

India Globalization Capital, Inc.  
Form 10KSB/A  
August 31, 2006

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-KSB/A**

**Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the fiscal year ended March 31, 2006**

**Transition report under Section 13 or 15(d) of the Exchange Act.  
Commission file number 000-1326205  
INDIA GLOBALIZATION CAPITAL, INC.  
(Name of small business issuer in its charter)**

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

**4336 Montgomery Ave. Bethesda, Maryland 20814**

(Address of principal executive offices)

**(301) 983-0998**

(Issuer's telephone number)

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

Title of Each Class	Name of exchange on which registered
Units, each consisting of one share of Common Stock and two Warrants	American Stock Exchange
Common Stock	American Stock Exchange
Common Stock Purchase Warrants	American Stock Exchange

Securities registered under Section 12(g) of the Exchange Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

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

Yes  No

State issuer's revenues for its most recent fiscal year. **None.**

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the Company, computed by reference to the closing price of such stock as of June 1, 2006 was \$62,626,930. For purposes of the computation we consider all directors and holders of 10 percent or more of our common stock to be affiliates.

Therefore, the number of shares of our common stock held by non-affiliates as of June 1, 2006 was 11,304,500 shares.

The number of shares of Common Stock outstanding on June 1, 2006 was 13,974,500 shares.

Transitional Small Business Disclosure Format (check one) Yes  No

**Documents incorporated by reference: None.**

Transitional Small Business Disclosure Format (Check one): Yes  No

---

**INDEX**

**PART II**

**ITEM 5. MARKET FOR MEMBERSHIP UNITS AND RELATED MEMBER MATTERS**

**ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

**ITEM 7. FINANCIAL STATEMENTS**

**PART III**

**ITEM 13. EXHIBITS**

**SIGNATURES**

Certification

Certification

Section 1350 Certification

Section 1350 Certification

---

**Table of Contents**

**EXPLANATORY NOTE**

India Globalization Capital, Inc. ( we, us, or the Company ) has restated its balance sheet as of March 31, 2006 and the related statements of operations, stockholders' equity and cash flows for the period from April 29, 2005 (inception) through March 31, 2006 and amended the related disclosures in our 2005 Annual Report on Form 10-KSB that was originally filed with the Securities and Exchange Commission (the SEC ) on June 29, 2006 (the Original Report ) as described below. As we stated in our 8-K filed August 18, 2006, the Company's previously issued financial statements for these periods should no longer be relied upon.

This Form 10-KSB/A is being filed by India Globalization Capital, Inc. to amend the Company's 2005 Annual Report on Form 10-KSB that was initially filed with the Securities and Exchange Commission (the SEC ) on June 29, 2006 (the Original Report ) in order to record stock compensation expense for the fair value of the shares of common stock issued to its founders and advisors in February 2006. The restatement adjustments are non-cash and had no effect on operating cash flows.

This Form 10-KSB/A also corrects errors in our disclosure in *Item 5. Market for Common Equity and Related Stockholder Matters* regarding the uses of proceeds from our public offering.

This Form 10-KSB/A amends only the cover page and Part II, Items 5, 6 and 7 of the Original Report (the Amended Items ). In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act ), the Amended Items have been amended and restated in their entirety. No attempt has been made in this Form 10-KSB/A to modify or update other disclosures as presented in the Original Report. In addition, the exhibit list in Item 13 of Part III has not been updated except that currently-dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Rule 12b-15 under the Exchange Act, are filed with this Form 10-KSB/A as Exhibits 31 and 32.

Except as described above, no other changes have been made to the Original Filing. This Form 10-KSB/A does not amend or update any other information set forth in the Original Filing, and the Company has not updated disclosures contained therein to reflect any events that occurred at a date subsequent to the filing of the Original Filing. This Form 10-KSB/A is effective for all purposes as of the date of the filing of the Original Filing.

**Table of Contents****PART II****Item 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

The Company commenced its initial public offering on March 8, 2006. From that time until the end of its fiscal year, March 31, 2006, the Company offered ownership units for purchase. An ownership unit in the Company represents an ownership of both common stock and warrants to purchase common stock. On April 13, 2006, there was a voluntary separation of the Company's units into shares of common stock and warrants to purchase common stock. The common stock, units and warrants trade on the American Stock Exchange under the symbols IGC, IGC.U, and IGC.WS, respectively. The following table sets forth the high and low sales prices of the units for the fiscal year, as reported on the American Stock Exchange.

