THE BOARDROOM BRIEF

Issue No. 02

A FACT PERSONNEL PERSPECTIVE ON GOVERNANCE

Where is *the cash?*

Real estate & infrastructure boards govern leverage, cash and the related party — and the director who can read all three is rarely the one already in the room.

Sentinel.

— BY FACT PERSONNEL —

Leadership Search & Advisory · Mumbai

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THE ROOM

In real estate, the balance sheet tells you what a company owns. The cash flow tells you whether it survives.

THE BOARDROOM BRIEF · NO. 02 · REAL ESTATE & INFRASTRUCTURE

ABOUT THIS ISSUE

A sector reading of the independent *seat.*

The Boardroom Brief began with a single argument: that a great independent director is not a compliance artefact but a deliberately chosen, well-briefed, genuinely free mind — selected for a specific gap. Issue No. 01 made that case in general. This issue takes it into one room, and the rooms that follow take the others in turn.

Real estate and infrastructure is the sector where the distance between a compliant board and an effective one is most expensive, because the dominant risks — leverage, the ring-fencing of cash, and the related party — are precisely the ones a reassuring name cannot, by background, interrogate. A retired banker reads a profit-and-loss; almost no one on the conventional board can follow a single rupee of buyers' money from collection, through the escrow account, to the moment it is drawn down — or notice when it has quietly moved somewhere it should not.

We set out, in order: what this board must watch, where the cash actually goes, the floor RERA has built beneath it, the director it should search for, and the one question — asked three ways — that earns the seat.

> *The fiduciary duty is identical to every other board. The thing to watch is not.*

WRITTEN FOR

Chairpersons and promoters of listed and large unlisted developers and infrastructure groups; independent and audit-committee directors; and the CFOs who brief them.

IN THIS ISSUE

The dominant risks of a property balance sheet; where buyers' cash actually flows; the RERA floor and where it stops; the capability the usual board is missing; and the question that tests for it.

THE SERIES

Issue No. 03 takes manufacturing & engineering; No. 04, chemicals & process. Each room in turn.

EXECUTIVE SUMMARY

A developer can be fully compliant and still be one cash-flow timing mismatch from a *crisis.*

Real estate is a business of other people's money, deployed years before it is earned back. That single fact sets the board's agenda: leverage that must be serviced through a cycle the company does not control, cash that must be ring-fenced project by project, and a promoter who is very often also the counterparty on the other side of the land. None of these is exotic — but none is what the conventional shortlist is built to read.

RERA, 2016 built a real floor: mandatory project registration, a seventy-per-cent escrow of buyer money per project, withdrawals tri-certified, and public disclosure. It was a necessary response to a sector that had abandoned buyers in stalled towers. But the escrow rule describes where cash must sit, not whether the board can see when it is quietly fungible across projects — and the related-party question RERA never asks at all.

The director this board most needs can read a project-level cash map, an inventory valuation, and a joint development agreement with a promoter entity — and ask the unwelcome question about each. That is a search problem, not a paperwork one, and it is solved by mapping the capability the brief exposes, not the names the chair already trusts.

Our argument, in one line: in real estate, governance is the discipline of knowing where the cash is, who is on the other side of every deal, and whether the value on the books would survive a downturn.

What follows is not a compliance checklist. RERA, the Companies Act and the SEBI listing rules already supply those, and a developer can satisfy every one of them while the board remains unable to read the three things that actually decide the company's fate. This issue is about closing that distance — between a board that is correctly constituted and a board that is genuinely equipped.

It is written for the people who choose directors: the chairperson weighing a familiar name against an unfamiliar capability, and the promoter deciding whether the board is there to reassure or to interrogate. The case we make is that the second is the more valuable, and the harder to find — which is exactly why it must be searched for rather than recognised.

WHAT IS IN THIS ISSUE

HOW TO READ IT

Sections One to Three move from the risk, to the director, to the question that tests for them. Read the exhibits as the argument in miniature — each one is the case a page makes, drawn.

