

Ordinance, 2002" on 21 st June, 2002 which provides legal framework for Asset Reconstruction Companies (ARC). Replacement Bill has also been introduced in Lok Sabha.

It is expected that with the promulgation of this Ordinance many ARCs would be set up in the private sector.

Government wants Asset Reconstruction Companies to be in private sector and function on sound business principles so that their liabilities do not devolve on the Government.

#### **CRISIL rating of IDBI**

2151. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that CRISIL rating of IDBI has come down from AAA+ to AA+ in about two years;

(b) if so, the reasons therefor; and

(c) the steps being taken to improve the credibility of IDBI?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE): (a) IDBI has reported that CRISIL revised the rating for IDBI bonds and Certificate of Deposits from "AAA" to "AA+" during July 2001.

(b) According to the rating rationale of CRISIL, the rating revision is attributed to decline in profitability of IDBI due to a combination of asset quality problems and contraction in spreads and non-fructification of the earlier indicated recapitalisation plan.

(c) To address the concerns of the rating agency, steps have been taken by IDBI to improve the asset quality, profitability and further strengthening its fundamentals. The steps include measures to reduce borrowing cost, administrative cost of IDBI and diversification of asset base in favour of short term loans with higher yield.

#### **Vigilance of RBI over Private Banks**

2152. SHRI NANDIYELLAIAH: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether there is any constant vigilance over the functioning of

Private Banks and Private financial Institutions by the Reserve Bank of India;

(b) if so, the details thereof;

(c) if not, the reasons therefor; and

(d) the reasons for upgradation of Charminar Bank of Hyderabad to a Multi-State Scheduled Bank despite severe financial irregularities found by Reserve Bank of India?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT GANGARAM GEETE): (a) to (c) In terms of the provisions of Section 35 of the Banking Regulation Act, 1949 Reserve Bank of India (RBI) conducts Annual Financial Inspection of Banks. The findings of RBI's inspection report are taken up with the banks' management for taking remedial steps to ensure that the irregularities observed do not recur. The compliance of the inspection report is monitored by RBI.

The Non Banking Financial Institutions (NBFCs) are regulated and supervised by the RBI under the provisions of Chapter-III and Chapter-V of the RBI Act, 1934. RBI's supervision of NBFCs comprises on-site and off-site inspection, effective market intelligence network and submission of reports by the auditors of NBFCs.

(d) RBI has reported that the Charminar Co-operative Urban Bank Ltd., Hyderabad had applied for Multi-State Status in 1999 and since the bank's financial position as on 31st March, 1999 met all the parameters fixed in this regard, RBI has issued 'No Objection Certificate' for extension of area operation of the bank from Mumbai in Maharashtra to the Central Registrar of Co-operative Societies, New Delhi. The Registration of the bank under the Multi-State Co-operative Societies Act, 1984 has, however, been cancelled by the Central Registrar of Co-operative Societies, New Delhi vide orders dated 19th June, 2002.

#### **Report on alcoholic beverages industry**

2153. DR. VIJAY MALLYA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether his attention has been drawn to the news-item which appeared in the Hindu Business Line dated 17th May, 2002 regarding the