Zero Coupon Yield Curve Update

Comparison as at 30 March 2026, 30 June 2026 vs 30 September 2026 | Source: CCIL | Actuaria LLP

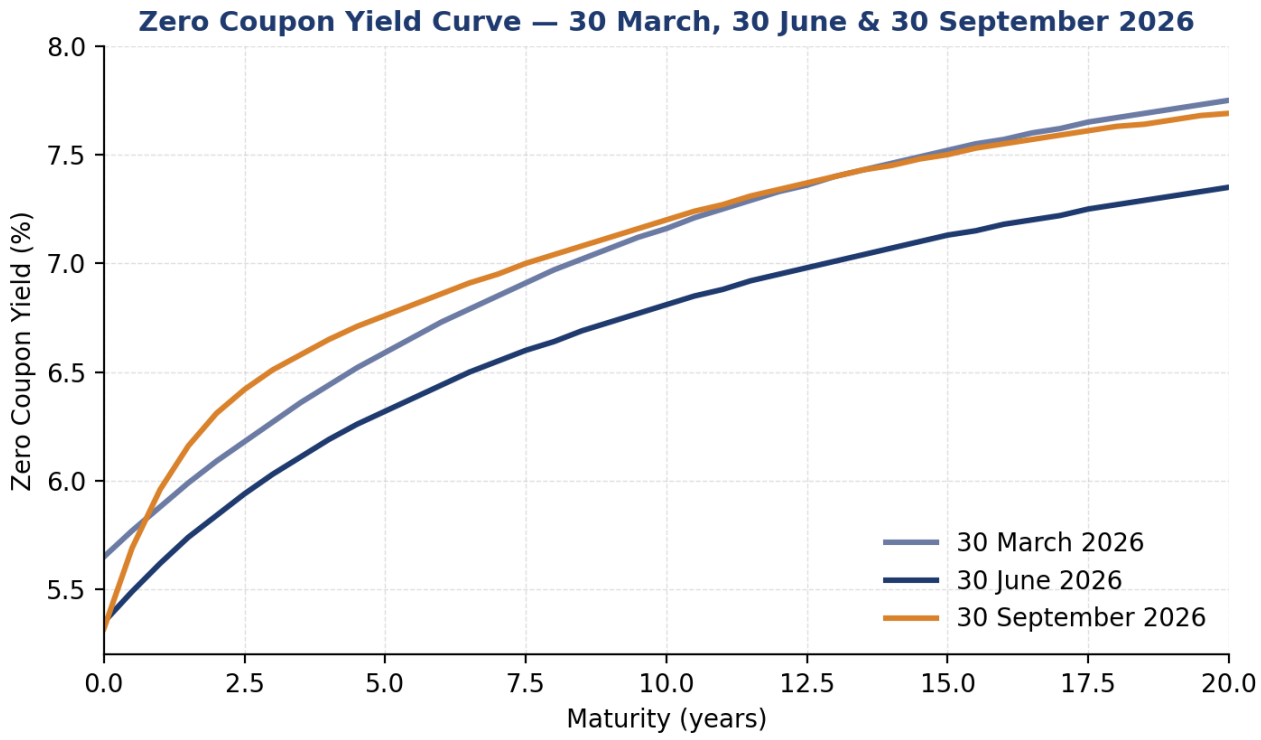
Summary of Change

Between 30 June 2026 and 30 September 2026, the INR sovereign zero-coupon yield curve shifted **up** across all tenors from 0.5 years onwards, reversing most of the decline seen in the previous quarter. The increase was largest around the 2–3 year point (about 47–48 bps) and moderated to roughly 34–35 bps at the 18–20 year segment; the 0-year point was broadly unchanged (-3 bps). The 1-year to 20-year spread was unchanged at 1.73% (June 2026: 1.73%; March 2026: 1.87%), i.e. a broadly parallel move across the 1–20 year range, with the 5–10 year and 10–20 year segments flattening by about 5 bps each.

Over the two quarters since 30 March 2026, the net movement is modest and uneven: the 1.5–12 year tenors are now **higher** than in March (by up to 24 bps at 2.5–3 years), while tenors beyond about 14 years remain slightly **lower** (the 20-year rate is 7.69% against 7.75% in March, –6 bps). For AS 15 / Ind AS 19 valuations, discount rates at 30 September 2026 are higher than at 30 June 2026 at every tenor from 0.5 years, so, all else equal, the present value of employee benefit obligations (gratuity, leave encashment and similar plans) will be **lower** than at the June 2026 valuation, and also modestly lower than at March 2026 for typical durations of 2–12 years.

