

Chairman's thoughts

**“Opportunity
responsiveness
is our biggest
strength.”**



Assam Company entered into an MoU with the Gujarat State Petroleum Corporation to form a wholly-owned subsidiary Gujarat Hydrocarbons and Power SEZ Ltd (GHAPSL), which would set up an SEZ in Gujarat to cater to export-oriented industries in the oil and gas sectors.

Dear Shareholders,

HOW ONE RESPONDS TO CHALLENGE DETERMINES CHARACTER.

AT ASSAM COMPANY, 2008 WAS MARKED BY ECONOMIC CHALLENGES – AND GROWTH. WE RECONCILED THESE DIVERSE REALITIES BY CAPITALISING ON GROWING OPPORTUNITIES ACROSS MULTIPLE VERTICALS (TEA, OIL AND GAS).

Overall, some of our key financial metrics comprised the following:

- Our sales increased 21.29% to Rs. 1,842.54 million in 2008, compared with the previous year owing to an increase in revenue from the tea and oil businesses.
- Our cash profit increased 78.32% to Rs. 242.56 million in 2008.
- Our net profit increased 19.21% to Rs. 101.94 million in 2008.

Our tea business continued to be the mainstay of our business, contributing 82% to our topline. This business grew 6.53% over the previous year, not entirely from an increase in average realisations but also through growing yields and acreage.

Our oil and gas business contributed 13.23% of revenues, led by a 193.44% increase in production.

Industry opportunities

The principal reason for an improvement in performance was the tea industry upturn for the following reasons:

- Global tea production of 3.7 billion kg in 2008 was 12 million kg less than that in 2007.
- Kenya, with a 24 million kg deficit, recorded a significant production drop over that of last year.
- China and Sri Lanka's production increased around 20 million kg and 14 million kg over the previous year.
- India's production declined by 6 million kg in 2008.
- Other important tea producing nations registered a decline in tea production.

So, even as the global production contracted and average realisations increased, India stood to gain on account of increased output. While India's overall export growth in 2009-10 is expected to remain flat, plantation sector exports are forecast to grow by almost 14% each over the next two years. India's oil industry drives its economic growth, with its petroleum and natural gas sector – transportation, refining and marketing of petroleum products and gas – constituting over 15% of the GDP. Domestic oil demand is expected to grow 3.8% year-on-year to 3.3 million barrels daily in 2009 and 3.3% to 3.4 million barrels daily in 2010. The oil and gas demand is likely to increase from 176.40 million tonnes of oil

equivalent in 2007-08 to 233.58 in 2011-12 (*Source: Ministry of Petroleum*). India will become the third largest net importer of oil after the United States and China within 2025 (World Energy Outlook Report).

Our response

We leveraged the growing industrial opportunity and pursued continuous improvement in everything we did. Some of our principal achievements comprised the following:

- Generated higher revenues from the tea division, despite declining saleable tea production volume of 7.56%, owing to our strategy to market margin-accretive orthodox teas
- Witnessed an increase in overall revenues from the tea division, despite a decline in tea production due to favourable market condition
- Entered into an MoU with the Gujarat State Petroleum Corporation to form a wholly-owned subsidiary Gujarat Hydrocarbons and Power SEZ Ltd (GHAPSL), which would set up an SEZ in Gujarat to cater to export-oriented industries in the oil and gas sectors
- Acquired Block AA-ONN-2005/1, expanding our overall exploration and production assets
- Planned to invest USD 10 million through a joint venture to install gas compression equipment at Amguri, a measure

expected to significantly increase the production of oil and oil condensate, thereby enhancing oil revenues

- Planned to commence fresh drilling campaign with sizeable investment to step up oil and gas production from Amguri Block

Optimism

I am optimistic about our prospects due to our tea, oil and the hydrocarbon-energy services SEZ as well as new projects. Moreover, with our key markets strengthening, defined strategies and organisational capabilities, we see even better days ahead enhancing significant value to our shareholders.

Sincerely,

Dr. K.K. Jajodia
Chairman