

# India Macro View

## Politics and Reform – Never Over Till It's Done

- **What's new: Key ally decides to withdraw support over reforms** — Following last week's reform measures, Mamata Banerjee – the leader of the Trinamool Congress (TMC), a key ally of the ruling UPA govt – has withdrawn support. However, TMC has said that the ministers would tender their resignations on Sept 21 (Friday), thus still keeping the door ajar for awhile. The TMC's demands include (1) rollback FDI in multi-brand retail, (2) increase the number of subsidised LPG cylinders from 6 to 12, and (3) diesel hike of Rs5/ltr should be reduced by Rs3/ltr.
- **How do the numbers stack up?** — As seen in Fig 1, pg 2, prior to the withdrawal of the TMC, the ruling UPA govt had 276 seats of a total of 542 seats in Parliament. The withdrawal of the TMC (19 seats) now puts the UPA govt in a 'minority'. However, key to note is that the UPA govt currently enjoys "external support from regional parties" i.e parties that support the UPA in Parliament but are not part of the govt, thus still giving it a working majority.
- **Politics: Never say never** — India has had a precedent of 'minority' govts, and given the outside support, the govt could continue. Moreover, one or more of the regional parties could step in. However, the TMC's withdrawal could undermine the Congress party's support within its allies. For instance, another of its allies, the DMK (18 seats) also opposes the reforms and while it has chosen to participate in the "Bharat Bandh", a nation-wide strike, it has said that it "wont embarrass the govt and take an extreme step". Moreover, the Samajwadi party (22 seats), which provides external support to the UPA, has asked "not be taken for granted".
- **Can the govt fall?** — This is the question raised by many investors in the last few hours. We believe this has a low probability, but theoretically can happen if (1) The TMC withdraws support (2) Other allies and/or regional parties providing "external support" also withdraw. The President would then call the UPA to prove its majority and only if it fails to would the govt fall and fresh elections be held. But we re-iterate that this is least likely at least for now, as few parties are really ready for elections.
- **Econ implications** — Earlier today, the Congress-run states have decided to raise the cap of subsidized LPG cylinders from 6 to 9 and we could see a partial roll-back on diesel prices as well. However, we expect the govt to stand its ground on FDI in retail especially given the 'enabling clause' where the govt has left the option to invite multi-brand retail on the states. This ordeal brings to light some challenges of a coalition government in terms of satisfying different constituencies while pushing through difficult reforms. However, other pending reforms relating to SEB's, approvals for projects etc are administrative in nature so less likely to create as much resistance. Nonetheless, continuation of political uncertainty would once again bring threats of slow growth and possible ratings action.

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*With thanks to*  
Ipsita Pal, Abha Agarwal

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**See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.**

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## Current Party Position

### Lok Sabha – Lower House of Parliament

Figure 1. Current Composition of the Lok Sabha

Party	Seats	Party	Seats
Indian National Congress(INC)	205	Bharatiya Janata Party (BJP)	114
<b>All India Trinamool Congress (AITC)</b>	<b>19</b>	Janata Dal (United) (JD(U))	20
Dravida Munnetra Kazhagam (DMK)	18	Shiv Sena(SS)	11
Nationalist Congress Party (NCP)	9	Shiromani Akali Dal (SAD)	4
J&K National Conference (J&KNC)	3	TRS	2
Indian Union Muslim League (IUML)	2	Biju Janata Dal (BJD)	14
Jharkhand Vikas Morcha JVM (P)	2	AIADMK	9
Rashtriya Lok Dal (RLD)	5	Telugu Desam Party (TDP)	6
Others/ Independents	13	Janata Dal (Secular) (JD(S))	3
<b>UPA</b>	<b>276</b>	Left Demo. Front	25
<b>Supporting Parties</b>		Others	11
Samajwadi Party (SP)	22	<b>Total NDA</b>	<b>219</b>
Bahujan Samaj Party (BSP)	21		
Rashtriya Janata Dal (RJD)	4		
<b>Total:</b>	<b>47</b>		
<b>UPA Incl. Outside Support</b>	<b>323</b>	<b>TOTAL LOK SABHA</b>	<b>542</b>

Source: loksabha.nic.in

### Rajya Sabha – Upper House of Parliament

Figure 2. Current Composition of the Rajya Sabha

Party	Seats	Party	Seats
Indian National Congress(INC)	70	Bharatiya Janata Party (BJP)	49
All India Trinamool Congress	9	Janata Dal (United) (JD(U))	9
DMK	7	Shiv Sena (SS)	4
Nationalist Congress Party	7	Shiromani Akali Dal (SAD)	3
J&K National Conf	2	India National Lok Dal	1
Rashtriya Lok Dal (RLD)	5	Biju Janata Dal (BJD)	7
<b>UPA</b>	<b>100</b>	Asom Gana Parishad	2
<b>Supporting Parties</b>		Telugu Desam Party (TDP)	5
Samajwadi Party (SP)	9	AIADMK	5
Bahujan Samaj Party (BSP)	15	Left Parties	12
Rashtriya Janata Dal (RJD)	2	<b>Total NDA</b>	<b>97</b>
Bodoland People's Front (BPF )	1		
Lok Janasakti Party (LJP )	1	Nominated	10
Mizo National Front (MNF )	1	Other Parties/ Independents	7
Nagaland People's Front (NPF)	1		
<b>Total:</b>	<b>30</b>		
<b>UPA Incl. Outside Support</b>	<b>130</b>	<b>TOTAL RAJYA SABHA</b>	<b>244</b>

Source: rajyasabha.nic.in

### Links to Notes Done on Reforms Last Week

- [India Macro Flash - Fuel Price Hike/Duty Re-jig – A Big Sentiment Positive, Despite Impact on Inflation and Public Finances](#)
- [Govt Delivers beyond Expectations – Bodes Well for the Macro and All Asset Classes](#)

## Appendix A-1

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