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Government of India  
Ministry of Communications & IT  
Department of Telecommunications  
Sanchar Bhavan, 20 - Ashoka Road  
New Delhi - 110001

Dated: 14<sup>th</sup> December 2005.

To

All ILD Licensees

SUB: Amendments in International Long Distance Licence Agreement.

The undersigned has been directed to convey the approval of the competent authority for amendments to various clauses of the Licence Agreement for International Long Distance (ILD) Services with immediate effect as per details enclosed as Annexure.

Other terms and conditions of the existing ILD licence shall remain unchanged.

(Govind Singhal)  
Director (BS-III)  
For and on behalf of President of India

Copy to :

1. Secretary TRAI
2. Sr. DDG(TEC)
3. DDG(LF)

S.N.	No. of Existing Clauses in ILD Licence	Amended Clause
1.	<p>1. OWNERSHIP OF THE LICENCEE COMPANY</p> <p>1.1 The LICENSEE shall ensure that the total foreign equity in the LICENSEE Company does not, at any time during the entire LICENCE PERIOD, exceed the sectoral cap of Foreign Direct Investment of the total paid up equity. The details of the Indian &amp; Foreign promoters with their respective equity holdings in the LICENSEE company as disclosed by the LICENSEE company on the date of signing of the LICENCE AGREEMENT, are as follows:</p> <p>.....</p> <p>.....</p> <p>1.2 There shall be no change in the Indian and Foreign promoter(s) or their equity participation unless permitted by the LICENSOR. The LICENSEE company may, with prior written consent of the LICENSOR</p>	<p>1. OWNERSHIP OF THE LICENCEE COMPANY</p> <p>1.1 The total composite foreign holding including but not limited to investments by Foreign Institutional Investors (FIIs), Non-resident Indians (NRIs), Foreign Currency Convertible Bonds (FCCBs), American Depository Receipts (ADRs), Global Depository Receipts (GDRs), convertible preference shares, proportionate foreign investment in Indian promoters/investment companies including their holding companies, etc., herein after referred as FDI, will not exceed 74 per cent. The 74 per cent foreign investment can be made directly or indirectly in the operating company or through a holding company and the remaining 26 per cent will be owned by resident Indian citizens or an Indian Company (i.e. foreign direct investment does not exceed 49 percent and the management is with the Indian owners). It is clarified that proportionate foreign component of such an Indian Company will also be counted towards the ceiling of 74%. However, foreign component in the total holding of Indian public sector banks and Indian public sector financial institutions will be treated as 'Indian' holding. The licensee will be required to disclose the status of such foreign holding and certify that the foreign investment is within the ceiling of 74% on a half yearly basis.</p> <p>1.2 The majority Directors on the Board including Chairman, Managing Director and Chief Executive Officer (CEO) shall be resident Indian citizens. The appointment to these positions from among resident Indian citizens shall be made in consultation with serious Indian investors. Serious investor has been defined below in para 1.7(i).</p> <p>1.3 The Share Holder Agreements (SHA) shall specifically incorporate the condition that majority directors on the Board</p>

