

This banker-turned-poet is now providing affordable homes to those at the 'bottom of the pyramid'

Everyone knows that most builders in Bombay charge a premium for apartments on higher floors. But do you know that Bombay is the only city in India where this money-spinning phenomenon exists?

In the rest of India, people don't mind paying a premium for ground-

country want at least one bedroom. Besides, they don't mind if the floor tiles are not made of fancy material. They will happily pay for extra space, even if it is a mere 50 square feet.

Mr. Jerry Rao, the Chairman of Value and Budget Housing Corporation, who surprised members at the

suggestion of Ms Kumari Shelja, now a Union Cabinet Minister, that he had decided against describing his venture as "low-cost housing" because, she had pointed out, in India "low cost" was associated with low quality.

However, the origin of the idea was sown more than a decade earlier when the marketing guru, the late Mr. C.K. Prahalad, coined the expression "Bottom of the Pyramid Business". He had said that there was a huge market that traditional businessmen stayed away from because it was very difficult to make money in that market.

Many believed that it was easier to make money selling a Mercedes Benz, or Gucci shoes, to small niches of rich or relatively rich people and that it was difficult to make money selling to those at the base of the pyramid. Although businessmen stayed away from those with less purchasing power, Mr. Prahalad maintained that there was a tremendous fortune waiting to be made by selling to those at the "bottom of the pyramid".

Even history showed that he was right. Henry Ford created the "Model T" when only the rich bought cars.

But he created a new American middle class that purchased his cars. A similar thing happened with Singer sewing machines.

Nearer home, Karsanbhai Patel revolutionised the detergent business by delivering value at a price point which expanded the market size, not by 10% but by 100 to 300%. He did not just try to do a little bit better; he changed the very nature of the market through his detergent *Nirma*.

In the case of housing, Mr. Rao noted, the focus had all along been on the middle and the upper class. No one had pursued the idea of selling to the poor or to the emerging middle class which could afford housing. And this despite the fact that there was a demand for 25 to 50 million new, affordable houses.

Comprehensive market research was initiated to find the answer to this riddle. And it came up with some interesting revelations. First of all, as far as residential properties were concerned, it was seen that most Indian real estate developers were not really real estate developers but land speculators.

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He plans to build one million affordable homes in the next ten years. Mr. Jerry Rao, former banker, IT entrepreneur and poet, is trying to meet the country's requirement of 50 million homes

floor flats! That's on account of the major power cuts they suffer and because of which they would have to trudge up five to seven floors almost every day.

Studio apartments (just one room and a kitchen) may be popular in Bombay, but people in the rest of the

last meeting with his lucid and revealing talk on "Affordable housing", shared several "findings" thrown up by market research on the housing situation in India.

Launched after a thorough survey, his venture, he emphasised, was not offering a solution to the problem of destitution in the country. It was a self-sustaining, private-sector model, assuming not a rupee of government subsidy and to be built on privately acquired (not government) land, with no SEZ (special economic zone) concessions.

An illustrious former staffer of Citibank, Mr. Rao, who is also a poet, stopped being a banker and founded an IT company, MphasiS, before setting up Value and Budget Housing Corporation (VBHC) which aims to build one million affordable homes (costing between Rs. 3 lakhs and Rs. 10 lakhs) in ten years.

Mr. Rao, who was introduced by Pranay Vakil, said that it was at the

DISTRICT GOVERNOR'S OFFICIAL CLUB VISIT ON OCTOBER 11 AND 12

District Governor Dr. Jayant Kulkarni will make his Official Visit to the Rotary Club of Bombay on October 11 and 12, 2010.

Hon. Secretary Bipin Kapadia informed members at the last meeting that on the first day of his Visit on Monday, October 11, the Governor would attend the Club Assembly to be held at 6.15 pm in the Babubhai Chinai Committee Room of the Indian Merchants' Chamber, Churchgate.

He requested all Officer-Bearers, Directors and Committee Chairpersons to make it a point to attend the Club Assembly in the company of the District Governor.

On the second day of his Official Visit, Tuesday, October 12, Dr. Jayant Kulkarni would meet the Presidents, Secretaries and Office-Bearers of the Inner Wheel Club, the Rotary Community Corps, the Interact Clubs and the Rotaract Clubs.

He would complete his Official Visit to the Rotary Club of Bombay by addressing its regular meeting at the Taj Mahal Hotel at 1.15 pm on Tuesday, October 12.

Bipin has requested all members to note the above programme and to attend all the meetings with the District Governor, especially the Club Assembly and the regular weekly meeting of Tuesday, October 12.

Forthcoming meetings

September 21, 2010

Mr. Subir Gokarn, Deputy Governor of the Reserve Bank of India, to speak on "Headwinds and tailwinds: A macroeconomic review".

