

April 16, 2009

BSE-30:11,285

Related research: 'Elections 2009: Booster shot for economy, with side effects' dated April 16, 2009

Elections 2009: Expect more of the same. A coalition government at the end of India's 15th national elections is inevitable. We do not see any major shift in the broad direction of India's economic and financial policies regardless of which of the two big contending coalitions comes to power. The risk of the more ideologically-disparate 'third front' coming to power is low. We retain our six-month fair valuation of 11,000 for the BSE-30 Index.

Two most likely outcomes with similar impact

We see no material differences in the economic policies and impact on the stock market between the two most commonly forecasted scenarios: (1) United Progressive Alliance (UPA) government, led by the Indian National Congress (INC) and (2) National Democratic Alliance (NDA) government, led by the Bharatiya Janata Party (BJP). In the unlikely event of a Third Front government, we could see a larger role of the government in economic policies—without a reversal of India's extant economic policies.

Fragmentation, regionalization, coalitions to continue

We see a continuance of three major trends witnessed in Indian politics over the past two decades in national elections—(1) increasing fragmentation of votes, (2) increasing role of regional parties based on the increasing importance of regional issues in national elections and, consequently, (3) coalition governments at the Centre.

Indian economy too big to be derailed by any political party or coalition

We believe the outcome of national elections is unlikely to impact the trajectory and path of India's economy. The pace, but not principle, of economic reforms and economic growth may differ based on the economic agenda of the new government. Our economics team expects India's GDP to grow 6% in FY2010E and 7.8% in FY2011E.

Stock market will largely reflect earnings and valuation in the medium term

We expect the Indian stock market to reflect earnings growth and valuations rather than the outcome of the forthcoming national elections. If the Third Front beats all odds to form a government, we would use a sell-off (if any) to buy aggressively into the market. We retain our six-month fair valuation of the Indian market (BSE-30 Index) at 11,000 based on FY2010E estimates and introduce an 18-month target of 12,500 based on FY2011E estimates.

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Kotak Institutional Equities
Research

Important disclosures appear
at the back

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SCENARIO ANALYSIS: TWO MOST LIKELY OUTCOMES WITH SIMILAR IMPACT

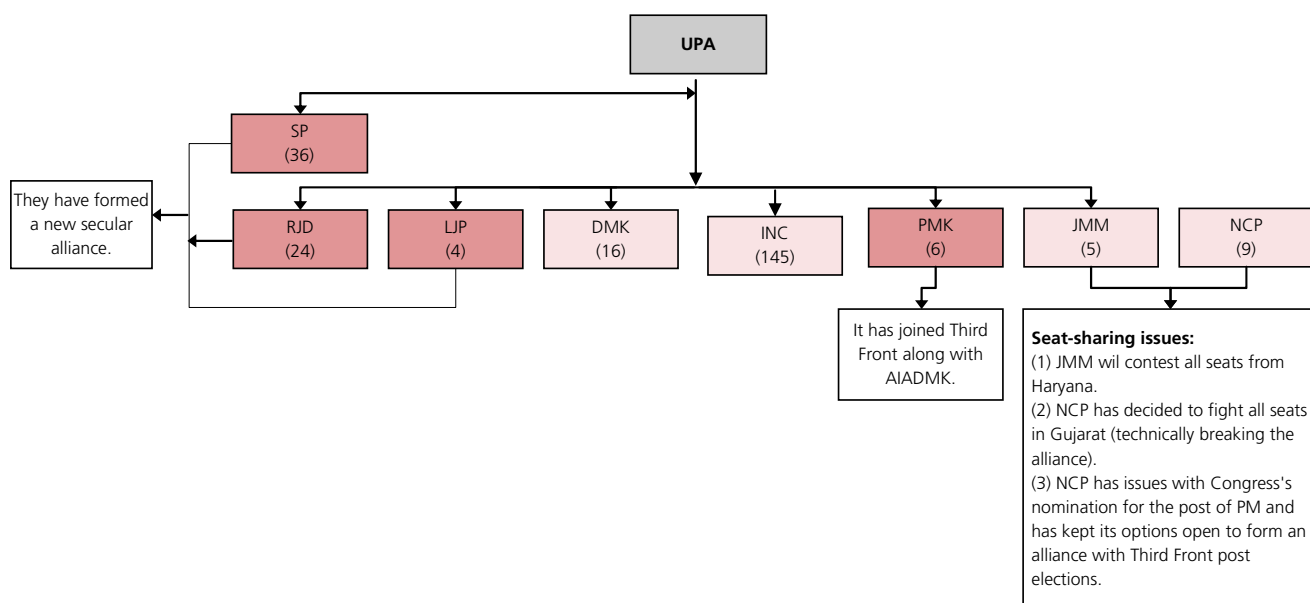
India's forthcoming election is likely to throw up a yet another coalition government with high levels of fragmentation continuing to rule out a single-party government. In our two most likely scenarios, we see similar outcomes for India's broad economic and financial policies. The formation of a disparate coalition government, without a clear mandate or common agenda, is a risk and may result in economic indecisiveness and political instability.