<b>Fiscal Year Ended March 31, 2006</b>	<b>High</b>	<b>Low</b>
March 31, 2006	\$ 6.79	\$ 6.31

As of May 15, 2006, there were approximately 67,000 unit holders of record, 600 stockholders and 600 holders of warrants. The last sale price as reported by the American Stock Exchange on June 1, 2006, was \$6.80 for units, \$5.54 for shares and \$0.69 for warrants. The Company has never paid a cash dividend on its common stock and does not anticipate the payment of cash dividends in the foreseeable future.

**Unregistered Sales of Equity Securities**

Immediately prior to the public offering, the Company completed a private placement to management of 170,000 units. Each unit issued in the private placement consisted of one share of common stock, \$.0001 par value per share, and two warrants, each to purchase one share of common stock. The units were sold at an offering price of \$6.00 per unit, generating aggregate gross proceeds from private placement of \$1,020,000.

**Use of Proceeds from the Public Offering**

On May 13, 2005, we filed a registration statement on Form S-1 (Commission File 333-124942) with the Securities and Exchange Commission, which was declared effective on March 8, 2006. On March 8, 2006, the public offering of 11,304,500 units (including exercise in full of underwriters' over-allotment option) of the Company was consummated. Each unit issued in the public offering consisted of one share of common stock, \$.0001 par value per share, and two warrants, each to purchase one share of common stock. The units were sold at an offering price of \$6.00 per unit, generating aggregate gross proceeds from the public offering and private placement of \$67,827,000.

The following is a breakdown of units registered and the units sold in that offering:

<b>Amount Registered</b>	<b>Aggregate price of the amount registered</b>	<b>Amount Sold</b>	<b>Aggregate price of the amount sold to date</b>
11,304,500 units	\$ 67,827,000	11,304,500 units	\$ 67,827,000

After deducting offering expenses of approximately \$871,800 and underwriting discounts of approximately \$5,160,750, approximately \$61,794,450 of the aggregate proceeds from the public offering were deposited into a trust account at SunTrust Bank maintained by Continental Stock Transfer & Trust Company acting as trustee. However, of the \$871,800 of offering expenses, a portion of these expenses were not paid prior to the close of fiscal year end and were subsequently placed in the trust account. These expenses were paid subsequent to the fiscal year end from interest on the trust account. Additionally, \$1,769,400 of the proceeds attributable to the underwriters' non-accountable expense allowance has been deposited in the trust account. The net proceeds from the 170,000 units which were purchased in a private placement immediately prior to the public offering by our officers and directors were placed in the trust account, which they have agreed to forfeit if a business combination is not consummated. In addition, the proceeds from the loans from our founders in the aggregate amount of \$870,000 were placed in the trust account. The loans will be repaid from the interest accrued on the amount in escrow, but will not be repaid from the principal in escrow. The total amount placed in trust was \$63,845,850.



**Table of Contents**

**Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS.**

**Forward-Looking Statements**

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

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

**Plan of Operation**

We were formed on April 29, 2005, as a blank check company for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition or other similar business combination, one or more businesses in an unspecified industry, with operations primarily in India. We intend to use cash derived from the proceeds of the public offering, our capital stock, debt or a combination of cash, capital stock and debt, to effect a business combination. We are currently a shell company, and we will remain a shell company until we engage in a business combination.

The issuance of additional capital stock, including upon conversion of any convertible debt securities we may issue, or the incurrence of debt could have material consequences on our business and financial condition. The issuance of additional shares of our capital stock (including upon conversion of convertible debt securities):

may significantly reduce the equity interest of our stockholders;

will likely cause a change in control if a substantial number of our shares of common stock or voting preferred stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and may also result in the resignation or removal of one or more of our present officers and directors;

may adversely affect the voting power or other rights of holders of our common stock if we issue preferred stock with dividend, liquidation, conversion or other rights superior to the common stock; and

may adversely affect prevailing market prices for our common stock, warrants or units.

Similarly, the incurrence of debt:

may lead to default and foreclosure on our assets if our operating revenues after a business combination are insufficient to pay our debt obligations;



**Table of Contents**

may cause an acceleration of our obligations to repay the debt even if we make all principal and interest payments when due if we breach the covenants contained in the terms of the debt documents, such as covenants that require the maintenance of certain financial ratios or reserves, without a waiver or renegotiation of such covenants;

may create an obligation to immediately repay all principal and accrued interest, if any, upon demand to the extent any debt securities are payable on demand; and

may hinder our ability to obtain additional financing, if necessary, to the extent any debt securities contain covenants restricting our ability to obtain additional financing while such security is outstanding, or to the extent our existing leverage discourages other potential investors.

