WELSPUN PIPES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016 AND 2015

WITH

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

Hudson Cisne & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Stockholders
Welspun Pipes, Inc. and Subsidiaries
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Welspun Pipes, Inc. and Subsidiaries, which are comprised of the consolidated balance sheets as of March 31, 2016 and 2015, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Welspun Pipes, Inc. and Subsidiaries as of March 31, 2016 and 2015, and the results of their operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Hudson, Cisne & Co. LLP

April 21, 2016

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2016 AND 2015

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	$ 25,181,731	$ 16,563,134
Restricted cash	539,652	525,146
Accounts receivable - trade	94,568,978	43,173,719
- related party	9,949	241,789
- other	-	708,400
Accrued interest receivable - related party	-	148,438
Income taxes refundable	3,763,962	3,912,326
Inventories	77,881,457	160,843,054
Deferred income taxes	-	3,119,898
Prepaid expenses, advances and other	2,973,615	3,126,349
Total current assets	204,919,344	232,362,253
Long-term note receivable - related party	-	15,000,000
Net property, plant and equipment	161,130,204	172,202,321
Other assets	505,830	708,163
	$ 366,555,378	$ 420,272,737

LIABILITIES AND STOCKHOLDERS' EQUITY

	2016	2015
Current liabilities:		
Current portion of long-term debt	$ 20,490,981	$ 19,131,470
Line of credit	29,422,138	36,615
Accounts payable - trade	25,406,489	11,201,486
- related party	35,245,463	158,096,471
Note payable - related party	14,000,000	-
Accrued interest payable	190,169	237,976
Accrued expenses	1,688,096	1,767,182
Income taxes payable	856,043	-
Deferred income taxes	2,347,096	-
Current portion of deferred revenue	2,793,607	5,328,607
Total current liabilities	132,440,082	195,799,807
Deferred income taxes	29,461,944	33,974,614
Deferred revenue	-	325,000
Long-term debt	38,938,093	59,430,188
Stockholders' equity:		
Preferred stock - $.0001 par value, 95 shares authorized, issued and outstanding	1	1
Common stock - $.0001 par value, 5,000 shares authorized, 1,000 shares issued and outstanding	1	1
Additional paid in capital - preferred stock	17,322,876	17,322,876
Additional paid in capital - common stock	10,000	10,000
Retained earnings	148,382,381	113,410,250
Total stockholders' equity	165,715,259	130,743,128
	$ 366,555,378	$ 420,272,737

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED MARCH 31, 2016 AND 2015

	2016	2015
Sales	$ 567,868,606	$ 335,859,203
Cost of goods sold	426,819,197	307,071,047
Gross profit	141,049,409	28,788,156
Selling, general and administrative expenses	88,086,009	46,043,915
Income (loss) from operations	52,963,400	(17,255,759)
Other (expense) income:		
Interest income	753,190	150,654
Interest expense	(4,225,670)	(4,583,059)
Other income	3,761,341	8,436,479
Total other income	288,861	4,004,074
Income (loss) before income taxes	53,252,261	(13,251,685)
Income tax expense (benefit)	18,280,130	(6,082,954)
Net income (loss)	$ 34,972,131	$ (7,168,731)

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED MARCH 31, 2016 AND 2015

	Preferred Stock	Additional Paid-in Capital Preferred Stock	Retained Earnings
Balance at April 1, 2014	$ 1	$ 17,322,876	$ 120,578,981
Net loss	-	-	(7,168,731)
Balance at March 31, 2015	1	17,322,876	113,410,250
Net income	-	-	34,972,131
Balance at March 31, 2016	$ 1	$ 17,322,876	$ 148,382,381

