Book 03

Grey Market Premium — The Insider's Guide

Decode the most-watched but least-understood number in IPO investing

10 chapters · 45 min · All Levels

Chapter 1 of 10

What is Grey Market Premium?

Understand what Grey Market Premium (GMP) means in the context of Indian IPOs — how the grey market works, who participates, and its unofficial nature.

What is Grey Market Premium?

Every major IPO in India generates a number that does not appear in any regulatory filing, is not published by any exchange, and has no legal standing whatsoever — yet is followed obsessively by hundreds of thousands of investors.

That number is the Grey Market Premium, or GMP.

Understanding GMP — what it is, how it works, and crucially what it is not — is essential for any serious IPO investor. This book is the most comprehensive guide to GMP available, written specifically for the Indian IPO market.

The Grey Market: An Overview

The "grey market" is an informal, unofficial market that operates parallel to the formal financial system. It is called "grey" because it sits in an ambiguous zone — not illegal in the way that a "black market" implies, but not regulated or officially sanctioned either.

In the context of Indian IPOs, the grey market is a network of dealers — primarily concentrated in cities like Surat, Ahmedabad, Rajkot, and Mumbai — who buy and sell two things before a stock officially lists:

1. IPO application forms (the right to receive allotted shares) 2. IPO shares themselves (traded on a "when, as, and if issued" basis)

These transactions happen between consenting parties, on trust, outside any exchange or clearing mechanism. There are no formal contracts, no regulatory oversight, and no official dispute resolution.

Despite — or perhaps because of — this informality, the grey market has become an entrenched part of the Indian IPO ecosystem. It provides a real-time sentiment indicator that no official system currently replicates.

Who Participates in the Grey Market?

Grey market dealers: The core participants. These are individuals or small firms who specialise in grey market transactions, quoting buy and sell prices for IPO shares before listing. They profit from the spread between buy and sell prices and from their ability to read market sentiment accurately.

Retail investors (sellers): Individual investors who have applied for an IPO and want to lock in a gain before the uncertainty of listing. They sell their allotment rights to a dealer at the kostak rate (see Chapter 4 for full details).

Speculators (buyers): Individuals who believe the IPO will list at a premium and are willing to pay above the issue price to own shares before listing. They accept the risk that allotment may not happen (in the kostak model) or that the listing price may disappoint.

Operators: Larger players who use grey market activity to influence perceived sentiment — deliberately quoting high GMPs to generate retail FOMO, increase subscription, and potentially profit from coordinated listing-day activity.

What "Premium" Means

The GMP is quoted as a premium (or discount) in rupees per share above (or below) the IPO issue price.

Example:

- IPO issue price: ₹400 per share
- Current GMP: ₹60
- Implied expected listing price: ₹400 + ₹60 = ₹460
- Implied listing gain: 15%

When GMP is quoted as negative — say, ₹20 — it means the grey market expects a listing at ₹380, a 5% discount to issue price.

GMP is not fixed. It fluctuates throughout the IPO subscription period, and even in the days leading up to listing. A rising GMP during the subscription period is generally viewed positively; a falling or negative GMP is a warning signal.

The Grey Market's Place in the IPO Ecosystem

The grey market thrives because it fills a genuine information gap. Between the time an IPO closes and the day it lists — typically 3 days — there is no official price signal. Investors who received allotment do not know if they should be happy or worried. The grey market provides an answer, however imperfect.

More broadly, GMP aggregates real money — grey market dealers and speculators have financial stakes in their quoted prices. This gives it more credibility than a simple survey of sentiment. It is not institutional money, and it is not deep money, but it is real money.

The limitations are equally real: the grey market is thin, manipulable, and historically inaccurate in its magnitude predictions, even when directionally correct. The chapters ahead explore both the utility and the limits of GMP in detail.

Key Takeaways

- The grey market is an informal, unregulated network of dealers trading IPO applications and shares before listing
- GMP is quoted in rupees per share above or below the issue price
- Participants include dealers, retail sellers, speculators, and operators
- GMP fills a real information gap — the 3-day window between IPO close and listing
- The grey market is not illegal but is entirely outside regulatory oversight