> *"The escrow account tells you where the law says the money should be. It does not tell you whether the board would notice if it moved."*

01

The *property balance sheet*

SECTION ONE

Every sector has a dominant risk. In real estate it is financial and it is structural: capital is committed years before it returns, and the gap between the two is bridged with debt and with buyers' money.

This section sets out the three things a property board must watch above all others — cash, counterparty, and carrying value — traces where the money actually goes, and shows the floor RERA built and where it stops.

1.1 — WHAT THIS BOARD MUST WATCH

Three risks, and they are all about *money.*

Strip away the brochures and a real-estate board exists to watch three things no other sector weighs so heavily at once. The first is **leverage and liquidity**: capital is sunk into land and construction years before a rupee of sale is realised, and the gap is bridged with debt that must be serviced through a property cycle the company does not control. The second is **cash ring-fencing**: buyers' money is collected for a specific project, and the classic failure of the sector is to fund yesterday's delayed tower with today's new launch. The third is the **related party**: the promoter is frequently also the landowner, the contractor, or the joint-development partner.

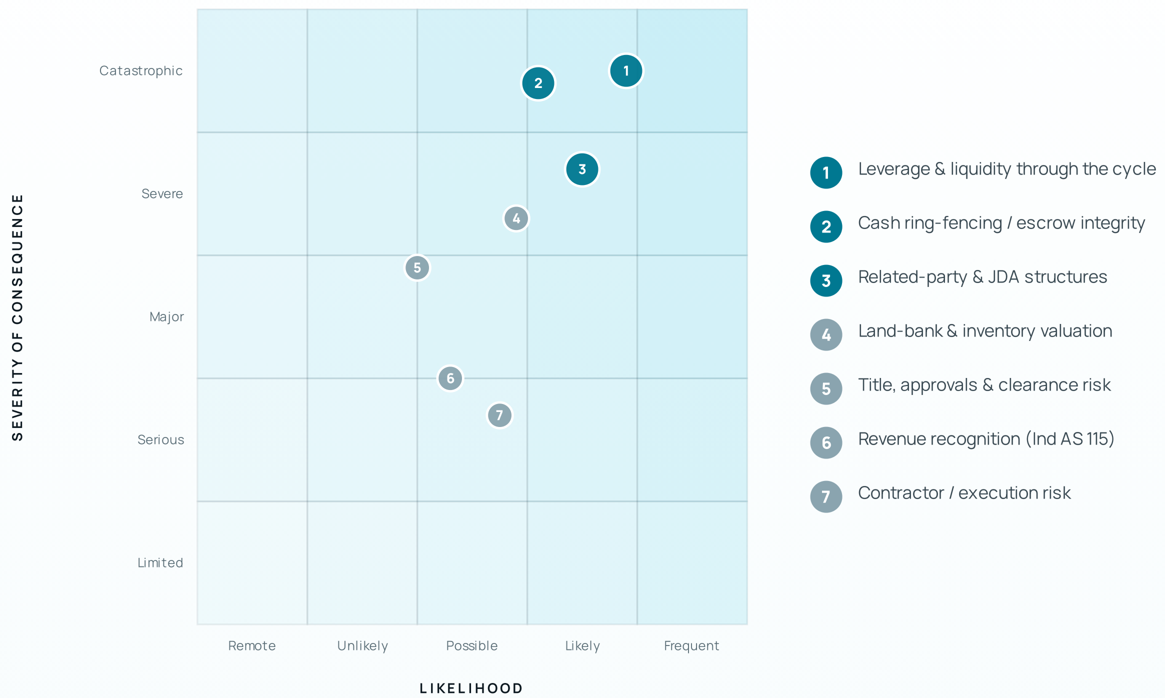
The matrix opposite plots these against the two dimensions a board should weigh — how likely a risk is to materialise, and how severe it is when it does. What it shows is uncomfortable: the gravest risks are not the operational ones a site visit would surface, but the financial ones that live in the structure of the balance sheet, where they are least visible and most likely to be taken on trust.

Notice what unites the cluster in the top-right. Each is a question about where money sits, where it moves, and who is on the other side of it. A director who has only ever read a profit-and-loss statement — however senior — is not equipped to follow the cash through a project structure. That is the gap this issue is about, and the rest of the section traces it to its source.

