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MAGARPATTA CITY: FARMERS DIRECT INVESTMENT (FDI)¹

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MAGARPATTA CITY: FARMERS DIRECT INVESTMENT (FDI)²

Abstract

Magarpatta City covers 430 acres³ of land that was owned by about 120 farmer families with 800 individuals. These farmers joined together to form the Magarpatta Township Development and Construction Company Limited (MTDCCL) and developed the city, thereby realizing their dream of converting their land into a value-added finished product that gave them benefits and returns in perpetuity. Satish Magar is the de-facto leader of the group because of his educational accomplishments, political connections, largest land holding and the trust that the Magar community has in his leadership and ability to take them collectively to a point where all of them collectively benefit.

Magarpatta City was conceived as an integrated planned township with multiple commercial zones, residential neighborhoods, school, hospital, shopping malls, hotels, restaurants, and recreation areas.⁴ These were designed to be contemporary with futuristic features and included a state-of-the-art IT Park called Cybercity that provided international facilities to leading global IT giants. Being encompassed by verdant greenery and pollution free environment has added to the townships allure. The city has its own rain water harvesting, garbage segregation and waste management, biogas plant, vermiculture, plant nursery and solar water heating arrangements that creates a self sustainable system and ensures further enhancement of the environment. A walk to work-home-recreation lifestyle is at the core of Magarpatta. All these facilities came with complete support to run new cutting edge information technology infrastructure, full power back up, ample parking, stringent security, and strict adherence to fire safety norms.

The case describes the process that the farmers went through to convert the raw material that they possessed (land) to a finished product, namely the Magarpatta Township. It illustrates the changes that the real estate sector is going through in India, issues related to getting government permissions for a township, conceptualizing, designing, planning, and constructing the township, marketing and financing the township, benefits that the township had for the farmers, residents, Pune city, business environment, and developing an organization that can carry forward the process of replicating the success of this model of real estate development.

Keywords: Corporate social responsibility (CSR), entrepreneurship, leadership, real estate development, city planning, management of cooperatives, and organization design and structuring.

² This case is based on personal interviews of Amit Gupta with Mr. Satish Magar. Secondary sources of information have been used, extensively and verbatim with permission to use copyright material. Two key secondary sources are Sucheta Dalal and Debashis Basu (2007) *Our township has acted as an agent of social changes through a policy of inclusion*, February 15, 2007 12:00 AM, Source: <http://www.moneylife.in/article/1304.html>, accessed on 12 January, 2012 and Satish Magar (2011) *Magarpatta Story: Farmers Building Sustainable Cities*, BCF CSR Annual Lecture by Satish Magar, Chairman & MD, Magarpatta Township Development and construction Company Ltd, held on 29 July, 2011. Hosted by India International Center (IIC). Other references are given in the footnotes.

³ 1 acre = 0.404685642 hectares

⁴ "About us", Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012

1. Introduction

“What is now called the Magarpatta City grew out of a dream, an idea. The idea came from a strong feeling amongst those of us who lived in this region to preserve our lands that were on the verge of being acquired either by the government or by the local developers. So, Magarpatta was the outcome of farmers who came together and planned to do something different with their inheritance.”

- Satish Magar, Chairman and Managing Director, Magarpatta Township Development and Construction Company Limited (MTDCCL).

India had witnessed a real estate boom since in the last decade. A large number of local and national players had emerged to cater to rapid urbanization and growing demand for houses and apartments. The growth of the real estate sector had been fueled by easy availability of credit to the real estate developers and loans to the buyers of real estate, rising incomes of people, an expectation that incomes will continue to rise, a change in mindset of people from buying houses for self consumption to real estate as an investment and a belief that real estate prices will continue to rise given the projected shortages of real estate stock. Most real estate developers had bought large tracks of land on loans at high interest rates, many of them in locations that lacked basic infrastructure that made them unviable for development of communities. Many buyers of real estate had availed of loans and made investments in second and third homes without understanding the long term financial implications of their investments. The result of this cycle was that the real estate developers and their customers were stuck with properties that had been bought at unrealistic prices without due consideration for return on their investments.⁵ Given the global economic downturn, the repayment schedules and high interest rates on loans, there was a danger that this bubble might bust.⁶

Satish Magar was wondering how the current real estate scenario would impact the model of township development that he had created and if it would continue to remain viable in future.

2. What is Magarpatta City⁷

Magarpatta City was conceived as a integrated planned township with commercial zones, residential neighborhoods, school, hospital, shopping malls, hotels, restaurants, and recreation areas.⁸ These were designed to be contemporary with futuristic features and included a state-of-the-art IT Park called Cybercity that provided international facilities to leading global IT giants. Being encompassed by verdant greenery and pollution free environment had added to the townships allure. A walk to work-home-recreation lifestyle was at the core of Magarpatta.

⁵ *Thunderstorm building over real estate sector*, Sudhir Vohra, *Economic Times*, 08 March, 2012, Source: http://articles.economictimes.indiatimes.com/2012-03-08/news/31135897_1_real-estate-sector-developers-town-planning-schemes

⁶ *Are cracks in DLF alone or is real estate sector suffering from strategic mistakes?* Kanya Jaiswal, *Economic Times*, 11 Mar, 2012 Source: <http://economictimes.indiatimes.com/markets/real-estate/realty-trends/Are-cracks-in-DLF-alone-or-is-real-estate-sector-suffering-from-strategic-mistakes/articleshow/12213254.cms?adcode=13>

⁷ <http://www.magarpattacity.com/>

⁸ “About us”, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012

Magarpatta City covered 430 acres⁹ of land that was owned by about 120 farmer families with 800 individuals. These farmers joined together to form the MTDCCL and developed the city, thereby realizing their dream of converting their land into a value-added finished product that gave them benefits and returns in perpetuity.

Satish Magar: “The name ‘Magarpatta’ came from our clan name. Most of the people who lived in this area were called ‘Magar’, and ‘Patta’ refers to a belt of land. So Magarpatta was our identity. This area has been called Magarpatta for 300 years. Since we did not want our clan identity to be forgotten or lost, we decided to keep the same name when we embarked upon this project.”

Almost 30 percent of Magarpatta City had been reserved for greenery with explicit importance given to the area’s ecology. About 120 acres of Magarpatta City had a lush natural green cover. The city had its own rain water harvesting, garbage segregation and waste management, biogas plant, vermiculture and solar water heating arrangement that created a self sustainable system and ensured further enhancement of the environment.

Magarpatta City had “won accolades at the 2008 Sidney World Congress of Metropolis. Maharashtra Economic Development Council listed Magarpatta City amongst the ‘Top 10 success stories of the state’. Magarpatta City was also identified as a prestigious project, along with Konkan Railways and Mumbai-Pune Expressway, at the infrastructure summit 2002. Cybercity had received first prize in the IT infrastructure category at the Maharashtra IT Awards. The City had also been mentioned in the Limca Book of Records for having the largest solar water heating system.”¹⁰

3. Genesis of the idea of Magarpatta City

Satish Magar: “I wanted to come back to the farm after my education. But my urban upbringing came in the way. I had a friend who had a small shop on MG Road in Pune who earned more than us with 150 acres of land. Agriculture has been completely dependent on external factors – monsoon, markets, logistics, etc. I thought we could earn more if we sold the land and put the money in the bank. I tried different things. We had a large dairy of 150-odd cows, with modern milking machines, etc., but one agitation from somewhere and a protest call to throw the milk on the streets caused great damage. It was senseless. You throw the milk today and how do you feed the cows tomorrow?”

The Magarpatta area was in the agriculture zone but listed as part of the Pune Municipal Corporation from 1960 onwards.¹¹ The 1982 draft development plan of Pune Municipal Corporation showed it as a zone that may be urbanized in future. The Government envisaged that when the population of Pune went up to 2 million this area might be required for urbanization, but since the population then was less, it was not converted. The Government had expected the population of Pune to be around 2 million in 2000, but the 1991 census showed that the population had already exceeded 2 million. Under the Urban Land Ceiling Act, the Government had the authority to acquire the land at rates decided by them, always substantially lower than the market rates.

