



INDO-JAPAN CHAMBER OF COMMERCE & INDUSTRY

Global Capability Centres in India: Market opportunity for Japan

by
Ruchi Sharma
Srishti Kaushal



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PREFACE

Dear Readers,

Wishing you all a Wonderful 2025.

We are pleased to present to you an extensively discussed and innovatively conceived system within the industry today: the Global Capability Centres (GCC).

Indo-Japan Chamber of Commerce and Industry (IJCCI) and Grant Thornton Bharat are delighted to introduce this white paper, highlighting the opportunities that GCCs present in India. This initiative is thoughtfully curated to benefit the Japanese business community and demonstrates how GCCs can act as strategic enablers for global firms aspiring to expand beyond traditional service sectors.

Grant Thornton Bharat is actively engaged with various GCCs in India, providing support across multiple verticals and is dedicated to empowering businesses with insightful analyses and actionable strategies.

The authors of this white paper, Ruchi Sharma, Partner, and Srishti Kaushal, Associate Director at Grant Thornton Bharat, aim to present India's dynamic GCC landscape, enabling companies to explore new avenues for growth, innovation and global excellence. We trust that this white paper will serve as a valuable resource for our readers, inspiring new partnerships and mutual success within this evolving business ecosystem.

IJCCI and Grant Thornton Bharat will be hosting a Webinar on GCC for the benefit of the business communities in India and Japan.

Happy Reading.

December 2024

Suguna Ramamoorthy
Secretary General, IJCCI

Global Capability Centres in India: Market opportunity for Japan

Executive summary

India has established itself as the leading global destination for Global Capability Centres (GCCs), with over 1,700 centres employing more than 1.5 million professionals. GCCs, which were initially designed to handle back-office operations and reduce costs, have evolved into strategic hubs of innovation and advanced technology development. These centres are now driving significant contributions in areas such as artificial intelligence, digital transformation, product engineering, and strategic decision-making for multinational corporations (MNCs) across the globe.

While the US and European companies lead the GCC ecosystem in India, Japan has a significant opportunity to establish a stronger presence by leveraging its global expertise in precision engineering, robotics, and advanced manufacturing. This white paper explores the evolution of GCCs in India, the contributions of multinational companies (MNCs) from various regions, the value these centres bring, and the untapped potential for Japan to capitalise on this ecosystem.

The evolution of GCCs in India

- **Early days: Cost efficiency**

The concept of outsourcing and offshoring in India started in the early 1990s, with the liberalisation of the Indian economy. During this period, global organisations outsourced routine back-office tasks to reduce operational costs. With its sizeable professional population and significantly lower labour costs, India quickly became the preferred destination for these operations. Initially, the trend was dominated by third-party service providers, which emerged as a new sector, facilitating the offshoring of work to India. These providers handled transactional processes such as data entry, payroll processing, and IT support.

- **Maturity: Process optimisation**

By the early 2000s, offshore centres and units in India began to expand beyond their initial focus on back-office functions. They evolved into shared service hubs, standardising processes across multiple business functions such as IT infrastructure, finance, and human resources. These centres implemented enhanced efficiencies, enabling companies to centralise global operations while maintaining high levels of quality and reliability.

- **Transformation: Strategic value**

In the 2010s, shared services centres in India underwent a major transformation. As companies sought to extract enhanced value from their operations in India, and shared services centres began to play a more strategic role. They started contributing to core business functions, including data analytics, business intelligence, risk management and compliance. Increasingly global organisations started to open up their own centres rather than outsourcing work to third parties. The positioning of such centres also changes from “business process

outsourcing” to “global capability centres”. GCCs became integral to their parent companies’ global strategies by providing insights and driving business efficiency and growth.

- **Current state: Innovation hubs**

Today, GCCs in India are recognised as engines of innovation and business transformation rather than mere cost-saving centres. These centres now lead product development, digital transformation efforts, and advanced R&D initiatives. They are actively driving the adoption of cutting-edge technologies, such as blockchain, Internet of Things (IoT), machine learning (ML), and cloud computing. Unlike earlier stages, where the focus was largely on operational efficiency, today’s GCCs prioritise creating intellectual property, developing enterprise-wide solutions, and fostering innovation. They also address critical global challenges such as sustainability and cybersecurity, further enhancing their strategic importance.