September 28, 2010

"District at your Doorstep", a programme in which a faculty consisting of select District Officers will visit the Club to interact with members and share the latest Rotary Information with them.

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Everyone has a vested interest in delaying housing projects in Bombay because here land is treated as a capital asset, says Jerry Rao

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They made money on rising land prices, not on quick building and sales. In other words, they saw land as a capital asset.

They bought the land and took several years to develop it, by which time its price went up. During this phase, the developers released a few flats at a time – hiking the price every time they released the flats. Clearly, it was the land price that was going up, not the prices of cement and steel.

Next, the research revealed the existence of a low-level equilibrium. Consumers never complained even when developers (builders) delayed completion of projects. Almost every builder was late by two to three years and one was lucky if one got a flat within six years.

The reason for this was the vested interest of the consumers. If a project was delayed by four to six years, they didn't mind because the price of their flat was also going up. A flat booked at the rate of Rs. 10,000 could be traded at a price of Rs. 18,000 six years later. Thus, everyone had a vested interest in this low-level market equilibrium.

And the market was not wrong. The fact that land was treated as a capital asset played a crucial role in the equilibrium. Thanks to "a silly government", there was a plethora of reasons why land was treated as a capital asset and which favoured delays. Among these was the possibility of increased FSI.

"In the six years that you are building and you don't deliver, the incremental FSI that comes in goes to the builder and not to the buyer. In those six years, it's likely that three Housing Secretaries and three Housing Ministers will come and go and with each of those changes you can get 20 to 30% more FSI by greasing palms.

"Thus there is a vested interest for everyone to delay projects, to treat land as a capital asset and to deliver only at the upper end of the market. There is no vested interest to do that for the base of the pyramid."

Mr. Rao said the only way to do that was by redefining the business proposition. His company had done it by taking a simple decision, viz., that it was not in the land business. It treated land like cement or steel, a working capital item and not a capi-

tal item. It wanted to buy land and to get rid of it as soon as possible. It would build on it, treat it as working capital and "minimise inventories" as quickly as possible.

Once such a dramatic redefinition of the business proposition was enunciated, the profit and loss statement for base of the pyramid housing suddenly became more interesting than it would have been otherwise.

With interest rates in the country ranging between 10 and 15%, the difference between a delay of two years and a delay of six years was a huge amount which got embedded in the cost of the building.

"I'm not suggesting that big developers are silly; they have valid ways of doing business. It's just that you can do business differently by looking at it differently, which is what Karsanbhai Patel did with detergents. Can we not look at it differently?"

When his company looked at the market research, it was surprised to note that there was no such thing as a national market for housing. There were only micro-markets which were extremely specific and had to be studied in detail before attempting to sell properties there.

For example, there was no such thing as a Bangalore market for housing. And the Bangalore-Mysore Road market was different from the Bangalore-Bellary Road market.

However, the research threw up some interesting pointers at the national level.

First, everyone wanted an indoor toilet. As shared toilets were generally not well maintained, the consumer at the base of the pyramid wanted an indoor toilet. Those moving from slums and shanties insisted on one because their women tended to get assaulted on the way to and from a toilet. It was dehumanising and humiliating when a daughter had diarrhoea and her parents had to stay awake all night to go with her...

Mr. Rao lauded what he called "the last great social intervention in housing", viz., the Worli *chawls* built in Bombay in the 1920s and 1930s and which were still an outstanding accomplishment in terms of community development, ventilation and so on. However, one of their faults was the lack of indoor toilets.

Second, there was a demand for reinforced cement concrete. Nobody wanted to buy mud or bamboo houses. The research at the base of the pyramid was very clear – "We want to live in a building like the building you live in; you live in cement and concrete housing, we also want to live in *pucca* RCC houses."

Third, and most important, a ground floor flat was priced more than a flat on the seventh floor. In middle and upper class housing in

Bombay there was a premium as one went higher. But research at the base of the pyramid showed that a ground floor flat was worth more.

It took some time, but finally the market research team came up with the reason for this: in most parts of India there were power cuts lasting ten to 14 hours. This made it difficult for a person living on the seventh floor to walk up and down when the lift was not working; the problem was accentuated if there were aged parents in the family.

"People are actually willing to pay Rs. 100 to Rs. 150 premium for the ground floor rather than for an upper floor," said Mr. Rao.

Another finding of the market research was that in Gujarat customers wanted a separate area in the kitchen for washing utensils. This was not the case in other places.

One of the most interesting points was that the demand for a one-room-kitchen flat (a "studio apartment") was very low outside Bombay. In this city, most families were willing to live in such apartments but in other parts of the country they wanted one or two bedrooms.

