

India Globalization Capital, Inc.  
Form 10-Q  
August 16, 2010

---

---

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, 2010
- 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  
(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<br>Common Stock<br>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 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 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):

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

Large Accelerated Filer   
Filer

Accelerated

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 - June 30, 2010 |
|---------------------------------|--|
| Common Stock, \$.0001 Par Value | 13,394,207                               |

Table of Contents

India Globalization Capital, Inc. and Subsidiaries  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED June 30, 2010

Table of Contents

|   | Page |
|---|------|
| PART I – FINANCIAL INFORMATION  |      |
| Item 1.   | 3    |
| <u>Financial Statements</u>   |      |
| <u>Consolidated Balance Sheets as of June 30, 2010 (unaudited) and March 31, 2010</u>                                       | 3    |
| <u>Consolidated Statements of Operations (unaudited) for the three months ended June 30, 2010 and 2009</u>                  | 4    |
| <u>Consolidated Statements of Comprehensive income (loss) for the three months ended June 30, 2010 and 2009 (unaudited)</u> | 5    |
| <u>Consolidated Statements of Stockholders (Deficit) Equity for the three months ended June 30, 2010(unaudited)</u>         | 6    |
| <u>Consolidated Statements of Cash Flows (unaudited) for the three months ended June 30, 2010 and 2009</u>                  | 7    |
| <u>Notes to Consolidated Financial Statements (unaudited)</u>   | 8    |
| Item 2.   | 23   |
| <u>Management’s Discussion and Analysis</u>   |      |
| Item 3.   | 32   |
| <u>Quantitative and Qualitative Disclosures About Market Risks</u>  |      |
| Item 4 (T).   | 33   |
| <u>Evaluation of Disclosure Controls and Procedures</u>   |      |
| PART II – OTHER INFORMATION   |      |
| Item 1.   | 33   |
| <u>Legal Proceedings</u>  |      |
| Item 2.   | 33   |
| <u>Unregistered Sales of Equity Securities</u>  |      |
| Item 3.   | 33   |
| <u>Defaults Upon Senior Securities</u>  |      |
| Item 4.   | 33   |
| <u>(Removed and Reserved)</u>   |      |
| Item 5.   | 33   |
| <u>Other Information</u>  |      |
| Item 6.   | 33   |
| <u>Exhibits</u>   |      |
|   | 34   |
| <u>Signatures</u>   |      |

Table of Contents

## PART I – Financial Information

## Item 1. Financial Statements

INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

|  | As of                           |                                |
|--|---------------------------------|--------------------------------|
|  | June 30,<br>2010<br>(unaudited) | March 31,<br>2010<br>(audited) |
| <b>ASSETS</b>  |                                 |                                |
| Current assets:  |                                 |                                |
| Cash and cash equivalents  | \$602,257                       | \$842,923                      |
| Accounts receivable, net of allowances   | 5,643,771                       | 4,783,327                      |
| Inventories  | 185,006                         | 162,418                        |
| Advance taxes  | 41,452                          | 119,834                        |
| Deferred income taxes  | 561,951                         | 25,345                         |
| Dues from related parties  | 3,016,476                       | 3,114,572                      |
| Prepaid expenses and other current assets  | 840,664                         | 2,054,462                      |
| Total current assets   | \$10,891,577                    | \$11,102,881                   |
| Goodwill   | 5,953,353                       | 6,146,720                      |
| Property, plant and equipment, net   | 1,598,106                       | 1,748,436                      |
| Investments in affiliates  | 8,443,181                       | 8,443,181                      |
| Investments-others   | 947,420                         | 810,890                        |
| Deferred income taxes  | 4,015,925                       | 4,075,461                      |
| Restricted cash  | 1,875,096                       | 2,169,939                      |
| Other non-current assets   | 1,049,439                       | 872,184                        |
| Total assets   | \$34,774,097                    | \$35,369,692                   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                 |                                |
| Current liabilities:   |                                 |                                |
| Short-term borrowings  | \$973,441                       | \$1,389,041                    |
| Trade payables   | 1,439,284                       | 1,839,405                      |
| Accrued expenses   | 409,225                         | 461,259                        |
| Notes payable  | 4,120,000                       | 4,120,000                      |
| Dues to related parties  | 144,366                         | 149,087                        |
| Other current liabilities  | 363,124                         | 149,942                        |
| Total current liabilities  | \$7,449,440                     | \$8,108,734                    |
| Other non-current liabilities  | 1,146,352                       | 1,107,498                      |
| Total liabilities  | \$8,595,792                     | \$9,216,232                    |
| Stockholders' equity:  |                                 |                                |
| Common stock — \$.0001 par value; 75,000,000 shares authorized; 13,394,207 issued and outstanding as of June 30, 2010 and 12,989,207 issued and outstanding as of March 31, 2010 | \$1,340                         | \$1,300                        |
| Additional paid-in capital   | 37,816,125                      | 36,805,724                     |
| Accumulated other comprehensive income   | (2,929,003 )                    | (2,578,405 )                   |

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

|  |              |              |
|--|--------------|--------------|
| Retained earnings (Deficit)                | (10,043,174) | (9,452,000 ) |
| Total stockholders' equity                 | \$24,845,288 | \$24,776,619 |
| Non-controlling interest                   | \$1,333,017  | \$1,376,841  |
| Total liabilities and stockholders' equity | \$34,774,097 | \$35,369,692 |

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

Table of Contents

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

|   | Three months ended June<br>30, |              |
|---|--------------------------------|--------------|
|   | 2010                           | 2009         |
| Revenues  | \$1,128,411                    | \$2,723,342  |
| Cost of revenues  | (983,380 )                     | (1,792,329 ) |
| Gross profit  | 145,031                        | 931,013      |
| Selling, general and administrative expenses  | (580,896 )                     | (730,814 )   |
| Depreciation  | (96,444 )                      | (208,343 )   |
| Operating income (loss)   | (532,309 )                     | (8,144 )     |
| Interest expense  | (213,098 )                     | (411,482 )   |
| Amortization of debt discount   | (179,910 )                     | -            |
| Interest income   | 62,887                         | 66,599       |
| Other income, net   | (150,467 )                     | -            |
| Income before income taxes and minority interest attributable to non-controlling interest | (1,012,897 )                   | (353,027 )   |
| Income taxes benefit/ (expense)   | 421,683                        | (106,416 )   |
| Net income/(loss)   | (591,214 )                     | (459,443 )   |
| Non-controlling interests in earnings of subsidiaries                                     | 40                             | (76,554 )    |
| Net income / (loss) attributable to common stockholders                                   | \$(591,174 )                   | \$(535,997 ) |
| Earnings per share attributable to common stockholders:                                   |                                |              |
| Basic   | \$(0.05 )                      | \$(0.05 )    |
| Diluted   | \$(0.04 )                      | \$(0.05 )    |
| Weighted-average number of shares used in computing earnings per share amounts:           |                                |              |
| Basic   | 13,256,427                     | 10,169,991   |
| Diluted   | 13,803,476                     | 10,366,855   |

