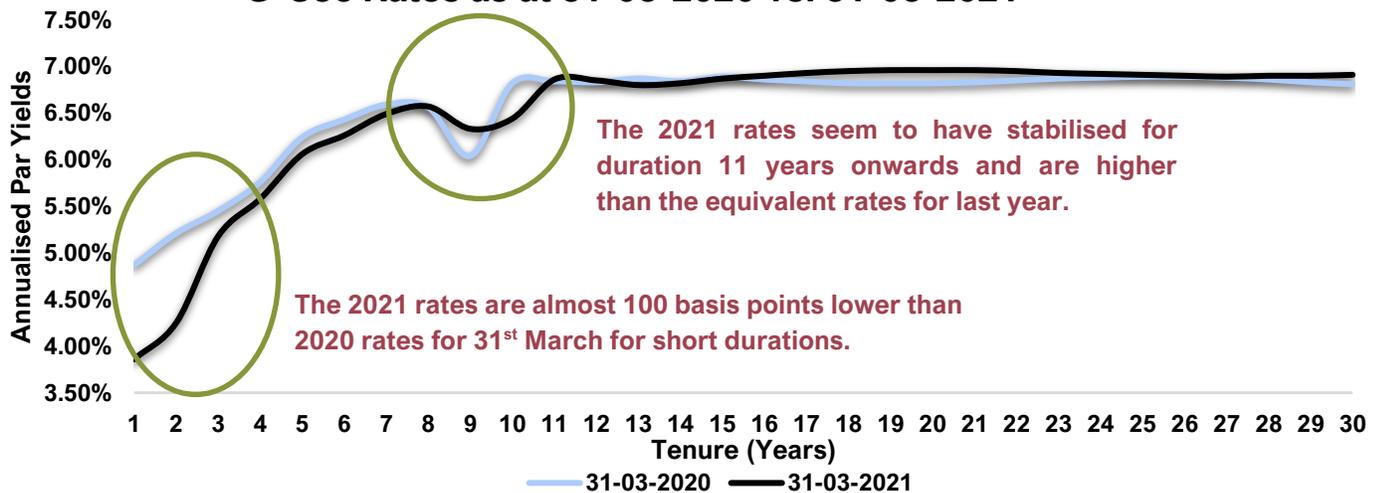


# KAP 's Interest Rate Updates for Employee Benefits as on 31 March 2021

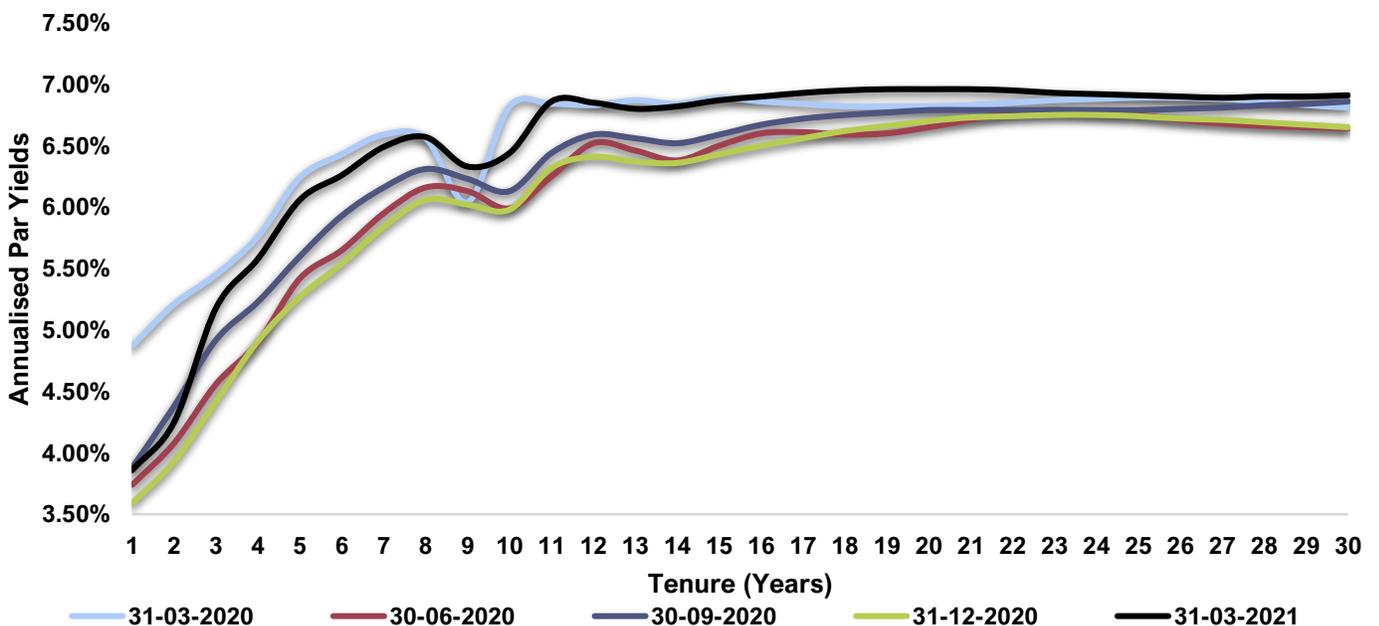
## Introduction:

The past year has seen volatile Annualised Par Yields on Government Securities (G-Sec)/Discount Rates due to the pandemic lockdown and now rates seem to have stabilised a little nearer to one year ago.

