

ELECTION WATCH – III

Voter turnout satisfactory; nominations galore

April 27, 2009

Overall voter turnout satisfactory; marginal decline in key states

Voter turnout in the first two phases of elections, covering 265 seats (of 543) in 20 states, has been satisfactory (Election Commission). Overall turnout in phase I (April 16), covering 124 seats, was 60%; phase II (April 23), covering 141 seats, recorded 55% turnout. Voter turnout has declined in some key states such as Uttar Pradesh (UP), Bihar, Madhya Pradesh (MP), Jharkhand, Orissa, Karnataka and Assam, compared to 2004 election. This is possibly due to migrant workers (rural to urban) not voting, which could benefit the regional parties in the rural constituencies. Smaller states like J&K and north-eastern states have registered improvement in voter turnout compared with earlier elections. This too is likely to benefit regional parties as more people in smaller (and in some cases, troubled) states seem to be realising the importance of sending a strong representative to the Centre. Voter turnout will be keenly looked at when key states such as Tamil Nadu, Rajasthan, Gujarat, West Bengal and the balance of UP, Bihar, MP come to vote over the next three phases.

Nomination witnesses increase; independent candidatures rise sharply

On April 23, 2009, the last date of nomination was complete for ~75% of seats, and with that, three of five phases ended successfully. Vote bank states of UP, West Bengal, Bihar, Tamilnadu and Rajasthan are yet to be fully completed. Of the top 10 states, Maharashtra, Andhra Pradesh (AP), MP, Karnataka and Gujarat have completed their nomination exercise. The initial data from the Election Commission's website shows that the number of candidates has increased compared with the previous elections. Overall, we believe that the initial numbers indicate that nominations for 2009 elections are somewhere near 1989 elections. Data points from individual states show a general trend in nominations across states. AP, Karnataka and Gujarat have seen nominations double in 2009 over 2004.

Election outcome estimates by various agencies predict a fractured mandate

Most surveys by news agencies are estimating UPA to win the maximum number of seats in the upcoming elections, followed by NDA. Left is expected to lose seat share compared with the 2004 elections, while BSP is estimated to see a rise. While fractured mandate is a consensus expectation (with no party getting anywhere close to majority), the degree of such fracture is not yet known (refer annexure 1 for details).

Security a key agenda in released manifestos

A quick glance at most manifestos shows a common thread running across parties - security, stability and focus on agriculture and allied activities, improvement in rural income, and heavy infrastructure expenditure (public and private). BJP has indicated that it has a three-pronged strategy: 'Good governance, development and security'. Congress has indicated that it would continue its existing schemes and increase focus on security. It believes in taking a 'middle path' to bring a balance in every decision making process. CPM's manifesto focuses more on increasing public investments that will require alternate policies (refer annexure 2 for details).

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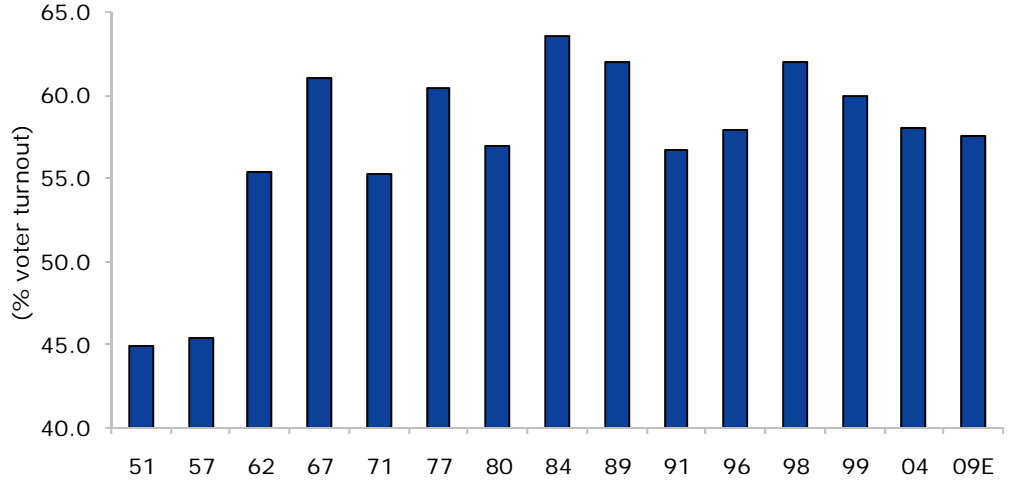
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Overall voter turnout satisfactory; marginal decline in key states

Voter turnout in the first two phases of elections, covering 265 seats (of 543) in 20 states, has been termed satisfactory by the Election Commission. Overall turnout in phase I (April 16), covering 124 seats was 60%, while phase II (April 23), covering 141 seats, recorded 55% turnout.