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

Table of Contents

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

|  | Three months ended June |              |
|--|-------------------------|--------------|
|  | 30,                     |              |
|  | 2010                    | 2009         |
| Net income / (loss)                      | \$(591,174 )            | \$(535,997 ) |
| Foreign currency translation adjustments | (350,598 )              | 1,246,423    |
| Comprehensive income (loss)              | \$(941,772 )            | \$728,426    |

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

Table of Contents

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

|   | Common Stock |         | Additional   | Accumulated   | Accumulated   | Non-Controlling | Total         |
|---|--------------|---------|--------------|---------------|---------------|-----------------|---------------|
|   | No of        | Amount  | Paid in      | Earnings      | Other         | Interest        | Stockholders' |
|   | Shares       |         | Capital      | (Deficit)     | Comprehensive |                 | Equity        |
|   |              |         |              |               | Income/(loss) |                 |               |
| Balance at March 31, 2009   | 10,091,171   | \$1,009 | \$33,186,530 | \$(4,662,689) | \$(4,929,581) | \$14,262,606    | \$37,857,875  |
| Stock Option for 1,413,000 grants                                     | -            | -       | 90,996       | -             | -             | -               | 90,996        |
| Issue of 78,820 common stock to officers and directors                | 78,820       | 8       | 39,402       | -             | -             | -               | 39,410        |
| Issuance of Common Stock to Red Chip Companies                        | 15,000       | 2       | 13,198       | -             | -             | -               | 13,200        |
| Issuance of 1,599,000 common stock to institutional investors         | 1,599,000    | 160     | 1,638,690    | -             | -             | -               | 1,638,850     |
| Issue of 530,000 common stock to Bricoleur Capital                    | 530,000      | 53      | 712,822      | -             | -             | -               | 712,875       |
| Issue of 530,000 common stock to Oliveira                             | 530,000      | 53      | 586,732      | -             | -             | -               | 586,785       |
| Interest exp. towards of 530000 shares towards Bricoleur Capital loan | -            | -       | 197,412      | -             | -             | -               | 197,412       |
| Interest exp. towards of 530000 shares towards Oliveira loan          | -            | -       | 162,408      | -             | -             | -               | 162,408       |
| Issue of 145,216 common stock under ATM agency agreement              | 145,216      | 15      | 179,874      | -             | -             | (10,484)        | 169,405       |
| Dividend Option   | -            | -       | (2,340)      | -             | -             | -               | (2,340)       |



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

|  |            |         |              |                |               |              |              |
|--|------------|---------|--------------|----------------|---------------|--------------|--------------|
| Loss on Translation  | -          | -       | -            | -              | 3,499,767     | (2,219,698 ) | 1,280,069    |
| Impact of de-consolidation of Sricon                         | -          | -       | -            | -              | (1,148,591)   | -            | (1,148,591 ) |
| Elimination of non-controlling interest pertaining to Sricon | -          | -       | -            | -              | -             | (10,637,093) | (10,637,093) |
| Net income for non-controlling interest                      | -          | -       | -            | -              | -             | (18,490 )    | (18,490 )    |
| Net income / (loss)  | -          | -       | -            | (4,789,311 )   | -             | -            | (4,846,842 ) |
| Balance at March 31, 2010 (audited)                          | 12,989,207 | \$1,300 | \$36,805,724 | \$(9,452,000 ) | \$(2,578,405) | \$1,376,841  | \$26,153,460 |
| Issuance of common stock                                     | 405,000    | 40      | 828,151      | -              | -             | -            | 828,191      |
| Amortization of interest in debt                             | -          | -       | 179,910      | -              | -             | -            | 179,910      |
| Dividend Option Reversed                                     | -          | -       | 2,340        | -              | -             | -            | 2,340        |
| Loss on Translation  | -          | -       | -            | -              | (350,598 )    | (43,784 )    | (394,382 )   |
| Net income for non-controlling interest                      | -          | -       | -            | -              | -             | (40 )        | (40 )        |
| Net income / (loss)  | -          | -       | -            | (591,174 )     | -             | -            | (591,174 )   |
| Balance at June 30, 2010 (unaudited)                         | 13,394,207 | \$1,340 | \$37,816,125 | \$(10,043,174) | \$(2,929,003) | \$1,333,017  | \$26,178,305 |

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

Table of Contents

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

|   | Three months ended June<br>30, |              |
|---|--------------------------------|--------------|
|   | 2010                           | 2009         |
| Cash flows from operating activities:                         |                                |              |
| Net income (loss)   | \$(591,174 )                   | \$(535,997 ) |
| Adjustment to reconcile net income (loss) to net cash:        |                                |              |
| Non-cash compensation expense                                 | -                              | 130,407      |
| Deferred taxes  | (474,871 )                     | 43,652       |
| Depreciation  | 96,444                         | 208,343      |
| Non-controlling interest                                      | (40 )                          | 76,554       |
| Amortization of debt discount                                 | 179,990                        | 241,338      |
| Unrealized exchange differences                               | 150,836                        | -            |
| Changes in:   |                                |              |
| Accounts receivable   | (1,027,077)                    | (694,938 )   |
| Unbilled revenue  | -                              | 201,320      |
| Inventories   | (28,140 )                      | (313,371 )   |
| Prepaid expenses and other current assets                     | 1,260,845                      | 400,838      |
| Trade payables  | (347,725 )                     | 855,373      |
| Other current liabilities                                     | 219,623                        | (999,117 )   |
| Other non-current liabilities                                 | 75,054                         | (204,983 )   |
| Non-current assets  | (203,761 )                     | 94,577       |
| Accrued Expenses  | (52,209 )                      | 26,109       |
| Net cash used in operating activities                         | \$(743,977 )                   | \$(469,895 ) |
| Cash flow from investing activities:                          |                                |              |
| Purchase of short term investments                            | (164,223 )                     | -            |
| Restricted cash   | 230,200                        | (241,995 )   |
| Net cash provided/(used) in investing activities              | \$65,977                       | \$(241,995 ) |
| Cash flows from financing activities:                         |                                |              |
| Net movement in other short-term borrowings                   | (374,614 )                     | 559,636      |
| Proceeds / (repayment) from long-term borrowings              | -                              | (644,528 )   |
| Due to related parties, net                                   | -                              | (247,459 )   |
| Issuance of equity shares                                     | 828,991                        | -            |
| Net cash provided/(used) by financing activities              | \$454,377                      | (332,351 )   |
| Effects of exchange rate changes on cash and cash equivalents | (18,735 )                      | 37,809       |
| Net increase/(decrease) in cash and cash equivalents          | (240,666 )                     | (1,006,431)  |
| Cash and cash equivalent at the beginning of the period       | 842,923                        | 2,129,365    |
| Cash and cash equivalent at the end of the period             | \$602,257                      | \$1,122,933  |
| Supplementary information:                                    |                                |              |
| Cash paid for interest  | \$16,513                       | -            |
| Cash paid for taxes   | Nil                            | -            |

