

Discount Rate for Actuarial Valuations

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Chitra Jayasimha
Consulting Actuary, FIAI, FIA (UK)
Universal Actuaries & Benefit Consultants
t + 91 22 25185725 | m +91 9987769877
Chitra.jayasimha@uabc.co.in
www.uabc.co.in

Discount Rate Movements as at March 2021

The 10-year zero coupon Government Bond yields is 6.44% as at March 2021, has decreased by 38 bps since March 2020 and increased by 46 bps since December 2020. On an overall basis the yields have decreased by 21 bps from March 2020 to March 2021. The yields have decreased for lower tenures from March 2020 to March 2021 while is almost the same for higher tenures.

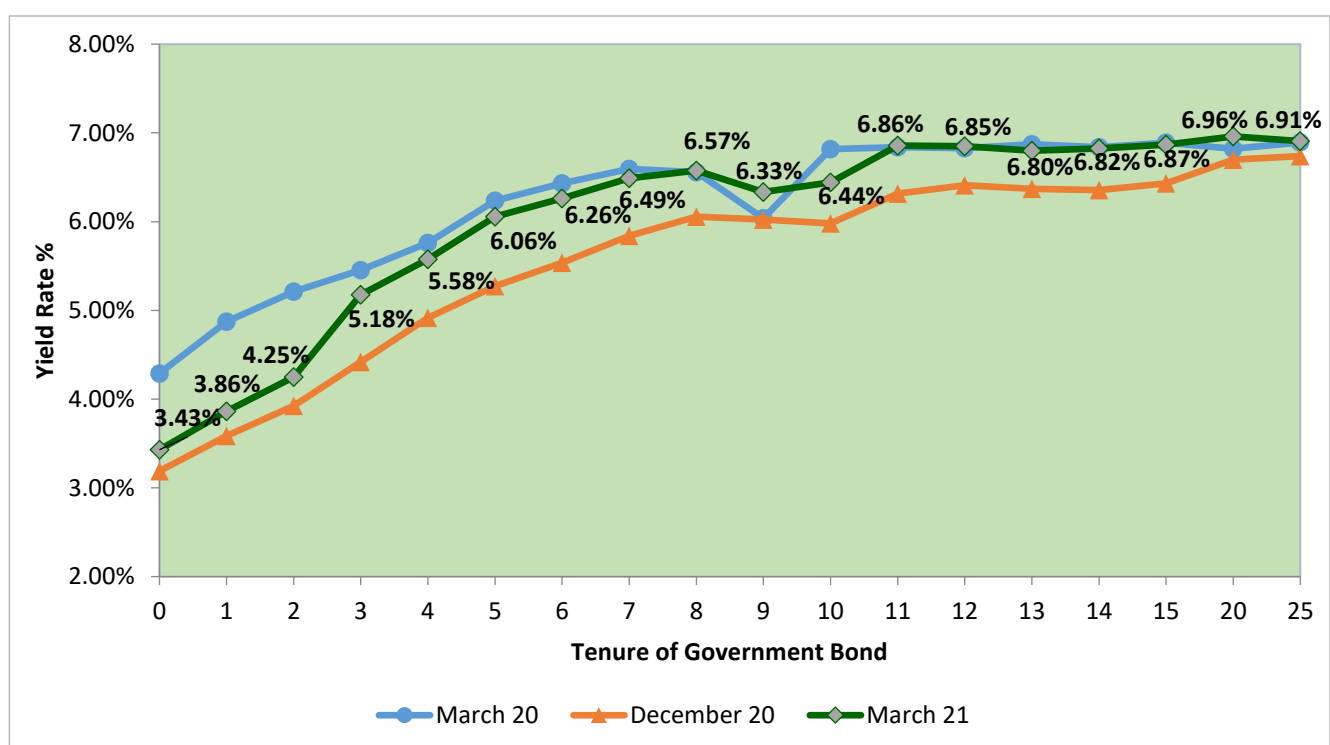
As per Para 83 of the IND AS 19 and Para 78 of the AS 15 R, the rate used to discount post-employment and other long term benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on Government bonds. The currency and term of the government bonds shall be consistent with the currency and estimated term of the benefit obligations.

The discount rates used in this report has been developed by Financial Benchmarks India Private Limited (FBIL), based on the Government of India bonds traded on the National Stock Exchange (NSE). These curves are widely used in India for various analyses.

Source:- www.fimmda.org

Increase or fall in the Bond Yields has a direct impact on the balance sheet of the organizations. Increase in the Yields reduces the Liability and decrease in the Yield increases the Liability.

