Choosing the right financial planner is a wise investment, say experts
Discussing scope of work will enable the registered investment advisor to decide the right fee

HAVE THE RIGHT RISK-RETURN EXPECTATIONS
Beware of an advisor who promises high, market-beating returns
Such an advisor could expose you to more risk than you can stomach
Discuss with the RIA what a plausible rate of return is
Quiz the RIA about the steps he will take to mitigate risk
Go with a person with whom you are comfortable discussing both your aspirations and vulnerabilities
Do at least a Google search to avoid going with someone against whom there has been regulatory action

October 6 is World Financial Planning Day. If you have not got a financial planner yet, but feel having one will help you achieve your life's key financial goals, today is the right day to kick your plan into action. Go with a Sebi RIA The person offering financial planning should be registered with the Securities and Exchange Board of India (Sebi) as a registered investment advisor (RIA). “This is the first qualification you should look for,” says M Pattabiraman, founder, Freefincal.com. Sebi's website has a list of all RIAs in the country. When you meet the RIA, explain the scope of work you expect. Younger investors often want just onetime help with a basic plan. Those with higher net worth require continuous hand-holding. “Discussing the scope of work will enable the RIA to decide the right fee,” says Deepesh Raghaw, founder, Personal Finance Plan, a Sebi-registered investment advisor. A written agreement must be signed between the RIA and the client. “It should not contain any clause that hands over discretionary powers to the advisor,” says Rajesh Krishnamoorthy, country head, financial planning standards board, India Liaison Office. Get one clause inserted into the standard agreement. “It should state that the advisor cannot earn a fee on any product suggested by him,” says Avinash Luthria, a Sebi-registered investment advisor and founder, Fiduciaries. This will help plug any regulatory loophole. “Sebi's rules only mandate that the advisor shouldn’t earn a commission from Sebi-regulated products. An unscrupulous RIA could try to earn commissions on products under other regulators,” adds Luthria. Get clarity on fee Sebi allows RIAs to charge a fee based on one of the two models: fixed fee or percentage of assets under advice (AUA). It has stipulated certain limits on both. An RIA can’t charge more than ~1.25 lakh a year under the former, or more than 2.5 per cent under the latter. Get clarity on the fee you will pay from the second year. The effort required from the RIA reduces. “A recurring fee that is 50 per cent of the initial fee is fair,” says Pattabiraman.
Fixed fee: Race to the bottom the fixed fee is stated in Indian currency, so the client knows how much he has to pay annually. When stated as a percentage of AUA, some investors may not realise how much they will end up paying over the long term. However, this structure often shifts the focus entirely to the fee. Clients gravitate towards RIAs who charge less. RIAs then begin to compete on fee. They do so by devoting fewer hours to each client, offering standardised portfolios, and not dealing with specific problems of clients. This shortcoming can be overcome if clients agree to pay more for extra service rendered. Percentage of AUA: Scope for conflict Here, the RIA is able to charge more from clients with larger portfolios, which usually require more work. However, consider a few nuances. One is the exact percentage charged. If it is 0.25 per cent, it is a good deal. But if it is 0.75-1 per cent, the usual range, that could be a considerable sum over a lifetime. “Ensure there is a connection between the quantum of effort put in by the RIA and the fee,” says Luthria. Conflicts of interest can arise. Suppose a client wants to pull money out of his mutual fund investments to prepay a home loan. Will a financial planner on this model, knowing his fee will plummet, advise him to do so? This model carries another big risk. “The RIA wouldn't want to lose a high-net-worth client paying 0.75-1 per cent of AUA each year, so he may suggest complex products. Since the client wouldn't understand

them, he will continue to pay the high fee and stick to the RIA. Whether such products add value to the client is questionable at best," adds Luthria.