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



Table of Contents

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

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The operations of India Globalization Capital Inc. ('IGC') are based in India. IGC owns 100% of a subsidiary in Mauritius called IGC-Mauritius ('IGC-M'). This company in turn operates through four subsidiaries, and one investment in India. We have an investment ownership of twenty two and three tenths (22.3%) percent of Sricon Infrastructure Private Limited ("Sricon"). We own seventy seven percent (77%) of Techni Bharathi, Limited ("TBL"). We also own 100% of IGC India Mining and Trading Private Limited (IGC-IMT), IGC Logistic Private Limited (IGC-L), and IGC Materials Private Limited (IGC-MPL). Through our subsidiaries we operate in the India and China infrastructure industries. Operating as a fully integrated infrastructure company, IGC, through its subsidiaries, has expertise in road building, mining and quarrying and engineering of high temperature plants. The Company's medium term plans are to expand each of these core competencies while offering an integrated suite of service offerings to our customers.

The accompanying consolidated financial statements have been prepared in conformity with the Generally Accepted Accounting Principles in United States (US GAAP). The financial statements include all adjustments which are, in the opinion of management, necessary for a fair presentation of such financial statements.

a) 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.

Effective October 1, 2009, we decreased our ownership in Sricon Infrastructure from 63% to 22.3%. As explained in Note 13 (Deconsolidation) on March 7, 2008 we consummated the Sricon Acquisition by purchasing 63% for approximately \$29 million (based on an exchange rate of 40 INR for \$1 USD). Subsequently, we borrowed, through an intermediary company, around \$17.9 million (based on 40 INR for 1 USD) from Sricon. Through 2008 and 2009 we expanded our business offerings beyond construction to include a rapidly growing materials business. We have successfully repositioned the company as a materials and construction company, with construction activity in our TBL subsidiary and materials activity in our other subsidiaries. Subsequently, we decreased our ownership in Sricon by an amount proportionate to the loan. As a consequence, our corresponding ownership in Sricon is decreased from 63% to 22.3%, a minority interest.

Table of Contents

b) Merger and Accounting Treatment

Most of the shares of Sricon and TBL acquired by IGC were purchased directly from the companies.

Our investment in Sricon and the ownership interest of the founders and management of TBL are reflected in our financial statements as “Non-Controlling 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 (TBL IGC-IMT, IGC-LPL, and IGC-MPL).

IGC’s organizational structure is as follows:

c) Our Securities

We have three securities listed on the 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). 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 are exercisable and 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.

Table of Contents

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 have 10,091,971 shares of common stock outstanding and 11,855,122 outstanding warrants to purchase shares of common stock. For details relating to the warrant exercise, see our December 31, 2009 10Q and the Warrant Tender Offer section of this annual report.

On May 13, 2009 we granted 78,820 shares of common stock to our directors and employees. On July 13, 2009, we issued 15,000 shares of common stock to RedChip Companies Inc. for services rendered.

On September 15, 2009, we entered into a securities purchase agreement (“Registered Direct”) with institutional investors for the sale and issuance of an aggregate of 1,599,000 shares of our common stock and warrants to purchase up to 319,800 shares of our common stock, for a total purchase price of \$1,998,750. The common stock and warrants were sold on a per unit basis at a purchase price of \$1.25 per unit. The shares of common stock and warrants were issued separately. Each investor received one warrant representing the right to purchase, at an exercise price of \$1.60 per share, a number of shares of common stock equal to 20% of the number of shares of common stock purchased by the investor in the offering. The sales were made pursuant to a shelf registration statement. The warrants issued to the investors in the offering will be exercisable any time on or after the date of issuance for a period of three years from that date. The Black Scholes value of the warrants associated with the Registered Direct is \$71,411.

On October 5, 2009, the Company issued 530,000 new shares of common stock as partial consideration for the exchange of an outstanding promissory note for a new interest free note of \$2.1 million with an extended due date of October 10, 2010.

On October 13, 2009, the Company entered into an At The Market (“ATM”) Agency Agreement with Enclave Capital LLC. Under the ATM Agency Agreement, we may offer and sell shares of our common stock having an aggregate offering price of up to \$4 million from time to time. Sales of the shares, if any, will be made by means of ordinary brokers’ transactions on the NYSE Amex at market prices, or as otherwise agreed with Enclave. We estimate that the net proceeds from the sale of the shares of common stock we are offering will be approximately \$3.73 million. We intend to use the net proceeds from the sale of securities offered for working capital, repayment of indebtedness and other general corporate purposes. For the year ended March 31, 2010 we sold 145,216 shares of our common stock under the ATM Agency Agreement.

During the three months ended June 30, 2010 we have further issued 405,000 new shares of common stock. Out of this, 395,000 shares were issued under the ATM agency agreement referred to above. Further 10,000 shares of common stock were issued on the exercise of warrants by one of the investors.

Following the issuance of the shares in the preceding transactions, we have, as of June 30, 2010, 13,394,207 shares of common stock outstanding, warrants to purchase 11,855,122 shares of common stock outstanding and New Warrants to purchase 248,800 shares of common stock outstanding. Further as explained in Note 12 below, the Company has also issued 1,413,000 stock options to some of its directors and employees pursuant to a stock option plan all of which are outstanding as at June 30, 2010.

d) Unaudited Interim Financial Statements

The unaudited consolidated balance sheet as of June 30, 2010, consolidated statements of operations and cash flows for the three months ended June 30, 2010 and 2009 and consolidated statements of stockholders’ equity (deficit) for the three months ended June 30, 2010 include the accounts of the Company and its subsidiaries. The unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the rules and regulations of the Securities and Exchange Commission

for reporting on Form 10-Q. Accordingly, they do not include certain information and footnote disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended March 31, 2010. 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.

Table of Contents

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation:

The accompanying unaudited interim financial statements have been prepared on a consolidated basis and reflect the unaudited interim financial statements of IGC and all of its subsidiaries that are more than 50% owned and controlled. When the Company does not have a controlling interest in an entity, but exerts a significant influence on the entity, the Company applies the equity method of accounting. All inter-company transactions and balances are eliminated in the consolidated financial statements.

The non-controlling interest disclosed in the accompanying unaudited interim consolidated financial statements represents the non-controlling interest in Techni Bharathi (TBL) and Sricon 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.

Prior period amounts related to non-controlling interest (previously referred to as minority interest) have been reclassified to conform to the current period financial statement presentation.

b) Reclassifications

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

c) 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.



Table of Contents

d) Revenue Recognition

The majority of the revenue recognized for the three month period ended June 30, 2010 was derived from the Company's subsidiaries and as follows:

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 we recognize revenue when a Government consultant verifies and certifies an invoice for payment.