We discuss key three likely outcomes of the 15th national elections and impact on various sectors and stocks below.

Scenario 1: UPA with INC as the major party with either (1) outside support of the Left parties or (2) Bahujan Samaj Party (BSP) as a part of the government

This scenario assumes that INC will get around 150 seats, which will make it the key player in the coalition. We expect many of the constituents of the current UPA government to become a part of the new coalition government even though several of the parties are contesting against the INC in the elections (see Exhibit 1).

Exhibit 1: Various constituents of UPA are pitted against each other as well as against key player INC
Status of UPA alliance as per recent press reports



Note:

(1) Numbers in bracket are party's seats in LS in 2004 national elections.

Source: Press reports, Election Commission of India and Kotak Institutional Equities

We see two possibilities as a part of the above-mentioned scenario.

- **UPA with outside support of the Left parties.** The UPA may have to rely on the outside support of Left parties to reach the majority figure of 272 seats. The Left parties together may get a lower number of seats than its 60 seats in the 2004 national elections. We believe the Left parties may insist on a different prime minister to the incumbent, Dr Manmohan Singh, who was the architect of the Indo-US civil nuclear cooperation deal. The Left parties had withdrawn support to the government in July 2008 in opposition to the aforementioned deal. We see the current finance minister, Mr Pranab Mukherjee, as the likely prime minister in that case.

- **UPA with BSP as a constituent of the government.** In our view, the BSP would like to be a part of the government and insist on cabinet positions in a few large ministries in lieu of its support. Dr Singh will likely be prime minister in this case.

Exhibits 2 and 3 illustrate the likely impact on various sectors under the two aforementioned sub-scenarios.

Exhibit 2: Banking and financial services sector will likely be negatively impacted
Impact on various sectors if UPA + Communist Party of India (Marxist) (CPM) forms the central government

Sectors	Key focus areas of INC + CPM manifesto		
	Finance reforms	Rural	Infra.
Auto		✓	
Agriculture		✓	
Agro-chemicals		✓	
Banking/Financial services	X	X	
Cement			✓
Consumers			
Fertilizers		✓	
Industrials			✓
Media			
Real estate			
Technology			
Telecom		✓	
Utilities			✓

Note:

✓	Positive impact.
X	Negative impact.

Source: INC, CPM, Kotak Institutional Equities estimates

Exhibit 3: Chemicals, infrastructure and utilities would likely be major beneficiaries
Impact on various sectors if UPA + BSP forms the central government

Sectors	Key focus areas of INC + BSP manifesto	
	Rural	Infra.
Auto	✓	
Agriculture	✓	
Agro-chemicals	✓	
Banking/Financial services	X	
Cement		✓
Consumers		
Fertilizers	✓	
Industrials		✓
Media		
Real estate		
Technology		
Telecom	✓	
Utilities		✓

Note:

✓	Positive impact.
X	Negative impact.

Source: INC, BSP, Kotak Institutional Equities estimates

We use the INC's manifesto (see Exhibit 4) and its record of governance over the past five years as the basis of our impact analysis but note that the final outcome could be significantly different from initial expectations given the constraints of coalition politics. For example, a large role for Left Parties in the new UPA government may result in economic policies that favor a larger role for the government in the economy. Exhibit 5 compares and contrasts the key parts of the manifesto of the INC at the time of 2004 national elections and the Common Minimum Program of the UPA.

Exhibit 4: INC manifesto is quite populist with focus on food, health, security and employment
Details of 2009 Congress manifesto

Reformist	Populist
Economy growth: Priority is to revive the economy and restore high-growth phase	Employment: At least 100 days of work at a real wage of Rs100 a day for everyone as an entitlement under the NREGA
Infrastructure: Public investment in infrastructure to increase	Food: Right to Food Act pledging that every family living below the poverty line either in rural or urban areas will be entitled, by law, to 25 kgs of rice or wheat per month at Rs3/kg
GST: Introduction of the goods and services tax from April 1, 2010	Health: The National Rural Health Mission pledging that every family living below the poverty line will be covered by the RSBY over the next three years
Privatization: It would be considered selectively and enterprises in manufacturing (like energy, transport and telecom), banks and insurance companies will remain in the public sector	Social security: Comprehensive cover to all persons who are at special risk including (i) single woman-headed households; (ii) disabled and elderly; (iii) urban homeless; (iv) released bonded workers; (v) members of primitive tribal groups; and (vi) members of designated "most backward" Dalit communities
	Education: All students admitted to any recognized course in any recognized college/university will be provided, on a need basis, either a scholarship or an educational loan without collateral repayable over a very long period
	Youth development: National Skills Development Mission to impart skills to youths
	Security: Development and modernization of defense forces
	Farmers: Every small and marginal farmer will have access to bank credit at lower rates of interest. Interest waiver for all farmers, who repay their loans on time

