



Smartphones with built-in SIMs? Virtual network operators make it possible

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It's globally a \$ 65 billion business that is looking to finally make an India foray, quite belatedly. Virtual network operators (VNOs) have been looking to enter India, but it is only in the past few months that the DoT finally gave them the go-ahead. Globally, VNOs start operations when operators start rolling out 3G services. They have additional spectrum to share and payments to be made. In India, the VNOs are coming with the entry of 4G services.

A nation-wide VNO that offers all services has to cough up an entry fee of Rs 7.5 crore. Add on a Rs 20 crore bank guarantee and the entry cost is in the region of Rs 30 crore.

The first of the truly virtual network operators (VNOs) should be in place by January 2017. Mohan Kumar Sundaram, founder chairman of the Virtual Network Operators Association of India (VNOAI), feels that there is a huge opportunity now. He points out to three areas where VNOs could come in. There is Bharat Sanchar Nigam Ltd (BSNL), with a national network which does not have a sales and marketing arm. The other one is operators who being in spectrum congested areas do not have capacity and are not interested. Then there is Jio which has an all IP-network.

Sundaram expects the VNOs to become the sales and marketing arm of BSNL. Apart from Kerala, where BSNL is the number one operator, the rest of the network is available. In Delhi and Mumbai too, the MTNL network is available for VNOs.

As things stand, the international brands are looking at pan-India operations, but the initial operations will start off in a couple of states. All domestic brands have a home market. That's where they plan to do the trial and then follow the footprint. Some are planning to launch services in eight states, some others in 14. That's the roll-out plan for three years.

So what are the big challenges for VNOs? The biggest problem relates to SIM distribution. Unlike the mobile network operators that have over time built a large retail SIM-distribution mechanism, the VNOs don't have that luxury. To counter this, VNOs plan to launch e-SIM (embedded SIM) as mandated by the GSMA. What this means is that every device will come with a built-in SIM. The subscriber can choose whether he wants VNO1 or VNO2 and accordingly it will be connected. That way the VNO need not have a SIM-distribution network.

One contentious issue relates to spectrum usage charge (SUC). Considering that a mobile network operator already pays an SUC, getting the VNO to also pay is an issue of double-taxation issue which the association will try to address with the ministry. It is believed that UK-based Lycamobile and Oxigen Services are looking to enter the Indian market. The association expects VNOs to be a \$ 4 billion business over the next three years. That remains to be seen in an intensely competitive market like India.

Virtual Network Operators Association of India

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