions.

Item 2. Management's Discussion and Analysis

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. 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 this Quarterly Report on Form 10-Q, as well as in our Annual Report on Form 10-K filed on July 14, 2009.

Overview

In response to India's rapidly expanding economy, our primary focus is to execute infrastructure projects through our subsidiaries such as constructing interstate highways, rural roads, mining and quarrying, and construction of high temperature cement and steel plants.

## Company Overview

We are a construction and materials company engaged in the following core business areas: 1) civil construction of roads and highways, 2) the construction and maintenance of high temperature cement and steel plants, 3) operations and supply of rock aggregate and 4) the export of iron ore to China. Our present and past clients include various Indian government organizations. Including our subsidiaries, we have approximately 800 employees and contractors. Our larger construction subsidiary, Sricon, has the capacity and prior experience to bid on contracts priced at a maximum of about \$116 million. We are focused on winning construction contracts, building out rock aggregate quarries and setting up relations and export hubs for the export of iron ore to China.

The Indian government has articulated plans to modernize the Indian Infrastructure. It expects to spend around \$22 billion in the next 12 months on roads and highways. We believe that these initiatives will continue to be favorable to our business. Our model is three fold: 1) we bid on construction and engineering contracts which provide us with a backlog which translates into greater revenues and earnings, 2) we are in the process of building rock quarries and selling rock aggregate to the infrastructure industry and 3) we export iron ore to China. There is seasonality in our business as outdoor construction activity slows down during the Indian monsoons. The rains typically last intermittently from June through September.

## Table of Contents

### Industry Overview

The Indian GDP surpassed \$1 Trillion in fiscal 2007. According to the World Bank, only nine economies at the close of 2005 generated more than \$1 Trillion in GDP. India's growth rates have been ranging from 6.2% to 8.5% since 2003 and peaked at 9.2% in fiscal year ending March 31, 2007. The GDP growth rate for 2008 was 7.9%. The Indian stock markets experienced significant growth with the SENSEX peaking at 21,000 (January 8, 2008). The current global financial crisis created a liquidity crunch starting in October 2008.

India's GDP growth for fiscal year end March 31, 2008 was 8.6% and for fiscal year end March 31, 2009 is estimated around 5.8%. The slowing of the GDP was caused by the global financial crisis. However, it does indicate that India has withstood the global downturn better than many nations. The factors contributing to maintaining the relatively high growth included growth in the agriculture and service industries, favorable demographic dynamics (India has a large youth population that exceeds 550 Million), the savings rate and spending habits of the Indian middle class.

Other factors are attributed to changing investment patterns, increasing consumerism, healthy business confidence, inflows of foreign investment (India ranks #2 behind China in the A.T. Kearney "FDI Confidence Index" for 2007) and improvements in the Indian banking system. Meanwhile, several economists are forecasting India's GDP growth rate during the current fiscal year ending March 31, 2010 to be around 6%.

To sustain India's fast growing economy, the share of infrastructure investment in India is expected to increase to 9 per cent of GDP by 2014, which is an increase from 5 per cent in 2006-07. This forecast is based on The Indian Planning Commission's annual publication that for the Eleventh Plan period (2007-12), a large investment of approximately \$494 Billion is required for Infrastructure build out and modernization. This industry is one of the largest employers in the country – the construction industry alone employs more than 30 million people. According to the Business Monitor International (BMI), by 2012, the construction industry's contribution to India's GDP is forecasted to be 16.98%.

This ambitious infrastructure development mandate by the Indian Government will require funding. The Government of India has already raised funds from multi-lateral agencies such as the World Bank and the Asian Development Bank. The India Infrastructure Company was set up to support projects by guaranteeing up to \$2 Billion annually. In addition, the Indian Government has identified public-private partnerships (PPP) as the cornerstone of its infrastructure development policy. The government is also proactively seeking additional FDI and approval is not required for up to 100% of FDI in most infrastructure areas. According to Indian Prime Minister Dr. Manmohan Singh, addressing the Finance Ministers of ASEAN countries, at the Indo ASEAN Summit at New Delhi, in August 2007, India needs \$150 billion at the rate of \$15 billion per annum for the next 10 years. Speaking to the media in November of 2007, Indian commerce minister Kamal Nath added: "Our FDI policy is perhaps one of the most liberal in the world, India remains a favorite FDI destination despite what is going on in the stock market."