<p>replace a promoter(s) by another promoter(s) of equal or higher standing as stipulated below:</p> <p>(a) an existing foreign promoter may be substituted by another foreign promoter of similar standing;</p> <p>(b) the existing Indian Promoter(s) may also be allowed to acquire the foreign promoter's shareholding; and</p> <p>(c) transfer of equity inter-se between existing Indian promoters may be permitted, provided the majority Indian promoter continues to hold at least the present shareholding for a period of five years (excluding the period when licence failed to remain operative) from the EFFECTIVE DATE of LICENCE AGREEMENT.</p> <p>1.3 The LICENSEE shall also ensure that:</p> <p>(i) Any change in share holding shall be subject to all necessary statutory requirements.</p> <p>(ii) Management control of the LICENSEE company shall at all times remain in Indian hands.</p> <p>1.4 Change in the name of the LICENSEE company shall be permitted in accordance with the provisions under the Indian Companies Act, 1956.</p> <p>1.5 The LICENSEE company shall have a net worth of Rs 25 crores. The net worth shall mean as the sum total, in Indian rupees, of paid up equity capital and free reserves. The net worth of promoters shall not be counted.</p>	<p>including Chairman, Managing Director and Chief Executive Officer (CEO) shall be resident Indian citizens and shall also envisage the conditions of adherence to Licence Agreement.</p> <p>1.4 FDI upto 49 per cent will continue to be on automatic route. Foreign Investment Promotion Board (FIPB) approval shall be required for FDI in the licensee company/Indian promoters/investment companies including their holding companies if it has a bearing on the overall ceiling of 74 per cent. While approving the investment proposals, FIPB shall take note that investment is not coming from unfriendly countries.</p> <p>1.5 The investment approval by FIPB shall envisage the conditionality that Company would adhere to licence Agreement.</p> <p>1.6 FDI shall be subject to laws of India and not the laws of the foreign country/countries.</p> <p>1.7 (i) In order to ensure that at least one serious resident Indian promoter subscribes reasonable amount of the resident Indian shareholding, such resident Indian promoter shall hold at least 10 per cent equity of the licensee company.</p> <p>(ii) The Company shall acknowledge compliance with the licence agreement as a part of Memorandum of Association of the Company. Any violation of the licence agreement shall automatically lead to the company being unable to carry on its business in this regard. The duty to comply with the licence agreement shall also be made a part of Articles of Association.</p> <p>(iii) Chief Technical Officer (CTO)/Chief Finance Officer (CFO) shall be resident Indian citizens. The Licensor can also further notify key positions to be held by resident Indian citizens. Licensee shall notify the names and nationality of such officers on 1<sup>st</sup> of January and 1<sup>st</sup> of July every year to Licensor.</p> <p>(iv) The Company shall not transfer the following to any person/ place outside India:-</p> <p>(a) any accounting information relating to subscriber (except for roaming/billing) (Note: it does not restrict a</p>
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		<p>statutorily required disclosure of financial nature) ;</p> <p>(b) user information (except pertaining to foreign subscribers using Indian Operator’s network while roaming); and</p> <p>(c) details of their infrastructure/network diagram except to telecom equipment suppliers/manufacturers who undertake the installation, commissioning etc. of the infrastructure of the licensee Company on signing of non-disclosure agreement.</p> <p>(v) The Company when entering into roaming agreements with service providers outside India must provide, on demand, the list of such users (telephone numbers, in case of foreign subscribers using Indian Operator’s network while roaming).</p> <p>(vi) The Company must provide traceable identity of their subscribers. However, in case of providing service to roaming subscriber of foreign Companies, the Indian Company shall endeavor to obtain traceable identity of roaming subscribers from the foreign company as a part of its roaming agreement.</p> <p>(vii) No traffic (mobile and landline) from subscribers within India to subscribers within India shall be hauled to any place outside India. For this purpose, the location of satellites serving for domestic traffic shall not be treated as outside India.</p> <p>(viii) No Remote Access (RA) shall be provided to any equipment manufacturer or any other agency out side the country for any maintenance/repairs by the licensee. However, RA may be allowed for catastrophic software failure (such as failure to boot up etc.) which would lead to major part of the network becoming non-functional for a prolonged period, subject to meeting the following conditions:-</p> <p>(a) Intelligence Bureau and Licensor will be notified, when RA is to be provided.</p>
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		<p>1.8 The conditions at para 1.1 to 1.7 above shall also be applicable to the existing companies operating telecom service(s), which had the FDI cap of 49%. The Indian &amp; Foreign equity holdings in the LICENSEE company as disclosed by the LICENSEE company on the date of signing of the LICENCE AGREEMENT, are as follows:</p> <p><i>INDIAN EQUITY</i>.....</p> <p><i>FOREIGN EQUITY</i>.....</p> <p>The LICENSEE shall declare the above information as on 1<sup>st</sup> January and 1<sup>st</sup> July by 7<sup>th</sup> January and 7<sup>th</sup> July respectively to LICENSOR. This is to be certified by the LICENSEE company's company secretary or statutory auditor.</p> <p>1.9 The LICENSEE shall also ensure that any change in share holding shall be subject to all necessary statutory requirements.</p> <p>1.10 Change in the name of the LICENSEE company shall be permitted in accordance with the provisions under the Indian Companies Act, 1956.</p> <p>1.11 The LICENSEE company shall have a net worth as well as paid up capital of Rs 2.5 crores. The net worth shall mean as the sum total, in Indian rupees, of paid up equity capital and free reserves. The net worth of promoters shall not be counted. The networth as well as paid up capital is to be maintained during currency of the LICENSE.</p>
2	2.2 (a) The ILD Service is basically a network	2.2 (a) The ILD Service is basically a network carriage