Source: INC, Kotak Institutional Equities

Exhibit 5: A party's views on core issues may be subservient to compulsions of coalition politics
Key differences between INC's manifesto and Common Minimum program of the UPA

Issues	INC (Indian National Congress)	UPA (United Progressive Alliance)
Nuclear policy	Commit to maintaining a credible nuclear weapons program and evolve demonstrable confidence-building measures with its neighbours	Commit to maintaining a credible nuclear weapons program and evolve demonstrable confidence-building measures with its neighbours. Take a leadership role in promoting universal nuclear disarmament
Foreign Policy	Engage the United States in scientific, technological, strategic and commercial cooperation	Pursue closer engagement and relations with United States. However, maintain the independence of India's foreign policy position on all regional and global issues
Food	Focus the public distribution system (PDS) on below-the poverty line (BPL) families. Conduct surveys to identify such families based on transparent and verifiable criteria such as land ownership, occupation, family status, etc.	Work out a comprehensive medium-term strategy for food and nutrition security. Study the feasibility of and move towards universal food security over time
PSEs	Commit to avoid divestment to meet short-term revenue targets and approach privatization selectively	Commit to a strong and effective public sector with twin focus on commercial functioning and social objectives. Modernize and restructure sick public sector companies and revive sick industry
Private sector	Public-private partnerships will form the basis of infrastructure expansion; this could take the form of public expenditure and private management. Subsidies will be made explicit and provided through the budget	Enhance public investment in infrastructure, even as private sector will be allowed to expand its role in this segment. Subsidies will be made explicit and provided through the budget
Federalism	NA	Ensure amicable resolution of long-pending disputes between states on rivers and water-sharing. Ensure greater per-capita central allocation to backward states like UP and Bihar in five-year plans
Taxation	NA	Introduce a cess on all central taxes to finance the commitment to universalize access to quality basic education
Health	NA	Ensure availability of life-saving drugs at reasonable prices. Revive public units set up for the manufacture of critical bulk drugs

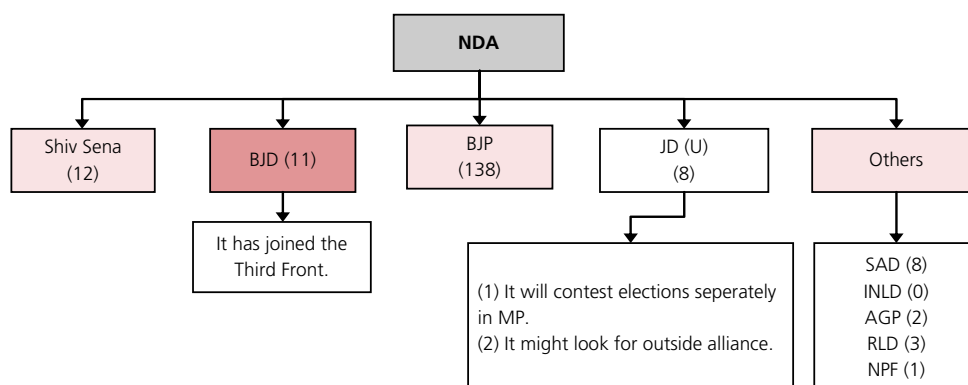
Source: Party and coalition 2004 manifestos, Kotak Institutional Equities

Scenario 2: NDA with BJP as the major party and BSP as a part of the government

As in the case of Scenario 1, this would require the BJP to get around 150 seats in order to form the government. To reach the crucial figure of 272, the BJP may have to rely on one large regional party such as the BSP (we cannot envisage the Left parties supporting a BJP-led government), a number of smaller regional parties that may or not be part of the NDA currently, some of the ex-constituents of the NDA (such as BJD) and independents. As with the UPA, the NDA has weakened somewhat of late (see Exhibit 6).

Exhibit 6: NDA has relatively fewer issues with allies compared to UPA

Status of NDA alliance as per recent press reports



Note:

(1) Numbers in bracket are party's seats in LS in 2004 national elections.

Source: Press reports, Kotak Institutional Equities

Exhibit 7 shows the likely impact on various sectors based on the BJP's manifesto (see Exhibit 8) and its past record. However, we note that the ability to pursue market-friendly policies may depend on the constituents of the government. We see an enhanced focus on infrastructure as the biggest positive for the government.

Exhibit 7: Cement, infrastructure and utilities sectors to be likely major beneficiaries

Impact on various sectors if BJP + allies forms the central government

Sectors	Key focus areas of BJP Manifesto		
	Taxation	Rural	Infra.
Auto	✓	✓	
Agriculture		✓	
Agro-chemicals		✓	
Banking/Financial services	✓	X	
Cement	✓		✓
Consumers	✓		
Fertilizers		✓	
Industrials			✓
Media	✓		
Real estate	✓		
Technology		✓	
Telecom	✓	✓	
Utilities			✓

Note:

✓	Positive impact.
X	Negative impact.