GCC landscape in India: Current state and outlook

India’s GCC landscape has matured into a global powerhouse employing professionals across diverse industries, from IT and finance to advanced manufacturing. With a focus on innovation, digital transformation, and scaling global operations, India remains the preferred destination for multinational corporations. The outlook is promising, with projections of 2,100-2,200 GCCs by 2030, driving innovation and employment growth across emerging technologies. The GCC market in India is projected to reach approximately USD 100 billion by 2030, from USD 64.6 billion in FY24.

Regional distribution of GCCs in India: GCCs in India are predominantly located in Tier-I cities, driven by the availability of talent and robust infrastructure. However, Tier-II cities are increasingly emerging as attractive alternatives due to cost advantages and improving connectivity.

Here's a closer look at the regional distribution of GCCs:

- o **Bengaluru:** Known as the largest hub for GCCs in India, Bengaluru hosts the highest concentration of centres, employing approximately 36% of the GCC workforce. The city is known for its high-tech domains, R&D, and innovation.
- o **Hyderabad:** A rapidly growing hub, Hyderabad houses ~9% GCCs, especially in advanced technology, pharmaceuticals, and financial services. The city is a major contributor to India's innovation ecosystem.
- o **Mumbai and Pune:** These cities are pivotal for financial services, automotive, and manufacturing industries. Together, they account for 23% of the GCC presence in India, with Pune gaining prominence for engineering R&D centres.
- o **Delhi-NCR:** Focused on sectors such as oil and gas, AWS, IoT, and data analytics, Delhi-NCR has become a critical hub for GCCs seeking to align with global business priorities and regulatory requirements with 19% of GCCs in India.
- o **Emerging Tier-II cities (~10%-14%):** Tier-II cities, e.g. Visakhapatnam, Jaipur, Vadodara, Kochi, and Chandigarh are becoming increasingly attractive for GCC operations. Cost advantages, untapped talent pools, and government support for IT and innovation-led industries drive their rise.

Government support and business environment

The Indian Government recognises the strategic importance of GCCs. The External Affairs Minister, Dr. S. Jaishankar, highlighted numerous GCCs' presence in India, emphasising their contribution to the country's economic and technological advancement. India's commitment to fostering a conducive environment for GCCs, reinforces their status as integral components of the country's growth story.

States such as Karnataka and Tamil Nadu have introduced specific policies to attract GCCs. For instance, Karnataka's GCC Policy 2024-2029 aims to establish 500 new centers by 2029, offering incentives such as rental reimbursements, recruitment assistance, reimbursement of skilling cost, R&D subsidies and patent fee subsidies to encourage investment in major cities and beyond. Other states such as Madhya Pradesh, Uttar Pradesh, Telangana and Andhra Pradesh are among those drafting their own GCC policies to attract multinationals.

India continues to attract substantial foreign direct investment (FDI), with USD44.4 billion recorded in FY24. States like Maharashtra, Gujarat, and Karnataka are leading recipients, highlighting the country's growing economic potential and strategic appeal for setting up GCCs.

Global outlook: GCC investments in India

Several organisations across the globe have set up their GCCs in India. Regionally, North America has the largest footprint of such centres. Given below is a brief outlook of country representation in the Indian GCC landscape.

North America (the US and Canada)

North American companies dominate India's GCC landscape, accounting for approximately 60% of all GCCs. Companies from the United States have leveraged India's ecosystem to innovate in technology, healthcare, and BFSI (banking, financial services, and insurance).

- **Key sectors:** Technology, BFSI, Healthcare, Retail.
- **Notable companies:** Microsoft, Google, Amazon, JPMorgan Chase, Pfizer, Johnson & Johnson.
- **Value add:** North American GCCs in India lead in AI/ML development, cloud computing, and digital transformation. Companies, e.g. Amazon leverages Indian GCCs to optimise global supply chains, improve customer experiences, and drive e-commerce innovations.

