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India Globalization Capital, Inc.  
Form 10-Q  
November 18, 2011

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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- b Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the quarterly period ended September 30, 2011
- o Transition report under Section 13 or 15(d) of the Exchange Act of 1934.

Commission file number 1-32830

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

Maryland 20-2760393  
(State or other jurisdiction of incorporation or I.R.S. Employer Identification No.)  
organization

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

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

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

| Title of Each Class   | Name of exchange on which registered |
|---|--------------------------------------|
| Units, each consisting of one share of Common Stock<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  o 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

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to submit and post such files).  Yes  No

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

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

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

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

| Class                           | Shares Outstanding as of November 14, 2011 |
|---------------------------------|--|
| Common Stock, \$.0001 Par Value | 20,960,433                                 |

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INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

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## PART I – Financial Information

## Item 1. Financial Statements

**INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

All amounts in USD except share data

|   | As of                        |                                |
|---|------------------------------|--------------------------------|
|   | Sept 30, 2011<br>(unaudited) | March 31,<br>2011<br>(audited) |
| <b>ASSETS</b>   |                              |                                |
| Current assets:   |                              |                                |
| Cash and cash equivalents   | \$ 766,829                   | \$ 1,583,284                   |
| Accounts receivable, net of allowances  | 2,381,247                    | 3,312,051                      |
| Inventories   | 103,729                      | 133,539                        |
| Advance taxes   | 41,452                       | 41,452                         |
| Prepaid expenses and other current assets   | 2,486,594                    | 1,474,838                      |
| Total current assets  | \$ 5,779,851                 | \$ 6,545,164                   |
| Goodwill  | 334,723                      | 410,454                        |
| Property, plant and equipment, net  | 996,704                      | 1,231,761                      |
| Investments in affiliates   | 6,271,815                    | 6,428,800                      |
| Investments-others  | 859,197                      | 877,863                        |
| Restricted cash   | 1,705,734                    | 1,919,404                      |
| Other non-current assets  | 145,716                      | 748,623                        |
| <b>Total assets</b>   | <b>\$ 16,093,740</b>         | <b>\$ 18,162,069</b>           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                              |                                |
| Current liabilities:  |                              |                                |
| Short-term borrowings   | \$ 818,468                   | \$ 901,343                     |
| Trade payables  | 1,174,104                    | 1,311,963                      |
| Accrued expenses  | 390,344                      | 349,149                        |
| Notes payable   | 3,485,254                    | 3,920,000                      |
| Other current liabilities   | 116,627                      | 94,892                         |
| Total current liabilities   | \$ 5,984,797                 | \$ 6,577,347                   |
| Other non-current liabilities   | 730,596                      | 1,209,479                      |
| <b>Total liabilities</b>  | <b>\$ 6,715,393</b>          | <b>\$ 7,786,826</b>            |
| Shares potentially subject to rescission rights (4,868,590 shares issued and outstanding)       | 3,082,384                    | 3,082,384                      |
| Stockholders' equity:   |                              |                                |
| Common stock — \$.0001 par value; 75,000,000 shares authorized; 16,091,843 issued and           |                              |                                |
| outstanding as of September 30, 2011 and 14,890,181 issued and outstanding as of March 31, 2011 | 1,610                        | 1,490                          |

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|  |               |               |
|--|---------------|---------------|
| Additional paid-in capital                 | 39,677,590    | 38,860,319    |
| Accumulated other comprehensive income     | (2,647,007 )  | (2,502,596 )  |
| Retained earnings (Deficit)                | (31,351,362 ) | (29,692,907 ) |
| Total equity attributable to the parent    | \$5,680,831   | \$6,666,306   |
| Non-controlling interest                   | 615,132       | 626,553       |
| Total stockholders' equity                 | \$6,295,963   | \$7,292,859   |
| Total liabilities and stockholders' equity | \$16,093,740  | \$18,162,069  |

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

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

All amounts in USD except share data

|   | Three months ended September<br>2011 | 2010          | Six months ended September 30,<br>2011 | 2010            |
|---|--------------------------------------|---------------|--|-----------------|
| Revenues  | \$ 912,121                           | \$ 1,681,586  | \$ 1,972,368                           | \$ 2,809,997    |
| Cost of revenues (excluding depreciation and amortization)                                | (903,523 )                           | (1,612,753 )  | (1,877,832 )                           | (2,596,133 )    |
| Selling, general and administrative expenses  | (652,375 )                           | (763,713 )    | (1,385,515 )                           | (1,344,609 )    |
| Depreciation  | (75,621 )                            | (100,930 )    | (126,865 )                             | (197,374 )      |
| Operating income (loss)   | \$ (719,398 )                        | \$ (795,810 ) | \$ (1,417,844 )                        | \$ (1,328,119 ) |
| Interest expense  | (148,965 )                           | (197,611 )    | (449,733 )                             | (410,709 )      |
| Amortization of debt discount   | -                                    | (176,526 )    | -                                      | (356,436 )      |
| Interest income   | 59,085                               | 66,894        | 126,433                                | 129,781         |
| Other income, net   | (14,770 )                            | 210,939       | 9,924                                  | 60,472          |
| Income before income taxes and minority interest attributable to non-controlling interest | \$ (824,048 )                        | \$ (892,114 ) | \$ (1,731,220 )                        | \$ (1,905,011 ) |
| Earnings in Income from Affiliates  | 25,832                               | -             | 62,051                                 | -               |
| Income taxes benefit/(expense)  | -                                    | 33,331        | -                                      | 455,014         |
| Net income/(loss)   | \$ (798,216 )                        | \$ (858,783 ) | \$ (1,669,169 )                        | \$ (1,449,997 ) |
| Non-controlling interests in earnings of subsidiaries                                     | 8,963                                | 2,523         | 10,714                                 | 2,563           |
| Net income / (loss) attributable to common stockholders                                   | \$ (789,253 )                        | \$ (856,260 ) | \$ (1,658,455 )                        | \$ (1,447,434 ) |
| Earnings/(loss) per share attributable to common stockholders:                            |                                      |               |  |                 |
| Basic   | \$ (0.04 )                           | \$ (0.06 )    | \$ (0.08 )                             | \$ (0.11 )      |
| Diluted   | \$ (0.04 )                           | \$ (0.06 )    | \$ (0.08 )                             | \$ (0.11 )      |
| Weighted-average number of shares used in computing earnings per share amounts:           |                                      |               |  |                 |
| Basic   | 20,960,433                           | 13,427,020    | 20,699,660                             | 13,343,949      |
| Diluted   | 20,960,433                           | 13,427,020    | 20,699,660                             | 13,343,949      |

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

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

All amounts in USD except share data

| Particulars                  | Three months ended September |            |              |              |           |              | Six Months ended |             |                |
|------------------------------|------------------------------|------------|--------------|--------------|-----------|--------------|------------------|-------------|----------------|
|                              | 2011                         |            |              | 2010         |           |              | 2011             |             |                |
|                              | IGC                          | Interest   | Total        | IGC          | Interest  | Total        | IGC              | Interest    | Total          |
| Net income / (loss)          |                              |            |              |              |           |              |                  |             |                |
| Foreign currency translation |                              |            |              |              |           |              |                  |             |                |
| adjustments                  | (155,104)                    | (223 )     | (155,327)    | 446,313      | 55,955    | 502,268      | (144,411 )       | (707 )      | (145,118 )     |
| Comprehensive income (loss)  | \$ (944,357)                 | \$ (9,186) | \$ (953,543) | \$ (409,947) | \$ 53,432 | \$ (356,515) | \$ (1,802,866)   | \$ (11,421) | \$ (1,814,287) |

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

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

All amounts in USD except share data

|   |              | Common Stock |                            | Accumulated                    |                                   |                          |                      | Total |  |
|---|--------------|--------------|----------------------------|--------------------------------|-----------------------------------|--------------------------|----------------------|-------|--|
|   | No of Shares | Amount       | Additional Paid in Capital | Accumulated Earnings (Deficit) | Other Comprehensive Income/(loss) | Non-Controlling Interest | Stockholders' Equity |       |  |
| <b>Balance as of March 31, 2010</b>                                   | 12,989,207   | \$ 1,300     | \$ 36,805,724              | \$ (9,452,000 )                | \$ (2,578,405)                    | \$ 1,376,841             | \$ 26,153,460        |       |  |
| Issuance of equity shares   | 1,900,974    | 190          | 1,761,452                  | -                              | -                                 |                          | 1,761,642            |       |  |
| Interest expense  | -            | -            | 359,820                    | -                              | -                                 |                          | 359,820              |       |  |
| Dividend Option Reversed  | -            |              | 2,340                      | -                              | -                                 |                          | 2,340                |       |  |
| Loss for the quarter  | -            | -            | -                          | (20,240,907)                   | -                                 |                          | (20,240,907)         |       |  |
| Net Income for non-controlling interest                               | -            | -            | -                          | -                              | -                                 | (769,046 )               | (769,046 )           |       |  |
| Loss on Translation   | -            | -            | -                          | -                              | 75,809                            | 18,758                   | 94,567               |       |  |
| Road show expense incurred towards raising capital-issuance of shares | -            | -            | (69,017 )                  | -                              | -                                 | -                        | (69,017 )            |       |  |
| <b>Balance as of March 31, 2011 (audited)</b>                         | 14,890,181   | \$ 1,490     | \$ 38,860,319              | \$ (29,692,907)                | \$ (2,502,596)                    | \$ 626,553               | \$ 7,292,859         |       |  |
| Issuance of common stock  | 1,201,662    | 120          | 582,004                    | -                              | -                                 | -                        | 582,124              |       |  |
| Loss on Translation   | -            | -            | -                          | -                              | (144,411 )                        | (707 )                   | (145,118 )           |       |  |
| Stock options issued  | -            | -            | 235,267                    | -                              | -                                 | -                        | 235,267              |       |  |
| Net income for non-controlling interest                               | -            | -            | -                          | -                              |                                   | (10,714 )                | (10,714 )            |       |  |

