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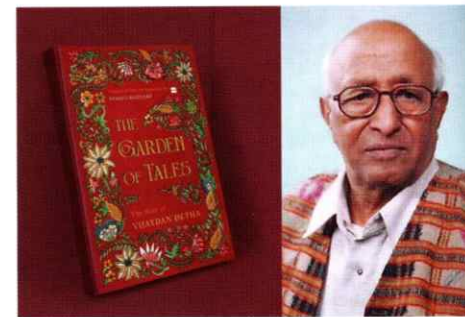
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S T R A T E G I S I N G DEEP VALUE INVESTMENT

Pawan Bharaddia and **Ssuneet Kabra**, co-founders of **Equitree Capital Advisors**, lay great store by the *Baniya* style of functioning ingrained in them, attributing their success as 'deep value investors' to it.

Text  Joseph Rozario



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he Marwari community's inclination and talent for business is known all over the world. A lesser-known story is that of the Marwari Baniya, a sub-set of the community, whose traditional knowledge of business accumulated and perfected over centuries makes its members truly exceptional in the art of running successful businesses. Meet two such members of the Baniya community, Pawan Bharaddia and Ssuneet Kabra, whose thirst for enterprise led them to give up their cushy jobs and become partners in launching Equitree Capital Advisors. The well-known Mumbai-based investment firm focusses on investing in listed micro- and small-cap emerging businesses with strong managements and bright growth prospects.



Pawan Bharaddia & Ssuneet Kabra, co-founders, Equitree Capital

“ Between the two of us, we bring in a unique combination of uncommon common sense approach to investing and my professional background

Investing the Baniya way

Bharaddia and Kabra are chartered accountants by profession. Fate brought them together at the office of Kailash Chand Jain & Co., where they had trained for their CA Articleship. Ever since they have been friends. As true blue Baniyas, they take pride and bet on the traditional knowledge and expertise that is characteristic of the community or the Baniya buddhi as it is called. The cornerstone of their success is the ‘uncommon common sense approach’ of the Baniyas. “Between the two of us, we bring in a unique combination with Ssuneet’s ‘uncommon common sense’ approach to investing and my background as a professional investor,” says co-founder, Bharaddia. Their functions have been clearly laid out. While Bharaddia is Chief Investing Officer at Equitree, Kabra handles client management and compliances.



“ We decided to invest in listed markets but in small companies, where we could pull out small money and make an exit whenever we wanted—unlike private equity

*Clockwise:
Pawan &
Ssuneet in
their early
days; With
wives Kruti
& Abha;
Ssuneet with
PV Sindhu*

The partners follow their maiden ‘Equitree Emerging Opportunities’ strategy in investing, integrating a Baniya-inspired pragmatic approach to business with the fundamentals of deep value investing. This involves zeroing in on small and micro caps that are under-researched, under-covered and under-owned, but come at attractive valuations, have high growth visibility and strong managements at the helm.

Taking the plunge

Bharaddia’s career in investing began with an opportunity to train at Morgan Stanley. Later, he worked with Chase Manhattan Bank and ABN Amro Bank and in the year 2000, he moved on to private equity funds, working in senior positions in private equity firms like Nine Rivers Capital and Axis Holdings & Frontline Ventures.

As for Kabra, after completing CA in 1998, he worked for Standard Chartered Bank for some time before starting his own practice, wherein he was an in-house advisor to a number of small- and mid-sized companies for their

financial needs and tax matters. During 2010, his Baniya instincts kicked in and he started Equitree Capital.

For the first two years, Kabra focussed on investment banking. In 2012, he along with his dear friend Pawan Bharaddia had a brainwave: that they could combine their strengths—given Bharaddia’s expertise in investing and Ssuneet’s experience in traditional CA practice. So, they took the plunge. “We decided to invest in listed markets, but in small companies, where we could put small money and make an exit whenever we wanted—unlike private equity where you need big money and exit is difficult,” reminisces Kabra.

The duo began with a small capital, their own plus some taken from family and friends, and invested in small and micro-cap companies. In two years, they liquidated, realising an IRR (Internal Rate of Return) of about 40 per cent. In the next round of investing, they once again exited after 2-3 years, with an IRR of about 38 per cent. These successes spurred the duo to scale greater heights, and in 2017 Equitree Capital applied for a Portfolio Management Services (PMS) licence with the Securities and Exchange Board of India (SEBI).

An outstanding growth chart

As SEBI registered portfolio managers, Equitree Capital initially desisted from raising third party capital. Then Covid-19 broke out. Stock prices decimated, providing a fantastic opportunity to buy into good quality businesses, and Equitree started raising third party capital (from high net-worth investors, corporates, institutional investors and so on). As the pandemic eased, these businesses

stabilised—as Bharaddia and Kabra had projected—bringing in an IRR of 45 per cent from April '20 to March '23. It was a windfall!

“In terms of AUM, we started with ₹ one crore which was our personal capital. After 2020, we started taking third party capital and now we are managing ₹ 125 crore!” summarises Bharaddia.

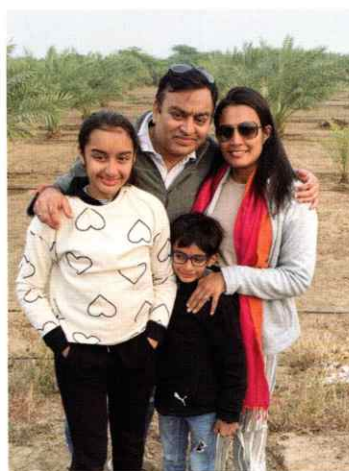
Future outlook

Going ahead, Equitree envisages a robust growth, given its past performance and that its current portfolio has outperformed the benchmark NSE SmallCap 100 index by almost 11 per cent consistently over the last three years. “We want to see ourselves managing a portfolio of around ₹ 1,000 crore in the next five years!” insists Kabra.

His optimism may be well-founded, considering that Equitree stood amongst the top 10 per cent best performing fund managers in India consistently for the last three years culminating in getting a 4-star rating from CRISIL, in association with PMS Bazaar (a digital platform that tracks the performance of over 350 investment managers).

Away from business, Kabra is passionate about badminton and has been playing various inter-club tournaments as a part of National Sports Club of India’s (NSCI) badminton team. He lives with his wife Abha and sons Sparsh (19,) and Nishkarsh (13) in Mumbai. Bharaddia too lives in Mumbai with wife Kruti, daughter Divija (15) and son Kriyansh (9) and is an avid reader.

With their core competencies, a pragmatic business-like approach and an uncommon common sense to investing, they have bright prospects and promising returns ahead. *



Pawan & Ssuneet with their families; Below: With office team during Diwali celebration



TIME-TESTED BANIYA PRECEPTS

- **Having a sharp eye for detail:** This involves getting into the finer details of the businesses Equitree invests in, right from understanding the macro-opportunities to sales cycles and unit level economics
- **Giving importance to cash flows:** Cash flows are often a better indicator of a company’s performance than margins
- **Being debt averse:** The underlying rationale being that during a downturn, interest costs can pose survival risks for a company
- **Acute sense of costing:** Analysing a company’s cost structure and sustainability of margins helps in assessing the longevity of the business and assigning the right valuation to it
- **Deploying savings at the right time:** That is making best use of opportunities such as buying assets during a downturn or employing a staggered approach to investing, when that is needed