⁹ 1 acre = 0.404685642 hectares

¹⁰ Verbatim from “About us”, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012

¹¹ Verbatim from Sucheta Dalal and Debashis Basu (2007) *Our township has acted as an agent of social changes through a policy of inclusion*, February 15, 2007 12:00 AM, Source: <http://www.moneylife.in/article/1304.html>, accessed on 12 January, 2012

Satish Magar: “So, agriculture was not working out. Meanwhile, my brothers and cousins were growing up and they needed to be accommodated. Then, the development plan of Pune in 1982 made me really insecure.”

4. Growth and Development of City of Pune

As had happened in many parts of the country, rapid development in the Pune area from 1990 onwards sparked off an enormous chain of urbanization that led to a wave of migration from the villages to the city. Pune joined the ranks of most other Indian cities where a rash of housing projects had emerged. Unauthorized buildings started to mushroom in the city’s suburban areas, all the agricultural land on the city’s periphery was fragmented into small plots and sold off to developers and builders because of the money offered by them. Even though the money offered was only a fraction of the ultimate profits that the real estate developers would eventually have made, for the farmers it was a very large sum that they could not have dreamt of earning in their lifetimes, had they continued with agriculture.

Satish Magar: “What does the farmer close to the city do when his land comes under development? Nobody wanted to sell his land and buy more land 100 kilometers away and migrate there. The older generation might have thought along these lines, but we are urban farmers who have got used to the city life.”

The farmers had never seen so much money in their simple life and several social problems came in its wake. The income from land sales was often spent in all kinds of unproductive assets. With neither qualifications, nor foresight to use the money in a productive manner, nor the right advice on how to sensibly invest their new found wealth, some joined politics, others bought cars and began to splurge on lavish weddings, drinking and gambling. Naturally, many of them soon ran through their money with little left to show for it. Many were reduced to working as house maids, drivers or chowkidars (security guards).

Satish Magar: “The thoughts which went through our minds were, one, how do we convert this land that is a raw material into a value added fine product? Two, since we don’t want the money and don’t know what to do with the money, how do we plough this money back and get the maximum benefit out of it? Another important aspect was that no one should have to be displaced due to the development process.”

In a country like India, very little could be done to stem urbanization and the influx from villages to the cities. Magarpatta began to grapple with the same problems faced by other farming communities living near large cities. They were surrounded by residential complexes with there being enormous pressure on them from greedy developers to sell their lands.

Satish Magar: “We lobbied with the government. Although my uncle, who had been active in politics for many decades, had expired, we had political contacts and in the 1987 plan the Magarpatta area was re-designated as agricultural land. But I knew it was temporary, as this land too would be acquired someday. After 1987, a lot of farmers started selling small plots of land to developers. The government had no mechanism to stop it. We started a real estate development company. We were constantly thinking of how to develop our land. We looked at selling bungalows. But it was neither legal nor profitable.”

5. Convincing fellow farmers

For historical reasons, there was a lot of cohesion and harmony among the farmers of Magarpatta, arising out of the fragmented nature of their land holdings. When a piece of land was divided among the brothers, they divided it in such a way that both got access to the road. So, over time, many plots ended up as narrow strips of, say, 20 feet wide and 1000 feet long. Because of the peculiar layout, people did their farming in harmony and cooperation by fixing dates for sowing or harvesting serially in order to economize on labor and equipment.¹² The topographical situation of the land also ensured that farmers worked in coordination and lived in harmony. The land of Magarpatta was enclosed on all four sides by natural or artificial means – there was a canal on one side, there was a railway line on second side, there was a highway on the on third side and a nallah (waterway) on the fourth side. So it was a sort of an island where all the farmers always worked in tandem. All disputes were settled internally without resulting in court cases and the farmers lived as a community. Satish Magars family had been leaders in the community for a long time (see Exhibit 1 for background and influencers of Satish Magar).

Satish Magar: “I was the de-facto leader of the group because of my family background and also because my family had the largest land holding. I told them, ‘if we are going to benefit, let us all benefit; if we’re going to lose, everyone is going to lose. But we will see to it that we don’t lose’. The educational background that my family had right from the beginning also helped. My father became an engineering graduate in 1958, which was a big thing in those days it was a. My uncle was an MLA¹³ and became MP¹⁴ and was also engaged in agriculture. They thought our family was going to make money and all of them would also make money. My idea was not to do it in isolation. I could have done it only for my part of the land. But then the community would have become fragmented, and there would have been social disparity. So they all agreed to go along with me.”

The question that needed to be urgently addressed was how to save the lands from being acquired and ensure a future for the collective. The farmers did not want to sell their land and, even if they were forced to sell, they would not know what to do with the money that came to them. On the other hand, development could not be stopped.

Satish Magar: “Selling the idea to them was very easy. They were all Magars like me. I knew all of them very well. Earlier as farmers we had co-operated to get water when we needed it. They trusted me. I promised them that I would not sell or mortgage the land to borrow money till the project started. So if the project failed to take off we would still own the land. We would lose nothing.”

The turning point came when all the farmers decided that they would tackle development themselves. Satish Magar: “When I started planning the township, I told them, we needed to do something with the land; otherwise it will be acquired someday. I suggested doing something together. We had a meeting of all the landowners where I suggested that we pool our land into a development company and accept proportionate shareholding. The idea was accepted although I did not know how the whole thing would finally evolve.”

¹² Sucheta Dalal and Debashis Basu (2007) *Our township has acted as an agent of social changes through a policy of inclusion*, February 15, 2007 12:00 AM, Source: <http://www.moneylife.in/article/1304.html>, accessed on 12 January, 2012

¹³ MLA – Member of Legislative Assembly or Lower House for the State of Maharashtra.

¹⁴ MP – Member of Parliament or Lok Sabha or Lower House of the India

6. Process of getting approvals

Satish Magar: “We said that if urbanization was inevitable we should become our own developers. Given our cohesion we were able to come together and set up our own development company – Magarpatta Township Development and Construction Company Limited (MTDCCL). The company was formed by the original farmers of the area and everyone became a shareholder in proportion to their land-holding. We thought of creating a golf course with villas around it. But that was not only a waste of land, but a big risk. Sometime around 1993, it suddenly struck me, why don't we build a township. I went through the Regional Town Planning Act and understood the requirements for a township. I spoke to all the landowners in the surrounding areas. We decided to develop this entire project strictly in accordance with government rules.”

Satish Magar “I went to Prakash Deshmukh – the well-known architect of Pune and told him ‘this is what we have, we want a township on it.’ He agreed and we made a detailed report of the area we wanted to build on, how much to reserve for education and how much to earmark as open space. I gave the proposal to Mr. Sharad Pawar, who was the then Chief Minister (CM) of Maharashtra. We presented him with a nice laminated report with graphs, charts, statistics and pictures. He asked us ‘Are you serious?’ We said, ‘Yes, we are.’ He asked ‘What are you going to do about urban land ceiling?’ We said, ‘We would not ask for exemptions.’ He wrote something on the file. But that was his last six months of his tenure as the CM. Six months down the line, Mr. Pawar’s party lost the elections and a coalition government of Shiv Sena and BJP came into power. Our process had just started. Fortunately the new Shiv Sena and BJP Government also accepted our proposal. They visualized and thought that it could probably happen. You have to accept that in a state like Maharashtra, we have visionaries.”