Prevent auto-debit failure by re-registering
If bank and service provider are not compliant, pay manually

HOW THE NEW PROCESS DIFFERS FROM THE OLD ONE

Particulars	Old process	New RBI-compliant process
Registration of e-mandate at merchant site	1st transaction with OTP/other AFA Tick box for subsequent auto payment	1st transaction with OTP/other AFA Register for e-mandate, with validity period and maximum amount Bank/merchant to provide facility to view/modify/cancel e-mandate
Subsequent transaction	Auto charge to card, without OTP/other AFA	Auto charge to card, without OTP/other AFA but only when original transaction was with AFA/OTP For transactions >5,000, AFA required under new RBI e-mandate guideline
Pre-transaction notification	Not provided	Customer will get pre-debit notification 24 hours earlier, with details of upcoming e-mandate charge, date, amount, merchant name and reference number
Opt-out facility pre-transaction	Not provided	Pre-debit notification will provide link leading to customer portal where view/modify/cancel options will be available
Post transaction notification	Regular transaction notification	Customer will get post-debit notification, with date, amount, merchant name & reference number
opt out facility on bank website	Not provided	Customer can access Merchant Standing Instructions on the login page of our bank's website and withdraw from merchant registered e-mandates anytime
Maximum cap for recurring	No limit	Rs. 5,000 per transaction. Customer has to auth-transaction enticate transaction via OTP for higher amounts

The Reserve Bank of India (RBI)-mandated changes to auto-debit rules have come into effect from today (October 1). There is a possibility that many of your recurring auto-debit payments may not go through. Adhil Shetty, chief executive officer (CEO), BankBazaar, says, “The RBI has mandated the digital payments ecosystem to build and integrate into a common bill payment system, with a view to make cards-not-present transactions safer. The new rules apply to recurring payments via debit and credit cards, Unified Payments Interface (UPI), and prepaid cards.”

Recurring payments may not go through
Two things will happen. Anand Kumar Bajaj, founder, managing director (MD) and CEO, Pay Nearby, says, “Now your bank will not approve any standing instruction (e-mandate for processing recurring payments) given at a merchant website or application (app), on your card or UPI, unless it is according to the RBI-compliant process.” Suppose you have permitted services such as Netflix, Amazon Prime, Spotify, Google, Gaana, telecommunications company (post-paid), insurer, etc to auto charge your card regularly. If the card issuing bank and the merchant are both not compliant with the RBI’s new process, then such recurrent payments will be declined. These new rules apply to international news sites as well. Your loan equated monthly payments (EMIs) should go through. Raghu Bhargava, chief technology officer and product head, InCred Finance, says, “Loan EMIs go from savings accounts, not cards, and hence, will go through.” EMIs paid from current accounts will also not be affected. Mutual fund systematic investment plans (SIPs) are unlikely to see material impact. Jimmy Patel, MD and CEO, Quantum Asset Management Company, says, “Very few SIPs are via debit cards. Most are through the electronic national automated clearing house (eNACH) route and hence, won’t be affected significantly.” Payment of insurance premiums, too, won’t be affected if they are via the eNACH route, though card payments will be affected.

Authenticate payments above ~5,000
If the monthly subscription amount for any service exceeds ~5,000, then additional factor authentication (AFA) will now be mandatory. Mandar Agashe, founder and MD, Sarvatra Technologies, says, “For automated debits, your card issuer or bank will now need to send a notification at least 24 hours in advance.” This notification will contain all the information regarding the upcoming debit payment. The link given therein will allow you to provide the AFA.

What you should do
Some banks have already enabled larger merchants for standing instructions (e-mandate for processing of recurring payments) on their cards. Things will be easy for customers of those banks. If you are the customer of a bank that is not yet ready, pay manually.

Option 1: Check your bank’s website for the list of service providers and merchants that have enabled the new common RBI-compliant platform. Register afresh for each such compliant service. Also check with the merchants or service providers with whom you have registered standing instructions earlier. If they are compliant, they will allow re-registration. Kayzad Hiramanek, chief–operations and customer experience, Bajaj Allianz Life Insurance, says, “Customers who haven’t updated their standing instructions can reach out to us, leave a request, and they will be updated immediately.”