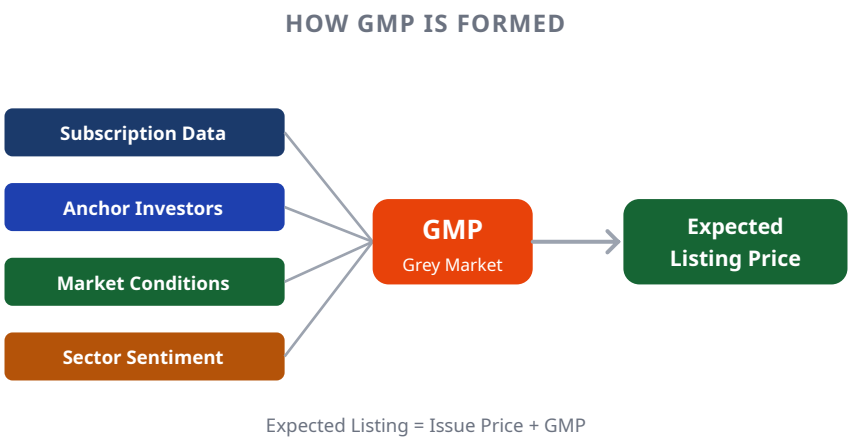
Up Next

Chapter 2 explains how GMP is actually formed — the supply-demand dynamics, information flows, and sentiment forces that drive the number.

Chapter 2 of 10

How GMP is Formed

Understand the mechanics of how IPO Grey Market Premium (GMP) is formed in India — supply and demand dynamics, information flows, and sentiment drivers.



How GMP is Formed

GMP is not calculated by a formula. It is not published by SEBI or any exchange. It emerges from the interaction of buyers and sellers in an informal market — the same way any price forms in any market.

Understanding the mechanics of GMP formation helps you read it more accurately — separating genuine demand signals from manufactured sentiment.

The Basic Supply-Demand Mechanism

At its core, GMP is set by the dealers who quote buy and sell prices for IPO shares (or application forms). These quotes are based on their read of:

- How many people want to buy IPO shares before listing (demand)
- How many applicants want to sell their allotment rights before listing (supply)

When demand exceeds supply — more people want to own the shares than want to sell — dealers raise their quotes. GMP goes up.

When supply exceeds demand — many applicants want to exit their positions before the risk of listing — dealers lower their quotes. GMP compresses or goes negative.

This is conceptually identical to how prices form in any market. The difference is the thinness of the market and the absence of a centralised, transparent exchange.

The Information Inputs That Drive Demand

1. Subscription Data

The most important driver of real-time GMP during an active IPO is the live subscription data published by BSE and NSE. As QIB, HNI, and retail subscription numbers update throughout the day, grey market dealers immediately adjust their quotes.

Strong QIB subscription ’dealers raise GMP (institutional confidence signal) Weak QIB subscription ’dealers compress GMP (institutional scepticism signal) HNI surge on Day 3 ’ GMP rises (hot money reading positive) Retail subscription slowing ’GMP is stable or falls slightly (crowding slows)

2. Anchor Investor Quality

The day before an IPO opens, anchor investor allocations are disclosed publicly. When marquee institutional names — top mutual fund houses, large FIIs, domestic insurance companies — appear as anchors, grey market dealers interpret this as strong institutional conviction and raise GMP quotes accordingly.

When anchor investors are second-tier or unknown names, the GMP response is muted.

3. Market Conditions

The broad market environment profoundly affects GMP. In a bull market — Nifty at all-time highs, risk appetite elevated, money flowing into equities — GMPs are systematically higher across all IPOs. Every boat rises.

In a correction — Nifty falling, FII outflows, risk-off sentiment — GMPs compress or go negative even for fundamentally strong IPOs. Paytm's weak GMP in November 2021 partially reflected the market correction that was beginning around its listing.

This market-condition effect means you cannot compare GMP levels across different market cycles. A ₹30 GMP in a bear market is a stronger signal than a ₹60 GMP in a raging bull run.

4. Company and Sector Fundamentals

Grey market dealers are not fundamental analysts, but they respond to information that circulates in the investing community. When a well-known company or fund manager publicly comments positively on an IPO, GMP reflects this.

Sector sentiment matters too. During India's defence sector boom (2022–2024), defence-related SME and mainboard IPOs commanded GMP premiums structurally above sector-neutral companies. Railways, renewable energy, and new-age technology have each had their GMP-inflating moments.

5. DRHP Quality (Indirect)

Companies with clear growth stories, clean promoter backgrounds, and strong financial statements attract more investor interest — which flows into both higher subscription and higher GMP. Companies with complex structures, vague use of proceeds, or promoter questions tend to see muted GMP despite potential market momentum.

The Supply Side: Who Sells in the Grey Market?

Supply comes primarily from applicants who:

Want certainty over gambling: After applying and having capital blocked, some retail investors prefer a guaranteed small gain (kostak payment from dealer) over the uncertainty of listing. Particularly common among risk-averse first-time applicants.

