IN-HOUSE VIEW

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DEALMAKING IN INDIA’S GCC ECONOMY: VALUATION, DILIGENCE AND POLICY SHIFTS

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The In-House View: India M&A provides a contemporary analysis of the legal framework, opportunities, challenges and risks that arise in connection with M&A transactions in India. It serves as a nuanced snapshot and useful tool for industry practitioners doing business in this key jurisdiction.

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Dealmaking in India's GCC economy: valuation, diligence and policy shifts

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Summary

India's M&A market is undergoing a quiet yet decisive transformation. Transactions that once derived their value primarily from factories, logistics assets and physical infrastructure are increasingly centred on technology stacks, proprietary intellectual property and the specialised talent that designs, builds and safeguards them. This recalibration is visible across sectors, from IT services and fintech to advanced manufacturing, and reflects a broader global shift toward intangible-asset-led value creation.

Within this evolving landscape, global capability centres (GCCs) offer a particularly instructive case study. They sit at the intersection of technology, IP generation, and high-end human capital, and are fast becoming central to how transactions are priced, diligenced and executed in India.

Cost centres to strategic engines

India's GCCs have rapidly shed their earlier identity as low-cost support units. Today, they are positioned as engines of innovation, product development and digital transformation for global enterprises, often described as 'innovation hubs,' 'centres of excellence' or even 'global brain trusts.' A growing proportion of GCCs now own end-to-end products, advanced analytics platforms and AI-led capabilities, and are expected to deliver value well beyond the cost arbitrage.

Multinationals are increasingly locating senior leadership roles and strategic decision-making mandates within their Indian centres.[1] India is frequently described as the 'GCC capital of the world,' with centres spanning BFSI, technology, healthcare, life sciences, engineering and retail. These GCCs are no longer treated as back-office extensions, but as strategic business platforms embedded into global operating models.

Industry studies underscore this shift. India-based GCCs are now being factored into deal strategy rather than relegated to post-closing execution. Broader post-merger integration literature consistently shows that failure to integrate operating-model and capability considerations into valuation and planning is a key reason transactions miss their value targets. This evolution is reflected in the emerging '10-30-50' leadership construct identified in recent research wherein up to 10% of CEOs (and leaders one to two levels below them), 30% of global functional leaders and nearly half of global functional teams are now anchored in Indian GCCs. The implication is clear – these centres have become fully embedded strategic units rather than peripheral delivery centres.[2]

The rise of capability-led dealmaking

While market-share consolidation remains relevant, the most strategic M&A transactions are increasingly driven by the acquisition of intangible assets: proprietary technology, innovation capabilities and, above all, world-class engineering and digital talent. This shift aligns with the evolution from GCC 1.0 and 2.0 cost-and process-arbitrage models to the GCC 3.0 and 4.0 era, where value is anchored in talent density, technology creation and embedded decision-making.

Modern GCCs function as microcosms of the enterprise. They house advanced analytics, R&D, AI-led development and senior functional leadership capabilities that cannot be replicated quickly or cheaply. Recent high-value transactions illustrate this recalibration, where the real prize lies in the target's operational and intellectual core rather than its balance sheet alone. Wipro's acquisition of Harman International's Digital Transformation Solutions unit was, at its core, a play to absorb a 5,600-strong high-value engineering and R&D workforce. Capgemini's US$3.3 billion acquisition of WNS Global Services was framed explicitly as a move to capture scale in AI-powered operations: scale made possible by WNS's Indian talent base of more than 44,000 employees. Similarly, Hexaware's acquisition of Tech SMC Squared was positioned as a strategic expansion of its GCC capabilities, directly targeting institutional expertise rather than standalone assets.

These transactions signal a new M&A paradigm. In the GCC 3.0-4.0 world, buyers are no longer acquiring efficiency engines; they are acquiring leadership depth, culture, institutional knowledge and innovation pipelines that are structurally integrated into global enterprises. This shift has profound implications for valuation, diligence and integration planning.

Talent, leadership and execution risk

India's GCC ecosystem is underpinned by an exceptionally deep talent pool. With approximately 1,700-1,900 GCCs, representing over half of global centres, India employs close to two million GCC professionals, a figure projected to approach three million within a few years.[3] This concentration of technology, analytics and finance domain expertise explains why India continues to be the preferred destination for new GCC set-ups and expansions.

At the same time, the labour market is intensely competitive. Persistent shortages in niche technology skills, rising compensation costs and double-digit attrition in many technology workforces make talent retention a central execution risk in any GCC-centric transaction.

Post-transaction success, therefore, hinges on cultural alignment and organisational clarity, whether between a global parent and an acquired GCC platform or between centres being consolidated. Role clarity, decision rights and ways of working must be managed carefully, particularly where local teams have historically operated with significant autonomy. Compensation structures add further complexity: global-versus-local pay philosophies, if not harmonised thoughtfully, can create inequities and flight risk. Leading GCCs increasingly rely on upskilling, flexible work models and leadership access as core retention levers.