Broad Overview

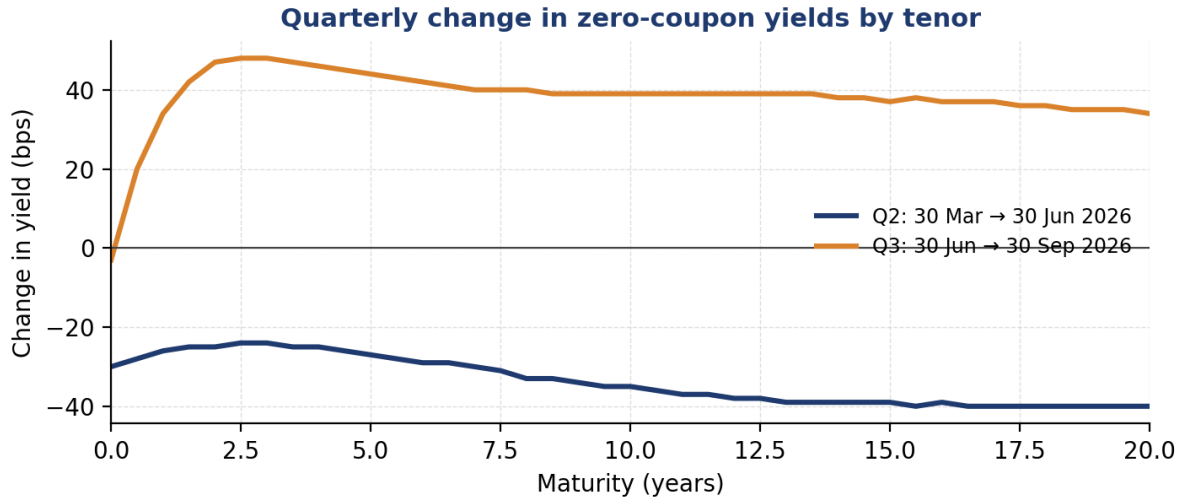
The zero-coupon yield curve (ZCYC), published periodically by the Clearing Corporation of India Ltd. (CCIL), represents the term structure of discount rates implied by INR government securities and is the standard reference used for discounting future cash flows in actuarial valuations of employee benefit plans in India. The chart below compares the curve at the three quarter-end dates for tenors up to 20 years, the range most relevant to typical employee benefit liability durations; the full table of rates follows on page 3, and a perspective on the government zero-coupon curve is on page 2.



Perspective on Government Zero-Coupon Yields

The ZCYC strips the coupon effect out of government bond yields, giving a spot discount rate for each maturity. Because it is built from sovereign securities, it reflects the risk-free INR rate plus the market's term premium rather than any corporate credit spread, which is why it is the reference for discount rates under AS 15 / Ind AS 19. The key observations from the 30 September 2026 curve are:

- **Level and shape.** The curve remains upward sloping, from 5.32% at 0 years to 7.20% at 10 years, 7.69% at 20 years and 8.05% at 50 years. Most of the slope sits in the first 10 years (+1.88% from 0 to 10 years, against +0.49% from 10 to 20 years and +0.36% from 20 to 50 years), so the curve is steep at the front and very flat beyond 25 years.
- **Q3 reversed Q2.** The average move across tenors from 0.5 to 20 years was about -34 bps in Q2 (March to June) and about +39 bps in Q3 (June to September). The 20-year yield, which fell 40 bps in Q2, rose 34 bps in Q3.
- **The shift was not uniform.** Q3 increases were greatest at 2–3 years (+47 to +48 bps) and smallest at the very short and very long ends, whereas the Q2 decline was greatest at long tenors. The front end also steepened: the 0-to-1 year spread widened from 27 bps in June to 64 bps in September, as the 1-year rate rose 34 bps while the 0-year rate was little changed.
- **Versus March 2026.** Net of both quarters, short-to-medium tenors (1.5 to 12 years) are 1 to 24 bps higher, while tenors beyond 14 years are 1 to 6 bps lower. The curve is therefore slightly flatter than in March: the 1-to-20 year spread is 1.73% against 1.87%.
- **Possible drivers.** Movements of this kind typically reflect a combination of shifts in expectations for policy rates and inflation, government borrowing and bond supply, liquidity conditions and investor demand at different maturities. This note describes the observed curve and does not attribute the Q3 move to any specific event.