Have applied in multiple family members' names: Households that applied across multiple PANs may sell some kostak rights to cover application costs or lock in gains on a portion while holding the rest.

Need liquidity: The IPO process blocks capital for 3–6 days. Occasionally, investors who applied realise they need that capital sooner and sell their application rights.

Professional grey market sellers: Some experienced market participants apply for IPOs specifically to sell in the grey market — essentially running a risk arbitrage strategy between the kostak rate and their view of listing performance.

The Operator Effect: Manufactured GMP

The grey market is manipulable. Because it is thin and informal, coordinated buying by a small group of operators can drive GMP to artificially high levels — creating the appearance of strong investor demand and generating FOMO-driven retail applications.

How operator manipulation works:

1. Operator accumulates IPO application forms (by buying kostak from retail applicants) at a modest premium 2. Operator simultaneously quotes high buy prices in the grey market, driving GMP up 3. High GMP is reported on financial websites and social media, driving retail FOMO 4. Subscription increases, generating more social proof 5. On listing day, the operator sells allotted shares into the opening demand that their own high GMP helped create

Not every high GMP is operator-driven. But in some SME IPOs — and occasionally in mainboard issues with limited institutional participation — this dynamic is real.

The countermeasure: Cross-reference GMP with QIB subscription data. Operators cannot inflate QIB subscription — those bids come from large, independent institutions. If GMP is very high but QIB subscription is modest, treat the GMP with significant scepticism.

How GMP Evolves During an IPO

Pre-IPO (before subscription opens): GMP is based on DRHP analysis, anchor investor quality, and sector sentiment. Often modest and uncertain at this stage.

Day 1 of subscription: GMP adjusts based on opening subscription data. Strong Day 1 retail interest drives GMP up.

Day 2: GMP is most dynamic. QIB subscription begins to build, providing the most credible signal. Watch for QIB-driven GMP adjustments.

Day 3 (closing day): GMP peaks or adjusts based on final subscription data. HNI rush on closing day often spikes both HNI subscription and GMP simultaneously.

Post-close to listing: GMP settles based on consensus expected listing price. Adjustments are driven by broader market movements and any new information that emerges.

Key Takeaways

• GMP is formed by supply and demand for IPO application rights — dealers adjust quotes based on market signals
• Subscription data (especially QIB) is the most important real-time input to GMP formation
• Broad market conditions systematically inflate or deflate GMP across all IPOs
• Operator manipulation of GMP is possible and occurs — cross-reference with QIB subscription
• GMP is most informative on Day 2 and Day 3 when institutional subscription data is visible

Up Next

Chapter 3 shows you how to convert GMP into an expected listing price — the formula, worked examples, and how to use this calculation practically.

Chapter 3 of 10

GMP vs Expected Listing Price

Learn how to convert IPO GMP to expected listing price in India — the formula, worked examples, and what the calculation actually tells you.

GMP vs Expected Listing Price

The most practical use of GMP is to estimate what price a stock might list at. This chapter gives you the exact calculation, walks through examples, and explains the limitations of this estimate.

The Basic Formula

The calculation is simple:

Expected Listing Price = Issue Price + GMP

That is it. GMP is already expressed in rupees per share above the issue price, so the arithmetic is direct.

Example 1: Positive GMP

- Issue price: ₹500
- GMP: ₹75
- Expected listing price: ₹500 + ₹75 = ₹575
- Implied listing gain: ₹75 ÷ ₹500 = 15%

Example 2: Negative GMP

- Issue price: ₹200
- GMP: ₹30
- Expected listing price: ₹200 ₹30 = ₹170
- Implied listing loss: ₹30 ÷ ₹200 = 15%

Example 3: Zero GMP

- Issue price: ₹350

- GMP: ₹0
- Expected listing price: ₹350
- Implied outcome: Flat listing

Expressing GMP as a Percentage

Many financial websites — including ipomarket.in — express GMP both in absolute rupees and as a percentage of issue price for easier comparison across different IPOs.

GMP % = (GMP ÷ Issue Price) × 100

A ₹75 GMP on a ₹500 issue = 15% GMP. A ₹75 GMP on a ₹1,500 issue = 5% GMP.

The percentage form allows you to compare expected listing gains across different IPOs regardless of their absolute price levels.

When to Use the Expected Listing Price Calculation

Decision point: should I hold or sell after allotment? If you receive allotment and the GMP implies a 25% listing gain, and your original application thesis was purely for listing gains, the calculation gives you a reference point for your sell order.

