



Great Eastern Energy

Backing a stock market pioneer is rarely a profitable business, but not in the case of Great Eastern Energy (GEE), which two years ago became the first Indian company to list on AIM. Since then, its shares have gained 58 per cent.

They ticked higher again yesterday on first-half results which provided evidence of solid progress. GEE is the first company in India to seek to commercialise coal bed methane, or natural gas produced from coal seams, an activity which, while well established in North America, has not hitherto been attempted in Asia.

So it was of some reassurance that production from GEE's Raniganj South field is running 60 per cent higher than three months ago. Further, average yields from its active 18 wells have within a year exceeded the level that Schlumberger, the company's independent consultant, predicted would take four years to achieve.

The other advance came in GEE's capital base. The company has raised £44 million from a consortium of eight Indian banks that will enable it to complete its second phase of drilling. Not only is that highly unusual for a company at GEE's stage of development but it also avoids any dilution from the issue of equity. The bigger task for GEE is to start selling its gas in sizeable quantities. But with the company having signed a deal with Indian Oil Company to sell compressed natural gas to power vehicles, and many customers close at hand in its licence area, revenues should steadily build. At ten times 2010 earnings forecasts, GEE is worth a look.