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Net income (loss)	$ 34,972,131	$ (7,168,731)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	19,715,791	19,706,837
Changes in assets and liabilities:		
Accounts receivable - trade	(51,395,259)	(16,759,037)
- related party	231,840	5,002,241
- other	708,400	(708,400)
Income taxes refundable	148,364	(3,912,326)
Prepaid expenses, advances and other	152,734	108,047
Inventories	82,961,597	(50,068,582)
Accounts payable - trade	14,205,003	(15,830,431)
- related party	(122,851,008)	148,391,220
Accrued interest receivable - related party	148,438	(148,438)
Accrued interest payable	(47,807)	(752,028)
Income taxes payable	856,043	(616,887)
Accrued expenses	(79,086)	(1,874,245)
Deferred income taxes	954,324	(2,147,462)
Deferred revenue	(2,860,000)	(18,012,784)
Net cash (used in) provided by operating activities	(22,178,495)	55,208,994
Cash flows from investing activities:		
Increase in note receivable - related party	15,000,000	(15,000,000)
Purchases of property, plant and equipment	(8,441,341)	(7,050,101)
Net cash provided by (used in) investing activities	6,558,659	(22,050,101)
Cash flows from financing activities:		
Borrowings (repayments) to related party	14,000,000	(5,000,000)
Net borrowings (repayments) on line of credit	29,385,523	(2,564,599)
Repayments of long-term borrowings	(19,132,584)	(9,939,060)
Net cash provided by (used in) financing activities	24,252,939	(17,503,659)
Net change in cash and restricted cash	8,633,103	15,655,234
Cash and restricted cash - beginning of year	17,088,280	1,433,046
Cash and restricted cash - end of year	$ 25,721,383	$ 17,088,280
Reconciliation of cash and restricted cash to the consolidated balance sheets:		
Cash	$ 25,181,731	$ 16,563,134
Restricted cash	539,652	525,146
	$ 25,721,383	$ 17,088,280

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies

Nature of operations

Welspun Pipes, Inc. ("WPI") and its wholly-owned subsidiaries (collectively, the "Company"), are organized and incorporated under the laws of the State of Delaware. WPI is a subsidiary of Welspun Corp Limited ("WCL" or the "Parent"), a limited liability company registered in India and listed on Indian Stock Exchanges, BSE and NSE. WPI was formed as a holding company and then formed two wholly-owned subsidiary companies, Welspun Tubular, LLC and Welspun Global Trade, LLC.

Welspun Tubular, LLC ("WTL") was formed to build a pipe manufacturing plant in Little Rock, Arkansas. The plant has a manufacturing capacity of 350,000 MT of pipes sized 24 - 60 inches in diameter and up to 1 inch in wall thickness. In addition to the pipe manufacturing plant, WTL also constructed a coating facility. The project was funded with $180 million of revenue bonds issued by the City of Little Rock, Arkansas and by financing from the Parent. In 2012, the Company constructed a small diameter, high frequency induction welded (HFIW) pipe plant in close proximity to the existing large diameter spiral plant. The HFIW plant began full commercial production by the end of March 2013. It has an annual capacity of 175,000 MT of pipes sized 6-20 inches in diameter and up to 0.6 inches in wall thickness.

Welspun Global Trade, LLC ("WGT") was formed to establish a marketing and sales presence in the United States. WGT is located in Houston, Texas.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include (1) the lives and methods used in computing depreciation expense (2) the valuation of deferred tax assets and liabilities which are based on temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and their tax bases and (3) the estimated fair value of the interest rate swap with Standard Chartered Bank, which is based on third party quotes. It is at least reasonably possible that a change in these estimates will occur in the near future.

Principles of consolidation

The consolidated financial statements include the accounts of WPI and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Accounts receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through the establishment of a valuation allowance based on its assessments of individual accounts. Uncollectible accounts are written off through the valuation allowance. There was no valuation allowance as of March 31, 2016 and 2015. Accounts receivable - other at March 31, 2015 represents research and development tax credits expected to be received. The 2016 research and development tax credits expected to be received were recorded in income taxes refundable on the balance sheet at March 31, 2016.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

Inventories

Inventories consist of stores and spares, raw materials, work-in-process, and finished goods. Inventories are stated at the lower of cost or market using the weighted average cost method.

Depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method. Estimated useful lives by major asset classification are as follows:

Description	Estimated useful life
Buildings and land improvements	15 - 39 years
Machinery and equipment	10 years
Furniture and fixtures	5 - 7 years
Vehicles	5 years
Computers and software	1 - 3 years

Depreciation expense totaled $19,513,458 for 2016 and $19,504,503 for 2015.