Decision point: is applying worth it at all? If GMP implies a 5% listing gain on a ₹1.5 lakh minimum application (for an SME IPO), is the expected ₹7,500 listing gain worth the capital blockage? This is a capital efficiency calculation.

Decision point: is the listing expectation already baked into the secondary market? For IPOs where unlisted shares are trading (common for large upcoming IPOs), the unlisted price reflects market expectation. Comparing unlisted share price to the GMP calculation helps you assess whether both signals are consistent.

The Confidence Interval Problem

Here is the critical limitation of the expected listing price calculation: it produces a point estimate when the reality is a range.

When GMP is ₹75 on a ₹500 issue, the "expected listing price" of ₹575 is not a guarantee. It is the grey market's median expectation. The actual listing price could be:

- ₹600 (above expectations — strong demand, market tailwinds)
- ₹575 (in line with GMP — relatively accurate)

- ₹550 (below GMP but still a gain — GMP overstated by 25%)
- ₹500 (flat listing — GMP completely wrong directionally)
- ₹450 (listing loss — GMP completely wrong)

All five outcomes have occurred in recent Indian IPO history for IPOs with positive GMP. The distribution of outcomes is wide, and GMP is not a reliable predictor of the exact outcome — only of the likely direction.

GMP Accuracy: What History Shows

Analysing Indian IPO GMP data against actual listing prices reveals:

Directional accuracy: GMP correctly predicts the direction (gain vs loss) approximately 70–75% of the time for mainboard IPOs. One in four positive-GMP IPOs still lists at a discount.

Magnitude accuracy: GMP correctly predicts the approximate magnitude of the listing move (within ±10%) in roughly 40–50% of cases. In the other 50%, the actual outcome is meaningfully different from GMP prediction.

Worst performance periods: GMP is least accurate during:

- Market corrections (systematic downward surprise vs GMP)
- IPOs with very high GMP (the higher the GMP, the more likely it overshoots)
- IPOs with large OFS components (institutional selling at listing not captured by GMP)

Using GMP in Conjunction With Other Signals

The expected listing price from GMP is most useful when confirmed by other signals:

Signal	Consistent With GMP	Conflicts With GMP
Strong QIB subscription	High GMP is credible	High GMP with weak QIB — caution
Positive market conditions	GMP likely accurate	Bear market may suppress actual listing
Strong fundamentals at fair valuation	GMP sustainability higher	Overvalued + high GMP = potential disappointment
Large OFS component	Selling pressure not in GMP	High GMP but heavy OFS = risk

When multiple signals confirm GMP, the expected listing price calculation becomes more reliable as a decision tool. When signals conflict, widen your mental confidence interval significantly.

<GMPCalculator />

Pro Tip

When calculating expected listing price, also calculate the break-even scenario: at what GMP does the listing gain cover your opportunity cost of blocked capital? For a 3-day block, any expected gain above 0.1–0.2% covers cost-of-capital. The real question is whether the risk of a below-GMP listing justifies the application — and that depends on fundamentals, not just GMP.

Key Takeaways

• Expected listing price = Issue price + GMP (simple rupee addition)
• GMP as a percentage = (GMP ÷ Issue price) × 100 — useful for cross-IPO comparison
• GMP is directionally correct about 70–75% of the time — one in four positive-GMP IPOs still lists at a loss
• Magnitude accuracy is much weaker — actual listing can differ significantly from GMP prediction
• GMP is most reliable when confirmed by strong QIB subscription, positive market conditions, and reasonable valuation

Up Next

Chapter 4 explains the Kostak Rate in full — what it is, who uses it, the buyer-seller dynamic, and when it makes sense as a strategy.

Chapter 4 of 10

The Kostak Rate Explained

Understand the Kostak Rate in Indian IPOs — what it means, how the buyer-seller transaction works, risks involved, and when it makes financial sense.

The Kostak Rate Explained

If GMP is the most widely discussed grey market number, the Kostak Rate is the most widely misunderstood. Many investors have heard the term but are not clear on exactly what is being traded, who benefits, and what the risks are.

This chapter explains the Kostak Rate completely.

What is the Kostak Rate?

The Kostak Rate (also spelled Kotask or Kostak) is the price paid by a grey market dealer to an IPO applicant for the right to any shares allotted in that application, regardless of whether allotment actually occurs.

To be precise:

- You: Have applied for an IPO. You have 1 application (1 PAN, 1 lot applied for).
- Dealer: Believes the IPO will list at a significant premium and wants to own shares.
- Transaction: The dealer pays you a fixed amount — say, ₹1,200 — for your application.
- Agreement: If you receive allotment, you transfer the shares (or profit from selling them) to the dealer. If you receive no allotment, you keep the ₹1,200 and the transaction is complete.

