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ISO 14001 Standard

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The Secretary,
The National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor
Plot no. C-1, Block G,
Bandra Kurla Complex, Bandra(East)
MUMBAI- 400 051
Scrip Code : HFCL

The Secretary,
BSE Limited
27th Floor
Phiroze Jeejeebhoy Towers,
Dalal Street,
MUMBAI-400 001
Scrip Code : 500183

Dear Sir,

**Subject: Rebuttal to the Article on NFS DWDM published on the website
of "The Quint" on 1st March, 2018**

Attached please find herewith our Rebuttal sent to "The Quint" on the Article
published at their website on 1st March, 2018.

This may please be disseminated at your website.

Thanking you,

Yours faithfully,

For **Himachal Futuristic Communications Limited**

(Manoj Baid)

Vice-President (Corporate)
& Company Secretary

Dear Mr. Bahl

Your correspondent had sent us a questionnaire on 23rd February, 2018 seeking our response prior to publication of the aforesaid Article. We had provided a detailed reply wherein we had clarified all the technical and other details as sought by your correspondent.

In spite of us having provided all the relevant details in clarifying the allegations so as to give your correspondent a clear and holistic perspective to enable him to write the Article judiciously after evaluating the various inputs available to him based on their merits, we were surprised that the Article published on 1st March, 2018 at your website was factually completely incorrect. It did not incorporate the facts and clarifications given by us and it is completely based on factually and technically incorrect inputs.

We take strong exception to the above Article which questions the entire tender process and bring the Company in great disrepute. We also put on record our anguish that the views presented by us were not only not incorporated but also totally disregarded by your correspondent thus presenting unitary view point which is misleading, misrepresentation of facts leading to insidious allegations of wrongdoings without any basis. Moreover, certain more incorrect and misleading issues have been raised in the Article which were not even part of questionnaire sent to us by him.

It will be pertinent to bring to your kind notice that this Tender was issued in November 2013 and finalised in June 2016. To raise such factually incorrect issues after the expiry of more than five years from issue of Tender, reeks of malicious intent and ulterior motives by those who have vested interest. The Company in this tender was declared lowest bidder wherein Sterlite was L2 bidder and L&T was L3 bidder. The price difference between L1 and L2 was well over Rs.200 crore. Our bid was not only lowest in price but was also in total compliance with technical, commercial and financial conditions of the Tender. The equipment quoted by us are world class and latest in technology.

We would now like to respond to the allegations levelled in the subject Article.

The Article alleges that the Company has provided old, sub-standard, inferior and obsolete technology. We also take this opportunity to reiterate that the finest and latest technology has been provided by us and we stand by our commitment and take great pride in implementing this network, which is of great national and strategic importance. All the equipment quoted by the Company including that of UTL are as per relevant latest technical specifications and in total compliance to both Tender clauses and GR issued by Telecom Engineering Centre.

In the circumstances we fail to understand how your correspondent has termed our quoted equipment as obsolete. This can only be a malicious feedback by either our competitors or those of UTL who having lost in a transparent tender process are now trying to sabotage the entire Tender. Just because the equipment quoted are cost effective does not by any stretch of imagination make them obsolete. Cost effectiveness in this case has come from indigenous development and production to which we should be proud of rather than levelling unfounded allegations.

The Article further alleges that UTL does not have minimal experience. In this connection we would like to reiterate that UTL is a core optical domain company and has been in existence for more than 30 years. UTL has installed more than 2500 such nodes in the last five years whereas the minimum qualifying requirement as per clause 6.4.4 of the Tender was only 250 nodes. Also CIENA which has layer 1 control plane DWDM has installed hundreds of such nodes which is far more than 15 nodes as required under clause 6.4.4 of the Tender. Therefore, we fail to understand that how your



correspondent has mentioned that our quoted equipment or OEM partner do not meet the minimal experience criteria.

We would again like to mention that the CIENA and UTL technology are latest and contemporary and their systems are being widely used. The CIENA and UTL system meets all clauses of the tender. The same had also been extensively validated during Proof of Concept (POC) process wherein all the equipment were tested against all technical parameters by a joint team of BSNL Headquarter, NFS wing of BSNL, Quality Assurance wing of BSNL and Army. Interworking of various equipment as per the network requirement were also thoroughly tested. Thereafter a separate thorough lab evaluation tests were carried out by QA wing of BSNL as per Tender conditions and TSEC GR. All equipment passed these tests also successfully without any deviation.