> *A property company rarely fails on its profit-and-loss. It fails on its cash flow, one timing mismatch at a time.*

EXHIBIT 01 FACT PERSONNEL

The property risk map: likelihood against severity



The agenda is financial, not operational. *The three risks in the top-right band — leverage, escrow integrity and related-party structures — are both more likely to bite and more severe when they do, and all three are balance-sheet questions a board of operators and generalists can wave through. Positioning reflects Fact Personnel's framework, not a statistical survey.*

1.2 — FOLLOW THE RUPEE, NOT THE BALANCE

The cash on the books is mostly already *spent.*

The single most useful thing a property director can do is refuse to read the cash balance as a number and insist on reading it as a journey. A developer that reports a comfortable cash position may, on inspection, have almost none of it genuinely free: the bulk is buyers' money held in escrow against projects not yet built, and the cost of finishing those projects has first claim on every rupee of it.

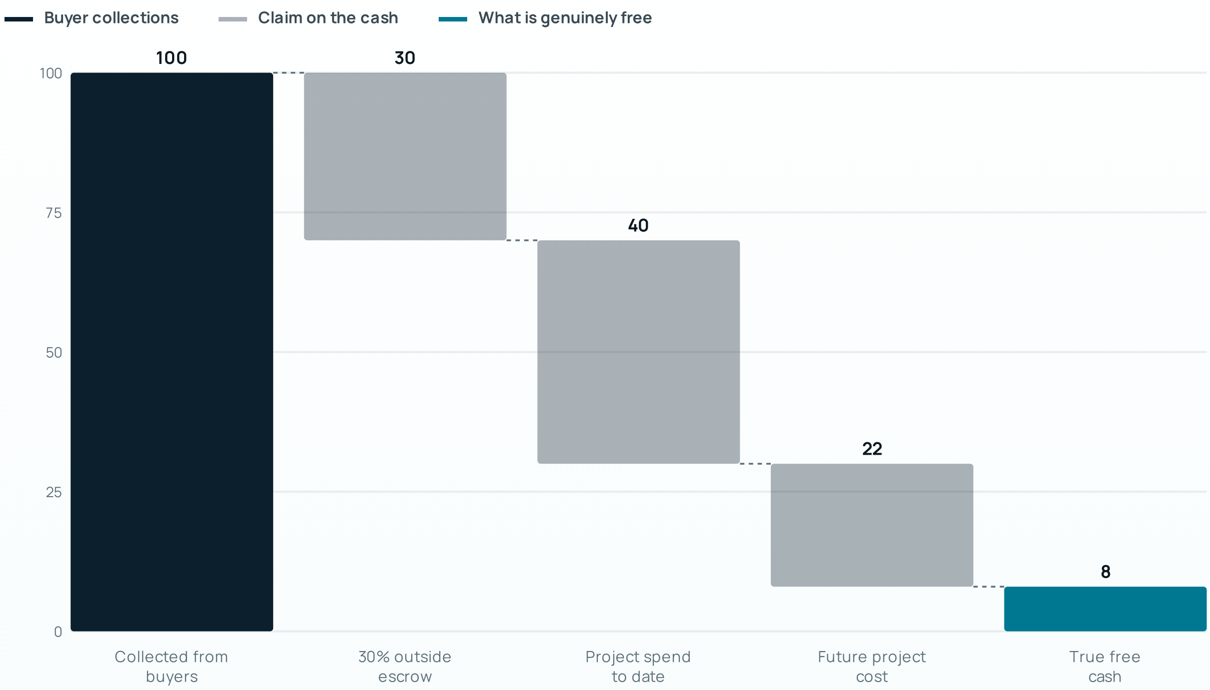
The waterfall opposite traces a representative hundred. Thirty per cent sits outside the escrow ring-fence and is freely usable from the day it is collected. The seventy inside escrow looks like a reserve, but it is not the company's to spend — it is the buyers', held in trust to complete the work they have paid for. Strip out the project spend already incurred and the cost still to come, and what remains genuinely free is a sliver.

