

## Four years after Modi push, no Indian firm in top league of auditors

Some prime slots are at best held by Indian arms of foreign firms with roots in Europe; govt itself favours the big four for mega advisory roles like disinvestment or asset monetisation

[Subhomoy Bhattacharjee](#) New Delhi Last Updated at April 14, 2021 15:48 IST

The only difference at the top of the Indian audit table is the clear slippage of Price WaterHouse from the top four, by all reckoning. Four years after Prime Minister [Narendra Modi](#) pitched for the emergence of Indian big four among the top eight in the [auditors](#) league, the field is, however, more concentrated at the top at the end of financial year FY21.

The on-off challenges the government had thrown at these firms, beginning with Satyam a decade ago and culminating with IL&FS in 2019, has not otherwise changed the league table appreciably. The fourth position is currently held by Walker Chandio and Co, an affiliate of [Grant Thornton](#) and the fifth by MZSK Associates, again part of the network of BDO India. Both [Grant Thornton](#) and BDO have roots abroad in London and Belgium.

Some of the reasons for the narrowing of the leadership could be the government itself. “For most mega advisory roles, like disinvestment or asset monetisation, the government does not seem to go beyond the big four,” said Gaurav Dani, partner at IndusLaw, a full-service legal firm based out of Delhi. The cue is picked up by smaller firms in the private sector.

At the top of the table at the end of financial year FY21 in the first three positions are EY, [KPMG](#) and Deloitte. Data from primeinfobase.com shows the level of concentration has rather increased at the top. EY now has a share of audit of over 23 per cent of the companies at the NSE calculated by their market cap at the end of FY21. [KPMG](#) is close behind at 22.78 per cent. The chart has somewhat flipped in a year and half ago when a similar exercise was done by the same Prime Database Group with NSE. [KPMG](#) was the leader with 23.5 per cent while EY, though second, came quite behind at 18.7 per cent. Their pre-eminence has been at the cost of whittling down the share of the other firms lower down the order. So while Haribhakti & Associates as well as GM Kapadia & Co have risen up the ranks to seventh and eighth position in the past eighteen months, DTS & Associates and Ray & Ray have slipped out of the top ten. Similarly Lodha & Co, Singhi Group, SS Kothari Mehta & Co have a large number of clients in the NSE universe, but all have recently lost out in terms of average market cap of companies they audit. The gainers are at the top of the table.

The flip between KPMG and EY could be because over most of 2019 there were [news](#) reports of the ministry of corporate affairs considering asking the National Company Law Tribunal for a five year ban on Deloitte and KPMG affiliate BSR & Co. The Satyam episode had already burned PriceWaterhouse, with Sebi handing out a two year ban on its audit practice. In the pandemic year, EY as relatively unscathed had shot into the lead.

Companies audited by these companies, had possibly switched [auditors](#) but only among the top ones.

Notice that both EY and KPMG audit almost the same number of firms, 148 and 149. The PwC group has more firms (62) under its belt than MZSK Associates (12) but the latter has obviously picked up the more prized ones. Some of it has possibly happened because MZSK Associates too has the linkage with BDO meeting the clients’ need for top of the class one shop support, like PwC could provide.

It is in fact the higher regulatory focus which has paradoxically pushed up the need for the global firms, said Kaushik Dutta, Director of Thought Arbitrage Research Institute, which examines corporate governance issues. “Boards today, like never before, rely on valuations, business reviews, strategy development, forensic audits done by global firms for enhancing their comfort,” he explained. Under the circumstances, to provide the needed comfort level on “complex tax, accounting and securities regime plus sophisticated internal and external oversight it is necessary to have [auditors](#) who can work seamlessly across the globe and bring perspectives and insights that investors and management accept”.

Though Modi had said, “People talk of the Big Four accounting firms. Sadly, there is no Indian firm there. By 2022, let us have a Big Eight, of which four firms are Indian”, the need for the same comfort seems to extend to the government too.

It is a tough call. Look at the league table of the top groups of audit firms who service more than three fourth of the 1793 actively traded companies at the National Stock Exchange. Almost every firm has either been affiliated with or continues to be with some of the global names. Haribhakti & Co for instance was with BDO before MZSK Associates stepped in.

Even law firms follow the established trend and pick up alliances accordingly.

Dani says what sets the top firms apart from the others is the capacity building. “As a result they can offer a host of other services, which makes them a one-stop shop for clients. For a credible alternative to develop, the new firms have to offer all of these. Building up those technologies will need money. It does not come cheap”. It is no surprise that both BDO and [Grant Thornton](#) have picked up from where the leaders have left and filled in the gap. Dutta says an international affiliation is a must to cut the dependence. “Unless Indian firms create critical mass, invest in technology and learning and forge meaningful global alliances they cannot hope to become a credible alternative to the global firms.”

**Table: Top-10 auditors by market cap and number of NSE-listed companies audited (FY21) as on April 12, 2021**

Rank	Auditor Name or Group	Average end-of-quarter mkt cap of companies audited (Rs cr) March 2021	% share	No. of companies audited*	Average end-of-quarter mkt cap of companies audited (Rs cr) December 2019	% share	No. of companies audited*
1	EY Group	39.68	23.07	148	27.60	18.70	143
2	KPMG Group	39.20	22.78	149	34.60	23.50	155
3	Deloitte Group	27.50	16.00	120	22.40	15.20	118
4	Walker Chandiosk & Co LLP	11.35	6.60	75	9.20	6.20	66
5	MZSK & Associates	7.37	4.29	12	7.00	4.70	13
6	Price Waterhouse Group	5.60	3.25	62	4.60	3.10	65
7	Haribhakti & Co LLP	2.50	1.46	11	3.20	2.20	17
8	G M Kapadia & Co	1.16	0.68	8	1.10	0.80	NA

**Notes:**

- While firms may have different financial years/accounting periods, for standardisation purposes an 'April-March' Financial year has been considered for all companies
- If a company has multiple auditors, average market cap credit has been provided to each auditor on a pro-rata basis
- \* If a company has multiple auditors, credit has been provided to each auditor
- Data for a company prior to its listing on NSE is not available
- Data for companies exclusively listed on BSE with market capitalisation more than Rs 1,000 crore is available April 1, 2019 onwards

*Source: primeinfobase.com*