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|              |   |   |   |              |   |   |              |
|--------------|---|---|---|--------------|---|---|--------------|
| Net income / | - | - | - | (1,658,455 ) | - | - | (1,658,455 ) |
| Balance as   |   |   |   |              |   |   |              |
| of September |   |   |   |              |   |   |              |
| 30, 2011     |   |   |   |              |   |   |              |

(unaudited)      16,091,843    \$ 1,610    \$ 39,677,590    \$ (31,351,362)    \$ (2,647,007)    \$ 615,132    \$ 6,295,963

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

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

All amounts in USD except share data

|   | Six months ended September<br>30, |                |
|---|-----------------------------------|----------------|
|   | 2011                              | 2010           |
| Cash flows from operating activities:                         |                                   |                |
| Net income (loss)   | \$(1,669,169 )                    | \$(1,449,997 ) |
| Adjustment to reconcile net income (loss) to net cash:        |                                   |                |
| Non-cash compensation expense                                 | 235,267                           | -              |
| Deferred taxes  | -                                 | (456,920 )     |
| Depreciation  | 126,865                           | 197,374        |
| Accrued unrealized share in the profit of the joint venture   | (62,051 )                         |                |
| Non-cash interest expense                                     | 418,886                           |                |
| Unrealized exchange differences                               | -                                 | (43,773 )      |
| Changes in:   |                                   |                |
| Accounts receivable   | 656,451                           | (1,180,490 )   |
| Inventories   | 18,376                            | (49,157 )      |
| Prepaid expenses and other assets                             | (656,310 )                        | 809,223        |
| Trade payables  | (18,058 )                         | 1,576,674      |
| Other current liabilities                                     | 31,928                            | (264,627 )     |
| Other non – current liabilities                               | (390,902 )                        | 7,469          |
| Non-current assets  | 565,391                           | (912,988 )     |
| Accrued Expenses  | (70,487 )                         | (44,007 )      |
| Net cash used in operating activities                         | \$(813,813 )                      | \$(1,811,219 ) |
| Cash flow from investing activities:                          |                                   |                |
| Proceeds from sale of property and equipment                  | (630 )                            | 3,962          |
| Investment in Joint Ventures                                  | -                                 | (174,312 )     |
| Restricted cash   | 38,979                            | 336,756        |
| Net cash provided/(used) by investing activities              | \$38,349                          | \$166,406      |
| Cash flows from financing activities:                         |                                   |                |
| Net movement in other short-term borrowings                   | -                                 | (398,803 )     |
| Due to related parties, net                                   | -                                 | 140,320        |
| Issuance of equity shares                                     | -                                 | 1,444,152      |
| Net cash provided/(used) by financing activities              | \$-                               | \$1,185,669    |
| Effects of exchange rate changes on cash and cash equivalents | (40,991 )                         | 4,399          |
| Net increase/(decrease) in cash and cash equivalents          | (816,455 )                        | (454,745 )     |
| Cash and cash equivalent at the beginning of the period       | 1,583,284                         | 842,923        |
| Cash and cash equivalent at the end of the period             | \$766,829                         | \$388,178      |
| Supplementary information:                                    |                                   |                |
| Cash paid for interest  | Nil                               | \$45,189       |
| Cash paid for taxes   | Nil                               | \$6,478        |

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

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

**NOTE 1 – OVERVIEW****a) Description of the Company**

India Globalization Capital, Inc. ('IGC' or 'the Company'), 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, IGC completed an initial public offering of units, with each unit consisting of 1 share of common stock and 2 warrants to purchase a share of common stock. The units and the common stock and warrants included in the units are listed on the NYSE Amex exchange.

IGC operates in India and China geographies specializing in the infrastructure sector. Operating as a fully integrated infrastructure company, IGC, through its subsidiaries, has expertise in mining and quarrying, road building, and the construction 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 business offerings of the Company include construction as well as a materials business. The Company's core businesses are its operations as a materials and construction company.

**b) List of subsidiaries with percentage holding**

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

| Subsidiaries   | Country of Incorporation | Percentage of holding as of September 30, 2011 | Percentage of holding as of March 31, 2011 |
|--|--------------------------|--|--|
| IGC - Mauritius ("IGC-M")                                | Mauritius                | 100  | 100  |
| IGC India Mining and Trading Private Limited ("IGC-IMT") | India                    | 100  | 100  |
| IGC Logistic Private Limited ("IGC-LPL")                 | India                    | 100  | 100  |
| IGC Materials Private Limited ("IGC-MPL")                | India                    | 100  | 100  |
| Techni Bharathi Limited ("TBL")                          | India                    | 77   | 77   |

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES****a) Basis of preparation of financial statements**

The Company has prepared the accompanying unaudited Condensed Consolidated Financial Statements ("Financial Statements") in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles ("GAAP") for complete financial statements. Therefore, the Financial Statements should be read in conjunction with the audited Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K/A Amendment No. 2 for the fiscal year ended March 31, 2011 filed with the SEC on November 2, 2011. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included in the Financial Statements. The results for interim

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periods do not necessarily indicate the results that may be expected for any other interim period or for the full year. The significant accounting policies adopted by the Company, in respect of these consolidated financial statements, are set out below.

b) Principles of consolidation

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

The Company accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the investee but not control. In situations, such as the Company's ownership interest in Sricon Infrastructure Private Limited ("Sricon"), wherein the Company is not able to exercise significant influence in spite of having 20% or more of the voting stock, the Company has accounted for the investment based on the cost method. In addition, the Company consolidates any Variable Interest Entity ("VIE") if it is determined to be the primary beneficiary. However, as of September 30, 2011, the Company does not have any interest in any VIE or equity method investment.

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

c) Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period reported.

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

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

d) Foreign currency translation

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.

The exchange rates used for translation purposes are as follows:

| Period                                   | Period End Average<br>Rate (P&L rate) | Period End Rate<br>(Balance sheet rate) |
|--|---------------------------------------|---|
| Three months ended<br>September 30, 2010 | INR 44.75 per USD                     | INR 44.56 per USD                       |
| Year ended March<br>31, 2011             | INR 44.75 per USD                     | INR 44.54 per USD                       |
| Three months ended<br>September 30, 2011 | INR 46.80 per USD                     | INR 49.05 per USD                       |

e) Revenue recognition

The majority of the revenue recognized for the three months ended September 30, 2011 and 2010 was derived from the Company's subsidiaries, which derive revenue from the following sources.

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

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

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

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

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



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

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

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

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

f) Accounts receivable

Accounts receivable is 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 September 30, 2011 and 2010. Unbilled accounts receivable represent revenue on contracts to be billed, in subsequent periods, as per the terms of the related contracts.

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

g) Inventories

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

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

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h) Investments

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

i) Property, Plant and Equipment (PP&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 de-recognized from the books of accounts and the gain or loss is reflected in the results of operation. Cost of additions and substantial improvements to property and equipment are capitalized in the books of accounts. The cost of maintenance and repairs of the property and equipment are charged to operating expenses.

j) 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.

k) Earnings per common share

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

l) Income taxes

Income taxes are accounted for under the asset and liability method. The asset and liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted income tax rates

applicable to the period that includes the enactment date. A valuation allowance is recorded when management determines that some or all of the deferred tax assets are not likely to be realized.

In evaluating a tax position for recognition, management evaluates whether it is more-likely-than-not that a position will be sustained upon examination, including resolution of related appeals or litigation processes, based on technical merits of the position. If the tax position meets the more-likely-than-not recognition threshold, the tax position is measured and recognized in the Company's financial statements as the largest amount of tax benefit that, in management's judgment, is greater than 50% likely of being realized upon settlement. As of September 30, 2011 and 2010, there was no significant liability for income tax associated with unrecognized tax benefits.

m) Cash and Cash Equivalents

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

n) 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.

o) Fair value of financial instruments

As of September 30, 2011 and March 31, 2011, 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.

