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The Magarpatta model for land acquisition

By Rakesh Ganguli

In an equitable and inclusive model that replaces coercive land acquisition and exclusive development projects, 123 farm families in Pune pooled 400 acres of farmland and set up a private limited company that developed a commercial-cum-residential project. These farmers own shares in the company proportionate to the value of their land. Plus they have got plush homes, earn dividends on the shares they hold, rent from tenants and income from contractual work for the company

☒ Long before the nation woke up to the violent protests against 'forced' land acquisitions for Special Economic Zones (SEZs), a small group of farmers on the fringes of Pune saw the writing on the wall and decided to act before the process of globalisation and development swallowed up their ancestral farms.

The land they tilled has been under the Pune municipal jurisdiction since 1960, though it was still an agricultural zone. But in 1982, the Pune Municipal Corporation marked it as a 'future urbanisable zone' in its draft development plan, which meant that the government could easily acquire the land under the Urban Land Ceiling Act.

The Magar clan and their immediate neighbours, comprising 123 families that trace their ancestry back three centuries, had through the 1960s and '70s clung together to oppose the municipal administration's plan to urbanise their land. They were content with the steady income afforded by the sugarcane harvests, though some farmers in the neighbourhood, lured by the quick buck, had sold their lands to real estate developers.

By the late-'80s, the Magars realised that the city, already bursting at the seams, would eventually claim their land for infrastructure development. "It finally dawned on us that we were fighting a losing battle against rapid urbanization, and this meant we had to act soon," said Babasaheb Magar, a senior member of the clan.

The Magars decided that they would develop the land themselves. The fact that they knew nothing about land development and had little money did not deter them.

As the name 'Magarpatta' suggests, the Magar clan dominated, owning 40% of the total land or the largest patta (land strip) located next to the Hadapsar Industrial Estate. A young entrepreneur Satish Magar owned around 100 acres of land. Otherwise the average landholding per family was between 2 and 4 acres. More than 90% of the farmers were Marathas while a few were from the Mali and Sonar communities.

Together they managed to pool together 400 acres before requesting architect Hafeez Contractor to draft a private township plan, which was submitted to the concerned departments of the state administration for approval. Amid great apprehension, the families applied for conversion of the entire stretch into a non-agricultural zone.

A new government came to power in Maharashtra in 1995, while the idea was still at a very nascent stage. Seeking government approval proved an uphill task as applications and files moved from one department to another at a snail's pace. At subsequent informal meetings, the families began expressing concern over livelihoods as they had known only farming till then.

But they trusted Satish, the nephew of an enterprising local political heavyweight named Annasaheb Magar, who was instrumental in establishing the twin industrial township of Pimpri-Chinchwad in the 1960s. Pimpri-Chinchwad is now bustling with industrial activity and is one of the country's richest municipalities. Magarpatta, Satish thought, was going to be a re-enactment of Pimpri-Chinchwad, but with a focus on new-age industries like software and business process outsourcing.

Satish mooted the idea of a company rather than a cooperative so that each family got shares equal to the size of their landholding. The company was registered as the Magarpatta Township Development and Construction Company Limited; Satish became its managing director.

Today, the project is popularly referred to as Magarpatta City. It boasts ISO 9001:2000 certification, putting it at the centre of the discourse around offering a fair deal to landowners whose lands have been acquired or are in the process of being acquired under various development projects.

It was after a five-year-long wait in 1998 that the development plan of Magarpatta gathered momentum. Farmers got their land titles (non-agricultural) cleared by 1999. By now, the 123 families had built up a consensus on setting up a private enterprise.

However, around 65 acres of land had been sold off by some families in the interim; this had to be reclaimed. The company was run by the managing director and technical director in consultation with eight board members drawn from the shareholding families. Every family was an equity shareholder of the company. Each share was

equivalent to 1 square metre of land and cost Rs 100, in 1998. The current price per share is approximately Rs 1,000. Shares could be sold only to member families.