<p>carriage service (also called Bearer) providing International connectivity to the Network operated by foreign carriers. The ILD service provider is permitted full flexibility to offer all types of bearer services from an integrated platform. ILD service providers will provide bearer services so that end-to-end tele-services such as voice, data, fax, video and multi-media etc. can be provided by Access Providers to the customers. Except “ Global Mobile Personal Communication Service (GMPCS) including through INMARSAT” for which a separate licence is required, other listed services at Appendix are permitted to the LICENSEE. ILD service providers would be permitted to offer international bandwidth on lease to other operators. ILD service provider shall not access the subscribers directly which should be through NLD service provider or Access Provider. Resellers are not permitted.</p> <p>(b) Equal access to bottleneck facilities for international bandwidth owned by national and international band width providers shall be permitted for a period of five years from the date of issue of the guidelines for grant of licence for ILD service or three years from the date of issue of first licence for ILD service, whichever is earlier, on the terms and conditions to be mutually agreed.</p>	<p>service (also called Bearer) providing International connectivity to the Network operated by foreign carriers. The ILD service provider is permitted full flexibility to offer all types of bearer services from an integrated platform. ILD service providers will provide bearer services so that end-to-end tele-services such as voice, data, fax, video and multi-media etc. can be provided by Access Providers to the customers. Except “ Global Mobile Personal Communication Service (GMPCS) including through INMARSAT” for which a separate licence is required, other listed services at Appendix are permitted to the LICENSEE. ILD service providers are permitted to offer international bandwidth on lease to other operators. ILD service provider shall not access the subscribers directly (except for Leased Circuits/CUG) which should be through NLD service provider or Access Provider. Resellers are not permitted.</p> <p>(b) ILD service provider can enter into an arrangement for leased lines with the Access Providers/NLD service provider.</p> <p>Further, ILD Service Providers can access the subscribers directly only for provision of international Leased Circuits/Close User Groups (CUGs). Leased circuit is defined as virtual private network (VPN) using circuit or packet switched (IP Protocol) technology apart from point to point non-switched physical connections/transmission bandwidth. Public network is not to be connected with leased circuits/CUGs.</p> <p>(c) Equal access to bottleneck facilities for international bandwidth owned by national and international band width providers shall be permitted for a period of five years from the date of issue of the guidelines for grant of licence for ILD service or three years from the date of issue of first licence for ILD service, whichever is earlier, on the terms and conditions to be mutually agreed.</p>
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3	<p>5.2 In addition to entry fee described above the annual licence fee shall be 15% of the Adjusted Gross Revenue (AGR) inclusive of USO levy. AGR is as defined in the definition. The licence fee shall be payable quarterly in advance. Full details of the settlement regime through accounting rate mechanisms shall be required to be filed by the LICENSEE with the Licensor on regular basis. All bilateral settlements between the ILD service licensee and other foreign partner (carrier) shall be through normal banking channels in a transparent manner.</p>	<p>5.2 In addition to entry fee described above the annual licence fee including USO contribution, @ 15% of the Adjusted Gross Revenue (AGR) shall be payable. With effect from 1.1.2006, the annual licence fee including USO contribution shall be 6% of the Adjusted Gross Revenue. AGR is as defined in the definition. The licence fee shall be payable quarterly in advance. Full details of the settlement regime through accounting rate mechanisms shall be required to be filed by the LICENSEE with the Licensor on regular basis. All bilateral settlements between the ILD service licensee and other foreign partner (carrier) shall be through normal banking channels in a transparent manner.</p>
4	<p>6.2 Licence fee shall be payable in four quarterly instalments during each financial year. The quarterly instalments of licence fee for the first three quarters of a financial year shall be payable by the Licensee within 15 days of the completion of the relevant quarter of the year. This fee shall be paid by the Licensee on the basis of actual revenues ( on accrual basis) for the quarter duly certified with an affidavit by a representative of the Licensee, authorised by a Board resolution coupled with General Power of Attorney. However, for the last quarter of financial year, the Licensee shall pay the licence fee by 25<sup>th</sup> March on the basis of expected revenues for the quarter, subject to a minimum payment equal to the actual revenue share paid for the previous quarter. For delayed payment beyond the said due dates, penalty as stipulated in licence for delayed payments will apply.</p>	<p>6.2 Licence fee shall be payable in four quarterly instalments during each financial year. The quarterly instalments of licence fee for the first three quarters of a financial year shall be payable by the Licensee within 15 days of the completion of the relevant quarter of the year. This fee shall be paid by the Licensee on the basis of actual revenues ( on accrual basis) for the quarter duly certified with an affidavit by a representative of the Licensee, authorised by a Board resolution coupled with General Power of Attorney. However, for the last quarter of financial year, the Licensee shall pay the licence fee by 25<sup>th</sup> March on the basis of expected revenues for the quarter, subject to a minimum payment equal to the actual revenue share paid for the previous quarter. For delayed payment beyond the said due dates, penalty as stipulated in licence for delayed payments will apply. The Licensee shall adjust and pay the difference between the payment made and actual amount duly payable ( on accrual basis) for the last quarter of the Financial year within 15 days of the end of the said quarter. The Licensor shall have the right to inspect books of accounts of the Licensee, and, in addition have an independent audit conducted to ascertain the correctness of</p>

