

India Globalization Capital, Inc.
Form 10-Q
October 16, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2018**

Transition report under Section 13 or 15(d) of the Exchange Act of 1934

Commission file number: 001-32830

INDIA GLOBALIZATION CAPITAL, INC.

(Exact name of registrant as specified 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

(Address of principal executive offices)

20814

(Zip Code)

(301) 983-0998

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(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Accelerated filer

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

There were approximately 36,347,769 shares of our common stock, par value \$0.0001, of the issuer issued and outstanding as of October 9, 2018.

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For the Quarterly Period Ended September 30, 2018

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Forward-Looking Statements

This Quarterly Report on Form 10-Q and the documents incorporated herein by reference contain “forward-looking statements.” Additionally, we, or our representatives may, from time to time, make other written or verbal forward-looking statements and discuss plans, expectations and objectives regarding our business, financial condition and results of operations. Without limiting the foregoing, statements that are in the future tense, and all statements accompanied by terms such as “believe,” “project,” “expect,” “trend,” “estimate,” “forecast,” “assume,” “intend,” “plan,” “target,” “anticipate,” “outlook,” “preliminary,” “will likely result,” “will continue” and variations of them and similar terms are intended to be “forward-looking statements.” You should not place undue reliance on forward-looking statements, which are based upon assumptions, expectations, plans and projections subject to risks and uncertainties, including those identified in the “Risk Factors” set forth in this report and in our annual report on Form 10-K for the fiscal year ended March 31, 2018, filed with the SEC on June 21, 2018, and in the documents incorporated by reference that may cause actual results to differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements speak only as of the date when they are made. Except as required by federal securities law, we do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements.

Table of Contents**PART I – FINANCIAL INFORMATION****Item 1. Financial Statements****India Globalization Capital, Inc.****CONDENSED CONSOLIDATED BALANCE SHEETS***(in thousands, except share data)*

	September 30, 2018	March 31, 2018
	(Unaudited)	(Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,408	\$ 1,658
Accounts receivable, net of allowances	162	558
Inventories	650	486
Investments held for sale	148	148
Other current assets	373	355
Total current assets	\$ 7,741	\$ 3,205
Long-term assets:		
Intangible Assets	1,521	128
Property, plant and equipment, net	5,675	6,237
Investments	794	799
Other non-current assets	819	484
Total long-term assets	\$ 8,809	\$ 7,648
Total assets	\$ 16,550	\$ 10,853
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	45	52
Other current liabilities	659	494
Notes payable	1,800	1,800
Total current liabilities	\$ 2,504	\$ 2,346
Non-current liabilities:		
Loans – Other	225	427
Other liabilities	14	15

Total non-current liabilities	\$ 239	\$ 442
Total liabilities	\$ 2,743	\$ 2,788
Stockholders' equity:		
Common stock and additional paid in capital al, \$0.0001 par value: 150,000,000 shares authorized; and 34,247,769 and 30,764,192 shares issued and outstanding as of September 30, 2018		
	\$ 71,670	\$ 63,917
and March 31, 2018, respectively. 1,726,565 shares pursuant to three agreements were allocated but		
not issued as of September 30, 2018.		
Accumulated other comprehensive loss	(2,697)	(2,056)
Retained deficit	(55,166)	(53,796)
Total equity attributable to Parent	\$ 13,807	\$ 8,065
Total stockholders' equity	\$ 13,807	\$ 8,065
Total liabilities and stockholders' equity	\$ 16,550	\$ 10,853

See accompanying Notes to the Condensed Consolidated Financial Statements in this report.

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Table of Contents**India Globalization Capital, Inc.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS***(in thousands, except loss per shares)***(unaudited)**

	Three months ended September 30, 2018		Six months ended September 30, 2018	
	2018	2017	2018	2017
Revenues	\$811	\$235	\$2,289	\$289
Direct Cost (excluding depreciation)	(793)	(163)	(2,229)	(170)
Selling, general and administrative expenses	(873)	(335)	(1,427)	(721)
Operating loss	\$(855)	\$(263)	\$(1,367)	\$(602)
Other expenses, net	(3)	(41)	(4)	(77)
Income before income taxes and minority interest attributable to non-controlling interest	\$(858)	\$(304)	\$(1,371)	\$(679)
Net loss	\$(858)	\$(304)	\$(1,371)	\$(679)
Net loss attributable to common stockholders	\$(858)	\$(304)	\$(1,371)	\$(679)
Loss per share attributable to common stockholders:				
Basic & Diluted	\$(0.03)	\$(0.01)	\$(0.04)	\$(0.02)
Weighted-average number of shares used in computing earnings per share amounts:				
Basic & Diluted	31,345	27,355	31,345	27,355

See accompanying Notes to the Condensed Consolidated Financial Statements in this report.

