

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) In terms of Reserve Bank of India (RBI) guidelines dated 22.02.2013 on licensing of new banks in the private sector, entities/groups in the private sector that are owned and controlled by residents and entities in public sector shall be eligible to promote a bank through a wholly owned Non-Operative Financial Holding Company (NOFHC) and promoters/promoter groups with an existing Non-Banking Financial Company (NBFC) will be eligible to apply for a bank licence. Promoters/promoter Groups should be 'fit and proper' in order to be eligible to promote banks through a wholly owned NOFHC. RBI would assess the 'fit and proper' status of the applicants with regard to its past record of sound credentials, integrity and track record of running their business for at least 10 years.

(c) and (d) The draft guidelines for licensing of new banks in the private sector were framed taking into account the experience gained from the functioning of the banks licensed under the guidelines of 1993 and 2001 and the feedback and suggestions received in response to the Discussion Paper released on 11.08.2010. The draft guidelines were placed on the RBI's website on 28.08.2011 for comments. The comments received on the draft guidelines were examined, and the guidelines were finalized taking into account the important amendments to the Banking Regulation Act, 1949 in December, 2012. Accordingly, RBI issued the final guidelines on 22.02.2013. In all 26 applications in pursuance to the guidelines have been received by RBI.

#### **Impact of external commercial borrowing on rupee value**

824. DR. PRABHAKAR KORE: Will the Minister of FINANCE be pleased to state:

(a) whether Government is seized of the persistence threat to Indian economy by steep fall of the rupee;

(b) whether this fall in the value of the rupee is also attributed to the rampant external commercial borrowings by the corporate sector which is not hedged against currency volatility; and

(c) if so, whether Government had issued any advisory to the corporate sector to ensure adequate hedging of their borrowing?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) The Government is seized of the matter regarding depreciation

of the rupee and in May, 2013 has taken slew of initiatives to increase capital flows, to boost exports and to lower imports.

The impact of exchange rate depreciation on different sectors of economy depends on a number of factors like elasticity of exports and imports, relative prices of domestic and global product etc. The impact of rupee depreciation could be in terms of higher prices (in rupee terms) of certain critical import items like petroleum, oil and lubricants (POL). If rising import prices on POL items (especially diesel) which are not fully passed on to domestic retail prices, it may have fiscal implications for the Government in form of higher subsidy burden. If higher import prices are fully passed on domestic prices, it will have implications for inflation. Rupee depreciation also increases the burden of debt in rupee terms where borrowing is in foreign currency.

(b) and (c) Unhedged forex exposure of corporates is a source of risk to the corporates as well as to the financing banks and the financial system, especially in times of currency volatility. Under the guidelines of the Reserve Bank of India, banks should put in place a proper mechanism to rigorously evaluate the risks arising out of unhedged foreign currency exposure of corporates and price them in the credit risk premium, while also considering stipulating a limit on the unhedged positions of corporates on the basis of banks' board-approved policy.

#### **Inquiry in sale of stake by UB's company**

825. SHRI JAI PRAKASH NARAYAN SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that M/s Deepak Fertilizers Ltd. have acquired 24.46 per cent stake in UB's Mangalore Chemicals and Fertilizers (MCF) in a deal worth ₹ 180 crore;

(b) whether the deal has been concluded when UB Group is involved in huge debt of SBI and other banks;

(c) if so, what are the reasons for not enquiring into the deal by Income-tax and Securities and Exchange Board of India (SEBI); and

(d) what are the sources of funding of such a huge deal of buying MCF's shares by Deepak Fertilizers violating SEBI guidelines?