A significant portion of the Company's sales is to key customers. Thirteen such customers accounted for approximately 89% of gross accounts receivable as of September 30, 2011. As of September 30, 2010, five clients accounted for approximately 91% of gross accounts receivable.

q) Accounting for goodwill and related impairment

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

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

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

In ASC 350.20.20 a reporting unit is defined as an operating segment or one level below the operating segment. A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. The Company has determined that IGC operates in a single operating segment. While the CEO reviews the consolidated financial information for the purposes of decisions relating to resource allocation, the CFO, on a need basis, looks at the financial statements of the individual legal entities in India for the limited purpose of consolidation. Given the existence of discrete financial statements at an individual entity level in India, the Company believes that each of these entities constitute a separate reporting unit under a single operating segment.

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

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

r) Reclassifications

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

s) Recently issued and adopted accounting pronouncements

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

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

In December 2010, the FASB issued a new accounting standard, which requires that Step 2 of the goodwill impairment test be performed for reporting units whose carrying value is zero or negative. This guidance is effective

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for fiscal years beginning after December 15, 2010 and interim periods within those years. Our adoption of this standard did not have a material impact on the Company's disclosure or consolidated financial results.

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

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

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

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

Prepaid expenses and other current assets consist of the following:

|                             | All amounts in USD except share data<br>As of |                |
|-----------------------------|---|----------------|
|                             | Sept 30, 2011                                 | March 31, 2011 |
| Prepaid expenses            | \$ 402,312                                    | \$ 103,841     |
| Advances to suppliers       | 1,192,840                                     | 1,024,399      |
| Security and other deposits | 83,120  | 85,277         |
| Prepaid Interest            | 224   | 159,825        |
| Other current assets        | 808,098                                       | 101,496        |
|                             | \$ 2,486,594                                  | \$ 1,474,838   |

Other non-current assets consist of the following:

|  | All amounts in USD except share<br>data<br>As of |                   |
|--|--|-------------------|
|  | Sept 30, 2011                                    | March 31,<br>2011 |

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|                                |            |            |
|--------------------------------|------------|------------|
| Trade and other sundry debtors | \$ -       | \$ 396,275 |
| Other advances                 | 145,716    | 352,348    |
|                                | \$ 145,716 | \$ 748,623 |

**NOTE 4 – SHORT-TERM BORROWINGS**

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

|                     | All amounts in USD except share data |                |
|---------------------|--------------------------------------|----------------|
|                     | As of                                |                |
|                     | Sept 30, 2011                        | March 31, 2011 |
| Secured liabilities | \$ 818,468                           | \$ 901,343     |
|                     | \$ 818,468                           | \$ 901,343     |

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

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

Other current liabilities consist of the following:

|                              | All amounts in USD except share data |                |
|------------------------------|--------------------------------------|----------------|
|                              | As of                                |                |
|                              | Sept 30, 2011                        | March 31, 2011 |
| Statutory dues payable       | \$ 19,563                            | \$ 17,745      |
| Employee related liabilities | 97,064                               | 77,147         |
|                              | \$ 116,627                           | \$ 94,892      |

Other non-current liabilities consist of the following:

|                  | All amounts in USD except share data |                |
|------------------|--------------------------------------|----------------|
|                  | As of                                |                |
|                  | Sept 30, 2011                        | March 31, 2011 |
| Sundry creditors | \$ 730,596                           | \$ 1,209,479   |
|                  | \$ 730,596                           | \$ 1,209,479   |

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

**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 nature. 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.

|  | All amounts in USD except<br>share data |                   |
|--|---|-------------------|
|  | As of                                   |                   |
|  | Sept 30, 2011                           | March 31,<br>2011 |
| Balance at the beginning of the period | \$410,454                               | \$6,146,720       |
| Impairment loss                        | -                                       | (5,792,849)       |
| Effect of foreign exchange translation | (75,731)                                | 56,583            |
|  | <b>\$ 334,723</b>                       | <b>\$ 410,454</b> |

During the year ended March 31, 2011, the Company conducted the impairment analysis regarding the goodwill in its consolidated financial statements. The goodwill balance of \$6.2 million was completely allocated to the reporting unit, which has been determined to be TBL.

TBL, a small road building company, is engaged in highway and heavy construction activities. TBL has constructed highways, rural roads, tunnels, dams, airport runways, and housing complexes, mostly in southern states. TBL, because of its successful execution of contracts, is pre-qualified by the National Highway Authority of India (NHAI) and other agencies. The Company owns 77% of TBL. For the year ended March 31, 2011, TBL was not able to meet its cash flow projections, because it has not been able to win any new significant contracts. As a result, TBL does not have a sufficient pipeline that would enable it to project cash flows. Therefore, the impairment test for TBL is based on the recoverable values of its assets less the expected settlement of its liabilities.

The Company, based on the impairment analysis, concluded that the fair value of the reporting unit, established on the basis of its recoverable value, was substantially lower than the carrying value. Therefore, the goodwill balance allocated to the reporting unit was impaired. The Company recorded an impairment loss relating to the goodwill balance amounting to \$5,792,849. For this impairment test, the Company considered all the recorded assets and liabilities of TBL at its respective fair values. In relation to the fixed assets, the Company considered the fair values on the basis of independent valuations obtained while for the other current assets, the carrying values were determined by the Company and these were found to approximate their fair values. There have been no further indicators in the three months and six months ended September 30, 2011 and therefore the Company has not performed any specific impairment tests for the goodwill balance in books.

## NOTE 8 –NOTES PAYABLE

On October 5, 2009, the Company 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 Oliveira Note”) on substantially the same terms as the original note except that the principal amount of the New Oliveira Note was \$2,120,000 which reflected the accrued but unpaid interest on the Original Note and the New Oliveira Note did not bear interest. The New Oliveira Note was unsecured and was due and payable on October 4, 2010 (the “Maturity Date”). Prior to the Maturity Date, the Company was permitted to pre-pay the New Oliveira Note at any time without penalty or premium. The New Oliveira 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 “Oliveira Note and Share Purchase Agreement”), effective as of October 4, 2009, by and among the Company and Oliveira, as additional consideration for the exchange of the Original Note, the Company agreed to issue 530,000 shares of Common Stock to Oliveira. The Oliveira Note remains outstanding.

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

During the three months ended December 31, 2010, the Company issued an additional 200,000 shares of Common Stock to each of Oliveira and Bricoleur specified above pursuant to the effective agreements respectively as penalties for failure to repay the promissory notes when due.

In March 2011, the Company finalized agreements with the Steven M. Oliveira 1998 Charitable Remainder Unitrust (“Oliveira”) and Bricoleur Partners, L.P. (“Bricoleur”) to exchange the promissory note issued to Oliveira on October 5, 2009 (the “New Oliveira Note”) and the promissory note issued to Bricoleur on October 16, 2009 (the “Bricoleur Note”) respectively for new promissory notes with later maturity dates. The Oliveira Note will be due on March 24, 2012, will bear interest at a rate of 30% per annum and will provide for monthly payments of principal and interest, which the Company may choose to settle through the issuance of equity shares at an equivalent value. During the three months ended June 30, 2010 the Company made payments to Oliveira through the issuance of its common stock. In its proxy dated July 31, the Company petitioned the shareholders to vote on the issuance of up to 5,000,000 shares in lieu of cash to settle the liability. As of September 30, 2011, the Company had not received shareholder approval for the issuance of shares. Interest for the three months ended September 30, 2011 has been accrued and the accrued interest has been classified as ‘accrued expenses’.

The Bricoleur Note was due on June 30, 2011 with no prior payments due and did not bear interest. However as at the date of filing of this report, the Company is negotiating a further restructuring of this payable, but the same is not yet consummated. The Company issued additional 688,500 shares of its common stock to Bricoleur in connection with the extension of the term regarding the Bricoleur note.

The Company’s total interest expense was \$148,965 and \$197,611 for the three months ended September 30, 2011 and September 30, 2010 respectively. No interest was capitalized by the Company for the three months ended September 30, 2011 and September 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 from the closing of the Public Offering through the date of a Business Combination. For the six months ended September 30, 2011, a total of \$24,000 was accrued as rent payable to IGN LLC out of which \$20,000 was outstanding as of September 30, 2011.

The Company uses the services of Economic Law Practice (ELP), a law firm in India. A member of our Board of Directors, prior to his resignation on March 15, 2011, was a Partner of ELP. From inception till March 15, 2011, the Company has incurred \$186,303 in fees to ELP. After the resignation of the director, ELP is no longer considered to be a related party of the Company.

