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India Globalization Capital, Inc.  
Form 10-Q  
February 12, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

\_\_\_\_\_  
FORM 10-Q  
\_\_\_\_\_

- ☐ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended December 31, 2014
- ☐ Transition report under Section 13 or 15(d) of the Exchange Act of 1934

Commission file number 001-32830

INDIA GLOBALIZATION CAPITAL, INC.  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of incorporation or  
organization)

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

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

20814  
(Zip Code)

(301) 983-0998  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☐ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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):

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Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a 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

As of February 1, 2015, there were approximately 15,042,844 shares of our common stock outstanding.

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Table of Contents

INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2014

Table of Contents

|                                | Page |
|--------------------------------|------|
| PART I – FINANCIAL INFORMATION |      |
| Item 1.                        | 3    |
|                                | 3    |
|                                | 4    |
|                                | 5    |
|                                | 6    |
|                                | 7    |
| Item 2.                        | 23   |
| Item 3.                        | 26   |
| Item 4.                        | 26   |
| PART II – OTHER INFORMATION    |      |
| Item 1.                        | 27   |
| Item 1A.                       | 27   |
| Item 2.                        | 27   |
| Item 3.                        | 27   |
| Item 4.                        | 27   |
| Item 5.                        | 27   |
| Item 6.                        | 27   |
|                                | 28   |

Table of Contents

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

INDIA GLOBALIZATION CAPITAL, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

|                                                                                                                                                                                       | All amounts in USD except<br>share data |                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------|
|                                                                                                                                                                                       | As of<br>31-Dec - 14<br>(Unaudited)     | 31-March - 14<br>(audited) |
| <b>ASSETS</b>                                                                                                                                                                         |                                         |                            |
| Current assets:                                                                                                                                                                       |                                         |                            |
| Cash and cash equivalents                                                                                                                                                             | \$ 1,118,015                            | \$ 1,026,565               |
| Accounts receivable, net of allowances                                                                                                                                                | 947,695                                 | 566,252                    |
| Inventories                                                                                                                                                                           | 768,825                                 | 611,702                    |
| Prepaid expenses and other current assets                                                                                                                                             | 2,097,466                               | 1,553,936                  |
| Total current assets                                                                                                                                                                  | \$ 4,932,001                            | \$ 3,758,455               |
| Goodwill                                                                                                                                                                              | 982,782                                 | -                          |
| Intangible Assets                                                                                                                                                                     | 481,794                                 | 468,091                    |
| Property, plant and equipment, net                                                                                                                                                    | 8,078,748                               | 7,586,844                  |
| Investments in affiliates                                                                                                                                                             | 5,109,058                               | 5,109,058                  |
| Investments-others                                                                                                                                                                    | 918,124                                 | 31,650                     |
| Deferred acquisition costs                                                                                                                                                            | -                                       | -                          |
| Deferred Income taxes                                                                                                                                                                 | 318,159                                 | 321,676                    |
| Other non-current assets                                                                                                                                                              | 434,363                                 | 458,578                    |
| Total long-term assets                                                                                                                                                                | \$ 16,323,028                           | 13,975,897                 |
| Total assets                                                                                                                                                                          | \$ 21,255,029                           | \$ 17,734,352              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                           |                                         |                            |
| Current liabilities:                                                                                                                                                                  |                                         |                            |
| Short -term borrowings                                                                                                                                                                | 328,942                                 | -                          |
| Trade payables                                                                                                                                                                        | 244,474                                 | 133,365                    |
| Accrued expenses                                                                                                                                                                      | -                                       | 418,480                    |
| Loans - others                                                                                                                                                                        | 1,242,970                               | 424,845                    |
| Other current liabilities                                                                                                                                                             | 338,576                                 | 53,987                     |
| Total current liabilities                                                                                                                                                             | \$ 2,154,962                            | \$ 1,030,677               |
| Notes payable                                                                                                                                                                         | 1,800,000                               | 1,800,000                  |
| Other non-current liabilities                                                                                                                                                         | 1,008,310                               | 758,379                    |
|                                                                                                                                                                                       | \$ 2,808,310                            | 2,558,379                  |
| Total liabilities                                                                                                                                                                     | \$ 4,963,272                            | \$ 3,589,056               |
| Stockholders' equity:                                                                                                                                                                 |                                         |                            |
| Common stock — \$.0001 par value; 150,000,000 shares authorized; 9,373,569 issued and outstanding as of March 31, 2014 and 13,519,355 issued and outstanding as of December 31, 2014. | \$ 1,352                                | \$ 937                     |
| Additional paid-in capital                                                                                                                                                            | 62,997,434                              | 58,362,834                 |
| Accumulated other comprehensive income                                                                                                                                                | (1,849,018 )                            | (2,016,815 )               |
| Retained earnings (Deficit)                                                                                                                                                           | (45,414,623 )                           | (42,719,772 )              |
| Total equity attributable to Parent                                                                                                                                                   | \$ 15,735,145                           | \$ 13,627,184              |

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|                                            |              |              |
|--------------------------------------------|--------------|--------------|
| Non-controlling interest                   | \$556,612    | \$518,112    |
| Total stockholders' equity                 | 16,291,757   | 14,145,296   |
| Total liabilities and stockholders' equity | \$21,255,029 | \$17,734,352 |

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

Table of Contents

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

|                                                                                              | All amounts in USD except<br>share data<br>Three months ended<br>December 31, |           | All amounts in USD except<br>share data<br>Nine months ended<br>December 31, |             |
|----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------|------------------------------------------------------------------------------|-------------|
|                                                                                              | 2014                                                                          | 2013      | 2014                                                                         | 2013        |
| Revenues                                                                                     | \$ 2,542,192                                                                  | 17,529    | \$ 5,423,872                                                                 | 2,275,018   |
| Cost of revenues (excluding depreciation)                                                    | (2,343,062)                                                                   | (7,789)   | (4,966,863)                                                                  | (1,887,521) |
| Selling, general and administrative expenses                                                 | (544,551)                                                                     | (156,048) | (2,413,665)                                                                  | (930,124)   |
| Depreciation                                                                                 | (153,725)                                                                     | (147,708) | (457,768)                                                                    | (444,852)   |
| Operating income (loss)                                                                      | (499,146)                                                                     | (294,016) | (2,414,424)                                                                  | (987,479)   |
| Interest expense                                                                             | (61,957)                                                                      | (52,502)  | (202,876)                                                                    | (233,466)   |
| Interest income                                                                              | 1,610                                                                         | 1,824     | 4,084                                                                        | 8,157       |
| Other income, net                                                                            | (39,503)                                                                      | 41,439    | (111,351)                                                                    | (335,046)   |
| Income before income taxes and minority<br>interest attributable to non-controlling interest | \$ (598,996)                                                                  | (303,255) | \$ (2,724,567)                                                               | (1,547,834) |
| Income taxes benefit/(expense)                                                               | -                                                                             | (1,885)   | -                                                                            | (4,988)     |
| Net income/(loss)                                                                            | \$ (598,996)                                                                  | (305,140) | \$ (2,724,567)                                                               | (1,552,822) |
| Non-controlling interests in earnings of<br>subsidiaries                                     | 8,882                                                                         | (5,336)   | 29,047                                                                       | (6,328)     |
| Net income/(loss) attributable to common<br>stockholders                                     | \$ (590,114)                                                                  | (310,476) | \$ (2,695,520)                                                               | (1,559,150) |
| Earnings/(loss) per share attributable to common<br>stockholders:                            |                                                                               |           |                                                                              |             |
| Basic                                                                                        | \$ (0.05)                                                                     | (0.04)    | \$ (0.22)                                                                    | (0.20)      |
| Diluted                                                                                      | \$ (0.05)                                                                     | (0.04)    | \$ (0.22)                                                                    | (0.20)      |
| Weighted-average number of shares used in computing earnings<br>per share amounts:           |                                                                               |           |                                                                              |             |
| Basic                                                                                        | 12,462,413                                                                    | 7,734,444 | 12,462,413                                                                   | 7,734,444   |
| Diluted                                                                                      | 12,462,413                                                                    | 7,734,444 | 12,462,413                                                                   | 7,734,444   |