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.

e) Earning 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.

f) Income taxes:

Deferred income tax is 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. The IGC parent expects to realize sufficient earnings and profits to utilize deferred tax assets as it begins (1) invoicing its subsidiaries for services and (2) establishes iron ore sales contracts with customers in China and other countries.



Table of Contents

g) 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, Mauritius, and India 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.

h) 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.

i) Foreign currency transactions:

The functional currency of the Company's Indian subsidiaries is the Indian Rupee. Our financial statements reporting currency is the United States Dollar. Operating and capital expenditures of the Company's subsidiaries located in India are denominated in their local currency which is the currency most compatible with their expected economic results.

All transactions and account balances are recorded in the local currency. The Company translates the value of these local currency denominated assets and liabilities into U.S. dollars 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 currency 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 Company's Indian subsidiaries do not operate in "highly inflationary" countries.

j) Accounts receivable:

Accounts receivables are recorded at the invoiced amount, taking into consideration any adjustments made by Government consultants who verify and certify construction and material invoices. 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. The company did not recognize any bad debt for the three months ended June 30, 2010 and 2009 respectively. Unbilled accounts receivable represent revenue on contracts to be billed, in subsequent periods, as per the terms of the related contracts.

k) Accounts Receivable – Long Term:

This is 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.

Table of Contents

## l) Inventories:

Inventories primarily comprise of finished goods, raw materials, work in progress, stock at customer site, stock in transit, components and accessories, stores and spares, scrap and residue. 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 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.

## m) 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.

## n) Property, Plant and Equipment (PP&amp;E):

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

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

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

o) Fair Value of Financial Instruments

At June 30, 2010 and March 31, 2010, 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.

p) 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.

At June 30, 2010, seven clients accounted for approximately 93% of gross accounts receivable. At March 31, 2010, four clients accounted for approximately 68% of gross accounts receivable.

q) 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 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 Group defines as each circle.

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.

The goodwill impairment test under ASC 350 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.

Table of Contents

r) 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 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.

s) Recently adopted accounting pronouncements

In November 2008, the FASB's Emerging Issues Task Force reached a consensus on ASC 323-10 "Investments-Equity Method and Joint Ventures" (previously referred to as EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations"). ASC 323-10 continues to account for the initial carrying value of equity method investments on a cost accumulation model, which generally excludes contingent consideration. ASC 323-10 also specifies that other-than-temporary impairment testing by the investor should be performed at the investment level and that a separate impairment assessment of the underlying assets is not required. An impairment charge by the investee should result in an adjustment of the investor's basis of the impaired asset for the investor's pro-rata share of such impairment. In addition, ASC 323-10 reached a consensus on how to account for an issuance of shares by an investee that reduces the investor's ownership share of the investee. An investor should account for such transactions as if it had sold a proportionate share of its investment with any gains or losses recorded through earnings. ASC 323-10 also addresses the accounting for a change in an investment from the equity method to the cost method after adoption of ASC 810-10 (previously referred to as SFAS No. 160). ASC 323-10 affirms existing guidance which requires cessation of the equity method of accounting and application of ASC 320-10 (previously referred to as FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), or the cost method under ASC 323-10-35, as appropriate. Effective April 1, 2009, the Company adopted ASC 323-10 and the adoption did not have a material impact on the Company's consolidated results of operations, cash flows or financial position.

In August 2009, the FASB issued ASU 2009-05 which amends Subtopic 820-10 "Fair Value Measurements and Disclosures" for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value utilizing one or more of the following techniques (1) a valuation technique that uses the quoted market price of an identical liability or similar liabilities when traded as assets; or (2) another valuation technique that is consistent with the principles of Topic 820, such as a present value technique or a market approach. The provisions of ASU No. 2009-05 are effective for the first reporting period (including the interim periods) beginning after issuance. The provisions of ASU No. 2009-05 will be effective for interim and annual periods beginning after August 27, 2009. Effective April 1, 2010, the Company adopted this pronouncement and the adoption did not have a material impact on the Company's consolidated results of operations, cash flows or financial position.

t) Recently issued accounting pronouncements

In October 2009, the FASB issued ASU 2009-13 (EITF No. 08-1) which amends ASC 605-25 "Revenue Recognition—Multiple-Element Arrangements". ASU 2009-13 amends ASC 605-25 to eliminate the requirement that all undelivered elements have Vendor Specific Objective Evidence (VSOE) or Third Party Evidence (TPE) before an entity can recognize the portion of an overall arrangement fee that is attributable to items that already have been delivered. In the absence of VSOE or TPE of the standalone selling price for one or more delivered or undelivered

elements in a multiple-element arrangement, the overall arrangement fee will be allocated to each element (both delivered and undelivered items) based on their relative estimated selling prices. Application of the “residual method” of allocating an overall arrangement fee between delivered and undelivered elements will no longer be permitted upon adoption of ASU 2009-13. The provisions of ASU 2009-13 will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption will be permitted. The Company is currently evaluating the effect of adoption of the provisions of the ASU 2009-13 on the Company’s consolidated financial Statements. The Company does not expect the adoption of this guidance to have an impact on its results of operations, financial condition or cash flows.

Table of Contents

In December 2009, the FASB issued ASU No. 2009-16, “Accounting for Transfers of Financial Assets. This Accounting Standards Update” which amends the FASB Accounting Standards Codification for the issuance of FASB Statement No. 166, “Accounting for Transfers of Financial Assets-an amendment of FASB Statement No. 140”. The amendments in this Accounting Standards Update improve financial reporting by eliminating the exceptions for qualifying special-purpose entities from the consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. In addition, the amendments require enhanced disclosures about the risks that a transferor continues to be exposed to because of its continuing involvement in transferred financial assets. Comparability and consistency in accounting for transferred financial assets will also be improved through clarifications of the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. The Company does not expect the adoption of this ASU to have a material impact on its results of operations, financial condition or cash flows.

In January 2010, the FASB issued revised guidance on disclosures related to fair value measurements. This guidance requires new disclosures about significant transfers in and out of Level 1 and Level 2 and separate disclosures about purchases, sales, issuances, and settlements with respect to Level 3 measurements. The guidance also clarifies existing fair value disclosures about valuation techniques and inputs used to measure fair value. The new disclosures and clarifications of existing disclosures were effective for us in fiscal 2010, except for the disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements, which will be effective for us in the first quarter of fiscal 2012. The Company is currently evaluating the effect of adoption of these provisions on the Company’s consolidated financial Statements. The Company does not expect the adoption of this guidance to have an impact on its results of operations, financial condition or cash flows.