When he told some of them that since they couldn't afford a one-bedroom flat they could take a one-room-kitchen flat instead, they said they would wait till they could afford to buy what they wanted. Further, most people were willing to pay more for space. If offered an extra 50 sq.ft., they were prepared to pay for it and even said that they didn't want fancy tiles. Thus, space was at a premium.

Turning to the risks, Mr. Rao said most people believed that there was no risk on the demand side. But that wasn't true. There were between 25 and 50 million households that wanted housing right now, but wanting one was different from being able to pay for one.

"If anybody believes that affordable housing as promoted in the private sector by people like me is going to solve the problem of footpath dwellers, the answer is no. The government will have to deal with that. This is not about destitutes, this is about people who are climbing up from the lower classes to the lower end of the middle class.



It's only in Bombay that one-room-kitchen or 'studio apartments' sell; the rest of India doesn't care for them. Mr. Jerry Rao speaks on 'Affordable housing' at the last meeting

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Meet my elder brother. Pradeep introduces Ashok Chinai who was formally inducted as a member of the Rotary Club of Bombay at the last meeting. In the second picture, President Pradeep Saxena affixes a Rotary pin on Ashok's lapel and welcomes him into the Club

New member Ashok Chinai is formally inducted

Ashok Chinai, who was a member of the Rotary Club of Stockton East, California, USA, for 25 long years, was formally inducted as a member of the Rotary Club of Bombay at the last meeting.

Rs. 25,000 for HTEC

A donation of Rs. 25,000 has been received from Mr. Hoshedar Tamboli for the corpus of the Hasanali Tobaccowala Eye Centre at Talwada.

President Pradeep Saxena said while announcing this at the last meeting that the donation had come through the good offices of PP Dr. Rahim Muljiani.

He thanked Dr. Rahim as well as the donor for the contribution.

Birthday donations

President-Elect Paul George and Ashok Jatia have made birthday donations of Rs. 5,000 each.

President Pradeep made an announcement to this effect at the last meeting.

Loaned the Classification "Investments: Stocks and Real Estate", Ashok is the elder brother of Pradeep Chinai who introduced him to members.

Pradeep, who said that it was perhaps the first time that a younger member of a family was introducing an elder one, noted that there were now six members of his family in the Club.

"We now comprise 2% of the Club's strength... and this is how dynasties begin!" he said in jest. (Later, he told *The Gateway* that apart from himself and Ashok, the other members of his family were Ajay and Dr. Swati Piramal, Nirav Shah and Samir Chinai).

Continuing with his introduction of Ashok, Pradeep said that his elder brother used to be a very active member of the Rotary Club of Stockton East, California, when he lived there for over three decades.

Ashok had also been associated with the Rotary Club of Bombay and had helped complete some of the

Matching Grant projects between this Club and other Clubs in California.

Whenever he visited India, Ashok attended the regular meetings of the Club on Tuesdays and also participated in its Fellowship and other activities.

He was married to Nayna and the couple had two children, son Raj who was a venture capitalist in Bangalore, and daughter Radhika who was working with a software company in Bombay.

Following the introduction, President Pradeep conducted the formal induction ceremony, which included affixing a Rotary pin on the lapel of the new member and presenting him with a Club Roster, Four-Way Test placards and other Rotary literature.

He announced that during the current Rotary year Ashok would serve as a member of the Club's Committees for International Service and Matching Grants.

Welcome to the Rotary Club of Bombay, Ashok.

At the last meeting

(Held on September 14, 2010)

PRESIDENT Pradeep Saxena called the meeting to order and welcomed the guest speaker, the Visiting Rotarians, Rotaryans, guests and others.

BIRTHDAYS

Members and spouses celebrating their birthday during the week were felicitated.

ATTENDANCE

Members	133
Visiting Rotarians	8
Spouses/Rotaryans	4
Total	145
Svc. box collection	Rs. 3,500

Rs. 2.80 lakhs received for scholarships

Manoj Kumar Patodia, a member of the Education for All Committee, informs that a sum of Rs. 2.80 lakhs has already been received to pay for the college education of the students of the first batch of the *Bhavishtya-Yaan* project at the Dr. Ambedkar Municipal School at Worli.

The Committee recalls that several members had raised their hands when (Dr.) Indu Shahani sought contributions to pay for the college education of those students; however, cheques had only been received from the following: IPP Nandan Damani, Manoj Israni, Premnath, PP Vithal Palekar (Rs. 50,000 each), IPDG Raju Subramanian (Rs. 40,000), Ashwin Ramesh (Rs. 20,000), Arin Master and Ghanshyam Sheth (Rs. 10,000 each).

The Committee has requested other members to send their cheques to the Rotary Secretariat as soon as possible because the new academic year has already commenced and the students have to pay their fees.