This is why a developer can be solvent on paper and illiquid in practice, and why the sector's failures so often arrive as a surprise to a board that was watching the wrong number. The danger is rarely fraud; it is timing — a launch delayed, a sale slower than modelled, a refinancing that does not roll — against a cash position that was never as free as it looked.

A director who reads the journey rather than the balance asks the questions that matter: how much of this cash is genuinely unencumbered, what happens to liquidity if sales slow by a quarter, and where — precisely — would the group find the money to finish a project whose own escrow ran short.

EXHIBIT 02 FACT PERSONNEL

Where a rupee of buyers' money actually goes



The headline cash balance flatters the truth. *Of every 100 collected, RERA frees 30 immediately, while the 70 in escrow is already spoken for by the cost of finishing the very project that raised it. The 'free' cash a board sees is a sliver — and the temptation to borrow against the rest, or shuffle it between projects, is exactly where developers come undone. Illustrative; Fact Personnel framework.*

THE LESSON Escrow makes cash look safe and abundant. The board's job is to read past the headline to the encumbered reality, and to know how little would actually be free if a single assumption in the sales plan slipped.

1.3 — A REAL FLOOR, AND WHERE IT STOPS

RERA tells you where the cash must *sit.*

India's real-estate regime was, like the independent-director regime before it, a response to real failure — buyers stranded in unfinished projects while their money funded other ventures. The Real Estate (Regulation and Development) Act, 2016 answered with force, and its provisions have genuinely changed the sector's conduct.

No project may be marketed or sold until it is registered with the state authority;[1] at least seventy per cent of the amounts collected from buyers must sit in a separate escrow account and be spent only on that project, with each withdrawal certified by an architect, a chartered accountant and an engineer;[2] and a promoter may not take more than ten per cent as advance before a written agreement for sale is signed.[3] A five-year structural-defect liability and a state appellate tribunal complete the apparatus.[4]

It is a serious framework. But — as the timeline opposite makes plain — a rule that fixes where money must sit cannot tell a board whether that money is quietly fungible across a group's projects, whether the land beneath the project came from a related party at a fair price, or whether the unsold inventory on the books is worth what the books say. Those are not compliance questions. They are the board's, and no statute will ask them on its behalf.

The distinction matters because compliance and effectiveness are easy to confuse, and the confusion is expensive. A developer can file every RERA return on time, maintain every escrow account to the letter, and still run aground — because the failures that sink property companies happen in the spaces the law leaves open: the inter-project transfer that is technically permitted, the land bought from a promoter affiliate at a price no one independent tested, the inventory carried at a cost the market has quietly left behind.

This is the line the rest of this brief walks. The law gets a developer to the floor; the board has to build everything above it. And building it well depends less on adding another committee or another return than on whether a single person in the room can read the cash, the counterparty and the carrying value — and is willing to say so when the answer is uncomfortable.

EXHIBIT 03

FACT PERSONNEL

The floor RERA built — and where it stops

2016	RERA enacted A national floor for a sector that had abandoned buyers in stalled projects.
2017	Authorities & rules live States constitute their own regulators; registration begins.
§ 3	Registration before sale No project marketed or sold until registered with the State authority.
§ 4(2)(l)(D)	The 70% escrow Buyer money ring-fenced per project; withdrawals tri-certified.
§ 13	Advance capped at 10% No more than 10% taken before a written agreement for sale.
§§ 14–20	Remedies & tribunal Five-year defect liability; an appellate tribunal for disputes.

WHAT IT LEAVES TO THE BOARD

Fungibility. Escrow is per project; nothing lets a board see cash shifted across a group's projects.

The counterparty. RERA governs the buyer relationship — not the related-party land deal behind it.

The valuation. No rule certifies that the land bank and unsold inventory are carried at a number a downturn would respect.

RERA raised the floor decisively; it did not build the board. *The tri-certified escrow withdrawal is a real safeguard. But fungibility, the counterparty and carrying value remain governance questions, not compliance ones. Sources: Real Estate (Regulation and Development) Act, 2016, ss. 3, 4, 13, 14–20.*

THE LESSON RERA carries a developer to 'compliant' and stops at the project boundary. The board's job begins where the escrow account ends — at the group, the counterparty, and the carrying value.