Convertible Preferred Stock

On December 18, 2013 (the "Date of Issuance"), the Company issued 95 shares of Series A Convertible Preferred Stock, ("Convertible Shares") for $17,322,877. Upon conversion, the number of common shares received by the holders of the Convertible Shares depends on the length of time they held the Convertible Shares. If conversion takes place prior to the first anniversary of the Date of Issuance, the conversion rate is 1.00, resulting in the issuance of 95 common shares. If conversion takes place on or after the first anniversary but prior to the second anniversary, the conversion rate is 1.08421053, resulting in the issuance of 103 common shares. If conversion takes place on or after the second anniversary, the conversion rate is 1.16842105, resulting in the issuance of 111 common shares. The Company is required to reserve a minimum of 111 of its authorized but unissued common shares to satisfy the future conversion of these Convertible Shares. As of March 31, 2016 the preferred stock has not been converted to common stock.

Holders of the Convertible Shares are entitled to voting rights as if they were common shareholders, equal to number of common shares into which their shares are convertible based on the schedule above. Additionally, if the Company declares a dividend on its common shares, the Company must also simultaneously declare and pay a dividend on the Convertible Shares on a pro-rata basis with the common shares determined on an as-converted basis assuming all shares had been converted as of the date that is two years from the Date of Issuance. Therefore, for purposes of dividend participation rights, the convertible shares shall be deemed to equal ten percent (9.99%) of the fully diluted equity of the Company.

In the event of any voluntary or involuntary dissolution or winding up of the Company (a "Liquidation"), the holders of the Convertible Shares shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, an amount in cash equal to the greater of (1) the Liquidation Value of all shares held by such stockholders or (2) 9.99% of the proceeds payable to the stockholders of the Corporation in such Liquidation. Liquidation Value with respect to each share of Convertible Stock, is the sum of (1) $331,578.95 plus (2) an internal rate of return of 5% calculated from December 18, 2013, through the date of determination, as adjusted for and taking into account any previous distributions on such Convertible Shares and stock splits, stock dividends, recapitalizations or similar transactions with respect to the Convertible Shares.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

Revenue recognition

Revenue from the sale of the Company's products is generally recognized as products are shipped or as title has passed to customers. The Company enters into multiple-element revenue arrangements, which may include a combination of goods and services.

Deferred revenue primarily represents amounts received from customers in advance for unshipped orders. In 2012 and 2011, the Company also received approximately $9 million and $6.6 million, respectively, from a customer for the exclusive right to store that customer's inventory and use certain land improvements of the Company for five years. These payments are included in other income equally over the five year periods associated with the agreements, and totaled $2,860,000 and $3,150,000 in 2016 and 2015, respectively.

Pre-operation expenses

U.S. GAAP requires all expenses incurred prior to the start of operations to be expensed as incurred. However, interest costs incurred during a construction period and bond issuance costs are two examples of items that should be capitalized under existing U.S. GAAP. Accordingly, the Company expensed all other pre-operation expenses when incurred.

Sales taxes

Sales are reported net of taxes assessed by governmental authorities on revenue-producing transactions.

Shipping and handling costs

The Company's shipping and handling costs are included in selling, general and administrative expenses and totaled $57,292,275 for 2016 and $20,940,394 for 2015.

Advertising costs

Advertising costs are expensed when incurred and totaled $220,062 for 2016 and $223,895 for 2015.

Cash deposits in excess of insured limits

At various times during the year and at year end, the Company's deposits in Arkansas banks and international financial institutions exceeded federally insured limits. At March 31, 2016, the Company's uninsured cash balances totaled $1,818,079. However, the Company does not believe that it is subject to any unusual credit risk beyond the normal risk associated with commercial banking relationships.

Income taxes

The Company accounts for income taxes using an asset and liability approach. Deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the financial and income tax bases of assets and liabilities. The Company recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of their income tax provision. The Company's 2011 and 2013 federal income tax returns are currently under examination. At March 31, 2016, the 2015 and 2014 federal and state income tax returns are subject to potential examination by taxing authorities.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

Other assets

Other assets are made up of bond issuance costs of $1,213,996 that are being amortized over the lives of the related debt using the straight-line method, which approximates the effective yield method. Accumulated amortization totaled $708,164 at March 31, 2016 and $505,830 at March 31, 2015.