Chart 1: Voter turnout in India over the years

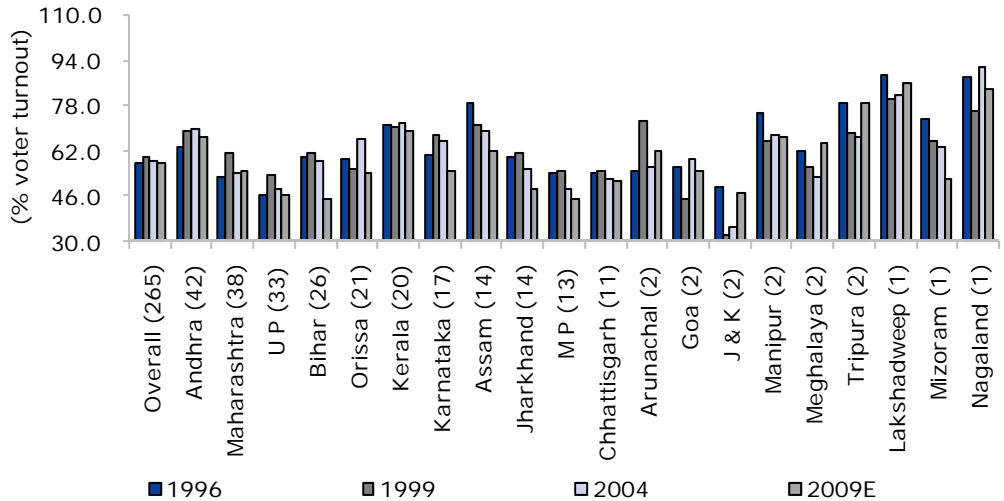


Source: Election Commission

Voter turnout has declined in key states such as UP, Bihar, MP, Jharkhand, Orissa, Karnataka and Assam. This is possibly due to migrant workers (rural to urban) not voting, which could benefit regional parties in rural constituencies.

Smaller states like J&K and north-eastern states have registered improvement in voter turnout compared with earlier elections. This too is likely to benefit regional parties as more people in smaller (and in some cases, troubled) states seems to be realising the importance of sending a strong representative to the Centre.

Chart 2: Voter turnout in first two phases vs. past few elections



Source: Election Commission

Note: Data for 2009E is the average voter turnout in states where polling was held in both the phases

Voter turnout will be keenly looked at when key states such as Tamil Nadu, Rajasthan, Gujarat, West Bengal and the balance of UP, Bihar, MP come to vote over the next three phases.

Nomination witnesses increase; independent candidatures rise sharply

On April 23, 2009, the last date of nomination was complete for ~415 seats. Initial data from the Election Commission website shows that the number of candidates has increased over the previous elections. Total of ~6,650 candidates have filed their nominations across 27 states and union territories. With the same trend in other constituencies (seven states and union territories left), we can expect the overall nominations to be higher than the previous four elections. A large part of this increase is mainly driven by the number of independent candidates. Overall, we believe that the initial numbers indicate that nominations for 2009 elections are somewhere near 1989 elections.

Data points from individual states show a general trend in nominations across states. AP, Karnataka and Gujarat have seen nominations double in 2009 over 2004. In AP, emergence of Praja Rajyam, break-up of Telugu Desam Party (TDP) with BJP and doubling of independent candidates (222 for 2009 elections against 114 in 2004) has led to a sharp increase in nominations. In Karnataka, the increase is largely been driven by independent candidates that has increased to 150 in 2009 elections from 40 in 2004.