Previously, Minister Nath said the government had fixed an ambitious \$30 billion Foreign Direct Investment (FDI) target for the country's 2007-08 financial year (April to March) following total inflows in 2006-07 of \$19.5 billion (or \$16B excluding reinvested earnings) compared with \$7.7 billion in 2005-06. Actual FDI for 2007-08 surged past \$25 Billion. With the exception of Japan, the focus and expected growth of infrastructure in India has made it a leading FDI destination within Asia in terms of private equity. Eight of the Lipper's world's top ten infrastructure funds in 2007 were Indian equity funds. However, in comparison, China received \$67 billion in FDI, while India received only \$16B. More than 50% of India's FDI will be utilized for infrastructure, telecom, and power.

The Government of India is also permitting External Commercial Borrowings (ECB's) as a source of financing Indian Companies looking to expand existing capacity as well as incubation for new startups. ECB's include commercial bank loans, buyers' credit, suppliers' credit, securitized instruments such as Floating Rate Notes and Fixed Rate Bonds, credit from official export credit agencies, and commercial borrowings from private sector Multilateral Financial

Institutions such as International Finance Corporation (Washington), ADB, AFIC, CDC, etc. National credit policies seek to keep an annual cap or ceiling on access to ECB, consistent with prudent debt management. Also, these policies seek to encourage greater emphasis on infrastructure projects and core sectors such as power, oil exploration, telecom, railways, roads & bridges, , ports, industrial parks, urban infrastructure, and fosters exporting. Applicants will be free to raise ECB from any internationally recognized source such as banks, export credit agencies, suppliers of equipment, foreign collaborators, foreign equity-holders, and international capital markets.

ECB can be accessed in two methods, namely, the Automatic Route and the Approval Route. The Automatic Route is primarily for investment in Indian infrastructure, and will not require Reserve Bank of India (RBI)/Government approval. The maximum amount of ECB's under the Automatic Route raised by an eligible borrower is limited to \$500 million during any financial year. The following are additional requirements under the Automatic route:

- a) ECB up to \$20 million or equivalent with minimum average maturity of 3 years.
- b) ECB above \$20 million and up to \$500 million or equivalent with minimum average maturity of 5 years.

Some of the areas where ECB's are utilized is the National Highway Development Project and the National Maritime Development Program. In addition, the following represent some of the major infrastructure projects planned for the next five years:

1. Constructing dedicated freight corridors between Mumbai-Delhi and Ludhiana-Kolkata.
2. Capacity addition of 485 million MT in Major Ports, 345 million MT in Minor Ports.
3. Modernization and redevelopment of 21 railway stations.
4. Developing 16 million hectares through major, medium and minor irrigation works.
5. Modernization and redevelopment of 4 metro and 35 non-metro airports.
6. Expansion to six-lanes 6,500 km (4,038 Miles) of Golden Quadrilateral and selected National Highways.
7. Constructing 228,000 miles of new rural roads, while renewing and upgrading the existing 230,000 miles covering 78,304 rural habitations.

## Table of Contents

Our operations are subject to certain risks and uncertainties, including among others, dependency on India's economy and government policies, competitively priced raw materials, dependence upon key members of the management team and increased competition from existing and new entrants.

### Sricon Infrastructure Private Limited

Sricon Infrastructure Private Limited ("Sricon") was incorporated as a private limited company on March 3, 1997 in Nagpur, India. Sricon is an engineering and construction company that is engaged in three business areas: 1) civil construction of highways and other heavy construction, 2) mining and quarrying and 3) the construction and maintenance of high temperature cement and steel plants. Sricon's present and past clients include various Indian government organizations. It has the prior experience to bid on contracts that are priced at a maximum of about \$116 million. As indicated in previous press releases and quarterly reports, in October 2008 lack of available credit drove Sricon to curtail much of its construction activity, as it was unable to provide Bank Guarantees for construction contracts, and to focus on long term recurring contracts such as maintenance of high temperature cement factories. This led to a sharp decline in overall revenue. Sricon took several steps to curtail its expenses including lay offs. Sricon also turned its attention to pursuing claims against the contracting agencies for delays it had suffered on some of its contracts. Due to arbitration requirements in our contract agreements, we expect our claims to be resolved in arbitration. Sricon claims losses from having to maintain equipment and personnel during the delay period, as well as opportunity costs. There can be no assurance that Sricon will be successful in its claims. While the cost associated with delays is accounted in the relevant period, any revenue from claims is not accounted until and unless they are paid.