The dealer is paying ₹1,200 for a lottery ticket — the chance to receive shares that may be worth more at listing. If no allotment, the dealer has lost ₹1,200 as a cost of taking that risk.

This is why Kostak is particularly active in heavily oversubscribed IPOs: the dealer needs to buy many applications to receive a statistically predictable number of allotments, accepting that most applications they buy will yield nothing.

How the Kostak Rate is Expressed

Kostak is expressed as a fixed rupee amount per application (per PAN, per lot in the retail category). It is NOT per share.

Example:

- IPO price: ₹150 per share
- Lot size: 100 shares
- Application value: ₹15,000
- Kostak rate: ₹1,500 per application

The dealer is paying ₹1,500 per application. If 10 applications yield 1 allotment (10% hit rate), the dealer paid ₹15,000 (10 × ₹1,500) for 100 shares. Effective cost per share: ₹150 (issue price) + ₹150 (kostak cost per share) = ₹300.

The dealer profits if the listing price exceeds ₹300. If it lists at ₹250, the dealer loses money. The applicant always keeps their ₹1,500 regardless.

The Seller's Perspective: Is Kostak Worth It?

For the applicant selling their application at the Kostak Rate:

Pros:

- Guaranteed income, regardless of allotment outcome
- Eliminates listing uncertainty — you lock in a known gain before taking the lottery risk
- Particularly attractive for risk-averse investors or when GMP is high but fundamentals are questionable (you get the benefit of the GMP without the listing risk)

Cons:

- If you receive allotment and the listing is exceptional (40%+ gain), you have given away that upside to the dealer
- The kostak transaction happens informally — if the dealer defaults (refuses to pay or disputes), you have no legal recourse
- You are now obligated to transfer shares to the dealer — if you decide not to (because the listing is better than expected), you face reputational consequences in the grey market

When Kostak selling makes financial sense: When the Kostak premium as a percentage of blocked capital represents a return that exceeds your opportunity cost and your confidence in the listing is low.

Example: Kostak rate of ₹2,000 on a ₹15,000 application = 13.3% guaranteed return on blocked capital for 3 days. This is attractive. But if you are confident the stock will list at 30%, selling at Kostak means leaving significant gains on the table.

The Buyer's Perspective: The Dealer's Math

Grey market dealers buying at the Kostak Rate are running an expected value calculation:

Expected value per application = (Allotment probability × Expected listing gain per allotment) − Kostak cost

If this is positive across a portfolio of applications, the dealer profits.

Example:

- IPO subscribed 50x in retail (allotment probability ≈ 2%)
- Issue price: ₹500, lot: 50 shares, application value: ₹25,000
- Dealer expects listing at ₹650 (GMP: ₹150)
- Expected gain per allotment: 50 shares × ₹150 = ₹7,500
- Expected value per application: 2% × ₹7,500 = ₹150
- The dealer should not pay more than ₹150 per application as Kostak

If GMP implies ₹7,500 per allotment but allotment probability is only 2%, the dealer can rationally pay up to ₹150 per application. If you are offered ₹2,000 kostak — significantly above the dealer's rational ceiling — be suspicious of the GMP, the expected allotment probability, or the dealer's own incentives.

Practical Kostak Guidelines

Never sell Kostak to strangers. Grey market transactions are based on trust. Only transact with dealers known to you or vouched for by trusted sources. Default risk is real.

Understand your obligation. If you receive allotment after selling Kostak, you must fulfil the agreement. Backing out has consequences in the grey market community.

Compare Kostak to expected return. Before accepting Kostak, calculate: what is the kostak as a percentage of my application amount? Compare to your expected listing gain (from GMP). If kostak is 70%+ of your expected gain, it may be rational to take the certainty. If it is 20% of your expected gain, you are selling cheap.

Key Takeaways

• Kostak is a fixed payment per application, paid regardless of whether allotment occurs
• The dealer takes the risk of allotment and listing performance; the seller takes guaranteed income
• Kostak selling is rational when: GMP is high but fundamentals are weak, or when you are risk-averse
• Dealers calculate Kostak based on allotment probability × expected listing gain — cross-check the math
• Kostak transactions are purely trust-based with no legal recourse — only transact with known parties

Up Next

Chapter 5 explains Subject to Sauda — the other major grey market transaction type, how it differs from Kostak, and when each is used.

Chapter 5 of 10

Subject to Sauda — What It Means

Understand Subject to Sauda in Indian IPO grey markets — how it differs from Kostak, the transaction mechanics, and when it is used.

