The VNO (Virtual Network Operator) licence for broadband delivery is the equivalent of an LCO licence for Cable TV.

In our February 2017 article, we have detailed the procedure and cost for obtaining an Internet Service Provider's (ISP) licence.

The ISP licence is compulsory to set up a business that receives bulk internet and subsequently distributes it to multiple retail customers. An ISP licence is expensive to obtain. It requires an entry fee of ₹ 30 lakhs for a national licence or ₹ 2 lakhs for a category B (Metros or telecom circle) or ₹ 20,000 for category C (all areas not covered by category B) licence.

In addition, the ISP must provide a performance bank guarantee ranging from ₹ 2 crores to ₹ 50,000 plus financial bank guarantee. (₹ 10 lakhs to ₹ 10,000) plus an application fee (₹ 50,000 to ₹ 10,000).

Of course, the most important a significant expense is the recurring payment of Adjusted Gross Revenue (AGR) of 8% to be paid to the Government. This typically amounts to 8% of all collections of the ISP.

It Is Illegal To Deliver Broadband Without An ISP or VNO License

ACTION AGAINST UNLICENSED BROADBAND

The government wants to ensure it collects the 8% monthly AGR on broadband services and has started actively prosecuting any broadband service provider who does not have an operating license. It is therefore absolutely essential that all broadband service providers immediately obtain either an ISP license or a VNO license.
Providing widespread broadband connectivity throughout the country has been declared as a priority by the Indian Government. The Government realised that the large Performance Bank Guarantee required for an ISP licence inhibits small companies from entering the business and thereby inhibiting broadband connectivity in smaller markets countrywide.

**VNO LICENCE**

On June 3, 2016, DoT opened a new low cost license called Unified Licence VNO (UL-VNO). It is hoped that the VNO (Virtual Network Operator) license regime will help spread the internet better in areas where large firms are typically not interested in, such as smaller towns.

However, the VNO license can be used for broadband delivery anywhere in India, including metro cities.

**The Broadband VNO Is Similar To A Cable TV LCO**

**VNO & ISP**

The ISP for broadband is similar to a Cable TV MSO or Headend.

The VNO (Virtual Network Operator) from broadband plays the same role as an LCO for Cable TV.

The VNO license permits the VNO to distribute broadband without having his own core infrastructure. The VNO uses the core infrastructure of the ISP.

The VNO must pay a license fee of 8% of his Adjusted Gross Revenue.

**LICENCE TERMS**

- Depending on the VNO license type applied for, a licensed VNO can deliver any type of telecom services - including home telephony, broadband and OTT services like messaging, Voice over Internet Protocol (VoIP).
- The License will be issued / rejected within 60 days, and is valid for 10 years.
- Applicant must be an Indian company.
- Each company can apply for only 1 VNO license.

**LOW COST LICENSE**

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- Applicant must be an Indian company.
- Each company can apply for only 1 VNO license.
Each VNO can partner with a single ISP.

No beneficial interests allowed between a VNO and ISP.

VNOs can create their own delivery platform for customer service, billing and VAS.

CAF verification & number activation shall be the VNO's responsibility.

Multiple VNO licences can be issued to different companies servicing the same area.

The above points show the close similarity between a VNO license for broadband and an LCO license for Cable TV.

**LICENSE APPLICATION**

The ISP and VNO license application format is available on the DoT website:

www.dot.gov.in

Completed license application forms, or queries or communication can also be sent to:

**Government Of India**

Ministry Of Communications & IT

Department Of Telecommunications

Sanchar Bhawan, 20, Ashoka Road,

New Delhi-110 001.

**VNO VS ISP**

Table-1 summarises the financial liabilities for both ISPs and VNOs.

The (one time) Entry Fee for the VNO license is 50% that paid for the ISP license.

The Application Fee is unchanged.

Bank guarantees are a major expense especially for small players. Banks will almost always demand deposit of an amount equal to the full bank guarantee. This locks up huge resources for any small company.

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**No Performance Bank Guarantee Required From A VNO**

**PERFORMANCE BANK GUARANTEE**

The ISP has a roll out obligation as part of the ISP license. Hence the ISP is required to submit a very substantial Performance Bank Guarantee.

In contrast, the VNO does not have a roll out obligation, and hence is exempt from providing a Performance BG.