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

Table of Contents

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

|                                          | Three Months ended December 31, |                          |              | 2013         |                          |              |
|------------------------------------------|---------------------------------|--------------------------|--------------|--------------|--------------------------|--------------|
|                                          | IGC                             | Non-controlling interest | Total        | IGC          | Non-controlling interest | Total        |
| Net income / (loss)                      | \$(590,114 )                    | 8,882                    | (598,996 )   | \$(310,476 ) | (5,336 )                 | (315,812 )   |
| Foreign currency translation adjustments | \$19,228                        | -                        | 19,228       | \$(382,651 ) |                          | (382,651 )   |
| Comprehensive income (loss)              | \$(570,886 )                    | 8,882                    | \$(579,768 ) | \$(693,127 ) | (5,336 )                 | \$(698,463 ) |

|                                          | Nine months ended December 31, |                          |                | 2013           |                          |                |
|------------------------------------------|--------------------------------|--------------------------|----------------|----------------|--------------------------|----------------|
|                                          | IGC                            | Non-controlling interest | Total          | IGC            | Non-controlling interest | Total          |
| Net income / (loss)                      | \$(2,695,520 )                 | 29,047                   | (2,724,567 )   | \$(1,559,150 ) | (6,328 )                 | (1,565,478 )   |
| Foreign currency translation adjustments | \$167,797                      |                          | 167,797        | \$(167,862 )   |                          | (167,862 )     |
| Comprehensive income (loss)              | \$(2,527,723 )                 | 29,047                   | \$(2,556,770 ) | \$(1,727,012 ) | (6,328 )                 | \$(1,733,340 ) |

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

Table of Contents

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

|                                                               | 2014            | Nine months ended December 31,<br>2013 |
|---------------------------------------------------------------|-----------------|----------------------------------------|
| Cash flows from operating activities:                         |                 |                                        |
| Net income (loss)                                             | \$ (2,724,567 ) | (1,552,822 )                           |
| Adjustment to reconcile net income (loss) to net cash:        |                 |                                        |
| Deferred taxes                                                | -               | 4,988                                  |
| Depreciation                                                  | 457,768         | 444,852                                |
| Unrealized exchange losses/(gains)                            | 121,473         | 322,682                                |
| Unrealized profit/loss from joint venture                     | -               | 28,463                                 |
| Non-cash interest expenses                                    | 174,904         | 219,735                                |
| ESOP and other stock related expenses                         | 341,127         | 181,030                                |
| IR and other shares                                           | 52,520          |                                        |
| Impairment of Investment -Others                              |                 |                                        |
| Changes in:                                                   |                 |                                        |
| Accounts receivable                                           | 20,094          | 95,692                                 |
| Inventories                                                   | 592,216         | (280,819 )                             |
| Prepaid expenses and other assets                             | (359,646 )      | (143,170 )                             |
| Trade payables                                                | (23,364 )       | (5,992 )                               |
| Other current liabilities                                     | 252,793         | (58,222 )                              |
| Other non – current liabilities                               | (616,615 )      | (7,310 )                               |
| Non-current assets                                            | 2,180           | 10,701                                 |
| Accrued Expenses                                              | (418,480 )      | (126,697 )                             |
| Intercompany balances                                         | -               |                                        |
| Net cash used in operating activities                         | \$ (2,127,597 ) | \$ (866,889 )                          |
| Cash flow from investing activities:                          |                 |                                        |
| Proceeds from short term investment                           | -               |                                        |
| Purchase of property and equipment/capital work in progress   | (882,351 )      |                                        |
| Proceeds from sale of property and equipment                  |                 |                                        |
| Deposits towards acquisition (net of cash acquired)           | 165,494         |                                        |
| Deferred acquisition cost                                     | -               |                                        |
| Net cash provided/(used) by investing activities              | \$ (716,857 )   | \$ -                                   |
| Cash flows from financing activities:                         |                 |                                        |
| Issuance of equity stock                                      | 2,999,430       | 638,912                                |
| Net movement in other short-term borrowings                   | (44,322 )       |                                        |
| Proceeds from loans                                           | (133,076 )      | (142,684 )                             |
| Net cash provided/(used) by financing activities              | \$ 2,822,032    | \$ 496,228                             |
| Effects of exchange rate changes on cash and cash equivalents | 113,872         | (253,134 )                             |
| Net increase/(decrease) in cash and cash equivalents          | 91,450          | (623,795 )                             |
| Cash and cash equivalent at the beginning of the period       | 1,026,565       | 1,064,421                              |
| Cash and cash equivalent at the end of the period             | \$ 1,118,015    | \$ 440,626                             |

Supplementary information:



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|                                                           |    |         |    |        |
|-----------------------------------------------------------|----|---------|----|--------|
| Cash paid for interest                                    | \$ | 27,972  | \$ | 13,731 |
| Cash paid for taxes                                       | \$ | 0       | \$ | 0      |
| Non-cash items:                                           |    |         |    |        |
| Common stock issued for interest payment on notes payable | \$ | 174,904 | \$ | 219735 |
| Common stock issued including ESOP & IR                   |    | 393,647 | \$ | 181030 |

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

Table of Contents

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

NOTE 1 – OVERVIEW

a) Description of the Company

India Globalization Capital, Inc. (“IGC”) is positioning itself to be a dominant player in the emerging legal cannabis industry. This cannabis industry includes marijuana and hemp with each having its own legal nuances. We have a three pronged strategy that is compliant with federal and state laws that includes: i) the construction of state-of-the-art facilities that can eventually be used for growing cannabis, ii) the pending acquisition of a New York based crowd-funding backed broker-dealer, Midtown Partners LLC, that will hold conferences, write research reports and provide legal cannabis investment banking services, and iii) the introduction of pharmaceutical and nutraceutical products that use cannabinoid extracts. In India, we trade iron ore and lease construction equipment. In Hong Kong, through a subsidiary, we trade commodities and electronic components.

Our short-term plans are to drive cash flow by (a) expanding the equipment rental business to several states in India, (b) expanding the trading business and (c) deploying indoor farming facilities. Our medium-term plans are to acquire companies or management that can help us expand and diversify our assets to some of the areas that we have identified including legal cannabis. Our long-term plans are to increase our commitment to our existing leasing business in India, and increase our commitment to new industries such as the legal cannabis, indoor farming, and eventually decrease our exposure to the beneficiation of iron ore in China. Our strategy for the legal cannabis industry includes positioning the company in areas where we have a strategic advantage and can leverage our international presence. These strategies include creating a portfolio of marijuana and hemp based patents, partnering to create and file for FDA approval of cannabinoid-based drugs for compassionate use, and creating an R&D lab in a country where we can legally grow the plants.

We are India Globalization Capital, Inc. (the “Company” or “IGC”), a Maryland corporation formed in April 2005 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. In March 2006, we completed an initial public offering of our common stock. In February 2007, we incorporated India Globalization Capital, Mauritius, Limited (“IGC-M”), a wholly-owned subsidiary, under the laws of Mauritius. In March 2008, we completed acquisitions of interests in two companies in India, Sricon Infrastructure Private Limited (“Sricon”) and Techni Bharathi Private Limited (“TBL”). Since March 31, 2013, we beneficially own 100% of TBL after completing the acquisition of the remaining 23.13% of TBL shares that were still owned by the founders of TBL. The 23.13% of TBL was acquired by IGC-MPL, which is a wholly-owned subsidiary of IGC-M. TBL shares are held by IGC-M. TBL is focused on the heavy equipment leasing business. In October 2014, as per a Memorandum of Settlement with Sricon and related parties, IGC received approximately five acres of land in Nagpur, India, valued at approximately \$4 million in exchange for the 22% minority interest we had in Sricon. The registration formalities for the land are expected to be completed in calendar year 2015.

In February 2009, IGC-M beneficially purchased 100% of IGC Mining and Trading Private Limited (“IGC-IMT”) based in Chennai, India. IGC-IMT was formed in December 2008, as a privately held start-up company engaged in the business of trading iron ore. Its current activity is to trade iron ore. In July 2009, IGC-M beneficially purchased 100% of IGC Materials, Private Limited (“IGC-MPL”) based in Nagpur, India, which conducts our quarrying business, and 100% of IGC Logistics, Private Limited (“IGC-LPL”) based in Nagpur, India, which is involved in the transport and delivery of ore, cement, aggregate and other materials. Together, these companies carry out our iron ore trading business in India.