### Techni Bharathi Limited

Techni Bharathi Limited ("TBL") was incorporated as a public (but not listed on the stock market) limited company on June 19, 1982 in Cochin, India. TBL is an engineering and construction company engaged in the execution of civil construction and structural engineering projects. TBL has a focus in the Indian states of Andhra Pradesh, Karnataka, Assam and Tamil Nadu. Its present and past clients include various Indian government organizations. The overall lack of liquidity led TBL to curtail its construction contracts and cut its costs through layoffs. TBL is re-focused on smaller construction contracts and the settlement of claims.

### IGC-M

IGC-M, through its subsidiaries in India, is also involved in the building of rock quarries and the export of iron ore. IGC-M operates a shipping hub in the Krishnapatnam port on the west coast of India. We aggregate ore from smaller mines before shipping to China. We are also engaged in the production of rock aggregate. Rock aggregate is used in the construction of roads, railways, dams, and other infrastructure development. We are in the process of developing several quarries through partnerships with landowners.

### Core Business Areas

Our core business areas include the following:

#### Highway and heavy construction:

The Indian government has articulated a plan to build and modernize Indian infrastructure. The government's plan, calls for spending over \$475 billion over the next five years for the expansion and construction of rural roads, major highways, airports, seaports, freight corridors, railroads and townships.

### Mining and Quarrying

As Indian infrastructure modernizes, the demand for raw materials like stone aggregate, coal, ore and similar resources is projected to increase. In 2006, according to the Freedonia Group, India was the fourth largest stone aggregate market in the world with demand of up to 1.1 billion metric tons. We are in the process of teaming with landowners to build out rock quarries; in addition we have licenses for the installation and production of rock aggregate quarries. Our mining and trading activity centers on the export of Iron ore to China. India is the fourth largest producer of ore.

### Construction and maintenance of high temperature plants

We have an expertise in the civil engineering, construction and maintenance of high temperature plants. This requires specialized skills to build and maintain high temperature chimneys and kilns.

### Customers

Over the past 10 years, Sricon has qualified in all states in India and has worked in several, including Maharashtra, Gujarat, Orissa and Madhya Pradesh. The National Highway Authority of India (NHAI) awards interstate highway contracts on a national level, while intra-state contracts are awarded by state agencies. The National Thermal Power Corporation (NTPC) awards contracts for civil work associated with power plants. The National Coal Limited (NCL) awards large mining contracts. Our customers include, or have included, NHAI, NTPC, and various state public works departments. Sricon is registered across India and is qualified to bid on contracts anywhere in India. For the export of iron ore from India, we are developing customers in China.

## Table of Contents

### Contract bidding process

In order to create transparency, the Indian government has centralized the contract awarding process for building inter-state roads. The new process is as follows: At the “federal” level, as an example, 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, and manpower required, and other criteria 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. Typically, the lowest bid wins the contract. Also, contract bidders must demonstrate an adequate level of capital reserves such as the following: 1) An earnest money deposit between 2% to 10% of project costs, 2) performance guarantee of between 5% and 10%, 3) adequate working capital and 4) additional capital for plant and machinery. Bidding qualifications for larger NHAI projects are set by NHAI which are imposed on each contractor. As the contractor executes larger highway projects, the ceiling is increased by NHAI.

### Our Growth Strategy and Business Model

Our business model for the construction business is simple. We bid on construction, over burden removal at mining sites and or maintenance contracts. Successful bids increase our backlog of orders, which favorably impacts our revenues and margins. The contracting process typically takes approximately six months. Over the years, we have been successful in winning one out of every seven bids on average. We currently have one bid team. In the next year we will focus on the following: 1) build out between two and five rock quarries, begin production and obtain long term contracts for the sale of rock aggregate, 2) leverage our shipping hub, develop a second shipping hub, obtain long term contracts for the delivery and sale of iron ore, 3) execute and expand recurring contracts for infrastructure build out, 4) aggressively pursue the collection of accounts receivables and delay claims.