Meet the Desais. In the first picture, Joint Hon. Secretary Sitaram Shah (from left) with Mr. Ratnakar Desai and his spouse Roda Billimoria, Nanik Rupani and Dolly Thakore. The quartet at right consists of Dilip Dalal, Sameer Tapia, Shahzad Qadir and Shailesh Patkar

In the Indian real estate business, the return is high but Jerry Rao is content with it

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“The question is, can they afford it. Many times we find that they can afford it theoretically but not in the way that our banks and lending institutions look at it. Typically, if there are 1,000 people who want to buy, the bank says it will only give to those who have a salary slip, a PF account, ESI, if the company they work for has a paid-up capital of Rs. 2 crores and if it has a minimum of 50 employees. So of those 1,000 people, we will be left with ten. We have lost 990 people in the funnel; they are interested but cannot get the finance.

“Right now we’re talking to a lady who is running a beauty saloon, has a steady income and a lot of cash; but she is not able to produce the documentation required by the bank. We can see quite clearly that she can afford the two-bedroom apartment that she wants to buy. Is she going to be able to break the hurdle of crossing?”

Another issue on the demand side was the problem of commuting on account of the pathetic nature of public transport in different parts of the country. As the land in central business districts was very expensive, people like him had to build far away. But if public transport was bad, how would the residents get to work, especially if both spouses worked?

Taking the case of Bangalore, Mr. Rao said he had studied it in great detail. A person residing in a town slum or in a *chawl* could be employed as a driver or a liftman; and his wife would probably be working as a maid in three to four flats, earning Rs. 600 to Rs. 800 per flat, or about Rs. 3,000 per month. She would walk to work at those three or four flats. If she was suddenly told to go and live 30 km. away, how would she find the time and pay for the travel?

As for the supply side, the biggest issue was land. India was one of the few countries in the world where there was no title insurance and no clear title to land. A person’s name could have been on the *khata*, in the 7/12 (land records extract) or it could have been in the sub-registrar’s office for 20 years.

But the day one sold it, long-lost cousins, nephews, nieces and so on emerged and went to court to get an injunction saying they had a right in that ancestral land under the Hindu

Succession Act of 1956. Shockingly, even where there was no adverse possession and none of the things that one took for granted in common law situations, courts actually listened to such pleas and granted injunctions! Land records had only deteriorated over the last 60 years, not improved.

A second problem was that of approvals and converting agricultural land to non-agricultural land. Some States required 16 different kinds of permissions and the rest double that number. “But in Maharashtra, which likes to have extra corruption, there is also a certificate of occupation at the end of it all, so that you can bribe a little bit more.”

These risks were very difficult to deal with. How did his company VBHC cope with them?

First of all, said Mr. Rao, he showed his Profit & Loss account to all his consultants. He told them that he was selling at Rs. 1,300 to Rs. 1,500 per sq.ft. and could not afford an extra Rs. 100 per sq.ft. All that he could afford was Rs. 22 per sq.ft., which would be their consulting fee, to be paid by cheque.

The next issue was return on equity (ROE). In the Indian real estate business, the ROE at present was between 100 and 150%, some of it in black. But his company had decided on an ROE of 20 to 30% – the same as a standard manufacturing company making ball bearings or shock absorbers.

Turning to some of the “offerings” of his projects, Mr. Rao said all of them had minimum environmental facilities such as rain water harvesting, dual piping so that water could be recycled and reused, and their own sewage treatment plant. The sewage treatment plants had to be arranged because the local authorities provided no sewage treatment.

“Our city governments are completely broke and you have to do many of these things because they’re not doing them. They’ll give you a letter saying we’ll give you a water connection, but there won’t be water. So you better have rain water harvesting, you better have tube wells, alternate pipes and so on.”

Every project also had an English medium school which had received a very good response from potential buyers.

Mr. Rao revealed that VBHC had recently launched its first project in Bangalore and sold 150

flats even before beginning the advertisement campaign.

Several lessons had been learnt over the last few weeks. First, it was wrong to underestimate the web. It was assumed that all people didn’t have access to the web. That could be right, but a relative, a nephew or a niece often helped and conducted fairly detailed research before a person decided to buy.

Second, it was also wrong to underestimate aspirations. Even when patiently explained that they could not afford the Rs. 9 lakh house that they wanted to buy, and that they could only afford a Rs. 5 lakh house, people still wanted the flat costing Rs. 9 lakhs.

Third, even those who had no car and were only planning to buy one, wanted car parking space right now. The company had to increase the price of its car parks because almost everyone wanted them. (“This is interesting stuff as far as aspirations are concerned.”)

As for the target market, Mr. Rao said it was quite wide, whether in Bangalore (where his houses cost Rs. 3 to Rs. 10 lakhs), Nasik or Nagpur (where they would cost between Rs. 3 lakhs and Rs. 8 lakhs). People like the woman who was running a beauty saloon, young people in the BPO industry, older people, retired bank clerks and so on were his potential buyers.