Option 2: The second option, if the service provider or merchant is not compliant, is to make payment every month at its website or app. “Make the payment manually every month with your credit or debit card and authenticate the transaction via one-time password,” says Agashe.

Option 3: You can also use your net banking portal to register a variety of billers (electricity, water, gas, post-paid mobile, insurance, etc) for auto payments. In other words, make recurring payments from your savings or current account.

Online fraud thrives during banking hours
65-70% cases between 7 am and 7 pm, finds HDFC analysis

PEAK TIME
Age bracket of defrauded customers

Age	**%**
18-50	90
51-59	5
>60	5

FRAUD DISPUTE TIME ANALYSIS

Period	Time	%
Morning	07:00 am – 11:59 am	24
Noon	12:00 pm – 15:59 pm	28
Evening	16:00 pm – 18:59 pm	18
Night	19:00 pm – 06:59 am	30

At the peak of the economic boom in late 2000, many banks used to offer banking services to their customers from 8 am to 8 pm. As digital transactions gained traction in the following decade, so has online fraud.

An analysis of such online frauds shows that the time preferred by fraudsters to target people also coincides with the peak business hours — 7 am to 7 pm.

A fraud dispute time analysis for the first three months of the current financial year by HDFC Bank — the largest private sector lender of the country — shows 70 per cent of the frauds happened during this 12-hour period.

According to the bank, digital frauds have had a makeover since the beginning of the pandemic and are now becoming sophisticated enough to gain people's trust.

There has been an increase in online mode of payments as compared to physical and paper-based instruments, data from Reserve Bank of India showed. Digital payment systems recorded 26.2 per cent growth in volume during 2020- 21 on top of 44.2 per cent rise in the previous year.

“These scammers do not rely much on technical ways such as hacking to defraud people,” said Manish Agarwal, Head - Risk Intelligence and Control, HDFC Bank.

“In fact, most of the frauds now happen through social engineering. The fraudsters are well aware of current affairs, regulations, etc. and use them as their theme to target customers,” he told Business Standard.

According to Agarwal, fraudsters are generally concentrated in geographies around the metros and urban centres. This is primarily because the reach of law enforcement agencies is strong within metros.

Social engineering is the preferred modus operandi of the fraudsters, as their scripts are generally themed around greed, help, threat and commerce.

They lure the customer with a lottery (greed); promise to help the customer redeem card points; warn the customer to update KYC or risk deactivation of the account (threat). There are also examples of customers initiating a transaction (commerce) by ordering online from an unverified site (claiming to sell liquor, for instance) and thereby falling prey to fraudsters.

“Around 65-70 per cent of cyber frauds happen between 7 am and 7 pm since fraudsters want to gain the trust of their victims. Calling during working hours makes their offers appear more convincing and customers often fall prey to them as the calls appear legitimate,” Agarwal said. Another interesting point revealed by the analysis is that as many as 80-85 per cent of the affected customers are in the age group of 22-50, supposedly a tech-savvy cohort.

“While, technically, almost 80-90 per cent of frauds happen due to customer negligence, many times customers get defrauded even without sharing confidential information,” Agarwal said.

Fraudsters, on the pretext of helping their targets, are now making victims download certain genuine applications (apps) and gaining access to their phones. Hence, without even asking their targets, they are gaining access to confidential information through legitimate apps.

“There are genuine apps that are used by IT professionals to service their customers in different locations. Through these apps, they take control of their customers’ laptops/phones in order to mend and resolve issues,” Agarwal explained.

Apart from asking customers not to share OTP, PIN and other confidential information, HDFC Bank is also asking them not to click any unknown links and make payments on unrecognised e-commerce platforms. “Customers are also being made aware that if someone is promising to send money, it does not require them to share any type of authorisation or PIN authentication,” Agarwal added.

The home ministry has operationalised a centralised helpline number (155260) and a reporting platform where victims can report incidents of cybercrime. The helpline is manned by respective state police departments and reported incidents are handled through the Citizen Financial Cyber Fraud Reporting and Management System, which is integrated with law enforcement agencies, banks and financial institutions.