The approximate price of an acre of land that was Rs 1.20 crore in 2000 rose to Rs 1.50 crore in 2007. Thirty per cent of the total cost of each construction was earmarked as cost of land at the current price and paid to the shareholders. The family has the option of reinvesting the amount in the company, in the form of a term deposit at an appropriate rate of interest (12.5% for three years, 11.5% for one year, and 10.5% for three months).

There were two kinds of shares initially -- a preferential share and an equity share. The preferential share was short-term, where the rights of shareholders in the company and over their lands were redeemed at the end of the term. The equity share, on the other hand, endowed shareholders with permanent rights in the company and over their lands. Later, preferential shares were abolished and only equity shares that offer lifelong security to the families retained.

The most important feature of the model is that the land pattas (7/12 registrations) remain in the name of these families, safeguarding their ownership over the land.

Owning land is central to the Maratha tradition and this has proved a binding force, surpassing the urge, if any, for immediate gains.

The bye-laws of the company ensure preference to family members of shareholders in employment generated by the company. Shareholders may also invest in the construction of commercial spaces that are rented out to companies.

Apart from these provisions, shareholders are encouraged to bid for contracts for development work in the township, such as supplying raw material for RCC construction, labour contracts, vending contracts (shops), landscaping, beautification, and security and maintenance contracts.

"In a nutshell, these farmers not only get a fair price for their lands at the current rate, but also get dividends on the company shares they hold, lease/rent amount from tenants, employment in the company, contractual work in the city, and plush homes with amenities," says Manik Sharma, General Manager, Sales and Marketing, Magarpatta City.

Babasaheb himself holds the contract for landscape development and maintenance of Magarpatta City. A farmer at heart, he takes great interest and pleasure in developing and nurturing greenery in the city.



Till a few years ago, the 58-year-old was happy if he made Rs 25,000 a year from the sugarcane and vegetables he produced on the 6 acres of land he shared with his elder brothers, Pralhad and Shivaji. "I had even started a nursery to supplement the farm income in 1990. But the income was nothing compared to my present annual turnover of Rs 40 lakh," says Babasaheb, who was advised to get into landscaping given his background.

"Contracts are awarded based on an assessment of the bidder's past experience, current potential and, of course, the proposed plan and costs. The board of directors reserve rights to withdraw contracts in case the quality of goods and services is not of the desired quality," says Aba Magar, manager of Magarpatta City.

However, such matters are dealt with in a very candid manner given the close rapport between the families. Babasaheb explains: "It is not looked upon as a punitive measure. At times the contract is awarded in partnership, or a partner is brought in considering the pressure on or underperformance of the contract holder."

Around 300 contracts have been awarded for various kinds of work in the township, where preference has been given to the shareholders. On average, each shareholder holds two contracts. "Besides, over 10,000 workers are engaged in daily wage jobs in the township, apart from the 65,000 jobs created in the companies operating from here," says Sharma.

Aba himself has been a beneficiary. "I was a commerce graduate and working for a chartered accountant in Pune for Rs 600 a month when the project began. Now I am a manager with the company drawing a professional salary that I could only have dreamt of as a farmer's son," he says.

Aba manages a township spread over four phases, comprising commercial and residential spaces. There are four commercial complexes that house mostly IT firms. Of the total residential capacity of 6,000 dwellings, 2,500 spaces are currently occupied.

A majority of the 123 families have bought apartments or bungalows for the specific purpose of renting them out to the IT firms that have set up shop here. "Almost every shareholding family here earns a handsome rent in addition to their other income," says Aba.

A four-room unfurnished apartment in the township would cost around Rs 50,00,000,

inclusive of all the amenities the owner has access to -- around 120 acres of land (approximately 30%) in Magarpatta has been set aside for gardens; 40,000 trees have already been planted in the township and more will be planted as development continues.

A six-tower hub called Pentagon has been developed for commercial activities, and a 4 million square foot IT park called Cybercity Magarpatta offers modular workspace for corporates. An English-medium school, a 200-bed multi-specialty hospital, banks, retail shops, health clubs, gymnasium, restaurants, cultural centres, etc, make for a relatively high standard of living in the township.

