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Establishing a GCC in India

Global corporations are increasingly seeing India as a prime location for the establishment of global capability centres ("**GCCs**").

GCCs usually provide: (a) fully integrated global operations (i.e., not just back-end support services); (b) host a range of functions at a global level; (c) cater to research and development; and (d) create value across the supply chain. They are increasingly becoming vital for multi-national corporations who choose to prioritise innovation, talent access, business continuity and cost optimization in sectors such as healthcare, banking and financial services, IT and the automotive industry amongst others[1].

The establishment of a GCC in India, requires key decisions to be made in relation to the legal structure which will allow a foreign entity to maximise its impact in the Indian market.

Set out below is a comparative analysis of 4 (four) types of entities that can be utilized to establish a business presence in India:

Feature	Private Limited Company (PLC)	Limited Liability Partnership (LLP)	Branch Office (BO)	Liaison Office (LO)
Primary Use	Full-fledged commercial operations.	Hybrid structure for professional services or joint ventures.	Extension of a foreign entity for limited commercial activities.	Non-commercial representative office for communication and promotion.

1. Nasscom GCC Playbook, Telangana's Blueprint for Growth, November 2024.

Feature	Private Limited Company (PLC)	Limited Liability Partnership (LLP)	Branch Office (BO)	Liaison Office (LO)
Setup Time	4 (four) – 6 (six) weeks.	Similar to a PLC.	15 (fifteen) – 20 (twenty) days.	Same as a Branch Office.
Operational Scope	Can undertake any legally permitted activity subject to compliance with Indian foreign exchange regulations.	Can undertake any legally permitted activity. However, there are more restrictions under Indian foreign exchange regulations.	Limited to specific RBI-approved activities (e.g., import/export, consultancy, R&D).	Only permitted to act as a communication channel and promote collaborations.
Financial Requirements	No prior track record required for shareholders.	No prior track record required for LLP partners.	Parent entity must have a 5 (five) year profit record and a net worth of at least USD 100,000 (one hundred thousand dollars).	Parent entity must have a 3 (three) year profit record and a net worth of at least USD 50,000 (fifty thousand dollars).

Each of the entities described above presents distinct advantages and disadvantages.

For instance, PLCs and LLPs enable full operational capabilities but require longer timelines for incorporation and establishment. On the other hand, they offer quicker market entry but are subject to financial eligibility and activity restrictions. PLCs are generally preferred for GCCs due to their operational flexibility and liberalized FDI norms. LLPs may be suitable for professional services or joint ventures with lower compliance overhead. Ultimately, the choice of entity should be informed by the investor's business model in the GCC space (e.g., Build-Operate Transfer, Captive, Hybrid), sector-specific regulations, and long-term strategic objectives.

While identifying the type of entity for establishing a GCC is a necessary first step, foreign investors ("**Parent Entities**") seeking to establish and/ or operate a GCC in India also need to assess the applicable legal and regulatory framework in India before finalising their intended business model. Set out below is a brief overview of the prevalent GCC structures, key applicable laws and state-level GCC policies, which would be beneficial to Parent Entities seeking to get a head-start in the Indian GCC space.

GCC Structures

The prevalent GCC structures in India are: (a) the build-operate-transfer model ("**BOT Model**"); (b) the 'do-it-yourself' model ("**DIY Model**"); and (c) the 'hybrid' model ("**Hybrid Model**").

BOT Model: Under this arrangement a third-party service provider is responsible for the establishment and/ or initial operation of the entity in which the GCC is comprised ("**GCC Entity**"). Upon the completion of a contractually specified period, the ownership and control of the GCC Entity is transferred to the Parent Entity.

DIY Model: Under this arrangement, the Parent Entity sets up the GCC Entity on its own on a captive basis (for instance by incorporating a wholly-owned subsidiary in India to establish and operate such GCC).

Hybrid Model: As the name suggests, this model contains features of the BOT Model and the DIY Model. Under this arrangement, the Parent Entity can choose to retain core functions/ operations of the GCC Entity and outsource peripheral functions. Alternatively, an asset-based approach can be taken where certain assets (e.g., intellectual property) are retained in the GCC Entity whereas other assets (e.g. workforce) are procured from a third-party vendor.

Key Points: Choosing any of the above structures entails important deliberation. For example, pursuing the DIY model would entail greater control over the establishment and operational aspects of the GCCs. However, costs incurred in such model on account of regulatory compliance as well as liability under Indian laws would be comparatively higher as compared to a GCC which is established and initially operated through the BOT Model. On the other hand, pursuing the BOT Model would eventually entail a transfer of ownership of the GCC Entity at a future point in time to the Client (with all of the attendant risks and liabilities accumulated till such time). Finally, pursuing the Hybrid Model entails segregation of assets/ functions between the GCC Entity and third-party service providers. In such a scenario, the Parent Entity would have to be mindful of the legal implications of any future restructuring (for e.g., moving from a Hybrid model to the DIY model) resulting in transfer of assets and/ or liabilities to the GCC Entity.