Table 1: Nominations filed in various key states

State	Seats	Final candidates							Last day of nomination # (Phase I-III)
		1989	1991	1996	1998	1999	2004	2009	
1 Uttar Pradesh**	80	1,087	1,605	3,297	1,037	1,208	1,138	1,164	55
2 Maharashtra	48	593	862	1,065	377	261	412	819	48
3 Andhra Pradesh	42	267	609	1,462	390	285	279	569	42
4 West Bengal**	42	336	393	397	272	309	355	268	31
5 Bihar**	40	711	1,214	1,448	469	497	462	656	37
6 Tamil Nadu*	39	506	461	749	296	362	571	-	-
7 Madhya Pradesh	29	490	683	1,259	400	344	294	429	29
8 Karnataka	28	242	391	978	200	130	172	427	28
9 Gujarat	26	261	420	577	139	159	162	359	26
10 Rajasthan*	25	304	526	677	219	165	185		7
Other states	144	1,363	1,572	2,043	951	928	1,405		
Total	543	6,160	8,736	13,952	4,750	4,648	5,435	4,691	303
ex-independents		2,447	3,190	3,316	2,835	2,703	3,050		

Source: Party Websites

* Final candidates are yet to be announced

** Last date of nomination yet to be completed

Nominations filed for number of seats in the first three phases

Nomination of national parties shows 13% increase

We see a 13% increase in overall nominations compared with the 2004 elections with most parties announcing their respective candidates. BSP, through news sources, has the largest nominations of ~500 candidates, while CPI and CPM and NCP have also increased their candidatures compared with 2004 elections. BJP had to increase its exposure with alliance fallout in a few key states, while nominations from INC have remained similar to the last elections.

Table 2: National Party nomination performance

Party	2004		2009	Increase in contested seats
	Contested	Won	Contested	
BSP*	435	19	500	65
BJP	364	138	421	57
CPI	34	10	56	22
CPI (M)	69	43	82	13
INC	417	145	424	7
NCP	32	9	47	15
Total	1,351	364	1,530	179

Source: Party Websites

* News sources

BJP

An analysis of the national parties that have announced their nominations shows that BJP had to field more nominations as it lost three key allies (states where BJP has been weak), which helped them gain 19 votes. In West Bengal, it lost the alliance with All India Trinamool Congress (AITC, won three seats in 2004), in AP with Telugu Desam Party (won five seats in 2004) and in Orissa with Biju Janata Dal (won 11 seats in 2004).

INC

INC, on the other hand, had to marginally increase its nominations by seven seats. While it has won an ally in West Bengal (in 2004, AITC won only 2 seats out of 33 seats contested compared with INC's six seats from 37 contested), it lost in Bihar because of its key ally in RJD (won 24 seats in 2004) preferring to stand independently.

Table 3: Alliances formation has been poor for BJP

State	BJP					INC			
	2004 Seats	2004 Contested	2009 Won	2009 Contested	Gain/loss	2004 Contested	2009 Won	2009 Contested	2009 Contested
Uttar Pradesh	80	77	10	71	(6)	73	9	66	(7)
Maharashtra	48	26	13	26	-	26	13	25	(1)
Andhra Pradesh	42	9	-	41	32	34	29	42	8
West Bengal	42	13	-	42	29	37	6	14	(23)
Bihar	40	16	5	15	(1)	4	3	25	21
Tamil Nadu	39	6	-	11	5	10	10	15	5
Madhya Pradesh	29	29	25	29	-	29	4	29	-
Karnataka	28	24	18	28	4	28	8	27	(1)
Gujarat	26	26	14	26	-	25	12	26	1
Rajasthan	25	25	21	21	(4)	25	4	25	-
Others	144	113	32	111	(2)	126	47	130	4
Total	543	364	138	421	57	417	145	424	7

Source: Election Commission, respective party websites

Annexure I: Round up on elections analysis by various agencies

Most surveys by news agencies are estimating UPA to win the maximum number of seats in the upcoming elections, followed by NDA. Left is expected to lose seat share compared with the 2004 elections, while BSP is likely to see an increase. While fractured mandate is a consensus expectation (with no party getting anywhere close to majority), the degree of such fracture is not yet known.