Leadership density has also emerged as a proxy for GCC maturity. While some surveys suggest that less than 10% of global leadership roles are based in India, the absolute number of senior leaders in Indian GCCs has grown to over 6,500. Buyers now look beyond headline headcount to assess how many N-1 and N-2 roles (roles one and two levels below the CEO, respectively), global product owners and P&L holders are anchored in India, using this as a lens to evaluate strategic importance and key-person risk.

Rethinking the M&A playbook

Traditional Indian M&A transactions follow a familiar arc: strategy and target identification, preliminary engagement and term sheets, detailed diligence and valuation, definitive documentation, closing and post-merger integration. Value has historically been driven by revenue quality, margins, tangible assets, regulatory positioning and scalability.

That framework no longer operates in isolation. As transactions increasingly pivot toward technology, IP and talent-driven value, India-based capability hubs have become impossible to ignore. India's GCCs already generate approximately US$64-65 billion in annual export revenues, with projections of US$100-110 billion by 2030.[4]

This scale alone demands a rethink of how deals are assessed.

Modern GCC-centric dealmaking rests on two pillars. First, valuation models must move beyond cost-plus constructs to capture capability-driven and long-term value. Second, diligence must be multidisciplinary, spanning technology infrastructure, organisational capability, governance and talent retention.

A successful GCC-centric M&A transaction hinges on a rigorous and specialised due diligence process. Both the buyer's diligence team and the seller's preparation team must be acutely attuned to the distinctive risks and value drivers inherent in these entities.

Human capital and workforce architecture

In any M&A transaction, the true centre of gravity is the workforce. Deals routinely rise or fall on people – a reality repeatedly borne out across recent Indian technology and capability-focused acquisitions. Human capital within a GCC is disproportionately valuable because these centres concentrate process knowledge, product ownership and institutional memory.

Buyers, therefore, must run a granular diligence process to identify critical employees and leaders who must be retained post-closing to preserve enterprise value. As a result, more and more sellers position the depth and quality of their talent base as a core driver of valuation rather than a peripheral consideration.

Cultural fit is also an equally important strategic element in the diligence assessment. GCCs often operate with a hybrid cultural identity, globally aligned yet locally agile. As a result, assessments of leadership structure, escalation frameworks and management cadence have become standard line items in modern GCC-focused deals.

Secondment structures, which are fairly common within GCC structures, add another layer of complexity. GCCs are typically hubs for inter-corporate mobility, facilitating exchanges of talent across global offices and functional verticals. The key diligence risk lies in ensuring that these expatriate assignments are not mischaracterised as 'manpower supply' services, which could trigger GST, withholding or social-security exposure. Post-transaction structures, therefore, increasingly focus on compliant secondment frameworks with clear supervision, reporting and cost-allocation mechanics, while sellers must ensure that any existing arrangements are clean and transition-ready.

IP, data and technology infrastructure

GCCs are, at their core, knowledge factories – building, refining and operationalising the intellectual backbone of global organisations. Accordingly, diligence must map the IP, data and technology landscape with precision. Ownership structures for IP generated in India typically follow global policy frameworks rather than bespoke local arrangements, but the acquirers still require clear documentary evidence establishing a clean chain of title. Employment contracts, IP assignment protocols, invention-disclosure workflows and intra-group licensing arrangements should collectively support that chain of title.

Data governance now carries equal weight. With the Digital Personal Data Protection Act (DPDP) enacted but not yet fully operational, organisations must still ensure their frameworks are future-proofed for DPDP compliance, particularly around anticipated cross-border transfer requirements. GCCs handling employee or customer data must demonstrate readiness through lawful processing protocols, cross-border transfer frameworks, breach-response framework and a designated privacy lead. Buyers increasingly assess technology stacks, cybersecurity posture and contractual controls (DPAs, vendor-risk files and privacy notices) as part of core diligence rather than peripheral checks. A seller that can evidence mature, DPDP-aligned governance significantly enhances deal certainty.

Tax and regulatory architecture

From a tax standpoint, diligence teams must evaluate predictable pressure points – not as red flags, but as standard issues that demand structured mitigation. Chief among these is the risk of a permanent establishment (PE) being imputed to the foreign parent. As GCCs increasingly house senior leaders with global responsibilities and participate in integrated decision-making workflows, the functional boundaries between an Indian subsidiary and a global branch can appear attenuated. Accordingly, the deal playbook requires a factual, role-based assessment of decision-rights, signing authority, global reporting lines and board-level involvement. Well-designed role matrices and governance protocols usually avert PE exposure long before a transaction is contemplated.

