WELSPUN PIPES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014 AND 2013

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 comprise the consolidated balance sheets as of March 31, 2014 and 2013, and the related consolidated statements of income, 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 of material misstatement.

An audit includes examining, on a test basis, 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Welspun Pipes, Inc. and Subsidiaries as of March 31, 2014 and 2013, and the results of their operations and their 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 22, 2014

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WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2014 AND 2013

ASSETS

	2014	2013
Current assets:		
Cash	$ 918,456	$ 20,488,035
Restricted cash	514,590	501,915
Accounts receivable	31,658,712	60,308,599
Income taxes refundable	-	4,625,443
Inventories	110,774,472	87,452,904
Deferred income taxes	-	895,007
Prepaid expenses, advances and other	3,234,396	18,594,116
Total current assets	147,100,626	192,866,019
Net property, plant and equipment	184,656,723	195,834,751
Other assets	910,497	1,112,830
	$ 332,667,846	$ 389,813,600

LIABILITIES AND STOCKHOLDERS' EQUITY

	2014	2013
Current liabilities:		
Current portion of long-term debt	$ 9,938,086	$ 11,546,667
Line of credit	2,601,214	-
Accounts payable - trade	27,031,917	22,303,156
- related party	9,705,251	12,215,310
Notes payable - related party	5,000,000	5,000,000
Accrued interest	990,004	1,148,379
Income taxes payable	616,887	-
Accrued expenses	3,641,427	3,350,283
Preferred stock dividend payable	-	4,059,616
Deferred income taxes	21,827	-
Current portion of deferred revenue	20,498,058	96,268,166
Total current liabilities	80,044,671	155,891,577
Deferred income taxes	32,980,351	31,937,919
Deferred revenue	3,168,333	6,318,333
Long-term debt	78,562,632	85,015,000
Stockholders' equity:		
Preferred stock - $.0001 par value, 95 shares authorized, issued and outstanding at March 31, 2014	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	-
Additional paid in capital - common stock	10,000	10,000
Retained earnings	120,578,981	110,640,770
Total stockholders' equity	137,911,859	110,650,771
	$ 332,667,846	$ 389,813,600

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2014 AND 2013

	2014	2013
Sales	$ 356,842,806	$ 335,886,473
Cost of goods sold	285,879,907	273,555,380
Gross profit	70,962,899	62,331,093
Other operating revenues:		
Insurance proceeds - business interruption	-	23,379,414
Other operating revenues	-	785,254
	70,962,899	86,495,761
Selling, general and administrative expenses	54,251,623	76,346,428
Income from operations	16,711,276	10,149,333
Other (expense) income:		
Interest income	9,821	46,762
Interest expense	(4,736,306)	(4,490,130)
Other income	4,569,523	4,711,890
Plant fire loss	-	(465,736)
Foreign exchange (loss) gain	(25,646)	67,042
Total other expense	(182,608)	(130,172)
Income before income taxes	16,528,668	10,019,161
Income tax expense	6,590,457	4,280,413
Net income	$ 9,938,211	$ 5,738,748

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED MARCH 31, 2014 AND 2013

	Preferred Stock	Additional Paid-in Capital Preferred Stock	Retained Earnings
Balance at April 1, 2012	$ 16,000,000	$ -	$ 108,961,638
Dividend paid on preferred stock redeemed	-	-	(4,059,616)
Redemption of preferred stock	(16,000,000)	-	-
Net income	-	-	5,738,748
Balance at March 31, 2013	-	-	110,640,770
Issuance of preferred stock	1	17,322,876	-
Net income	-	-	9,938,211
Balance at March 31, 2014	$ 1	$ 17,322,876	$ 120,578,981

See accompanying notes.