		3-Apr
Alliance/Party		Seats
UPA		190-199
NDA		172-181
Others		169-178

		6-Mar
Alliance/Party		Seats
UPA		201
NDA		195
Left front		40
BSP		34
SP		23
Others		50

		22-Mar
Alliance/Party		Seats
UPA		257
NDA		184
Left front		34
BSP		21
SP		30
Others		47

		21-Feb
Alliance/Party		Seats
UPA		215-235
NDA		165-185
Left front		35-45
BSP		N.A
SP		N.A
Others		90-110

		9-Mar
Alliance/Party		Seats
UPA		201
NDA		170
Left front		22
BSP		32
SP		31
Others		87

Source: Various news agencies

Annexure II: Manifesto analysis

A quick glance at most manifestos shows a common thread running across parties - security, stability, focus on agriculture and allied economies, improvement in rural income, and heavy infrastructure expenditure (public and private). Barring the Left, which discussed its methods of (1) improving revenues through higher taxation, (2) removal of tax benefits in a few segments, both BJP and INC have remained silent. Compared with the previous manifestos (wherever available), the current manifestos across parties show focus on growth and bringing stability in the economic system. Most manifestos released [INC, BJP, CPI, CPI (M), NCP, JD (S)] have common agendas; we have highlighted those of INC, BJP and CPM below.

Table 5: Party Manifestos

Issue	INC	BJP	CPI (M)
Key Agenda	Continuity and working with balance	Good governance, development and security	Security, social equity and alternate policies
Agriculture	Improve access to credit, lower interest rates and remove any control on free movement of goods	Waive agriculture loans, improve irrigation facilities and interest rate ceiling of 4%.	Expand MSP coverage, Interest rate ceiling of 4%. Comprehensive loan waiver for distressed peasants
Economy	Add 60,000-75,000 MW over 5 years. Low cost housing will be focussed	Build 15-20 kms of highways everyday. Build 15 new cities. Add 120,000 MW over 5 years with 20% from renewable sources. 10 Lakh/year dwelling units to be constructed	Planned expenditure to touch 10% of GDP.
Capital market	No blind privatisation	No FDI in retail	1. No FDI in retail/ media/ higher education. Introduce licensing 2. Restrict capital flows, P-Notes, divestment and privatisation of pension funds.
Public distribution system	Provide 25 kg of rice/wheat at INR 3/kg. Improve public distribution system. Subsidise community kitchen	Provide 35 kg of rice at INR 2/kg. Improve public distribution system. Community kitchen with NGO	Food grains at subsidised prices and curb procurement by private corporates and MNC
Employment	NREGA will provide INR 100/day for atleast 100 days of work. One third of government jobs to women	Create rural and urban jobs. IT jobs will be created in rural areas	Moratorium of job cuts, revise minimum wage rates. Expand scope of NREGA
Security	1. Zero tolerance for terror and introduction of ID cards 2. Housing and education facility for police forces and modernise defence force	1. Improve POTA law and introduce ID Cards 2. Modernisation of defence, coastline security and special courts for speedy trials	1. Modernisation of police forces and strengthening coastal security
Banking	1. Education loans without collateral 2. Agri credit at low interest and collateral free credit to SME's	1. Agri loan waivers 2. subsidised interest of 4% for agri / retail trade/ student loans credit	1. Comprehensive loan waiver for distressed peasants 2. Credit to self help groups at 4% 3. 15% of priority sector lending for muslims
Taxation	Introduction of GST in FY10	CST will be abolished and GST rationalised between 12 and 14%. Armed forces will be exempt from income tax. Exempt income upto INR 0.3 mn from income tax. INR 50,000 more for women and senior citizens	Restoring long term capital gain tax, introduce inheritance and wealth tax for super rich. Tax relief for salaried employees, pensioners and senior citizens. Scrapping FRBM and raising borrowing limits

Source: Party Manifestos, Edelweiss research

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Recent Research

Date	Company	Title	Price (INR) Recos
23-Apr-09	Inflation	Minor rise; broad downward bias Remains	
21-Apr-09	RBI Annual Policy Review	Token cut signaling priority for growth, softer interest rates	
20-Apr-09	RBI Watch	Preserving last arrows of its arsenal	
16-Apr-09	Inflation	Down hill	
09-Apr-09	India Macro Picture	IIP blues continue; Inflation south-bound in small steps	

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Accumulate	Reduce	Sell	Total
Rating Distribution*	48	44	23	8	126
* 3 stocks under review / 0 rating withheld					
	> 50bn	Between 10bn and 50 bn	< 10bn		
Market Cap (INR)	61	36	29		

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 20% over a 12-month period
Accumulate	appreciate up to 20% over a 12-month period
Reduce	depreciate up to 10% over a 12-month period
Sell	depreciate more than 10% over a 12-month period

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