Relevant Applicable Laws

The key laws that Parent Entities should examine before choosing a GCC structure are discussed below.

Foreign Exchange Laws.

Investments by foreign entities in India are regulated under the Foreign Exchange Management Act, 1999 ("**FEMA**") (and the rules and regulations thereunder). The Foreign Direct Investment Policy of India ("**FDI Policy**") sets out certain sectors/activities in which foreign investment is prohibited ("**Prohibited Sectors**"). Foreign entities cannot invest in an Indian entity engaged in a Prohibited Sector. Except Prohibited Sectors, investment is permitted either without any further approval ("**Automatic Route**"), or with government approval ("**Approval Route**") in all other sectors/activities ("**Permitted Sectors**").

The FDI Policy is amended from time to time, through press notes issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry ("**DPIIT**"). Further, the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 ("**NDI Rules**"), issued under the FEMA, regulate FDI by persons resident outside India. The NDI Rules replicate the conditions in relation to the Prohibited Sectors, Permitted Sectors, and other stipulations set out under the FDI Policy. A table set out in Schedule I of the NDI Rules ("**Table**") sets out the aforesaid sectoral caps on FDI, based on the activities/ sector in which FDI is proposed to be made by a person resident outside India. Accordingly, any changes introduced to the FDI Policy through press notes issued by the DPIIT acquire legal force only upon their incorporation into the NDI Rules through amendments.

Key Points: Parent Entities should first check if the intended operations of the GCC fall within a Prohibited Sector. The next step is to identify the applicable investment route (i.e., Approval Route or Automatic Route). The available route depends on the sector/ industry in which GCC will operate. Sectors which fall under the Approval Route include multi brand retail trading, telecom services, defence and broadcasting. For certain Permitted Sectors, sectoral caps and/or certain FDI-linked performance conditions (such as sourcing, lock-in, minimum capitalisation, operational/structural) are also prescribed.

Labour and Employment Laws.

The key labour and employment laws that Parent Entities should examine insofar as the employment aspects of running a business in India are concerned are described below.

Shops and Establishments Acts (state-specific) **("S&E Acts"):** S&E Acts are applicable to commercial establishments not engaged in manufacturing. These state-specific laws regulate hiring, termination, leave, and working hours. Some states offer exemptions for specific activities (for example, a commercial establishment engaged in the IT sector).

Employees' Provident Funds and Miscellaneous Provisions Act, 1952 **("EPF Act"):** The EPF Act is applicable to factories and establishments with 20 or more employees, or fewer if notified. Covered employers must register with the EPFO and make periodic social security contributions for eligible employees.

Employees' State Insurance Act, 1948 **("ESI Act"):** The ESI Act applies to most factories and notified establishments. Once applicable, it continues regardless of changes in employee count. Employers must register with the ESIC and contribute to employee health and social security.

Key Points: When establishing a GCC, Parent Entities should evaluate state-specific labour laws, including the applicable S&E Act, and assess whether any exemptions or favourable modifications are available for GCCs.

Data Protection Laws.

In India, the Information Technology Act, 2000 ("**IT Act**") along with the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011 ("**SPDI Rules**") regulates the procedure for collection, handling and transfer of personal information. The key requirements for undertaking such activities include: (a) obtaining consent for collection, storage and processing of personal information; (b) being able to demonstrate that sensitive personal information has been collected for a lawful purpose and is necessary for such purpose; (c) the individual from whom such information is being collected is made aware of the intended recipient, name and address of the agency collecting and retaining such information; and (d) publication of a privacy policy.

In 2023, the Government notified the Digital Personal Data Protection Act, 2023 ("**DPDP Act**"). While the provisions of the DPDP Act are yet to be enforced, any long-term plans pertaining to the processing, protection and transfer of digital personal data of individuals, including employees, would have to be undertaken after assessing the personal data flows arising out of the establishment and operationalization of a GCC in India.

Key Points: Any collection/ transfer/ processing/ storage of personal information arising out of the establishment and operationalization of a GCC in India will require compliance with the data protections laws described above. This will also require the Parent Entity to assess any potential cross-border data flows to ensure multi-jurisdictional legal compliance.

GCC Policies

Various Indian states have issued GCC-centric policies to attract investment and enable job creation. The salient features of the GCC-centric policies of a few such states are discussed below.

Karnataka Global Capability Centre (GCC) Policy 2024 - 2029 ("**Karnataka Policy**").

The Karnataka Policy recognizes GCCs as fully owned hubs of foreign entities handling global functions like R&D, IT services, and BPOs to leverage talent and build IP. Under the Karnataka Policy, a GCC can be set up as a private limited company ("**PLC**"), limited liability partnership ("**LLP**") or a partnership firm ("**Firms**"). The key incentives under the Karnataka Policy include: (a) a fast-track process for receipt of approvals in 45 (forty-five) days; (b) regulatory and compliance guidance; (c) reimbursement for domestic patent filing fees, recruitment costs and rent expenses (graded by employee count) as well as electricity charges and property taxes (in certain areas).