### G-Sec Rates as at 31-03-2020 vs. 31-03-2021



### Annualised Par Yields on G-Sec



Source: [www.fimmda.org](http://www.fimmda.org) with prices/yields published by FBIL

## G-Sec Rates movements for the Financial year 2020-2021:

Tenure	Yield 31-03-2021	Yield 31-12-2020	Yield 30-09-2020	Yield 30-06-2020	Yield 31-03-2020
1	3.86%	3.59%	3.88%	3.74%	4.87%
2	4.25%	3.93%	4.38%	4.08%	5.21%
3	5.18%	4.42%	4.92%	4.56%	5.45%
4	5.58%	4.91%	5.23%	4.90%	5.76%
5	6.06%	5.27%	5.60%	5.42%	6.24%
6	6.26%	5.54%	5.93%	5.65%	6.43%
7	6.49%	5.84%	6.16%	5.95%	6.59%
8	6.57%	6.06%	6.31%	6.16%	6.56%
9	6.33%	6.02%	6.23%	6.13%	6.04%
10	6.44%	5.98%	6.13%	5.99%	6.82%
11	6.86%	6.32%	6.44%	6.25%	6.84%
12	6.85%	6.41%	6.59%	6.52%	6.83%
13	6.80%	6.37%	6.56%	6.46%	6.87%
14	6.82%	6.36%	6.52%	6.38%	6.84%
15	6.87%	6.43%	6.59%	6.50%	6.89%
16	6.90%	6.50%	6.67%	6.60%	6.86%
17	6.93%	6.56%	6.72%	6.61%	6.84%
18	6.95%	6.62%	6.75%	6.59%	6.82%
19	6.96%	6.66%	6.77%	6.60%	6.82%
20	6.96%	6.70%	6.79%	6.65%	6.82%
21	6.96%	6.73%	6.79%	6.71%	6.83%
22	6.95%	6.74%	6.79%	6.77%	6.85%
23	6.93%	6.75%	6.79%	6.79%	6.87%
24	6.92%	6.75%	6.79%	6.77%	6.88%
25	6.91%	6.74%	6.79%	6.75%	6.89%
26	6.90%	6.72%	6.80%	6.71%	6.89%
27	6.89%	6.71%	6.81%	6.68%	6.88%
28	6.90%	6.69%	6.83%	6.66%	6.86%
29	6.90%	6.67%	6.84%	6.65%	6.83%
30	6.91%	6.65%	6.86%	6.64%	6.81%

## Comments & Insights:



The G-sec rates have increased significantly due to the start of economic activity and return of normalcy due to unlocking compared to previous three quarters.



Rates as on 31-03-2021 for shorter tenures are still lower when compared to 31-03-2020 Rates. However, there has been an improvement for when compared to rates as on 31-12-2020.



Rates for longer tenures seem less volatile and have shown steady increase since Unlock 3.0 on account of the kick-starting of various economic activities.



For shorter tenures, decreasing G-sec rates when compared to 31-03-2020, would lead to an Actuarial Loss due to change in Financial Assumptions, if all other Assumptions remain the same as last year.

## Some Important Links:

Indian Accounting Standard 19 - <https://indasaccess.icaai.org/download/2019/asb0719/272/272asb-cias-2019-20-vol2-24.pdf>

Accounting Standard 15 (R) - [https://www.mca.gov.in/Ministry/notification/pdf/AS\\_15.pdf](https://www.mca.gov.in/Ministry/notification/pdf/AS_15.pdf)

Guidance issued by AASB amid Covid-19 - <http://www.ka-pandit.com/assets/newsletter/A-Synopsis-of-the-Guidance-Issued-by-Auditing-and-Assurance-Standards-Board-amid-Covid-19.pdf>

### Interest Rate Updates: -

December 2020 - <https://www.ka-pandit.com/assets/newsletter/Interest-Rates-Updates-December-2020.pdf>

September 2020 - [https://www.ka-pandit.com/assets/newsletter/Interest\\_Rates\\_Updates\\_September\\_2020.pdf](https://www.ka-pandit.com/assets/newsletter/Interest_Rates_Updates_September_2020.pdf)

June 2020 - <http://www.ka-pandit.com/assets/newsletter/Interest-Rates-Updates-June-2020.pdf>

March 2020 - [http://www.ka-pandit.com/assets/newsletter/KAP\\_Update\\_Volatility\\_in\\_the\\_Interest\\_Rate-March\\_2020.pdf](http://www.ka-pandit.com/assets/newsletter/KAP_Update_Volatility_in_the_Interest_Rate-March_2020.pdf)

If you have any queries about this article or would like to discuss about any employee benefits related matter, such as actuarial valuations and related advice for Pension Scheme, Gratuity and Leave schemes, please get in touch with us at:

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