In December 2011, we acquired a 95% equity interest in Linxi HeFei Economic and Trade Co., known as Linxi H&F Economic and Trade Co., a People's Republic of China-based company ("PRC Ironman"), by acquiring 100% of the equity of H&F Ironman Limited, a Hong Kong company ("HK Ironman"). Together, PRC Ironman and HK Ironman are referred to as "Ironman." The parties are evaluating a number of strategic options with respect to Ironman, including a licensing arrangement, a strategic alliance, dividing the plants and/or terminating the entire arrangement. As of this filing, we have made no final determination on this matter but we are attempting to negotiate with the previous owners of ironman to sell the assets back to them in exchange for the IGC shares given as consideration for the assets. We will continue to explore ways to maximize shareholder value.

On May 31, 2014, we completed the acquisition of 51% of the issued and outstanding share capital of Golden Gate Electronics Limited, a corporation organized and existing under the laws of Hong Kong and now known as IGC International ("IGC-INT"). IGC-INT, headquartered in Hong Kong, operates an e-commerce platform for trading of commodities and electronic components. The purchase price of the acquisition consisted of up to 1,209,765 shares of our common stock, valued at approximately \$1,052,496 on the closing date of the acquisition.

Table of Contents

On December 18, 2014, we entered into a Purchase Agreement with Apogee Financial Investments, Inc. (“Apogee”), the previous sole owner of the outstanding membership interests of Midtown Partners & Co., LLC, a Florida limited liability company registered as a broker-dealer under the Securities Exchange Act of 1934 (“Midtown”), and acquired, in an initial closing, 24.9% of the outstanding membership interests in Midtown. In consideration of the initial membership interests, we are to issue to Apogee 1,200,000 shares of our common stock (subject to downward adjustment based on certain Q4 2014 financial statement matters). Following the receipt of all required SEC, FINRA and other regulatory approvals, we have agreed to acquire, in a final closing, the remaining 75.1% of the outstanding membership interests in Midtown in consideration of our issuance to Apogee of an additional 700,000 shares of our common stock (subject to downward adjustment based on certain financial statement matters prior to the final closing).

Unless the context requires otherwise, all references in this report to the “Company,” “IGC,” “we,” “our” and “us” refer to India Globalization Capital, Inc., together with our wholly-owned subsidiaries HK Ironman and IGC-M, as well as our direct and indirect subsidiaries PRC Ironman, TBL, IGC-IMT, IGC-MPL, IGC-LPL, and IGC-INT.

b) List of subsidiaries with percentage holding

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

| Subsidiaries                                             | Immediate holding company | Country of Incorporation   | Percentage of holding as of December 31, 2014 | Percentage of holding as of March 31, 2014 |
|----------------------------------------------------------|---------------------------|----------------------------|-----------------------------------------------|--------------------------------------------|
| H&F Ironman Limited (“HK Ironman”) (1)                   | IGC                       | Hong Kong                  | 100                                           | 100                                        |
| Linxi H&F Economic and Trade Co. (“PRC Ironman”) (3)     | HK Ironman                | Peoples’ Republic of China | 95                                            | 95                                         |
| IGC – Mauritius (“IGC-M”) (1)                            | IGC                       | Mauritius                  | 100                                           | 100                                        |
| Techni Bharathi Private Limited (“TBL”) (2)              | IGC-M                     | India                      | 100                                           | 100                                        |
| India Mining and Trading Private Limited (“IGC-IMT”) (2) | IGC-M                     | India                      | 100                                           | 100                                        |
| IGC Materials Private Limited (“IGC-MPL”) (2)            | IGC-M                     | India                      | 100                                           | 100                                        |
| IGC Logistic Private Limited (“IGC-LPL”) (2)             | IGC-M                     | India                      | 100                                           | 100                                        |
| IGC International Limited (“IGC-INT”) (4)                | IGC                       | Hong Kong                  | 51                                            | 0                                          |

(1) Wholly-owned by India Globalization Capital, Inc.

(2) Wholly-owned by India Globalization Capital, Mauritius, Limited.

(3) 95% owned by HK Ironman, which is India Globalization Capital, Inc.’s wholly-owned subsidiary.

(4) 51% owned by India Globalization Capital, Inc. Formerly known as Golden Gate Electronics Limited.



Table of Contents

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 U.S. Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles (“GAAP”) for complete financial statements. Therefore, the Financial Statements should be read in conjunction with the audited Consolidated Financial Statements contained in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2014 filed with the SEC on July 15, 2014. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included in the Financial Statements. The results for interim periods do not necessarily indicate the results that may be expected for any other interim period or for the full year. The significant accounting policies adopted by the Company, in respect of these consolidated financial statements, are set out below. The Company’s current fiscal year ends on March 31, 2015.

b) Principles of consolidation

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

c) Non-controlling interests

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

The Company accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the investee but not control. In situations, such as the Company’s ownership interest in Sricon Infrastructure Private Limited (“Sricon”), wherein the Company is not able to exercise significant influence in spite of having 20% or more of the voting stock, the Company has accounted for the investment based on the cost method. In addition, the Company consolidates any Variable Interest Entity (“VIE”) if it is determined to be the primary beneficiary. However, as of December 31, 2014, the Company does not have any interest in any VIE or equity method investment.

The non-controlling interest disclosed in the accompanying consolidated financial statements represents the non-controlling interest of subsidiaries in which our ownership is less than one hundred percent, as is the case of Ironman and IGC-INT.

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

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

d) Use of estimates

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

Table of Contents

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

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

## e) Foreign currency translation

IGC operates in India, Hong Kong and China and a substantial portion of the Company's sales are denominated in INR, HKD and RMB, as of those respective operations. As a result, changes in the relative values of the U.S. dollar and INR, HKD or the RMB 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 INR, HKD and the RMB are the functional currencies for the Company. The translation of the functional currencies into U.S. dollars is performed for assets and liabilities using the exchange rates in effect at the balance sheet date and for revenues, costs and expenses using average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income/(loss), a separate component of shareholders' equity. The exchange rates used for translation purposes are as follows:

| Period                               | Period End Average Rate<br>(P&L rate) |       |     |     | Period End Rate<br>(Balance sheet rate) |       |     |     |
|--------------------------------------|---------------------------------------|-------|-----|-----|-----------------------------------------|-------|-----|-----|
| Three months ended December 31, 2013 | INR                                   | 58.22 | per | USD | INR                                     | 61.92 | per | USD |
|                                      | RMB                                   | 6.13  | per | USD | RMB                                     | 6.05  | per | USD |
|                                      | HKD                                   | 7.75  | per | USD | HKD                                     | 7.75  | per | USD |
| Year ended March 31, 2014            | INR                                   | 60.35 | per | USD | INR                                     | 60.00 | per | USD |
|                                      | RMB                                   | 6.21  | per | USD | RMB                                     | 6.22  | per | USD |
|                                      | HKD                                   | 7.76  | per | USD | HKD                                     | 7.76  | per | USD |
| Three months ended December 31, 2014 | INR                                   | 60.76 | per | USD | INR                                     | 63.04 | per | USD |
|                                      | RMB                                   | 6.18  | per | USD | RMB                                     | 6.14  | per | USD |
|                                      | HKD                                   | 7.75  | per | USD | HKD                                     | 7.75  | per | USD |

## f) Revenue recognition

The majority of the revenue recognized for the quarterly period ended December 31, 2014 was derived from the Company's subsidiaries and recognized as follows:



Revenue is recognized when persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured. In government contracting, 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 Staff Accounting Bulletin (“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;

## Table of Contents

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; and

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. The Company assesses these criteria 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.

Specifically, revenue from the trade of iron ore is recognized when the finished product is sold and meets the criteria set out above. Our customers, typically, buy the finished product on a spot basis with a deposit and a 60-day payment term, or in some cases for cash on delivery. In cases where iron ore is shipped from India to a customer in China, as an example, a typical CIF contract pays 95% at the time that the ship leaves port and the remaining 5% when the iron ore passes inspection in China. Therefore, 95% of the revenue is recognized first and the remaining 5% is recognized later, and can take up to 90 days. CIF contracts are guaranteed by letters of credit from the customer.