“If I talk to you a year from now, I might be able to give you a better idea of who are these people who are the emerging middle class in the housing space. We know who they are in the refrigerator space, in the motorcycle space and to some extent in the *Nano* space. But in the housing space we still don’t have any kind of empirical data.”

Mr. Rao repeated that his venture was not a solution to the problem of destitution in the country. It was a self-sustaining, private sector model, a business model which assumed not a rupee of subsidy, no government land and only privately acquired land. He wanted to do it without government help. If the government later gave exemption from stamp duty, as he had requested, that would increase his profit.

“We believe that we can do a 20 to 30% return on equity at price points between Rs. 1,300 and Rs. 2,000 per sq.ft., with full disclosure of carpet and built-up and give decent quality.

We are using reinforced cement concrete but we are using a technology that allows us to cure the cement faster, that’s all.

“And standardisation. Every single door and window is standardised. We are importing German windows and Chinese doors; the kind of globalised stuff we are getting in order to keep our price point low is quite interesting.

“It’s a fascinating space to be in. Where it will end, I don’t know, but the beginning looks fairly auspicious and I invite good wishes from all of you,” Mr. Rao concluded.

Answering questions, he said that consumers always behaved differently from the way they were expected to behave. It was a humbling experience for him, especially when he grappled with the information about people outside Bombay being prepared to pay a premium for a flat on the ground floor. “It’s amazing... this ground floor thing just blew my mind. It took me 30 days to understand it. We had to do a lot of digging to understand it.”

He told Shailesh Haribhakti that he was hopeful his venture would help to increase integrity and transparency in the real estate market. Already, three builders had websites explaining the carpet area, built-up area, wall sizes, wall widths and so on. With time, there would be greater transparency and his company would attempt to set the tone for it.

The base price of a one-room-kitchen or studio apartment measur-



Laughter is the best medicine. Mr. Jerry Rao meeting, guffaws at a joke cracked by Jagdish Rotaryann Amita Malkani and

Return on equity (ROE) is between 100 and 150%; with an ROE of 20 to 30%

ing 300 sq.ft. was Rs. 4.50 lakhs (at Rs. 1,300 per sq.ft.). But the total outgoing for the customer was Rs. 5.11 lakhs, including the deposit for electricity, stamp duty, VAT and so on.

Developers in Bombay, on the other hand, slapped a bill for infrastructure fees for, say, Rs. 30 lakhs at the time of possession even after having collected Rs. 5 crores for the flat. Such practices would slowly start abating.

Jagdish Malkani asked two questions. First, micro-finance companies were charging usurious rates of interest (over 25%). Would micro-housing finance also involve such rates? Second, what had happened to the noise (and fears) about affordable housing raised by real estate companies in the recent past? Was it all just empty talk and was it now back to business as usual?

Mr. Rao said a real estate developer building bungalows and flats worth crores of rupees could not suddenly start building flats that would sell for Rs. 7 to Rs. 8 lakhs. It was not possible to change company and organisation cultures overnight. A Gucci company could not become a Bata company. It was especially difficult for those who had spent decades building their business on land price appreciation. They could hardly complete their projects in 12 months.

The best models for affordable housing in the world were in Mexico which had capped the financing problem. The government pension scheme

made the mortgages for the lower sections; as a result, they didn't have to go to the banks but to the PPF equivalent. "That's the kind of idea we need to look at in India if we want to go ahead."

As for micro-finance, it typically involved one or two-year loans given primarily for business purposes, though sometimes it was used for consumption. If a poor woman running a small business in a slum borrowed Rs. 50,000 and her child fell ill, she would divert the money to the child's treatment from her business.

The interest range was between 27 and 30%. The borrowing cost of most micro-finance companies was 10 to 12% and they had about 10% operating costs because it was both difficult and expensive to process loans of Rs. 50,000. Thus, their margin was only about 4 to 5%. And they also had to cover their working capital.

It was just not possible to do mortgage finance at 27 or 30%. And it couldn't be done over a one or two-year term. Mortgage finance for housing required 20-year loans at 10 or 11%. Thus, mortgage financing of houses costing Rs. 5 to Rs. 10 lakhs required a different funding mechanism and a very different way of looking at the customer.

The National Housing Bank had given refinance lines at 10% for 10 to 15 years. But no bank had used this refinance line. In other words, it was not that refinance was not available, it was just that people were hesitant about making mortgages in this market. In the US, the entire sub-prime problem was about making mortgages to the poor – and it had blown up.

"You have to be very careful about it, but we have to find a way to expand it judiciously. We cannot have a situation where all of us live in multi-core flats and we have a growing population living in *chawls* and slums. It's not a happy situation.

