

MARKET PROFILE

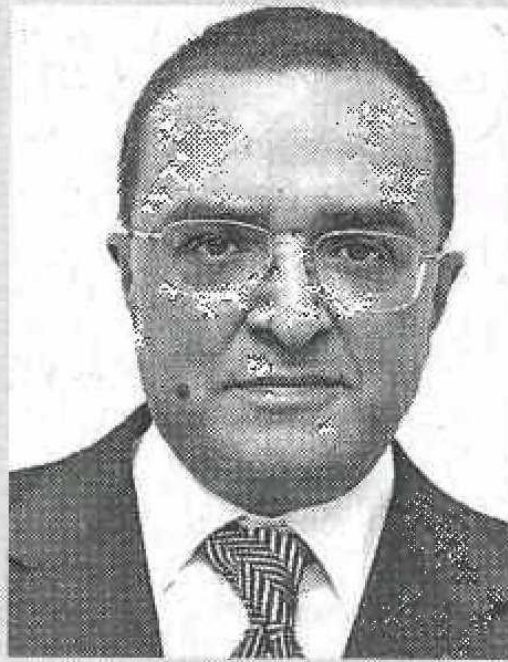
YK MODI, CHAIR, GREAT EASTERN ENERGY

Although the Indian state of West Bengal is run by the world's longest-serving, democratically elected Communist government, it has opened up its economy in recent years, following a similar path to China and Vietnam.

"West Bengal has one of the best-functioning state governments in India," explains YK Modi, the Indian industrialist whose coal-bed methane extraction company, Great Eastern Energy Corporation, is located in the state. "It is all about political leadership. Even though they call themselves communist, they are very pro-investment."

Mr Modi believes that India's economic development is being held back by the length of time it takes to make executive decisions in the world's largest democracy.

Yet he still insists that the slower growth of a democracy is preferable to the more efficient development model being driven through by the



‘ Even though they call themselves communist, they are very pro-investment ’

YK Modi on West Bengal

autocratic Chinese government. "It's a time-consuming but more sustainable model in India because you are taking people along with you," he says.

Great Eastern Energy, which extracts natural gas from coal mines, is one of the many

companies trying to find a domestic solution for India's energy needs. Despite its rapid economic growth, India still imports more than 80pc of its hydrocarbons. "The area where we are working in West Bengal has zero gas, so we have a captive audience and can sell everything within a 40km-50km area," Mr Modi notes.

Coal-bed methane extraction, which involves drilling hundreds of wells into a coalfield and pumping out the gas that has been absorbed into the coal, has taken off since it was first adopted in the US in the 1980s. Oil and gas giant BG Group has just had a £6.6bn takeover offer rebuffed by Origin Energy, Australia's biggest coal-seam gas producer.

Mr Modi and his family still own two-thirds of Great Eastern Energy but he plans to sell down his stake once he has dual-listed the company in India at some time in the next few years.

In the meantime, he has more than enough on his plate, with annual results out tomorrow. Although the update is expected to show steady, rather than spectacular, progress, the Great Eastern Energy story is clearly more about the longer-term picture.

"This is a good business because there's an acute shortage of gas across the country, but it needs deep pockets," he adds.