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

Prepaid expenses and other current assets consist of the following:

|                                   | As of<br>June 30,<br>2010 | March 31,<br>2010   |
|-----------------------------------|---------------------------|---------------------|
| Prepaid expenses                  | \$ 405,930                | \$ 52,087           |
| Advances to suppliers             | 161,236                   | 1,231,771           |
| Discount on issuances of debt     | 178,220                   | 414,166             |
| Deposits and other current assets | 95,278                    | 356,438             |
|                                   | <b>\$ 840,664</b>         | <b>\$ 2,054,462</b> |

Other non-current assets consist of the following:

|                | As of<br>June 30, 2010 | March 31,<br>2010 |
|----------------|------------------------|-------------------|
| Sundry debtors | \$ 543,003             | \$ 268,145        |
| Other advances | 506,436                | 604,039           |
|                | <b>\$ 1,049,439</b>    | <b>\$ 872,184</b> |



Table of Contents

## NOTE 4 – SHORT-TERM BORROWINGS

Short term borrowings consist of the following:

|                       | As of            |                   |
|-----------------------|------------------|-------------------|
|                       | June 30,<br>2010 | March 31,<br>2010 |
|                       | 713,             |                   |
| Secured liabilities   | \$ 972           | \$ 1,087,775      |
| Unsecured liabilities | 259,469          | 301,266           |
|                       | \$ 973,441       | \$ 1,389,041      |

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 India based directors & collaterally secured by mortgage of company's land & other immovable properties of directors and their relatives. The average interest rate was 12% to 14% for the three months ended June 30, 2010.

Unsecured liabilities stated above include \$261,222 due to the promoters of TBL. The Company disputes this liability and is currently negotiating with the promoters for a settlement.

## NOTE 5 – OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities consist of the following:

|                              | As of            |                   |
|------------------------------|------------------|-------------------|
|                              | June 30,<br>2010 | March 31,<br>2010 |
| Statutory dues payable       | \$ 27,095        | \$ 35,734         |
| Employee related liabilities | 72,161           | 90,207            |
| Other liabilities            | 263,868          | 24,001            |
|                              | \$ 363,124       | \$ 149,942        |

Other non-current liabilities consist of the following:

|                        | As of         |                   |
|------------------------|---------------|-------------------|
|                        | June 30, 2010 | March 31,<br>2010 |
| Sundry creditors       | \$ 1,146,352  | \$ 1,107,498      |
| Provision for expenses | -             | -                 |
|                        | \$ 1,146,352  | \$ 1,107,498      |

Table of Contents

## NOTE 6 – 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 maturity. Such financial instruments are classified as current and are expected to be liquidated within the next twelve months.

## NOTE 7 – GOODWILL

The movement in goodwill balance is given below:

|  | As of<br>June 30, 2010 | March 31, 2010 |
|--|------------------------|----------------|
| Balance at the beginning of the period   | \$ 6,146,720           | \$ 17,483,501  |
| Elimination on deconsolidation of Sricon | -                      | (10,576,123)   |
| Effect of foreign exchange translation   | (193,367 )             | (760,658 )     |
|  | \$ 5,953,353           | \$ 6,146,720   |

## NOTE 8 –NOTES PAYABLE

The Company, on October 5, 2009, consummated the exchange of an outstanding promissory note in the total principal amount of \$2,000,000 (the “Original Note”) initially issued to the Steven M. Oliveira 1998 Charitable Remainder Unitrust (“Oliveira”) for a new promissory note (the “New Note”) on substantially the same terms as the original note except that the principal amount of the New Note is \$2,120,000 reflected the accrued but unpaid interest on the Original Note. There is no interest payable on the New Note and the New Note is due and payable on October 4, 2010 (the “Maturity Date”). As is the case with the Original Note, IGC can pre-pay the New Note at any time without penalty or premium, and the New Note is unsecured. The New Note is not convertible into IGC Common Stock (the “Common Stock”) or other securities of the Company. However, under the Note and Share Purchase Agreement (the “Note and Share Purchase Agreement”), effective as of October 4, 2009, by and among IGC and Oliveira, as additional consideration for the exchange of the Original Note, IGC agreed to issue 530,000 shares of Common Stock to Oliveira.

The Company, on October 16, 2009 consummated the sale of a promissory note in the principal amount of \$2,000,000 (the “Note”) to Bricoleur Partners, L.P. (“Bricoleur”) for \$2,000,000. There is no interest payable on the Note and the Note is due and payable on October 16, 2010 (the “Maturity Date”). The Company can pre-pay the Note at any time without penalty or premium and the Note is unsecured. The Note is not convertible into the Company’s Common Stock or other securities of the Company. However, under the Note and Share Purchase Agreement (the “Note and Share Purchase Agreement”), effective as of October 16, 2009, by and among IGC and Bricoleur, as additional consideration for the investment in the Note, IGC issued 530,000 shares of Common Stock to Bricoleur.

Table of Contents

The Company in accordance with ASC 835-30, "Imputation of Interest", (previously referred to as APB 21, Interest on Receivables and Payables), and drawing inference from ASC 815-40, "Contracts in Entity's Own Equity", (previously referred to as EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock), allocated the proceeds based on the relative fair value of the various components of the transaction and allocated such proceeds on a pro-rata basis, based on those separately determined fair values. Accordingly, the Company recorded \$712,874 as discount on issue of debt, which will be amortized over the period of the loan. The Company amortized such discount amounting to \$178,218 during the three month period ended June 30, 2010.

The Company's total interest expense was \$213,098 and \$411,482 for the three months ended June 30, 2010 and June 30, 2009 respectively. No interest was capitalized by the Company for the three months ended June 30, 2010.

## NOTE 9 - 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. A total \$12,000 was paid to IGN, LLC for the period. The Company and IGN, LLC have agreed to continue the agreement on a month-to-month basis.

## NOTE 10 - COMMITMENTS AND CONTINGENCY

No significant commitments and contingencies were made during the 3 month period ended June 30, 2010.

## NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

|                                | June 30, 2010 | As of<br>March 31,<br>2010 |
|--------------------------------|---------------|----------------------------|
| Land                           | \$ 10,870     | \$ 10,870                  |
| Buildings                      | 167,760       | 172,935                    |
| Plant and machinery            | 3,203,202     | 3,253,444                  |
| Furniture and fixtures         | 87,539        | 88,860                     |
| Computer equipment             | 207,114       | 209,012                    |
| Vehicles                       | 472,726       | 478,749                    |
| Office equipment               | 161,558       | 161,680                    |
| Capital work-in-progress       | 132,052       | 136,440                    |
|                                | \$ 4,442,821  | \$ 4,511,990               |
| Less: Accumulated depreciation | (2,844,715)   | (2,763,554)                |
|                                | \$ 1,598,106  | \$ 1,748,436               |

Depreciation and amortization expense for the three month period ended June 30, 2010 and June 30, 2009 was \$96,444 and \$208,343 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.



