

# BJP spares politicians in UTI offensive

**FROM OUR SPECIAL  
CORRESPONDENT**

**New Delhi, July 28:** The BJP has urged the Centre to probe the nexus between the corporate sector and Unit Trust of India as well as the investment decisions made by UTI over the last 10 years. But the party was silent on the role of politicians in the UTI debacle, which has drawn flak for finance minister Yashwant Sinha.

Prime Minister Atal Bihari Vajpayee dismissed allegations made by counsel for former UTI chairman P.S. Subramanyam in a Mumbai court yesterday about

Sinha asking him to provide "assistance" to a Lucknow-based software company. Talking to reporters after attending the BJP national executive at the Parliament Annex here today, Vajpayee laughed and said: "Are you people going to believe him (Subramanyam's counsel) or what?"

An economic resolution, unanimously adopted by the national executive late last night, said mutual funds like UTI should be prevented from accepting "private placement of shares at prices higher than the prevailing market prices". It also demanded that the board of trustees and senior offi-

cials be made accountable for any violation of investment norms.

Asked why politicians were exempted from the ambit of the probe, BJP economic cell convenor Jagdish Shettigar said: "As per our analysis of the situation, we feel there is only a nexus between UTI and the corporate sector."

Apart from the proposals for cleaning up UTI, the economic resolution also called for professionalising all stock exchanges on the lines of the National Stock Exchange and strengthening Sebi on the pattern of the US Securities Exchange Commission.

The BJP also came out strong-

ly on PSU disinvestment after the Centre was put on the mat for the Balco sale. The resolution said: "Efforts should be made to realise maximum returns in case of disinvestment of PSUs. There could be internal valuation of the PSU concerned in addition to valuation by the global advisers."

With an eye on the Assembly polls in two major agrarian states, Uttar Pradesh and Punjab, the BJP said the Centre should shore up the purchasing power of farmers either by checking the falling prices of farm produce or reducing the cost of agricultural operation and protecting the agricultur-

al sector against the import threat. It also asked for free movement of foodgrain by amending the Essential Commodities Act.

In reply to a question on BJP president K. Jana Krishnamurthi's observation yesterday that certain norms should be evolved for admitting and readmitting parties into the NDA, the Prime Minister said: "It is a good suggestion from Janaji. But before anybody is admitted, everyone's advice is taken."

Vajpayee made it clear that the Pattali Makkal Katchi was still not formally reinducted into the

NDA. He said a meeting of the ruling coalition will be called to decide on the matter.

Congress parliamentary party chief whip Priya Ranjan Das Munshi today alleged that the Prime Minister's Office might be behind the US-64 scam, adds PTL. "It was also found earlier that the PMO was involved in the controversial Tehelka expose. I have a strong belief that the PMO played a role in this scam as well," Das Munshi said in Siliguri after attending the working committee meeting of the National Federation of Indian Railwaymen.

## Reviving Trust <sup>G-10</sup>

Firefighters rarely spend much time looking ahead; new Unit Trust of India (UTI) chief M Damodaran is an exception. Mr Damodaran's plans include splitting up US-64 into smaller schemes, hiring professional fund managers at market-related salaries and beefing up UTI's equity research cell. On the face of it, these are commendable initiatives, but do they address UTI's real problems? Mr Damodaran says the huge size of US-64 has made it unwieldy. But the scheme corpus of about Rs 15,000 crore is small change compared with global giants like Fidelity Magellan, which controls assets of over \$80 billion (about Rs 376,000 crore). The problem is, the Indian capital market is much smaller than the US market, which gives US-64 disproportionate influence. Smaller schemes would not be considered too big to fail, they could go bust without endangering the financial system. That's the real reason why US-64 should be split up, not just to make it more efficient. As for hiring fund managers from the private sector, UTI old-timers may be forgiven for wearing ironic smiles. When private sector mutual funds took off, they poached heavily from UTI, so the wheel is now coming full circle. Besides, private sector fund managers haven't exactly covered themselves with glory. There is nothing wrong with Mr Damodaran wanting to tap the best talent available. But were UTI's problems really caused by poor fund management and equity research? Or were they the result of the research not being heeded, fund managers being overruled and inconvenient officials being banished to UTI's equivalent of Siberia?

Witness former UTI chief P Subramanyam's reference to a "hidden hand" in the controversial Cyberspace deal, and his defence that it was struck because the finance minister wanted UTI to support projects in backward states. If this is true — and we only have Mr Subramanyam's word for it — then the UTI brass was being forced by extraneous considerations to divert itself from the mandated task of using US-64 money to make more money from the markets. No fund manager can perform in such a scenario. Mr Damodaran, to his credit, has issued directions that no more investment decisions are to be taken on the basis of oral orders or phone calls. Hopefully, UTI's new-found independence will persist even after the public furore dies down. The candid Mr Damodaran has also stated that there will be no option but to tap government funds if the market does not pick up. So far, the government has seemed unwilling to play ball, though that could change. In a recent interview to this newspaper, former finance minister Manmohan Singh pointed out that the Federal Reserve organised a bailout for private hedge fund LTCM and the US government pumped in billions to prevent the savings & loans contagion from infecting the entire financial system. It is a point well taken, but the fact remains that these were one-off efforts. UTI can't keep on running back to the government after making a mess of things. If, at all, there has to be a second government bailout, then it should be clearly linked to time-bound, closely monitored UTI reforms. And it should be made absolutely clear to both the UTI management and unit-holders that no more free lunches will be forthcoming.

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