		the licence fee paid.					
5	<p>6.4 The LICENSEE shall adjust and pay the difference between the advance payment made and actual amount payable (on accrual basis) of the previous quarter, along with the advance payment for the current quarter.</p>	<p>6.4 The Licensor shall have the right to inspect books of accounts of the Licensee, and, in addition have an independent audit conducted to ascertain the correctness of the licence fee paid. Full details of the settlement regime through accounting rate mechanisms shall be required to be filed by the ILD service licensee with the Licensor on regular basis. All bilateral settlements between the ILD service licensee and other foreign partner (carrier) shall be through normal banking channels in a transparent manner.</p>					
6	<p>7.1 Performance Bank Guarantee for Roll Out obligations</p> <p>A bank guarantee for Rs. 25.00 crores favouring the licensor guaranteeing due fulfillment of the stipulated roll out conditions in this licence is to be submitted in the prescribed proforma(ANNEXURE-D) before signing the Licence Agreement. The guarantee will be released as soon as the roll out obligations are met. Non-fulfillment of the roll out conditions within prescribed period will result in encashment of the bank guarantee by the Licensor. This will be without any prejudice to any other action which the Licensor may consider appropriate for failure of the LICENSEE to fulfill Licence conditions.</p>	<p>7.1 Performance Bank Guarantee for Roll Out obligations</p> <p>A bank guarantee for Rs. 2.50 crores favouring the licensor guaranteeing due fulfillment of the stipulated roll out conditions in this licence is to be submitted in the prescribed proforma (ANNEXURE-D) before signing the Licence Agreement. The guarantee will be released as soon as the roll out obligations are met. Non-fulfillment of the roll out conditions within prescribed period will result in encashment of the bank guarantee by the Licensor. This will be without any prejudice to any other action which the Licensor may consider appropriate for failure of the LICENSEE to fulfill Licence conditions.</p>					
7	<p>9.3 The LICENSEE undertakes to fulfill the following minimum network roll out obligations:</p> <table border="1" data-bbox="273 1274 1008 1421"> <tr> <td>Time period (from the effective date of Licence</td> <td>Establishment of International Gateway Facility (also called POP)</td> <td>Direct connectivity to International traffic hubs abroad.</td> </tr> </table>	Time period (from the effective date of Licence	Establishment of International Gateway Facility (also called POP)	Direct connectivity to International traffic hubs abroad.	<p>The LICENSEE undertakes to fulfill the following minimum network roll out obligations:</p> <table border="1" data-bbox="1050 1274 1785 1421"> <tr> <td>Time period (from the effective</td> <td>Establishment of International Gateway Facility (also called POP)</td> </tr> </table>	Time period (from the effective	Establishment of International Gateway Facility (also called POP)
Time period (from the effective date of Licence	Establishment of International Gateway Facility (also called POP)	Direct connectivity to International traffic hubs abroad.					
Time period (from the effective	Establishment of International Gateway Facility (also called POP)						