Europe

European companies contribute approximately 25% to the Indian GCC ecosystem, focusing heavily on engineering, automotive, BFSI, and renewable energy sectors.

- **Key sectors:** Automotive, BFSI, Energy and Engineering.
- **Notable companies:** Daimler, Bosch, Barclays, Deutsche Bank, Siemens, ABB
- **Value Add:** European GCCs focus on cutting-edge R&D in electric vehicles, sustainable energy, and smart factories. For example, Bosch's GCC in Bangalore plays a critical role in autonomous driving technology and IoT-enabled solutions for smart mobility.

APAC (excluding Japan)

Companies from Asia-Pacific, excluding Japan, account for about 15% of GCCs in India. Their focus has primarily been on consumer electronics, telecom, and retail.

- **Key sectors:** Telecom, Consumer electronics, Retail.
- **Notable companies:** Samsung, Huawei, Alibaba.
- **Value add:** APAC firms leverage Indian GCCs for software development and AI-driven research, particularly in mobile technology and connected devices. Samsung's GCC in Noida has become a global hub for smartphone innovation and testing.

Japan

Japanese companies represent approximately 5% of the GCC ecosystem in India, focusing on automotive, electronics, and manufacturing.

- **Key sectors:** Automotive, Electronics, Manufacturing.
- **Notable companies:** Toyota, Sony, Hitachi.

- **Value add:** Japanese companies primarily utilise GCCs in India for operational support but have begun exploring opportunities in R&D and digital transformation. Toyota's GCC in Bangalore has started working on advanced EV battery technologies.

Middle East

Companies from the Middle East contribute around 5% to India's GCC ecosystem, focusing on energy and financial services.

- **Key sectors:** Energy, BFSI.
- **Notable companies:** Saudi Aramco, Emirates NBD.
- **Value add:** Middle Eastern GCCs use India's talent pool for process automation and data analytics, particularly in energy management and financial operations.

Key opportunities for Japanese companies:

For Japan, setting up GCCs in India offers significant strategic, financial and operational advantages that align with the long-term goals of Japanese businesses.

- **Access to a large talent pool**
 - **Technical expertise:** India produces over 1.5 million engineers annually, offering Japan access to a vast pool of highly skilled talent in technology, R&D and advanced analytics.
 - **Addressing talent shortages in Japan:** Japan faces an aging population and a shrinking workforce. India provides a ready pool of young, tech-savvy professionals to support Japan's ambitions in digital transformation and develop next-gen solutions for global markets in automotive, electronics, healthcare and fintech.
 - **Professional demand:** Due to Indo-Japan business relations, the number of Indian professionals fluent in Japanese is increasing,

especially in sectors like the automobile, information technology, and manufacturing industries.

- **Cost efficiency**

- **Operational savings:** Achieve 30%–40% cost reductions with India's affordable real estate and lower operating costs, especially in Tier-II cities like Chennai, Pune, and Hyderabad.
- **24/7 Multilingual support:** Indian GCCs provide round-the-clock customer service, enhancing satisfaction across diverse global markets.

- **Scaling business operations**

- **Agility in scaling:** Indian GCCs enable Japanese companies to scale rapidly to meet global demand without incurring high overhead costs in Japan.
- **Global market reach:** Using India as a GCC base provides proximity to emerging markets in Asia-Pacific, the Middle East and Africa.

- **Supporting Japan's digital transformation goals**

- Indian GCCs can play a critical role in scaling digital transformation (DX) initiatives for Japanese firms by leveraging India's vast talent pool and expertise in technology-driven processes.

Rakuten, a leading Japanese e-commerce and fintech company, leveraged its (GCC) in Bengaluru to drive scalability and efficiency in its operations:

How: Rakuten's Indian GCC focused on enhancing its technological capabilities by:

- Building scalable cloud infrastructure to handle increasing global user demands.