Period (Years)	March 2020	December 2020	March 2021
0	4.29%	3.19%	3.43%
1	4.87%	3.59%	3.86%
2	5.21%	3.93%	4.25%
3	5.45%	4.42%	5.18%
4	5.76%	4.91%	5.58%
5	6.24%	5.27%	6.06%
6	6.43%	5.54%	6.26%
7	6.59%	5.84%	6.49%
8	6.56%	6.06%	6.57%
9	6.04%	6.02%	6.33%
10	6.82%	5.98%	6.44%
11	6.84%	6.32%	6.86%
12	6.83%	6.41%	6.85%
13	6.87%	6.37%	6.80%
14	6.84%	6.36%	6.82%
15	6.89%	6.43%	6.87%
20	6.82%	6.70%	6.96%
25	6.89%	6.74%	6.91%



Impact of fall in Government Bond Yields

- The 10-year zero coupon Government Bond yields is 6.44% as at March 2021, has increased by 46 bps since December 2020 and decreased by 38 bps since March 2020.
- On an overall basis the yields have decreased by 21 bps from March 2020 to March 2021, thus decreasing the Post employment and other long term benefit obligations.
- While the total Employee benefit obligation depends on many factors, the impact of decrease by 21 bps in the discount rate is increase in liability by broadly anywhere between 1.40% to 12.30% depending on the demography of the company all other things being equal.

Cause for fall in the Yield

- 1) **Rate Cut** - The Reserve Bank of India (RBI) in the last two monetary policy meetings have kept the rates unchanged.
- 2) **US Bond Yields** - The US government bond yield has increased by 0.21% for a 10-year maturity indicating global sentiments of recovery.
- 3) **Corona Virus** - The other reason for the fall in bond yield impact of lockdown in many countries causing economic slowdown and government actions to counter the slowdown.

Snapshot of Government Bond yield of various tenures as at end of March 2021 from FIMMDA

Maturity (Yrs)	31-Mar-20	31-Mar-21	Maturity (Yrs)	31-Mar-20	31-Mar-21
0.0	4.29	3.43	20.5	6.83	6.96
0.5	4.52	3.61	21.0	6.83	6.96
1.0	4.87	3.86	21.5	6.84	6.95
1.5	5.10	4.04	22.0	6.85	6.95
2.0	5.21	4.25	22.5	6.86	6.94
2.5	5.30	4.64	23.0	6.87	6.93
3.0	5.45	5.18	23.5	6.88	6.93
3.5	5.59	5.45	24.0	6.88	6.92
4.0	5.76	5.58	24.5	6.89	6.91
4.5	6.01	5.75	25.0	6.89	6.91
5.0	6.24	6.06	25.5	6.89	6.90
5.5	6.37	6.21	26.0	6.89	6.90
6.0	6.43	6.26	26.5	6.89	6.90
6.5	6.50	6.37	27.0	6.88	6.89
7.0	6.59	6.49	27.5	6.87	6.89
7.5	6.67	6.57	28.0	6.86	6.90
8.0	6.56	6.57	28.5	6.85	6.90
8.5	6.25	6.49	29.0	6.83	6.90
9.0	6.04	6.33	29.5	6.82	6.91
9.5	6.24	6.26	30.0	6.81	6.91
10.0	6.82	6.44	30.5	6.80	6.92
10.5	6.98	6.72	31.0	6.79	6.93
11.0	6.84	6.86	31.5	6.78	6.94
11.5	6.73	6.88	32.0	6.77	6.95
12.0	6.83	6.85	32.5	6.77	6.95
12.5	6.92	6.82	33.0	6.77	6.96
13.0	6.87	6.80	33.5	6.77	6.96
13.5	6.82	6.80	34.0	6.77	6.97
14.0	6.84	6.82	34.5	6.78	6.97
14.5	6.88	6.85	35.0	6.78	6.97
15.0	6.89	6.87	35.5	6.79	6.96
15.5	6.88	6.88	36.0	6.80	6.96
16.0	6.86	6.90	36.5	6.80	6.95
16.5	6.85	6.92	37.0	6.81	6.94
17.0	6.84	6.93	37.5	6.82	6.92
17.5	6.83	6.94	38.0	6.83	6.90
18.0	6.82	6.95	38.5	6.84	6.87
18.5	6.82	6.95	39.0	6.85	6.84
19.0	6.82	6.96	39.5	6.85	6.80
19.5	6.82	6.96	40.0	6.86	6.77
20.0	6.82	6.96			