One of the Company’s subsidiaries, TBL, has an accounts receivable due from Sricon, an affiliate of the Company, amounting to \$3,114,572. This amount was advanced by TBL to Sricon to fund a bid on a new contract and provide the working capital requirement for the contract. Subsequently, due to certain disputes that have arisen between Sricon and IGC, the receivable of \$3.1 million remains outstanding. Sricon is unwilling to pay the amount as it seeks to offset the amount as an equity payment from IGC. However, the amount was advanced from TBL, not from IGC, and TBL has no equity in Sricon. Further, the two entities, IGC and TBL, are legally different companies and therefore TBL has legal remedies under Indian law. The Company has engaged Indian counsel who is in the process of preparing the case to pursue the recovery of this receivable. From an accounting perspective, the Company has fully provided for this receivable due to the dispute although it intends to pursue collection of this receivable through an appropriate legal process in India. The said provision is contained in the selling, general and administrative expenses of the Company for the year ended March 31, 2011.

**NOTE 10 -COMMITMENTS AND CONTINGENCY**

No significant commitments and contingencies were made or incurred during the three months ended September 30, 2011.

## NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

|                                | All amounts in USD except share data<br>As of |                |
|--------------------------------|---|----------------|
|                                | September 30,<br>2011                         | March 31, 2011 |
| Land                           | \$ 11,226                                     | \$ 10,870      |
| Buildings                      | 320,746                                       | 351,147        |
| Plant and machinery            | 3,287,839                                     | 3,335,065      |
| Furniture and fixtures         | 82,040  | 87,768         |
| Computer equipment             | 217,462                                       | 213,178        |
| Vehicles                       | 448,781                                       | 479,478        |
| Office equipment               | 171,708                                       | 167,563        |
| Capital work-in-progress       | 125,036                                       | 137,696        |
|                                | \$ 4,664,838                                  | \$ 4,782,765   |
| Less: Accumulated depreciation | (3,668,134)                                   | (3,551,004)    |
|                                | \$ 996,704                                    | \$ 1,231,761   |

Depreciation and amortization expense for the six months ended September 30, 2011 and September 30, 2010 was \$126,865 and \$197,374 respectively. Capital work-in-progress represents advances paid towards the acquisition of property and equipment and the cost of property and equipment not put to use before the balance sheet date.

## NOTE 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. As of September 30, 2011, the Company had granted 78,820 shares of common stock and a total of 2,786,450 stock options (1,413,000 granted in 2009 and 1,370,450 stock options granted during the three months ended June 30, 2011) to its directors and employees. All of the options vested fully on the date of the grant. The exercise price of each of the options is \$1.00 and \$0.56 per share, respectively, and each of the options will expire on May 13, 2014 and June 27, 2016, respectively. The aggregate fair value of the underlying stock on the grant date was \$39,410 and the fair value of the stock options on the grant dates was \$90,997 and \$235,267, respectively. As of September 30, 2011, an aggregate of 116,030 shares of common stock remain available for future grants of options or stock awards under the 2008 Omnibus Plan.

The fair value of stock option awards is estimated on the date of grant using a Black-Scholes Pricing Model with the following assumptions for options awarded as of September 30, 2011:

| Expected life of options | Granted in June |         |              |   |
|--------------------------|-----------------|---------|--------------|---|
|                          | Granted in 2009 |         | 2011 quarter |   |
|                          | 5 years         | 5 years |              |   |
| Vested options           | 100             | %       | 100          | % |
| Risk free interest rate  | 1.98            | %       | 4.10         | % |
| Expected volatility      | 35.35           | %       | 83.37        | % |
| Expected dividend yield  | Nil             |         | Nil          |   |

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

## NOTE 13 – COMMON STOCK

The Company has 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.WT), and (3) units consisting of one share of common stock and two redeemable warrants to purchase common stock (ticker symbol: IGC.U). The units may be separated into common stock and warrants. Each warrant entitles the holder to purchase one share of common stock at an exercise price of \$5.00. The warrants issued in our initial public offering that were to expire on March 3, 2011, are now to expire on March 8, 2013 since the Company exercised its right to extend the terms of those warrants.

The registration statement for the initial public offering was declared effective on March 2, 2006. The warrants are exercisable and may be exercised by contacting IGC or the transfer agent, Continental Stock Transfer & Trust Company. The Company has a right to call the warrants, provided the common stock has traded at a closing price of at least \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is given. If the Company calls the warrants, either the holder will have to exercise the warrants by purchasing the common stock from the Company for \$5.00 or the warrants will expire.

On January 9, 2009, the Company completed a tender offer with respect to warrants issued in its initial public offering and certain other warrants issued in private placements. An aggregate of 11,943,878 warrants were exercised pursuant to the terms of the tender offer in exchange for an aggregate of 1,311,064 shares of common stock, of which 2,706,350 warrants were exercised with an aggregate cash payment of \$297,698.50 in exchange for an aggregate of 541,270 shares of Common Stock and 9,237,528 warrants were exercised by exchange of warrants in exchange for an aggregate of 769,794 shares of Common Stock.

On July 13, 2009, the Company issued 15,000 shares of common stock to RedChip Companies Inc. for investor relations services rendered. The value of these services was \$13,200 and the per-share value was \$0.88. The cost of the common shares was expensed in the quarter.

On September 15, 2009, the Company 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 are 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. The Black Scholes price of the warrants was expensed in the quarter.

On October 5, 2009, IGC issued 530,000 new shares of common stock to Steven M. Oliveira 1998 Charitable Remainder Unitrust (“Oliveira”) 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. The value of the shares was \$911,600 or \$1.72 per share. IGC consummated this transaction in order to maintain its working capital and to extend the note by one year. The value of the shares was amortized over the life of the loan.

On October 13, 2009, IGC entered into an At The Market (“ATM”) Agency Agreement with Enclave Capital LLC. Under the ATM Agency Agreement, IGC 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. The Company

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estimates that the net proceeds from the sale of the shares of common stock that are being offered will be approximately \$3.73 million. IGC intends to use the net proceeds from the sale of securities offered for working capital needs, repayment of indebtedness, and other general corporate purposes. For the year ended March 31, 2010, the Company sold 145,216 shares of our common stock. During the twelve months ended March 31, 2011, the Company issued an additional 2,292,760 shares of common stock under this agreement.

On October 16, 2009, IGC issued 530,000 new shares of common stock in a private placement. The consideration for the shares was the \$2,000,000 proceeds from an IGC promissory note payable made for one year with no interest to Bricoleur Partners, L.P. (“Bricoleur”). IGC consummated this transaction in order to supplement its working capital and to expand its ore and quarry businesses. The shares were valued at \$1,107,700 and \$2.09 per share. The value of the shares was amortized over the life of the loan.

On December 8, 2010, the Company sold an aggregate of 2,575,830 shares of its common stock and warrants (the “2010 Warrants”) to purchase up to 858,610 shares of common stock, for a total purchase price of \$1,391,260. The common stock was sold at a purchase price of \$0.60 per share. Investors in the offering were entitled to receive a 2010 Warrant to purchase one share of common stock, at an exercise price of \$0.90 per share for each three shares of common stock purchased in the offering. The 2010 Warrants issued to the investors in the offering are exercisable at any time on or after the date of issuance until they expire on December 8, 2017. The 2010 Warrants are not listed on any securities exchange.

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

The Company also issued a total of 400,000 shares of common stock as a consideration for the extension of the loans under the promissory notes described in Note 8 - Notes Payable during the twelve months ended March 31, 2011.

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

On March 2011, the Company and Oliveira agreed to exchange the promissory note held by Oliveira for a new note with an extended repayment term and provisions permitting the Company at its discretion to repay the loan through the issuance of equity shares at a stated value over a specific term. As of September 30, 2011, the Company has issued 1,570,001 shares of common stock valued at \$798,176 to this debt holder, which constituted an element of repayment of principal as well as the interest in equated installments.

Following the issuance of the shares in the preceding transactions, as of September 30, 2011, 20,960,433 shares of common stock are outstanding along with warrants to purchase an aggregate of 12,972,532 shares of common stock, which are outstanding.

Further, as set forth in Note 12, the Company has also issued 2,786,450 stock options to some of its directors and employees pursuant to a stock option plan all of which are outstanding as at September 30, 2011.

#### NOTE 14 - INCOME TAXES

The Company did not record any income tax benefit (net of valuation allowance) or expense for the three months ended September 30, 2011. The operations of the Company have continued to sustain losses during the current quarter. As a result, there are no taxable profits that would entail an income tax expense. Further, in March 2011, the Company created a valuation allowance for the entire balance of deferred tax assets due to the continued losses sustained by the Company. Given that the Company continues to sustain losses during the current quarter, the Company believes that it is appropriate to not record any income tax benefit in the form of deferred taxes (net of valuation allowance). Refer to Note 20 - Income Taxes to the audited financial statements contained in the Company’s Annual Report on Form 10-K/A Amendment No. 2 for more details on utilization of tax assets.

The Company recorded a corresponding income tax benefit amounting to \$33,331 and \$455,014 for the three months and six months ended September 30, 2010.

