

## Mamata Banerjee quits UPA

- Trinamool Congress quits the UPA, bringing the Government in minority
- Mamata Banerjee leaves open a window, gives the Government until Friday to withdraw its decision in entirety
- Government likely to look for other allies, with Samajwadi Party and Bahujan Samaj Party the key contenders
- Markets closed on "Ganesh Chaturthi" tomorrow; saved from a knee-jerk reaction

In latest news from Kolkata, Trinamool Congress (TMC) withdrew support from the UPA after the Centre refused to roll back the hike in diesel prices, cap on LPG cylinders and FDI in retail.

Mamata Banerjee, the leader of TMC, announced her decision late on Tuesday after a meeting of the TMC's parliamentary party that went on for over three hours. 6 of the 19-members of TMC that hold a ministerial post within the UPA (including the Railways portfolio) will submit their resignation on Friday at 3 PM. UPA's strength in Lok Sabha will subsequently come down to 254 from 273. At 273, the UPA was just 2 seats above the half-way mark of 271.

Thus the Government has until the end of this week to bring its second biggest ally back on board. Mamata Banerjee has said that she will rethink withdrawal if diesel, LPG decision rolled back. Sources add that the stand is "either all or nothing", saying that she will not be satisfied with a token withdrawal.

But according to market sources, the Government is in no mood to humour Mamata Banerjee as it would send out a wrong signal to other allies of the UPA. At this juncture, the UPA will look towards either the Samajwadi Party (SP) or the Bahujan Samaj Party (BSP) for extending their support to the Government. If the SP comes on board, the UPA tally goes up by 22 while the BSP brings in 21 members.

But both these parties are expected to offer conditional support. According to media reports Mulayam Singh led SP wants a package for Uttar Pradesh of INR 1 lakh crore and help in managing his Disproportionate Assets case. On the other hand Mayawati, the leader of BSP, wants help in dealing with Mulayam Singh Yadav and managing her Disproportionate Assets case.

Thus the Government has some tough choices to make. But if recent comments of Finance Minister are to be believed, then there is no chance of a rollback as the Government gears towards undertaking more reforms to boost the economy. However, first comments from the Congress post TMC's decision suggest that the Government is open to a rethink of their decision. Market analysts argue that the benefit to the fiscal from the recently announced measures are rather marginal when compared to the risk it poses in terms of the stability of the Government, which would make it difficult for them to undertake other crucial reforms.

Amongst all this uncertainty, it's a relief that markets are closed tomorrow. Thus there is unlikely to be any knee-jerk reaction to this news. However, sentiment is likely to remain cautious for the rest of this week, as the Government tries to rework its arithmetic to stay in power.

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