# Hope Govt does not tinker with capital gains tax: Alchemy Capital

bl. interview

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Hiren Ved, Co-Founder and CIO, Alchemy Capital Management, is bullish on auto and auto ancillaries and capital goods in 2023. In a conversation with businessline, Ved, who has 25 years of experience in the equities market, spoke about the PMS industry's expectations from the Budget. Edited excerpts:

**What do you expect from the Budget, especially from PMS and AIF perspective?**

What would be important is that from an economy perspective, we are looking at: One, the government should focus on fiscal consolidation, and continue to spend on capex or capital expenditure or on infrastructure. The last Budget saw an allocation of almost ₹7.5-lakh crore for capital expenditure. This year, we expect over ₹8-lakh crore to be allocated, a 15 per cent increase from last year.

Second, on the taxation perspective, there is a talk of rationalisation of capital gains tax. I hope there is no increase in the tax rates, because India is a capitalist economy.

We have seen how household retail investors have put their faith in the markets, providing capital for companies to grow.

We hope the government does not tinker with the tax rate. There is some rationalising the time period — for example, long-term capital gains on equities is one year; but for other assets, it is two/three years. Third, PMS is not considered a qualified institutional buyers.

The government should allow PMS to participate in IPOs and as anchor investors and provide capital. We expect the government to continue to allocate more and incentivise companies to do more capex.

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> Co-Founder and CIO,
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**How would FY24 be?**

I think 2022-23 was a little bit of a tough year. Because of the Russia-Ukraine crisis, energy prices went up, costs went up, there was a dislocation in supply chain. If you really look at the results of companies, while the top line was quite robust, the bottomline was impacted because of the impact on EBITDA margins with higher raw material, energy and power costs.

We believe that it is settling down now — oil has come back below $90 a barrel, while the war is still on. To that extent, the uncertainty is still there. We think that 2023-24 should be a decent growth year for India and some of the margins that the companies have lost outright, should be able to claw back in 2023-24, because commodity prices have fallen.

Margin should improve in the fourth quarter of this year, and the next year as well. This year, the monsoons are reasonable and if the government spends on rural infrastructure, this being the last year before elections, we are hoping for a revival in rural demand as well.

**Which are the sectors that would see investments going forward?**

I think the first quarter could be where the markets are consolidated. This is also happening because we have seen negative flows from FII in the beginning of this calendar year. They are moving their investments to China — the whole opening up of that economy, and to fixed income — it may be attractive for some investors to invest in fixed income.

In terms of sectors, we are bullish on auto and auto components, capital goods, select pharma companies and private sector banks.