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

- a) Cost plus contracts: Contract revenue is determined by adding the aggregate cost plus proportionate margin as agreed with the customer and expected to be realized.
- b) Fixed price contracts: Contract revenue is recognized using the percentage completion method and the percentage of completion is determined as a proportion of cost incurred-to-date to the total estimated contract cost. Changes in estimates for revenues, costs to complete and profit margins are recognized in the period in which they are reasonably determinable.

In many of the fixed price contracts entered into by the Company, significant expenses are incurred in the mobilization stage in the early stages of the contract. The expenses include those that are incurred in the transportation of machinery, erection of heavy machinery, clearing of the campsite, workshop ground cost, overheads, etc. All such costs are booked to deferred expenses and written off over the period in proportion to revenues earned.

Where the modifications of the original contract are such that they effectively add to the existing scope of the contract, the same are treated as a change orders. On the other hand, where the modifications are such that they change or add an altogether new scope, these are accounted for as a separate new contract. The Company adjusts contract revenue and costs in connection with change orders only when they are approved by both, the customer and the Company with respect to both the scope and invoicing and payment terms.

In the event of claims in our percentage of completion contracts, the additional contract revenue relating to claims is only accounted after the proper award of the claim by the competent authority. The contract claims are considered in the percentage of completion only after the proper award of the claim by the competent authority.

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

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

g) Accounts receivable

Accounts receivable from Indian authorities and companies is recorded at the invoiced amount, taking into consideration any adjustments made by the Indian government consultants who verify and certify construction and material invoices. Also, the Company evaluates the collectability of selected accounts receivable on a case-by-case basis and makes adjustments to the bad debt reserve for expected losses. For all other accounts, the Company estimates reserves for bad debts based on general aging, experience and past-due status of the accounts. When applicable, the Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of clients to make required payments. The allowance for doubtful accounts is determined by evaluating the relative credit worthiness of each client, historical collections experience and other information, including the aging of the receivables. If circumstances related to customers change, estimates of recoverability would be further adjusted.

## Table of Contents

Regarding our collection policy on commodity, electronic trading receivables, there are three types of trades: 1) payment guaranteed through letters of credit, 2) deposit or spot payment on delivery or 3) delivery on credit. With the first type of trade: our policy for collection is to ask the customer to open a letter of credit with a bank. The typical terms of the letter of credit are that 95% of the payment is made when the material is delivered to the ship, which is verified by the bank with documents including a Bill of Lading, if required. The remaining 5% is paid when the material reaches the port of discharge if it is being shipped from a foreign country. Once the material is unloaded, a CIQ or Certificate of Quality, in the case of iron ore as an example, is produced using a third party to verify the quality of the material. Once this is done, the remaining 5% of the payment is released by the bank. With the second type of trade, customers pay on delivery. If payment is not received the material is not delivered to the customer. On the third type of trade, our policy is to allow the customer to have a payment credit term of 90 days.

### h) Inventories

We provide for inventory obsolescence, excess inventory and inventories with carrying values in excess of market values based on our assessment of the future demands, market conditions and our specific inventory management procedures. If market conditions and actual demands are less favorable than our estimates, additional inventory write-downs may be required. In all cases, inventory is carried at the lower of historical cost or market value.

### i) Investments

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

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

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

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

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

### k) Impairment of long – lived assets

The Company reviews its long-lived assets, with finite lives, for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Such circumstances include, though are not limited to, significant or sustained declines in revenues or earnings, future anticipated cash flows, business plans and material adverse changes in the economic climate, such as changes in operating environment,

competitive information and impact of changes in government policies. For assets that the Company intends to hold for use, if the total of the expected future undiscounted cash flows produced by the assets or subsidiary company is less than the carrying amount of the assets, a loss is recognized for the difference between the fair value and carrying value of the assets. For assets the Company intends to dispose of by sale, a loss is recognized for the amount by which the estimated fair value less cost to sell is less than the carrying value of the assets. Fair value is determined based on quoted market prices, if available, or other valuation techniques including discounted future net cash flows.

l) Earnings per common share

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

Table of Contents

m) Income taxes

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

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.

n) Cash and cash equivalents

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

o) Restricted cash

Restricted cash consists of deposits pledged to various government authorities and deposits used as collateral with banks for guarantees and letters of credit, given by the Company to its customers or vendors.

p) Fair value of financial instruments

As of December 31, 2014 and March 31, 2014, the carrying amounts of the Company's financial instruments, which included cash and cash equivalents, accounts receivable, unbilled accounts receivable, restricted cash, accounts payable, accrued employee compensation and benefits and other accrued expenses, approximate their fair values due to the nature of the items.

q) Concentration of credit risk and significant customers

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

During this quarter, sales were spread across many customers in Hong Kong and India, and therefore the credit concentration risk is low.

r) Leased mineral rights

In China, costs to obtain leased mineral rights are capitalized and amortized to operations as depletion expense within the leased periods, using the straight-line method. Depletion expenses are included in depreciation and amortization on the accompanying statement of operations. As of December 31, 2014, we have no leased mineral rights.

s) Business combination

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

## Table of Contents

### t) Employee benefits plan

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

At this time, the Company does not participate in a multi-employer defined contribution plan in China to provide employees with certain retirement, medical and other fringe benefits because most of the Company's workers are contractors employed through agencies or other companies. In the U.S. we provide health insurance, life insurance and 401 K benefits. The Company makes a 401-K matching contribution up to 3% of the employee's annual salary.

### u) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigations, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

### v) Accounting for goodwill and related impairment

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

The Company adopted the provisions of 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.

Pursuant to 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 it operates in a single operating segment. While the Company's Chief Executive Officer reviews the consolidated financial information for the purposes of decisions relating to resource allocation, the Company's Chief Financial Officer, on an as-needed 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.

In the fiscal year ended March 31, 2013, the Company acquired 23% ownership of its Indian subsidiary, Techni Bharathi Pvt. Ltd., from the promoters and, combined with its previous purchase, holds 100% ownership in Techni Bharathi Pvt. Ltd. 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.

Table of Contents

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.

w) Reclassifications

None.

x) Recently issued and adopted accounting pronouncements

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

Effective January 1, 2012, the Company adopted amendments from the FASB to Fair Value Accounting. The amendments clarify the application of the highest and best use, and valuation premise concepts, preclude the application of "blockage factors" in the valuation of all financial instruments and include criteria for applying the fair value measurement principles to portfolios of financial instruments. The amendments also prescribe additional disclosures for Level 3 fair value measurements and financial instruments not carried at fair value. The adoption of this guidance did not have a material impact on Company's consolidated financial position or results of operations.

In December 2011, the FASB issued new accounting disclosure requirements about the nature and exposure of offsetting arrangements related to financial and derivative instruments. The requirements are effective for fiscal years beginning after January 1, 2013, which for us is the fiscal ending March 2014. The adoption of this guidance did not have a material impact on Company's consolidated financial position or results of operations.

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

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 were effective for us as of January 1, 2012. Because this guidance impacts presentation only, it has no effect on our financial condition, results of operations or cash flows.

In May 2011, the 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 adoption of this guidance did not have a material impact on Company's consolidated financial position or results of operations.

In April 2011, the FASB issued new accounting guidance that addresses effective control in repurchase agreements and eliminated the requirement for entities to consider whether the transferor/seller has the ability to repurchase the financial assets in a repurchase agreement. This new accounting guidance was effective, on a prospective basis, for new transactions or modifications to existing transactions, on January 1, 2012. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations.

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

The \$5,109,058 investments in former affiliates relates to Sricon. On June 21, 2012, IGC entered into a Memorandum of Settlement (the “MOS”) with Sricon and related parties. On October 2014 and pursuant to this MOS, the Company received approximately 5 acres of land in Nagpur, India, valued at approximately \$4.0 million in exchange for the 22% minority interest in Sricon IGC still held. The registration formalities for the land are expected to be completed in calendar year 2015.

Table of Contents

Prepaid expenses and other current assets consist of the following:

|                                  | Period Ended<br>December 31,<br>2014 | Year Ended<br>March 31,<br>2014 |
|----------------------------------|--------------------------------------|---------------------------------|
| Prepaid /preliminary expenses    | \$ 32                                | \$ 376                          |
| Advance to suppliers & services  | 1,132,148                            | 531,822                         |
| Security/statutory advances      | 3,876                                | 5,339                           |
| Advances to employees            | 923,303                              | 977,740                         |
| Prepaid /accrued interest        | 1,613                                | 2,965                           |
| Deposit and other current assets | 36,494                               | 35,694                          |
| Total                            | \$ 2,097,466                         | \$ 1,553,936                    |

\* Advances to Employees represent advances made to employees of Ironman by Ironman, prior to its acquisition by IGC.