Then one day, Satish Magar got a call from the government to discuss the plan further. Satish Magar: “On Mr. Pawar’s recommendation we met Mr. D. T. Joseph (who was then the Secretary, Urban Planning for Maharashtra) and told him how 120 farmer-families have come together to do something different. He was apprehensive. Since I had read the law, I said ‘We need notification under Section 154 to get the scheme sanctioned.’ He said, ‘Fine, if you know the CM, get it done. But let me tell you, it can be challenged by anybody in High Court and you will lose.’ Anybody, a competitor for example, could have filed a case. With 400 acres of land converted from agriculture for residential construction, the farmers would have had numerous enemies. Mr. Joseph said ‘We would have to go through the procedure and it will all take time.’ I said ‘Fine, we will go through the process.’ In any case, we were not ready, physically or financially.”

Mr. Joseph came and spoke to the landowners personally. A report was required from the town planning department of the Municipal Corporation. Then the government had to issue a notification which had to be passed by the general body of the Corporation, after which there would be a public hearing.¹⁵

Satish Magar: “We decided not to jump a single step of the process because if there was a court case, that would have been the end of it. We went to opinion leaders asking them to support us because such townships would reduce unauthorized growth and create a lot of greenery. We did not bribe anybody. That is why it took us seven years even though I knew

¹⁵ Sucheta Dalal and Debashis Basu (2007) *Our township has acted as an agent of social changes through a policy of inclusion*, February 15, 2007 12:00 AM, Source: <http://www.moneylife.in/article/1304.html>, accessed on 12 January, 2012

everyone. I am not that type of person or that type of Indian who shouts at the political system, and does not vote. India is a democratic country. They were the policy makers –the corporators, the MLAs, the ministers, they are all there to play their part, all law makers and irrespective of whatever might be said about them they were very idealistic politicians. They could visualize that this could be done.”

This was the benefit of India’s age of liberalization, a time when everyone was trying to do something different and everyone was talking about innovation, privatization and liberalization. Satish Magar: “The government also thought about experimenting. But they were not sure, (1) whether the farmers’ model would sustain itself or they would start fighting amongst each other. (2) if it was done by chance, maybe by some external agency, how would they have maintained it, how would the consumers needs be addressed? Being a farmers’ movement, everyone was very cautious and sensitive about what we were attempting to do because farmers play a major role in politics in Maharashtra. They knew this could trigger a bigger thing. So it was a ‘touch me not’ situation. If we had to fail, they could have turned and said we failed but until then they let us work. All these things were in their mind and it took seven years for the Government to decide that let’s try it. So we were actually the guinea pigs of that innovation, liberalization and modernization and the Government’s view of ‘let’s try’ and do something different.”

The final notification came in 1995. As per the notification, Magarpatta City was “approved by the Department of Urban Development, Government of Maharashtra; it was exempted from the provisions of Urban Land (Ceiling, Regulation) Act of 1976 and the Master Plan of Magarpatta City was approved by Pune Municipal Corporation.”¹⁶

Satish Magar: “It was very easy till the approval came. Then we realized that it was not a small task. The first thing that needed to be done was the compound wall of the township – it would have to be fourteen kilometers long. The farmers realized the enormity of the task when the cost was worked out. But it was very nice to say that we were doing it; it was something like a cooperative but under the umbrella of the company’s act so that there is more transparency and less political influence.

7. Conceptualizing Magarpatta City

Since it was taking time to get all the clearances for the project, Satish Magar spent a lot of time consulting a number of sensible people outside the real estate industry, and experts on different aspects of the project, to finalize the elements that must go into the project.

Satish Magar: “We decided not to re-invent the wheel. We would take the best ideas from all over and create a plan best suited to our needs, instead of trying to visualize something which we did not have the capacity and the capability to achieve. I and my consultant traveled the world during the seven years that the Government process took to get ideas on what should go into the design of the city. We met many people and attended all sorts of seminars.”

Around 1997, a delegation of Maratha Chamber of Commerce, Industries & Agriculture (MCCIA) was going to San Jose, which was similar to Pune. Satish Magar and the consulting architect joined the delegation that mostly comprised of Information Technology (IT) people – venture capitalists, entrepreneurs, lawyers, etc. They went around looking at the townships,

¹⁶ Verbatim from *Cybercity, Approvals & Sanctions*, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012

city centers, visiting the planning department and seeing how space had been organized in San Jose.

Satish Magar: “We saw what is in San Jose, Malaysia, Singapore, and we saw what is in India, how Chandigarh, Delhi and Bangalore have been developed. In San Jose, Santa Clara and surrounding areas, there were large corporate-cum-residential areas. San Jose had a lot of greenery where people cycled or walked to work. We liked their ‘walk to work’ culture and our walk to work culture came from there. But the whole thing was unstructured. You had an IT building, some houses nearby then some more corporate offices further down. We felt we could improve on that plan. In Bangalore we admired the greenery. What we liked about Chandigarh was the roads and the roundabouts with the walking pathways. But we thought the sector planning was too mechanical. We decided to avoid numerical addresses and not have Sector 6, 7th crossing, 8th lane, 9th building, 10th apartment. After all it was about human lives, we cannot be mechanical. So Magarpatta was a mélange of ideas from many places.”

An IT expert from Mumbai, Dr Prakash Hebalkar of Profitech, emphasized the importance of bandwidth, routers, switches, etc., and advised the town planners to ensure fast internet connectivity in the township. Satish Magar: “We went to VSNL, the internet service provider then. They said, ‘you have to put a cable and it will cost so many crores¹⁷ of rupees.’ Fortunately, by the time we started, the whole bandwidth scene had changed. Dr. Hebalkar used to say, ‘This is going to happen; prepare for it so you will have a first-mover advantage.’”

Ravi Paranjape, the renowned artist, advised the town planners to build around themes based on the concept of the five forces of nature, which Indians had always worshipped. He suggested that the township should have plantations, based on nature's cycles, the idea of Ritu Chakra (Ritu – season; Chakra – cycle or rhythms), so that there were some blossoms at the year round. As per Indian philosophy, life revolves around the Ritu Chakra, the eternal time wheel of nature, based on the six seasons – Vasant (spring), Grishma (summer), Varsha (rains), Sharad (autumn), Hemant (early winter) and Shishir (winter). The plantation was planned such that there was a perennial splash of different colors.

Ram Takwale, Vice Chancellor of Pune University advised the town planners on how the education infrastructure in the township may be set up.

Feedback from many elderly people brought out the concept of creating neighborhoods in the township. Satish Magar: “Modern apartment complexes are making us insular and nobody knows who their neighbor is. Satellite TV had just come in, which made things worse. This is not the way the Indian society has grown. If you see the chawls in Mumbai¹⁸, they all look onto a central open space on the inside. I visited several chawls in Girgaum (Mumbai) with my architect to see how we could incorporate the neighborhood concept.”

Feedback from potential buyers also indicated that the plan of the township should not be based on visible disparities between people. Neighborhoods should be at the same level and

¹⁷ 1 Crore = 1,00,00,000 = 10 million

¹⁸ Chawls were multi-storied one room tenements created for the working class and police officers. Source: <http://www.macalester.edu/courses/geog61/espencer/chawls.html>, accessed on 20 February, 2012. Also see http://articles.timesofindia.indiatimes.com/2011-02-06/news-interviews/28372634_1_owners-and-private-builders-chawl-films and <http://www.asianwindow.com/books/the-chawls-of-mumbai/> accessed on 20 February, 2012.

there should not be intermixing of one bedroom and two bedroom apartments in the same building. The township should also cater to people's aspirations to move up from lower to higher levels.

Satish Magar: "When we started building, the concept of Vastu Shastra¹⁹ was beginning to get popular. We called the open space Brahma Sthal²⁰. For us it was a way of providing good light and ventilation."

8. Designing, planning and constructing Magarpatta City

After having got feedback from all sources, it was finally time to actually design the township and translate the design into the construction of the township (see Exhibit 2 for the master plan of Magarpatta City).

Satish Magar: "We began the exercise by asking: what did the new millennium need? The answers were: a clean and sustainable environment, good living standards, a modern educational system, state of the art working conditions, and reliable security. So these became the five elements on which we decided to plan the township based on the government rules and regulations that existed at that point of time."

