

Number of bn-\$ GCCs doubles in 5 years

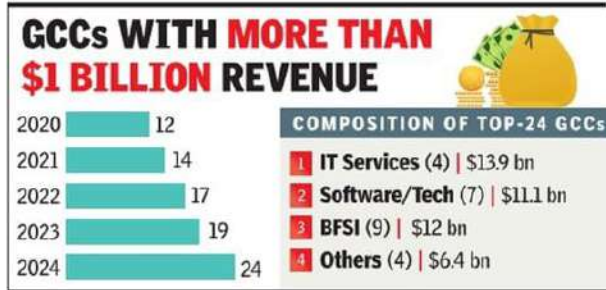
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Bengaluru: India's GCC (global capability centre) story is getting bigger and bolder. There were 24 GCCs surpassing the \$1 billion export revenue mark in financial year 2023-24, up from 19 in the previous year, according to research by Pune-based consultancy Wizmatic. These 24 collectively generated exports exceeding \$43.6 billion.

GCCs are the technology and operations arms of MNCs in India, and they are increasingly embedding themselves into the core of Fortune 500 enterprises with their innovations and strategic influence.

Wizmatic founder Sandeep Panat says India is beginning to see the emergence of giga capability centres.

The number of billion-dollar GCCs has doubled from 12 to 24 in the five years upto FY24. Various consulting



firms have projected that the number of GCCs will grow in the coming years, creating additional jobs. According to a PwC report, by 2028, the country is poised to have 2,100 GCCs, with the market size of the centres touching \$90 billion. A Nasscom-KPMG report estimates India will have 1,900 GCCs, with \$60 billion in revenue, by the end of this year.

While some do not include the Indian operations of IT services companies like Accenture and Capgemini among GCCs, Wizmatic inclu-

des them on the grounds that their operational models and local legal structure in India are no different from that of other MNCs with GCCs in India. The revenue model is based on services rendered to their parent companies and global affiliates, with a predefined markup regulated by transfer pricing norms.

"The revenue gets credited where the clients are, like the US or Europe, not India. For these firms, income is tied to where clients are located, not where the work is executed. In

principle, a GCC doesn't generate revenue independently, it enables revenue for the parent entity," Panat says.

As they scale, their ability to reinvest in R&D, digital capabilities, and strategic initiatives will grow. Transfer pricing policies dictate the margins GCCs can operate on, influencing their financial structuring and growth strategies. "While most GCCs operate on a cost-plus model, their financial success is determined by their ability to increase value addition. Unlike IT service providers that maintain a bench workforce, GCCs function as specialised entities with dedicated service lines for their global parent organisations," says Panat.

Phil Fersht, CEO of HfS Research, said in terms of contributing to the top-line growth of their parent organisations, the jury is still out on whether GCCs can deliver more than efficiency. Currently, they are

more of an efficiency play under the banner of "innovation". "However, the future hope is they will start to contribute to top-line growth as they grapple with AI opportunities and become more integrated with the leadership of their parent organisations. The simple fact that GCCs offer the chance for Indian talent to get closer to global enterprises and have a more direct impact on their clients is making the GCC career option far more attractive than many of these "back office" service provider roles," he said.

Lalit Ahuja, founder of ANSR, said GCCs have always hosted leadership roles and executed functions that directly impact topline of companies. "This includes ownership of revenue driver digital products and platforms such as online banking and e-comm. With scaling of GCCs, the 'billion dollar' impact club continues to grow at a rapid pace."