

Devina Mehra explains why investment bankers are seen as failures if an IPO surges after listing

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SUMMARY

Devina Mehra, in a post on X highlighted that a higher post-listing IPO price rather signals a failure on the part of the investment bankers in fetching the best price for the company.



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Devina Mehra, founder of First Global, revealed that while most retail investors might assume that a strong listing pop — when a newly listed stock trades far above its [IPO price](#) — is a sign that the company and by extension its investment bankers, have done an excellent job are in for a rude shock.

Mincing no words, Mehra, in a post on X on Wednesday, December 10, highlighted that a higher post-listing IPO price rather signals a "failure" on the part of the [investment bankers](#) in fetching the best price for the company. The market veteran's comments come on the back of narrower listing gains for some of the IPOs that have recently listed on the [Indian stock market](#).

Among the companies that have listed in the ongoing quarter, the average listing gain has been 5%, with 15 of 29 companies listing at a premium of less

than 5%, according to data compiled from Chittorgarh. Meanwhile, since listing, the average returns for these companies have been 7%.



Devina Mehra 
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Do you know that the investment banker is considered a failure if the stock does very well after the IPO?

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Should you be?
Is the investment banker evaluated on how the stock does post IPO?

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Thus, if the stock trades much above the IPO price, "the investment banker is considered to have FAILED in their duty to get the best price for the issuer", [Devina Mehra](#) said.

What explains this behaviour from investment bankers?

Mehra further added that the truth is that investment bankers are paid bonuses only for the number of deals done and the amount of funds raised or fees earned. "Their evaluation is only on their position in the league tables."

She said that investment bankers do not even make a pretence of evaluating the business, as their stated objective is to MAXIMIZE the issue price for the company. "Meaning the higher the price they sell the shares to you at, the better they are considered in their job. No investment banker is ever evaluated on how the stock does after the IPO," Mehra said in her X post.

For investors dazzled by prominent global banks or marquee domestic institutions attached to an IPO, the message is clear: their interests do not necessarily align with those of the banker syndicate.