The net proceeds from the sale of the units in the public offering and the private placement and the loans from founders and the deferred costs were \$62,815,000, after deducting offering expenses of approximately \$871,800 and underwriting discounts of approximately \$5,160,750, including \$1,769,400 evidencing the underwriters non-accountable expense allowance of 3% of the gross proceeds. However, of the \$871,800 of offering expenses, a portion of these expenses were not paid prior to the close of fiscal year end and were subsequently placed in the trust account. These expenses were paid subsequent to the fiscal year end from interest on the trust account. This entire amount (\$63,845,850) was placed in trust. Additionally, \$1,769,400 of the proceeds attributable to the underwriters non-accountable expense allowance has been deposited in the trust account, as well as \$870,000 of loan proceeds from notes issued to our founding stockholders. We will use substantially all of the net proceeds of the public offering to acquire one or more operating businesses, including identifying and evaluating prospective acquisition candidates, selecting one or more operating businesses, and structuring, negotiating and consummating the business combination. However, we may not use all of the proceeds in the trust in connection with a business combination, either because the consideration for the business combination is less than the proceeds in trust, because we finance a portion of the consideration with our capital stock or debt securities or because certain fees and expenses held in the trust account are due to Ferris, Baker Watts, Inc. In that event, other than the fees and expenses due to Ferris, Baker Watts, the proceeds held in the trust account as well as any other net proceeds not expended will be used to finance the operations of the target business or businesses.

In the event that we consummate a business combination, the proceeds held in the trust account will be used for the following purposes:

Payment of the purchase price for the business combination;

Payment of the fees and costs due to Ferris, Baker Watts, Inc. as representative of the underwriters and financial advisor to the company;

Payment of any finder's fees or professional fees and costs; and

Payment of any fees and costs the Company may incur in connection with any equity or debt financing relating to the business combination.

In addition, the Company will repay the outstanding balance of the aggregate \$870,000 in loans made by Mr. Mukunda and Dr. Krishna to the Company and any deferred expenses.

We believe that, upon consummation of the public offering, the funds available to us outside of the trust account will be sufficient to allow us to operate for at least the next 24 months, assuming that a business combination is not consummated during that time. Over this time period, we anticipate making the following expenditures:

Approximately \$300,000 of expenses for legal, accounting and other expenses attendant to the due diligence investigations, structuring and negotiating of a business combination;

Approximately \$185,000 of expenses for the due diligence and investigation of a target business;

Approximately \$115,000 of expenses in legal and accounting fees relating to our SEC reporting obligations;

**Table of Contents**

Approximately \$96,000 of expenses in fees relating to our office space and certain general and administrative services; and

Approximately \$184,000 for travel, general working capital that will be used for miscellaneous expenses and reserves, including for director and officer liability insurance premiums, deposits, down payments and/or funding of a no shop provision in connection with a prospective business transaction and for international travel with respect to negotiating and finalizing a business combination.

We do not believe we will need additional financing following the public offering in order to meet the expenditures required for operating our business. However, we may need to obtain additional financing to the extent such financing is required to consummate a business combination, in which case we may issue additional securities or incur debt in connection with such business combination.

On May 2, 2005, Mr. Mukunda loaned a total of \$100,000 to us for payment of offering expenses, and on September 15, 2005, Dr. Krishna loaned a total of \$50,000 to us for payment of offering expenses. Pursuant to the terms of these promissory notes, the loans from Mr. Mukunda and Dr. Krishna are payable upon the earlier of (i) the first anniversary of the consummation of the public offering or (ii) the date of the consummation of a business combination. Upon the consummation of the public offering, the founders loaned an additional \$720,000 to us which has been deposited in the trust account. Pursuant to the terms of these promissory notes, the \$720,000 of additional loans from the founders are payable upon the earlier of (i) March 3, 2007 or (ii) the date of the consummation of a business combination. All of the foregoing loans bear interest at a rate of 4% per year. Prior to the consummation of a business combination, the loans will be solely repaid out of the interest earned on the escrowed funds, provided that we will not be required to make any payments from such interest until we have withdrawn an aggregate of \$2,150,000 from such interest for working capital purposes.

We have agreed to pay Integrated Global Networks, LLC, an affiliate of Mr. Mukunda, a monthly fee of \$4,000 for general and administrative services including office space, utilities and secretarial support. This arrangement is for our benefit and is not intended to provide Mr. Mukunda, our Chairman, Chief Executive Officer and President, with compensation in lieu of salary. We believe, based on rents and fees for similar services in the Washington, DC metropolitan area, that the fee charged by Integrated Global Networks, LLC is at least as favorable as we could have obtained from an unaffiliated third party. However, because our directors may not be deemed independent, we did not have the benefit of disinterested directors approving the transaction.

