For the Win of "The TAJ"

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The Case elaborates upon the contract management and revenue sharing model for the famous Taj Mansingh of IHCL and New Delhi Municipal Committee (NDMC). In 1978 Taj Mansingh was built, a state-owned revenue-generating asset, being licenced for commercial purpose. NDMC and IHCL entered a contract with a capital share of 53:47 to build the property. NDMC bore the cost of construction towards non-movable infrastructure, land, and building. IHCL invested in the movable assets and used their goodwill to build the business. IHCL was also obliged to pay a license fee of 15% on the cost of invested capital by NDMC or 10.5% of the gross income, whichever is higher, along with a yearly house tax and ground rent.

For NDMC, the collaboration generated a total of ₹ 434 crores of benefit from an initial investment of ₹ 6.26 crores. IHCL's initial investment in the project of ₹ 5.50 crores after that generated a cumulative gross earning of ₹ 2264 crore over 33 years. Upon expiry of their 33 years licence, followed by eight years-long disputes for renewal of the licence, would losing IHCL as the licensee of TAJ Mansingh be a lemon or a bargain? The case study contains a very interesting incidence, provision of law Sec.141(2) of the NDMC Act,1994, that retrospectively alters the terms of a licence/contract, IHCL's Right of First Refusal and the possibility for renewal of the licence. As a rule of thumb, in general, retroactively applicable laws are a bad idea, but the Case dwells upon every turn of events on why and what could have been the other possibilities?