Table of Contents

NOTE 12 – 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. No stock based compensation was awarded during the 3 month period ended June 30, 2010. As of June 30, 2010, the Company granted 78,820 shares of common stock and 1,413,000 stock options, to its directors and employees. The options vested immediately. The exercise price of the options was \$1.00 per share, and the options will expire on May 13, 2014. The fair value of the stock was \$39,410 on the date of grant and the fair value of the stock options was \$90,997. No share-based compensation was recognized for the three month period ended June 30, 2010. As of June 30, 2010, 531,795 options remain issuable under the 2008 Omnibus Plan.

NOTE 13 - DECONSOLIDATION

Effective October 1, 2009, we decreased our ownership in Sricon Infrastructure from 63% to 22.3%. On or about March 7, 2008 we consummated the Sricon Acquisition by purchasing 63% for \$28,690,266 (based on an exchange rate of 40 INR for 1 USD). Subsequently, we effectively borrowed, through an intermediary company, \$17,900,000 (based on 40 INR for 1 USD) from Sricon. Through 2008 and 2009 we expanded our business offerings beyond construction to include a rapidly growing materials business. We have successfully repositioned the company as a materials and construction company; with construction activity in our TBL subsidiary and materials activity in our other subsidiaries. As a consequence, we no longer owe \$17,900,000 and our corresponding ownership in Sricon is decreased from 63% to 22.3%, a minority interest. The accounting of the decrease in ownership, or deconsolidation of Sricon from the balance sheet of IGC, results in shrinking the IGC balance sheet and a one-time charge on the P&L.

The equity dilution of 40.715% resulted in a consideration of \$17,900,000. Following the guidance under ASC 810-10, the parent derecognized the assets, liabilities and equity components (including the amounts previously recognized in other comprehensive income) related to Sricon. IGC recorded a loss of \$785,073 and further reclassified an accumulated AOCI loss of \$2,098,492 in the income statement as a result of the dilution. Deferred acquisition costs related to Sricon amounted to \$1,854,750, which were subsequently recorded in the income statement for the Fiscal Year that ended March 31, 2010.

The Company has accounted for its remaining 22.3% interest in Sricon by the equity method. The carrying value of the investment in Sricon as of June 30, 2010 was \$8,443,181. The Company’s equity in the income of Sricon for the three months ended June 30, 2010 was Nil.

NOTE 14 - INCOME TAXES

The provision for income taxes resulted in a tax benefit of \$421,683 in the three months period ended June 30, 2010 compared to tax expense of \$106,416 for the same period in 2009. The decrease in income expense was primarily due to timing differences and tax attributes related to deferred interest expense, NOL’s and foreign tax credits. As stated in our recently filed 10-K, a valuation allowance is not taken because of \$200 million in new contracts over 5 years commencing in fiscal year 2011. We believe that newly acquired contracts will generate sufficient taxable income to utilize our tax assets recorded as of June 30, 2010. Refer to our recently filed 10-K for more details on utilization of tax assets.

Table of Contents

NOTE 15 - RECONCILIATION OF EPS

For the three month period ended June 30, 2010, 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 and shares issued to employees, directors and vendors. 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 UPO issued to the underwriters (1,500,000 shares) is not considered as the strike price for the UPO is "out of the money" at \$6.50 per share. The historical weighted average per share, for our shares, through June 30, 2010, was applied using the treasury method of calculating the fully diluted shares. The weighted average number of shares outstanding as at June 30, 2010 used for the computation of basic EPS is 13,256,427. The calculations for fully diluted shares include 547,049 shares and exclude 12,979,873 shares from the fully diluted EPS computations.

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 about which separate financial information is available that is evaluated regularly by the chief operating decision-maker ("CODM") on deciding on how to allocate resources and in assessing 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.

NOTE 17 - SUBSEQUENT EVENTS

On April 16, 2010 IGC announced the addition of a General Manager to manage the rock aggregate and logistics business. On April 27, 2010, IGC announced a \$160 million contract, over five years, for the supply of iron ore to a customer in China. On May 27, 2010 IGC announced a \$35 million contract for the supply of iron ore to a customer in China. On June 17, 2010 IGC announced a \$945 thousand contract for the supply of rock aggregate to an Indian road developer.

Some of the above Company's contracts have been delayed due to the monsoon season. However, IGC expects to start operationalizing these contracts in September, 2010 after the monsoon weather abates.

Table of Contents

NOTE 18 — INITIAL PUBLIC OFFERING

On March 8, 2006, the Company sold 11,304,500 Units in the Public Offering, including the exercise by the Underwriter of the over-allotment in full. Each Unit consists of one share of the Company's common stock, \$.0001 par value, and two redeemable common stock purchase warrants ("Warrants"). Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$5.00. The Company has a right to redeem the Warrants in the event that the last sale price of the common stock is at least \$8.50 per share for any 20 trading-days within a 30-trading day period ending on the third day prior to the date on which notice of redemption is given. If the Company redeems 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. The Warrants expire on March 3, 2011, or earlier upon redemption.

In connection with the Public Offering, the Company issued an option, for \$100, to the Underwriter to purchase 500,000 Units at an exercise price of \$7.50 per Unit. The Company has accounted for the fair value of the option, inclusive of the receipt of the \$100 cash payment, as an expense of the Public Offering resulting in a charge directly to stockholders' equity. The Company estimated, using the Black-Scholes method, the fair value of the option granted to the Underwriter as of the date of grant was approximately \$756,200 using the following assumptions: (1) expected volatility of 30.1%, (2) risk-free interest rate of 3.9% and (3) expected life of five years. The estimated volatility was based on a basket of Indian companies that trade in the United States or the United Kingdom. The option may be exercised for cash or on a "cashless" basis, at the holder's option, such that the holder may use the appreciated value of the option (the difference between the exercise prices of the option and the underlying Warrants and the market price of the Units and underlying securities) to exercise the option without the payment of any cash. The Warrants underlying such Units are exercisable at \$6.25 per share.

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, and the Annual Report filed on Form 10-K on July 14, 2010. 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, 2010.

Overview

In response to India's rapidly expanding economy, our primary focus is to supply construction materials and execute infrastructure projects through our subsidiaries. We supply construction materials like iron ore, rock aggregate, we construct interstate highways, rural roads, and we execute civil works in high temperature cement and steel plants. We own and operate rock aggregate quarries with stone deposits and we have applied for licenses to mine iron ore in India. We have customers in India, China and we are exploring other regional opportunities.

## Table of Contents

### Company Overview

We are a materials and construction company offering services including: 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 and steel mills in China. Including our subsidiaries, we have approximately 200 employees and contractors. 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.

Kamal Nath, India's Minister for Road Transport and Highways, told the Wall Street Journal that he plans to build 20 kilometers of road every day and raise \$41 billion in private sector investment in the next three to four years. 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 that 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 heavy rains typically continue intermittently from June through September. Our expansion plans include building out 10 rock aggregate quarries to create a one-stop shop for rock aggregate (a business not prevalent in India), obtaining licenses for the mining of iron ore in India in order to fill customer orders from China, and winning and executing construction contracts.