02

The director *this board is missing*

SECTION TWO

The conventional property board is built of trusted names — a retired banker, a senior chartered accountant, a respected promoter peer. Each is valuable. Together they tend to read the same things well.

What is missing is someone who can follow money through a project structure and interrogate a related-party deal without flinching. This section measures that gap, and shows where the capability actually lives.

2.1 — THE CAPABILITY THE BOARD DOESN'T HAVE

A board of names, blind in the same *place.*

The default real-estate board assembles the same respected archetypes, and inherits their shared field of vision: strong on relationships, on broad financial literacy, on the deal — and thin on exactly the things this sector turns on. Few of its members have ever had to trace buyers' money through an escrow structure, read a joint-development agreement for the related-party risk hiding in its economics, or challenge the carrying value of a land bank the promoter is personally attached to.

The radar opposite plots the need against the supply across the six capabilities that matter most. The outer polygon is what an effective property board requires on each axis; the inner one is what a conventional shortlist typically brings. The space between them is the gap — and its shape is as telling as its size, pulling inward most sharply on related-party scrutiny and the independence to act on it.

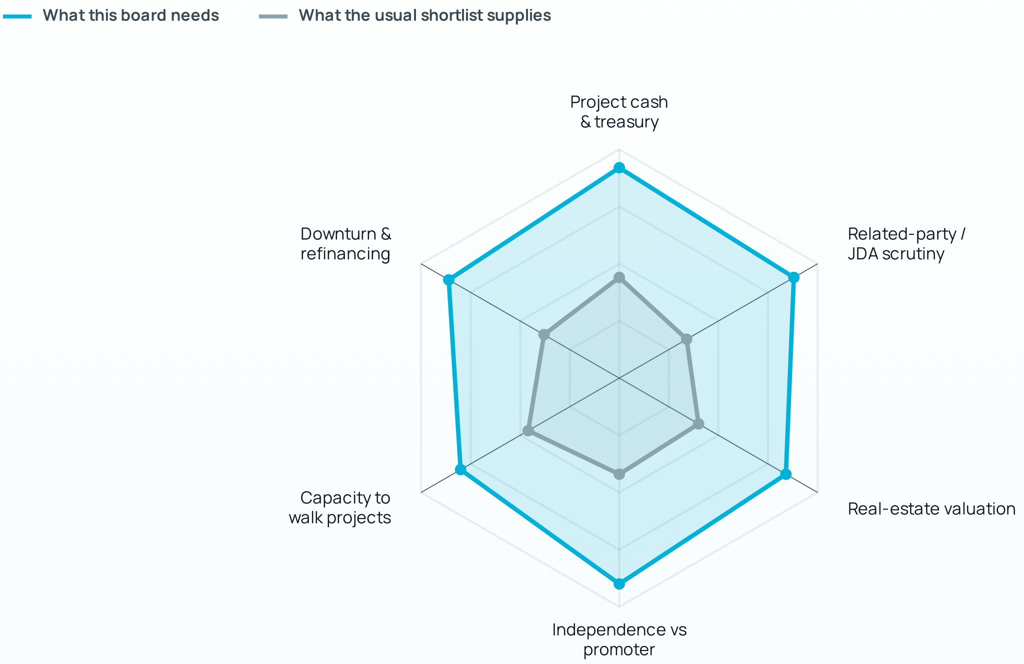
That pairing is not a coincidence. When the promoter is also the landowner and the counterparty, independence is not a formality — it is the daily willingness to ask whether a deal that enriches the promoter group is fair to the company. A director recruited for comfort will not ask it. A director recruited against the gap will, and will keep asking until the answer is evidence rather than reassurance.

None of these capabilities is rare in the market. They are simply not the ones a property board's usual shortlist is built to screen for — which is precisely why they have to be searched for deliberately, against the brief, rather than recognised from a familiar name.