### Competition

We operate in an industry that is fairly competitive. However, there is a large gap in the supply of well qualified and financed contractors and the demand for contractors. Large domestic and international firms compete for jumbo contracts over \$250 million in size, while locally based contractors vie for contracts less than \$5 million. The recent capital markets crisis has made it more difficult for smaller companies to mature into mid-sized companies, as their access to capital has been restrained. Therefore, we would like to be positioned in the \$5 million to \$50 million contract range, above locally based contractors and below the large firms, creating a distinct technical and financial advantage in this market niche. Rock aggregate is supplied to the industry through small crushing units, which supply low quality material. Frequently, high quality aggregate is unavailable, or is transported over large distances. We fill this gap by providing high quality material in large quantities. We compete on price, quantity and quality. Iron ore is produced in India and exported to China. While this is a fairly established business, we compete by aggregating ore from smaller suppliers who do not have access to customers in China. Further, at our second shipping hub we expect to install a crusher that can grind ore pebbles into dust, again providing a value added service to the smaller mine owners.

### Seasonality

The construction industry (road building) typically experiences recurring and natural seasonal patterns throughout India. The North East Monsoons, historically, arrive on June 1, followed by the South West Monsoons, which usually lasts intermittently until September. Historically, the monsoon months are slower than the other months because of

the rains. Activity such as engineering, maintenance of high temperature plants, and export of iron ore are less susceptible to the rains. The reduced paced in construction activity has historically been used to bid and win contracts. The contract bidding activity is typically very high during the monsoon season in preparation for work activity when the rains abate. During the monsoon season the rock quarries operate to build up and distribute reserves to the various construction sites.

#### Employees and Consultants

As of March 31, 2009, we employed a work force of approximately 400 employees and contract workers worldwide. Employees are typically skilled workers including executives, welders, drivers, and other specialized experts. Contract workers require less specialized skills. 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 training, and other fringe benefits. We are hoping that our efforts will make our companies more attractive. While we have not done so yet, we are exploring adopting best practices for creating and providing vastly improved labor camps for our labor force. We are hoping that our efforts will make our companies “employers of choice” and best of breed. As of March 31, 2009 our Executive Chairman and Chief Executive Officer is Ram Mukunda and our Chairman is Ranga Krishna. Our Managing Director for Construction is Ravindra Lal Srivastava, our Managing Director for Materials, Mining and Trading is P. M. Shivaraman. Our Treasurer and Principal Accounting officer is John Selvaraj. Our General Manager of Accounting based in India is Santhosh Kumar. We also utilize the services of several consultants who provide USGAAP systems expertise and SOX expertise, among others.

#### Environmental Regulations

India has very strict environmental, occupational, health and safety regulations. In most instances, the contracting agency regulates and enforces all regulatory requirements. We internally monitor and manage regulatory issues on a continuous basis, and we believe that we are in compliance in all material respects with 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.

#### Information and timely reporting

Our operations are located in India where the accepted accounting standards is Indian GAAP, which in many cases, is not congruent to USGAAP. Indian accounting standards are evolving towards adopting IFRS (International Financial Reporting Standards). We annually conduct PCAOB (USGAAP) audits for the company. We acknowledge that this process is at times cumbersome and places significant restraints on our existing staff. We believe we are still 9 to 15 months away from having processes and adequately trained personal in place to meet the reporting timetables set out by the U.S. reporting requirements. Until then we expect to file for extensions to meet the reporting timetables. We will make available on our website, [www.indiaglobalcap.com](http://www.indiaglobalcap.com), our annual reports, quarterly reports, proxy statements as well as up to- date investor presentations. Our SEC filings are also available at [www.sec.gov](http://www.sec.gov).



Table of Contents

## Foreign Currency Translation

The financial statements are reported in U.S. dollars. The Indian rupee is the functional currency for the Sricon and TBL. 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.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency at the exchange rates in effect at the balance sheet date. Revenues, costs and expenses are recorded using exchange rates prevailing on the date of transaction. Gains or losses resulting from foreign currency transactions are included in the statement of income.