#### NOTE 15 - SEGMENT INFORMATION

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

As of now, the reports that are available to the CEO do not contain account information for the separate entities used for the purposes of consolidation. We are in the process of revising our CODM reports to include the information that will allow us to begin segment reporting. We hope to implement these changes and begin segment reporting in the future, as soon as practically possible.

#### NOTE 16 – SHARES POTENTIALLY SUBJECT TO RESCISSION RIGHTS

On July 14, 2010, the Company filed audited financial statements on Form 10-K for the year ended March 31, 2010, that included a qualified opinion from the Company's auditors pending completion of their audit procedures in respect of the deconsolidation of one of the Company's subsidiaries. The Company subsequently filed an amended Form 10-K, which includes an unqualified audit opinion.

On January 19, 2011, the SEC notified the Company that the initial financial statements filed on July 14, 2010 did not comply with the requirements of Rule 2-02 under Regulation S-X for audited financial statements because the financial statements contained a qualified opinion. As noted above, the amended Form 10-K filed on January 28, 2011 contains audited financial statements with an unqualified opinion that comply with Rule 2-02. The SEC indicated that as the initial Form 10-K filed on July 14, 2010 was deficient as a result of the inclusion of the qualified audit opinion. It was therefore deemed not to have been filed with the SEC in accordance with applicable requirements, thus making the Company delinquent in its filings with the SEC.

The SEC informed the Company that as a result of the deemed failure to timely file a Form 10-K, it is the SEC Staff's view that as of July 14, 2010 the Company ceased to be eligible to use SEC Form S-3 for the registration of the Company's securities. As the financial statements included in the original Form 10-K were also included in a registration statement on Form S-1 (File No. 333-163867) pursuant to which the Company offered its common stock and warrants to purchase common stock in December 2010 (the "December 2010 Offering"), the SEC has also indicated that such registration statement failed to comply with the requirements of Form S-1 due to the lack of the inclusion of unqualified audited financial statements in compliance with SEC requirements.

In view of the foregoing, it is possible that any sales of the Company's securities pursuant to the Company's registration statements on Form S-3 since July 14, 2010 may be deemed to be unregistered sales of its securities. Since July 14, 2010, the Company has sold an aggregate of 2,292,760 shares of its common stock for an aggregate gross price of \$1,690,866 pursuant to an at-the-market offering ("ATM") of its common stock on Form S-3 (File No. 333-160993) in sales that occurred between September 7, 2010 and January 19, 2011. In addition, the Company may be deemed to have made unregistered sales of the 2,575,830 shares of common stock and warrants to purchase an aggregate of 858,610 shares of common stock at an exercise price of \$0.90 per share sold for an aggregate gross purchase price of \$1,545,498 sold pursuant to such registration statement with respect to the December 2010 Offering. Alternatively, to the extent that the sales are deemed be registered as a result of being sold pursuant to registration statements declared effective by the SEC as the registration statements in question either incorporated, in the case of the Form S-3 or included, in the case of the Form S-1, a qualified audit report the registration statements could be deemed to be materially incomplete.

If it is determined that persons who purchased the Company's securities after July 14, 2010 purchased securities in an offering deemed to be unregistered, or that the registration statements for such offerings were incomplete or inaccurate then such persons may be entitled to rescission rights. In addition, the sale of unregistered securities could subject the Company to enforcement actions or penalties and fines by federal or state regulatory authorities. The Company is unable to predict the likelihood of any claims or actions being brought against the Company related to these events, and there is a risk that any may have a material adverse effect on us.

The exercise of any applicable rescission rights is not within the control of the Company. As of September 30, 2011, the Company had 4,868,590 shares that may be subject to the rescission rights outside stockholders' equity. These shares have always been treated as outstanding for financial reporting purposes.

#### NOTE 17 –INVESTMENTS – OTHERS

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Investments – others for each of the periods ended September 30, 2011 and March 31, 2011 consist of the following:

|  | All amounts in USD except share data |                |
|--|--------------------------------------|----------------|
|  | As of                                |                |
|  | Sept 30, 2011                        | March 31, 2011 |
| Investment in equity shares of an unlisted company | \$ 61,162                            | \$ 67,355      |
| Investment in partnership (SIIPL-IGC)              | 798,035                              | 810,508        |
|  | \$ 859,197                           | \$ 877,863     |

## NOTE 18 – OTHER INCOME

Other income for the three months ended September 30, 2011 and September 30, 2010 consist primarily of the income relating to the translation of the foreign currency denominated balances primarily consisting of inter-company receivable due to the parent company.

## NOTE 19 - IMPAIRMENT

For the year ended March 31, 2011, the Company conducted an impairment test on the investment in Sricon. Effective October 1, 2009, the Company diluted its investment in Sricon from 63% to 22%. Post dilution, the Company continued to account for the investment in Sricon based on the equity method of accounting. However, the Company entered into a management dispute with Sricon after the Company was not able to obtain the financial statements of Sricon after March 31, 2010. The Company has conducted the impairment test based on the information available with it and the recoverable value of assets that it can ascertain. Based on such an impairment test, the Company has concluded that the investment in Sricon needs to be impaired by \$2,184,599. There have been no further indicators for impairment in the current quarter and accordingly, the Company has not conducted an impairment test for the three months ended September 30, 2011.

## NOTE 20 – RECONCILIATION OF EPS

For the three months ended September 30, 2011 and 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, and 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 September 30, 2011, was applied using the treasury method of calculating the fully diluted shares. The weighted average number of shares outstanding used for the computation of basic EPS is 20,960,433 and 20,699,660 for the three months and six months ended September 30, 2011. Owing to the loss incurred during the three months and six months ended September 30, 2011, all of the potential equity shares are anti-dilutive and accordingly, the diluted EPS is equal to the basic EPS.

## NOTE 21 – SUBSEQUENT EVENTS

On October 14, 2011 the Company entered into a definitive agreement to acquire 100% of H&F Ironman Limited (“HK Ironman”) located in Hong Kong, China, which owns 95% of the operating entity Linxi HeFei Economic and Trade Co. (“PRC Ironman”), an iron ore processing company located in Chifeng, China. For more information about Ironman, please visit the company's Web site at [www.hfironman.net](http://www.hfironman.net).

On October 28, 2011 the Company obtained approval from its shareholders for the issuance of up to 5,000,000 shares, in lieu of cash, to settle the liability with Oliveira.

On November 2, 2011 the Company filed Amendment No. 2 to its Annual Report on Form 10-K/A with the SEC.

## NOTE 22 – CERTAIN AGED RECEIVABLES

The accounts receivable as of September 30, 2011 and March 31, 2011 include certain aged receivables in the amount of \$2.21 million and \$2.37 million respectively. These receivables are due from the National Highway Authority of

India (NHAI) and the Cochin International Airport. The Government of India owns NHAI and the Cochin International Airport is partially owned by the State Government of Kerala. The receivables have been due for periods in excess of one year as of September 30, 2011 and March 31, 2011. These receivables have been classified as current for the following reasons:

TBL worked on the building of an airport runway at the Cochin International Airport and a road and associated bridges on a highway for the NHAI. During the execution of these projects the clients of the Company requested several changes to the engineering drawings. The claims of the Company against each of the clients involve reimbursement of expenses associated with the change orders and variances as well as compensation for delays caused by the client. The delay part of the claim involves equipment that is idle on the job, including interest or lease charges for the equipment while it is idle, workers that are idle, among others. The expense reimbursement involves cost of material including the escalation in the cost of materials, and other charges. These invoices were disputed by the clients and referred to arbitration. The process of arbitration involves each party choosing an arbitrator and the arbitrators appointing a third chief arbitrator. Each party then presents its case over several months and the arbitrator makes an award.

The receivables occurred and became due when TBL, won two separate arbitration awards against each of these organizations. The arbitration awards were first reported and booked in the year ended March 31, 2010. The arbitration awards stipulate that interest be accrued for the period of non-payment. However, the receivables do not have an interest component as the Company will try and use the accrued interest as negotiating leverage for an earlier payment. Although the receivables are contractually due, and hence its classification as current, it may take the Company anywhere from the next 30 days to two years to actually realize the funds, depending on how long these organizations want to delay paying. The Company continues to carry the full value of the receivables, without interest and without any impairment, because the Company believes that there is minimal risk that these organizations will become insolvent and will be unable to make payment.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed financial statements and related notes that appear elsewhere in this Quarterly Report on Form 10-Q, and the Annual Report filed on Form 10-K/A Amendment No. 2 on November 2, 2011. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in Part II, Item 1A of this Quarterly Report on Form 10-Q, as well as in our Annual Report on Form 10-K/A Amendment No. 2 filed on November 2, 2011, including the risk factors set out in Item 1A therein. Therefore, the financial statements included in the Report should be read in conjunction with the audited Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K/A Amendment No. 2 for the fiscal year ended March 31, 2011 filed with the SEC on November 2, 2011.