Implications for AS 15 / Ind AS 19 valuations

Ind AS 19 requires the discount rate to be determined by reference to market yields on government bonds at the end of the reporting period, with currency and term consistent with the obligations. Using the ZCYC rate at the tenor that matches the liability (or discounting each cash flow at its own spot rate) therefore captures the movements above directly. Rates at the 5 to 10 year tenors, a common range for benefit plan durations, rose by 39 to 44 bps in Q3. As a first-order guide, the approximate change in present value is –(duration × change in yield):

Liability duration	Reference tenor	Chg vs Jun (bps)	Approx. PV impact vs Jun	Chg vs Mar (bps)	Approx. PV impact vs Mar
5 years	5 years	+44	-2.2%	+17	-0.8%
8 years	8 years	+40	-3.2%	+7	-0.6%
10 years	10 years	+39	-3.9%	+4	-0.4%

Illustrative first-order estimates only (modified duration × change in the zero-coupon rate at the stated tenor); actual impact depends on the plan's cash flow profile, convexity and other assumptions. Negative PV impact indicates a lower obligation.

Zero Coupon Yield Rates (%) – Maturities up to 20 Years

Mat (yrs)	30-Mar-26	30-Jun-26	30-Sep-26	Chg Mar–Jun (bps)	Chg Jun–Sep (bps)	Mat (yrs)	30-Mar-26	30-Jun-26	30-Sep-26	Chg Mar–Jun (bps)	Chg Jun–Sep (bps)
0	5.65	5.35	5.32	-30	-3	10.5	7.21	6.85	7.24	-36	+39
0.5	5.77	5.49	5.69	-28	+20	11	7.25	6.88	7.27	-37	+39
1	5.88	5.62	5.96	-26	+34	11.5	7.29	6.92	7.31	-37	+39
1.5	5.99	5.74	6.16	-25	+42	12	7.33	6.95	7.34	-38	+39
2	6.09	5.84	6.31	-25	+47	12.5	7.36	6.98	7.37	-38	+39
2.5	6.18	5.94	6.42	-24	+48	13	7.40	7.01	7.40	-39	+39
3	6.27	6.03	6.51	-24	+48	13.5	7.43	7.04	7.43	-39	+39
3.5	6.36	6.11	6.58	-25	+47	14	7.46	7.07	7.45	-39	+38
4	6.44	6.19	6.65	-25	+46	14.5	7.49	7.10	7.48	-39	+38
4.5	6.52	6.26	6.71	-26	+45	15	7.52	7.13	7.50	-39	+37
5	6.59	6.32	6.76	-27	+44	15.5	7.55	7.15	7.53	-40	+38
5.5	6.66	6.38	6.81	-28	+43	16	7.57	7.18	7.55	-39	+37
6	6.73	6.44	6.86	-29	+42	16.5	7.60	7.20	7.57	-40	+37
6.5	6.79	6.50	6.91	-29	+41	17	7.62	7.22	7.59	-40	+37
7	6.85	6.55	6.95	-30	+40	17.5	7.65	7.25	7.61	-40	+36
7.5	6.91	6.60	7.00	-31	+40	18	7.67	7.27	7.63	-40	+36
8	6.97	6.64	7.04	-33	+40	18.5	7.69	7.29	7.64	-40	+35
8.5	7.02	6.69	7.08	-33	+39	19	7.71	7.31	7.66	-40	+35
9	7.07	6.73	7.12	-34	+39	19.5	7.73	7.33	7.68	-40	+35
9.5	7.12	6.77	7.16	-35	+39	20	7.75	7.35	7.69	-40	+34
10	7.16	6.81	7.20	-35	+39						

Extended Tenors – 30 September 2026 (Maturities beyond 20 Years)

For plans with very long-dated cash flows, the extended segment of the 30 September 2026 curve is shown below. The curve is almost flat beyond 25 years, rising only about 24 bps between 25 and 50 years. March and June 2026 comparatives for these tenors are not included in this note.

Mat (yrs)	20	25	30	35	40	45	50
30-Sep-26 (%)	7.69	7.81	7.89	7.95	7.99	8.02	8.05
Spread over 20 yrs (bps)	–	12	20	26	30	33	36

Source: CCIL zero-coupon yield curve, rates as at 30 March 2026, 30 June 2026 and 30 September 2026. Chg (bps) = change in yield between the dates shown, in basis points (positive = increase, negative = decline). Prepared by Actuaria LLP for illustrative and reference purposes; refer to the full CCIL publication for intermediate dates.

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