**Competition**

In identifying, evaluating and selecting target businesses, we may encounter intense competition from other entities having a business objective similar to ours. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than us and our financial resources will be relatively limited as compared to many of these competitors. While we believe there are numerous potential target businesses that we could acquire with the net proceeds of the public offering, our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources. This limitation gives others an advantage in pursuing the acquisition of target businesses. Further:

our obligation to seek stockholder approval of a business combination or obtain the necessary financial statements to be included in the proxy materials to be sent to stockholders in connection with a proposed business combination may delay the completion of a transaction;

our obligation to convert into cash shares of common stock held by our public stockholders in certain instances may reduce the resources available to us for a business combination; and

our outstanding warrants and the purchase option granted to Ferris, Baker Watts, Inc., and the future dilution they potentially represent, may not be viewed favorably by certain target businesses.

**Table of Contents**

Any of these factors may place us at a competitive disadvantage in successfully negotiating a business combination. Our management believes, however, that our status as a public entity and potential access to the United States public equity markets may give us a competitive advantage over privately-held entities having a similar business objective as ours in acquiring a target business on favorable terms.

If we succeed in effecting a business combination, there will be, in all likelihood, intense competition from competitors of the target businesses. In particular, certain industries that experience rapid growth frequently attract an increasingly larger number of competitors, including competitors with increasingly greater financial, marketing, technical and other resources than the initial competitors in the industry. The degree of competition characterizing the industry of any prospective target business cannot presently be ascertained. Subsequent to a business combination, however, we may not have the resources to compete effectively, especially to the extent that the target businesses are in high-growth industries.

**Off Balance Sheet Arrangements**

Options and warrants issued in conjunction with our initial public offering are equity linked derivatives and accordingly represent off balance sheet arrangements. The options and warrants meet the scope exception in paragraph 11(a) of FAS 133 and are accordingly not accounted for as derivatives for purposes of FAS 133, but instead are accounted for as equity. See the notes to the March 31, 2006 financial statements for a discussion of outstanding options and warrants.

**Table of Contents**

**Item 7. FINANCIAL STATEMENTS.**

**INDEX TO FINANCIAL STATEMENTS**

	<b>Page</b>
<u>Report of independent registered public accounting firm</u>	8
<u>Balance sheet as of March 31, 2006</u>	9
<u>Statement of operations for the period from April 29, 2005 (date of inception) through March 31, 2006</u>	10
<u>Statement of stockholders' equity for the period from April 29, 2005 (date of inception) through March 31, 2006</u>	11
<u>Statement of cash flows for the period from April 29, 2005 (date of inception) through March 31, 2006</u>	12
<u>Notes to financial statements</u>	13

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors

India Globalization Capital, Inc.

We have audited the accompanying balance sheet of India Globalization Capital, Inc. (a development stage company) as of March 31, 2006 and the related statements of operations, stockholders' equity and cash flows for the period from April 29, 2005 (inception) through March 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of India Globalization Capital, Inc. as of March 31, 2006 and the results of its operations and its cash flows for the period from April 29, 2005 (inception) through March 31, 2006 in conformity with United States generally accepted accounting principles.

As described in Note F, the accompanying financial statements have been restated to record compensation expense.

**GOLDSTEIN GOLUB KESSLER LLP**

New York, New York

June 13, 2006, except for Note F,

as to which the date is August 18, 2006

**Table of Contents**

**India Globalization Capital, Inc.**  
**(a development stage company)**  
**BALANCE SHEET**  
**(Restated)**

	<b>March 31, 2006</b>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 2,210
Investments held in Trust Fund	65,825,016
Prepaid expenses and other current assets	76,766
<b>Total Current Assets</b>	<b>65,903,992</b>
Deferred tax assets Federal and State, net of valuation allowance	25,000
<b>Total Assets</b>	<b>\$ 65,928,992</b>
 <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>	
Current Liabilities:	
Accrued expenses	\$ 286,105
Notes payable to stockholders	870,000
Taxes payable	70,000
Due to underwriters	1,769,400
<b>Total current liabilities</b>	<b>\$ 2,995,505</b>
Common stock subject to possible conversion, 2,259,770 at conversion value (Note A)	12,762,785
 <b>COMMITMENTS</b>	
<b>STOCKHOLDERS EQUITY</b>	
Preferred stock \$.0001 par value; 1,000,000 shares authorized; none issued and outstanding	
Common stock \$.0001 par value; 75,000,000 shares authorized; issued and outstanding	
13,974,500	1,397
Additional paid-in capital	50,613,145
Deficit accumulated during the development stage	(443,840)
<b>Total stockholders equity</b>	<b>\$ 50,170,702</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 65,928,992</b>