### Industry Overview

The CIA 2010 World Fact Book estimated the Indian GDP to be approximately \$1.1 trillion in 2009. According to the World Bank, only fourteen economies including India, Mexico and Australia generated more than \$1 Trillion in GDP in 2008. According to the CIA 2010 World Fact Book, India's growth rates ranged from 6.2% to 9.6% between 2003 and the present. The current global financial crisis created a liquidity crunch starting in October 2008, which has partially abated. The Financial Times noted that a recent Economic Survey of India projected growth at 8.5% in 2010 and 9% in 2011, second only to that of China.

India's GDP growth for the fiscal year ending March 31, 2010 is estimated to be about the same as 2009's growth rate. The stagnant GDP growth rate 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 the spending habits of the Indian middle class. Other factors that led to growth include: changing investment patterns, increasing consumerism, healthy business confidence, inflows of foreign investment (India ranks #3 in the A.T. Kearney "FDI Confidence Index" for 2010), and improvements in the Indian banking system.

To sustain India's fast growing economy, infrastructure investment in India is expected to increase to 9 per cent of GDP by 2014, up from 5 per cent in 2006-07. This forecast is based on The Indian Planning Commission's statement in its 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%.



## Table of Contents

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 \$2.0 billion annually. In addition, the Indian government has identified public-private partnerships (PPP) as the cornerstone of its infrastructure development policy. The Indian 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, who spoke recently at a conference on Infrastructure, India needs \$1 trillion in Infrastructure spending between fiscal years 2011/2012 and 2016/2017.

The Indian government is also permitting External Commercial Borrowings (ECB's) as a source of financing Indian companies looking to expand existing capacity and 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 the International Finance Corporation (Washington, DC), ADB, AFIC, CDC, etc. National credit policies seek to keep an annual cap or ceiling on access to ECB, consistent with prudent debt management. These policies encourage a greater emphasis on infrastructure projects in core sectors such as power, oil exploration, telecom, railways, roads and bridges, ports, industrial parks, urban infrastructure, and 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) or 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 ECBs are utilized are 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 metric tons in major ports and 345 million metric tons in minor ports.
3. Modernization and redevelopment of 21 railway stations.
4. Developing 16 million hectares through small, medium and large irrigation works.
5. Modernization and redevelopment of 4 metro and 35 non-metro airports.
6. Expansion to six-lanes of 6,500 km (4,038 miles) of Golden Quadrilateral and other 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 towns

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

25

---

## Table of Contents

### Core Business Competencies

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 areas include the following:

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 plans 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.

Mining and quarrying.

As Indian infrastructure modernizes, the demand for raw materials like stone aggregate, coal, ore and similar resources is projected to greatly increase. 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 would increase to 770 million metric tons in 2013 and 1.08 billion metric tons in 2018. We are in the process of teaming with landowners to build out rock quarries. In addition we have licenses for the development 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 iron ore. The Freedonia Group projected in May 2010 that China's \$1.15 trillion construction industry will grow 9.1% every year until 2014. This growth will increase China's already large demand for steel. China is expected to produce 600 million metric tons of steel in 2010, which, as the Wall Street Journal reported, is expected to be almost half of total global output. We believe that IGC is well positioned to provide Chinese steel mills with the iron ore needed to meet demand.

Construction and maintenance of high temperature plants.

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

Customers.

Our customers include the National Highway Authority of India, several state high way authorities, the Indian railways and several steel mills in China. In April 2010 we received a \$160,000,000 contract for supplying iron ore over five years to Jiya International, a large Chinese steel mill. This was followed by a \$35,000,000 contract to supply ore to Tangshan Danyang Enterprises, another large customer in China. We currently have a backlog of approximately \$200,000,000 for the supply of iron ore to China.

## Table of Contents

Construction 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, 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) Deepen our relationships with our existing construction customers by providing them infrastructure materials like iron ore, rock aggregate, concrete, coal and associated logistical support.
- 2) Expand our materials offering by expanding the number of rock aggregate quarries and other materials.
- 3) 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.
- 4) Expand the number of recurring contracts for infrastructure build-out to customers that can benefit from our portfolio of offerings.
- 5) As part of our financing plan, aggressively pursue the collection of outstanding claims for amounts due for past projects.

Competition.

We operate in an industry that is 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 worth less than \$5 million. The recent capital markets crisis has made it more difficult for smaller companies to grow to mid-sized companies because their access to capital has been restrained. Our construction business is 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, where our core assets are located, 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, we expect to install a large iron ore crusher that can grind ore pebbles into fine ore particles, providing a value added service to the smaller mine owners.



## Table of Contents

### Seasonality.

The road building and construction industries typically experience naturally recurring seasonal patterns throughout India. The Northeast monsoons historically arrive on June 1, followed by the Southwest monsoons which usually continue intermittently until September. Historically, the business in the monsoon months is slower than in other months because of the heavy rains. Activities such as engineering and maintenance of high temperature plants are less susceptible to weather delays, while the iron ore export business slows down somewhat due to the rough seas. Flooding in the quarries can slow production in the stone aggregate industry during the monsoon season. However, our quarries build stone reserves prior to the monsoon season. The monsoon season has historically been used to bid and win contracts for construction and for the supply of ore and aggregate in preparation for work activity when the rains abate.

### Employees and consultants.

As of June 30, 2010, we employed a work force of approximately 200 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 hope that our efforts will make our companies more attractive. We are planning to provide vastly improved labor camps for our labor force. We hope that our efforts will make our companies the “employers of choice”. As of June 30, 2010 our Executive Chairman and Chief Executive Officer is Ram Mukunda and our Non-Executive Chairman is Ranga Krishna. Our Managing Director for Materials, Mining and Trading is P. M. Shivaraman. The General Manager of our rock aggregate and logistics business in India is Brigadier Kuljit Singh. 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 and other expertise.

### Environmental regulations.

India has 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. 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.

### Current Chinese currency revaluation.

The People’s Bank of China announced on June 19, 2010 that it would increase the “flexibility” or the Renminbi and re-institute a “managed floating exchange rate.” The Wall Street Journal noted that the last time China used such a system the yuan appreciated 21% against the dollar in three years. If a similar appreciation occurs, it will increase the purchasing power of Chinese steel mills buying Iron ore, which is traded in USD. Chinese firms could buy more ore, even at a higher price, and IGC would benefit from an appreciation of the yuan.

### Information and timely financial reporting.

Our operations are located in India where the accepted accounting standard is the Indian GAAP, which, in many cases, is not congruent with the USGAAP. Indian accounting standards are evolving toward IFRS (International

Financial Reporting Standards). We annually conduct audits for the Company by independent public accounting firm registered with the U.S. PCAOB. We acknowledge that this process is at times cumbersome and places significant demands upon our existing staff. We believe we are still six to twelve months away from having processes and adequately trained personnel in place to meet the reporting timetables set out by U.S. reporting requirements. Until then we may, on occasion, have to file for extensions to meet U.S. reporting timetables. We will make our annual reports, quarterly reports, proxy statements, and up-to-date investor presentations available on our Web site, [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).

