

Local hardware companies find it tough to bag defence project

By [Jochelle Mendonca](#), ET Bureau | 17 Dec, 2013, 04.00AM IST

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MUMBAI: Indian hardware-makers are unable to participate in a large defence telecommunications project worth 13,000 crore as eligibility rules stack the deck heavily in favour of multinational network gear-makers.

The project that has attracted the ire of Indian industry lobbies is the one to build a nationwide, secure communication network for the country's armed forces. The [Department of Telecommunications](#) had given the responsibility for the project to state-run mobile operator [Bharat Sanchar Nigam Ltd.](#)

Indian suppliers say certain rules that govern eligibility to bid for the project make it difficult for them to participate. Several industry lobbies have written to BSNL, DoT and the Prime Minister's Office raising the issue and seeking a solution.

"The qualification requirements towards domestic companies (including government firms) make them ineligible even to bid," wrote Vinod Sharma, chairman of CII's Committee on ICTE Hardware Manufacturing, in a letter to BSNL.

The financial eligibility criterion mandates turnover of between 2,500 crore and 4,000 crore during the last three years while on the technical front the rules say that the companies must have deployed a specified quantum of equipment over a defined period of time. Both, industry lobbies, including CII, said, makes local companies ineligible to bid.

Ironically, the development comes at a time when India is looking to promote local manufacturers of electronic devices as a means to save on the import bill and as an added precaution against security the possibility of security being compromised by using foreign-made equipment.

Apart from CII, other industry lobby bodies such as the Indian Electronics and Semiconductor Association, the Telecom Equipment Manufacturers Association, Elcina Electronics Industries Association of India and the Telecom System Design & Manufacturers Association have written to the DoT, the Department of Electronics and Information Technology, [Kapil Sibal](#), the minister for Communications and IT and the PMO asking for the rules to be changed.

Besides modifying the financial and technical qualification requirements, the industry lobbies have also called for introducing preferential market access rules that would raise the prospects of Indian companies. The preferential market access rules had come in for criticism from US industry lobbies during recent trade talks between the two countries.

The dedicated communication network - often called 'network for spectrum' project - is meant to be completed by 2015 making it possible for the armed forces to vacate the costly telecommunication airwaves that they are currently using. BSNL did not reply to a detailed questionnaire sent by ET on Friday.

The Indian Electronics and Semiconductor Association has also raised security concerns and called for stricter rules governing the procurement. "Lack of attention to security issues will pose a severe risk to this highly security-sensitive network," wrote PVG Menon, president of IESA, in his letter to the minister and the PMO. "At least the source code for products that are bid should be resident in India at all times, so that the same can be accessed at times of emergency."



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Keeping source code in the country is often a deal-breaker for multinational suppliers, who cite possible violation of their intellectual property rights to decline such demands.

Elcina Electronic Industries Association of India also raised similar concerns in its December 3 letter senior officials at the defence ministry.

Foreign equipment manufacturers with significant presence in the Indian telecommunications market include US-based Cisco and Juniper, France's Alcatel Lucent, Nokia Siemens, as well as China's Huawei and ZTE.

Security has become a sensitive topic, especially after reports earlier this year of illegal surveillance by US government using technology made and exported by US companies. Cisco in particular has come under scrutiny in certain countries, where its sales has fallen.

"The NFS being a strategic project for the defence of our country, we expect that as the leading domestic telecom equipment maker, we will get a fair opportunity to participate," said Sanjay Nayak, CEO at Tejas Networks.

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