The exchange rate between the Indian Rupee and the U.S. dollars are as follows:

Quarter ending	Average rate used for translating operations. INR to one U.S.D.	Rate used for translating Balance Sheet. INR to one U.S.D.
June 30, 2008	41.55	40.58
March 31, 2009	49.75	50.87
June 30, 2009	48.72	47.74

## Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These items are regularly monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. These estimates include, among others, our revenue recognition policies related to the proportional performance and percentage of completion methodologies of revenue recognition of contracts and assessing our goodwill for impairment annually. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe are reasonable under the circumstances. Actual results will differ and may differ materially from the estimates if past experience or other assumptions do not turn out to be substantially accurate.

Our significant accounting policies are presented within Note 2 to our consolidated financial statements and the following summaries should be read in conjunction with the unaudited consolidated financial statements and the related notes included in this Report. While all accounting policies impact the financial statements, certain policies may be viewed as critical. Critical accounting policies are those that are both most important to the portrayal of financial condition and results of operations and that require management's most subjective or complex judgments and estimates. Our management believes the policies that fall within this category are the policies on revenue recognition, accounting for stock-based compensation, goodwill and income taxes.

## Revenue Recognition

The majority of the revenue recognized for three month period ended June 30, 2009 was derived from the Company's subsidiaries and as accordingly:

Revenue is recognized based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

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.

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. 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

Table of Contents

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

Revenue from property development activity is recognized when all significant risks and rewards of ownership in the land and/or building are transferred to the customer and a reasonable expectation of collection of the sale consideration from the customer exists.

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.

Employee Stock Options or Share Based Payments

We grant options to purchase our common stock and award restricted stock to our employees and directors under our equity incentive plans. The benefits provided under these plans are share-based payments subject to the provisions of SFAS No. 123R, Share-Based Payment, and SEC Staff Accounting Bulletin 107, Share-Based Payments. Effective April 1, 2009, we use the fair value method to apply the provisions of FAS 123R with the modified prospective application, which provides for certain changes to the method for valuing share-based compensation. Share-based compensation expense recognized under FAS 123R for the 3 month period ended June 30, 2009 was \$130,407 million. At June 30, 2009, total unrecognized estimated compensation expense related to non-vested awards granted prior to that date was zero. Stock options vest immediately.

As a result of FAS 123R, we estimate the value of share-based awards on the date of grant using a Black-Scholes option-pricing model. The determination of the fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate, and expected dividends.

If factors change and we employ different assumptions in the application of FAS 123R during future periods, the compensation expense that we record under FAS 123R may differ significantly from what we have recorded in the current period. Therefore, we believe it is important for investors to be aware of the high degree of subjectivity involved when using option-pricing models to estimate share-based compensation under FAS 123R. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions, are fully transferable and do not cause dilution. Because our share-based payments have characteristics significantly different from those of freely traded options, and because changes in the subjective input assumptions can materially affect our estimates of fair values, in our opinion, existing valuation models, including the Black-Scholes Option Pricing model, may not provide reliable measures of the fair values of our share-based compensation. Consequently, there is a risk that our estimates of the fair values of our share-based compensation awards on the grant dates may bear little resemblance to the intrinsic values realized upon the exercise, expiration, cancellation, or forfeiture of those share-based payments in the future. Certain share-based payments, such as employee stock options, may expire worthless or otherwise result in zero intrinsic value as compared to the fair values originally estimated on the grant date and expensed in our financial statements. Alternatively, value may be realized from these instruments that are significantly in excess of the fair values originally estimated on the grant date and expensed in our financial statements. There currently is neither a market-based mechanism nor other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor a way to compare and adjust the estimates to actual values. Although the fair value of employee share-based awards is determined in accordance with FAS 123R and SAB 107 using a qualified option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction. Estimates of share-based compensation expenses are significant to our financial statements, but these expenses are based on the aforementioned option valuation model and will never result in the payment of cash by us.

The guidance in FAS 123R and SAB 107 is still relatively new, and best practices are not well established. The application of these principles may be subject to further interpretation and refinement over time. There are significant differences among valuation models, and there is a possibility that we will adopt different valuation models in the future. This may result in a lack of consistency in future periods and materially affect the fair value estimate of share-based payments. It may also result in a lack of comparability with other companies that use different models, methods, and assumptions.