Estimated future annual amortization expense at March 31, 2016 is as follows:

2017	$ 202,332
2018	202,332
2019	101,166
	$ 505,830

Statement of cash flows

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Cash payments for interest totaled $4,273,477 in 2016 and $5,335,087 in 2015. Cash payments for income taxes totaled $15,613,000 in 2016. There were no cash payments for income taxes in 2015.

Restricted cash consists of amounts required to be deposited in a debt service fund, whose purpose is funding future principal and interest payments on the City of Little Rock, Arkansas, Series 2007-A Revenue Bonds.

Derivative instruments

The Company holds and issues derivative financial instruments for the purpose of hedging the risks of certain identifiable and anticipated transactions. In general, the types of risks hedged are those relating to the variability of future earnings and cash flows caused by changes in interest rates. The Company documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. In hedging the transactions, the Company, in the normal course of business, holds interest rate swaps. The purpose of this derivative is to hedge the fair value of fixed-rate debt and cash flows of variable-rate financial assets.

The Company holds and issues such derivatives only for the purpose of hedging such risks, not for speculation. Generally, the Company enters into hedging relationships such that changes in the fair values or cash flows of items and transactions being hedged are expected to be offset by corresponding changes in the values of the derivatives. At March 31, 2016 and 2015, hedging relationships exist for converting floating rate long-term debt to fixed rate debt.

Subsequent events

Accounting standards establish general guidelines of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company has evaluated all subsequent events for potential recognition and disclosure through April 21, 2016, the date these financial statements were available to be issued.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Inventories

Inventories are composed of the following at March 31:

	2016	2015
Raw materials	$ 35,224,426	$ 62,909,449
Work-in-process	6,010,927	16,446,106
Finished goods	16,401,390	11,223,446
Raw materials in transit	4,705,805	56,530,826
Stores and spares	15,538,909	13,733,227
	$ 77,881,457	$ 160,843,054

Note 3: Property, plant and equipment

The costs by major category of property, plant and equipment are as follows at March 31:

	2016	2015
Land	$ 4,781,981	$ 4,781,981
Land improvements	27,592,316	25,004,412
Buildings and improvements	62,516,200	61,866,757
Machinery and equipment	157,093,951	147,386,378
Furniture and fixtures	1,975,618	1,559,813
Vehicles	312,710	263,829
Capital work in process	1,355,851	6,967,302
Computers and software	945,590	901,286
Yard equipment	9,683,141	9,085,173
	266,257,358	257,816,931
Accumulated depreciation	(105,127,154)	(85,614,610)
Net property, plant and equipment	$ 161,130,204	$ 172,202,321

Note 4: Operating leases

During 2015, the Company had fourteen operating leases for various equipment, copies, and office space. The operating leases require monthly payments ranging from $211 to $18,086, maturing from January 2017 through July 2021.

Future minimum lease payments at March 31, 2016 are:

2017	$ 883,745
2018	815,821
2019	785,979
2020	665,199
2021	128,480
	$ 3,279,224

Rent expense totaled $3,292,668 for 2016 and $1,616,333 for 2015 and includes rent payments under operating leases, as well as other month to month equipment rentals.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Available line of credit

During 2015, the Company renewed a $50,000,000 line of credit agreement which allows for $50,000,000 in cash borrowings with an interest rate at 3.75% over the six month LIBOR rate (4.64% and 4.38% as of March 31, 2016 and 2015, respectively). The $50,000,000 line of credit includes $10,000,000 in letters of credit issuances and $5,000,000 in guarantees or standby letters of credit as sub-limits. The line of credit matures in August 2016 and is secured by inventory and accounts receivable. At March 31, 2016 and 2015, the outstanding line of credit balance is $29,422,138 and $36,615, respectively.

Note 6: Long-term debt

Long-term debt, excluding capital leases, consists of the following at March 31:

	2016	2015
City of Little Rock, Arkansas, Series 2007 - A, revenue bonds (A)	$ 7,981,666	$ 8,443,333
Standard Chartered Bank loan, 2012 - C (B)	20,535,714	28,750,000
Standard Chartered Bank loan, 2012 - D (C)	17,678,570	22,500,000
Bank of Baroda loan, 2012-A (D)	13,125,000	18,375,000
	59,320,950	78,068,333
Current maturities	(20,382,857)	(18,747,382)
Long-term debt, excluding capital leases	$ 38,938,093	$ 59,320,951

(A) Bonds guaranteed by the Arkansas Development Finance Authority and the Arkansas Economic Development Commission are due through August 2027; payable $82,153 monthly, including interest, at 5.75%, secured by the Company's property, plant and equipment.