Subject to Sauda — What It Means

In the grey market vocabulary, you will encounter two primary transaction types: Kostak and Subject to Sauda. Chapter 4 covered Kostak. This chapter covers Subject to Sauda — what distinguishes it, how the transaction works, and when it is used.

Defining Subject to Sauda

"Sauda" is a Hindi word for "deal" or "transaction." "Subject to Sauda" literally means a deal that is conditional — specifically, conditional on receiving allotment.

Unlike Kostak — where the payment is fixed regardless of allotment — Subject to Sauda is a per-share premium paid only if allotment occurs.

Structure:

- If you receive allotment: the buyer pays you a premium per share (the Sauda rate) and takes your shares
- If you receive no allotment: no payment, no transaction — the deal is void

This is essentially a conditional forward contract. The premium is guaranteed only if the underlying condition (allotment) is met.

Kostak vs Subject to Sauda: The Key Comparison

Feature	Kostak	Subject to Sauda
Payment to seller	Fixed, regardless of allotment	Only if allotment received
Payment amount	Per application	Per share, on allotted shares
Seller's risk	None (guaranteed payment)	Receives nothing if no allotment
Buyer's risk	Pays even with no allotment	Pays only on allotment
When it is used	High oversubscription (low allotment odds)	Moderate subscription (higher allotment odds)
Typical premium	Lower (reflects no-allotment risk)	Higher per share (only if delivered)

How Subject to Sauda Works in Practice

Example:

- IPO issue price: ₹300
- Lot size: 200 shares
- Subject to Sauda rate: ₹50 per share

If allotment received (200 shares):

- Buyer pays: 200 × ₹50 = ₹10,000
- Buyer takes delivery of 200 shares worth ₹300 (issue price) per share
- Buyer's effective cost per share: ₹300 + ₹50 = ₹350
- Buyer profits if listing > ₹350

If no allotment:

- Zero payment, zero transaction
- Both parties move on

Why Sellers Prefer Subject to Sauda in Some Situations

Subject to Sauda pays more per share than Kostak — but only if allotment happens. For sellers who believe their allotment probability is reasonably high (say, a 30–40% chance in a moderately subscribed IPO), Subject to Sauda captures more upside.

Mental model:

- Kostak = selling your lottery ticket for a fixed price before the draw
- Subject to Sauda = agreeing that if you win the lottery, you share the prize with the buyer (but if you lose, you get nothing)

For sellers in heavily oversubscribed IPOs (5–10% allotment probability), Kostak provides certainty in an uncertain situation. For sellers in moderately subscribed IPOs (30–50% allotment probability), Subject to Sauda may offer more expected value.

The Sauda Rate vs GMP Relationship

Subject to Sauda rates and GMP are related but not identical.

In theory:

- GMP reflects expected listing price premium per share
- Sauda rate should be below GMP (the dealer still needs a profit margin)
- Sauda rate ≈ GMP × (discount for dealer margin and listing uncertainty)

In practice, when Sauda rates are close to or above GMP, it signals either:

- Dealers are very confident about the listing (narrowing their margin)
- Competition among dealers is intense (driving up prices for applications)
- GMP itself may be understated

When Sauda rates are significantly below GMP:

- Dealers are uncertain about allotment or listing
- There may be concerns about the company's fundamentals
- Consider this as a signal of internal grey market scepticism

When Is Subject to Sauda More Common?

Subject to Sauda is used most when:

Allotment probability is meaningful: If the IPO is subscribed 2–5x (decent odds of allotment), Sauda makes more sense than Kostak from a buyer perspective — paying only on delivery is more efficient.

The issue is less hyped: For blockbuster IPOs with 50x+ subscription, Kostak dominates — the allotment probability is so low that paying per application is the most practical structure. For less subscribed issues, Sauda is more common.

Near-listing: As the listing day approaches, Sauda transactions increase as uncertainty decreases and both parties have better information about the likely listing price.

Practical Guidance

For retail investors considering Sauda:

- Calculate expected value: probability of allotment × Sauda rate × lot size
- Compare to Kostak offer (if available) — which gives you more in expected value terms?
- Factor in the risk of receiving nothing (Sauda gives zero if no allotment)

Understand the counterparty: As with Kostak, Sauda transactions are based entirely on trust. The dealer's obligation to pay is informal. Know your counterparty before entering any grey market transaction.