Did all this come about without any resistance from the families involved, is the most obvious question that comes to mind. "There were a lot of apprehensions about the entire plan till very recently. However most of the farmers, including Satish Magar, belonged to the Maratha community. That proved to be a crucial factor throughout," says Sudarshan, an employee of Magarpatta City.

Sudarshan's family owns 1.5 acres of land and is a shareholder in the company. "Agricultural activities continued until last year even as the construction work progressed," says Sudarshan, adding that the farmers were never pushed into anything for whatever reasons in the entire process, which generated a lot of trust.

"Matters concerning land are extremely sensitive issues," says Babasaheb. "Families expressed doubts over the idea of converting agricultural land into non-agricultural land in the early stages of the plan. There was also an element of mistrust. Things did not go as smoothly as it may appear. I challenged some of the plans most vehemently. It was purely professional, there was nothing personal," he adds.

"The doubts also stemmed from the fact that the entire plan was quite market-driven, rendering it very uncertain. We were fortunate that the real estate market boomed and our benefits multiplied. Secondly, there was no precedent to such an idea, which made matters complicated. Nonetheless, we were very clear that we did not want to form a cooperative, mainly because the size of landholdings varied a great deal and a cooperative structure would have dampened the initiative of the families, in that sense," says Babasaheb.

A cooperative structure emphasises equality over equity. Each member of the cooperative has an equal say in matters pertaining to the cooperative, and that is binding. "We chose to set up a private limited company knowing well that the initiative involved so many people and therefore a strong leadership was required, which we found in Satish Magar. We knew it would be difficult, even a bit unrealistic, to expect people owning varying sizes of land to be treated equally, especially in a commercial

activity. It would rob families of the incentive for pooling their lands in the first place," says Aba.

Equally important is understanding the shift from agriculture to other professions. "The younger generation in almost all families is well-educated and trained in various professions. Located close to the city, most of the families have been running some small enterprise or the other in addition to agriculture. Hence, the shift from agriculture to other means of livelihood has not been as difficult," Babasaheb explains.

Working through many odds, the Magarpatta City plan is a brand in itself not only for its upmarket, ultramodern design and services but also for an inclusive growth plan that puts the benefits and wellbeing of landowners at the centre.

The model underscores the right of the landowner to have a say in the development process and accrue the benefits thereof. It sets high standards for land acquisition, making it incentive-driven for the farmers. It replaces coercive land acquisition methods and exclusive development projects, creating an equitable and inclusive model.

Sharma says: "SEZ planners from across the country are trooping in to study the model, surprised by the fact that this project was conceived and implemented by a group of farmers who, till only a few years ago, were mere tillers of their land. The 25 acres of landscaped garden, a mini golf course, office buildings with gleaming glass, and the row houses and bungalows make it difficult to believe that a village existed here only five years ago."

The farmers started with a mere Rs 2 crore of borrowed capital to fulfil their dream city. By the time it is completed in 2009, they would have spent Rs 2,000 crore on the city that will house 12,000 families (or 50,000 people) and include 4 million square feet of workspace for 40,000 people. Some 4,000 people will be permanently employed in support services.

The 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 Bangalore face.

The company is planning its next township in Nanded village on the outskirts of Pune. Meanwhile, at least five groups of farmers have approached the company seeing the possibility of transforming their lives by following the Magarpatta model of inclusion.

The Government of India has granted approval to Magarpatta City for development, operation and maintenance of an SEZ for electronic hardware and software, including information technology-enabled services. Approval was received in August 2006, while

the notification is dated July 21, 2007. The area covered under the SEZ is 11.98 hectares.

The ingenuity of these tough Marathas never fails to impress visitors. As promoters of a successful venture, the farmer-shareholders now look back with a warm glow of satisfaction at a risk that was worth taking. Not one of the farmers went to management school, but the notion of enlightened self-interest is the first lesson Magarpatta City reiterates.

***(Rakesh Ganguli is
a trained social worker. He works on organising communities,
especially women and youth, on issues related to gender,
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