WELSPUN PIPES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Net income	$ 9,938,211	$ 5,738,748
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	18,977,075	12,189,759
Changes in assets and liabilities:		
Accounts receivable	28,649,887	(57,760,678)
Income taxes refundable	4,625,443	(4,625,443)
Prepaid expenses, advances and other	15,359,720	(10,254,468)
Inventories	(23,321,568)	(7,064,683)
Accounts payable - trade	4,728,761	16,999,582
- related party	(2,510,059)	(9,423,880)
Accrued interest	(158,375)	835,886
Income taxes payable	616,887	(2,964,705)
Accrued expenses	291,144	2,937,085
Deferred income taxes	1,959,266	8,998,907
Deferred revenue	(78,920,108)	70,206,261
Net cash (used in) provided by operating activities	(19,763,716)	25,812,371
Cash flows from investing activities:		
Proceeds from the sale of equipment	120,000	3,790,002
Purchases of property, plant and equipment	(6,597,944)	(68,476,394)
Net cash used in investing activities	(6,477,944)	(64,686,392)
Cash flows from financing activities:		
Borrowings from related party	-	5,000,000
Redemption of preferred stock	-	(16,000,000)
Proceeds from issuing preferred stock	17,322,877	
Dividends paid on preferred stock redeemed	(4,059,616)	-
Net borrowings on line of credit	2,601,214	-
Long-term borrowings	-	77,500,000
Repayments of long-term borrowings	(9,179,719)	(33,773,333)
Net cash provided by financing activities	6,684,756	32,726,667
Net change in cash	(19,556,904)	(6,147,354)
Cash and restricted cash - beginning of year	20,989,950	27,137,304
Cash and restricted cash - end of year	$ 1,433,046	$ 20,989,950
Reconciliation of cash and restricted cash to the consolidated balance sheets:		
Cash	$ 918,456	$ 20,488,035
Restricted cash	514,590	501,915
	$ 1,433,046	$ 20,989,950

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 and double jointing 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 and (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. 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, 2014 and 2013.

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.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies (continued)

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 $18,774,742 for 2014 and $12,810,090 for 2013.

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.

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 and (2) 9.99% of the proceeds payable to the stockholders of the Corporation in such Liquidation. Liquidation Value means with respect to each share of Convertible Stock, 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 $6.8 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 amounts, which totaled $3,150,000 in 2014 and 2013, are included in other income equally over the five year periods associated with these agreements.

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 $27,080,627 for 2014 and $50,220,677 for 2013.

Advertising costs

Advertising costs are expensed when incurred and totaled $68,986 for 2014 and $158,518 for 2013.

Concentration of credit risk

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, 2014, the Company's uninsured cash balances totaled $876,704. 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 past three years of federal and state income tax returns are subject to examination by taxing authorities.

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 $303,499 at March 31, 2014 and $101,166 at March 31, 2013.

Estimated future annual amortization expense at March 31, 2014 follows:

2015	$ 202,332
2016	202,332
2017	202,332
2018	202,332
2019	101,169
	$ 910,497

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 $4,894,681 in 2014 and $3,654,244 in 2013. Cash payments for income taxes totaled $3,880,000 in 2014 and $2,871,257 in 2013.

Non-cash investing activities in 2014 consisted of three new capital leases totaling $1,118,700. There were no non-cash activities in 2013.

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.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements in order for them to conform with the 2014 presentation.

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 22, 2014, the date these financial statements were available to be issued.

Note 2: Inventories

Inventories are composed of the following:

	2014	2013
Raw materials	$ 35,587,999	$ 70,167,590
Work-in-process	15,279,661	6,276,774
Finished goods	30,331,288	2,332,738
Raw materials in transit	17,703,543	609,305
Stores and spares	11,871,981	8,066,497
	$ 110,774,472	$ 87,452,904

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Accounts receivable

Accounts receivable consist of the following at March 31:

	2014	2013
Accounts receivable - trade	$ 26,414,682	$ 51,445,041
Accounts receivable - related party (see Note 10)	5,244,030	7,836,161
Accounts receivable - other	-	1,027,397
	$ 31,658,712	$ 60,308,599

The accounts receivable - other of $1,027,397 at March 31, 2013 consists of a grant receivable to help fund the acquisition of new equipment used in the HFIW plant (see Note 15).