Source: BJP, Kotak Institutional Equities estimates

Exhibit 8: BJP manifesto: Gifts for all—targets middle-income group, farmers and family below poverty line (BPL families)
Details of 2009 BJP manifesto

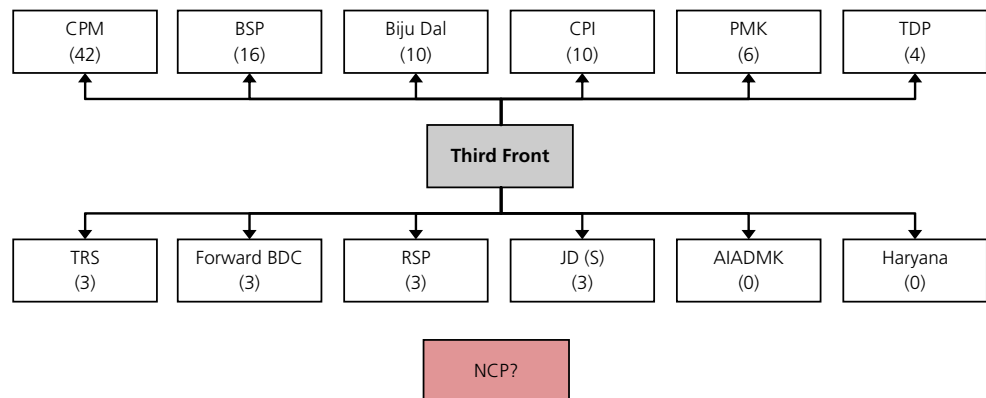
Reformist	Populist
Infrastructure: Enhance investments in infrastructure and roads. Targets to add at least 120,000 MW of power over the next five years, with 20% of it coming from renewable sources	Taxation reforms: (1) reduction in personal income tax (exempt up to Rs0.3 mn), (2) exemption of income taxes for armed forces, (3) pay revision for armed forces, (4) revomal of FBT, (5) tax exemption for senior citizens earning pension income, (6) rationalization of ESOPs and MAT
Steps to identify and retrieve Indian money kept in foreign (swiss) banks	Food: BPL families to get 35 kg of rice or wheat every month at Rs.2 per kg
Promise to create 1.2 million IT-enabled jobs in rural areas	Farmers: Waiver of agricultural loans and ensure farm loans at a maximum interest rate of 4 percent
	FDI: Ban FDI in retail sector to help domestic retail trade
	Internal security: To introduce POTA-type anti-terror law

Source: BJP, Kotak Institutional Equities

Scenario 3: Third Front with support of either INC or BJP

We see this as a low-probability event given the current weak positions of major constituents of the Third Front (see Exhibit 9). Also, the two larger parties (INC and BJP) may be reluctant to lend support to the Third Front unless both of them fail to get close to 150 seats and win less than 125 seats each. We see the following impact on the market and sectors (see Exhibit 10).

Exhibit 9: Third Front's motley make-up—sum of disparate parts
Parties comprising the Third Front alliance as per recent press reports



Note:

(1) Numbers in bracket are party's seats in LS in 2004 national elections.

Source: Press reports, Elections Commission of India, Kotak Institutional Equities

Exhibit 10: Agriculture, SMEs would likely be major beneficiaries

Impact on various sectors if the 'Third Front' (with support of Congress (I) or BJP) forms the central government

Sectors	Key focus areas of CPM manifesto		
	Finance reforms	Rural	Infra.
Auto			
Agriculture		✓	
Agro-chemicals		✓	
Banking/Financial services	X		
Cement			✓
Consumers		✓	
Fertilizers		✓	
Industrials			✓
Media			
Real estate			
Technology			
Telecom			
Utilities			✓

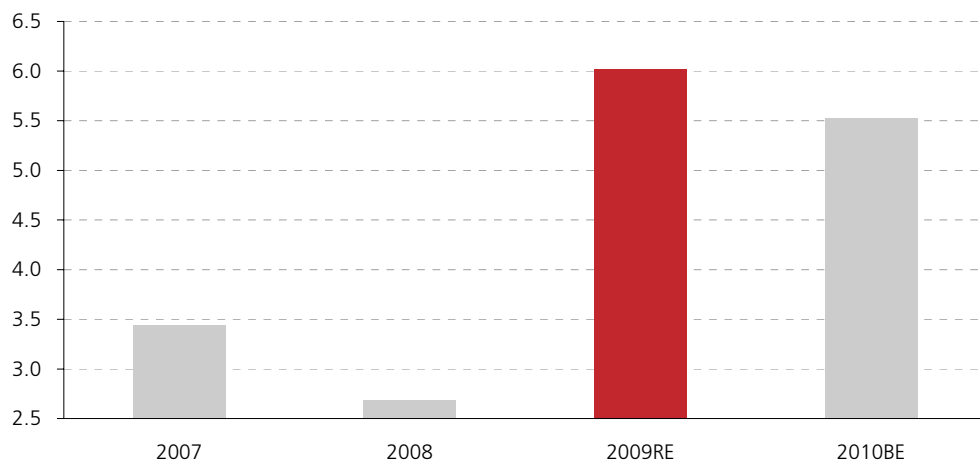
Note:

✓	Positive impact.
X	Negative impact.