The concept of environmental control meant that everything had to be done in such a way that there was no degradation of the environment. Satish Magar: "We Indians like to believe that we are very passionate about environment but when it comes to implementation, we say that urbanization cannot go hand in hand with protecting the environment. We in Magarpatta City decided to implement our project differently because we wanted to attract people to come and visit this project. So we created large gardens, taking care that the planning was done keeping in mind the entire neighborhood. We planted 25,000 trees and a created huge green cover spread over 25 lakh²¹ sq. ft. of lawns."

Magarpatta had an area of about 120 acres as gardens besides which there were trees, plantations and green sidewalks alongside the roads. A 25-acres circular garden in the city center, Aditi Gardens, was designed to be an architectural representation of planet earth, and was one of the largest open gardens in Pune.²² Along with these there were separate internal gardens for every neighborhood ranging from 0.5 to 2 acres. The city was pollution-free and had been declared an oxygen zone.

Satish Magar: "We also planned for rain water harvesting as the region often suffered from scarcity of water, despite the fact that we have several dams on the western side of Pune. Again, during the monsoons, this area used to face a lot of problems as local roads and fields were inundated with overflow of rainwater. So we used paving blocks in the open areas instead of opting for concretization. This ensured that rain water in Magarpatta City was collected through a storm water drainage system along roadsides by soak chambers and trench drains. Care was taken to ensure that recharging bores and mounds were created to preserve the top soil, which had to be removed during construction. Since we belonged to the

¹⁹ Vastu Shastra is a very old Indian science of Architecture that propounds the rules of construction of buildings, villages, towns, cities, shops, offices, factories and industries. Following the principles of this science enables one to get benefits of mental peace, health, wealth etc. Source http://www.aryabhata.com/vastu_shastra/vastu_indexnew.asp accessed on 20 February, 2012. Also see <http://www.freevastushastra.com/>

²⁰ Brahma – Indian God of Creation; Sthal – place.

²¹ 1 lakh = 100,000; 25 lakhs = 25,00,000 = 2.5 million

²² Unique concept, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012, accessed on 2 April, 2012

farming community, we understood the importance of top soil. Bores were made alongside the open spaces where the rain water collected and the sub soil water was enhanced.”

8 natural wells, 515 recharging bores, and over 1.25 acres of an artificial lake helped harvest rainwater by canalizing water from terraces to recharge ground water levels.²³ Inter-locking paving blocks and cutout grass concrete pavers assisted in raising groundwater levels. A mist fountain, Pune’s largest, was incorporated to enhance the microclimatology at the township. Waste water was recycled with three sewage treatment plants with a capacity of 5 million liters a day. The recycled water was used for gardening purpose. A drip irrigation and sprinkler distribution system ensured conservation of water. This system kept the garden lush green and lowered temperatures in the surroundings areas.

Magarpatta City had been periodically criticized on the use of glass facades. It was ensured that these buildings were constructed in such a way that there was air insulation inside the glass facades. This meant that when the outer glass heats up due to external temperatures, the hot air moves up and fresh cool air from underneath replaces it. This was regarded by environmentalists as a very practical solution to mitigate the problems of using excessive glass in buildings.

Magarpatta’s solar water heating systems came not only as an amenity to attract more buyers but as a part of the original design. The mild weather of Pune required a supply of hot water for bathing throughout the year and a lot of power was consumed in heating up water for bathing. To cut down on electricity consumption a solar water heating system has been installed in the township. One of the largest residential solar water-heating systems in India was located in Magarpatta township.²⁴ Solar panels had been installed in every residential complex. 10.3 lakh litres of water was heated every day, translating into a saving of approximately 15,498 tons of carbon emission annually. Over 8,240 solar water heating panels installed on the terraces also reduced heat effects on the top floors and had been designed to save over 1.69 crores of electrical units which potentially translated to more than 15,498 tons of carbon emissions saved every year. To further save on electricity, low power consumption lights were fitted in streets and common areas.

Satish Magar: “The idea of using solar energy came in handy for environmental control as well. I am proud to tell you that today, we save one and half crore units of power per year. If you calculate the volume of savings by taking Rs. 8 as the cost of each unit of power, you can just imagine how cost-effective this system is!”

All the bricks and construction material for the Magarpatta project were made by using fly ash, an environmentally hazardous waste produced by thermal power plants. “This was an inert material and saved energy required for production of cement. Usage of fly ash bricks helped in reduction of greenhouse gases, which were depleting the ozone layer. These bricks were better than traditional bricks because of various reasons, like controlling pollution, cost, breakage, wastages, evenness, finish while manufacturing and higher compressive strength. As fly ash bricks were produced mechanically they were economical, good for any type of masonry and absorbed very less water. For every ton of fly ash used in construction,

²³ *Amenities and facilities, Ecofriendly practices at Magarpatta*, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012

²⁴ *Verbatim from Amenities and facilities, Ecofriendly practices at Magarpatta*, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012

approximately 1 ton of CO₂ emission in environment was reduced.”²⁵ Magarpatta City consumed about 130,000 tons of fly ash, translating into a huge saving of 130,000 tons of carbon emission. Stone crushed sand was used in constructing buildings instead of river sand. The money required for buying, or setting up, these quarries came from banks.

The entire household and commercial waste of over 400 tons was managed by the solid waste management at Magarpatta City. There was no garbage container inside the city because the garbage was segregated at source into degradable and non-degradable heaps. 210 tons of biodegradable organic waste was processed through a process of bio-gas plant, organic waste converter (OWC) and vermi-composting. Over 120 tons non-biodegradable, non-recyclable waste was sorted and disposed off safely for land filling. 70 tons of the non-biodegradables, recyclable scrap was sold to vendors.

A two ton capacity biogas plant was installed in the City where biodegradable waste goes through a process and the non-polluting biogas so produced was used to generate power to operate a major percentage of the garden pumps. The saving in power requirement was equivalent to 118 commercial gas cylinders of 19 kilograms capacity per month, which translated to a power generation of over 270 electrical units per day.

Magarpatta City had its own nursery for plants. The nursery also had vermi-culture and bio-compost pits, which generated manure from garbage segregated at source at Magarpatta City. The manure composted here provided for nourishing saplings and shrubs. Organic pesticides like verticillium and trichoderma were used extensively. The nursery also sold plants, saplings and organic vegetables. The nursery had a unique facility of a Plant Library whereby residents could rent plants, “just like a book or a video library, and enjoy the different plants at a nominal charge for a limited period, providing a refreshing and dynamic feeling to their home.”²⁶

The entire sewage water generated at Magarpatta was treated through four sewage treatment plants. The treated water was then used for curing during construction, irrigating all the landscapes in the city, in the air-conditioning cooling towers and flushing in the project’s commercial premises.

The whole concept of good living standard was planned on the basis of creating congenial neighborhoods. Human beings being social animals cannot stay in isolation and need interaction. Magarpatta had been divided into neighborhoods of residential blocks with 400-500 families staying in a neighborhood. The idea of courtyard planning was derived from the chawls of Mumbai where open spaces were surrounded by apartments. The neighborhoods were planned with buildings surrounding central open space where people could move around. People moving in a central open space will see each other’s faces and must get to know each other.

Satish Magar: “It ensured that even though the residents may pass each other for 10 days without speaking, on the 11th day they will at least smile. Although our township is a cosmopolitan set up, all apartments open into a central space, as in a traditional neighborhood.”

²⁵ *Verbatim from Amenities and facilities, Ecofriendly practices at Magarpatta, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012*

²⁶ *Verbatim from Amenities and facilities, Ecofriendly practices at Magarpatta, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012*

While the inclusion of the principles of Vastu Shastra started off as a marketing tool, they ultimately helped in enhancing the living standards by providing for lots of light and ventilation in the residential areas. The original plan was to have an underground parking system. However, the plans for creating basements did not materialize in the final construction of the township because the stratum was very hard and it was difficult to maintain basements since they invariably tend to get flooded during the rainy season. This had also been beneficial in the changed situation as basements were considered a security hazard in current times.