Note 4: Property, plant and equipment

The costs by major category of property, plant and equipment follows:

	2014	2013
Land	$ 4,781,981	$ 4,781,981
Land improvements	25,004,412	24,536,160
Buildings and improvements	61,791,710	60,485,558
Machinery and equipment	145,966,836	141,502,826
Furniture and fixtures	1,474,967	1,232,044
Vehicles	263,829	233,829
Capital work in process	2,266,743	2,796,529
Computers and software	873,517	760,577
Yard equipment	8,342,833	6,946,452
	250,766,828	243,275,956
Accumulated depreciation	(66,110,105)	(47,441,205)
Net property, plant and equipment	$ 184,656,723	$ 195,834,751

Note 5: Operating leases

The Company has four operating leases for equipment which require monthly payments ranging from $4,873 to $7,777 through June 2015.

In June 2010, the Company entered into an operating lease for office space in Houston, Texas. The lease has a term of seven years and calls for monthly payments starting at $4,715 and increasing every 12 months. The monthly payments range from $4,715 to $5,460 through May 2017.

Future minimum lease payments at March 31, 2014 are:

2015	$ 94,467
2016	63,779
2017	65,268
2018	10,919
	$ 234,433

Rent expense totaled $2,905,080 for 2014 and $2,149,486 for 2013.

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Long-term debt

Long-term debt consists of the following at March 31:

	2014	2013
City of Little Rock, Arkansas, Series 2007 - A, revenue bonds (A)	$ 8,880,000	$ 9,291,667
Bank of India loan, 2007-C (B)	1,885,000	3,770,000
State Bank of India loan, 2007-C (C)	2,000,000	6,000,000
Standard Chartered Bank loan, 2012 - C (D)	28,750,000	28,750,000
Standard Chartered Bank loan, 2012 - D (E)	22,500,000	22,500,000
Bank of Baroda loan, 2012-A (F)	23,625,000	26,250,000
	87,640,000	96,561,667
Current maturities	(9,571,667)	(11,546,667)
Long-term debt	$ 78,068,333	$ 85,015,000

(A) Bonds guaranteed by the Arkansas Development Finance Authority and the Arkansas Economic Development Commission are due through August 2027; payable $82,172 monthly, including interest, at 5.75%, secured by the Company's property, plant and equipment.

(B) Note maturing on December 31, 2014. Interest accrues at 2.00% over the one-year LIBOR rate (2.55% as of March 31, 2014), payable in annual principal installments of $1,885,000. Interest is adjusted and payable annually. Secured by a pledge of secured bonds issued by the City of Little Rock in the name of the borrower, and guaranteed by the Parent.

(C) Note maturing June 30, 2014. Interest accrues at 2.25% over the six-month LIBOR rate (2.58% as of March 31, 2014), payable in semi-annual principal installments of $2,000,000, beginning May 2015. Secured by a pledge of the bonds issued by the City of Little Rock, and guaranteed by the Parent.

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

(E) Note maturing on November 8, 2018. Interest accrues at 3.07% over the three-month LIBOR rate (3.30% as of March 31, 2014), payable in quarterly principal installments of $1,607,143, beginning July 2015. The note is secured by the Company's property, plant and equipment.

(F) Note maturing on November 30, 2017. Interest accrues at 4.00% over the six month LIBOR rate (4.33% as of March 31, 2014), payable in semi-annual principal installments of $2,625,000. The note is secured by the property, plant and equipment of Welspun Tubular, LLC.

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 at March 31, 2014 are:

2015	$ 9,571,667
2016	18,747,382
2017	20,382,857
2018	20,412,857
2019	12,103,571
Thereafter	6,421,666
	$ 87,640,000

Note 7: Available line of credit

During 2013, the Company entered into a $50,000,000 line of credit agreement which allows for $35,000,000 in cash borrowings with an interest rate at 4.00% over the six month LIBOR rate (4.33% as of March 31, 2014), $10,000,000 in letters of credit issuances and $5,000,000 in guarantees or standby letters of credit. The line of credit matures in September 2015 and is secured by inventory and accounts receivable. At March 31, 2014, the outstanding line of credit balance is $2,601,214.

Note 8: Capital lease obligations

The Company leased certain equipment under several capital lease agreements in 2014. Interest rates contained in the leases range from 4.67% to 4.81%. Required monthly lease payments total $33,343 through August of 2016.