This Amendment No. 2 to the Annual Report on Form 10-K/A ("Form 10-K/A") amends our Annual Report on Form 10-K for the year ended March 31, 2011, which was filed with the Securities and Exchange Commission ("SEC") on July 14, 2011, as amended by Amendment No. 1 to the Annual Report on Form 10-K/A, which was filed with the SEC on July 27, 2011 ("Form 10-K"). This Form 10-K/A Amendment No. 2 was filed to supplement certain sections of the Form 10-K for the purpose of providing additional disclosure in response to comments received from the Staff of the SEC in connection with a review of our Form 10-K.

## Overview

In response to the increased demand for infrastructure in India and China, our focus is to supply construction materials in India and to China as well as execute infrastructure projects. We do this entirely through our subsidiaries. We supply construction materials such as iron ore and rock aggregate to the construction industry. We build interstate highways, rural roads, and execute civil works in high temperature cement and steel plants. We own and operate rock aggregate quarries. We are pursuing joint venture partnerships with mine owners and have applied for licenses to mine iron ore in India. We have customers in India and China and are exploring other regional opportunities. We also actively continue to pursue joint venture partnerships with mine owners for acquisition of mines and mining rights.

## Company Overview

We are a materials and construction company offering a suite of services including: 1) the export of iron ore to China and supply of ore to the Indian markets, 2) operations and supply of rock aggregate, and 3) the civil construction of roads and highways. Our present and past clients include various Indian government organizations and steel mills in China. Including our subsidiaries, we have approximately 131 employees and contractors. We are focused building out rock aggregate quarries, setting up relations and export hubs for the export of iron ore to China and winning construction contracts.

Our business model is as follows:

1. We supply iron ore to China and trade in steel in the Indian markets.
2. We supply rock aggregate to the construction industry in India and trade in other construction materials in the Indian markets, and
3. We bid and execute construction and engineering contracts.

Our expansion plans include building out 10 rock aggregate quarries to create a one-stop shop for rock aggregate (a business currently 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. 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.

## Core Business Competencies

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

1. A sophisticated, integrated approach to project modeling, costing, management, and monitoring.
2. In-depth knowledge of southern and central Indian infrastructure development.
3. Knowledge of low cost logistics for moving commodities across long distances in specific parts of India.
4. In-depth knowledge of the licensing process for mines and quarries in southern and central India.
5. Strong relationships with several important construction companies and mine operators in southern and central India.

Our core business areas are:

1. Mining and trading. Our mining and trading activity currently centers on the export of iron ore to China and the resale of iron ore to traders in India. India is the fourth largest producer of iron ore. The Freedonia Group projected in May 2010 that China's \$1.15 trillion construction industry would grow 9.1% every year until 2014. This growth will increase China's already large demand for steel. China, which accounted for 648 million metric tons of steel production in 2010, is expected to produce between 690 million and 710 million metric tons in 2011. As The Wall Street Journal reported, this production is expected to be almost half of total global output. We believe that IGC is well positioned to provide some Chinese steel mills with the iron ore needed to meet their demand. Our subsidiary IGC Mining and Trading Private Limited (IGC-IMT), based in Chennai, India, is engaged in the iron ore business. The subsidiary has relationships and in some cases agreements with mine owners in Orissa and Karnataka, two of the largest ore mining belts in India. In addition, it operates facilities at seaports on the west coast of India and to a lesser extent on the east coast of India. The facilities consist of an office and a plot of land within the port to store iron ore. Our staff is experienced in delivering and managing the logistics of ore transport. Our subsidiary services a customer in China by buying ore from Indian mine owners, transporting it to seaports and then subcontracting stevedores to load the ships. Our share of the export market for iron ore is less than 1%.

2. Quarrying rock aggregate. As Indian infrastructure modernizes, the demand for raw materials like rock aggregate, iron 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 will increase to 770 million metric tons in 2013 and 1.08 billion metric tons in 2018. Our subsidiary, IGC Materials Private Limited ("IGC-MPL"), is responsible for our rock aggregate production. The subsidiary currently has two quarrying agreements with two separate partners. The two quarries mined near Nagpur, a city in the state of Maharashtra, India, have approximately 10-11 million metric tons of rock aggregate or about \$40,000,000 of reserves at current prices. With the production of these two quarries, our subsidiary is one of the largest suppliers in the immediate area. Our share of the overall market in India is currently less than 1%. However, IGC-MPL has a growing regional presence in the Nagpur area.

All quarrying or mining activities in India require a license. IGC and its subsidiaries do not directly hold any mining or quarrying licenses and therefore there are no licenses or expenses in connection with acquiring the same being reflected in the consolidated financial statements. However, Sricon holds licenses and we quarry under licenses held by our partners. For all quarries, the licenses are granted for two years. The licenses are automatically renewed for

additional periods of two years, provided that all royalty payments and taxes to the Indian government are paid up to date. IGC-MPL has applied, on its own, for licenses for mining and quarrying. The process of obtaining a quarrying license is difficult and typically takes between 12-18 months. The process involves a competitive application process. As such, while we have applied for licenses, there is no assurance that we will be granted these licenses. IGC-MPL is also in active negotiations with other land and license owners to expand the number of producing quarries available to it.

3. Highway and heavy construction. The Indian government has developed a plan to build and modernize Indian infrastructure. The Wall Street Journal reported on March 23, 2010 that the government 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. Our subsidiary Techni Bharathi Limited (“TBL”), a small road building company, is engaged in highway and heavy construction activities. TBL has constructed highways, rural roads, tunnels, dams, airport runways, and housing complexes, mostly in southern states. TBL, because of its successful execution of contracts, is pre-qualified by the National Highway Authority of India (NHAI) and other agencies. TBL’s share of the overall Indian construction market is very small. However, TBL’s prequalification and prior track record provides a way to grow the Company in highway and heavy construction. Currently, TBL is engaged in the recovery of construction delay claims that it is pursuing against NHAI, the Airport Authority of Cochin, and the Orissa State Works. Our share of the overall market in India is significantly less than 1%.

4. Construction and maintenance of high temperature plants. Through our unconsolidated, minority interest in Sricon Infrastructure Private Limited (Sricon), we engage in the civil engineering, construction and maintenance of high temperature plants. Sricon also has the specialized skills required to build and maintain high temperature chimneys and kilns. Sricon's share of this market in India is less than 1%. We currently hold equity in Sricon. According to the global market researcher eMpulse, the construction industry's total market size in India is approximately \$53 Billion. According to Reuters, India exports about 100 million tons of iron ore per year. Prices for iron ore have averaged around \$140 per metric ton. The rock aggregate market in India is approximately \$3 billion. As noted above, Sricon's share of these markets is less than 1%.

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

| Subsidiary | Six months ended September 30, 2011 | Six months ended September 30, 2010 |
|------------|-------------------------------------|-------------------------------------|
| TBL        | 1 %                                 | 37 %                                |
| IGC-IMT    | 83 %                                | 57 %                                |
| IGC-MPL    | 16 %                                | 5 %                                 |
| IGC-LPL    | - %                                 | 1 %                                 |
| Total      | 100 %                               | 100 %                               |

Customers.

Our present and past customers include the National Highway Authority of India, several state highway authorities, the Indian railways, private construction companies in India, and several steel mills in China, including PRC Ironman.

Construction contract bidding process.

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

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

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

Growth strategy and business model.

Our growth strategy and business model are to:

- 1) 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.

### Competition.

We operate in an industry that is competitive. However, the industry is fragmented and while a number of our competitors are well qualified and better financed than we are, we believe that the demand for contractors in general will permit us to compete for projects and contracts that are appropriate for our size and capabilities. 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. We seek to compete in the gap between these two ends of the competitive spectrum. 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. While we are also constrained by capital, we believe that we are in a better position to secure capital than a number of small, purely local competitors. 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 assuming that we can maintain access to capital. Rock aggregate is generally 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 and relatively efficient market, we compete by aggregating ore from smaller suppliers who do not have direct 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.

### Seasonality.

The road building and construction industries typically experience naturally recurring seasonal patterns throughout India. The Northeast monsoons historically arrive on June 1 annually, 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 September 30, 2011, we employed a work force of approximately 131 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.

### 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.

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

Information and timely financial reporting.

Our operations are located in India where the accepted accounting standard is the Indian GAAP, which, in many cases, is not congruent with the U.S. GAAP. Indian accounting standards are evolving toward IFRS (International Financial Reporting Standards). We engage an independent public accounting firm registered with the U.S. PCAOB to conduct an annual audit of our financial statements. The process of producing financial statements is at times cumbersome and places significant demands upon our existing staff. We believe we are still some time away from having processes and adequately trained personnel in 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 and it is possible that we may fail to meet these time tables. Failure to file our reports in a timely fashion can result in severe consequences including the potential delisting of our securities. In addition, our access to capital may become more difficult or limited if we fail to meet reporting deadlines. We will make our annual reports, quarterly reports, proxy statements, and up-to-date investor presentations available on our website, [www.indiaglobalcap.com](http://www.indiaglobalcap.com), as soon as they are available. Our SEC filings are also available, free of charge, at [www.sec.gov](http://www.sec.gov).