Key Takeaways

• Subject to Sauda pays a per-share premium only if allotment occurs — unlike Kostak which pays regardless
• Sauda offers higher per-share payment than Kostak but carries allotment risk for the seller
• Sauda rates and GMP are related: Sauda rates below GMP include a dealer margin; rates above GMP signal strong dealer conviction
• Sauda is more common in moderately subscribed IPOs; Kostak dominates in heavily oversubscribed issues
• Both transactions are trust-based with no legal enforcement — counterparty reliability is paramount

Up Next

Chapter 6 is the most important chapter in this book: is GMP actually reliable as a predictor? We analyse the data honestly.

Chapter 6 of 10

Is GMP Reliable?

An honest data-driven assessment of IPO GMP reliability in India — when it works, when it fails, and what the historical accuracy actually shows.

Is GMP Reliable?

This is the most important question in this entire book. And the honest answer is: it depends on what you are asking it to predict.

GMP has genuine predictive value for some things and very limited value for others. The problem is that most investors use it for the things it is bad at predicting, while overlooking what it is actually good at.

What GMP Predicts Well: Direction

The most robust finding from analysing Indian IPO GMP data is that GMP correctly predicts the direction of the listing — gain vs loss — approximately 70–75% of the time.

This means:

- When GMP is positive, the stock lists at a premium in roughly 3 of 4 cases
- When GMP is negative, the stock lists at a discount in roughly 3 of 4 cases
- One in four positive-GMP IPOs still lists at a discount or flat

A 70–75% directional accuracy is genuinely useful — better than a coin flip, better than most other pre-listing signals. But it is not the near-certainty that many investors treat high GMP as implying.

What GMP Predicts Poorly: Magnitude

Even when GMP correctly predicts direction, the actual listing premium or discount frequently differs significantly from what GMP implied.

Analysing the gap between GMP-implied listing price and actual listing price:

- Within ±10% of GMP prediction: approximately 40–45% of cases

- More than 10% below GMP prediction: approximately 35–40% of cases (GMP overstated)
- More than 10% above GMP prediction: approximately 15–20% of cases (GMP understated)

The pattern is asymmetric: GMP is more often over-optimistic than under-optimistic. This makes sense — operators have an incentive to talk up GMP, and FOMO-driven retail demand tends to inflate grey market prices during hot markets.

Practical implication: When GMP implies a 30% listing gain, budget for a realistic range of 10–40%, not a confident 30%.

What GMP Does Not Predict At All: Long-Term Performance

GMP is about the listing price. Beyond listing day, GMP has zero predictive value.

This is the most important limit to understand. A strong GMP and strong listing say nothing about whether the stock will be worth more or less 6 months, 1 year, or 3 years later. The factors that drive long-term performance — business fundamentals, management execution, competitive dynamics — are completely unrelated to grey market sentiment.

Some of India's best long-term post-IPO performers had modest or no GMP. Some of India's worst long-term performers had exceptional GMP.

Zomato (2021): Strong GMP, strong listing, reasonable long-term performance. Paytm (2021): Positive GMP, catastrophic listing and long-term performance. Dmart (2017): Modest GMP expectations, strong listing, one of the best long-term performers.

When GMP Is Most Reliable

GMP accuracy is not uniform. It is highest in these conditions:

Moderate subscription (5x–30x): In moderately subscribed IPOs, GMP reflects genuine buy-side conviction rather than momentum-driven FOMO. The grey market participants have skin in the game without being overwhelmed by speculative froth.

Strong QIB participation: When QIBs are heavily subscribed and GMP is also high, both signals are pointing in the same direction. This dual confirmation significantly improves GMP reliability.

Stable market conditions: GMP is set in the grey market using current sentiment. If the broad market is stable or rising, there is a reasonable expectation that listing day sentiment will be similar. In volatile markets — where Nifty can move 2–3% between IPO close and listing — GMP set 3 days earlier is less reliable.

Fundamentally sound companies at reasonable valuations: For companies with clear growth stories, strong financials, and fair pricing, GMP tends to be more accurate because both grey market participants and genuine investors are aligned.

When GMP Is Least Reliable

Very high GMP (50%+): At extreme GMP levels, actual listing performance tends to disappoint relative to GMP prediction. There is a mean-reversion effect — extreme GMPs are more often a product of operator activity and FOMO than genuine institutional demand.

Large OFS components: GMP does not account for selling pressure from shareholders who received allotment and plan to sell on listing day. A high GMP with a large OFS means multiple large sellers will be hitting bids at listing — this supply can suppress the actual listing price below GMP prediction.

Market corrections during the IPO period: If the Nifty falls 2–3% between IPO subscription period and listing day, virtually every GMP will have overstated the actual listing performance. GMP is set in the grey market before the correction; the exchange corrects on listing day.