Theoretical valuation models and market-based methods are evolving and may result in lower or higher fair value estimates for share-based compensation. The timing, readiness, adoption, general acceptance, reliability, and testing of these methods is uncertain. Sophisticated mathematical models may require voluminous historical information, modeling expertise, financial analyses, correlation analyses, integrated software and databases, consulting fees, customization, and testing for adequacy of internal controls.

For purposes of estimating the fair value of stock options granted during the three months ended June 30, 2009 using the Black-Scholes model, we used the historical volatility of our stock for the expected volatility assumption input to the Black-Scholes model, consistent with the guidance in FAS 123R and SAB 107. The risk-free interest rate is based on the risk-free zero-coupon rate for a period consistent with the expected option term at the time of grant. We do not currently pay nor do we anticipate paying dividends, but we are required to assume a dividend yield as an input to the Black-Scholes model. As such, we use a zero dividend rate. The expected option term is estimated using both historical term measures and projected termination estimates.

#### Goodwill

We account for goodwill in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 requires the use of a non-amortization approach to account for purchased goodwill and certain intangibles. Under the non-amortization approach, goodwill and certain intangibles are not amortized into results of operations, but instead are reviewed for impairment at least annually and written down and charged to operations only in the periods in which the recorded value of goodwill and certain intangibles exceeds its fair value. We have elected to perform our annual impairment test in November of each calendar year. An interim goodwill impairment test would be performed if an event occurs or circumstances change between annual tests that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For purposes of performing the goodwill impairment test, we concluded there is one reporting unit. During the fourth quarter of year ending March 31, 2009, we completed the required annual test, which indicated there was no impairment.

## Table of Contents

### Accounting for Income Taxes

In connection with preparing our financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves the assessment of our net operating loss carry forwards and credits, as well as estimating the actual current tax liability together with assessing temporary differences resulting from differing treatment of items, such as reserves and accrued liabilities, for tax and accounting purposes. We then assess the likelihood that deferred tax assets will be recovered from future taxable income, and to the extent we believe that recovery is not likely, we must establish a valuation allowance. Based on historical results, we believe that it is more likely than not that we will not realize the value of our deferred tax assets and therefore have provided a full valuation allowance against our net deferred tax assets.

### Results of Operations

#### Three Months Ended June 30, 2009 Compared to Three Months Ended June 30, 2008

Revenue - Total revenue was \$ 2.7 million for the three months ended June 30, 2009, as compared \$17.9 million for the three months ended June 30, 2008. Due to increased liquidity requirements in maintaining a high level of growth, we curtailed the number of contracts we directly performed by sub-contracting some and cancelling others.

Operating Income (loss) - In the three month period ending June 30, 2009, operating loss was \$ 8.1 thousand, compared to operating income of 3.6 million for the three month period ending June 30, 2008.

Total Cost of Revenue and Operating Expenses - Our total cost of revenue and operating expenses principally consist of construction materials, employee compensation and benefits, depreciation and amortization, startup costs, and general and administrative expense. In the three month period ending June 30, 2009, total cost of revenue and operating expenses decreased by \$11.6 million, compared to the three month period ending June 30, 2008. This was caused by decreasing business volume and associated costs.

Cost of Revenue - Cost of revenue consists primarily of compensation and related fringe benefits for project-related personnel, department management and all other dedicated project related costs and indirect costs. Cost of Revenue decreased by \$11.4 million, compared to the three month period ending June 30, 2008. The decrease was caused by declining business volume and associated costs.

Selling, General and Administrative - Consists primarily of employee-related expenses, professional fees, other corporate expenses and allocated overhead. We expect that in the future, selling, general and administrative expenses will increase as we add personnel and incur additional professional fees and insurance costs related to being a publicly held company. Selling, general and administrative expenses were \$731 thousand for the three month period ending June 30, 2009 compared \$947 thousand for the three month period ending June 30, 2008. Additional expenses for the three month period ending June 30, 2009 are \$130,407 in non-cash compensation expenses resulting from SFAS 123(R) and loan discount amortization expense of a long-tem loan in the amount of \$241,338.