An integral part of the living standards was the provision of sports and recreation facility. Gymkhana was the sports complex within Magarpatta City with 25,000 sq. ft. of space devoted to a gym, tennis courts, swimming pool, jogging and cycling tracks, yoga and meditation centers, and amphitheatre. The management of various activities in the Gymkhana was outsourced to Abs Sports Club and Nandan Bal Tennis Academy among others.

Satish Magar: “A sound educational system is very essential for community development. I have seen the problems of school going children. I wanted to create an ideal situation where the children could walk to school.”

Keeping this in mind, Magarpatta had ‘The Magarpatta City Public School’, an English medium ICSE Board School, managed by the well-known Vidya Pratisthan Trust within its campus. As of 2011, the school had more than 1200 students in the pre-primary to high school level. An added attraction to the residents was that this school was within walking distance from their homes. There was also the Magarpatta City Institute of Management and Technology within the campus focusing on post graduate education.

Satish Magar: “We deliberately did not plan for an undergraduate college because we thought that unless our children stepped out of Magarpatta to a college outside, they would never be able to experience life in the outside world. If we had planned a college inside the city they would have spent their entire student life inside this secure environment. So we have a post graduation institute now that has just started for which we have tied up with the Georgia College and State University for enhancing academic development.”

The state-of-the-art IT Park called Cybercity within Magarpatta City provided ample scope for employment opportunities. It was created keeping in mind the status of Pune as an important center of education, a center of a large number of knowledge-based defence industries, an important manufacturing location, and in recent times, an important center of IT industry. Cybercity had been “registered as Private Information Technology Park with the Directorate of Industries, Government of Maharashtra, as a result of which there was 75% exemption in stamp-duty payable. Cybercity Magarpatta was also approved as an IT Infrastructure Provider by Software Technology Parks of India (STPI).”²⁷

Cybercity had six million square feet of high quality modular office space. Companies could lease space and set up either software development centers or business centers in Cybercity. Given the large space available, it also offered seamless scalability options for future expansion plans of companies. “Cybercity had a sophisticated telephone exchange by BSNL with optic fiber connectivity. A strategic alliance with VSNL, STPI and other ISPs facilitates

²⁷ Verbatim from Cybercity, Approvals & Sanctions, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012

ensured customized bandwidth options. For enterprise communication, Cybercity had a dedicated earth station and offered satellite and terrestrial links for voice-data, video-conferencing and connectivity with worldwide customer workstations. Uninterrupted power supply was provided by Maharashtra State Electricity Board, in addition to 100% power back-up through DG sets.”²⁸ Besides Cybercity, “the Government of India granted approval to Magarpatta City for development, operation and maintenance of an SEZ for Electronic Hardware and Software, including Information Technology Enabled Services. The Approval was received in August 2006 while the notification was dated 21 July, 2007. The area covered under SEZ was a huge 119,800 sq.mtr or 11.98 hectares.”²⁹

The IT space in Cybercity translated into direct employment of about 60,000 people as IT professionals and indirect employment to about 20,000 people in supporting roles. As on 2011, some of the occupants of Cybercity included names like Accenture, AHMSI, Amdocs, Avaya, Aviva, BNY Mellon, Capita, Cedara Software, Cerillion, Dar-Al-Handasah, EXL Services John Deere, Mphasis, ZS, Focus Preferred Engg Pvt Ltd. India, Principal Financial Group, Redhat, Reflexis, SAS, Sybase, Teradata, Vishay, WNS, and Yash Technologies.³⁰

Besides the Cybercity and the SEZ, Megacenter and Pentagon were two other commercial centers that offered office areas for businesses. Megacenter comprised of a total of 5 floors of small office space with cafeterias, food courts and other entertainment spots. This came with complete infrastructural support to run new cutting edge information technology infrastructure, full power back up and was provided with ample parking. Pentagon had five, well planned, 8 storied towers with “100% power back-up, stringent security, strict adherence to fire safety norms and ample parking space for each tower to ensure smooth functioning for the businesses set up there.”³¹

Magarpatta City had a number of food courts and restaurants. There were a number of shopping locations within Magarpatta City where residents and others could go for their shopping needs and to spend time. One such place was the Destination Centre that offered space for shops, food courts and other leisure activities.

Under development in the south-east corner of Magarpatta City, encompassing an area of 12 acres, was Seasons, Mall at Magarpatta City, which would be operational by the 3rd quarter of 2012. This Mall was located on main Magarpatta - Kharadi Road having a 600 feet frontage that would be a boon for the residents of Magarpatta City and the surrounding areas. Boasting of high visibility and easy accessibility, the Mall envisioned a mix of retail tenants to cater to customers from every walk of life and every age group.³² Seasons was designed by the award winning international architecture firm ‘Benoy’ from Hong Kong in close association with Associated Space Designers from Pune and was being marketed by Urban Link Consulting Ltd. The mall encompasses total rentable carpet area of 650,000 sq. ft. along with parking for over 2000 cars and 3000 two-wheeler vehicles. 75% of the Mall had already been leased out by leading international and national retail giants such as Cinapolis, Star Bazar (Tesco), Shopper Stop, Westside, Landmark, Croma, Lifestyle, McDonalds, KFC, to name a few. Seasons Mall would house a 15 screen multiplex cinema, the largest in the country and also

²⁸ Verbatim from Cybercity, *The Technology*, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012

²⁹ Verbatim from About Us, *SEZ Magarpatta*, <http://www.magarpattacity.com/>, accessed on 2 April, 2012

³⁰ Source: <http://www.magarpattacity.com/> accessed on 20 March, 2012

³¹ About Us, *Commercial, Pentagon*, Source: <http://www.magarpattacity.com/>, accessed on 2 April, 2012

³² Source: <http://www.magarpattacity.com/> accessed on 20 March, 2012

the largest Hypermarket within the city of Pune, apart from the other 150 retailers and 20 cafes and restaurants.³³

As part of the township and to cater to the medical needs of the residents, Noble Hospital, a multi specialty, tertiary care hospital had come up in the eastern part of Pune City. With 250 beds and an “aesthetically designed modern, airy and spacious structure with a built up area of 185,000 sq feet”, this hospital provided treatment for all types of ailments and diseases.³⁴

Security had now become an important need of every housing project and residential society. Magarpatta City was a gated community with restricted entry. The entire township was monitored round the clock by around 750 close-circuit television (CCTV) cameras. To provide additional protection to the IT hub, there was a dog squad trained for bomb detection.

In addition to this, Magarpatta City had power substations, a petrol pump, and a book library for residents. The city also had internet connectivity, cable network and intercom, and all the allied facilities. The maintenance of this entire township was done by the Property Management Services department of Magarpatta Township.

Satish Magar: “The whole idea was to create the complete infrastructure which is required by the community. And remember that all this came out from a project that simple farmers started!”

9. MTDCCL: Building the Organization

Construction work on the Magarpatta City started in March 2000 with a residential block of 72 apartments and on the commercial area. Satish Magar: “The year 2000 was the worst time, but it is always better to start the work during such times. Thank God we did not start in 95-96 when the market was rising; we would have got crowded out, we would not have got investors. In 2000 only the end buyers were in the market and not investors and speculators. 2000 – 2004 was the period for getting your feet on to the ground. Everything changed, the flamboyance went out. You had to be simple, minimize your overheads and work hard. You had to come up with innovative ideas to save resources. For us it became part of life that is visible in our offices even today. So even when the boom period came nothing changed. Everyone had got used to the whole system of working.”