Source: CPM, Kotak Institutional Equities

- **Higher risk of political instability.** A minority government dependent on a large party for outside support is likely to be inherently stable. The history of 'Third Front' governments is not encouraging and none of them have completed a full term (five years). A period of possible political instability may be negatively construed by the market.
- **More focus on agriculture and employment.** We expect the Third Front to effect policies that would favor investments in agriculture and employment generation. Some of them could be in the form of (1) higher interest rate subvention to banks for rural and agricultural loans, (2) farm-loan waivers, (3) higher public expenditure and extension of employee guarantee schemes and (4) subsidies to companies for recruitment.
- **'Subservient' fiscal policy.** The market may perceive a Left Front government as pursuing a fiscal policy subservient to its social objectives of higher employment and higher public expenditure. However, this may not be an issue given that India's fiscal position has deteriorated meaningfully over the past two years (see Exhibit 11) due to the government's attempts to support economic growth and boost consumption.

Exhibit 11: India's fiscal position has deteriorated meaningfully over the past two years
Gross fiscal deficit/GDP, March fiscal year-ends, 2007-10E (%)



Source: RBI, Kotak Institutional Equities

- **Capital and commodity markets.** We expect less investor-friendly policies versus in the two scenarios discussed earlier. We would not be surprised to see (1) restoration of long-term capital gains tax and (2) increase in securities transaction tax (STT).

Exhibit 12 gives the manifesto of CPI (M), which we can take as representative of other Left parties and indicative of likely policies of the Third Front government, if formed. The Left parties are likely to have a large role to play in any Third Front government.

Exhibit 12: Manifesto of CPM has limited scope for large-scale reforms

Key points from CPI (M) Manifesto

Removal of FRBM Act and increase annual Plan Expenditure amounting to 10% of India's current GDP (currently it is below 5%), Public expenditure on education to be 6% of GDP. Public expenditure on health to be raised to 5% of GDP

Specific relief packages for affected sectors like textiles and garments, gems and jewellery, leather, handicrafts, coir, cashew, marine products, software and IT etc., aimed mainly at the small and medium enterprises

Employment: Prevention of wage and pay cuts, extending employment guarantee

Resource Mobilisation: Increase wealth tax for the super rich; introduce inheritance tax. Effectively tax speculative capital gains by restoring Long-Term Capital Gains Tax and increasing Securities Transaction Tax

Financial Sector regulation: Prohibiting Participatory notes used by FIIs, preventing takeover of Indian banks by foreign banks, scrapping the proposed legislation to increase FDI cap in the insurance sector, no privatisation of pension funds, no diversion of pension and provident funds to equity market

Revival of agriculture: Ensure provision of high quality inputs at affordable prices to all cultivators

Reduction of retail prices of petrol and diesel by cutting the customs and excise duties on oil

Banning futures trading in all agricultural commodities as per the recommendations of the Parliamentary Standing Committee

Enacting the Women's Reservation Bill to ensure one-third reservation for women in the legislatures

The list of permissible works under the NREGA to be expanded to include all activities that improve the quality of life in rural areas

Source: CPM, Kotak Institutional Equities

We would use any market correction in the event of the formation of a Third Front government to buy good, solid stocks aggressively. We note that India's economic growth is unlikely to change materially under any government. Exhibit 13 shows that economic growth during the governments of 'small-party' coalition was similar to growth during dominant-party-led coalitions (see Exhibit 14).

Exhibit 13: Economic growth during governments of 'small-party' coalitions was similar to growth during dominant-party-led coalitions

Key economic performance of select governments

	1977-80	1989-91	1996-98
Coalition	JP + allies	JD + allies	United Front
Term (months)	24	20	22
No. of prime ministers (#)	2	2	2
Key economic parameters			
Average GDP growth (%)	2.6	5.7	5.8
Inflation	NA	8.9	4.5
GFD (% of GDP)	4.6	7.6	5.3
CAD (% of GDP)	0.1	(2.7)	(1.3)

Source: RBI, Kotak Institutional Equities

Exhibit 14: Performance of dominant-party-led government coalitions was no different than that of 'small-party' coalitions

Key economic performance of dominant-party-led government coalitions

	1980-84	1984-89	1991-96	1998-99	1999-04	2004-09
Government	INC	INC	INC	BJP	BJP	INC
Term (months)	60	60	60	12	60	60
No. of prime ministers (#)	1	1	1	1	1	1
Key economic parameters						
Average GDP growth (%)	5.9	5.5	5.1	6.2	5.8	8.6
Inflation	10.0	6.5	10.5	5.9	4.6	5.8
GFD (% of GDP)	5.6	7.6	5.7	6.5	5.5	4.1
CAD (% of GDP)	(1.6)	(1.9)	(1.0)	(1.0)	0.5	(0.1)

Source: RBI, Kotak Institutional Equities

NATIONAL ELECTIONS: THE FACTS AND FIGURES

We discuss key facts and figures of the forthcoming 15th national elections, Indian political parties and key trends in Indian politics. The broad trends are (1) increasing fragmentation of votes, (2) decline in importance of national parties along with increase in influence of regional parties and (3) consequent rise of coalition politics.

