

15th November, 2017

AUDITOR ROTATION IN FULL FORCE: PRIME DATABASE GROUP

Auditor rotation, as mandated by law (including addition/deletion of one or more auditors for companies with joint audits), **is being seen in as many as 984 NSE-listed companies from 2016-17 to 2017-18[#] (out of 1486 companies where auditor details are available for both 2016-17 and 2017-18), according to Pranav Haldea, Managing Director of PRIME Database** (Auditor changes *in Nifty companies* from 2016-17 to 2017-18 are given in Annexure 1).

This is in stark contrast to previous years (from 2015-16 to 2016-17, auditor changes were seen in just 206 companies; 2014-15 to 2015-16, 162 companies; 2013-14 to 2014-15, 159 companies; 2012-13 to 2013-14, 132 companies; 2011-12 to 2012-13, 131 companies; 2010-11 to 2011-12, 137 companies and 2009-10 to 2010-11, 132 companies).

Big 4 increase dominance with 29 per cent share by Volume in 2017-18: The Big 4, between them, shall handle a high 461 assignments of the total 1,583 companies for which auditor details are available for 2017-18, or 29 per cent of the total in 2017-18[#] (as against 26 per cent share in 2016-17). **Their dominance shall be even stronger in the Nifty-500 subset wherein they shall handle 274 of the 451 audits (for which auditor details are available for 2017-18) or 60 per cent of the total.**

The **top 10 audit firms shall account for audit of as many as 623 companies or 39 per cent of the total.** Leading the league table shall be the KPMG group with 135 companies, followed by EY Group (133), Deloitte Group (121) and Price Waterhouse Group (74).

On an overall basis, as many as **755 audit firms shall audit the 1,583 NSE-listed companies in 2017-18.** This implies that, on an average, **an audit firm shall audit 2.09 companies (up from 1.86 companies last year).**

Ranking by No. of Company Audits

Rank	Auditor Name or Group	No. of Companies to be Audited in 2017-18 [#]	No. of Companies Audited in 2016-17*
1	KPMG GROUP (B S R & ASSOCIATES LLP, B S R & CO LLP, B S R & COMPANY, B S R AND ASSOCIATES, B S R AND CO, B S R AND COMPANY)	135	84
2	EY GROUP (S R B C & CO LLP, S R BATLIBOI & ASSOCIATES LLP, S R BATLIBOI & CO LLP, S V GHATALIA & ASSOCIATES LLP)	133	117
3	DELOITTE GROUP (DELOITTE HASKINS & SELLS, DELOITTE HASKINS & SELLS LLP, A F FERGUSON & CO, C C CHOKSHI & CO, FRASER & ROSS, P C HANSOTIA & CO, S B BILLIMORIA & CO)	121	162
4	PRICE WATERHOUSE GROUP (PRICE WATERHOUSE, PRICE WATERHOUSE & CO, PRICE WATERHOUSE & CO CHARTERED ACCOUNTANTS LLP, PRICE WATERHOUSE & CO BANGALORE, PRICE WATERHOUSE, BANGALORE, DALAL & SHAH, LOVELOCK & LEWES)	74	73
5	WALKER CHANDIOK & CO LLP	59	48
6	SINGHI & CO	26	15
7	HARIBHAKTI & CO	22	33
8	S S KOTHARI MEHTA & COMPANY	21	22
9	LODHA & CO	15	31
10	KALYANIWALLA & MISTRY	12	10

10	CHATURVEDI & SHAH	12	14
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* If a company has multiple auditors, credit has been provided to each auditor
Based on AGM notifications/outcomes. Subject to change at end of the year

Forthcoming Expiry of Auditor Tenures: Going forward, in line with the regulations around auditor rotation which kicked in from 1st April 2017, **tenures of 145 auditors in 139 companies shall expire in 2018-19, 123 auditors in 121 companies in 2019-20, 132 auditors in 128 companies in 2020-21 and a huge 889 auditors in 868 companies in 2021-22.**

Big 4 dominated with 26 per cent share of Audit Fee and 31 per cent share of Overall Fee in 2016-17