The organization that Satish Magar set up was very frugal with their expenses. They minimized on their overheads and had one small office. An attempt was made to not charge overhead to the company. The machinery that the farmers had was extensively used in the construction process where possible, for example, the tractors of farmers were used in shifting the soil. All farmers were trained as per their capability to contribute to the development process of the township, thus making them partners in the process and not mere spectators. Hence the farmers were carrying out various activities in developing the township.

Satish Magar: “The corporate world today is very top heavy with too many VPs, Presidents and Directors. There are ten General Managers in the corporation and nobody knows what is happening in the other departments. You cannot grow that way. It all needs to be ultimately integrated. Ours organization, being a first generation company, we thought of making a horizontal organization that is not top heavy, where there is a free flow of information with

³³ Information provided by MTDCCL

³⁴ Noble Hospital, About us, Source: http://www.noblehospitalspune.com/about_us.php, accessed on 19 February, 2012

everyone having specific responsibilities. We made a pyramid structure with a huge base and then started getting people. We decided that we will not recruit anyone who is older to us.”

The focus was on recruiting young people fresh out of college or who were in the first year of college. The emphasis was on hiring low profile down to earth people who would be willing to stay with the company and grow with the company. They were promised that the organization would be flexible in giving them the opportunity to study, upgrade their skills and build their careers.

Satish Magar: “The chartered accountant or lawyers were not very high profile. But these were people who we thought would also want to grow with us. I told them they would have the opportunity to study and grow. Even the office boys and peons who are here have gradually upgraded and now they are doing filing and some have even learnt computers. You have to create loyalty. We thought we are different and we wanted to create our own system of how the company would work. So we will have our own hierarchy, we will have our own system. Today all the people who are at the higher or top levels, have come up from below. The added advantage is that they know the ground realities.”

Consultants were hired on all the technical matters like architecture, structural engineering, mechanical and electrical engineering, landscape designing, lifts, elevators, and water line. Their role was to do all the planning and the supervision of the work that was implemented by MTDCCL.

Over a period of time the company had build a culture of high involvement and participation of all its employees in all activities of the organization and employee feedback was sought on all matters. Regular face to face meetings were held on site every Monday morning with all the department heads and the consultants.

Satish Magar: “We are very simple here. You will not find the typical corporate culture here but people who work on the site. The only people you see well dressed are the marketing people. Everybody is involved in all aspects. We sit across the table and discuss everything threadbare. We gradually started building this entire thing. Today with both the projects put together we must be employing some 1400 to 1500 people. And we have the fixed term employment of about 1000 people.”

MTDCCL was ISO 9001:2008 certified. The organization had developed and documented standard system operating process for all aspects of their work and for every department. Satish Magar: “We evolved the processes ourselves through self evaluation. I could have asked an Ernst & Young to make my policy who would have done it in a way that did not reflect ground reality. These processes are also subject to change based on our experience on the ground.

The organization had a Board that was selected from among the original 120 farmers. As per statutory requirements, the Board meets once every three months where they were updated on the activities of the organization.

10. Developing farmers into entrepreneurs

Satish Magar: “The psychology of a farmer, his mindset, is that of an owner, he cannot be an employee. It is a big social problem for him. He has to be an entrepreneur.”

Developing a township and earning money was just one part of the larger vision. A very important aim was to upgrade the capabilities and skills of the farmer such that they adopt other professions that were suited to their temperament and personality. Keeping this in mind, the entrepreneurs among the landowners were identified with the help of experts who took aptitude tests to identify the strengths of farmers. They were then further trained and helped to get experience in whatever activity they were confident of taking on.

Satish Magar: “We saw to it that somebody from each family was involved in construction-related work and made money from the project continuously. Mind you, not as an employee but as a businessman. After all, he was the owner of a piece of land and although he was now a shareholder, he did not work for the company as an employee. We took that sensitivity into account.”

Activities that could be easily done with some amount of training and capacity enhancement were identified. Satish Magar: “There are so many activities which are related to construction. We did what we could do and let others do what they were good at. We decided that we would not take up anything that required high technology management, like a cement plant, because that is not related to our skills. Nor could we have undertaken an aluminum extrusion plant. We decided to focus on all those activities related to our competencies.”

All those in the 18-30 years age group used to gather in the office every Sunday and discuss what each of them could do. Some wanted to do landscaping, somebody else road building, etc.³⁵ Satish Magar: “While we thought that anyone below the age of 35 was the ideal person to recruit and develop, we were proved wrong. Even at 55 – and even after retirement – people wanted to do something because the revenue and the opportunities they got were tremendous incentives.”

People who were willing to take up various construction-related activities were sent to study at the National Institute of Construction in Pune. 250 such entrepreneurs from 120 families were trained in various activities, all the way from manufacturing of construction material, infrastructure development such as roads and landscaping, building construction, doing the internal electrification work, putting conduits, and so on. These entrepreneurs became contractors and did a number of activities like manufacture of all the raw-materials, fabrication of aluminum windows, doors, grills, and wood work, construction of roads, RCC construction, tiling of floors, making bricks out of fly ash in a brick making plant and so on.

Satish Magar: “When we started doing the actual work, the farmer who moved soil with his tractor was getting Rs.750 a day. As a farmer, he had never made that kind of money. Today 90 per cent of these entrepreneurs are liable for tax audits because they are engaged in a business that earns them more than Rs.40 lakhs per year. So they are no longer dependent on the money that came from the land, they are earning their own money. This has naturally enhanced their self-esteem levels as they have become self-sustaining entrepreneurs.”

11. Getting money for the township

Satish Magar: “Nobody was ready to finance the Magarpatta project. No financial institution was ready to fund us because this was the first time – nobody! Many did not believe in the

³⁵ *Verbatim from Sucheta Dalal and Debashis Basu (2007) Our township has acted as an agent of social changes through a policy of inclusion, February 15, 2007 12:00 AM, Source: <http://www.moneylife.in/article/1304.html>, accessed on 12 January, 2012*

model. One banker told me that this was impossible. How could farmers come together and execute a 400-acre project?"

Satish Magar: "We knew Mr. Kshirsagar who had retired as Deputy General Manager (DGM) from Housing Development and Finance Corporation (HDFC). I took the help of Mr Kshirsagar to meet Mr. Deepak Parekh, (Chairman of HDFC) and told him we need Rs 100³⁶ crore for this project. He asked us: 'How will you service the interest?' We had no answer. He asked 'Do you think you can sell so much in the year 2000?' No answer. Then we said, 'we will manage.' He asked 'Do you know what you are talking about? How many apartments you are going to build?' I said 'about 10,000 apartments.' He said 'That means you want to construct 2000 apartments a year? And what is the market?' We said, 'We want to try. We will work very hard'. Finally, he said, 'I am convinced this is a good project.' He said 'I am not going to sanction you 100 Crores, but HDFC will support you; we will support you in marketing, we will support you in funding, but you will have to start small and grow big. I will give Rs 2 crores and you will have to hardsell since this is a large project and the company does not have name recognition. I will fund your infrastructure. You start with the bungalows, start marketing them, you will get your cash flow going and you will see that you will not need so much of money'. So we started with Rs. 2 Crores, paid forty lakhs to the Pune Municipality Corporation to sanction our plan, and with one crore and sixty lakhs we started our project."

The basic problem during construction was to create confidence in the minds of the buyers that the Township would actually come up. This was very important because the entire construction cycle was done based on people booking property and making down payments on their property.

Satish Magar: "The farmers had no money. People who were buying the apartments were paying as per the stage of work. We used the accruals to finance construction and then built it up in phases. So it was very necessary to create confidence in them that such a thing can happen. We could do very little on the basis of two crores that we had received from HDFC."