Margin pressure may hit paper cos in near term

GREEN BOOK

(AS on Oct 06)	CMP (Rs.)	Change YTD (%)
JK Paper	241.5	127.1
Emami Paper Mills	168.3	59.6
West Coast Paper Mills	281.1	57.4
Kuantum Papers	85.4	54.3
NR Agarwal Industries	337.1	52.4
Orient Paper & Industries	30.9	47.8
Seshasayee Paper & Boards	185.9	22.4
Tamil Nadu Newsprint & Papers	143.4	17.2
Andhra Paper	239.8	11.3
Satia Industries	96.5	5.2
S&P BSE SENSEX	59,189.7	24.0

NSE Nifty	50 17,646.0	26.2

Compiled by BS Research Bureau; Source Bloomberg/Exchange

Investor interest in paper stocks appears to be far from over despite the near-term headwinds. Though robust demand supports expectations of strong earnings, analysts caution that the rise in input cost for paper manufacturers is likely to squeeze their margin.

The rally in paper stocks began early September when states further eased Covid-19 related restrictions and announced the re-opening of schools and offices. It picked up pace recently amid reports of likely imposition of anti-dumping duty on decor paper imports from China, and expectations of further price hikes due to an increase in the cost of raw material.

“After the re-opening of offices and schools, paper demand has been robust and price hikes have been seen across all categories. However, due to increased fuel prices and container shortage, the cost of shipping a container of paper overseas has increased. Further, pulp price, the raw material of paper and corrugated boxes, have shot up, too, on demand-supply mismatch,” highlights Likhita Chepa, senior research analyst at Capital Via Global Research.

All these factors, she says, have forced paper manufacturers and distributors to hike prices domestically.

According to industry reports, most paper mills have hiked paper prices by Rs. 2,000-3,000 per mt for October deliveries, after a 10-12 per cent hike last month. Going ahead, Chepa expects paper prices to rise further by 6 to 8 per cent.

On the regulatory front, a September 28 notification by the Directorate General of Trade Remedies (DGTR) has recommended anti-dumping duty between $110 per mt and $542 per mt of decor paper imports from China.

The investigation, which was initiated after a complaint by ITC, revealed that due to increased import (in absolute terms), the profitability of the domestic industry has shown negative growth between April 2016 and March 2020.

Of the 24,227 mt of decor paper India produces, 70 per cent to 80 per cent comes from ITC. Pudumjee Paper Products and Shree Krishna Paper Mills & Industries are the other key domestic manufacturers of the product.

Road ahead

Analysts believe the industry may witness demand uptick during the ongoing financial year on a year-on year basis backed by better paper dem and deem increase in its prices but higher than-expected rise in transportation costs may put pressure on the margin in the near-term.

“We believe with the reopening of the economy and higher demand for paper products in the domestic market, sales will improve. However, high raw material and other expenses may keep margins under pressure,” says Ajit Mishra, VPresearch at Religare Broking.

From an investment view, Likhita Chepa suggests incumbent investors can hold these stocks from a medium-to-long-term perspective but new investors can either wait for a better entry point after a recent run-up or pick stocks from other sectors, which are more likely to benefit from economic revival.

Stock prices of paper companies, such as Pudumjee Paper Products, JK Paper, Emami Paper Mills, and Star Paper Mills, have rallied between 31 per cent and 96 per cent during the past six months, compared with a 22 per cent gain in the Nifty50 index and a 24 per cent rally in the Nifty500 index, ACE Equity's data show.

Since September, the stock prices have gained up to 23 per cent. In comparison, the Nifty50 and the Nifty500 indices are up 4 per cent and 5 per cent, respectively.

Mishra, too, advises investors to be very selective and recommends JK Paper and West Coast Paper from a long-term perspective.

"We expect players like JK Paper to do well going forward in the copier paper space since their Gujarat plant is going on stream. Besides, owing to strong demand from the packaging segment for Boards and Apparel, West Coast Paper is another player which could fare well this fiscal," concurs S Ranganathan, head of research at LKP Securities.