Following are the future minimum lease payments under capital lease obligations at March 31, 2014:

For the years ending in:	
2015	$ 400,121
2016	400,121
2017	132,321
	932,563
Amount representing interest	(71,845)
Present value of future minimum lease payments	860,718
Current portion	(366,419)
Long-term portion	$ 494,299

The cost and related accumulated depreciation of assets under capital leases are included in net property, plant, and equipment at March 31, 2014 as follows:

Equipment	$ 1,118,770
Accumulated depreciation	(65,388)
	$ 1,053,382

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 consists of:

	2014	2013
Current provision (benefit)	$ 4,631,191	$ (4,718,494)
Deferred provision	1,959,266	8,998,907
	$ 6,590,457	$ 4,280,413

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, 2014 are as follows:

	Current	Noncurrent
Gross deferred tax assets	$ 2,198,857	$ 5,048,400
Gross deferred tax liabilities	(2,220,684)	(38,028,751)
	$ (21,827)	$ (32,980,351)

Total gross deferred tax assets and gross deferred tax liabilities as of March 31, 2013 are as follows:

	Current	Noncurrent
Gross deferred tax assets	$ 2,447,470	$ 6,795,104
Gross deferred tax liabilities	(1,552,463)	(38,733,023)
	$ 895,007	$ (31,937,919)

WELSPUN PIPES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Related party transactions

The accounts receivable - related party as of March 31, 2014 and 2013 is related to related party transactions on transportation costs, coating, and fixed assets sold to WCL or its subsidiaries.

At March 31, 2014 and 2013, respectively, the Company had payments to WCL for the purchase of steel that is contained in prepaid expenses, advances and other of approximately $2,050,000 and $16,200,000.

Accounts payable - related party results from raw material purchases from WCL. Total raw material purchases from WCL were $82,193,538 during 2014 and $164,340,533 during 2013.

The Company had remaining inventory purchase commitments from WCL for $31,015 and $108,296 as of March 31, 2014 and 2013.

The Company paid $108,188 in 2014 and $473,090 in 2013 to WCL for guarantee fees relating to long-term debt. The amounts were included as interest expense.

The Company paid $1,402,581 in 2013 to WCL for sales contract assignment fees. These fees represent a 1.5% commission for the amounts invoiced to date on the Company's two largest projects. There were no assignment fees paid in 2014.

On February 15, 2013, the Company borrowed $5,000,000 from WCL with interest that accrues at 6%. Principal and interest are payable on demand by WCL after the expiration of six months from the drawdown date or February 15, 2014. During 2014, an extension was granted that extended the maturity date 90 days.

Since 2007, the City of Little Rock, Arkansas, has issued $262,500,000 in industrial revenue bonds to fund the construction of the Company's manufacturing facilities. Welspun Tubular, LLC is the borrower of the bond proceeds. Welspun Pipes, Inc. purchased $251,000,000 of these bonds using proceeds from loans obtained from WCL, EXIM Bank, Bank of India, State Bank of India, Standard Charter Bank, and Bank of Baroda. As disclosed in Note 6, some of these loans are secured by the City of Little Rock bonds and have been guaranteed by WCL. Substantially all the indebtedness and related investment associated with these bonds were 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 2014 have been generated from three projects and relate to three specific customers, and 77% of the revenues during 2013 were generated from two projects and relate to two specific customers.

Note 12: Employee benefit plan

The Company has a 401(k) Retirement Savings Plan that covers substantially all employees upon hire. Participants may defer a portion of their salary and the Company may make discretionary matching contributions. During the plan years ended December 31, 2013 and 2012, 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 2014 and 2013 were $610,652 and $365,162, respectively.

Note 13: Fair value

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. They also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Following are the three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The Company's only financial assets, cash and restricted cash, are measured using Level 1 inputs. At March 31, 2014 and 2013, cash and restricted cash totaled $1,433,046 and $20,989,950, respectively, and is reflected at its stated value. The Company did not have any financial liabilities required to be reported at fair value at March 31, 2014 or 2013.

Note 14: 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.