12. Marketing Magarpatta Township

Satish Magar "The market segment for our township was the typical middle class. Within this we were targeting the upwardly mobile middle class. That is the person who is going to spend money. That is the person who will be ready for innovation. Not the rich. They can go to Moon, go to shop in Mumbai, go to Delhi, but they will not stay with us. The upwardly mobile middle class love to live in a limited budget but yet see the whole world. They also have a different mindset that money is not to be squandered. The upward middle class family value knowledge as equity, they would be interested in the walk to work, school, recreation environment that we had planned for. They would be interested in our value proposition elements of clean and sustainable environment, good living standards, a modern educational system, state of the art working conditions, and reliable security."

It was difficult to find buyers after the first building, Daffodils, was completed. Nobody wanted to buy property in the Township. It was decided to develop the infrastructure so that people who visited the township would find it attractive. The main roads and the gardens

³⁶ 1.00 USD = 49.2581 INR as on 20 February, 2012 (Source <http://www.xe.com> accessed on 20 February, 2012).

were developed. The township was co-branded with HDFC, which was a big boost, and marketed aggressively.

Satish Magar: “Our sales pitch used to be passionate. The most catching line which we used in Magarpatta was ‘buy an apartment get a city free’. All you had to do was make one call showing interest. Our sales team would meet them. I used to personally talk to customers. We prepared the central garden first to impress customers and create a positive attitude towards the project. Our people worked very hard.”

Satish Magar: “None of the advertising agencies from Pune wanted to work for the organization. They probably felt the organization formed by a group of farmers would not be able to pay them. So, I contacted a college friend who had gone on to Indian Institute of Management Ahmedabad and had set up an advertising agency in Hyderabad to do my logo and other things.”

True scale models of buildings were created so that buyers could get a feel and actually see how it would look. Satish Magar: “That time 3D had just come. We got computers and hired art students to do a 3D rendition of the township for us, because you know, we couldn’t afford to get it done from outside. But we could tell people that this is how your neighborhood is going to look like. You are not going to have a club next to your residence; you are not going to have something else next to you. People believed.”

Satish Magar: “We started with one building of 72 apartments in 2000. There are 258 buildings as per the master plans. We did a lot of hard selling, worked very hard on it – everything we could do – came out with very innovative ideas, came out with idea of branding, because in real estate nobody brands names of building, we did. We were very open about the fact that we are farmers and we have come together to do this. So the media and everyone else supported us. Media played a very major role in the making of Magarpatta and we stuck to our plans. We sold a dream and people bought that dream.”

13. Benefits to the farmers

This model had resulted in tremendous benefits to the farmers. The model was based on a revenue sharing basis hence all landowners were entitled to receive a percentage of sale proceeds as dividends in proportion to their land-holdings as and when the sales accrue.

Satish Magar: “We did our Joint Development Agreement where all the parties signed up with the company, there was one single document. The percentage of land holding was determined. It was an indivisible share in the entire land. All the farmers became percentage holders of the floor space index (FSI) as per the master plan. This ensured that everyone came on an equal footing. We decided on the revenue share model where 30% of sales proceeds will be shared if we are constructing property on the land. We thought that 30% is a good rate where we get the upside appreciation on the property over a period of time. If we sell a plot, then 60% of the sales proceed will be shared because there is not much investment done in a plot. The revenue was shared on the on the entire pool not only on a particular farmers land. Because it became an indivisible pool, so wherever I sold a bungalow 60% came as land cost, wherever I sold a constructed apartment, 30% of that came as land cost. This was to be divided proportionately to all the landowners depending upon the percentage of shareholding. So, if hundred rupees came, thirty rupees was divided between 100 people in the proportion of holding.”

The above model also ensured that the farmer got the appreciation in value of the property in the township. In the initial years of 2003, property in Magarpatta City was sold for about Rs. 1000 per square feet. In 2011, the same property was sold for Rs. 5000 per square feet. There had been a tremendous value appreciation for the farmers land. In the year 2000, the land rate around the area was somewhere between Rs. 30-35 lakhs per acre. In 2011, the same land is worth in excess of Rs. 3.5 crore per acre. This means that in 11 years, there had been an appreciation of more than 900 per cent in the land value alone. This appreciation in property prices had come back to the farmers as dividends from the company as per their joint development agreement. The farmers continued to receive this dividend as various properties in Magarpatta City had been developed over the last 11 years starting in 2000.

All farmers were encouraged to buy at least one residential property in Magarpatta City. The tax laws in India had provisions for saving taxes on properties purchased by individuals. Looking at the success of the township and from a point of view of saving taxes, member farmers ended up investing in multiple residential homes depending upon their capacity. About three or four hundred apartments were owned by farmers families. These residential properties were rented out to get a regular income for the families. Many families had also chosen to sell some of their properties to capitalize on the property appreciation and invested this money in other investment opportunities.

A third important source of regular revenue to the member farmers was the non-residential commercial areas, especially the IT Park. It was owned by MTDCCL and leased to various companies, which ensured a regular rental income in perpetuity to the member farmers.

Satish Magar: “When the project started, the elders of the community said, ‘what about continuity of our asset? We should create an asset on our asset.’ So at that time we decided that we will do an IT Park because IT was an upcoming industry in Pune and it ensures high visibility. We decided to do 4 million sq ft of IT Park which we will not sell it. We will keep the IT Park as an asset which we will capitalize in the company. The returns of the IT Park can be continuous dividend for us for lifelong and for future generations. In 2011, we distributed approximately Rs. 23 crores as dividends to our members. So there is continuous money even after the entire land cost and the entire money comes back. We called it FDI – Farmers Direct Investment. No Government clearance is required, no RBI clearance is required.”

One of the biggest spin offs of the whole scheme was the creation of a whole generation of entrepreneurs who were no longer dependent on the land. MTDCCL had subsidiary companies to run broadband, cable TV, the transportation system, the food supply as well as landscaping, all owned and run by second-generation land owner-entrepreneurs.³⁷

Satish Magar: “Of the 280 landholders who run some business or the other, 200 are under tax audit. That means they have an income of at least Rs 40 lakh a year. Together they must be paying Rs 10-12 crores of taxes every year. I think this has been the best part of our investment.”

³⁷ Verbatim from Sucheta Dalal and Debashis Basu (2007) *Our township has acted as an agent of social changes through a policy of inclusion*, February 15, 2007 12:00 AM, Source: <http://www.moneylife.in/article/1304.html>, accessed on 12 January, 2012

14. Benefits to the city of Pune

The city of Pune had also benefited tremendously from the development of a planned township like Magarpatta City. Residential infrastructure was created for about 35,000 people. The entire IT Park was fully occupied and operational and provided employment opportunities for 60,000 people. The GDP of the city had been enhanced by about Rs. 150 crores per month. No concessions were taken from the government during the construction of the project. Rs. 57 crores had been paid to Pune's Municipal Corporation as development charges to secure all the permissions. Rs. 2.25 crores was the average monthly property tax payment collected every year.

Satish Magar: "We consider it a handicap that we are under the Municipal Corporation. Even though we did not take any help from them, their logic is that since all roads, water and drainage lines leading to Magarpatta City are manned by the corporation, we fall in their jurisdiction. The Municipal Corporation of Pune earns Rs. 25 crores per year from us by way of taxes. We manage the entire power inside the city. The entire infrastructure has been created by us. We are still generating employment for 1800 people who are working in various departments in the Magarpatta City. Every month over Rs. 1.4 crore is distributed as salary to these people."

15. Benefits to the residents

Magarpatta City was a shining example of a lively, energetic township. Often such gated communities become totally dead cities because no one interacts with anyone. A concept of a City Council had been developed to ensure the participation of the residents in the management of the entire city. One representative gets elected to the city council for every 75 units. Out of these 33 per cent of the seats were reserved for women. This was like a mini corporation.

Satish Magar: "Since we are not unlike a city administration, my role is probably similar to that of a Municipal Commissioner. The entire management of the city which includes all the cultural, social and sports activities are managed by the council to keep the city active and vibrant. We have a separate revenue model for this. Our whole city is full of beautiful greenery, so we realized that film shooting can also become an avenue of earning some money. The film 'Shivaji' was shot in Magarpatta City and it taught us how to get money from films. Initially, just to avoid shooting, we quoted a very high price but they negotiated it by 10-15 per cent and we gave in. Today, we generate substantial amount from this film business that go to the reserve for the benefit of the community."