	<p>Agreement) 3 years</p>	<p>Receipt and Delivery of traffic from/ to all the exchanges in the country is required to be ensured through one or more Gateway Switches having appropriate interconnections with the NLDOs and meeting the TRAI's QOS Regulations and Network to Network Interface requirements. For this purpose a minimum of four Points Presence (POPs) i.e. one in each Region of the country i.e. Eastern, Western, Northern &amp; Southern will need to be established. There is no bar in setting up of POP in remaining location of Level I TAXs Preferably, these POPs should conform to Open Network Architecture (ONA) i.e. should be based on Internationally accepted standards to ensure seamless working with other Carrier's Network.</p>	<p>Delivery of traffic to all the countries in the World to be ensured through at least four Direct Routes i.e one each to North America, Gulf Region, Europe and any one location in South East Asia, Far East and Oceania. It should be ensured that traffic to remaining countries is transited through one of these hubs abroad. It should be possible to terminate traffic to any global destination.</p>	<p>date of Licence Agreement) 3 years</p>	<p>At least one Gateway Switch is to be installed having appropriate interconnections with at least one National Long Distance Service Licensee There is no bar in setting up of Point Of Presence or Gateway Switches in remaining location of Level I TAXs Preferably, these POPs should conform to Open Network Architecture (ONA) i.e. should be based on Internationally accepted standards to ensure seamless working with other Carrier's Network.</p>	
8	<p>13.2 Without prejudice to any other remedy available for the breach of any conditions of LICENCE, the LICENSOR may, by a written notice of 60 days issued to LICENSEE at its registered office, terminate this license in whole or parts under any of the following</p>		<p>13.2 Without prejudice to any other remedy available for the breach of any conditions of LICENCE, the LICENSOR may, by a written notice of 60 days issued to LICENSEE at its registered office, terminate this license in whole or parts under any of the following circumstances:</p>			

	<p>circumstances: If the LICENSEE :</p> <p>(a) fails to commission or deliver any or all of the services within the time period(s) specified in the LICENCE.</p> <p>(b) fails to perform any obligation(s) under the LICENCE including timely payments of Fee and other charges due to the LICENSOR;</p> <p>(c) does not rectify the failure, within the notice period, as may be pointed out to the LICENSEE by the LICENSOR</p> <p>(d) becomes bankrupt/ goes in liquidation or is declared insolvent or is ordered to be wound up.</p> <p>(e) is recommended by TRAI for termination of LICENCE for non compliance by the LICENSEE, of the terms and conditions of the LICENCE.</p>	<p>If the LICENSEE :</p> <p>(a) fails to commission or deliver any or all of the services within the time period(s) specified in the LICENCE.</p> <p>(b) fails to perform any obligation(s) under the LICENCE including timely payments of Fee and other charges due to the LICENSOR;</p> <p>(c) does not rectify the failure, within the notice period, as may be pointed out to the LICENSEE by the LICENSOR</p> <p>(d) becomes bankrupt/ goes in liquidation or is declared insolvent or is ordered to be wound up.</p> <p>(e) is recommended by TRAI for termination of LICENCE for non compliance by the LICENSEE, of the terms and conditions of the LICENCE.</p> <p>(f) fails to comply with FDI norms.</p>
9	<p>17.3 Interconnection with the circuit switched networks of different service providers within India shall be as per national standards of CCS No.7 issued from time to time by Telecom Engineering Center (TEC). For interconnection with Packet Switched network of different service providers within India relevant national standards are to be followed. For inter-networking between circuit switched and packet switched based, the LICENSEE shall install media Gateway Switch.</p>	<p>17.3. Interconnection with the switched networks of different service providers within India shall be as per national standards of CCS No.7 issued from time to time by Telecom Engineering Center (TEC). For interconnection with Packet Switched network of different service providers within India relevant national standards are to be followed. For inter-networking between circuit switched and VoIP based, the ILD service licensee shall install media Gateway Switch.</p>