Total Audit Fee

The **total audit fee paid out by companies was Rs. 1,937 crore** (data based on 1,516 companies for which Audit Fee/Total Fee data is available**). This was an increase of just 2 per cent from the Rs. 1,904 crore paid out in the previous financial year 2015-16. The **average Audit Fee was Rs. 1.27 crore, down from Rs. 1.31 crore in 2015-16.**

Ranking by Audit Fees

Deloitte Group continued to lead with a total audit fee of Rs. 220.98 crore. The top 10 auditors by fee along with the change from previous year is as follows:

Rank	Auditor Name or Group	Total Audit Fees (Rs.crore) 2016-17	Total Audit Fees (Rs.crore) 2015-16	Change per cent
1	DELOITTE GROUP (DELOITTE HASKINS & SELLS, DELOITTE HASKINS & SELLS LLP, A F FERGUSON & CO, C C CHOKSHI & CO, FRASER & ROSS, P C HANSOTIA & CO, S B BILLIMORIA & CO)	220.98	251.57	-30.60
2	EY GROUP (S R B C & CO LLP, S R BATLIBOI & ASSOCIATES LLP, S R BATLIBOI & CO LLP, S V GHATALIA & ASSOCIATES LLP)	120.56	98.83	21.73
3	KPMG GROUP (B S R & ASSOCIATES LLP, B S R & CO LLP, B S R & COMPANY, B S R AND ASSOCIATES, B S R AND CO, B S R AND COMPANY)	110.08	87.62	22.46
4	SINGHI & CO	62.20	54.29	7.91
5	PRICE WATERHOUSE GROUP (PRICE WATERHOUSE, PRICE WATERHOUSE & CO, PRICE WATERHOUSE & CO CHARTERED ACCOUNTANTS LLP, PRICE WATERHOUSE & CO BANGALORE, PRICE WATERHOUSE, BANGALORE, DALAL & SHAH, LOVELOCK & LEWES)	50.24	52.97	-2.72
6	WALKER CHANDIOK & CO LLP	41.45	30.18	11.27
7	G D APTE & CO	31.61	12.88	18.73
8	B RATTAN & ASSOCIATES	30.34	11.38	18.96
9	GROVER LALLA & MEHTA	30.34	11.38	18.96
10	CHATURVEDI & SHAH	29.02	36.86	-7.85

Total Overall Fee

The **total overall fee paid out by companies was Rs. 2,296 crore** (data based on 1,516 companies for which Total Fee data is available). This was an increase of 3 per cent from the Rs. 2,235 crore paid out in the previous financial year 2015-16. The **average total Fee was Rs. 1.51 crores.**

The Deloitte Group again led with Rs. 316.79 crore, followed by EY Group at Rs. 165.86 crore, KPMG Group at Rs. 146.89 crore and PWC at Rs. 80.70 crore.

Ranking by Overall Fees

Rank	Auditor Name or Group	Total Fees (Rs.crore) 2016-17	Total Fees (Rs.crore) 2015-16	Change
1	DELOITTE GROUP (DELOITTE HASKINS & SELLS, DELOITTE HASKINS & SELLS LLP, A F FERGUSON & CO, C C CHOKSHI & CO, FRASER & ROSS, P C HANSOTIA & CO, S B BILLIMORIA & CO)	316.79	342.68	-25.88
2	EY GROUP (S R B C & CO LLP, S R BATLIBOI & ASSOCIATES LLP, S R BATLIBOI & CO LLP, S V GHATALIA & ASSOCIATES LLP)	165.86	139.25	26.61
3	KPMG GROUP (B S R & ASSOCIATES LLP, B S R & CO LLP, B S R & COMPANY, B S R AND ASSOCIATES, B S R AND CO, B S R AND COMPANY)	146.89	121.95	24.95
4	PRICE WATERHOUSE GROUP (PRICE WATERHOUSE, PRICE WATERHOUSE & CO, PRICE WATERHOUSE & CO CHARTERED ACCOUNTANTS LLP, PRICE WATERHOUSE & CO BANGALORE, PRICE WATERHOUSE, BANGALORE, DALAL & SHAH, LOVELOCK & LEWES)	80.70	75.82	4.88
5	SINGHI & CO	64.13	56.38	7.75
6	WALKER CHANDIOK & CO LLP	52.28	39.70	12.57
7	CHATURVEDI & SHAH	37.45	44.17	-6.72
8	G D APTE & CO	32.05	13.93	18.12
9	B RATTAN & ASSOCIATES	30.34	11.38	18.96
10	GROVER LALLA & MEHTA	30.34	11.38	18.96

