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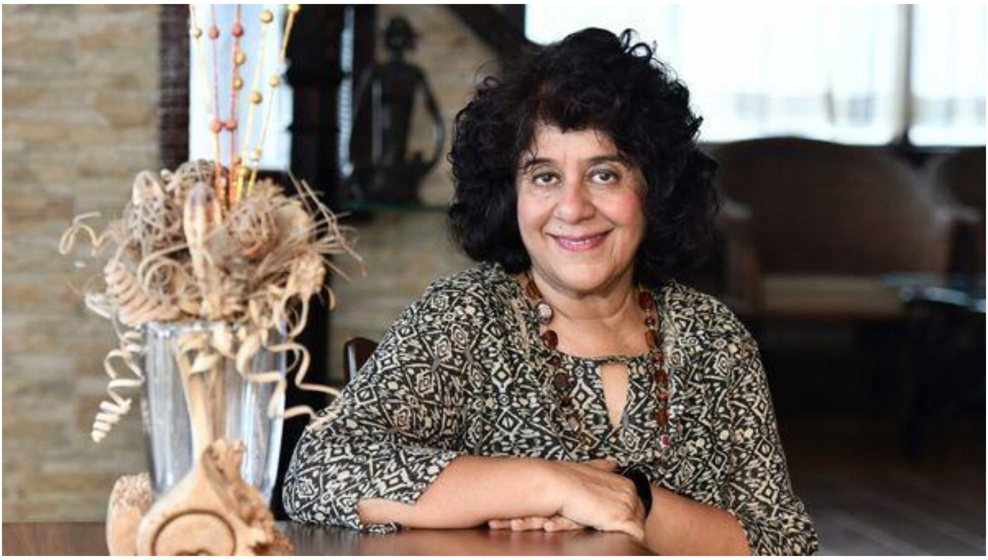
IPO Frenzy: Why Devina Mehra believes IPO booms are the worst time to invest

Ankit Gohel 6 October 2025

Devina Mehra says it almost never makes sense to invest in IPOs when there is a boom in the space, as most IPOs at that time will be overpriced. The beneficiaries are largely the issuing companies and existing shareholders selling their stakes at peak valuations.



Devina Mehra reiterates that IPOs should not be treated as a special category or valued differently.

As the Indian stock market witnesses a fresh wave of IPO filings and record oversubscriptions, investors are rushing to participate in what many are calling the biggest IPO frenzy in years. However, Devina Mehra, Founder and Chairperson of First Global, has urged caution, highlighting why blindly chasing IPOs during a boom can hurt investors more than help them.

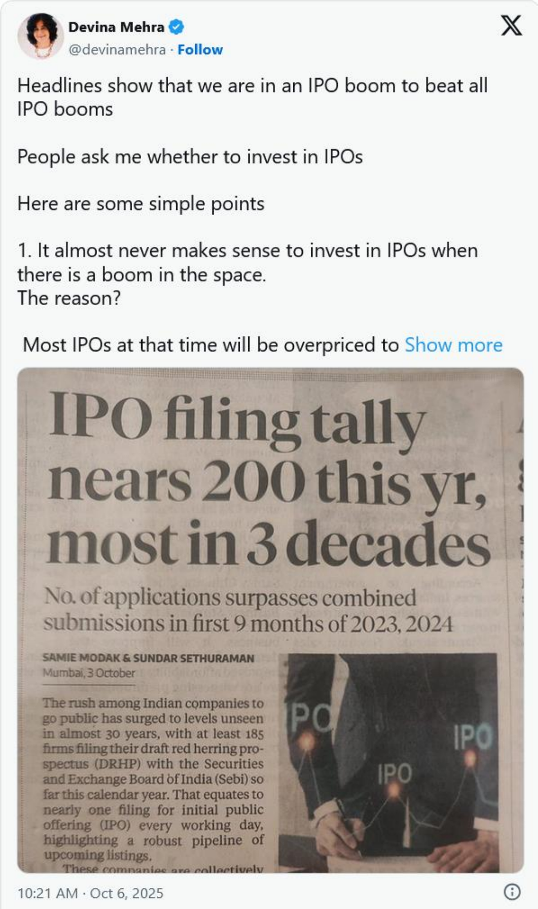
Overpricing Is Common During IPO Waves

Mehra points out that IPOs tend to hit the market when sentiment is favourable because that is when companies can command the highest valuations.

“It almost never makes sense to invest in IPOs when there is a boom in the space. The reason? Most IPOs at that time will be overpriced to take advantage of favourable market conditions,” she says.

The beneficiaries, she notes, are largely the issuing companies and existing shareholders selling their stakes at peak valuations.

Even in the cases where the company is fundamentally strong and the issue is reasonably priced, retail investors are very unlikely to get any allotment, resulting in idle capital that could have been deployed more efficiently elsewhere.



Listing Return Calculations Are Misleading

One of the biggest myths, Mehra argues, is around returns. Investors often calculate gains based on the jump between the issue price and listing price — for example, a stock issued at ₹100 listing at ₹150 being seen as a 50% gain. “This does not account for the fact that you are unlikely to get much allotment, if at all,” she explains. The real return on the amount applied is significantly lower than the headline numbers suggest.

IPO Stocks Need the Same Evaluation as Listed Stocks

Mehra reiterates that IPOs should not be treated as a special category or valued differently.

“You must evaluate an IPO stock the same way that you do a normal listed stock. There is no separate way of valuing IPOs,” she states. She cautions investors against buying into narratives that rely on “novel” metrics meant to justify inflated valuations.

“When someone asks you to use a new valuation method for a stock or industry, they are not valuing the stock — they are only justifying the valuation,” she adds.

Speculative Participation Is Risky

A growing number of market participants view IPOs as quick money opportunities, applying with the sole intention of exiting on listing day. Mehra calls this behaviour dangerous.
“Many play the IPO process like a lottery… only looking to make a quick buck on listing. You are waiting for a greater fool than you to bail you out. It never ends well,” she warns.

Subscription Demand Doesn’t Predict Long-Term Performance

Mehra also stressed that investor enthusiasm during the IPO phase has little to no connection with how the stock performs later.

Reliance Power, which saw an unprecedented rush at the IPO stage, eventually crashed and wiped out investor wealth. Even DLF, which did not face a major corporate crisis, took decades to reclaim its IPO price.

On the other hand, the Infosys IPO — now seen as one of India’s biggest success stories — was under-subscribed. The underwriters had to step in, and they ended up making substantial gains later.

‘Do Not Play Fast and Loose with Your Money’

Mehra’s overarching message is one of discipline and restraint. Investor decisions, she says, should be based on fundamentals, not sentiment or FOMO.

Her closing reminder: “Do not carelessly play fast and loose with your money.”