Table of Contents**India Globalization Capital, Inc.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS***(in thousands)***(Unaudited)**

	Three months ended September 30,			2017		
	IGC	Non-	Total	IGC	Non-	Total
		controlling			controlling	
		interest			interest	
Net loss	(858)	-	(858)	\$(304)	\$ -	\$(304)
Foreign currency translation adjustments	(334)		(334)	(13)	-	(13)
Comprehensive loss	(1,192)	-	(1,192)	\$(317)	\$ -	\$(317)

	Six months ended September 30,			2017		
	IGC	Non-	Total	IGC	Non-	Total
		controlling			controlling	
		interest			interest	
Net loss	(1,371)	-	(1,371)	\$(679)	\$ -	\$(679)
Foreign currency translation adjustments	(641)		(641)	(11)	-	(11)
Comprehensive loss	(2,012)	-	(2,012)	\$(690)	\$ -	\$(690)

See accompanying Notes to the Condensed Consolidated Financial Statements in this report.

Table of Contents**India Globalization Capital, Inc.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(in thousands)***(unaudited)**

	Six months ended	
	September 30, 2018	2017
Operating activities:		
Net loss	\$(1,371)	\$(679)
Adjustment to reconcile net loss to net cash:		
Depreciation	29	10
Non-cash interest expenses	18	68
Share based compensation and other expenses	399	307
Changes in:		
Accounts receivable	\$9	\$(281)
Inventories	(128)	-
Prepaid expenses, other current and non-current assets	28	17
Trade payables	(7)	197
Other current liabilities and non-current liabilities	172	(266)
Net cash used in operating activities	\$(851)	\$(627)
Investing activities:		
Proceeds from non-current investment	\$-	\$(2)
Purchase of property and equipment	(3)	(9)
Payment for acquisition and Filing of patents	(13)	(137)
Net cash used in investing activities	\$(16)	\$(148)
Financing activities:		
Issuance of equity stock	\$5,885	\$938
Repayment of loans	(202)	(94)
Net cash proceed from financing activities	\$5,683	\$844
Effects of exchange rate changes on cash and cash equivalents	(66)	(10)
Net increase in cash and cash equivalents	4,750	59
Cash and cash equivalents at the beginning of the period	1,658	538
Cash and cash equivalents at the end of the period	\$6,408	\$597

Supplementary information:

Cash paid for interest	\$9	\$18
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Non-cash items:

Common stock issued for interest payment on notes payable	\$18	\$68
Common stock issued including ESOP, Consultancy and Other	\$399	\$349

See accompanying Notes to Consolidated Financial Statements in this report.

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India Globalization Capital, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2018

(Unaudited)

Unless the context requires otherwise, all references in this report to “IGC,” “the Company”, “we,” “our” and “us” refer to India Globalization Capital, Inc., together with our subsidiaries. Our filings are available on www.sec.gov. The information contained on our website, www.igcinc.us, is not incorporated by reference in this report, and you should not consider it a part of this report.

NOTE 1 – BUSINESS DESCRIPTION

Business

IGC Management’s focus is to develop and commercialize cannabinoid based alternative therapies for indications such as Alzheimer’s disease, Parkinson’s disease, and pain. Our flagship product Hyalolex[®], is not a U.S. Food and Drug Administration (“FDA”) approved pharmaceutical product. It is a cannabinoid based alternative oral combination therapy whose active ingredients have been shown to help alleviate symptoms associated with Alzheimer’s disease. The commercialization of Hyalolex[™] has commenced and we expect revenue in fiscal year 2019, though there can be no assurance as to the amount of such revenue. The Company recently entered the hemp oil / cannabidiol (CBD) infused beverage space and expects to bring a sugar free CBD infused energy drink to market. The Company has filed several patents for its pipeline of products including ones for the treatment of Alzheimer’s, Parkinson’s and Central Nervous System related disorders, pain, eating disorders, seizures in cats and dogs, and an energy drink. In addition, since inception, the Company operates a legacy business that involves trading commodities and heavy equipment rental. Our revenue currently comes from our legacy business.

Business Organization

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IGC is a Maryland corporation formed in April 2005. Our principal place of business is located at 4336 Montgomery Avenue, Bethesda, Maryland 20814. Operationally, our U.S. East Coast based staff works from our corporate office in Potomac, Maryland or nearby virtual offices. We also maintain offices in the State of Washington for our West Coast based staff. Our telephone number is +1 (301) 983-0998.

Our commodity trading, equipment rental, and accounting headquarters are located in Kochi, Kerala, India, housing the majority of our India based staff. In addition, we have employees in Delhi, Nagpur and Chennai, India.

We maintain corporate and product websites at <http://www.igcinc.us>, <http://www.igcpharma.com> and <http://www.hyalolex.com>. The contents of our websites and the downloadable files found therein are not incorporated by reference.

As of September 30, 2018, the Company has operational subsidiaries located in India and Hong Kong. The Company's filings are available on www.sec.gov.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company, for these consolidated financial statements, are set out in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2018, filed with the U.S. Securities and Exchange Commission ("SEC") on June 21, 2018 (the "2018 10-K"), specifically as Note 2 to the consolidated financial statements. These condensed Interim Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and respective notes contained in the Company's 2018 10-K. The following is a summary of our significant accounting policies.

