

BSNL may Encash ZTE's ₹159-cr Bank Guarantees

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Bharat Sanchar Nigam (BSNL) may encash ZTE India's ₹159-crore performance bank guarantees (PBGs) following the Chinese telecom vendor's failure to supply GSM network gear for 4.22 million lines in the eastern and northeastern states.

BSNL recently sought legal advice to initiate action against ZTE, according to documents seen by ET. "In view of the legal opinion, it is proposed BSNL can take action against ZTE for non-submission of unconditional and unequivocal acceptance to advance purchase order (APO) issued for the East Zone," says an internal BSNL note dated February 19, which adds such action can involve "forfeiting the bank guarantees submitted by ZTE" against the earlier BSNL purchase orders for South and North zones. ZTE's inability to meet BSNL's GSM gear requirement in the eastern region has derailed the telco's \$900-million countrywide 2G expansion. Last year, ZTE had edged out rival bidders Huawei, Alcatel-Lucent, NSN and Ericsson to bag BSNL's mega contract for supplying 2G gear for 10.15 million GSM lines in northern and southern states at \$58 per line. BSNL also asked ZTE to supply an additional ₹1,300 crore of GSM equipment for its eastern expansion in line with tender conditions.