Devina Mehra cautions retail investors against IPO hype, says valuations often unrealistic

Devina Mehra said the market is not overstretched and does not face a major crash risk. She advised investors to maintain their planned equity allocations, noting valuations remain reasonable. Mehra expects earnings to improve in the third quarter after a GST-related delay and reiterated that investors should avoid putting all funds in equity and stay focused on long-term investing.

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Devina Mehra, Founder, Chairperson & Managing Director of First Global, which manages funds worth ₹290 crore as of September 30, 2025, has urged retail investors to remain cautious in the current initial public offering (IPO) market.

Mehra warned that the presence of big-name investors in an IPO should not be seen as a stamp of approval. Drawing on her investment banking background, she explained that many IPOs tend to be overpriced. “If they're not overpriced and they're a good business, you're unlikely to get allocation. So both ways it doesn't work out,” she said.

She advised investors not to invest out of fear of missing out (FOMO). Mehra pointed out that venture capitalists often invest at much lower valuations compared to IPO prices. As an example, she noted that Lenskart's IPO was priced at eight times its last private round, and that many issues include large offer-for-sale components - meaning "all those big names are getting out at the price that you're getting in."

Explaining the role of anchor investors, Mehra said investment bankers can sometimes pressure funds to participate. To maintain good relations and access to future deals, some funds may feel "arm-twisted" into lending their name to an IPO they are not fully confident about.

Mehra drew a comparison with the 2021 new-age tech IPO boom, observing that "most of them, let alone the stock price, have not done that well on the business side." Using Nykaa as an example, she said that many companies show their peak numbers around the IPO, after which performance often declines. "Broadly, the company gets to peak numbers around the IPO and often it is downhill from there," she warned.

Turning to the broader market outlook, Mehra said she does not expect a significant market crash and advised investors to stick to their equity allocation plans. "I never said that the market is overstretched or that earnings won't come through," she clarified. According to her, sector-level valuations are "not at extreme ends" and in some cases are even below the last decade's averages.

She explained that the anticipated earnings recovery was delayed due to disruptions from goods and services tax (GST) changes. "My stance became that the earnings improvement you will see only in the third quarter," she said, adding that the underlying improvement remains intact.

Reiterating her long-term investment approach, Mehra advised, "Don't put 100% in equity ever. Whatever your equity allocation is, I don't see the risk of a huge crash that you should sit out of the market."

She also noted that market participation has begun to broaden. While the rally was "extremely narrow" until August, with only about 10% of stocks outperforming the index, the breadth has since widened, signalling a healthier market trend.