

Smaller firms eye a larger slice in the ongoing auditor churn

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MUMBAI

In a David-versus-Goliath battle, India's smaller audit firms are sharpening their game. As more than 600 large companies prepare to change auditors over the next two years, these audit firms, with teams of just a few hundred, are investing in technology, building specialist teams and competing hard on fees to wrest bigger, more valuable clients away from the Big Six in the country's largest-ever audit rotation exercise underway.

Their trump card is a smaller but more consistent team, one that is not typically vulnerable to partner poaching, and where there is no cross-selling of other services alongside audit.

Deloitte Haskins & Sells, S.R.

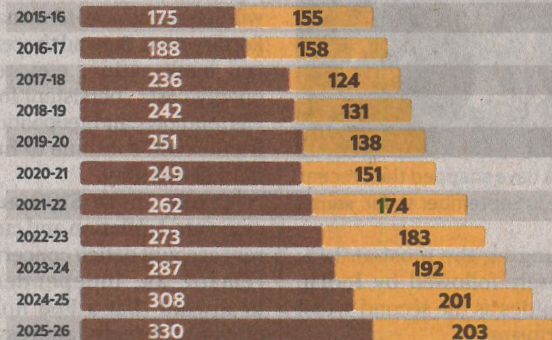
Batliboi & Co. (the audit network firm for EY Global), Price Waterhouse LLP, BSR & Co (the assurance firm of KPMG), MSKA & Associates LLP (a member firm of BDO International) and Walker Chandio & Co LLP (affiliate Grant Thornton) are popularly known as the Big Six, each with a team strength of 3,000-5,000.

According to research firm Prime Database, of the Nifty 500 companies, about 40.6% were audited by non-Big Six firms in the financial year 2026 (FY26), while 66% had their financials scrutinized by the Big Six—with some having multiple auditors. This split has swung back and forth over the last decade: in FY16, about 49.7% of companies were audited by smaller firms and 56.1% by the Big Six. However, the latest data covers 500 com-

Bookkeepers' books

More than 600 firms are set to change auditors by FY29, marking the largest rotation in India Inc's history.

Number of companies audited ■ By big 6 auditors ■ By non-big 6 auditors



Based on Nifty 500 companies. If a company has multiple auditors, credit by count has been provided to each auditor.

The total number of companies was 500 in FY25-26 and 312 during FY15-16

Source: primeinfobase.com

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panies, while the FY16 figure was based on just 312.

The Davids have their sling-

shots ready, as more than 600 firms are set to change auditors by FY29, marking the largest

phase of audit rotation in India Inc's history. The push for change in auditors comes from Companies Act of 2013, under which firms must change their external auditors every 10 years to prevent discrepancies.

Sumant Chadha, managing partner of T.R. Chadha & Co. LLP, called the results so far in this battle for mandates "encouraging".

"The second phase of audit rotation has been far more interesting and rewarding for mid-tier firms like ours, as we have been getting a larger cross-section of opportunities to compete with the Big Six," Chadha said in an email response to *Mint*.

Chadha's 80-year-old firm said it has upskilled on the technology front to compete with the larger players. "We have been upskilling both in

terms of improved standards of quality, achieving the highest AQMM (audit quality maturity model) level assessment by the ICAI (Institute of Chartered Accountants of India), as well as on the technology front. This enables us to offer the same service, albeit at a lower cost and in a more personalized manner." AQMM is a self-assessment framework created by industry body ICAI to help audit firms evaluate and improve their quality standards.

These upskilling efforts come at a time when the Big Six are also altering their team compositions to attract more clients. According to senior auditors at the Big Six, over 95% of their teams comprised chartered accountants just a decade ago. Today, those teams

TURN TO PAGE 15

Smaller firms eye larger slice in the ongoing auditor churn

FROM PAGE 18

include data scientists and analytics professionals who analyze large datasets and identify anomalies and risks; cybersecurity specialists; and IT auditors and enterprise resource planning experts who assess automated controls and broader technology risks.

Smaller teams could play to mid-tier audit firms' advantage.

"We notice that clients want consistent teams, and that is our strength. Although the Big 4 have thousands in their audit team and we have about 300, they go through partner poaching war within themselves, and we do not have that challenge," said S. Ravi, founder of Ravi Rajan & Co LLP.

So far, this 37-year-old audit firm has added 10-15 clients in the current phase of audit rotation, 5 of which are in BSE 100.

Every few years, the larger audit firms go through intense poaching wars, in which partners move from one firm to another, often taking their teams with them.

Smaller firms are worried about intense price wars, fearing they could be pushed out of the race if the larger firms decide to service clients for



Big Six are also altering their team compositions to attract more clients. ISTOCKPHOTO

reduced fees.

"This time, there are intense price wars, and in some cases, audit firms have quoted a 20% fee cut to win a client. However, companies should note that these price wars may impact the quality of work. Since the resources are often the same, a drop in fees could affect the audit services provided," Rajan said.

Early September, Vishal Divadkar, managing partner and head of audit and assurance for MSKA & Associates LLP, in an email response had spoken about the price wars.

"Cost pressures have been prevailing across most indus-

tries and with the advent of tech tools and AI, there is an expectation of efficiency and speed. For audit firms, this has meant going back to the drawing board and challenging the underlying audit processes, team composition and usage of technology to look for innovation," Divadkar had said.

Price wars may impact quality, audit firms cautioned.

"Though pricing for audit services is the prerogative of the firm, care must be taken that an aggressive reduction in fees to onboard clients does not come at the cost of compromising audit quality," said Sanjay Vasudeva, managing partner at SCV & Co. LLP.

While catching up with the top firms remains a challenge for mid-tier firms as they compete against larger brands with more resources to handle complex audits, India is seeing a shift.

"The number of listed clients moving to the next tier of audit firms in India is far higher than in the West, where the Big Four are extremely dominant. The gap between the Big Six and the rest may be large, but the growth opportunity is significant," said Pranav Haldea, managing director of Prime Database.