The International Accounting Standards Board,
1st Floor, 30 Cannon Street,
London EC4M 6XH, United Kingdom.

Dear Sirs,

Sub: Additional Comments on the Exposure Draft (ED/2011/6)
Revenue from Contracts with Customers

Further to our response dated March 13, 2012, we would like to provide additional comments which are enclosed vide Annexure A.

Thanking you,

Yours faithfully,

for LARSEN & TOUBRO LIMITED

Vaishali P. Koparkar
Joint General Manager
Corporate Accounts

March 15, 2012
Annexure A

Other Comments: Real estate contracts:

As per Example 7 on real estate contracts, only when the customer is obliged to compensate the entity for its performance to date, it can be concluded that entity has right to payment for performance completed to date in accordance with para 35(b)(iii).

Generally in practice, the entity is required to refund back the significant amount of consideration in case of termination of the contract by the customer for reason other than failure on part of entity to deliver the completed unit. In such cases, it is construed that the condition prescribed in para 35(b) (iii) is not satisfied.

We, however, wish to submit that the condition prescribed in para 35(b) (iii) is redundant in practice for real estate business, as the entity is normally able to recover its investment for performance completed to date by completing the balance performance obligations and redirecting the asset to another customer.

Hence, the performance obligation in respect of such real estate activity should be considered as satisfied over time if it is established that the entity’s performance does not create an asset with an alternative use to the entity in respect of real estate activity because the contract has substantive terms that preclude the entity from directing the unit to another customer.

Further, the performance obligation in respect of real estate construction contracts can also be considered as satisfied over time under para 35(a) r.w. para 37 if majority of the indicators of the transfer of control exist when a binding sale agreement is signed between the entity and the customer.

In view of the above, we request that necessary clarifications should be added approving the applicability of the aforesaid para 35(a) to real estate activity. Alternatively, the conditions prescribed in para 35(b) (iii) should not be made applicable to real estate business activities.

The conditions mentioned in para 35(b) are in line with the requirements applicable to construction contracts in general. Hence, we do not recommend any change in those conditions other than real estate.

Larsen & Toubro Limited