(B) Note maturing on August 24, 2018. Interest accrues at a fixed 4.61% and is subject to an interest rate swap agreement (See Note 7), payable in quarterly principal installments of $2,053,571, beginning May 2015. The note is secured by the Company's property, plant and equipment.

(C) Note maturing on October 31, 2018. Interest accrues at 3.07% over the three-month LIBOR rate (3.70% and 3.33% as of March 31, 2016 and 2015, respectively), payable in quarterly principal installments of $1,607,143, beginning July 2015. The note is secured by the Company's property, plant and equipment.

(D) Note maturing on May 31, 2018. Interest accrues at 4.00% over the six month LIBOR rate (5.14% and 4.63% as of March 31, 2016 and 2015, respectively), payable in semi-annual principal installments of $2,625,000. The note is secured by the property, plant and equipment of Welspun Tubular, LLC.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Long-term debt (continued)

The bank notes contain restrictive covenants including a minimum net worth requirement and a net earnings requirement. These covenants also include restrictions on borrowings from others and a restriction on prepayment of the subordinated debt. Under the note agreements, the Company has ninety days to recover from any noncompliance with covenants or restrictions that are not met.

Maturities of long-term debt, excluding capital leases, at March 31, 2016 are:

For the years ending in:

2017	$ 20,382,857
2018	20,412,857
2019	12,103,571
2020	583,333
2021	621,667
Thereafter	5,216,665
	$ 59,320,950

Note 7: Interest rate swap agreement

The Company has entered into an interest rate swap agreement with Standard Chartered Bank related to the $28,750,000 note agreement with the bank. The interest rate swap agreement is effective August 24, 2013 and will terminate on August 24, 2018. Based on the swap agreement, the Company pays a fixed rate of 4.61% and receives a floating rate based on LIBOR. The Company pays or receives the net interest amount quarterly, which is recorded in other income on the consolidated statements of operations.

Note 8: Capital lease obligations

The Company leases certain equipment under several capital lease agreements which have been included in long-term debt on the consolidated balance sheets. Interest rates contained in the leases range from 4.67% to 4.81%. Required monthly lease payments, including interest, total approximately $30,000 through August of 2016.

Following are the future minimum lease payments under capital lease obligations at March 31, 2016:

For the years ending in:

2017	$ 109,390
Amount representing interest	(1,266)
Present value of future minimum lease payments	108,124
Current portion	(108,124)
Long-term portion	$ -

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Capital lease obligations (continued)

The cost and related accumulated depreciation of assets under capital leases are included in net property, plant, and equipment at March 31, 2016 as follows:

Equipment	$ 1,118,770
Accumulated depreciation	(298,646)
	$ 820,124

Note 9: Income taxes

There are significant items such as depreciation expense that are computed differently for financial versus income tax reporting. Deferred income taxes are provided for on these items. The Company also has several income tax credits from the State of Arkansas. These credits are not included in deferred tax assets.

Income tax expense (benefit) consists of the following for the fiscal year ended March 31:

	2016	2015
Current provision (benefit)	$ 17,325,806	$ (3,912,326)
Deferred provision (benefit)	954,324	(2,170,628)
	$ 18,280,130	$ (6,082,954)

Income tax expense varies from the statutory U.S. corporate income tax rate primarily due to the deduction for domestic production activities, state income taxes, utilization of net operating loss carrybacks and non-deductible expenses.

Total gross deferred tax assets and gross deferred tax (liabilities) as of March 31, 2016 are as follows:

	Current	Noncurrent
Gross deferred tax assets	$ 2,598,849	$ 2,854,632
Gross deferred tax (liabilities)	(4,945,945)	(32,316,576)
	$ (2,347,096)	$ (29,461,944)

Total gross deferred tax assets and gross deferred tax (liabilities) as of March 31, 2015 are as follows:

	Current	Noncurrent
Gross deferred tax assets	$ 4,404,372	$ 3,428,962
Gross deferred tax (liabilities)	(1,284,474)	(37,403,576)
	$ 3,119,898	$ (33,974,614)

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Related party transactions

The accounts receivable - related party as of March 31, 2016 and 2015 results from charges for transportation costs and coating of pipes for WCL or its subsidiaries.