Other non-current assets consist of the following:

|                          | Period Ended<br>December 31,<br>2014 | Year Ended<br>March 31,<br>2014 |
|--------------------------|--------------------------------------|---------------------------------|
| Statutory/Other advances | 434,363                              | 458,578                         |
| Total                    | \$ 434,363                           | \$ 458,578                      |

## NOTE 4 – ACCOUNTS RECEIVABLES

Accounts receivable, net of allowances, amounted to \$947,695 and \$566,252, as of December 31, 2014 and March 31, 2014, respectively. The accounts receivable net of reserves for the quarter ended December 31, 2014 comes primarily from the construction activity and from electronic components trading. Presently, the accounts receivable from TBL amount to \$473,061 and from IGC-INT amount to \$403,613. The Company maintains an allowance for doubtful accounts based on present and prospective financial condition of the customer and their inherent credit risk.

## NOTE 5 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were \$2,413,665 for the nine months ended December 31, 2014 as compared to \$930,124 for the nine months ended December 31, 2013. Selling, general and administrative expenses include compensation expenses to management, legal and professional expenses, investor relation expenses, travel expenses and acquisition costs. The increase/decrease in selling, general and administrative expenses in the nine months ended December 31, 2014 as compared to December 31, 2013 was due to acquisition of new business and issuance of shares to employees and investor relations firms.

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

Other current liabilities consist of the following:

|  | Period Ended<br>December 31,<br>2014 | Year Ended<br>March 31,<br>2014 |
|--|--------------------------------------|---------------------------------|
|--|--------------------------------------|---------------------------------|

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|                                     |    |         |    |        |
|-------------------------------------|----|---------|----|--------|
| Statutory payables                  | \$ | 3,831   | \$ | 8,122  |
| Employee related liabilities        |    | 260,698 |    | 37,389 |
| Other liabilities /expenses payable |    | 74,047  |    | 8,476  |
| Total                               | \$ | 338,576 | \$ | 53,987 |

Other non-current liabilities consist of the following:

|                                 | Period Ended<br>December 31,<br>2014 | Year Ended<br>March 31,<br>2014 |
|---------------------------------|--------------------------------------|---------------------------------|
| Creditors - old                 | \$ 134,739                           | \$ 157,399                      |
| Special reserve                 | 0                                    | 600,980                         |
| Acquisition related liabilities | 873,571                              | -                               |
| Total                           | \$ 1,008,310                         | \$ 758,379                      |

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

Table of Contents

## NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

## NOTE 8 – INTANGIBLE ASSETS AND GOODWILL

The movement in intangible assets and goodwill is given below.

|                                         | Period Ended<br>December 31,<br>2014 | Year Ended<br>March 31,<br>2014 |
|-----------------------------------------|--------------------------------------|---------------------------------|
| Balance at the beginning of the period  | \$ 468,091                           | 592274                          |
| Goodwill of Golden Gate Electronics Ltd | \$ 982,782                           | 0                               |
| Amortization                            |                                      | \$ (123,121 )                   |
| Effect of foreign exchange translation  | \$ 13,703                            | (1,062 )                        |
| Total                                   | \$ 1,464,576                         | 468,091                         |

## NOTE 9 – NOTES PAYABLE, LOANS – OTHERS AND SHORT TERM BORROWINGS

The Company has an unsecured Note Payable to Bricoleur Partners, L.P. in the amount of \$1,800,000 ("2012 Security"), currently due July 31, 2016. Up to July 2014, the Company was making monthly interest payments of 17,100 shares of common stock. Starting on August 2014 and as per Amendment No. 2 to the 2012 Security, the Company will start making a monthly interest payment of 23,489 shares of common stock.

IGC-INT maintains banking facilities with multiple banks in Hong Kong. The total outstanding balance of such facilities as of December 31, 2014 was \$1,542,864 disclosed under Short Term Borrowings and Loans-Others for \$328,942 and \$1,213,922 respectively. The average interest rate on such facilities is 5% per annum. The facilities have been utilized to meet the working capital requirements of IGC-INT. Such facilities are primarily secured by the accounts receivable and inventory of IGC-INT and additionally secured by the Guarantee given by Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme and the personal guarantee of the director of IGC-INT and the CEO of IGC.

One of our previous directors has loaned the Company, on an unsecured basis, working capital of \$40,000 at 10% annual interest payable on April 25, 2014. On August 12, 2014, the loan was extended to April 25, 2015 on the same terms. The Company has one loan with a commercial bank for \$100,000 at an interest rate of 3.13%. The loan is a revolving interest only loan guaranteed by our CEO.

## NOTE 10 – RELATED PARTY TRANSACTIONS

For the quarter ended December 31, 2014, the Company had no Related Party Transactions.

## NOTE 11 – COMMITMENTS AND CONTINGENCY

No significant commitments or contingencies were made or incurred during the three months ended December 31, 2014.

## NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

| Category                       | Useful Life<br>(years) | Period Ended<br>December 31,<br>2014 | Year Ended<br>March 31, 2014 |
|--------------------------------|------------------------|--------------------------------------|------------------------------|
| Land                           | N/A                    | \$ 12,069                            | \$ 12,069                    |
| Building (flat)                | 25                     | 1,303,174                            | 1,302,129                    |
| Plant and machinery            | 20                     | 9,212,592                            | 9,214,667                    |
| Computer equipment             | 3                      | 287,344                              | 216,917                      |
| Office equipment               | 5                      | 163,854                              | 164,373                      |
| Furniture and fixtures         | 5                      | 149,004                              | 118,892                      |
| Vehicles                       | 5                      | 533,955                              | 479,952                      |
| Assets under construction      | N/A                    | 5,063,236                            | 4,274,501                    |
| Total                          |                        | \$ 16,725,228                        | \$ 15,783,500                |
| Less: Accumulated depreciation |                        | \$ (8,646,480 )                      | \$ (8,196,656 )              |
| Net Assets                     |                        | \$ 8,078,748                         | \$ 7,586,844                 |

Table of Contents

Depreciation and amortization expense for the nine months ended December 31, 2014 and 2013 was \$457,768 and \$444,852, respectively. Capital work-in-progress represents advances paid towards the acquisition of property and equipment and the cost of property and equipment not put to use before the balance sheet date.

NOTE 13 – STOCK-BASED COMPENSATION

On April 1, 2009, the Company adopted ASC 718, “Compensation-Stock Compensation” (previously referred to as SFAS No. 123 (revised 2004), Share Based Payment). ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. As of December 31, 2014, under the 2008 Omnibus Plan, 130,045 stock options and 1,131,030 shares were granted. As of December 31, 2014, 6,449 shares of common stock remain available for future grants of options or stock awards.

NOTE 14 – COMMON STOCK

Currently, the Company has two securities listed on the NYSE MKT: (1) Common Stock, \$.0001 par value (trading symbol: IGC) (“Common Stock”) and (2) redeemable warrants to purchase Common Stock (trading symbol: IGC.WT). In February 2013, the Company voluntarily delisted its units from the NYSE MKT and requested its unit holders to contact IGC to get the existing units separated into Common Stock and Warrants. Each warrant entitles the holder to purchase one-tenth of share of Common Stock at an exercise price of \$50.00. The warrants were to expire on March 6, 2015, but on February 4, 2015, the Company extended the expiration date to March 6, 2017.

Effective March 31, 2014, the Company and Bricoleur Partners, L.P. agreed to amend the outstanding \$1,800,000 promissory note (“2012 Security”), subject to the same terms of the 2012 Agreement and Amendments No. 1 and No. 2 thereto, to extend the maturity date of the 2012 Security from July 31, 2014 to July 31, 2016. During the quarter ended December 31, 2014, the Company issued 70,467 shares valued at \$55,199 to this debt holder, which constituted an element of repayment of interest.