> *The promoter you must question is often the person who invited you onto the board. That is the test the CV never shows.*

EXHIBIT 04
FACT PERSONNEL

The capability gap, across six dimensions



The shape tells the story: a wide outer need, a narrow inner supply. *On every axis that matters to a property board, the conventional shortlist falls well short — and the two widest gaps, related-party scrutiny and the independence to use it, are the ones that decide whether a board can govern a promoter-landowner at all. A qualitative reading of our searches, not a statistical survey.*

2.2 — SEARCH WHERE THE CAPABILITY LIVES

Not a bigger name — a different *mind.*

Once the gap is named, the search changes shape. It stops looking for the most reassuring property name and starts looking for the person who can read this balance sheet: a structured-credit or project-finance background that has lived through a downturn, a former regulator or audit leader fluent in escrow and disclosure, or an operator one rung below the C-suite who has actually managed project cash.

The quadrant opposite is the uncomfortable picture most boards would draw of themselves if they were honest. The horizontal axis is how often boards actually look in a given place; the vertical axis is how well that place fits the gap this sector exposes. The names boards reach for by reflex cluster in the bottom-right — frequently searched, poorly fitted. The minds that close the gap sit in the top-left: high fit, rarely searched. The entire task of a good search is to move the board up and to the left.

It also changes the test of capacity. A property board seat is not honorary: it requires reading detailed project-level data and, on occasion, walking the sites. A director on too many boards cannot do either — so the search must weigh head-room and the willingness to show up as seriously as it weighs pedigree.

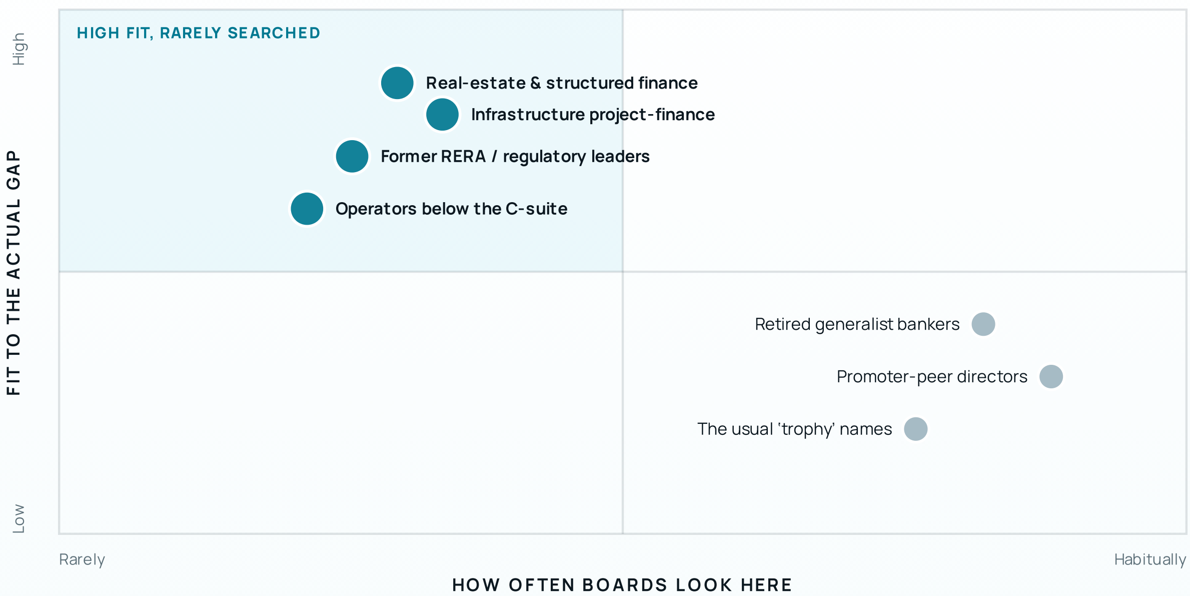
None of this makes the comfortable appointment wrong in every case. It makes it a choice that should be examined rather than assumed — and weighed, deliberately, against the candidate the brief actually calls for.