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**VNO LICENCE**

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**राख वीएनओ एक आईएसपी के साथ महज़ोगों को बन सकता है। वीएनओ और आईएसपी के बीच कोई लाभकारी हिस्सा का अनुयोग्य नहीं होगी।**

वीएनओ उपयोगकर्ता सेवा, वित्तिक और आईएसपी के लिए अपने मुद्रे का वित्तीय स्तर बना सकता है।

गौरव वोर्कशाप और मार्ग एंडवर्क्शेप की नियमकारण वीएनओ की होगी।

एक ही क्षेत्र में विभिन्न कंपनियों को अनेक वीएनओ लाइसेंस जारी किया जा सकता है।

उपयोगकर्ता के केतन टीम के लिए एक एलसीओ लाइसेंस और बांडब्लूड के लिए वीएनओ लाइसेंस के बीच निकट समानता दिखाई है।

वीएनओ बनाम आईएसपी

टेबल-1 में आईएसपी व वीएनओ के लिए वित्तीय देयताओं का तालिका है। वीएनओ लाइसेंस के लिए एंटर कॉस्ट (एक वर्ग) आईएसपी लाइसेंस के लिए मूत्तता किया जाने वाले शुल्क के 50% है।

आवेदन शुल्क में कोई बदलाव नहीं है।

छोटी कंपनियों के लिए बैंक गारंटी सवार प्रमुख व्यवस्था है। बैंक लाभ के संतुलित गारंटी के मुद्रे जाने की मांग करती है। यह किसी भी छोटी कंपनी के लिए भारी संघातों को लौट करता है।

एक वीएनओ से किसी तरह के बैंक गारंटी की जरूरत नहीं होती।

परफॉर्मेंस बैंक गारंटी

आईएसपी का आईएसपी लाइसेंस के हिस्से में संघात 

गारंटी का दायित्व होता है। इसलिए आईएसपी को बहुत महत्वपूर्ण परफॉर्मेंस बैंक गारंटी जमा करने की जरूरत होती है। इसके मुकाबले वीएनओ के पास किसी तरह के संघात गारंटी का दावेदार नहीं होता और इसलिए उन्हें परफॉर्मेंस बैंकी पदानत करने में छूट दी गयी है।
FINANCIAL BANK GUARANTEE (FBG)

The amount of FBG shall be equivalent to the estimated sum payable equivalent to License fee for 2 quarters and other dues not otherwise securitized.

The amount of FBG is reviewed every 6 months by DoT.

Initially, the FBG must be valid for 1 year and must be independently renewed annually by the licensee, at least one month prior to date of its expiry.

Typically, the financial bank guarantees to be submitted by a VNO are 50% of those required from ISPs.

**ISPs & VNOs Must Pay 8% AGR**

AGR

The largest outflow for the license holder is however, the recurring Adjusted Gross Revenue (AGR) payable to the government. It is the same @ 8% for both, ISPs and VNOs.

GROSS REVENUE

According to the DoT, "The Gross Revenue shall be inclusive of all types of revenue from Internet services, revenue from Internet access service, financial bank guarantees, and other related revenues."
revenue from internet contents, revenue from Internet Telephony service, revenue from activation charges, revenue from sale, lease or renting of bandwidth, links, R&G cases, Turnkey projects, revenue from IPTV service, late fees, sale proceeds of terminal equipments, revenue on account of interest, dividend, value added services, supplementary services, revenue from permissible sharing of infrastructure, etc. allowing only those deductions available for pass through charges and taxes/levies as in the case of access services, without any set-off for related item of expense, etc."

**ADJUSTED GROSS REVENUE**

According to the DoT, "for the purpose of arriving at the "Adjusted Gross Revenue (AGR)" the following shall be excluded from the Gross Revenue to arrive at the AGR:

(i) Charges actually paid to the NSOs. Charges paid to NSO(s) shall be limited to applicable access charges such as carriage charges, termination charges and roaming charges.

(ii) Service Tax on provision of service and Sales Tax actually paid to the Government if gross revenue had included the component of Sales Tax and Service Tax.

**NOTE:**

A UL (VNO) Licensee with authorization for Internet Service shall be parent to NSO (Network Service Operator) only. Any Interconnection with Access Service provider, ISPs, ILDs, VSATs, NLDs shall be through the NSO to which it is parented.

**SUMMARY**

The VNO license provides broadband service providers the equivalent of an LCO license for Cable TV.

The VNO license is ideal for small broadband networks who intend to only distribute / retail broadband to their consumers, without setting up an entire ISP (headend) infrastructure.

The government is cracking down on all broadband retailers who are operating without a ISP or VNO license, and therefore not paying the 8% AGR due to the government.

As a result, all broadband operators are urged to obtain their license to commence broadband operations, which provide much higher returns than Cable TV retailing.