"Rental may be a good way out... I don't see why LIC, which is a long-term investor, can't rent out one lakh flats and keep the assets on its books. Besides, we should look at changes in stamp duty, changes in rent control rules and at public initiatives to make these possible."

Bernhard Steinruecke of the Rotary Club of Bombay Mid-Town referred to the government initiative to make Bombay slum-free in five years

with Mr. Deepak Parekh as Chairman of the Commission set up for that purpose.

He pointed to the slum redevelopment concept and asked whether it was possible for Mr. Rao to take over such projects and to build affordable houses on that land. Other builders could be left to build their high-rises with apartments worth crores. More importantly, people living in redeveloped projects (in the city) wouldn't have to commute long distances to get to their places of work.

Mr. Rao was blunt and cynical in his reply. He said he had started a company and wanted to stay in business. He wanted to make money, to go public, to make an IPO and to do something real.

"I don't believe that these government schemes are going to work. I have studied them at great length, each one of them takes five to seven years... They're not a practical, workable proposition for us; if others want to do it, they're welcome to do it. We have built our entire P&L and business model assuming no government involvement.

"I don't want to beg for any government tender, slum redevelopment project, incremental TDR, FSI... this game is not interesting, it's too long. Had we been in business for 50 years, it might have been worth it, but... our company's stated goal is to build a million homes in ten years.

"As for the slum redevelopment project, they have been talking about it ever since I was a boy and now I'm 58. I wish them luck but I am totally cynical about whether it will happen and when and how it will happen."

Vaibhav Ashok Jatia said one of the key requirements for his model to work was affordable land. If he was going to sell at Rs. 1,300 to Rs. 1,500, he had to have land costing Rs. 200 to Rs. 300 per sq.ft. Where would he find land at such prices in Indian cities? Further, given the margins, if the prices of steel or cement went up by 20%, would his model still work?

Mr. Rao agreed that it was not possible to get land at such prices at commuting distances in cities. But he could find land at that price in Kalyan and at less than Rs. 200 in Nasik and on Bellary Road in Bangalore. But it would not be possible for him to sell one lakh flats in Nasik because the demand

for flats was highest in Delhi and Bombay. That remained a major issue.

As for the second question, he was hedging his cement and steel costs; already, their prices had gone up over the last four weeks. This could cramp his efforts to hold the price line. As a last resort, the selling price of his houses could be raised by Rs. 30 to Rs. 50 per sq.ft.

"But it is very clear that our target markets want cement concrete houses, which means we have to buy cement and steel. So this business model is subject to risk. If the prices of steel and cement double, we will really have a problem and we won't be able to hold our prices."

S.K. Mitra asked whether he would "allow one of us" to buy 30 flats in his project and rent them out?

Why not? said Mr. Rao. He had a rental division which would help manage the rental, the documentation and so on. "You will only have to approve the tenant."

Finally, S.K. pointed to a company in Chennai which had also started an excellent project and vowed not to give even a rupee as bribe. The promoter was a spiritually inclined person and had told him that there was no point in being cynical. That man had gone bust a short while later.

Mr. Rao said he paid his consultants by cheque. But he made it very clear with the help of his profit and loss sheet that he didn't have big money. He could only give Rs. 18 per sq.ft. by cheque as consultancy fees. He did not ask them how they split their fee with other consultants.

"That's the only way to deal with it. You have to show the P&L, because otherwise they don't believe you; they assume that you're making a huge amount of money and so you should pay more.

"Another decision was not to take up projects involving more than 50 acres. Maximum political interest, and therefore interest for corruption, arises in the 300 and 400-acre mega development projects. (If a project is of) 20 or 22 acres, even the local MLA thinks it's too small! Nobody is interested in it as it is below their radar screen. Most of our developments are of 15 to 25 acres," Mr. Rao added.

The vote of thanks was proposed by PP Ashish Vaid.



o (second from left), guest speaker at the last
ish Malkani (second from right). At right is
l at left an associate of Mr. Rao



Welcomed with a bear-hug. IPDG Raju Subramanian welcomes Hon. Secretary Bipin Kapadia at The Rotary Foundation District Seminar on August 26. President Pradeep Saxena is to his left



A memento for Pradeep and other donors from PRIP Carl-Wilhelm Stenhammar. In the centre is District Governor Dr. Jayant Kulkarni and at right Foundation Trustee PRID Ashok Mahajan



I'm Inspector Shalini Sharma. A former GSE student sponsored by the Rotary Club of Bombay, she addressed the meeting of The Rotary Foundation Alumni held on the same day



All ears at the Foundation Seminar. From right in the second row are Paul George, Kalpana Munshi, President Pradeep Saxena, Bipin Kapadia and Sitaram Shah

DAUD – a different approach to spreading Rotary Information

A two-member team of District Officers will visit the Rotary Club of Bombay on Tuesday, September 28, and conduct a DAUD or “District at your Doorstep” workshop for members as part of the regular weekly meeting.