15th national elections: Facts and figures

Exhibit 15 shows key data for the forthcoming 15th national elections such as the number of voters and constituencies. We note that 43 mn voters will vote for the first time, which enhances the uncertainty of the outcome of the elections.

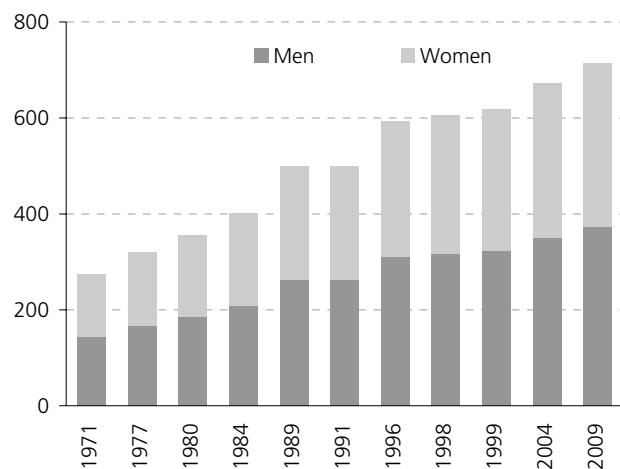
Exhibits 16 and 17 show key trends in some of the aforementioned parameters across national elections starting 1951. Exhibit 18 gives the polling dates across key states for the five phases of the forthcoming elections.

Exhibit 15: Size of electorates and number of constituencies for the 15th national elections, state-wise



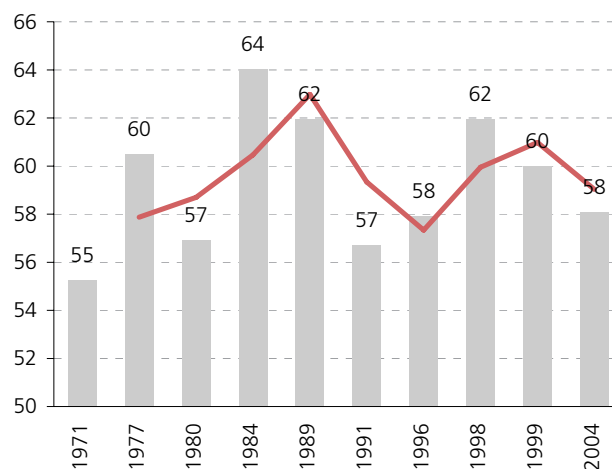
Source: Election Commission of India

Exhibit 16: 714 mn voters eligible to vote in 2009
Trend of number of eligible voters in each elections (mn)



Source: Election Commission of India, Kotak Institutional Equities

Exhibit 17: Poll participation typically low at average 60%
Trend of percentage of voters participating in the voting process (%)



Source: Election Commission of India, Kotak Institutional Equities

Exhibit 18: Number of constituencies voting on different poll days in states and union territories

States	Seats	Poll dates and phases				
		16-Apr-09 Phase-I	23-Apr-09 Phase-II	30-Apr-09 Phase-III	7-May-09 Phase-IV	13-May-09 Phase-V
Uttar Pradesh	80	16	17	15	18	14
Maharashtra	48	13	25	10		
Andhra Pradesh	42	22	20			
West Bengal	42			14	17	11
Bihar	40	13	13	11	3	
Tamil Nadu	39					39
Madhya Pradesh	29		13	16		
Karnataka	28		17	11		
Gujarat	26			26		
Rajasthan	25				25	
Orissa	21	10	11			
Kerala	20	20				
Assam	14	3	11			
Jharkhand	14	6	8			
Punjab	13				4	9
Chhattisgarh	11	11				
Haryana	10				10	
NCT of Delhi	7				7	
Total constituencies	543	124	141	107	85	86

Source: Election Commission of India

Political parties

Exhibit 19 lists key political parties in India broken down into national and state parties. A party is defined as a national party if it is a 'recognized political party' in four or more states. Exhibit 20 shows how each of the major parties fared in key states in the last national elections.