On August 22, 2013, 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 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 MKT at market prices, or as otherwise agreed with Enclave. The Company estimated that the net proceeds from the sale of the shares of common stock that were being offered were going to be approximately \$3.6 million. On June 8, 2014, IGC entered into a new At the Market (the “June ATM”) Agency Agreement with Enclave Capital LLC. Under the June ATM Agency Agreement, IGC may offer and sell shares of Common Stock having an aggregate offering price of up to \$1.5 million, for a total of \$5.5 million of gross proceeds from the combined ATM agreements. 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. During the quarter ended December 31, 2014, the Company issued no shares of Common Stock under this agreement.

On April 2, 2014, as reported in a current report on Form 8-K filed by the Company on April 3, 2014, we entered into a securities purchase agreement with certain institutional investors relating to the sale and issuance by our company to the investors of an aggregate of 750,000 shares of Common Stock, for a total purchase price of \$506,250. Midtown Partners & Co., LLC (“Midtown”) acted as our exclusive placement agent in this offering. 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.

On May 15, 2014, the Company entered into a public and investor relations consulting services pursuant to which IGC issued a total of 50,000 restricted shares of common stock for a total of \$43,500 as part of compensation.



Further, pursuant to IGC's employee stock option plan, the Company has issued options to purchase 130,045 shares at an average exercise price of \$5.60 per share, all of which are outstanding and exercisable as of December 31, 2014. The Company has also issued a total of 1,131,030 shares to some of its directors and employees. As of December 31, 2014, IGC has 13,519,355 shares of Common Stock issued and outstanding.

#### NOTE 15 – INCOME TAXES

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

Table of Contents

The Company's effective tax rate was 0% for the quarters ended December 31, 2014 and 2013. The Company has US deferred tax assets, which have been offset by valuation allowance because of historical and expected losses. As the Company reverses its losses and becomes profitable, we will reassess the likelihood of recovering a portion or all of the deferred tax assets. The remaining balance of deferred tax assets, which appear on the balance sheet, are from foreign based operations in which utilization is highly probable in offsetting future foreign income taxes.

The Company recorded an income tax gain/expense of \$0 resulting from operational results of its foreign entities for the three-month period ended December 31, 2014 as compared to a tax expense of \$1,885 for the three-month period ended December 31, 2013. As of December 31, 2014 and 2013, there was no significant liability for income tax associated with unrecognized tax benefits.

**NOTE 16 – SEGMENT INFORMATION**

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

The following tables provide information as required by ASC 280-10-50-38 Entity Wide Information as of December 31, 2014:

1) The table below shows revenue reported by product and service:

| Product & Service | Amount              | % on total<br>revenues |
|-------------------|---------------------|------------------------|
| Trading           | \$ 5,361,884        | \$ 98.90               |
| Rental / Lease    | 61,988              | 1.10                   |
| <b>TOTAL</b>      | <b>\$ 5,423,872</b> | <b>\$ 100</b>          |

2(a) The table below shows the revenue attributed to the country of domicile (USA) and foreign countries. Revenue is attributed to an individual country if the invoice made to the customer originates in that country. The basis for originating an invoice is the underlying agreement.

| Geographic Location | Amount              | % on total<br>revenues |
|---------------------|---------------------|------------------------|
| HONG KONG           | \$ 5,361,884        | \$ 98.90               |
| INDIA               | 61,988              | 1.10                   |
| <b>TOTAL</b>        | <b>\$ 5,423,872</b> | <b>\$ 100</b>          |

2(b) The table below shows the long-term assets other than financial instruments held in the country of domicile and foreign countries.

| Nature of Assets | USA (Country<br>of Domicile) | Foreign<br>Countries<br>(India and<br>China) | Total |
|------------------|------------------------------|----------------------------------------------|-------|
|------------------|------------------------------|----------------------------------------------|-------|

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|                                         |    |           |           |           |           |            |
|-----------------------------------------|----|-----------|-----------|-----------|-----------|------------|
| Intangible Assets                       | \$ | \$        | 481,794   | \$        | 481,794   |            |
| Property , Plant and<br>Equipment , Net |    | 772,551   | 7,306,197 |           | 8,078,748 |            |
| Investments in Affiliates               |    | 5,109,058 |           |           | 5,109,058 |            |
| Investments Others                      |    | 888,000   | 30,124    |           | 918,124   |            |
| Deferred Tax Assets                     |    |           | 318,159   |           | 318,159   |            |
| Other Non Current Assets                |    |           | 434,363   |           | 434,363   |            |
| Total Long Term Assets                  | \$ | 6,769,609 | \$        | 8,570,637 | \$        | 15,340,246 |

Table of Contents

## NOTE 17 – INVESTMENTS – OTHERS

Investments – others for each of the periods ended December 31, 2014 and March 31, 2014 consisted of the following:

|                                                    | Period Ended<br>December 31,<br>2014 | Year Ended<br>March 31,<br>2014 |
|----------------------------------------------------|--------------------------------------|---------------------------------|
| Investment in equity shares of an unlisted company | \$ 30,124                            | \$ 31,650                       |
| Investment Middle Town Partners & Co.              | 888,000                              | -                               |
| Total                                              | \$ 918,124                           | \$ 31,650                       |

## NOTE 18 – OTHER INCOME

Other income for the period ended December 31, 2014 contains certain foreign exchange gains/losses arising on account of re-measurement of certain intercompany receivables between the U.S. holding company and the foreign subsidiaries. The total foreign exchange gain/(loss) for the three-month and nine-month periods ended December 31, 2014 amounted to \$43,418 and \$121,473 respectively.

## NOTE 19 – IMPAIRMENT

No impairment was made on the Company's investments during the fiscal quarter ended December 31, 2014.

## NOTE 20 – RECONCILIATION OF EPS

The historical weighted average per share for our shares through December 31, 2014, was applied using the treasury method of calculating the fully diluted shares. The weighted average number of shares outstanding as of December 31, 2014 and 2013 used for the computation of basic earnings per share ("EPS") is 12,462,413 and 7,734,444 respectively. Due to the loss incurred during the three-month period ended December 31, 2014, all of the potential equity shares are anti-dilutive and accordingly, the fully diluted EPS is equal to the basic EPS.

## NOTE 21 – CERTAIN AGED RECEIVABLES

The receivable and other assets as of December 31, 2014 and March 31, 2014, include certain aged receivables in the amount of \$0.5 million. These aged receivables were decreased from \$2.03 million to \$0.5 million in 2013 because we realized the arbitration award amounting to \$1.5 million from the National Highway Authority of India in December 2012. The Company received payment of the money owed on December 31, 2012 by a deposit on our bank account in Andhra Bank, MG Road, Ernakulam, Kerala. The receivables have been due for periods in excess of one year as of December 31, 2014. These receivables are included in accounts receivable and have been classified as current because the arbitration process has concluded and ruling was given in our favor. 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 this organization will become insolvent and unable to make payment.

## NOTE 22 – ACQUISITIONS

On December 18, 2014, we entered into a Purchase Agreement with Apogee the previous sole owner of the outstanding membership interests of Midtown Partners & Co., LLC, a Florida limited liability company registered as a broker-dealer under the Securities Exchange Act of 1934 ("Midtown"), and acquired, in an initial closing, 24.9% of the outstanding membership interests in Midtown. In consideration of the initial membership interests, we have to issue

to Apogee 1,200,000 shares of our common stock (subject to downward adjustment based on certain Q4 2014 financial statement matters). Following the receipt of all required SEC, FINRA and other regulatory approvals, we have agreed to acquire, in a final closing, the remaining 75.1% of the outstanding membership interests in Midtown in consideration of our issuance to Apogee of an additional 700,000 shares of our common stock (subject to downward adjustment based on certain financial statement matters prior to the final closing).

## Table of Contents

A smaller reporting company with significant equity investees must disclose sales, gross profit, net income (loss) from continuing operations, net income, and net income attributable to the investee. Significant equity investees constitute 20% or more of a registrant's consolidated assets, equity or income from continuing operations attributable to the registrant. Since at the time of this filing, our investment in Midtown did not constitute 20% (comes to about 4%) of IGC's consolidated assets, the summarized income information is not furnished.

On May 31, 2014, the Company acquired 51% of the issued and outstanding share capital of Golden Gate Electronics Limited, a corporation organized and existing under the laws of Hong Kong, now known as IGC International. IGC-INT, headquartered in Hong Kong, operates an e-commerce platform for trading of commodities and electronic components.