Net Interest Income (Expense) – Net interest expense decreased 0.2% compared to the three month period ending June 30, 2008. As discussed in the prior section, we booked a non-cash charge of \$241,338 for loan amortization expense.

Net Income (loss) – Net loss for the three months ended June 30, 2009 was \$ 536 thousand compared to net income of \$1.3 million for the three months ended June 30, 2008.

### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Regulation S-K promulgated under the Securities Exchange Act of 1934.

#### Liquidity and Capital Resources

This liquidity and capital resources discussion compares the consolidated company results for three months period ended June 30, 2009 and 2008.

Cash used for operating activities from continuing operations is our net loss adjusted for certain non-cash items and changes in operating assets and liabilities. During the first three months of 2009, cash used for operating activities was \$470 thousand compared to cash used for operating activities of \$5.5 million during the first three months of 2008. The uses of cash in the first three months of 2009 relates primarily to the payment of general operating expenses of our subsidiary companies. The large change is due to less business volume.

During the first three months of 2009, investing activities from continuing operations used \$242 thousand of cash as compared to \$5.3 million used during the comparable period in 2008.

Financing cash flows from continuing operations consist primarily of transactions related to our debt and equity structure. In the first three months of 2009 there was financing cash used of approximately \$332 thousand, compared to cash provided of approximately \$4.1 million for the first three months of 2008. The cash provided in 2009 was primarily due to use of bank credit lines. The cash used in 2008 was primarily due to repayment of long-term notes.

Our future liquidity needs will depend on, among other factors, stability of construction costs, interest rates, and a continued increase in infrastructure contracts in India. We believe that our current cash balances and anticipated operating cash flow, will be sufficient to fund our normal operating requirements for at least the next 12 months. However, we may seek to secure additional capital to fund further growth of our business, or the repayment of debt, in the near term.

## Table of Contents

### Forward-Looking Statements

This report contains forward-looking statements, including, among others, (a) our expectations about possible business combinations, (b) our growth strategies, (c) our future financing plans, and (d) our anticipated needs for working capital. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words “may,” “should,” “expect,” “anticipate,” “approximate,” “estimate,” “believe,” “intend,” “plan,” or “project,” or the negative of these words or other variations on these words or comparable terminology. This information may involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. These statements may be found in this report. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under our “Description of Business” and matters described in this report generally. In light of these risks and uncertainties, the events anticipated in the forward-looking statements may or may not occur. These statements are based on current expectations and speak only as of the date of such statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

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 Risk

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.

### Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information requiring disclosure in our reports filed pursuant to the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules, regulations and related forms, and that such information is accumulated and communicated to our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company, under the supervision of our principal executive officer and principal financial officer, carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of June 30, 2009. Based upon that evaluation, management, including our principal executive officer and principal financial officer, concluded that the Company’s disclosure controls and procedures were effective in alerting it in a timely manner to information relating to the Company required to be disclosed in this report other than with respect to our procedures for including the required auditor consents.

We believe our control procedures are sufficiently effective to ensure that information requiring inclusion or disclosure in our reports filed pursuant to the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules, regulations and related forms, and that

such information is accumulated and communicated to our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

No change in the Company's internal control over financial reporting occurred during the quarter ended June 30, 2009, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



Table of Contents

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not a party to any pending legal proceeding other than routine litigation that is incidental to our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

No unregistered sales of securities were made during the quarter that were not previously reported on a Current Report on Form 8-K.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed as part of, or are incorporated by reference into, this report:

(a) Financial Statements

Our financial statements as set forth in the Index to Financial Statements attached hereto commencing on page F-1 are hereby incorporated by reference.

(b) Exhibits.

- 31.1 Certificate Pursuant to 17 CFR 240.13a-14(a).
- 31.2 Certificate Pursuant to 17 CFR 240.13a-14(a).
- 32.1 Certificate Pursuant to 18 U.S.C. § 1350.
- 32.2 Certificate Pursuant to 18 U.S.C. § 1350.

Table of Contents

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: August 12, 2009

By:

/s/ Ram Mukunda  
Ram Mukunda  
Chief Executive Officer and President (Principal  
Executive Officer)

Date: August 12, 2009

By:

/s/ John B. Selvaraj  
John B. Selvaraj  
Treasurer, Principal Financial and Accounting  
Officer

Table of Contents