Audit Fee as percentage of Total Income

Audit Fee as a percentage of total income earned by all listed companies was just 0.02 per cent amongst 1,488 companies for which the audit fee and total income data was available in comparison to 0.03 per cent last year. The break-up by income of client company is as follows:

Income of the client Company (Rs. crore)	No. of Companies	No. of Auditors auditing such companies	Average Fees (Rs. lakhs)
LESS THAN 100	253	201	7
100-500	382	247	15
500-5000	637	294	49
>5000	216	151	673

According to Haldea, as can be seen the fee increases disproportionately in larger companies.

Ranking by Total Income of companies Audited

In terms of ranking of auditors on the basis of the total revenue of the client company, Deloitte Group again led having audited companies with revenues of Rs. 20.59 lakh crore.

Rank	Auditors 2016-17	Revenue (Rs.crore)***
1	DELOITTE GROUP (DELOITTE HASKINS & SELLS, DELOITTE HASKINS & SELLS LLP, A F FERGUSON & CO, C C CHOKSHI & CO, FRASER & ROSS, P C HANSOTIA & CO, S B BILLIMORIA & CO)	20,59,632
2	V SANKAR AIYAR & CO	7,07,316
3	EY GROUP (S R B C & CO LLP, S R BATLIBOI & ASSOCIATES LLP, S R BATLIBOI & CO LLP, S V GHATALIA & ASSOCIATES LLP)	6,46,810

4	KPMG GROUP (B S R & ASSOCIATES LLP, B S R & CO LLP, B S R & COMPANY, B S R AND ASSOCIATES, B S R AND CO, B S R AND COMPANY)	5,55,735
5	S K MEHTA & CO	4,78,501
6	A A J V AND ASSOCIATES	4,53,726
6	C K PRUSTY & ASSOCIATES	4,53,726
6	J GUPTA & CO	4,53,726
6	P K K G BALASUBRAMANIAM & ASSOCIATES	4,53,726
6	SHIROMANY TYAGI & CO	4,53,726
7	CHATURVEDI & SHAH	4,02,927
8	RAJENDRA & CO	3,39,623
9	PRICE WATERHOUSE GROUP (PRICE WATERHOUSE, PRICE WATERHOUSE & CO, PRICE WATERHOUSE & CO CHARTERED ACCOUNTANTS LLP, PRICE WATERHOUSE & CO BANGALORE, PRICE WATERHOUSE, BANGALORE, DALAL & SHAH, LOVELOCK & LEWES)	3,21,647
10	HARIBHAKTI & CO	2,98,433

*** If a company has multiple auditors, revenue of the company has been provided for each auditor

Companies paying maximum Audit Fee By Total Fees

Rank	Company	Total Fees (Rs.lacs)
1	STATE BANK OF INDIA	31,182.34
2	BANK OF INDIA	9,101.64
3	PUNJAB NATIONAL BANK	7,112.00
4	CANARA BANK	6,310.12
5	BANK OF BARODA	6,107.44
6	HINDALCO INDUSTRIES LTD.	5,901.00
7	UNION BANK OF INDIA	4,167.36
8	UCO BANK	3,556.00
9	RELIANCE INDUSTRIES LTD.	3,500.01
10	INDIAN OVERSEAS BANK	3,376.15

**Where fees paid for audit was not given separately (either in standalone or consolidated accounts), the total fees paid to Auditors has been considered.

Note: The analysis is based on Auditors in all 1,592 NSE listed companies for the financial year 2016-17.