16. The next steps

Satish Magar: "With Magarpatta City almost complete, we have now embarked on a 700 acre project in Pune's Nanded village where there are close to 750 families and more than 2000 individuals.³⁸ All of them are going through the same process as Magarpatta City on the same model but with some minor modifications. Magarpatta Township holds of 51 per cent shares in the Nanded project while 49 per cent is held by the land owners of Nanded village. We have been the only fortunate developers who could acquire such large lands because we are not buying land. We have developed partnerships with the farmers on a revenue sharing

³⁸ <http://www.nandedcitypune.com/nandedcity/index.php>

model. There are two other projects in the pipeline on the equity model. So, the original shareholders of Magarpatta City are becoming shareholders in other projects as well. They deserve every bit of the success they get.”

17. Is this the model for the future?

Satish Magar: “Are the farmers happy? What more could they have asked for? They are financially better off. They have an asset that will give them returns in perpetuity. This money has not only brought financial security, it has brought with it social upliftment. It has made them proud. They are also working as vendors to various companies. Their children go to a good school. They are also proud of our unity that helped us achieve so much. We are a shining example for other farmers in this area.”

In 2011, MTDCCL employed more than 600 engineers in the company. In addition to the goodwill that it had generated among the landowners, MTDCCL had become a project execution company with lots of equipment and capital assets. What started in the year 2000 to protect their own land and get maximum returns, had now taken a giant leap.

Satish Magar: “This model will fail when transparency will go out. You have to be very fair and transparent. That element of black money³⁹ all has to be out. Only then it will succeed. Otherwise it will fail.”

³⁹ *Black economy is that bit of the economy that doesn't show up in formal GDP measurements. But all the money in the black economy is not black money. In India especially many households and many economic activities are part of what's called the informal sector. The income generated by them is not illegal at all, mostly the incomes are small.*

Exhibit 1: WHAT MAKES SATISH MAGAR TICK?

(Excerpts from Sucheta Dalal and Debashis Basu (2007), The amazing story of Magarpatta City, January 11, 2007 16:08 IST (Source: <http://www.moneylife.in/article/1304.html>, accessed on 22 August, 2011). Reproduced with permission.

Satish Magar “I was the defacto leader of the group also because I had the largest land holding. But, I am not important – let me talk about the city.”

Satish Magar is an interesting combination -- he comes from a political, land-owner background but had an urban, Western education. He then opted for agricultural college, but went on to find a unique way of extracting full value from his ancestral farmland by converting it into a model township through a long-drawn process.

His model is inclusive, allowing landowners rather than developers to benefit from their land holdings. In the process, he converted traditional farmers into entrepreneurs.

I come from an agricultural family with a political background. My grandfather was in politics, my eldest uncle was an MLA for 25 years and later a member of Parliament when he died and my mother's father was the first mayor of Pune.

So, there was politics everywhere in the family. All of us stayed together in a large ancestral house right here. Along with politics, education was very important to the family. My father is a graduate of the Pune Engineering College. My uncle, who was an MP and founder of the Pimpri-Chinchwad area (the country's richest municipality), was a graduate in agriculture.

My grandfather was very progressive and wanted all his sons to study. At that time, it was the Brahmins who were more focused on education. So he had an interesting idea.

He put up his sons in Shaniwarpeth, a predominantly Brahmin area of Pune, so that they would be more focused on studies and not think of themselves as landlords. There was little contact with the farm except during the holidays.

When it came to my education, I was initially sent to what was called a Cambridge school; all of us including all my cousins went to Bishops and St. Mary's, which were the two best-known Christian, Anglo-Indian style schools in Pune. In effect, although we were farmers, we got a Western, urban education.

Politics was not an easy option because it was not a business of inheritance. In fact, by the time I graduated, my uncle had expired. He had been a big influence. He became an MLA in 1952 in the first general election when he was in his early 20s.

He was an MLA for every term thereafter till 1971, after which he became an MP. He was a very progressive thinker. He is the one who conceived of the Pimpri-Chinchwad Municipal Corporation and he was involved in the conception and growth of Maharashtra [Images] Industrial Development Corporation. Pimpri-Chinchwad, which was a part of his constituency, emerged as a thriving industrial area with 150-foot wide roads lined with trees, thanks to his vision and strategy. He used to talk of planned development and commissioned master plans.

He was also one of those who created the Gultekwadi market area of Pune in the 1960s -- it has a central open space with the vegetable market in concentric circles. The idea was somewhat like Connaught Place of Delhi. He got a model made to illustrate his idea, which was also unusual those days. I found it all very fascinating. We made a similar model when we created Magarpatta City. So, those early influences stayed with me.

My father was an engineer and started out as an apprentice with BG Shirke, Consulting Engineers. He then started his own civil construction firm. My uncle was very strict about where he could bid. My father could not bid for work in any of the institutions headed by my grandfather. He did lot of defence-related work. After 1971-72, he came back to look after the farm because we had large holdings that my uncle was not able to manage on his own.

Because of the influence of politics and seeing many top leaders from close quarters, I was inspired to do the things they talked about. I had decided that I would either do medicine or join the agricultural college. In 1971, when I was in the 8th or the 9th standard, Mrs. Indira Gandhi had just won the Bangladesh war.

Our family had been close to the Congress party for decades and we were naturally highly charged by her vision. She talked about green revolution. So agriculture looked very promising. I joined the agriculture college in Pune, probably the oldest one in the country. I don't know if there is any other instance of someone going from Senior Cambridge to an agricultural college!

I went to stay in the hostel partly because the college was far from our house and also because my parents felt we should learn to do things by ourselves and to live with kids from different backgrounds. The agricultural college and my hostel days turned out to be one of the most fascinating experiences of my life. It was a turning point.

It brought me down to earth. I got to know the ground reality of India. Some 80%-90% of the students were from rural areas. Remember, television had barely come in and I found that I knew almost nothing about the kind of background that my batch mates came from.

Most were from small farming communities and had studied in vernacular schools. One was the son of a farm labourer. They knew they had to study hard, survive and get through. Getting educated was very important to them because agriculture could not give them a livelihood. They wanted to get a job in a bank or a government office. They used to save on everything.

Most of them used to attend college in pajamas and shirts. There were four or five of us from English medium schools who initially felt superior to them. The rector of our hostel told us, 'Don't laugh. After six months, these boys will have mastered English and will overtake you'.

The way these guys worked to overcome their drawbacks was an eye-opener. Another interesting aspect was the student mix, which included some students from Nagaland who were much older than us and were sent by their government to study. It opened my eyes to what India is really about.

The minds of my fellow students worked in a different way. They understood something important very intuitively. They said, if you wanted to succeed, you must have a presence in politics because the political system controls everything, or you have to be in the bureaucracy

or in finance. So, they constantly discussed these three fields (politics, bureaucracy and finance).

Many of them eventually joined banks, which had been nationalised then and were expanding into rural areas. A bank job was seen as access to finance. Some opted for the Maharashtra Public Service Commission (for which agriculture was a compulsory subject because several postings were in rural areas).

Finally, some students came from families that were deeply into politics, like mine. I had restrictions on joining politics but Mr Balasaheb Vikhe Patil's son, who studied in the agricultural college when I did, joined politics. That people planned their lives through these three angles was a revelation; I had never thought this way since I was city bred. Of the 180 students in my batch, almost 70-80 got through the MPSC; some became IAS officers. Many joined banks and are now in senior positions.

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Exhibit 2: MASTER PLAN OF MAGARPATTA CITY



Magarpatta City Plan, Source: <http://www.magarpattacity.com/> accessed on 19 February, 2012

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