

LICENCE AGREEMENT FOR NATIONAL LONG DISTANCE SERVICE

LICENCE NUMBER -10-40/2006 (BS-I) (NLD- 14)

LICENCE AGREEMENT

This AGREEMENT is made on the 23rd day of November 2006 on behalf of and between the President of India acting through S.T. ABBAS, Director (CS), Department of Telecommunications (DOT), Government of India, Sanchar Bhavan, 20 Ashok Road, New Delhi-110 001 (hereinafter called the LICENSOR) of the FIRST PARTY

AND

M/s Idea Cellular Limited a company registered under the Companies Act 1956, having its registered office at Suman Tower, Plot No. 18, Sector No.11, Gandhinagar - 382011 acting through Shri AJS Jhala, CFO & Company Secretary, the authorized signatory (hereinafter called the LICENSEE which expression shall, unless repugnant to the context, include its successor in business, administrators, liquidators and assigns or legal representatives) of the SECOND PARTY

WHEREAS, by virtue of the provisions of Section 4 of the Indian Telegraph Act 1885, the LICENSOR has privilege to grant License and the LICENSEE is desired to have the LICENCE to install, operate and maintain NATIONAL LONG DISTANCE (NLD) SERVICE NETWORK, hereinafter called "NLD Service Network", and to provide NATIONAL LONG DISTANCE SERVICE, hereinafter called "NLD Service" within territorial boundaries of India.

AND WHEREAS in pursuance to the said desire of the LICENSEE, the LICENSOR has agreed to grant NATIONAL LONG DISTANCE SERVICE LICENCE to the

LICENSEE to install, operate and maintain NATIONAL LONG DISTANCE (NLD) SERVICE on the terms and conditions appearing hereinafter.

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS :

1. In consideration of the payment of Entry fee and due performance of all the terms and conditions mentioned in SCHEDULE -I annexed hereto, on the part of the LICENSEE, the LICENSOR does, hereby grant, under section 4 of the Indian Telegraph Act, 1885, on a non-exclusive basis, this LICENCE to install, operate and maintain the NLD Service Network and provide NLD Services within the territorial boundaries of the country.

2. Subject to clause (1) herein above, the LICENCE hereby granted will remain valid for 20 (Twenty) years from the Effective Date unless revoked earlier.



SCHEDULE - I
TERMS AND CONDITIONS

1 OWNERSHIP OF THE LICENCEE COMPANY

- 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.
- 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 those positions from among resident Indian citizens shall be made in consultation with various Indian investors. Serious investor has been defined below in para 1.7(i).
- 1.3 The Share Holder Agreements (SHA) shall specifically incorporate the condition that majority directors on the Board 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.
- 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.
- 1.5 The investment approval by FIPB shall envisage the conditionality that Company would adhere to Licence Agreement.
- 1.6 FDI shall be subject to laws of India and not the laws of the foreign country/countries.
- 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.
- (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.
- (iii) Chief Technical Officer (CTO)/Chief Financial Officer (CFO) shall be resident Indian citizens. The licensee can also further notify key positions to be held by resident Indian citizens. Licensee shall notify the names and nationality of such officers on 1st of January and 1st of July every year to Licensor.



- (xi) For monitoring traffic, the licensee company shall provide blind access of their network and other facilities as well as to books of accounts to the security agencies.
- (xii) In case of not adhering to Licence conditions envisaged in para 1.1 to 1.7, the licence(s) granted to the company shall be deemed as cancelled and the licensor shall have the right to encash the performance/financial bank guarantee(s) and the licensor shall not be liable for loss of any kind.

1.8 The conditions at para 1.7 above shall also be applicable to the existing companies operating telecom service(s), which had the FDI cap of 49%.

1.9 The Indian & Foreign equity holdings in the LICENSEE company as disclosed by the LICENSEE company on the date of signing of the LICENSE AGREEMENT, are as follows:

INDIAN EQUITY - 65.15%

FOREIGN EQUITY - 34.85%

1.10 The LICENSEE shall declare the above information as on 1st January and 1st July by 7th January and 7th July respectively to LICENSOR. This is to be certified by the LICENSEE company's company secretary or statutory auditor.

1.11 The LICENSEE shall also ensure that any change in share holding shall be subject to all necessary statutory requirements.

1.12 Change in the name of the LICENSEE company shall be permitted in accordance with the provisions under the Indian Companies Act, 1956.

1.13 The LICENSEE company shall have a net worth as well as paid up capital 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. The networth as well as paid up capital is to be maintained during currency of the LICENSE.

2. SCOPE OF THE LICENCE

2.1 This LICENSE is granted to provide SERVICE as defined in Para 2.2 of this LICENSE Agreement on a non-exclusive basis and others can also be granted LICENSE for the same SERVICE. Provided always that the LICENSOR, of its own or through a designated Authority, has a right to operate the SERVICE anywhere in India.

2.2 (a) The NLD Service refers to the carriage of switched bearer telecommunications service over a long distance and NLD Service Licensee will have a right to carry inter circle traffic excluding intra - circle traffic except where such carriage is with mutual agreement with originating service provider.

(b) The LICENSEE can also make mutually agreed arrangements with Basic Service Providers for picking up, carriage and delivery of the traffic from different legs between Long Distance Charging Center (LDCC) and Short Distance Charging Centers (SDCCs).

(c) In the case of Cellular Mobile Telephone Service traffic, the inter-circle traffic shall be handed/taken over at the Point of Presence (POP) situated in LDCA at the location of Level - TAX in originating/terminating service area. For West Bengal, Himachal Pradesh and Jammu & Kashmir such locations shall be Asansol, Shimla & Jammu respectively.

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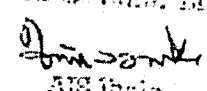
3. The LICENSEE hereby agrees and unequivocally undertakes to fully comply with all the terms and conditions stipulated in this LICENCE Agreement and without any deviation or reservation of any kind.

4. Unless otherwise mentioned or appearing from context, the Guidelines issued in respect of National Long Distance Service including the application form attached therewith, shall form part and parcel of this agreement. Provided that in case of conflict or inconsistency on any issue relating to this LICENCE Agreement, the terms set out in the body of this agreement with schedule annexed thereto shall prevail.

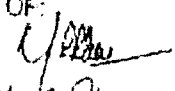
5. Effective Date of the LICENCE shall be the date on which the LICENCE is signed.


IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed through their respective authorized representatives on the 23rd November, 2006.


निदेशक (के. प्र. - III)
Signed, for and on behalf of the President of
India
Dept. of Telecom, New Delhi
(S.T. Abbas)
Director (CS-III)

For Idea Cellular Limited

AJS Jhala
Chief Financial Officer &
Company Secretary
Signed on behalf of M/s Idea Cellular Ltd
by Shri AJS Jhala, CFO & Company
secretary, the Authorised Signatory
authorised in accordance with the
Resolution No. NIL dated 02.09.03 passed
by the Resolution of Board of Directors.

IN PRESENCE OF:

1. 
Signature
Name M. S. Shami
Occupation Chief Secy.
Address Sanchar Bhawan, DOT
Place N. Delhi

2. 
Signature
Name RAHUL VADDS
Occupation SERVICE
Address PLO, KHAJURA SODA
Place 20, K.G. MARG,
N DELHI - 1