On January 5, 2015, the Company entered into a loan agreement with a related party for an amount not to exceed $20,000,000. The agreement has been amended to be a demand deposit agreement in which the maturity is not later than ninety days from the execution date. As of March 31, 2016, the related party has borrowed $15,000,000 and is included in cash and cash equivalents. Interest is due annually at a rate of 4.75% with the principal and all accrued interest due on demand beginning in July 2015.

On March 26, 2015, the Company also entered into a short term demand deposit loan agreement with a related party for borrowings of up to $20,000,000 and interest of 1% payable quarterly. This short term demand deposit matured and repaid June 30, 2015.

On October 15, 2015, the Company entered into a short term, unsecured, note payable with a related party for borrowings up to $20,000,000, payable on demand, maturing on October 15, 2016. Interest is due annually at a rate of 4.25% with the principal and all accrued interest due on demand beginning in April 2016. As of March 31, 2016, $14,000,000 is included in related party accounts payable.

Accounts payable - related party results from raw material purchases from WCL. The outstanding payable balance resulting from the raw material purchases at March 31, 2016 and 2015 was $35,245,464 and $158,096,472. Total raw material purchases from WCL were $85,800,603 during 2016 and $162,743,235 during 2015.

The Company had remaining inventory purchase commitments from WCL for $109,350 and $60,312 as of March 31, 2016 and 2015.

The Company paid $0 in 2016 and $27,312 in 2015 to WCL for guarantee fees relating to long-term debt. The amounts were included as interest expense. The Company paid no guarantee fees to WCL in 2016.

Since 2007, the City of Little Rock, Arkansas, has issued $277,500,000 in industrial revenue bonds to fund the construction of the Company's manufacturing facilities. During 2015, the city of Little Rock, Arkansas issued an additional $10,000,000 in industrial revenue bonds and loaned the proceeds to the Company. Welspun Tubular, LLC is the borrower of the bond proceeds. Welspun Pipes, Inc. purchased $266,000,000 of these bonds using proceeds from loans obtained from WCL, EXIM Bank, Bank of India, State Bank of India, Standard Chartered Bank, and Bank of Baroda. As disclosed in Note 6, these loans are secured by the City of Little Rock bonds and some have been guaranteed by WCL. Substantially all the indebtedness and related investment associated with these bonds are eliminated in consolidation.

Note 11: Concentrations

As disclosed in Note 1, the Company's operations are focused on large projects relating to supplying steel pipes for the transportation of oil and gas. These projects generally span a period of several months, and sometimes several years. While the Company has multiple clients and projects, 83% of the revenues during 2016 have been generated from two customers, and 50% of the revenues during 2015 were generated from four customers.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Employee benefit plan

The Company has a 401(k) Retirement Savings Plan that covers substantially all employees after a 90-day service requirement. Participants may defer a portion of their salary and the Company may make discretionary matching contributions. During the plan years ended December 31, 2016 and 2015, the Company contributed a 100% match of employee deferrals up to 4% of the participant's salary. These matching contributions vest 20% after two years of service and 20% for each additional year of service and are fully vested after six years of service. Total retirement plan contributions by the Company for 2016 and 2015 were $926,539 and $753,075, respectively.

Note 13: Commitments

In 2013, the Company received a $4,500,000 grant from the City of Little Rock (the "City") to help fund the acquisition of new equipment used in the HFIW plant. The ultimate purpose of the grant is to create employment opportunities for Arkansas residents. Under the terms of the grant, the Company will be tested by the City through December 31, 2016 to determine if the job creation required by the grant has taken place. If the Company fails to meet the grant's employment thresholds at any testing date, they will be required to repay the City $22,500 for each unfilled position on that date, with the repayment not to exceed the original $4,500,000 grant received. As of March 31, 2016 and 2015, the Company has met the grant's employment thresholds.