See notes to financial statements





**Table of Contents**

**India Globalization Capital, Inc.**  
**(a development stage company)**  
**STATEMENT OF OPERATIONS**  
**(Restated)**

		<b>April 29, 2005</b> <b>(Date of inception)</b> <b>through March 31,</b> <b>2006</b>
Legal and formation, travel and other start up costs	\$	(73,683)
Compensation expense		(535,741)
Interest income		210,584
Loss before income taxes		(398,840)
Provision for income taxes, net		45,000
<b>Net loss</b>	<b>\$</b>	<b>(443,840)</b>
<b>Net loss per share: Basic and diluted</b>	<b>\$</b>	<b>(0.14)</b>
<b>Weighted average number of shares outstanding basic and diluted</b>		<b>3,191,000</b>

See notes to financial statements

**Table of Contents**

**India Globalization Capital, Inc.**  
**(a development stage company)**  
**STATEMENT OF STOCKHOLDERS EQUITY**  
**(Restated)**

	<b>Common Stock</b>		<b>Additional</b>	<b>Deficit</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Paid-in</b>	<b>Accumulated</b>	<b>Total</b>
			<b>Capital</b>	<b>during the</b>	<b>Stockholders</b>
				<b>Development</b>	<b>Equity</b>
				<b>Stage</b>	
Issuance of common stock to founders at \$.01 per share (1,750,000 shares on May 5, 2005 and 750,000 shares on June 20, 2005)	2,500,000	\$ 250	\$ 24,750		\$ 25,000
Surrendered shares (on September 7, 2005 and February 5, 2006 of 62,500 and 137,500 respectively)	(200,000)	(20)	20		
Issuance of common stock to founders at \$.01 per share on February 5, 2006	200,000	20	537,721		537,741
Sale of 170,000 units in a private placement	170,000	17	1,019,983		1,020,000
Sale of 11,304,500 units, net of underwriters discount and offering expenses (including 2,259,770 shares subject to possible conversion) and \$100 from underwriters option	11,304,500	1,130	61,793,456		61,794,586
Proceeds subject to possible conversion of shares			(12,762,785)		(12,762,785)
Net loss for the period				\$ (443,840)	(443,840)
Balance at March 31, 2006	13,974,500	\$ 1,397	\$ 50,613,145	\$ (443,840)	\$ 50,170,702

See notes to financial statements

**Table of Contents**

**India Globalization Capital, Inc.**  
**(a development stage company)**  
**STATEMENT OF CASH FLOWS**  
**(Restated)**

	<b>April 29, 2005 (Date of Inception) through March 31, 2006</b>
<b>Cash flows from operating activities:</b>	
Net loss	\$ (443,840)
Adjustment to reconcile net loss to net cash used in operating activities:	
Interest earned on Treasury Bills	(203,022)
Non-cash compensation expense	535,741
Deferred taxes	(25,000)
Changes in:	
Prepaid expenses and other current assets	(76,766)
Accrued expenses	47,679
Taxes payable	70,000
 Net cash used in operating activities	 (95,208)
 <b>Cash flows from investing activities:</b>	
Purchase of treasury bills	(131,229,427)
Maturity of treasury bills	65,780,000
Increase in cash held in trust	(172,567)
 Net Cash used in investing activities	 (65,621,994)
 <b>Cash flows from financing activities:</b>	
Issuance of common stock to founders	27,000
Payments of offering costs	(4,024,688)
Proceeds from notes payable to stockholders	870,000
Proceeds from issuance of underwriters option	100
Gross proceeds from initial public offering	67,827,000
Proceeds from private placement	1,020,000
 Cash provided by financing activities	 65,719,412
 <b>Net increase in cash and cash at end of period</b>	 \$ 2,210
 <b>Supplemental schedule of non cash financing activities:</b>	
Accrual of offering costs	\$ 238,426

<b>Accrual of deferred underwriters fees</b>	<b>\$ 1,769,400</b>
--	---------------------

See notes to financial statements

12

---

**Table of Contents**

INDIA GLOBALIZATION CAPITAL, INC.  
(a development stage company)  
NOTES TO FINANCIAL STATEMENTS

