

Dear Shareholders,

I WAS REASONABLY PLEASED WITH THE PERFORMANCE OF ASSAM COMPANY IN 2007; NOT AS MUCH BY THE FINANCIALS WHICH WILL IMPROVE OVER TIME, BUT BY THE STRATEGIC INITIATIVES THAT WILL TRANSLATE INTO IMPROVING NUMBERS IN THE COMING YEARS.

Strategy audit



Consider the numbers:

- 1.61 per cent increase in gross revenues to Rs. 1,519.15 million in 2007
- 13.14 per cent increase in total income to Rs. 1,739.85 million in 2007
- 9.38 per cent increase in EBIDTA to Rs. 299.62 million in 2007
- 14.80 per cent increase in PAT to Rs. 85.52 million in 2007

At Assam Company, we find ourselves at the cusp of a highly attractive industry opportunity for various reasons:

- While OPEC's production control kept global crude oil production flat at around 80 million barrels since 2002, crude production actually declined in 2007 by 0.2 per cent from

“We are facilitating the expansion of the Indian economy towards higher and sustainable GDP growth.”

Dr. K. K. Jajodia, *Chairman*, explains the critical need of the business presence in view of the importance of crude oil to the domestic economy.

81.659 million barrels a day; correspondingly, consumption increased by 1.1 per cent to 85.22 million barrels a day

- Global spare capacity declined from an historical average of 3-5 per cent in 2007 to two per cent of production

(Source: British Petroleum)

- There was an increasing consensus among geologists that global oil production had peaked, with some major producers reporting higher than the generally accepted three per cent depletion rate. Some of these countries were Saudi Arabia (eight per cent), Venezuela (7.8 per cent), the UK (8.9 per cent) and Mexico (more than 10 per cent depletion) according to the Hindu Business Line

- WTI crude spot prices on FOB basis increased from USD 60.85 per barrel (as on December 29, 2006) to an all-time high of USD 147.27 per barrel (as on July 2008) (Source: EIA)

Indian scenario

This increase in the global oil price has deep implications for India for various reasons:

- India is the world's sixth largest oil consumer with oil and gas accounting for 38 per cent of the primary energy consumption

- The country produces about 846,000 barrels per day of total oil liquids but consumes an estimated 2.63 million barrels per day

- India imports more than 70 per cent of its crude oil requirements to meet its demand-supply gap

- Following the crude cost spike, the cost of the Indian basket of crude oil increased from USD 62.46 per barrel in 2006-07 to USD 77.98 per barrel in 2007-08

- Petroleum oil and lubricants (POL) imports constituted nearly 31.1 per cent of the country's total import bill in 2007-08 (April to September period). This continues to remain on the higher side, compared with 33.8 per cent recorded during the same period of 2006-07 (Source: Economic Survey, 2007-08)

These factors have already translated into a rise in energy prices, spiked inflation, dented corporate profitability and can potentially erode disposable incomes as well as threaten GDP growth.

Opportunity

At Assam Company, our proposed investments in the hydrocarbons business will enhance our throughput, empower India towards self sufficiency in meeting her crude oil requirements and create a foundation for sustainable growth.

In view of this, I see optimistic times for the Company during the years to come.

Dr. K. K. Jajodia

Chairman