The acquisition has been accounted for under the acquisition method of accounting in accordance with ASC Topic 805, "Business Combinations". The total purchase price has been allocated to IGC-INT's net tangible assets based on their estimated fair values at the date of acquisition. The Purchase Price Allocation is based upon preliminary estimates and assumptions that may be subject to change during the measurement period (up to one year from the Acquisition Date). The Company generally does not expect the goodwill recognized to be deductible for income tax purposes. The results of operations of IGC-INT for the month of December 2014 have been included in the consolidated results as shown in the Statement of Operations included herein. The assets and liabilities of IGC-INT have been recorded in the Consolidated Balance Sheet of the Company as of December 31, 2014.

Purchase price of the acquisition consisted of up to 1,209,765 shares of our common stock, valued at approximately \$1,052,496 on the closing date of the acquisition and the same will be discharged as follows:

| Particulars                                       | All amounts in<br>USD<br>Fair Value |
|---------------------------------------------------|-------------------------------------|
| IGC Stock Consideration                           | 178,925                             |
| Estimated earn out payment (in the form of Stock) | 873,571                             |
| Total Purchase Consideration                      | 1,052,496                           |

The purchase has been preliminarily allocated to the acquired assets and liabilities, as follows:

| Particulars                   | All amounts in<br>USD<br>Fair Value |
|-------------------------------|-------------------------------------|
| Cash and Cash Equivalents     | 166,916                             |
| Property, Plant and Equipment | 81,730                              |
| Accounts Receivable           | 427,594                             |
| Inventory                     | 749,133                             |
| Other Assets                  | 211,264                             |
| Accounts Payable              | (162,757)                           |
| Loans-Others                  | (1,322,415)                         |
| Other Current Liabilities     | (14,771)                            |
| Non-Controlling Interest      | (66,980)                            |
| Goodwill                      | 982,782                             |

|                              |           |
|------------------------------|-----------|
| Total Purchase Consideration | 1,052,496 |
|------------------------------|-----------|

The above purchase price allocation includes provisional amounts for certain assets and liabilities. The purchase price allocation will continue to be refined primarily in the areas of goodwill and other identifiable intangibles, if any. During the measurement period, the Company expects to receive additional detailed information to refine the provisional allocation above. Non-controlling interests are valued based on the proportional interest in the fair value of the net assets of the acquired entity.

## Table of Contents

IGC-INT is subject to legal and regulatory requirements, including but not limited to those related to taxation matters, in the jurisdiction in which it operates. The Company has conducted a preliminary assessment of liabilities arising out of these matters and has recognized provisional amounts in its initial accounting for the Acquisition for all identified liabilities in accordance with the requirements of ASC Topic 805. However, the Company is continuing its review of these matters during the measurement period, and if new information obtained about facts and circumstances that existed at the Acquisition date identifies adjustments to the liabilities initially recognized, as well as any additional liabilities that existed at the Acquisition date, the acquisition accounting will be revised to reflect the resulting adjustments to the provisional amounts initially recognized.

The following unaudited pro-forma results of the operations of the Company for the three months ended December 31, 2014 and 2013 assume that the IGC-INT acquisition occurred during the beginning of the comparable period.

| Particulars                                           | Nine Months ended December 31, |               |
|-------------------------------------------------------|--------------------------------|---------------|
|                                                       | 2014                           | 2013          |
| Pro forma revenue                                     | \$ 6,643,119                   | \$ 11,960,104 |
| Pro forma other income                                | (109,945 )                     | (290,058 )    |
| Pro forma net income attributable to IGC Stockholders | (2,691,588)                    | (1,538,855 )  |
| Pro forma Earnings per share                          |                                |               |
| Basic                                                 | -0.22                          | -0.20         |
| Diluted                                               | -0.22                          | -0.20         |

## NOTE 23 – SUBSEQUENT EVENTS

As reported on Form 8-K filed with the SEC on February 4, 2015, the Company extended the expiry date for its 11,652,648 outstanding warrants listed on the NYSE MKT with ticker symbol IGC.WT and CUSIP number (45408X118) from 5:00 p.m. New York time on March 6, 2015 until 5:00 p.m. New York time on Monday, March 6, 2017.



## Table of Contents

### 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 on Form 10-K filed with the SEC on July 15, 2014. 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 in our Annual Report on Form 10-K filed with the SEC on July 15, 2014, including the risk factors set out in Item 1A therein. Therefore, the financial statements included in this Report should be read in conjunction with the audited Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K filed with the SEC on July 15, 2014.

#### Company Overview

India Globalization Capital, Inc. ("IGC") is positioning itself to be a dominant player in the emerging legal cannabis industry. This cannabis industry includes marijuana and hemp with each having its own legal nuances. We have a three pronged strategy that is compliant with federal and state laws that includes: i) the construction of state-of-the-art facilities that can eventually be used for growing cannabis, ii) the pending acquisition of a New York based crowd-funding backed broker-dealer, Midtown Partners LLC, that will hold conferences, write research reports and provide legal cannabis investment banking services, and iii) the introduction of pharmaceutical and nutraceutical products that use cannabinoid extracts. In India, we trade iron ore and lease construction equipment. In Hong Kong, through a subsidiary, we trade commodities and electronic components.

Our short-term plans are to drive cash flow by (a) expanding the equipment rental business to several states in India, (b) expanding the trading business and (c) deploying indoor farming facilities. Our medium-term plans are to acquire companies or management that can help us expand and diversify our assets to some of the areas that we have identified including legal cannabis. Our long-term plans are to increase our commitment to our existing leasing business in India, and increase our commitment to new industries such as the legal cannabis, indoor farming, and eventually decrease our exposure to the beneficiation of iron ore in China. Our strategy for the legal cannabis industry includes positioning the company in areas where we have a strategic advantage and can leverage our international presence. These strategies include creating a portfolio of marijuana and hemp based patents, partnering to create and file for FDA approval of cannabinoid-based drugs for compassionate use, and creating an R&D lab in a country where we can legally grow the plants.

#### Subsidiaries Overview

HK Ironman is a Hong Kong-based company incorporated on December 20, 2010 to acquire PRC Ironman. PRC Ironman was incorporated as Linxi Hefei Economic & Trade Co., Ltd. in China on January 8, 2008. HK Ironman owns 95% of PRC Ironman. PRC Ironman is engaged in the processing of iron ore from sand and dirt at its beneficiation plants in southwest Linxi in the autonomous region of eastern Inner Mongolia, under the administration of Chifeng City, Inner Mongolia, an area well connected by roads, planes and railroad. The parties are evaluating a number of strategic options with respect to Ironman, including a licensing arrangement, a strategic alliance, dividing the plants and/or terminating the entire arrangement. As of this filing, we have made no final determination on this matter, but we are attempting to negotiate with the previous owners of ironman to sell the assets back to them in exchange for those IGC shares given as consideration for the assets. We will continue to explore ways to maximize shareholder value.

Incorporated on February 19, 2007, India Globalization Capital, Mauritius, Limited (IGC-M) is a Mauritius based company that manages and owns all the subsidiaries based in India: IGC Materials, Private Limited ("IGC-MPL"), IGC Logistics, Private Limited ("IGC-LPL"), IGC India Mining and Trading ("IGC-IMT") and Techni Bharathi Private Limited ("TBL"). TBL was incorporated on June 19, 1982, in Cochin, India. TBL is an engineering and construction company engaged in the execution of civil construction, structural engineering projects and trading. TBL has a focus in the Indian states of Kerala, Karnataka, and Tamil Nadu. On March 31, 2013, TBL became a wholly owned subsidiary of IGC. The Indian subsidiaries are focused on the trading of materials such as iron ore to customers in India and China and the leasing of construction equipment.

On May 31, 2014, IGC completed the acquisition of 51% of the issued and outstanding share capital of Golden Gate Electronics Limited, a corporation organized and existing under the laws of Hong Kong (formerly "Golden Gate"). This subsidiary, now known as IGC International Limited ("IGC-INT"), operates an e-commerce platform for trading of commodities and electronic components.

