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ZTE may bag entire Rs 4,000 crore BSNL deal for supply of GSM equipments

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NEW DELHI: Telecom gear maker [ZTE](#) may end up being the sole supplier of GSM equipment to Bharat Sanchar Nigam Ltd even though the state-run company had decided to give out the contract of 15 million lines in 60:40 ratio to two different suppliers.

ZTE would probably bag the Rs 4,000-crore deal since its competitive bidders - Huawei, Alcatel Lucent, Ericsson and Nokia [Siemens Networks](#) - have declined to match the lowest price of \$50 per line quoted by ZTE, said three people familiar with the development.

This could, yet again, push back BSNL's long-delayed contract for expanding its pan-India second-generation network. [BSNL](#) had floated a tender in July 2011 to buy equipment worth about Rs 4,000 crore to add capacity to its existing 2G network and improve services in the north, east and south zones.

However, the tender went through several revisions and the PSU decided to follow the process of reverse auction where the company offering the lowest price would get the equipment purchase contract in two zones. The second-lowest bidder would get the contract for the third zone but at the same price quoted by the lowest bidder.

While ZTE had emerged as the lowest bidder by quoting a price of \$50 a line, Huawei had bid the second lowest. According to the terms and conditions of the BSNL tender, Huawei would have to match ZTE's price to win the contract in the eastern zone. But a senior executive at Huawei said the company would walk away from this deal because it would be 'technically unviable' to operate at the price. "It's not just us, everyone else who had bid higher than ZTE would also refuse because it's unviable for all," the executive said, choosing to stay anonymous.

BSNL Chairman and Managing Director RK Upadhyay told ET that advance purchase orders for GSM equipment required in the north and south zones had been placed with ZTE and detailed purchase orders would be placed soon by individual circles based on their exact requirements.

He added that if the secondlowest bidder, Huawei, chose not to accept these terms, the third lowest, believed to be Alcatel Lucent, would be asked to deliver equipment. "It's a process we must follow. If none of the lower bidders accept, the contract will go to the lowest bidder (ZTE)."

Story So Far

BSNL's Expansion Plans Hit by Successive Roadblocks

2006: PSU'S TENDER for **45.5 m** lines given to NSN & Ericsson in **40:60** ratio. Rival bidders Motorola and ZTE disqualified on technical grounds. Motorola approaches court - contract delayed by six months



2007: FORMER TELECOMS minister A Raja seeks probe into disqualification, says Ericsson's **\$108** quoted price was too high. NSN fails to fulfill orders - contract reduced to **14 million** lines

2008: BSNL ISSUES tender for **93 m** lines worth ₹ **35,000 crore**. Ericsson and Huawei shortlisted for delivering equipment. Complaints regarding tendering process lead to CVC recommending cancellation in 2010

2010: BSNL ISSUES tender for **5.5 m** lines but bars Chinese vendors as govt raises security concerns. Later Chinese players are allowed to bid but controversy forced cancellation of tender

2011: TELCO ISSUES a tender for **15 m** lines in north, east & south zones under **phase 7** of expansion



This effectively means that ZTE would sweep the deal. Huawei and Alcatel Lucent India did not respond to an e-mail query on the matter. Ericsson India's spokesperson declined to comment specifically on the issue, but added, "We have had a long association with BSNL since 2001. As a general policy, we cannot comment on our discussion with our customers in a public platform."

"Nokia Siemens Networks is a techno-commercial eligible bidder of the BSNL tender but we don't comment on such prospective business deals and their outcomes. We remain committed to our long-standing partnership with BSNL wherein we have a large footprint in its north and south zones. We will continue to pursue business opportunities that help us to maintain long-term competitiveness and further improve our profitability," a Nokia Siemens Networks' spokesperson said in response to an ET query.

BSNL has been planning to improve the rollout of its pan-India 2G services for the past five years but couldn't make much headway. It has issued tenders several times but most fell flat either due to lack of participation from vendors or controversies leading to regulatory probes.

BSNL had issued two tenders for 93 million lines in 2008 and 5.5 million lines in 2010, but both were cancelled. Before this, it finalised an expansion tender for 45 million lines in 2006, which was reduced to 14 million lines in 2007 after Nokia Siemens Networks, which was slated to supply 40% of the contract, failed to do so.

The state-owned telco issued a subsequent tender for 93 million lines, which ran into a series of controversies leading to a [Central Vigilance Commission](#) probe and cancellation of the contract in 2010.

Following this, a committee led by [Sam Pitroda](#), advisor to the prime minister on public information, infrastructure and innovation, endorsed the CVC report, resulting in the BSNL board cancelling the 93 million lines contract in March 2010. The CVC had also sought a probe into the earlier tender and sought reasons for reducing the quantity from 45 million to 14 million lines.

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