Annexure 1

Auditor Changes in Nifty companies from 2016-17 to 2017-18

Company	Auditors 2016-17	Auditors 2017-18
ADANI PORTS & SPECIAL ECONOMIC ZONE LTD.	S R B C & CO LLP	DELOITTE HASKINS & SELLS LLP
AMBUJA CEMENTS LTD.	DELOITTE HASKINS & SELLS LLP, S R B C & CO LLP	DELOITTE HASKINS & SELLS LLP
ASIAN PAINTS LTD.	B S R & CO LLP, DELOITTE HASKINS & SELLS LLP	DELOITTE HASKINS & SELLS LLP
AUROBINDO PHARMA LTD.	S R BATLIBOI & ASSOCIATES LLP	B S R & ASSOCIATES LLP
BAJAJ AUTO LTD.	DALAL & SHAH	S R B C & CO LLP
BAJAJ FINANCE LTD.	DALAL & SHAH	S R B C & CO LLP
BHARTI AIRTEL LTD.	S R BATLIBOI & ASSOCIATES LLP	DELOITTE HASKINS & SELLS LLP
BHARTI INFRATEL LTD.	S R BATLIBOI & ASSOCIATES LLP	DELOITTE HASKINS & SELLS LLP
BOSCH LTD.	PRICE WATERHOUSE & CO BANGALORE	DELOITTE HASKINS & SELLS LLP
EICHER MOTORS LTD.	DELOITTE HASKINS & SELLS	S R BATLIBOI & CO LLP
GAIL (INDIA) LTD.	G S MATHUR & CO, O P BAGLA & CO	A S A & ASSOCIATES LLP, G S MATHUR & CO, O P BAGLA & CO
HERO MOTOCORP LTD.	DELOITTE HASKINS & SELLS	B S R & CO LLP
HINDALCO INDUSTRIES LTD.	SINGHI & CO	PRICE WATERHOUSE & CO CHARTERED ACCOUNTANTS LLP

HINDUSTAN PETROLEUM CORP.LTD.	A RAMACHANDRA RAO & CO,C V K & ASSOCIATES,G M KAPADIA & CO	A RAMACHANDRA RAO & CO,G M KAPADIA & CO,M P CHITALE & CO
HOUSING DEVELOPMENT FINANCE CORP.LTD.	DELOITTE HASKINS & SELLS LLP,PKF	B S R & CO LLP
INDIABULLS HOUSING FINANCE LTD.	DELOITTE HASKINS & SELLS LLP	S R BATLIBOI & CO LLP
INFOSYS LTD.	B S R & CO LLP	DELOITTE HASKINS & SELLS LLP
LARSEN & TOUBRO LTD.	DELOITTE HASKINS & SELLS LLP,SHARP & TANNAN	DELOITTE HASKINS & SELLS LLP
MAHINDRA & MAHINDRA LTD.	DELOITTE HASKINS & SELLS	B S R & CO LLP
NTPC LTD.	B M CHATRATH & CO LLP,KALANI & CO,P A & ASSOCIATES,P S D & ASSOCIATES,S K KAPOOR & CO,SAGAR & ASSOCIATES,T R CHADHA & CO	B M CHATRATH & CO,KALANI & CO,P A & ASSOCIATES,P S D & ASSOCIATES,S K KAPOOR & CO,SAGAR & ASSOCIATES,T R CHADHA & CO
RELIANCE INDUSTRIES LTD.	CHATURVEDI & SHAH,DELOITTE HASKINS & SELLS LLP,RAJENDRA & CO	D.T.S & ASSOCIATES,S R B C & CO LLP
SUN PHARMACEUTICAL INDUSTRIES LTD.	DELOITTE HASKINS & SELLS LLP	S R B C & CO LLP
TATA CONSULTANCY SERVICES LTD.	DELOITTE HASKINS & SELLS LLP	B S R & CO LLP
TATA MOTORS LTD.	DELOITTE HASKINS & SELLS LLP	B S R & CO LLP
TATA STEEL LTD.	DELOITTE HASKINS & SELLS LLP	PRICE WATERHOUSE & CO CHARTERED ACCOUNTANTS LLP
TECH MAHINDRA LTD.	DELOITTE HASKINS & SELLS LLP	B S R & CO LLP
UPL LTD.	S R B C & CO LLP	B S R & CO LLP
WIPRO LTD.	B S R & CO LLP	DELOITTE HASKINS & SELLS LLP
ZEE ENTERTAINMENT ENTERPRISES LTD.	M G B & CO LLP	DELOITTE HASKINS & SELLS LLP