#### Results of Operations

##### Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

**Revenue** - Total revenue was \$912 thousand for the three months ended September 30, 2011, as compared to \$1,682 thousand for the three months ended September 30, 2010. The primary reasons for the decrease in revenues of \$770 thousand is due to the continued ban on mining and export of iron ore from the state of Karnataka in India. This has created major disruptions in the sourcing and transportation as most mines in the region have been shut down pending an investigation into illegal mining.

**Cost of Revenue (excluding depreciation and amortization)** – Cost of revenue is exclusive of depreciation and amortization. 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 for the two primary revenue generating activities of the Company during the current quarter – trading of iron ore and rock aggregates. Cost of revenue for the three months ended September 30, 2011 was about \$903 thousand as compared to \$1,613 thousand for the three months ended September 30, 2010. The increase in cost of revenue as a percentage of revenue from 95.90% to 99.01% is primarily due to the existence of fixed costs, which are continued to be incurred in the current quarter.

**Selling, General and Administrative** - Selling, general and administrative expenses was \$652 thousand for the three months ended September 30, 2011 compared to \$764 thousand for the three months ended September 30, 2010. The selling, general and administrative expenses are generally fixed in nature and include travel, rent, consultancy charges, insurance and legal and professional fees.

**Depreciation** – The depreciation expense was \$76 thousand in the three months ended September 30, 2011 as compared to \$101 thousand in the three months ended September 30, 2010.

**Interest and other financial expense** – The interest expense and other financial expense for the three months ended September 30, 2011 were \$149 thousand compared to \$374 thousand for the three months ended September 30, 2010. The interest expense for the two periods primarily relates to the interest recorded on the debt that has been incurred by the parent company. The decrease in interest payments is because of a decrease in the outstanding debt. Most of the interest expense continues to be non-cash. If the Company raises additional equity capital and uses the proceeds to repay the existing long term debt, we expect a significant reduction in this interest expense. However, there is currently no guarantee that the Company would be in a position to do this.

Income tax benefit/(expense) – For the three months ended September 30, 2011, the Company has not recorded any income tax benefit or expense. The Company continues to incur losses on its operations, which have resulted in taxable losses. Therefore, in the absence of any taxable gain, the Company has not recorded an income tax expense. Further, given that the Company has significant carry forward losses, as a matter of prudence, the Company has created a full valuation allowance on all the deductible differences including carry forward losses. However, the Company continues to believe that these would be recoverable in the future. For the three months ended September 30, 2010, the Company recorded a net income tax benefit of \$33 thousand, which primarily related to the tax assets created for the carry forward losses incurred during the particular quarter.

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

Share in profit of joint venture – For the three months ended September 30, 2011, the Company has recorded an income amounting to \$26 thousand resulting from its share in the joint venture that is reflected as another investment in the balance sheet. The joint venture primarily operates in the rock aggregate crushing and trading business. We are also entitled to an interest on the capital that is invested in this joint venture. During the three months ended September 30, 2011, we have earned interest amounting to \$26 thousand, which has been recorded separately from the share in profit as interest income. The joint venture operates one crusher and for the three months ended September 30, 2011, has generated revenue approximating \$642 thousand which is not reflected in the consolidated revenue.

Consolidated Net Income (loss) – Consolidated net loss for the three months ended September 30, 2011 was \$798 thousand compared to a consolidated net loss of \$859 thousand for the three months ended September 30, 2010.

#### Six Months Ended September 30, 2011 Compared to Six Months Ended September 30, 2010

Revenue - Total revenue was \$1,972 thousand for the six months ended September 30, 2011, as compared to \$2,810 thousand for the six months ended September 30, 2010. The lower revenue in 2011 is from curtailed operations in the iron ore business because of a ban of exports from the state of Karnataka, India.

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 six months ended September 30, 2011 was \$1,877 thousand compared to \$2,596 thousand for the six months ended September 30, 2010.

Selling, General and Administrative - Selling, general and administrative expenses were \$1,386 thousand for the six months ended September 30, 2011 compared to \$1,345 thousand for the six months ended September 30, 2010. The primary reason for the increase in these expenses is due to the issue of stock options to some of the employees of the Company for which we incurred a cost approximating \$235 thousand. Further some of these expenses increased in 2011 because of increased legal and accounting expenses associated with the restatements on Form 10K/A. These increases are partially offset by a marginal decline in some of the variable expenses such as travel in line with the decline in revenue.

Operating Income (loss) - In the six months ended September 30, 2011, operating loss was \$1,417 thousand compared to an operating loss of \$1,328 thousand for the six months ended September 30, 2010.

Interest and other financial expenses –The interest expense and other financial expenses for the six months ended September 30, 2011 were \$450 thousand as compared to \$767 thousand for the six months ended September 30, 2010.

Income tax benefit/(expense) – There was no provision for income taxes in the six months period ended September 30, 2011 compared to tax benefit of \$455 thousand for the same period in 2010.

Consolidated Net Income (loss) – Consolidated net loss for the six months ended September 30, 2011 was \$1,669 thousand compared to a consolidated net loss of \$1,450 thousand for the six months ended September 30, 2010.

#### Off-Balance Sheet Arrangements

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

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Liquidity and Capital Resources

This liquidity and capital resources discussion compares the consolidated company results for the six- month period ended September 30, 2011 and 2010.

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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 six months ended September 30, 2011, cash used for operating activities was \$813 thousand compared to cash used for operating activities of \$1,811 thousand during the six months ended September 30, 2010. The uses of cash in the six months ended September 30, 2011 relate primarily to the payment of general operating expenses of our subsidiary companies. The losses from our operations have primarily contributed to this utilization of cash for our operations. The significant contributor to the reduced cash out flow during the current six months is the realization of some of the accounts receivables and other long term deposits.

During the six months ended September 30, 2011, investing activities from continuing operations provided \$38 thousand of cash as compared to \$166 thousand provided during the same period in 2010. The inflow of cash was primarily due to release of restricted cash during the six months mentioned above.

Financing cash flows from continuing operations generally consist of transactions related to our debt and equity structure. However, there have not been transactions that are to be classified as cash flows from financing activities during the six months ended September 30, 2011. In the six months ended 30 September 2010, financing activities provided approximately \$1,185 thousand.

We have financed our operations primarily from sales of shares of common stock. We raised about \$3.9 million capital during the year through sale of our common stock during the year ended March 31, 2011. We raised such capital in the current year primarily for the purpose of funding our working capital requirements and day-to-day operations. Our operations have not generated sufficient cash during the six months ended September 30, 2011 due to a significant loss in revenues from our iron ore and mining business primarily because of the ban on export of low grade iron ore to China and closure of ports and mines in Karnataka (India). Income loss on this count is majorly the reason for the net cash used in operating activities as although a significant part of the costs associated with revenue also decreased in line with revenue, we had some fixed costs which did not reduce proportionately leading to a decline in our operating profits. During the six months ended September 30, 2011, net cash used for investing activities is not material.

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, anticipated operating cash flow, and potential cash from claims are adequate to sustain the Company, but not to fuel rapid growth commensurate with the opportunities before us. In addition to the existing cash balances, we have about \$1.71 million in restricted cash and about \$2.38 million in receivables from claims. Although these claims were awarded in arbitration and the amounts are contractually due to us, we have not yet received payment from the clients. The amounts have been due for over one year. In the event we were to classify these receivables as long term, or we fail to collect the amounts, or we fail to win the release of restricted cash in the financial year ending March 31, 2012, we will have a working capital deficit. We have and continue to take measures to constrain growth until we have visibility into increased liquidity. As of now our bank lines in India have been reduced to amounts borrowed and outstanding. We continue to explore funding sources including negotiated settlement of accounts receivable, settlement of claims, bank lines, equity, convertible debentures, and debt. However, there can be no assurance that we will be able to access additional credit facilities. Our strategy is to develop businesses that have a very short receivable cycle like the export of ore to China and the sale of rock aggregate and to aggressively collect our outstanding receivables and claims.

Purchasers of our common stock in our At-The-Market offering after July 14, 2010 and the purchasers of our common stock and warrants in our December 2010 offering may have rescission rights with respect to such purchases. To the extent that such purchasers elect to exercise such rights and are ultimately successful in doing so, it would reduce the cash available for our operations.