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Basis of presentation and use of estimates

The Company has prepared the accompanying unaudited Condensed Consolidated Financial Statements (“Financial Statements”) in accordance with the rules and regulations of the SEC for interim financial information. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted in accordance with the SEC’s rules and regulations for interim reporting.

In preparing the financial statements management is required to make estimates and assumptions that could affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

The Company’s current fiscal year ends on March 31, 2019. This interim financial information and results contained in this Form 10-Q do not necessarily represent or indicate what the operating results will be for any other interim period or for the fiscal year ending March 31, 2019.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included in the Financial Statements.

Presentation and functional currencies

The consolidated financial statements include the accounts of the Company and all its subsidiaries that are more than 50% owned and controlled. The Company consolidates the subsidiaries into its consolidated financial statements. Transactions between the Company and its subsidiaries have been eliminated in the consolidated financial statements. We exclude our investments and minority non-controlling interests, and any information provided by them is not incorporated by reference in this report, and you should not consider it a part of this report.

The reporting currency of the Company is U.S. Dollar (USD). The Company’s subsidiaries have US Dollar, Indian Rupee (INR), and Hong Kong dollar (HKD) as functional currencies. Changes in functional currency amounts that result from the measurement of foreign currency transactions into the functional currency are included in net income.

Changes in reporting currency arising from translating a foreign subsidiary's functional currency financial statements in the reporting currency are included in the other comprehensive income, a separate component of shareholders' equity. 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.

Recent Accounting Pronouncements

Adopted

Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers and all the related amendments, which are also codified into Accounting Standards Codification (ASC) 606. The Company elected to adopt this guidance using the modified retrospective method. The adoption of this standard did not have a material impact on the Company's financial position or results of operations. The Company did not restate prior period information for the effects of the new standard, nor did the Company adjust the opening balance of its' retained deficit to account for the implementation of the new requirements of this standard. The Company does not expect the adoption of this guidance to have a material effect on its results of operations in future periods.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. This ASU became effective for the Company beginning in the first quarter of fiscal year 2019. Based on the composition of the Company's investment portfolio, the adoption of ASU 2016-01 is not expected to have a material impact on its consolidated financial statements.

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Not yet adopted

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842)”. Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company does not expect the adoption to have a material impact on its consolidated financial statements upon adoption.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial instruments." The amendments in this update change how companies measure and recognize credit impairment for many financial assets. The new expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets (including trade receivables) that are in the scope of the update. The update also made amendments to the current impairment model for held-to-maturity and available-for-sale debt securities and certain guarantees. The guidance will become effective for us on January 1, 2020. Early adoption is permitted for periods beginning on or after January 1, 2019. Based on the composition of the Company’s investment portfolio, current market conditions, and historical credit loss activity, the adoption of ASU 2016-13 is not expected to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, and ASU No. 2017-04, Intangibles- Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment. ASU No. 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. ASU No. 2017-04 eliminates Step 2 of the goodwill impairment test and requires a goodwill impairment to be measured as the amount by which a reporting unit’s carrying amount exceeds its fair value, not to exceed the carrying amount of its goodwill. The ASU is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We do not believe the adoption of this guidance will have a material impact on our consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220). ASU 2018-02 addresses the effect of the change in the U.S. federal corporate tax rate on items within accumulated other comprehensive income or loss due to the enactment of the Tax Act on December 22, 2017. The

new standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2018, with early adoption permitted. We do not believe the adoption of this guidance will have a material impact on our consolidated financial statements.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable, net of allowances, amounted to about \$162 thousand and about \$558 thousand as of September 30, 2018, and March 31, 2018, respectively. The accounts receivable net of reserves for the quarter ended September 30, 2018 stems primarily from commodity trading and the rental of heavy construction equipment.

NOTE 4 – INVENTORY

	<i>(in thousands)</i>	
	As of	As of
	September 30, 2018	March 31, 2018
Work In Progress	\$ 650	\$ 486
Total	\$ 650	\$ 486

The Company’s policy, consistent with ASC 330, is to book the cost of producing components and completed products as inventory. The products and/or its components will either be sold, or used for educational and marketing demonstrations, over the next twenty-four months. Management evaluates its policy on inventory periodically.

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NOTE 5 – INVESTMENT HELD FOR SALE

Our wholly-owned Malaysian-based subsidiary, Cabaran Ultima operates a real estate management business. Our board decided to exit this business and as of March 31, 2018, we accounted for our investment in Cabaran Ultima as “Investment Held for Sale” valued at \$147,500. We expect to dispose of Cabaran Ultima in the fiscal year ending March 31, 2019.

NOTE 6 – INVESTMENT

Investment for each of the periods ended September 30, 2018, and March 31, 2018, consists of the following:

(in thousands)

As	As of
of	March
September 30,	
2018	2018