In what is being hailed as a “different” approach to the important issue of disseminating Rotary Information, and at the prompting of Rotary International, all District Governors and Rotary Districts have been reaching out to Rotary Clubs and their members in order to interact with them and to motivate them.

Earlier, Districts used to hold Inter-City Forums which required the coming together of members from about a dozen or more Rotary Clubs at one spot (which could be in the distant suburbs) and where the District Governor and other District Officers shared Rotary Information and discussed various issues threadbare.

The Inter-City Forums used to be quite popular not too long ago. These were invariably held on Sunday mornings, were attended by a sizeable number of Rotarians, brought about a lot of Fellowship and were followed by a simple luncheon.

With time, the practice began to suffer, especially with the difficulty in travelling from one part of the congested city to another. With more pressing chores at hand, Rotarians, too, began to skip the ICFs.

To get over these and other difficulties, Rotary International suggested that instead of Rotarians going to the District, it would be better if the District reached out to the Rotarians.

This was born the concept of DAUD or “District at your Doorstep” under which the District Governor deputed a team of Assistant Trainers (depending on the size of the Rotary Club to be vis-

ited) who conducted a workshop for members of that Club.

With one meeting every quarter being devoted to such workshops, R.I. is confident that it will arouse more queries about Rotary and stimulate better interaction with individual Rotarians. After all, the attendance of Rotarians is high at their home Clubs.

At the meeting of Tuesday, September 28, the two Assistant Trainers who will conduct a DAUD interaction with the Rotary Club of Bombay are PP Dr. Quresh Maskati of the Rotary Club of Bombay North and PP Sumant Naik of the Rotary Club of Bombay Airport.

They will attempt to motivate all Rotarians, especially new members, to take active part in Club projects and, later, in District programmes.

Members are requested to attend the meeting in large numbers and benefit from this new concept in disseminating Rotary Information.

The Rotary Foundation District Seminar

Past R.I. President Carl-Wilhelm Stenhammar, who served in the Rotary year 2005-2006 and is Chairperson of The Rotary Foundation Trust this year, was the chief guest at the District Foundation Seminar which was hosted by the Rotary Club of Thane Lake City and other Clubs on August 26.

The Foundation also organised a meeting of Foundation Alumni on the occasion in which many past Foundation Scholars and GSE team members took part. Among them was Inspector Shalini Sharma of Mumbai Police, who was sponsored as a GSE student by the Rotary Club of Bombay many years ago. She had trained with Scotland Yard in London.

The guest of honour at the Seminar was Foundation Trustee PRID Ashok Mahajan.

The Rotary Club of Bombay was represented by President Pradeep Saxena, President-Elect Paul George, Hon. Secretary Bipin Kapadia, Joint Hon. Secretary Sitaram Shah and PP Kalpana Munshi.

ART ATTACK: WHEN CHILDREN TEACH CHILDREN

What happens when children decide to take up the task of teaching other children? It becomes even more daunting when the children to be taught are from the under-privileged sections of society and know very little about the ways of the world, leave aside the art world.

But that did not deter the Rotaractors of Jai Hind College from taking up the challenging task of helping the children of the Colaba Garden School to discover their artistic creativity by means of vegetable and finger painting.

Their aim was to teach the children an innovative and attractive way to paint a picture and to help them discover their latent talent. The children had had few extra-curricular activities because of the cost involved.

The Rotaractors first met the school authorities and sought their permission; they then made all the necessary arrangements.

Led by Avenue Directors Kamy Sanghvi and Priyanka Chauhan, the Rotaractors visited the Colaba school on September 9 and took the children for an open-air session in art from 1 to 2 pm.

They had prepared a large number of photo copies of a rough drawing, distributed these to the children and asked them to use paints to embellish the drawing. The children were given palettes, bottles of paint and also taught how to use vegetables (lady's fingers in this case) to colour the drawings. Care was taken to ensure that the furniture was not discoloured.

Once newspapers were spread on the drawing surface, the paints were squeezed on to the palettes and the



children given a demonstration in how to paint with the help of their fingers and the lady's fingers.

It was a delightful sight to behold the rather serious faces of the children turning into wide smiles. It was a sheer joy. But more than the children, it was the Rotaractors who felt a lump and a moistness in their eyes as the children enjoyed themselves.

The children's performance was outstanding; their use of colours was unbelievably good. The icing on the cake was their thousand-watt smiles.

Interestingly, no fewer than 50 members of the Rotaract Club of Jai Hind College registered their attendance at this project which was christened "Art Attack".

Jai Ho to you, Jai Hind!