Exhibit 19: Political parties in India

National Parties	State Parties
Bahujan Samaj party (BSP)	All India Anna Dravida Munnetra Kazhagam
Bharatiya Janta Party (BJP)	All India Forward Bloc
Communist Party of India (CPI)	All India Trinamool Congress
Communist Party of India (Marxist) (CPM)	Arunachal Congress
Indian National Congress	Asom Gana Parisad
Nationalist Congress Party	Assam United Democratic Front
Rashtriya Janta Dal	Biju Janata Dal
	Dravida Munnetra Kazhagam
	Indian National Lok Dal
	Jammu & Kashmir National Conference
	Jammu & Kashmir National Panthers Party
	Jammu & Kashmir People's Democratic Party
	Janta Dal (S)
	Janta Dal (United)
	Jharkhand Mukti Morcha
	Kerala Congress
	Kerala Congress (M)
	Lok Jan Shakti Party
	Maharashtrawadi Gomantak
	Manipur People's Party
	Marumalarchi Dravida Munnetra Kazhagam
	Mizo National Front
	Mizoram People's Conference
	Muslim League Kerala State Committee
	Nagaland People's Front
	Nationalist People's Party
	Pattali Makkal Katchi
	Pudhucherry Munnetra Congress
	Revolutionary Socialist Party
	Samajwadi Party
	Save Goa Front
	Shiromani Akali Dal
	Shiv Sena
	Sikkim Democratic Front
	Telangana Rashtra Samithi
	Telugu Desam
	United Democratic Party
	Uttarakhand Kranti dAI
	Zoram Nationalist Party

Source: Election Commission of India, Kotak Institutional Equities

Exhibit 20: Presence of INC and BJP is low in key states like UP, WB, Bihar and TN
Party-wise position of some major parties in key states

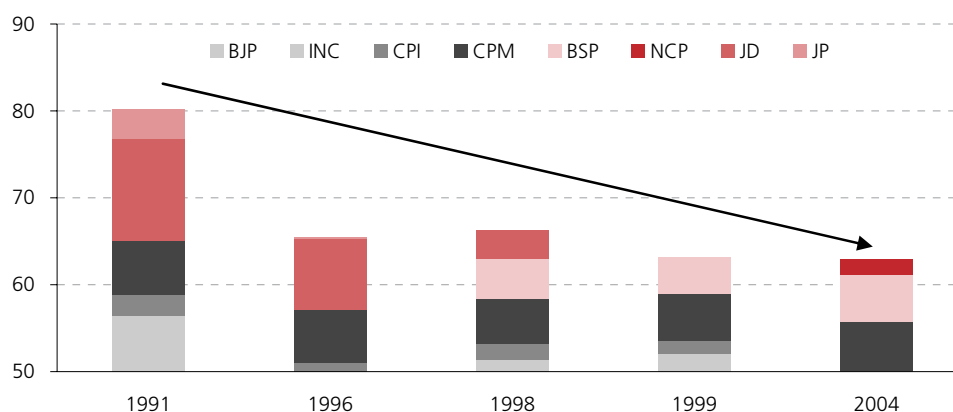
	2009 Seats		Results of 2004 LS		
	(#)	(%)	Name	(#)	(%)
Uttar Pradesh	80	14.7	SP	34	42.5
			BSP	16	20.0
			BJP	10	12.5
			INC	9	11.3
Maharashtra	48	8.8	BJP	13	27.1
			INC	13	27.1
			SS	12	25.0
			NCP	9	18.8
Andhra Pradesh	42	7.7	INC	29	69.0
			TRS	5	11.9
			TDP	5	11.9
West Bengal	42	7.7	CPM	26	61.9
			INC	6	14.3
			AITC	1	2.4
Bihar	40	7.4	RJD	22	55.0
			JD(U)	6	15.0
			BJP	5	12.5
			LJP	4	10.0
Tamil Nadu	39	7.2	DMK	16	41.0
			AIADMK	10	25.6
			PMK	5	12.8
Madhya Pradesh	29	5.3	BJP	25	86.2
			INC	4	13.8
Karnataka	28	5.2	BJP	18	64.3
			INC	8	28.6
			JD(S)	2	7.1
Gujarat	26	4.8	BJP	14	53.8
			INC	12	46.2
Seats of major states	374	68.9			
Total Lok Sabha seats	543	100.0			

Source: Election Commission of India, Kotak Institutional Equities

Key trends in Indian politics

- **Increasing fragmentation in votes.** Exhibit 21 gives the share of votes of major parties in the past few elections. As can be seen, the share of popular votes of national parties has consistently declined as regional parties gained prominence on the back of regional and local issues.

Exhibit 21: Share of votes of major parties in the past few elections has declined
Percentage of votes polled to key political parties (%)

