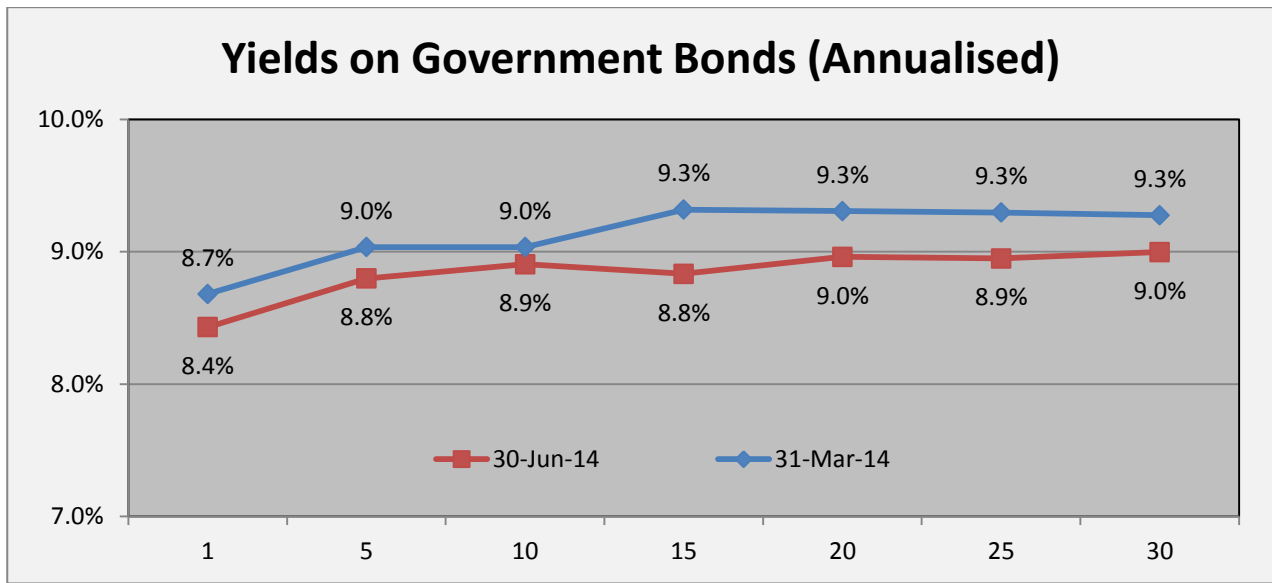


Discount Rate for Actuarial Valuations as at 30 June 2014

Para 78 of Accounting Standard (AS) 15: Employee Benefits, which deals with discount rate to be used in actuarial valuations of employee benefit schemes, requires:

“The rate used to discount post-employment benefit obligations (both funded and unfunded) should be determined by reference to market yields at the balance sheet date on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.”

Please find below a **comparison of yields on government bonds as on 31 March 2014 and 30 June 2014**:






* Please note that the yields provided in chart above are interpolated yields in cases where a bond of exact term to maturity is not available. Please note that the government bond yields are quoted on semi-annual basis and yields in above chart have been annualised.

As can be seen from the above chart, the market yields (and hence discount rates) have decreased by c 30 bps compared to the previous quarter. Thus, assuming all other assumptions are held constant, one would **expect some actuarial loss** in this quarter’s valuation. However, the Companies may **consider a consistent decrease in salary growth rate (subject to the existing level of salary increase assumption being appropriate)**.

Such a move can help offset the one off movements in liability. In fact, consistency between actuarial assumptions has also been highlighted in **Para 76 of AS15**, which states:

“Actuarial assumptions are mutually compatible if they reflect the economic relationships between factors such as inflation, rates of salary increase, the return on plan assets and discount rates. For example, all assumptions which depend on a particular inflation level (such as assumptions about interest rates and salary and benefit increases) in any given future period assume the same inflation level in that period.”

For any further information, please contact:

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