Table of Contents

## Foreign Currency Translation

IGC mainly operates in India and a substantial portion of the Company's sales are denominated in the Indian rupee. As a result, changes in the relative values of the U.S. dollar and Indian rupee 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 is the functional currency 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 under:

| Year                                   | Month End<br>Average Rate<br>(P&L rate) | Year End Rate<br>(Balance sheet<br>rate) |
|--|---|--|
| Three months<br>ended June 30,<br>2009 | INR 48.72 per<br>USD                    | INR 47.74 per<br>USD                     |
| Year ended<br>March 31, 2010           | INR 47.91 per<br>USD                    | INR 44.95 per<br>USD                     |
| Three months<br>ended June 30,<br>2010 | INR 45.68 per<br>USD                    | INR 46.41 per<br>USD                     |

## Revenue Recognition

The majority of the revenue recognized for three month period ended June 30, 2010 was derived from the Company's subsidiaries and as accordingly:

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 we recognize revenue when a Government consultant verifies and certifies an invoice for payment.

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.

## Table of Contents

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.

### Goodwill

We account for goodwill in accordance with 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 Group defines as each circle.

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.

The goodwill impairment test under ASC 350 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.

During the fourth quarter of year ending March 31, 2010, we completed the required annual test, which indicated there was no impairment since the fair value of the reporting unit was substantially in excess of its carrying value.

### Income Taxes

Deferred income tax is provided for the difference 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. The Company expects to realize sufficient earnings and profits to utilize deferred tax assets as it begins invoicing its subsidiaries for services and establishes iron ore sales contracts with customers in China and other countries. Recently, the Company reported contracts for the supply of around \$200 million of iron ore to customers in China which further supports this position.

### Results of Operations

#### Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009

Revenue - Total revenue was \$1.12 million for the three months ended June 30, 2010, as compared to \$2.72 million for the three months ended June 30, 2009. The revenue reported in June 2010 does not include Sricon revenue, due to the deconsolidation of Sricon effective October 1, 2009. The revenue reported in June 2009 however, includes revenue from Sricon. Eliminating the Sricon revenue in order to make these comparable, the Company remained flat on the top line for the three months ended June 30, 2010 as compared to June 30, 2009.

## Table of Contents

**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. It also includes the cost associated with buying raw materials. Cost of revenue for the three months ended June 30, 2010 was \$0.98 million compared to \$1.79 million for the three months ended June 30, 2009. As a percentage of revenue, the cost of revenue increased, primarily because the Company has contracts for rock aggregate and iron ore that it is filling before its quarries become fully operational. This practice will continue till our quarries and ore mines are fully functional. At that point, we will fill orders for infrastructure materials from a much-improved cost basis. In the mean time our strategy is to gain market share, establish our brand, and expand the customer base.

**Selling, General and Administrative** - Selling, general and administrative expenses were \$0.58 million for the three months ended June 30, 2010 compared to \$0.73 million for the three months ended June 30, 2009.

**Operating Income (loss)** - In the three months ended June 30, 2010, operating loss was \$ \$0.53 million compared to an operating loss of \$0.008 million for the three months ended June 30, 2009. The operating loss in the three months ended June 30, 2010, stem partly due to a decrease in revenue on account of de-consolidation of Sricon and largely due to increased costs incurred during the initial phases of the quarry. We expect operating income to increase as our revenue ramps up and our quarries become operational.

**Early extinguishment of debt, interest expense, and amortization of debt discount** –The interest expense and amortization of debt discount for the three months ended June 30, 2010 was \$0.39 million compared to \$0.41 million for the three months ended June 30, 2009. The interest expense and amortization of debt discount are for \$5.11 million of short and long term debt. The annual effective rate of interest is 34%, albeit much of it non-cash. If the Company raises equity and pays of some of the loans, it can potentially save around \$0.4 million per quarter, or \$1.6 million a year, which would increase our bottom line substantially.

**Income tax benefit/(expense)** – The provision for income taxes resulted in a tax benefit of \$0.42 million in the three months period ended June 30, 2010 compared to tax expense of \$0.11 million for the same period in 2009. The decrease in income expense was primarily due to timing differences and tax attributes related to deferred interest expense, NOL's and foreign tax credits. As stated in our recently filed 10-K, a valuation allowance is not taken because of \$200 million in new contracts over 5 years commencing in fiscal year 2011. We believe that newly acquired contracts will generate sufficient taxable income to utilize our tax assets recorded as of June 30, 2010. Refer to our recently filed 10-K for more details on utilization of tax assets.

**Consolidated Net Income (loss)** – Consolidated Net loss for the three months ended June 30, 2010 was \$0.59 million compared to a consolidated net loss of \$0.54 million for the three months ended June 30, 2009.

**Cash, cash equivalents, restricted cash and working capital** – As on June 30, 2010 the company had \$2.48 million of cash, cash equivalents and restricted cash. Restricted cash is cash in a fixed deposit used to secure a bank guarantee. As of June 30, 2010, the Company had approximately \$3.44 million as working capital.

## 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 results for three month period ended June 30, 2010 and 2009.

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 three months ended June 30, 2010, cash used for operating activities was \$0.74 million compared to cash used for operating activities of \$0.47 million during the three months ended June 30, 2009. The uses of cash in the three months ended June 30, 2010 relate primarily to the payment of general operating expenses of our subsidiary companies. The large change is due to a decrease in business volume and significant expenditure incurred in relation to a new quarry which is not yet fully functional.

## Table of Contents

During the three months ended June 30, 2010, investing activities from continuing operations provided \$0.07 million of cash as compared to \$0.24 million used during the comparable period in 2009. The inflow of cash was primarily due to release of restricted cash during the three months partially offset by investments in joint ventures during the same period.

Financing cash flows from continuing operations consist primarily of transactions related to our debt and equity structure. During the three months ended June 30, 2010 financing activities provided approximately \$0.45 million, compared to cash used of approximately \$0.33 million during the comparable period in 2009. The cash generated from financing activity during the current period is primarily on account of issuance of common stock.

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.

## Forward-Looking Statements

This report contains forward-looking statements within the definition of the Private Securities Litigation Reform Act of 1995, 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,” “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 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 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.



Table of Contents

Item 4(T). Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”) and the Principal Accounting Officer (“PAO”) (the Company’s principal financial and accounting officer), of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, March 31, 2010. Based upon that evaluation, the Company’s CEO and PAO concluded that the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO and CFO, 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, 2010, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities

No unregistered sales of securities were made during the period covered by this report that were not previously reported on a Current Report on Form 8-K or a Quarterly Report on Form 10-Q or an Annual Report on Form 10-K.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. 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