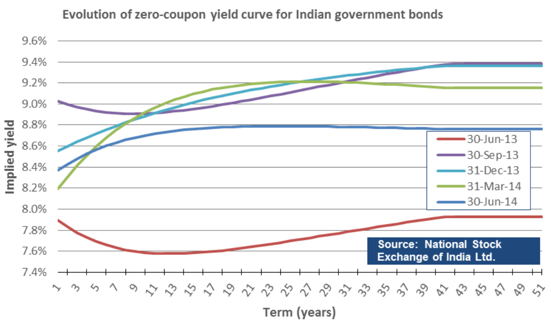
The evolution of the discount rate for measuring employee benefit obligations under AS15(R), 30 June 2014

July 2014

This is our quarterly update on the evolution of the discount rate for measuring employee benefit obligations under AS15(R). We consider the change in discount rates between 31 March 2014 and 30 June 2014 and the possible impact of this change on the value of your obligations.

As a recap, the discount rate for AS15(R) purposes is set with reference to the yield on Indian government bonds. We use this rate to calculate the current cost of providing the benefits we expect you to pay in the future. The particular rate taken is assessed based on the yield curve at the date of your valuation and the average duration of your liabilities. The chart below indicates how the yield curve has changed during over the year ended 30 June 2014.



As evident from the chart, implied yields have (at most terms) fallen since 31 March 2014.

The impact of this fall will depend on the weighted average expected future working lifetime (WAEFWL) of your employees. (The WAEFWL represents the expected term of employment of the participants of your benefit plan, taking into account the assumptions made for resignation, retirement, disability, and mortality). It will also depend on the rounding methodology you employ in setting the discount rate. But from a directional perspective, and all else being equal, a lower yield will lead to a higher estimated liability.

For instance, if your practice is to take a discount rate rounded to the nearest 0.1%:

- For a WAEFWL of five years, the implied discount rate has fallen approximately 0.3% since 31 March 2014, and in isolation this may suggest a rise in defined benefit obligation of approximately 1%.
- For a WAEFWL of 10 years, the implied discount rate has fallen approximately 0.4% since 31 March 2014, and in isolation this may suggest a rise in defined benefit obligation of approximately 4%.
- For a WAEFWL of 15 years, the implied discount rate has fallen approximately 0.4% since 31 March 2014, and in isolation this may suggest a rise in defined benefit obligation of approximately 6%.

CONTACT

We would be happy to talk with you in greater detail about the discount rate applicable to your plan, or indeed any other employee benefit issue.

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