The Gujarat Global Capability Centre (GCC) Policy 2025 - 2030 ("**Gujarat Policy**").

The Gujarat Policy recognizes GCCs as centres set up by multinational or domestic companies to support global operations, drive innovation, and deliver value across sectors like banking, R&D, retail, telecom and healthcare. Existing or new PLCs, LLPs, Firms and sole proprietorships which are currently operating in/ setting up operations in Gujarat and employ atleast 50(fifty) individuals are considered eligible entities under the Gujarat Policy. The key incentives under the Gujarat Policy include: (a) reimbursement of electricity duty for 5(five) years from the start of commercial operations/ in-principle approval for such operations; (b) 7% (seven per cent) interest subsidy (or actual interest paid, whichever is lower) on loans from Indian financial institutions, capped at INR 1,00,00,000 (one crore rupees) annually for 5 (five) years; and (c)

50% (fifty per cent) reimbursement of 1(one) month's CTC per local hire (up to INR 50,000 (fifty thousand rupees) for males and INR 60,000 (sixty thousand rupees) for females), employed for at least 1 (one) year.

Uttar Pradesh Global Capability Centres Policy, 2024 ("**UP Policy**").

The UP Policy aims to establish the state as a premier destination for GCCs by leveraging its strategic location and skilled workforce. It classifies GCCs into Level 1 and Advanced categories based on investment and employment thresholds, and offers a wide range of incentives including land subsidies and stamp duty exemptions, operational expense subsidies, capital subsidies (up to INR 25 crore), and recruitment support for UP-domiciled initial employees. Additional benefits include PF reimbursements for marginalized and local employees and talent development programs. The UP Policy also provides enabling infrastructure support and regulatory exemptions to facilitate ease of operations.

Madhya Pradesh Global Capability Centre Policy, 2025 ("**MP Policy**").

The MP Policy seeks to attract over 50 (fifty) GCCs and create 37,000 direct jobs by promoting decentralization into tier-2 cities and supporting sectors like IT, finance, engineering, and emerging technologies. It categorizes GCCs into 'Level 1' GCCs and 'Advanced' GCCs based on capital investment and employment thresholds, and offers substantial incentives including up to 75% (seventy five per cent) land rebate, full stamp duty reimbursement, and a CAPEX subsidy of up to INR 30 crore disbursed over 5 (five) years. Furthermore, payroll subsidies are also provided for 3 (three) years, starting at 50% (fifty per cent) and tapering to 30% (thirty per cent), alongside financial assistance for co-working spaces, rentals, marketing, certifications, patents, and R&D. The MP Policy also includes exemptions from key labour law compliances to ease operational setup and growth.

Andhra Pradesh Information Technology (IT) and GCC Policy (4.0) for 2024–2029 ("**AP Policy**").

The AP Policy aims to position the state as a premier GCC destination by fostering technological advancement, talent development, and ease of living through digital infrastructure. It adopts a three-model approach targeting 'Co-working Space Developers', 'Neighborhood Workspace Developers', and 'IT Campus Developers', each with specific eligibility criteria and tailored incentives. These include capital subsidies, rental lease support, industrial power tariffs, and infrastructure facilitation. IT and GCC firms benefit from land allotment, job creation subsidies, PF reimbursements for marginalized groups and employee incentives such as HRA or education allowances. The policy also offers tailor-made packages for large-scale job creators and early bird incentives like rent exemptions in government buildings, reinforcing Andhra Pradesh's commitment to becoming a global hub for GCCs and IT innovation.

Key Points: Any decision to set up a GCC Entity will require a review of each state's GCC-centric policy/ non-GCC centric policies which have an impact on the establishment of GCCs. In particular, Parent Entities should assess the following points while choosing a state to establish the GCC Entity: (a) incentives linked to local employment generation/ number of on-roll employees; (b) timelines for obtaining statutory approvals; (c) transfer of ownership/ control restrictions (if any); and (d) incentives linked to size of the GCC Entity/ its operations.

Conclusion

Establishing a GCC in India presents a strategic opportunity for foreign investors to leverage India's talent pool, innovation ecosystem, and supportive policy environment. However, this requires a careful evaluation of multiple legal, regulatory, and operational factors.

Parent Entities must begin by selecting an appropriate GCC structure (DIY, BOT, or Hybrid). Each structure presents distinct implications for control, cost, and liability. Any such decision must be preceded by a careful examination of certain key legislations such as India's foreign exchange laws, labour and employment laws and data protection laws.

Parent Entities should also examine the applicable state-level GCC policies which should be factored into the strategic decision-making process, especially in relation to operational scale, workforce planning, and long-term ownership.

A holistic assessment of these factors will enable Parent Entities to make informed decisions, align with regulatory expectations, and unlock the full potential of India's GCC ecosystem.