**NOTE A ORGANIZATION AND BUSINESS OPERATIONS**

India Globalization Capital, Inc. (the Company) was incorporated in Maryland on April 29, 2005. The Company was formed to serve as a vehicle for the acquisition of an operating business in an unspecified industry located in India through a merger, capital stock exchange, asset acquisition or other similar business combination. The Company has neither engaged in any operations nor generated significant revenue to date. The Company is considered to be in the development stage and is subject to the risks associated with activities of development stage companies. The registration statement for the Company's initial public offering (the Public Offering) (as described in Note C) was declared effective March 2, 2006. The Company consummated the Public Offering including the over allotment option on March 8, 2006, and preceding the consummation of the Public Offering on March 2, 2006 certain of the officers and directors of the Company purchased an aggregate of 170,000 units from the Company in a private placement (the Private Placement). The units sold in the Private Placement were identical to the units sold in the offering, but the purchasers in the Private Placement have waived their rights to conversion and receipt of the distribution on liquidation in the event the Company does not complete a business combination (as described below). The Company received net proceeds from the Private Placement and the Offering of approximately \$62,815,000 (Note C).

The Company's management has broad discretion with respect to the specific application of the net proceeds of the Private Placement and the Public Offering (together, the Offering) although substantially all of the net proceeds of the Offering are intended to be generally applied toward acquiring one or more operating businesses in an unspecified industry located in India (Business Combination), which may not constitute a business combination for accounting purposes. Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. Upon the closing of the Offering, approximately ninety-seven percent (97%) of the gross proceeds of the Public Offering are being held in a trust account (Trust Fund) and invested in government securities until the earlier of (i) the consummation of its first Business Combination or (ii) the distribution of the Trust Fund as described below. The remaining proceeds, along with interest earned on the Trust Fund, may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that holders of 50% or more of the shares issued in the Offering vote against the Business Combination or the holders of 20% or more of the shares issued in the Public Offering elect to exercise their conversion rights, the Business Combination will not be consummated. However, the persons who were stockholders prior to the Public Offering (the Founding Stockholders) will not participate in any liquidation distribution with respect to any shares of the common stock acquired in connection with or following the Public Offering. (Note I) In the event that the Company does not consummate a Business Combination within 18 months from the date of the consummation of the Public Offering, or 24 months from the consummation of the Public Offering if certain extension criteria have been satisfied (the Acquisition Period), the proceeds held in the Trust Fund will be distributed to the Company's public stockholders, excluding the Founding Stockholders to the extent of their initial stock holdings. In the event of such distribution, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Fund assets) will be less than the initial public offering price per share in the Public Offering (assuming no value is attributed to the warrants contained in the Units offered in the Public Offering discussed in Note C).

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

[1] Income per common share:

Basic earnings per share is computed by dividing net income applicable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the additional dilution for all potentially dilutive securities such as stock warrants and options. The effect of the 22,949,000 outstanding warrants, issued in connection with the Public Offering and the Private Placement described in Note C has not been considered in the diluted weighted average shares since the warrants are contingently exercisable. The



**Table of Contents**

INDIA GLOBALIZATION CAPITAL, INC.  
(a development stage company)  
NOTES TO FINANCIAL STATEMENTS

effect of the 500,000 outstanding units issued to the underwriters in connection with the Public Offering has not been included in the diluted weighted average shares since the effect would be anti-dilutive.

[2] Use of estimates:

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

[3] Income taxes:

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

[4] Cash and Cash Equivalents:

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

[5] Recent Accounting Pronouncements:

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004) ( SFAS 123(R) ), Share Based Payment . SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The Company is required to adopt SFAS 123 (R) effective April 1, 2006. The Company does not believe that the adoption of SFAS No. 123(R) will have a significant impact on its financial condition or results of operations. Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have material effect on the accompanying financial statements.

**NOTE C INITIAL PUBLIC OFFERING**

On March 8, 2006, the Company sold 11,304,500 units ( Units ) in the Public Offering. Each Unit consists of one share of the Company's common stock, \$.0001 par value, and two redeemable common stock purchase warrants ( Warrants ). Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 commencing the later of the completion of a Business Combination or one year from the effective date of the Public Offering and expiring five years from the effective date of the Public Offering. The Warrants become callable for \$0.01 per Warrant only in the event that the last sale price of the common stock is at least \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which notice of redemption is given.