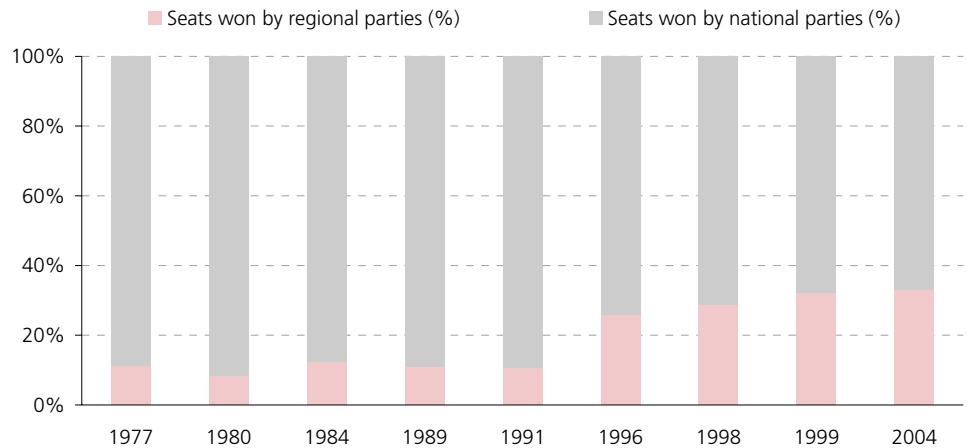


Source: Election Commission of India, Kotak Institutional Equities

- **Decline of national parties and rise of regional parties.** Exhibit 22 shows that regional parties have gained at the expense of national parties over the past few elections. Regional parties had as many as 174 seats in the most recent Lok Sabha. We expect the trend to continue in the current elections.

Exhibit 22: Regional parties have started eating into shares of national parties

Proportion of seats won by national and regional parties in general elections (%)



Source: Election Commission of India, Kotak Institutional Equities

- **Coalition from single-party rule.** Exhibit 23 shows that the past few governments have been coalition governments compared to single-party government in the first four decades of India's democracy. This reflects the aforementioned two trends of (1) increasing fragmentation of votes and (2) rise of regional parties on the back of regional issues. The exhibit also gives the number of seats of the largest party in the Lok Sabha and compares that with the total number of seats, required majority and the seats of the ruling coalition in cases of coalition governments.

Exhibit 23: Past few governments have been coalitions

Type of governments formed in India

	Type	Party	Seats won (1) (#)
1951	Single	INC	364
1957	Single	INC	371
1962	Single	INC	361
1967	Single	INC	283
1971	Single	INC	352
1977	Coalition	Janata Party	295
1980	Single	INC	353
1984	Single	INC	404
1989	Coalition	Janata Dal	143
1991	Coalition	INC	232
1996	Coalition	United Front	NA
1998	Coalition	BJP	182
1999	Coalition	BJP	182
2004	Coalition	INC	145

Note:

1. 272 seats are required for a majority.

Source: Election Commission of India, Kotak Institutional Equities

PRE-ELECTION POLLS: LOOKS LIKE THE UPA

Results of preliminary surveys conducted by various polling agencies and media companies point to none of the pre-election alliances (NDA, Third Front and UPA) achieving a full majority of 272 seats in the Lok Sabha. Most surveys point to the UPA being ahead of the NDA by a small margin with the INC likely to get around 150 seats. A similar outcome in the national elections points to the importance of post-poll alliances and uncertainty on key cabinet positions; the smaller regional parties may have disproportionate influence on national politics and economic policies.

Highlights of recent surveys/polls

Exhibit 24 shows the results of various election polls conducted by polling agencies and media companies recently.

Exhibit 24: Opinion polls are indicating a close finish with no clear winner

Position of alliances/parties based on opinion polls carried by various media agencies (# of LS seats)

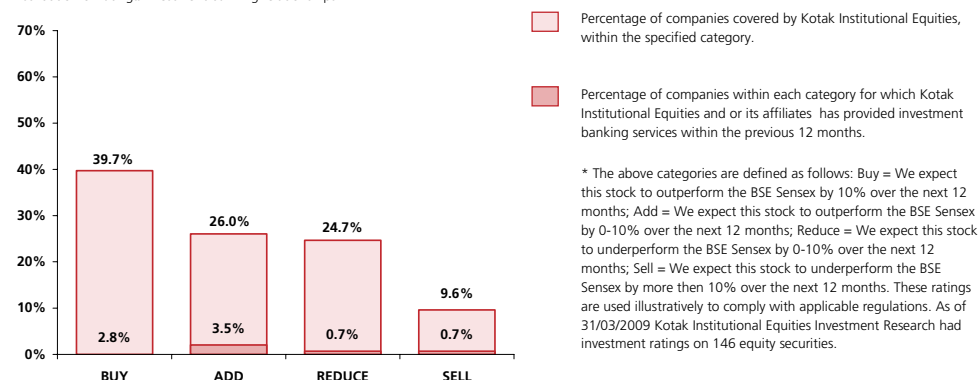
	Date	UPA	INC	NDA	BJP	Left	BSP	SP	Others	Comments
The Week	8-Apr-09	234	144	186	140	NA	NA	NA	NA	
India Today and AC Nelson	3-Apr-09	190-199		172-181		NA	NA	NA	169-178	UPA will get help from RJD, SP, LJP, Left & PMK
Star News	22-Mar-09	257		184		34	21	30	47	UPA includes SP
DNA	9-Mar-09	201		170		22	32	31	87	
Times of India	6-Mar-09	201	146	195	138	40	34	23	50	
CNN/IBN and CSDS (1)	21-Feb-09	215-235		165-185		35-45	NA	NA	NA	

Source: Kotak Institutional Equities

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Source: Kotak Institutional Equities

As of March 31, 2009

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Source: Kotak Institutional Equities Research

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