- o Developing AI-powered recommendation systems to improve customer experience by personalising product and service suggestions.
- o Designing secure and efficient payment gateways, enabling seamless transactions for Rakuten's global e-commerce and fintech platforms.

Impact: The Indian GCC allowed Rakuten to efficiently scale its platforms to serve international markets while optimising operational costs. It enabled Rakuten to implement cutting-edge technologies faster, ensuring competitiveness in regions beyond Japan.

By providing the talent and resources to implement and scale DX initiatives, Indian GCCs allow Japanese companies to maintain global competitiveness while focusing on core innovations in their home market.

How some of the leading Japanese companies are leveraging their GCC's in India :

The following examples highlight success stories of Japanese companies within India's GCC ecosystem. These cases demonstrate how Japanese firms can effectively leverage India's highly skilled talent pool, robust infrastructure, supportive government policies and dynamic innovation ecosystem to scale their operations, drive efficiency and maintain a competitive edge in the global market.

1. **Automotive and Electric Vehicles (EVs):** Suzuki's R&D Centre in India exemplifies how Japanese firms can leverage India's GCC ecosystem to develop affordable EV components, such as lightweight batteries and cost-efficient powertrains. Supported by policies like the FAME-II scheme, India serves as a global hub for scaling EV production, enabling Japanese companies to advance R&D in autonomous driving and EV technologies.

2. **Electronics and Semiconductor Manufacturing:** India's expertise in semiconductor design and supportive policies like the USD 10 billion Semicon India programme provide a strong foundation for Japanese firms. Companies like EdgeCortex, with its GCC in Hyderabad, focus on AI-specific processor architecture. Leveraging India's talent pool, Japanese firms can design next-gen chips for IoT devices and consumer electronics.
3. **Healthcare and Pharmaceuticals:** India's robust clinical research infrastructure and biotech talent make it ideal for Japanese pharmaceutical and med-tech firms. Takeda Pharmaceuticals uses its Indian GCC for advanced drug discovery and clinical trials, reducing R&D costs and timelines. This ecosystem supports innovations like minimally invasive surgical technologies and affordable diagnostic tools.
4. **Financial Services and Fintech:** India's leadership in fintech innovation offers Japanese financial institutions a platform to transform global operations. MUFG Bank, for example, uses its Indian GCC to develop blockchain-based cross-border solutions and AI-driven financial products, enabling Japanese firms to digitise traditional services and create scalable fintech solutions.
5. **Renewable Energy and Sustainability:** India's renewable energy initiatives, such as green hydrogen and solar energy policies, position it as a strategic hub for Japanese firms. Hitachi Energy's GCCs in Hyderabad and Pune develop solar energy systems and battery storage solutions, allowing Japanese companies to scale sustainable energy technologies.
6. **Robotics and Advanced Manufacturing:** India's growing strength in AI and Industry 4.0 technologies provide a cost-effective environment for Japanese robotics firms. FANUC leverages its Indian GCC to develop industrial automation systems, enabling Japanese companies to scale robotics innovations and enhance advanced manufacturing processes.

Conclusion:

India's GCC ecosystem has evolved into a global hub for scaling innovation, offering global organisations a unique platform to enhance their operational efficiencies and market reach. For Japan, renowned for its innovation and precision engineering leadership, India presents an opportunity to scale these strengths through a cost-effective, talent-rich ecosystem.

The potential of India's GCC market aligns seamlessly with Japan's technological expertise, creating a symbiotic relationship where India provides the infrastructure and workforce. By establishing or expanding GCCs in India, Japanese businesses can enhance global competitiveness and contribute to the deepening economic ties between the two nations. This strategic partnership ensures that while Japan leads in innovation, India enables it to reach a broader audience efficiently and effectively.

With Japanese companies currently contributing only 5-7% of India's GCC ecosystem, there is significant scope for growth.

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INDO-JAPAN CHAMBER OF COMMERCE & INDUSTRY

No. 21, Kavignar Bharathidasan Road, Teynampet, Chennai 600 018.

Tel: 91-44-4855 6140 E-mail: indo-japan@ijcci.com Website: www.ijcci.com