In the circumstances as explained above, the Article's allegation of connivance of some officials is not only highly objectionable but also derogatory and is devoid of any facts and substance. Such kind of reporting is against the basic ethos of journalism and least expected from a publication of Quint's stature. The allegation of connivance is not only malicious but defamatory as well.

The Article also alleges diluting and violating of tender clauses. Your correspondent's assumption that the tender clauses have been diluted/violated has no substance and is completely baseless. The correspondent has taken into account only tender clauses and totally disregarded clarifications/corrigendum issued pre-bid from time to time and already highlighted in our response submitted to him. We would like to submit that in such a large technical tender a number of clarifications are normally issued before submissions of bid based on queries submitted by prospective bidders and are uniformly applicable to all the participating bidders. As per tender conditions, such clarifications /corrigendum issued automatically become the part of the Tender. All the clarifications given or corrigendum issued were as per extent Government Policy. Moreover all participating bidders had accepted tender conditions and clarifications/corrigendum issued without any objection.

The Article alleges tweaking of PMA policy. In this connection we would like to state that PMA policy is formulated by the Government of India and notified through Gazette of India. The subject PMA policy was formulated by Ministry of Communication and IT and not by BSNL. The Policy was notified in the Gazette of India and published on 5th October, 2012, i.e. much before the Tender was issued. The Company during the process of bidding duly followed the guidelines as enumerated by the Government of India to give a fully compliant bid. This PMA policy was unequivocally applicable to all the participating bidders and none of the bidders either at the time of formulation of PMA policy or during the due process of bidding or even subsequently objected to aforesaid PMA policy. All the three bidders in the said Tender quoted products in compliance with this policy. Now to question the policy is perplexing and questions the intent of those raising the issue now.

It is most surprising that your Article has alleged that PMA policy was not applicable on this Tender citing that PMA policy is not applicable on defence forces. In this connection we would like to draw you attention to the above referred Gazette notification no. 227 issued by the Government of India on 5th October, 2012 wherein it is categorically stated that all NFS projects will be part of PMA policy. It is highly unfortunate and objectionable that your correspondent has levied the allegation that PMA policy was tweaked to include the NFS project whereas as said above this Policy had been issued much before issuance of Tender.

The contention of the Article that clause no 32 (design criteria) and 33 (technical requirements) were flouted are completely incorrect and baseless. All the parameters as envisaged not only in these two clauses but also all other clauses of the Tender were duly tested during TSEC and were



also validated in the long drawn process of POC where they were successfully demonstrated and the same were accepted by expert committee so detailed by the competent authority. The Article's contention that 90% of DWDM equipment cannot be upgraded to 100G is completely incorrect. In this connection it is intimated that both in case of CIENA and UTL, the DWDM equipment are fully upgradable to 40/100 G . Also 40/100 G was not part of SOR Items to be supplied. This was clarified in our response to the queries sent by your correspondent. We fail to understand why this allegation has again been carried in the Article. We are also not aware of any objection serious or otherwise having been raised as alleged in the Article.

The allegation that clause no. 33.3 read with ITU Standard G.694.1 is for interconnecting links were found to be incompatible in our bid is also completely baseless. All DWDM equipment quoted by us are compatible for interconnectivity which was amply demonstrated during POC process. We categorically state that clause no. 33.3 read with ITU Standard G.694.1 is completely met by us.

The contention that 10G network is not procured in any country for the last five years is again devoid of facts. The systems having 10G LAMBDA are being procured globally by multiple of telecom networks. We do not know how your correspondent came to understand that equipment having 10G LAMBDA are not procured by anybody globally. In any case capacity of network is determined by the user based on its traffic requirements.

The allegation that the different stations being interconnected LAN/Client ports is unheard is based on incomplete technical knowledge. We do not understand that what your correspondent means by LAN as there is no LAN (Local Area Network) involved in this Tender.

The contention of the Article that a loss of Rs.935 crore has been incurred to the exchequer is completely baseless bordering to be ludicrously illogical with the intent to make it sensational to benefit those aggrieved. On the contrary the Company was L1 with a price difference of over Rs.200 crore to the L2 bidder thereby contributing to substantial saving to the exchequer and yet supplying latest technology equipment meeting every Tender condition.

We now request you to publish our above view point through this letter completely and unambiguously with same prominence at your website so that nobody is misled by baseless allegations.

Should you need any further clarifications, please feel free to contact us.

Thanking you.

Yours faithfully
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