In practice the search runs in two passes. The first maps the gap in writing — the three or four capabilities this particular board lacks, stated against its actual portfolio, leverage and promoter structure. The second goes looking for them where they live, usually a professional world or two away from the chair's network. The result is a shortlist that a show of hands in the room would never have produced.

EXHIBIT 05

FACT PERSONNEL

Where the missing capability actually lives



The capability is in the market — just not where boards habitually look. *The minds that fit the gap (top-left) sit in structured credit, project finance and regulation; the names boards reach for by habit (bottom-right) are the most comfortable and the least equipped for this balance sheet. A search mapped to the brief moves the board up and to the left. Illustrative; Fact Personnel framework.*

THE FIX Map the capability across real-estate finance, infrastructure and regulation — not across the chair's contacts. The right director for a developer's board is found in a different room from the one the board usually recruits in.

03

The question *that earns the seat*

SECTION THREE

Issue No. 01 argued that a board should assess against the brief, not the résumé — testing for the qualities a CV cannot certify: courage, capacity, curiosity.

In real estate that test has a single organising question, and it has three parts. A candidate who can answer all three with real fluency is the director this board is missing.

3.1 — THE QUESTION THAT EARNS THE SEAT

Where is the cash, who is the counterparty, is the value *real?*

For a real-estate board, the whole assessment collapses into one question asked three ways. **Where is the cash** — is it genuinely ring-fenced per project, or fungible across a group that can move it faster than the board can see? **Who is the counterparty** — on every material land deal and joint development, who is on the other side, and is it the promoter group? **Is the value real** — would the land bank and unsold inventory survive a downturn at the number on the books?

The table below turns each part into something you can actually test in an interview, because the point is never to hear a candidate agree that cash, counterparty and value matter — everyone agrees — but to watch whether they can demonstrate the habit of mind under questioning. The good signals are concrete; the red flags are abstractions delivered with confidence.

A candidate who answers all three with concrete fluency is closing the gap this board was built blind to. A candidate who answers in the abstract is the comfortable choice whose cost stays invisible until a cycle turns — at which point the board discovers, too late, that it never had anyone able to ask.

The three questions are deliberately ordered. **Where is the cash** comes first because liquidity is what kills a developer fastest; a board that cannot read it is exposed every quarter, not merely in a crisis. **Who is the counterparty** comes next because the related-party deal is where value leaves the company quietly, in good times, with everyone's assent. **Is the value real** comes last because it is the slow risk — the one that compounds invisibly on the balance sheet until a downturn forces the write-down the board should have seen coming.

A director who can hold all three at once is rare, and worth searching for precisely because of it. The table opposite is how we test for that director — not by asking whether they value rigour, but by asking them to show it, on a real deal, under real questioning.

EXHIBIT 06 FACT PERSONNEL

The questions that reveal what the CV cannot

QUALITY	WHAT TO PROBE	A GOOD SIGNAL	A RED FLAG
• **Where is the cash?**	Walk a project's cash from collection through escrow to drawdown. Ask how the group funds delays.	Traces the money concretely; names the fungibility risk unprompted.	*Talks of 'strong liquidity' in the abstract; cannot follow one project's cash.*
• **Who is the counterparty?**	Take a recent JDA or land purchase; ask who sat on the other side and how the price was set.	Knows to look for the related party; asks who valued the land.	*Treats related-party deals as routine; defers to the promoter on fairness.*
• **Is the value real?**	Probe how unsold inventory and the land bank are carried, and what a 20% price fall would do.	Stress-tests the carrying value; distinguishes cost from realisable value.	*Accepts book value; has never modelled a downturn on the balance sheet.*
• **Independence**	Ask for a time they opposed a promoter on a related-party deal, and what it cost them.	A concrete instance; comfortable being the dissenting voice.	*Cannot recall dissenting; frames challenge as disloyalty.*
• **Capacity**	Count the other boards, honestly, and ask when they last visited a project unannounced.	Head-room, and an instinct to see the site, not just the pack.	*A full slate; governs property entirely from the boardroom.*

Each question asks for evidence, not assertion. *Anyone can claim financial rigour; far fewer can trace one project's cash, stress a land bank's value, or name the deal they opposed. Listen for the difference between a description of diligence and a demonstration of it. Illustrative; Fact Personnel framework.*

REMEMBER The seat is not earned by seniority or a property pedigree. It is earned by the ability to ask, and follow, the cash — through the escrow, across the group, and into a downturn the current board has not modelled.

