

# Reform rollback unlikely

## Key ally TMC withdraws support from Central Govt.

One of the key allies of the Congress Party at the center, Trinmool Congress (TMC) withdrew support, demanding rollback of the reforms announced last week. Key demands of TMC are (a) at least Rs3 rollback (of the Rs5 announced) of diesel price hike, (b) increasing the cap of subsidized LPG to 24 cylinders per household per annum (from 6 cylinders announced), and (c) roll-back of FDI in multi-brand retail. However, (a) we do not expect government to roll back the reforms or (b) fall due to the withdrawal of support by TMC.

## ...but Govt. unlikely to roll back reforms...

We believe the Government will not roll back the reform measures announced last week as it believes this is the only available window before the state elections start. Also, Government likely had already envisaged resistance from TMC which had been against the FDI and petro product price hikes.

## Other parties may come to the rescue

We expect the government to survive given outside support from two other regional parties - SP and BSP. In our view, the govt. will survive because (a) with support from both SP and BSP it would have the support of 301 MPs (b) even if SP withdraws support, it could survive with BSP's 279 MPs and (c) even BJP ally JDU has given an indication of conditional support. Also a large section of MPs are not in favour of early elections.

Table 1: Current Lok Sabha seats- Govt. should survive despite TMC's pullout

Congress & Allies		Opposition	
Congress Party (INC)	207	Bharatiya Janata Party (BJP)	114
Dravida Munnetra Kazagam (DMK)	18	Janata Dal United (JDU)	20
Nationalist Congress Party (NCP)	9	Shiv Sena	11
Rashtriya Lok Dal (RLD)	5	Shiromani Akali Dal (SAD)	4
National Conference (NC)	3	TRS	2
Muslim League	2	Asom Gana Parishad (AGP)	1
Others	10	Total NDA	152
Total UPA	254	Left Front	24
Outside Support			
Samajwadi Party (SP)	22	Trinmool Congress (TMC)	19
Rashtriya Janata Dal (RJD)	4	Biju Janata Dal (BJD)	14
Bahujan Samaj Party (BSP)	21	AIADMK	9
Total Outside Support	47	Telegu Desam Party (TDP)	6
		Janata Dal (Secular)	3
		Others & Ind	19
<b>Total Support for Govt</b>	<b>301</b>	<b>Total Opposition</b>	<b>246</b>
Total	547		

Source: Media, BofA Merrill Lynch Global Research



Jyotivardhan Jaipuria >> +91 22 6632 8658  
Research Analyst  
DSP Merrill Lynch (India)  
jyoti.jaipuria@baml.com

Anand Kumar >> +91 22 6632 8683  
Research Analyst  
DSP Merrill Lynch (India)  
anand.k.kumar@baml.com

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Refer to important disclosures on page 3 to 5. Link to Definitions on page 2.

## Link to Definitions

### Macro

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SEBI Regn no. : BSE - INB/INF 011348134 NSE – INB/INF 231348138

Address – Mafatlal Centre, 8th Floor, Nariman Point, Mumbai, India. 400021

Tel : +91 22 6632 8000

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