Transfer Pricing (TP) assessment requires an equal degree of rigour. Even though a GCC's functional profile evolves rapidly from support provider to high-value R&D hubs, many targets continue operating on legacy cost-plus markups that no longer capture their value creation. Tax authorities have become increasingly sceptical of outdated TP models and buyers often adjust pricing when documentation is misaligned with actual functions, assets and risks. A seller strengthens its negotiating leverage by commissioning a TP study and benchmarking analysis, validating that the existing economic model appropriately reflects the GCC's current contribution to the global value chain.

Rethinking valuation

For mature GCCs operating at the level of talent and technology arbitrage, traditional cost-plus valuation approaches are increasingly inadequate, as they fall short of capturing the intangible value generated by the centre's innovation, IP and strategic capabilities. Instead, dealmakers increasingly need sophisticated valuation methodologies that treat the GCC not as a cost centre but as an embedded creator of R&D, data analytics and IP, with a measurable impact on the parent's competitive position and growth trajectory.

First, the valuation must explicitly price the GCC's role in IP and product development rather than treating R&D output as an incidental by product of offshore delivery. This requires mapping what portion of the parent's patent portfolio, core platforms, product features or algorithms originates in the GCC and then using techniques such as relief from royalty, option style valuation of early stage R&D and scenario based DCFs on identified product roadmaps to capture upside beyond current run rate earnings. In practice, this means looking at how the GCC's work has enabled premium pricing, faster time to market or differentiated customer outcomes and reflecting that in valuation multiples rather than limiting analysis to an allocation of global R&D budgets.

Second, valuation needs to incorporate structured human capital analytics alongside traditional financial metrics. Replacement cost analysis of high end engineering, analytics and domain teams, ramp up timelines in comparable markets, attrition patterns, depth of internal leadership and the strength of university and lateral hiring pipelines all become inputs into assessing the 'franchise value' of the GCC's talent base. In acquire-and-hire heavy transactions, it may be more appropriate to run a people centric valuation (for example, per full time equivalent value for critical skill cohorts adjusted for productivity and tenure) and then overlay this with a premium for embedded institutional knowledge, rather than defaulting to a uniform multiple on EBITDA.

Finally, valuation frameworks must recognise that many GCCs are now revenue enabling engines, not just cost efficient back offices. Where GCC teams drive marketing analytics, pricing optimisation, sales-enablement content, customer experience design or even global M&A and strategy support, their work should be linked to measurable top line or margin effects in the parent (such as uplift in conversion rates, reduction in churn, higher cross-sell or more efficient capital deployment). Quantifying these linkages, even through attribution models and sensitivity analyses rather than perfect causality, allows buyers and sellers to incorporate revenue linked earn outs, contingent value rights or performance linked adjustments that more accurately ascertain the GCC's role in enterprise wide value creation.

Policy tailwinds and the road ahead

India's GCC expansion is now being actively shaped by policy. Union and state governments have moved from passive facilitation to active orchestration, deploying incentives, infrastructure planning and regulatory simplification to position GCCs as a pillar of economic growth.

Union budget and Tier-II/III focus

The Union Budget 2025 formally recognised GCCs as a distinct policy segment, with a national framework aimed at promoting GCCs in Tier-II and Tier-III cities. This framework is intended to focus on strengthening talent availability, upgrading physical and digital infrastructure and simplifying regulatory processes to create a more conducive business environment. The forthcoming union budget 2026 is expected to further operationalise this policy through, among other things, targeted fiscal incentives, skill-linked support and closer coordination between central and state authorities, with the objective to accelerate the establishment and scaling of GCCs beyond traditional metropolitan centres.

Competitive state-level GCC policies

State-level policies from Karnataka and Telangana to Andhra Pradesh, Maharashtra, Uttar Pradesh and Haryana are increasingly competing to attract and scale GCC investments through tailored incentive frameworks. These policies are no longer peripheral to dealmaking; they directly influence valuation assumptions, location strategy and post-closing integration planning.

For instance, Karnataka has moved fastest with a dedicated Global Capability Centres Policy 2024-29, targeting the establishment of 500 new GCCs and the creation of approximately 3.5 lakh jobs by 2029. A key feature of the policy is its explicit push to drive growth 'beyond Bengaluru' into cities such as Mysuru, Mangaluru and Hubballi–Dharwad. Bengaluru's longstanding position as India's pre-eminent technology hub, anchored in deep engineering talent, a dense start-up ecosystem and entrenched global technology majors, provides the state with a strong foundation. The policy seeks to replicate this success in secondary cities through a mix of rental reimbursements, power-tariff benefits, skilling support, R&D funding and single-window clearances, with the most attractive incentives tied to non-metro locations. For acquirers and sponsors, this approach can materially alter the economics of acquiring or scaling GCC platforms in these emerging corridors.