In connection with the Offering, the Company paid the underwriters of the Public Offering (collectively, the

Underwriter ) an underwriting discount of approximately 5% of the gross proceeds of the Public Offering (\$3,391,350). In addition, a non-accountable expense allowance of 3% of the gross proceeds of the Public Offering, excluding the over-allotment option, is due to the Underwriter, who has agreed to deposit the non-accountable expense allowance (\$1,769,400) into the Trust Fund until the earlier of the completion of a business combination or the liquidation of the Trust Fund. The Underwriter has further agreed to forfeit any rights to or claims against such proceeds unless the Company successfully completes a business combination.

**Table of Contents**

INDIA GLOBALIZATION CAPITAL, INC.  
(a development stage company)  
NOTES TO FINANCIAL STATEMENTS

The warrants separated from the Units and began to trade on April 13, 2006. After separation, each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 commencing on the later of (a) one year from the effective date of the Public Offering or (b) the earlier of the completion of a Business Combination with a target business or the distribution of the Trust Fund and expiring five years from the date of the Public Offering. The Company has a right to call the Warrants, provided the common stock has traded at a closing price of at least \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is given. If the Company calls the Warrants, the holder will either have to redeem the Warrants by purchasing the common stock from the Company for \$5.00 or the Warrants will be repurchased for \$0.01 per Warrant.

The Underwriter's over-allotment option of 1,474,500 Units was exercised and the 11,304,500 units sold at the closing of the Public Offering include the over-allotment.

In connection with this Offering, the Company issued an option, for \$100, to the Underwriter to purchase 500,000 Units at an exercise price of \$7.50 per Unit, exercisable the later of March 2, 2007 or the consummation of a Business Combination. The Company has accounted for the fair value of the option, inclusive of the receipt of the \$100 cash payment, as an expense of the Public Offering resulting in a charge directly to stockholders' equity. The Company estimated, using the Black-Scholes method, the fair value of the option granted to the underwriters as of the date of grant was approximately \$756,200 using the following assumptions: (1) expected volatility of 30.1 %, (2) risk-free interest rate of 3.9% and (3) expected life of five years. The estimated volatility was based on a basket of Indian companies that trade in the U.S. or the U.K. The option may be exercised for cash or on a cashless basis, at the holder's option, such that the holder may use the appreciated value of the option (the difference between the exercise prices of the option and the underlying warrants and the market price of the units and underlying securities) to exercise the option without the payment of any cash. The warrants underlying such Units are exercisable at \$6.25 per share.

**NOTE D INVESTMENTS HELD IN TRUST FUND**

Investments held in trust consist of Treasury Bills and money market funds. The Treasury Bills have been accounted for as trading securities and recorded at their fair market value. The excess of market value over cost is included in interest income in the accompanying statement of operations. Investments held in trust as of March 31, 2006 include the following:

Investment held for the benefit of the Company	\$ 63,845,850
Investment held for the benefit of the Underwriter	1,769,400
Investment earnings (available to fund Company expenses up to a maximum of \$2,150,000)	209,766
	\$ 65,825,016

**NOTE E NOTES PAYABLE TO STOCKHOLDERS**

Three unsecured notes were issued to two of the Founding Stockholders of the Company. One note of \$100,000 and another for \$50,000 were issued on May 2, 2005 and on September 26, 2005, respectively, and were payable the earlier of April 30, 2006 or upon the consummation of the Public Offering. On December 15, 2005, the unsecured notes referred to above were amended to provide that they become payable upon the earlier of the consummation of a Business Combination or the first anniversary of the consummation of the Public Offering. Another note of \$720,000 was issued on March 3, 2006 and is payable on the earlier of March 3, 2007 or the consummation of a Business Combination. The notes all bear interest at 4% per annum. Due to the short-term nature of the notes, the fair value of the notes approximate their carrying amount. Interest expense of \$5,500 has been included in the statement of operations for the period ended March 31, 2006 relating to these notes.

**NOTE F RELATED PARTY TRANSACTION**



The Company has agreed to pay Integrated Global Network, LLC, a related party and privately-held company where one of the Founding Stockholders serves in an executive capacity, an administrative fee of \$4,000 per month for

15

---

**Table of Contents**

INDIA GLOBALIZATION CAPITAL, INC.  
(a development stage company)  
NOTES TO FINANCIAL STATEMENTS

office space and general and administrative services from the effective date of the Proposed Offering through the date of a Business Combination. The statement of operations includes approximately \$3,000 in connection with this agreement.