EFFECTIVENESS

A compliant developer keeps the cash where the law says. An effective board knows where it actually is.

IN CLOSING · REAL ESTATE & INFRASTRUCTURE

IN CLOSING

The compliant developer keeps the cash. The effective board *finds it.*

RERA built a strong floor under the Indian developer — registration, a per-project escrow, public disclosure. That floor was hard-won and it matters. But a floor tells a board where the cash may not fall; it cannot tell it where the cash actually is.

The effective property board is built above the floor, by choices the rulebook never makes. It recruits a director who can read a project's cash, an inventory's value, and a related party's deal — and who will ask the unwelcome question even when the promoter who invited them onto the board is on the other side of the table.

None of this is exotic. It is ordinary financial diligence, applied to a balance sheet most boards still read at the level of the profit-and-loss. The developers that govern well are not cleverer than the rest; they are simply unwilling to leave the question of where their cash is to whoever was easiest to appoint.

For chairpersons and promoters, the implication is a brief, not a burden: decide whether your board can genuinely follow your cash, your counterparties and your carrying values — and if it cannot, go and find the person who can. That person will make your board measurably harder to surprise.

FACT PERSONNEL'S VIEW

In real estate, governance is the discipline of knowing *where the cash is, who is on the other side, and whether the value is real* — and appointing the one director who can tell you. That is search work, not box-ticking. It is the work we do.

SOURCES & NOTES

Where the facts come *from.*

This is an original Fact Personnel perspective. The argument and all exhibits are our own; the regulatory statements are summarised in our words from the primary sources below and were verified as current at preparation. Exhibits marked 'illustrative' present our framework and search experience, not statistical research.

1 **Real Estate (Regulation and Development) Act, 2016 — s. 3**
Mandatory registration of a real-estate project with the State authority before any advertising, marketing or sale; applies above the prescribed plot-size and unit thresholds.

2 **RERA, 2016 — s. 4(2)(l)(D)**
At least 70% of the amounts realised from allottees to be deposited in a separate account and used only for that project; withdrawals certified by an architect, a chartered accountant and an engineer.

3 **RERA, 2016 — s. 13**
A promoter may not accept more than 10% of the cost as an advance or application fee without first entering into a written agreement for sale.

4 **RERA, 2016 — ss. 14, 18 & 20**
Five-year structural defect liability; allottee remedies for delay; and the establishment of a State Real Estate Regulatory Authority with an Appellate Tribunal.

5 **SEBI (LODR) Regulations, 2015 — Reg. 23**
Audit-committee approval and disclosure of related-party transactions for listed developers, alongside Companies Act, 2013, s. 188.

6 **SEBI (REIT) Regulations, 2014**
Governance, disclosure and related-party framework for listed Real Estate Investment Trusts, where the structure applies.

ABOUT FACT PERSONNEL

We find the people the role was *waiting for.*

Fact Personnel is a Mumbai-based leadership search and advisory firm. We help boards and chief executives across India's major sectors find — and build the conditions for — the leaders and directors who change what a company is capable of.

Board Search
Independent and non-executive directors recruited against the gap, not the address book.

Executive Search
CEO and C-suite mandates across our eight sectors.

Leadership Advisory
Board composition, evaluation and effectiveness.

Succession Planning
Orderly transition at the top, before a crisis forces it.

Market Mapping
A clear-eyed read of where the talent — and the gaps — actually are.

The Boardroom Brief
Our periodic perspective on boards and the practice of governance.

> **Next in this series**
> Issue No. 03 takes the manufacturing & engineering boardroom — where the dominant question is whether the next expansion beats its cost of capital, and whether the plant is safe. Issue No. 04 takes chemicals & process, and the worst that can happen.