## Table of Contents

On December 18, 2014, IGC entered into a Purchase Agreement with Apogee the previous sole owner of the outstanding membership interests of Midtown Partners & Co., LLC, a Florida limited liability company registered as a broker-dealer under the Securities Exchange Act of 1934 ("Midtown"), and acquired, in an initial closing, 24.9% of the outstanding membership interests in Midtown. In consideration of the initial membership interests, we have to issue to Apogee 1,200,000 shares of our common stock (subject to downward adjustment based on certain Q4 2014 financial statement matters). Following the receipt of all required SEC, FINRA and other regulatory approvals, we have agreed to acquire, in a final closing, the remaining 75.1% of the outstanding membership interests in Midtown in consideration of our issuance to Apogee of an additional 700,000 shares of our common stock (subject to downward adjustment based on certain financial statement matters prior to the final closing).

## Results of Operations

### Three Months ended December 31, 2014 Compared to Three Months ended December 31, 2013

**Revenue** - Total revenue was \$2,542,192 for the three months ended December 31, 2014 as compared to \$17,529 for the three months ended December 31, 2013. The revenue reported for both quarters was primarily from trading commodities and electronics and from the India-based heavy equipment leasing business. The increase in revenue relates to an increase in the volume of goods bought and sold. The pricing for iron ore was at record lows and, therefore, the Company moved its resources away from iron ore and into trading other commodities and electronics. The Company expects revenue to continue to grow as we expand trading, vertical farming and the leasing business.

**Cost of Revenue (excluding depreciation)** – Cost of revenue for the three months ended December 31, 2014 was \$2,343,062 as compared to \$7,789 for the three months ended December 31, 2013. The cost of revenue was primarily related to the purchase of raw materials, transportation, storage, local fees, handling, driver and maintenance of equipment and other logistic costs. The cost of revenue as a percentage of revenue was 92% and 44% for the December 2014 and 2013 quarterly periods, respectively. The increase in the cost of revenue is a reflection of decreasing prices of commodities and increased expenses related to ramping up the businesses.

**Selling, General and Administrative** - These consist primarily of employee related expenses, professional fees, other corporate expenses, allocated overhead and provisions and write offs relating to doubtful and bad debts and advances. SG&A expenses were \$544,551 for the three months ended December 31, 2014 as compared to \$156,048 for the three months ended December 31, 2013. The remaining increases reflect our new measures for reaching profitability.

**Depreciation** – The depreciation expense was approximately \$153,725 in the three months ended December 31, 2014 as compared to \$147,708 in the three months ended December 31, 2013.

**Interest and other financial expenses** – The interest expense and other financial expenses for the three months ended December 31, 2014 were approximately \$61,957 as compared to approximately \$52,502 for the three months ended December 31, 2013. In this quarter, \$55,200 was a non-cash interest expense as the interest payment is made through the issuance of a fixed monthly number of shares.

**Other income/(loss)** – Other income for the three-month period ended December 31, 2014 contains certain foreign exchange losses arising on account of re-measurement of certain intercompany receivables between the US holding company and the foreign subsidiaries. The total foreign exchange loss for the three-month period ended December 31, 2014 and December 31, 2013 amount to \$43,418 and \$33,078, respectively.

**Consolidated Net Income/(loss)** – In the three months ended December 31, 2014, the Company reported a GAAP net loss of \$590,114 and a GAAP loss per share of \$0.05 compared to a GAAP net loss of \$310,476 and a GAAP loss per share of \$0.04 for the three months ended December 31, 2013.

Nine Months Ended December 31, 2014 Compared to Nine Months Ended December 31, 2013

Revenue - Total revenue was approximately \$5,423,872 for the nine months ended December 31, 2014, as compared to \$2,275,018 for the nine months ended December 31, 2013. The increase in revenue relates to an increase in the volume of goods bought and sold. The pricing for iron ore was at record lows and, therefore, the Company moved its resources away from iron ore and into trading other commodities and electronics. The Company expects revenue to continue to grow as we expand trading, vertical farming and the leasing business.

Cost of Revenue (excluding depreciation) – Cost of revenue for the nine months ended December 31, 2014 was approximately \$4,966,863 as compared to approximately \$1,887,521 for the nine months ended December 31, 2013. The increase in the cost of revenue is a reflection of decreasing prices of commodities and increased expenses related to ramping up the businesses.

## Table of Contents

**Selling, General and Administrative -** Selling, general and administrative expenses were about \$2,413,665 for the nine months ended December 31, 2014 as compared to approximately \$930,124 for the nine months ended December 31, 2013.

**Depreciation –** The depreciation expense was approximately \$457,768 in the nine months ended December 31, 2014 as compared to about \$444,852 in the nine months ended December 31, 2013.

**Interest and other financial expenses –** The interest expense and other financial expenses for the nine months ended December 31, 2014 were about \$202,876 as compared to approximately \$233,466 for the nine months ended December 31, 2013.

**Other income/(loss) –** The total foreign exchange loss for the nine-month period ended December 31, 2014 and December 31, 2013 is \$121,473 and \$322,682, respectively.

**Consolidated Net Income/ (loss) –** Consolidated net loss for the nine months ended December 31, 2014 was approximately \$2,695,520 compared to a consolidated net loss of about \$1,559,150 for the nine months ended December 31, 2013.

## **Off-Balance Sheet Arrangements**

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

## **Liquidity and Capital Resources**

This liquidity and capital resources discussion compares the consolidated company financial position for the nine-month periods ended December 31, 2014 and 2013.

During the nine months ended December 31, 2014, cash used in operating activities was \$2,127,597 as compared to \$866,889 during the nine months ended December 31, 2013.

During the nine months ended December 31, 2014, net cash used for investing activities in continuing operations was \$716,857 as compared to \$0 used during the same period in 2013.

During the nine months ended December 31, 2014, net cash provided by financing activities was \$2,822,032 as compared to \$496,228 provided during the same period in 2013.

For the quarter ended December 31, 2014, our non-GAAP cash burn was approximately \$262,771 after adjusting for \$153,725 of depreciation, \$43,418 of non-cash foreign exchange loss, \$55,200 of non-cash interest payment, and \$75,000 of one time mediation settlement.

At the end of December 31, 2014, our cash and cash equivalents along with restricted cash was \$1,118,015. We currently have sufficient cash to continue business operations with limited expansion.

## **Critical Accounting Policies**

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

## **Forward-Looking Statements**

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

## Table of Contents

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

- The growth in global and specifically Asian GDP and more specifically infrastructure and the overall demand for iron ore and electronics;
- Competition trading of electronics and commodities;
- Legislation by the governments of the United States, India, China and Hong Kong;
- Labor, trucking, and other logistic issues;
- Unanticipated cash requirements to support current operations, expand our business or incur capital expenditures;
- The loss of key management or scientific personnel;
- The activities of our competitors in the industry;
- The effect of volatility of currency exchange rates; and
- Enactment of new government laws, regulations, court decisions, regulatory interpretations or other initiatives that are adverse to us or our interests.

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

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

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

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

Pursuant to Item 305(e) of Regulation S-K, the Company is not required to provide the information required by this Item as it is a “smaller reporting company.”

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, management conducted an evaluation, under the supervision and with the participation of its Principal Executive Officer (PEO) and its principal financial and accounting officer (PFAO), of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules

13a-15 and 15d-15 of the Securities Exchange Act of 1934. Based upon that evaluation, our PEO and PFAO concluded that our disclosure controls and procedures are effective.

Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our PEO and PFAO, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

#### Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during our fiscal quarter ended December 31, 2014, which were identified in conjunction with Management's evaluation required by paragraph (d) of Rule 13a-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.



Table of Contents

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal proceedings against the Company.

Item 1A. Risk Factors

There are no new additions to the risk factors previously disclosed in the Company's annual report on Form 10-K for the fiscal year ended March 31, 2014 and any subsequent filings.

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

None.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

- 3.1 Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K, as filed on August 6, 2012).
- 3.2 By-laws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, as amended and filed on February 14, 2006 (Reg. No. 333-124942)).
- 31.1 Certification of Principal 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 Principal 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 Principal 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 Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.\*

101.INS XBRL Instance Document\*

101.SCH XBRL Taxonomy Extension Schema Document\*

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*

101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*

101.LAB XBRL Taxonomy Extension Label Linkbase Document\*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

\*Filed herewith.



Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INDIA GLOBALIZATION CAPITAL, INC.

Date: February 12, 2015 By: /s/ Ram Mukunda  
Ram Mukunda  
Chief Executive Officer and President  
(Principal Executive Officer)

Date: February 12, 2015 By: /s/ John Clarke  
John Clarke  
Interim Treasurer (Principal Financial and  
Accounting Officer)