#### Critical Accounting Policies

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

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## Forward-Looking Statements

Some of the statements contained in this report that are not historical facts constitute forward-looking statements under the federal securities laws. Forward-looking statements can be identified by the use of the words "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "potential," "proposed," or "continue" or the negative of those terms. These statements reflect management's current views and are subject to risks and uncertainties that could cause actual results to differ materially from those projected, expressed or implied in these statements. Factors that could cause actual results to differ, relate to: (i) ability of the Company to successfully execute on contracts and business plans, (ii) ability to raise capital and the structure of such capital including the exercise of warrants, (iii) exchange rate changes between the U.S. dollar and the Indian rupee, (iv) weather conditions in India and (v) the ability of the Company to access ports on the west coast of India. Readers are cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise. Other factors and risks that could cause or contribute to actual results differing materially from such forward looking statements have been discussed in greater detail in the Company's Annual Report on Form 10-K/A Amendment No. 2 for the year ended March 31, 2011 filed with the Securities and Exchange Commission on November 2, 2011 and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 filed with the Securities and Exchange Commission on August 19, 2011.

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

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

#### Customer Risk

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

#### Commodity Prices and Vendor Risk

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

#### Labor Risk

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The building boom in India and the Middle East (India, Pakistan, and Bangladesh export labor to the Middle East) had created pressure on the availability of skilled labor like welders, equipment operators, etc. This has recently changed with the shortage of financial liquidity and falling oil prices. However, with the expected increase in infrastructure spending, we expect a shortage of skilled labor.

### Compliance, Legal and Operational Risks

We operate under regulatory and legal obligations imposed by the Indian government and U.S. securities regulators. Those obligations relate, among other things, to the Company's financial reporting, trading activities, capital requirements and the supervision of its employees. For example, we file our financial statements in three countries under three different Generally Accepted Accounting Standards (GAAP). Failure to fulfill legal or regulatory obligations can lead to fines, censure or disqualification of management and/or staff and other measures that could have negative consequences for our activities and financial performance. We are mitigating this risk by hiring local consultants and staff who can manage the compliance in the various jurisdictions in which we operate. However, the cost of compliance in various jurisdictions could have a negative impact on our future earnings.

## Interest Rate Risk

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

## Exchange Rate Sensitivity

Our Indian subsidiaries conduct all business in Indian rupees with the exception of foreign equipment that is purchased from the U.S. or Europe. Exchange rates have an insignificant impact on our financial results. However, as we convert from Indian rupees to U.S. dollars and subsequently report in U.S. dollars, we may see an impact on translated revenue and earnings. Essentially, a stronger U.S. dollars decreases our reported earnings and a weakening U.S. dollars increases our reported earnings.

In the analysis below, we have compared the reported revenue and expense numbers for the three months ended September 30, 2011 with the three months ended September 30, 2010 based on the average exchange rate used for the three months ended September 30, 2010 to highlight the impact of exchange rate changes on IGC's Indian rupee derived revenues and expenses.

|                                   | Three months ended September 30, 2011 |  |             |            |
|-----------------------------------|---------------------------------------|--|-------------|------------|
|                                   | 2011<br>(current<br>exchange rate)    | 2011<br>(previous year<br>exchange rate) | Change      | Percentage |
| Revenues                          | \$ 912,121                            | \$ 953,697                               | \$ 41,576   | 4.56%      |
| Total<br>expenses<br>before taxes | (1,221,619)                           | (1,277,302)                              | (55,683)    | 4.56%      |
|                                   | \$ (309,498 )                         | \$ (323,606)                             | \$ (14,107) |            |

## 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 follows:

| Period | Period End Average Rate | Period End Rate<br>(Balance sheet rate) |
|--------|-------------------------|---|
|--------|-------------------------|---|

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(Income Statement  
rate)

|  |                   |                   |
|--|-------------------|-------------------|
| Three months ended<br>September 30, 2010 | INR 44.75 per USD | INR 44.56 per USD |
| Year ended March<br>31, 2011             | INR 44.75 per USD | INR 44.54 per USD |
| Three months ended<br>September 30, 2011 | INR 46.80 per USD | INR 49.05 per USD |

#### Item 4. Controls and Procedures

Disclosure controls and procedures are processes and procedures designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods, as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As of September 30, 2011, management conducted an evaluation (under the supervision and with the participation of the chief executive officer and the principal accounting officer), pursuant to Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act, of the effectiveness of the Company’s disclosure controls and procedures as of September 30, 2011. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. A material weakness in internal control over financial reporting (as defined in Auditing Standard No. 5 of the Public Company Accounting Oversight Board) is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected by the entity’s internal control.

On January 19, 2011, the SEC notified the Company of a material weakness with the financial statements filed with the Company’s initial Form 10-K for the fiscal year ended March 31, 2010 because it did not comply with Rule 2-02 under Regulation S-X for audited financial statements, as a result of a qualification in the auditor’s report with respect to the deconsolidation of Sricon. Such report has been filed without such qualification in Amendment No. 1 to the Company’s Form 10-K for the fiscal year ended March 31, 2010. After a review of the circumstances, the Chief Executive Officer and Principal Accounting Officer are now unable to conclude that the Company’s disclosure controls and procedures were effective as of September 30, 2011. The Company’s disclosure controls and procedures failed to identify and address the issue noted by the SEC regarding the audit report.

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

#### Changes in Internal Control over Financial Reporting

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



## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

In January 2011, one of our subsidiaries, IGC-M, initiated legal proceedings against the Sricon management requesting the Company Law Board in India to stay any transactions, such as purchase, sale or a further creation of charge on Sricon's fixed properties including land and plant and machinery, citing mismanagement of company affairs by the present management. IGC-M has also sued for recovery of the investment in Sricon and suitable compensation thereon. Subsequently, in January 2011, the Company received a favorable order from the Company Law Board granting the requested stay. The proceedings for the recovery of investment and a suitable compensation are currently pending adjudication at the Company Law Board, Mumbai.

### Item 1A. Risk Factors

The following is a new addition to the risk factors previously disclosed in the Company's 2011 Annual Report in the Form 10-K/A Amendment No. 2 as filed on November 2, 2011.

Our pending Acquisition could have an adverse impact if not completed.

Our pending acquisition of H&F Ironman, Limited ("HK Ironman") has created an inordinate strain on our recourses, including monetary and personnel, and may cause disruption in our business and, if the pending acquisition does not occur, we will have incurred significant expenses and our stock price may decline. The completion of the pending acquisition is subject to certain conditions, including, among others the approval of a proxy statement by the SEC and a vote approving the acquisition by our shareholders. We cannot predict whether all of the closing conditions for the pending Acquisition set forth in the Acquisition Agreement will be satisfied. As a result, we cannot assure you that the pending acquisition will be completed. If the closing conditions for the pending acquisition set forth in the Acquisition Agreement are not satisfied or waived pursuant to the Acquisition Agreement, or if the transaction is not completed for any other reason, the market price of our common stock may decline. These matters, alone or in combination, could have a material adverse effect on our business and financial results.

### Item 2. Unregistered Sales of Equity Securities

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. (Removed and Reserved)

### Item 5. Other Information

None.

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Item 6. Exhibits

- 3.1 Amended and Restated Articles of Incorporation (1)
  - 3.2 Bylaws (2)
  - 4.1 Specimen Warrant Certificate (3)\*
  - 4.2 Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant. (1)\*
  - 31.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.\*
  - 31.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.\*
  - 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.\*
  - 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.\*
  - 101 Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of September 30, 2011 and March 31, 2011, (ii) Consolidated Statements of Operations for the three and six months ended September 30, 2011 and 2010, (iii) Consolidated Statements of Comprehensive income (loss) for the three and six months ended September 30, 2011 and 2010, (iv) Consolidated Statements of Stockholders Equity (Deficit) for the six months ended September 30, 2011, (v) Consolidated Statements of Cash Flow for the six months ended September 30, 2011 and 2010, and (vi) Notes to Condensed Consolidated Financial Statements for the six months ended September 30, 2011. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, and shall not be deemed “filed” or part of any registration statement or prospectus for purposes of Section 11 or 12 under the Securities Act or the Exchange Act, or otherwise subject to liability under those sections, except as shall be expressly set forth by specific reference in such filing.
- 101.INS XBRL Instance Document\*\*
- 101.SCH XBRL Taxonomy Extension Schema Document\*\*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*\*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document\*\*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*\*

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101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*\*

- (1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-124942), as amended and filed on September 22, 2006.
- (2) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-124942), as amended and filed on February 14, 2006.
- (3) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-124942), as amended and filed on May 13, 2005.

\* Filed as an exhibit hereto.

\*\* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-Q shall be deemed to be "furnished" and not "filed."

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SIGNATURES

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

INDIA GLOBALIZATION CAPITAL, INC.

Date: November 18, 2011 By: /s/ Ram Mukunda  
Ram Mukunda  
Chief Executive Officer and  
President (Principal Executive  
Officer)

Date: November 18, 2011 By: /s/ John B. Selvaraj  
John B. Selvaraj  
Treasurer, Principal Financial and  
Accounting Officer

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