Andhra Pradesh's IT & GCC Policy (4.0) 2024-29 on the other hand, adopts a more inclusive and flexible posture, positioning the state as a 'premier global destination' for IT and GCC investments. The policy combines financial incentives, hybrid-workspace support and workforce-development schemes, while allowing for tailor-made incentive packages through a consultative committee mechanism. This flexibility can be particularly attractive for platform-style builds or phased expansions.

Telangana, while operating under the Telangana ICT Policy 2021-26 rather than a GCC-specific regime, has focused on building an innovation-heavy ecosystem anchored in Hyderabad. The state has leveraged IT-park incentives, capital subsidies and skilling initiatives to progressively extend this ecosystem into Tier-II cities through state-sponsored platforms such as T-Hub, TASK and sectoral Centres of Excellence. Hyderabad is currently the single largest GCC hub in India by number of centres and state policy reflects a conscious effort to decentralise this concentration over time.

Maharashtra and Uttar Pradesh, though following different templates, are also seeking to channel GCC-linked investment into Tier-II and Tier-III locations. Mumbai's role as India's financial capital, with its concentration of banks, capital-market institutions, global corporates and professional-services firms, continues to make the Mumbai Metropolitan Region a natural magnet for high-value corporate and GCC activity. Maharashtra's IT/ITeS Policy 2023 lowers entry and expansion costs through stamp-duty and electricity-duty exemptions and open access to power, improving baseline economics for technology and knowledge operations that are current or future GCCs. Uttar Pradesh's Global Capability Centre Policy 2024 forms part of a broader strategy to position the Noida – Greater Noida corridor as a corporate and technology hub for North India. The policy combines land subsidies and payroll reimbursements, including support for higher-salary bands, with a strong emphasis on employment generation outside traditional metros. A critical nuance, however, is that eligibility is restricted to fully owned GCCs, an important consideration for investors evaluating BOT models, joint ventures, or delivery platforms reliant on extensive secondment structures.

Among major Indian cities, Gurugram in Haryana has emerged as a leading international corporate hub, hosting a dense cluster of multinational headquarters, shared-services centres and high-value GCC operations. Haryana currently operates under the Haryana Enterprises & Employment Policy 2020 (HEEP) rather than a GCC-specific framework, with IT and ITeS recognised as core focus sectors alongside manufacturing and other services.

Incentives, such as capital subsidies, interest subvention, employment-linked benefits and infrastructure support, are largely targeted at MSME-classified units. As a result, clean, stand-alone entities (including SPVs or newly incorporated subsidiaries) are typically better positioned to qualify than internal divisions of large incumbents.

In parallel, the Haryana government has circulated a draft GCC policy (yet to be notified) proposing enhanced incentives for large, high-value centres, including incremental employment subsidies, higher capital support and preferential access to plug-and-play infrastructure. Once operationalised, this framework could materially strengthen the business case for scaling or acquiring GCC platforms in the state. From an M&A perspective, transaction structures that create or preserve MSME-eligible or policy-aligned vehicles can unlock meaningful state-level support, while attempts to route incentives through carved-out divisions of larger enterprises are likely to attract closer scrutiny around substance versus incentive arbitrage.

Deal implications

For buyers and sellers in the GCC M&A space, these policy regimes translate into tangible transactional levers. State-level incentives tied to employment, capital expenditure, or R&D directly affect cash-flow forecasts, discount rates and therefore valuation, particularly where benefits are locked in over the medium term and conditioned on maintaining headcount in specified locations.

Decisions around whether to retain an acquired GCC in its existing location, relocate it to another state, or expand through a multi-city model are now closely linked to how union and state incentives compare against talent depth, wage inflation and real-estate costs across clusters. These same considerations increasingly influence longer-term choices on where to anchor global or regional headquarters and senior leadership roles, as enterprises balance talent availability and ecosystem maturity against the durability and enforceability of location-specific incentive regimes.

In parallel, the emerging national framework for Tier-II and Tier-III GCCs signals a coordinated policy push to reduce regulatory friction and strengthen the case for both greenfield builds and platform-style acquisitions across India's rapidly expanding GCC landscape.

Strategic takeaways

Capability-led dealmaking around GCCs is set to deepen as India consolidates its position as the global hub for distributed innovation. For acquirers, the question is no longer whether to factor the GCC into the deal thesis, but how early and how rigorously to do so. For sellers, the playbook increasingly resembles that of a high-tech asset sale: clean IP ring-fencing, aligned transfer-pricing frameworks, demonstrable leadership density and a compelling narrative that links the GCC to innovation, resilience and revenue impact.

As national and state-level policies continue to evolve, GCCs will remain both a barometer and a driver of India's competitiveness in the global M&A market. A GCC-centric lens on diligence, valuation and integration is no longer optional: it is central to capturing value and managing risk in the next decade of Indian dealmaking.

Endnotes

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