In February 2006, the Company issued an aggregate of 200,000 shares of common stock to its founders and advisors. The shares were issued for an aggregate price of \$2,000. The fair value of these shares was estimated to be \$537,741, the difference of \$535,741 was recorded as compensation expense on the accompanying statement of operations. The fair value was determined by allocating the \$6.00 Unit price in the Offering between the estimated fair value of the shares and warrants to be included therein. The per share fair value was estimated to be \$2.69. The March 31, 2006 financial statements as originally issued have been restated to record this compensation expense. As a result, the deficit accumulated during the development stage and net loss increased by \$535,741 (\$0.17 per share, from income per share of \$0.03 to a loss per share of \$0.14) and additional paid in capital increased by \$535,741.

**NOTE G COMMON STOCK**

On August 24, 2005, the Company's Board of Directors authorized a reverse stock split of one share of common stock for each two outstanding shares of common stock and approved an amendment to the Company's Certificate of Incorporation to decrease the number of authorized shares of common stock to 75,000,000. All references in the accompanying financial statements to the number of shares of stock have been retroactively restated to reflect these transactions.

At March 31, 2006, 24,449,000 shares of common stock were reserved for issuance upon exercise of redeemable warrants and underwriters' purchase option.

**NOTE H INCOME TAXES**

The provision for income taxes for the period ended March 31, 2006 consists of the following:

Current:	
Federal	\$ 70,000
Deferred:	
Federal	(25,000)
Net tax provision	\$ 45,000

The total tax provision for income taxes for the period ended March 31, 2006 differs from that amount which would be computed by applying the U.S. Federal income tax rate to income before provision for income taxes as follows:

Statutory Federal income tax rate	34%
State tax benefit net of federal tax	(3)%
Increase in state valuation allowance	3%
Other	(1)%
Effective income tax rate	33%

The tax effect of temporary differences that give rise to the net deferred tax asset is as follows:

Operating costs deferred for income tax purposes	\$ 30,000
Less: Valuation Allowance	(5,000)
Net deferred tax asset	\$ 25,000

The Company has recorded a valuation allowance against the state deferred tax asset since they cannot determine realizability for tax purposes and therefore can not conclude that the deferred tax asset is more likely than not recoverable at this time.

**Table of Contents**

INDIA GLOBALIZATION CAPITAL, INC.  
(a development stage company)  
NOTES TO FINANCIAL STATEMENTS

**NOTE I COMMITMENTS**

In connection with the Offering and pursuant to an advisory agreement, the Company has engaged its underwriters as its investment bankers to provide the Company with assistance in structuring the Business Combination. As compensation for the foregoing services, the Company will pay the Underwriters a cash fee at the closing of a Business Combination equal to 2% of the aggregate consideration paid in such Business Combination up to a maximum of \$1,500,000.

Pursuant to letter agreements with the Company and the underwriters, the Founding Stockholders have waived their rights to participate in any liquidation distribution occurring upon our failure to complete a business combination, with respect to those shares of common stock acquired by them prior to the Offering and with respect to the shares included in the 170,000 Units they purchased in the Private Placement.

The Founding Stockholders will be entitled to registration rights with respect to their founding shares and the shares they purchased in the private placement pursuant to an agreement executed on March 3, 2006. The holders of the majority of these shares are entitled to make up to two demands that the Company register these shares at any time after the date on which the lock-up period expires. In addition, the Founding Stockholders have certain piggy-back registration rights on registration statements filed subsequent to the anniversary of the effective date of the Offering.

**NOTE J PREFERRED STOCK**

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

**Table of Contents**

**PART III**

**Item 13. EXHIBITS.**

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

<b>Exhibit No.</b>	<b>Exhibit</b>
31.1	Certificate pursuant to 17 CFR 240.13a-14(a).
31.2	Certificate pursuant to 17 CFR 240.13a-14(a).
32.1	Certificate pursuant to 18 U.S.C. § 1350.
32.2	Certificate pursuant to 18 U.S.C. § 1350.

**SIGNATURES**

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

INDIA GLOBALIZATION CAPITAL,  
INC.

Date: August 31, 2006

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

Date: August 31, 2006

/s/ John Cherin  
John Cherin  
Chief Financial Officer and Treasurer  
(Principal Financial and Accounting  
Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: August 31, 2006

/s/ Dr. Ranga Krishna  
Dr. Ranga Krishna, Director

Date: August 31, 2006

/s/ Sudhakar Shenoy  
Sudhakar Shenoy, Director

Date: August 31, 2006

/s/ Ram Mukunda  
Ram Mukunda, Director

Date: August 31, 2006

/s/ John Cherin  
John Cherin, Director