I am going to be a great painter some day. A little boy is surprised at his own ability to paint. At right, the children collect around the Rotaractors of Jai Hind College and employ the tips suggested by them. (Below) Five Rotaractors surround a little girl who turned in an outstanding painting, a work of art



Air conditioners for the two 'Bhavishya-Yaan' centres

Sandeep Dasgupta has donated a new air conditioner for use at the *Bhavishya-Yaan* centre being conducted at the Dr. Ambedkar Municipal School at Worli.

Interestingly, the Education for All Committee had requested *The Gateway* to publish an appeal for another two air conditioners for use at the *Bhavishya-Yaan* centre being conducted at the Colaba Municipal School. But it quickly got back and said that it had already found a donor for these machines!

Well done, Sandeep! And keep it up, Alok Sekhsaria and team.



Looking for sponsors. The Rotaract Club of H.R. College is seeking sponsors for its annual 'Indradhanush' programme to be held all over the city on September 28. Under this project, the H.R. Rotaractors arrange a painting, drawing and colouring competition for the children at special homes, such as those for the intellectually impaired and the deaf-mute, as also for street children. Several teams of Rotaractors visit dozens of special schools all over the city to conduct this competition which has, over the years, become a part of the annual calendar of events at many special schools

ROTARY CLUB OF BOMBAY	
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Director	S.K. Mitra
Rotary & Public Awards	Nelum Gidwani
Promotion of Arts, Music & Dance	Sabira Merchant
Four-Way Test	Manoj Kumar Patodia
INTERNATIONAL SERVICE	
Director	Shailesh Haribhakti
R.I. Programmes	PP Rajnikant Reshamwala
Rotary Foundation/ Matching Grants	PP Arvind Jolly
Fund-Raising	Ashok Minawala
NEW GENERATIONS – Education	
Director	Vineet Bhatnagar
Education for All	Alok Sekhsaria
Rotary Suraksha Loans	Ashok Jatia
Merit-cum-Means	
Scholarships	Madhusudan Daga
Management Studies	Poonam Kumar
Legal Case Practice	Apurva Diwanji
NEW GENERATIONS – Youth	
Director	Roda Billimoria
Interact	Arjun Jolly
Rotaract	Mehul Sampat
Night Study Centres	Sunny Pariyaram
Vocational Train. Centres	Jacob Abraham
Road Safety	Deepak Kapadia
DISTRICT THRUST PROJECTS	
Director	Shivkumar Israni
Differently-Abled	PP Kalpana Munshi
Disha	Subash Gogia
Rural Lighting	Kiran Nanda
Adoption of Police Station	Nirav Shah



When east meets west. Visiting Rotarian Bernd Schneider (left) of the Rotary Club of Manila snapped at the last meeting with (from right) new member Ashok China (formerly of Stockton East, California), PP Kalpana Munshi and President Pradeep Saxena

Happy Birthday



Suresh Jagtiani
September 21



Shyamnias Somani
September 21



Dr. Percy Chibber
September 22



Ardeshir Dubash
September 22



Dilip Dalal
September 24



PP Dr. Zerkis Umrigar
September 26

Visiting Rotarians

Bombay Cuffe Parade: PP Darshana Doshi; **Bombay East:** PDG Manibhai Doshi; **Bombay Harbour:** PP Mahesh Mathur; **Bombay Mid-City:** Prakash Jain; **Bombay Mid-Town:** Ajoy Bhandare, Mehernosh Currawalla, G.G. Kapadia, Bernhard Steinruecke; **Manila, Philippines:** Bernd Schneider.

Temple visits for senior citizens on September 24

The Senior Citizens Committee, which has Naresh Kumar Jain as Chairman, is busy arranging its popular annual programme – the temple visits for seniors.

It has been scheduled for Friday, September 24, and all the members of the Club have been invited to join the seniors as they are taken by bus to some select temples in the city.

Those interested in taking part in this unique programme are requested to contact the Club's social worker, Mr. Narayan Sawant, at the Rotary Secretariat.

The temple tour programme will begin at 12 noon from the main gate of the popular Siddhi Vinayak temple at Prabhadevi in Dadar.

Spouses/Rotaryanns

Niti Saxena
September 22
Ritu Bhartiya
September 24
Rekha Jalan
September 26
Anita Parikh
September 27

From Paa to Grandpa

News has just been received that Director Shailesh Haribhakti and his spouse Amita have become grandparents. A bonny baby girl was born to their daughter Sejal and her spouse Kunal on the morning of Thursday, September 16, 2010.

Congratulations to the new grandpa and grandma!

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Regd. No. MH/MR/South-109/2009-11, R.N.I. No. 14015/60



THE FOUR-WAY TEST

Of what we think, say or do

1. Is it the **TRUTH**?
2. Is it **FAIR** to all concerned?
3. Will it build **GOOD-WILL** and Better Friendships?
4. Will it be **BENEFICIAL** to all concerned?