



**COAL-BED METHANE**

# Great Eastern to become integrated player

BY UTPAL BHASKAR  
 utpal.b@livemint.com

NEW DELHI

The first company to produce coal-bed methane in India, **Great Eastern Energy Corp Ltd**, plans to invest Rs6,000 crore to become an upstream and downstream integrated player by 2016.

"We plan to make this investment...over a period of next seven to nine years," said Prashant Modi, president and chief operating officer of Great Eastern.

Great Eastern is exploring and developing production wells for its methane block in Damodar Valley (Raniganj coalfield), near Asansol in West Bengal.

Coal-bed methane has proven to be a viable alternative to natural gas as fuel for power generation and fertilizer and ceramics production. It is a gas found in coal seams and India has the sixth largest reserves of coal in the world.

A significant production of coal-bed methane could potentially help address the country's gas shortage.

Great Eastern plans to spend half of the Rs6,000 crore by 2013. Explaining the capital expenditure plans, Modi said: "We plan to spend around Rs800 crore for drilling 103 wells in the first phase of its exploration activity, which is expected to be completed by 2009. We plan to nearly double this spend to Rs1,600 crore for drilling 200 wells and associated gathering activities. The balance money will be spent on developing transportation pipelines and setting up city-gas distribution networks and auto CNG stations."

The company plans to fund this expenditure plan from its own internal accruals and may also tap the capital market for further funds. Great Eastern has Rs203 crore of equity and has approached banks to borrow Rs350 crore.

The company raised £19

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million (Rs156 crore) in December 2005 through Global Depository Receipts on the London Stock Exchange's Alternative Investment Market (AIM) and has a notional market capitalization of £176 million.

A Delhi based hydrocarbon sector analyst, who did not wish to be identified citing commercial reasons, said, "AIM can be a potential source of funds for the company. This

investment will also spur investment in the sector as other business groups would be interested in the business once the next round is announced."

As part of its downstream plans, the company is in talks with two public sector companies for setting up gas distribution network in six districts of West Bengal. These districts are Burdwan, Durgapur, Raniganj, Asansol, Kulti and Barakar, and the investment is expected to be around Rs200 crore.

"It will be a 50:50 JV where we would like to have a majority stake," said Yogendra Modi, Great Eastern's chairman and chief executive officer. He declined to name the companies.

The government has thus far awarded 26 coal-bed methane blocks for exploration. These are spread over 13,600 sq. km and the total methane resources in these blocks are estimated at 1,374bcm, which translates into a production potential of around 38mscmd.