

## India Sees Shares Slide in Wake of Gandhi Win

*By Khozem Merchant in Mumbai and Ray Marcelo in New Delhi*

Indian markets suffered record one-day falls yesterday, forcing regulators to suspend trading, as Sonia Gandhi's government-in-waiting struggled to convince investors of its economic credentials.

The meltdown came as Mrs Gandhi, leader of the Congress-led alliance that triumphed in last week's general elections, moved closer to forming a coalition government. She will meet India's president today and is due to be sworn in as prime minister tomorrow.

India's main communist party said it would not be part of her coalition government — to be called the "United Progressive Alliance" — but would support the UPA in parliament.

Investors fear the coalition's likely dependence on communist support will stall further privatizations and other economic reforms. But Harkishan Singh Surjeet, general-secretary of the Communist Party of India (Marxist), said yesterday the alliance of left parties and the Congress party could not agree on a common minimum programme.

The programme will outline the coalition's policy agenda, including its position on issues such as privatization and farm subsidies. Manmohan Singh, expected to be the finance minister, said the UPA would continue to privatize selectively.

The bitterness surrounding the surprise election result was highlighted when the Bharatiya Janata party, which led the outgoing coalition government, said it would boycott Mrs Gandhi's swearing-in ceremony.

The Hindu nationalist BJP is marshalling a campaign around Mrs Gandhi's "foreign origins", an issue that failed to move voters. The Italian-born Mrs Gandhi is an Indian citizen, but hardline BJP members believe only Indians should hold high office.

Traders talked of "blind fear" as the benchmark index plummeted after the markets opened, and the rupee and bonds fell sharply. Dozens of small investors protested outside the Bombay Stock Exchange.

The BSE Sensitive index, or Sensex, fell by its biggest one-day margin, closing at 4505.16, down 11%. On the NSE, the 50-share S&P CNX closed down 11% at 1388.75.

**"This has been a day of aggressive shorting and brutal margin selling. I've never seen anything like it [in Mumbai]," said Jon Thorn, who manages an India-focused fund from Hong Kong.**

The Securities and Exchange Board of India (SEBI), the market watchdog, halted trading for the first time in the BSE's 130 years. SEBI, which was on "high alert" to guard against irregular share price movements, closed the bourses on two occasions yesterday, halting trading for three hours. Trading was also stopped on the National Stock Exchange.

Mr Singh warned that anyone involved in a cartel shorting the market or other share price manipulations would be punished. He sought to bolster market confidence by reaffirming the coalition's commitment to policies that were "pro-growth, pro-investment, pro-employment and pro-savings."