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Farmers as businessmen — Inclusive growth in a small corner

ASHOAK UPADHYAY

ASHOAK UPADHYAY describes the hard-nosed business model behind Magarpatta City in Pune, one of India's first integrated townships built on agricultural land and owned by the farmers themselves.



SWEEPING ARC of office buildings, with residential towers in the background, in Magarpatta City, Pune.

In 1993, long before Special Economic Zones or land acquisition had become concepts loaded with tension, a delegation of farmers from the Hadapsar suburb of Pune submitted a proposal for an integrated township to the city's municipal commissioner. It had been in the making for a couple of years and had been meticulously outlined with the help of experts — architects, landscape-designers, civil engineers — for all the civic amenities and facilities stipulated in the Maharashtra Regional Town Planning Act of 1966.

For two years, the file moved from one department to another through procedural thickets; in 1995, the agricultural land for the proposed township had acquired the status of a residential zone, and the proposal moved to Mumbai and the State government. Four years and some modifications later, the Master Plan of Magarpatta City was approved in a Gazette Notification. Pune city was just about to witness the birth of one of the first integrated townships in India within its city limits.

Magarpatta City

Magarpatta City occupies 400 acres of fertile agricultural land, owned for generations by 122 farmers. They have watched the township grow on land they still own through a closely-held, limited company they formed; the ownership of the land earns the families revenues and profits by virtue of their shares in proportion to their landholdings.

The Magarpatta Township Development and Construction Company Limited (MTDCC) develops the land for various businesses, commercial enterprises and residential properties. As promoters of the company, the farmer-shareholders must now look back with a warm glow of satisfaction at their foresight in planning an enterprise that would work so successfully. To a large extent the credit for its inception must go to Satish Magar, one of the biggest landholders and now Managing Director of the MTDCC.

Magarpatta City comprises commercial and residential blocks, a Cybercity that houses some of the big names in the IT sector. Multinational companies, such as John Deere, EDS, Aviva, and Accenture have found it far more appealing and conducive to their business and employees, considering the proximity of residential towers and office blocks, not to mention the clean, wide roads and well-maintained gardens.

The city also houses a school and hospital. It is the kind of township that every SEZ developer can only dream of, in vain for the moment.

The idea of a township grew out of the recognition that, sooner than later, all of the landholders would have to confront the expanding limits of Pune; zoning changes could alter their fortunes, builders would buy cheap for a property boom that, after the late 1980s, was spreading. Some neighbouring farmers had sold their holdings singly, without a plan of how their lives were to be spent as non-farmers; soon they had dissipated their earnings. The Magars, a Maratha community, at the behest of Mr Satish Magar, looked for alternatives; but they knew it had to be a collective; strength lay in numbers.

The Business Model

They dismissed the cooperative because it had a patchy record in the State and was subject to far too much political intervention. Mr Magar then hit upon the idea of promoting a company; he convinced 122 farmers of the need to leverage their land for increasing gain through a mechanism they would own and govern. He sold them the modern corporation.

The MTDCC has made those 122 farmer-shareholders partners in progress. Unlike a one-time payment for their parcels of land, the shareholders' share is the market valuations of their holdings that the company buys from them and then develops. Thus, there is a two-part benefit; proceeds from the sale of lands as and when the company decides to develop a project within the township and the revenues from the sale of the finished project — say, a residential block — less the cost of the project, both in proportion to their holdings.

As shareholders, the Magars have a long-term stake in the company they promoted; their gains are thus self-perpetuating. But the enterprise is also self-motivating because it has opened several windows of opportunity. Many second-generation shareholders have floated companies of their own, for construction, landscaping and stone quarrying.

According to Mr Magar, there are some 200 companies and vendors bidding for work on projects in Magarpatta City. The MTDCC has helped farmers make the transition to shareholders of a modern corporation. Increased prosperity then allowed their children access to better and uninterrupted education so that a second generation of entrepreneurship is emerging. By retaining the ownership of their lands, the Magars, unlike the farmers in neighbouring areas and elsewhere in the country who sold their lands in a one-time deal, can plan their business strategies, wait for the right price to sell lands for development and thus multiply their earnings. According to Mr Magar, the average earnings of shareholders is fifty times what the bigger landholders were getting from farming. Last year the MTDCC clocked a gross turnover of Rs 500 crore.

Walk to school and work

Barely 7 km from Pune Railway Station, Magarpatta City has been built on a concept city-planners can only dream of: Walk to Work, Walk to School, a concept that eliminates much of the stresses that cities such as Mumbai and even Bangalore face.

It is the kind of township that planners spend hours discussing, with a sour aftertaste at the hurdles to their dreams. It has been built by 122 farmers with the help of experts whose skills shaped their getaway to a better future from an uncertain present as farmers. The company they own employs over a thousand professionals working out of a modern office in Pune city.

Not one of the farmers went to a management school; perhaps one or two may have attended management workshops. When Satish Magar articulated an idea of collective self-help, he found receptive ears because he appealed to the innate rationality of mankind; the urge to retain control of one's future. That notion of enlightened self-interest is the first lesson that Magarpatta City reiterates, centuries after Adam Smith. The farmers are not uprooted from their land but are distant from their traditional livelihood. That dichotomy gives them the opportunity for wealth-generation and sets them on a discovery of new talents for sustained livelihood.

Lessons for New Delhi

This form of stake-holding is less alienating and more enriching for the farmer than a currently popular notion of assigning shares to farmers in land-buyer companies, mooted in an amendment to the Land Acquisition Act 1894. It is also a more attractive form of inclusive growth than any one-time compensation or rehabilitation package or even the promise of employment in a SEZ or township. It is, in short, the best form of stakeholder growth.

The Magarpatta City grew out of a community's shared perception of the future. But that model is replicable; the company has been approached for a township on the other side of Pune, where Mr Magar is considering a variation on the original model for shareholders.

The UPA government could never have foreseen the opportunity it has of watching new business models take root among traditional farming communities. Although unique, the Magarpatta model gets away from the tensions that rocked Orissa and parts of Maharashtra last month.

Even China has not escaped rural-urban clashes over land. India can at least ease the pain of transition from a decrepit agriculture to a prosperous industrial base for a large number of farmers watching their lands fragment, as in Nandigram, or turn unprofitable ventures, as in Vidarbha. The secret lies in motivation; historically, solutions from the top have been viewed with suspicion or scepticism if not accompanied by a participatory and inclusive process of decision-making. For the Magars of Pune, the writing was on the wall and they read it collectively. But, most important of all, they planned consensually. It took one of them to show the rest what it should be; that's all it takes usually.

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