Operator-driven GMP: Particularly in SME IPOs and some mainboard issues with limited institutional participation, GMP can be manufactured to drive retail subscription. When QIB subscription is weak but GMP is high, this divergence is a warning sign.

The Calibrated GMP User

The investors who use GMP most effectively are those who have calibrated their confidence interval based on market conditions. Their mental model is:

High GMP + strong QIB + stable market + reasonable valuation: "Likely listing premium, probably 15–35% range. A positive outcome is more likely than not."

High GMP + weak QIB + bull market froth: "Positive listing likely but magnitude significantly uncertain. Could be 5% or 40% — I should not plan my strategy around a specific number."

Falling GMP during subscription: "Something is changing. Check for negative news, market deterioration, or institutional scepticism. Consider withdrawing application."

Negative GMP + any market condition: "Expect listing loss. Exit early if fundamentals do not justify holding for a recovery."

Stat Highlight

Analysis of 200+ mainboard IPO GMP predictions (2019–2024) found that when GMP exceeded 40% of issue price, the actual listing premium was below the GMP-implied level in approximately 60% of cases. High GMPs are consistently optimistic — budget for a meaningful discount to GMP when planning listing-day sell orders.

Key Takeaways

- GMP correctly predicts listing direction (gain vs loss) approximately 70–75% of the time
- Magnitude accuracy is much weaker — GMP is more often over-optimistic than under-optimistic
- GMP has zero predictive value for performance beyond listing day
- GMP is most reliable when confirmed by strong QIB subscription, stable markets, and sound fundamentals
- Very high GMPs (50%+) and large OFS components are the two biggest reliability destroyers

Up Next

Chapter 7 examines famous GMP prediction failures — real IPO cases where high GMP led to listing losses, and what investors could have seen coming.

Chapter 7 of 10

When GMP Lies — Famous Prediction Failures

Case studies of famous IPO GMP prediction failures in India — where high GMP led to listing losses and what the warning signs were beforehand.

When GMP Lies — Famous Prediction Failures

History is the best teacher in financial markets. This chapter examines specific IPO episodes where GMP was significantly wrong — where high GMP preceded either a flat listing or an outright listing loss. For each case, we identify the warning signs that were visible before listing.

The goal is not to discredit GMP as a tool — it remains useful. The goal is to build your ability to recognise when GMP is unreliable, so you are not blindsided.

Case Study 1: The Large Technology IPO Disappointment (Paytm, 2021)

The pre-listing picture: One 97 Communications (Paytm) raised ₹18,300 crore in November 2021 — at the time, the largest IPO in Indian history. GMP was positive heading into listing. The IPO was subscribed 1.89x overall, with QIB subscription at 2.79x.

What happened at listing: Paytm listed at ₹1,560 — a 27% discount to its issue price of ₹2,150. It continued falling, eventually losing over 70% from the issue price.

The warning signs that GMP ignored:

1. QIB subscription was only 2.79x — for an ₹18,300 crore issue, this was a signal of limited institutional enthusiasm. GMP remained positive despite this signal.

2. Valuation was extreme: Paytm was priced at a market cap of approximately $20 billion with negative operating cash flow and no clear near-term profitability path. The "Basis of Issue Price" used comparables that stretched the definition of "comparable."

3. Large OFS component: A significant portion of the IPO was selling shareholders — early investors and SoftBank — exiting. These sellers had committed to selling into any listing-day demand.

4. The GMP was driven by retail sentiment, not institutional conviction: The relatively weak QIB subscription vs the positive GMP was a divergence that, in hindsight, clearly signalled that institutional and retail sentiment were misaligned.

The lesson: GMP reflected retail FOMO in a hot IPO market. QIB subscription gave the more honest signal. When QIB and GMP diverge significantly, prioritise QIB.

Case Study 2: The Utilities Giant (LIC, 2022)

The pre-listing picture: Life Insurance Corporation of India raised ₹20,557 crore in May 2022. The IPO was well received — subscribed approximately 3x overall. GMP for retail investors (applying at the standard price) was in positive territory before listing.

What happened at listing: LIC listed at ₹872 against an issue price of ₹949 for retail investors — an 8% listing loss. The stock continued declining in the weeks following listing.

The warning signs that GMP ignored:

1. Market conditions deteriorated sharply between IPO close and listing: The Russian invasion of Ukraine, aggressive US Federal Reserve rate hikes, and global equity market selloff created a fundamentally different market environment on listing day than when the GMP was set.

2. The issue size was enormous — creating significant selling supply: ₹20,557 crore in shares entering the market simultaneously created a supply-demand imbalance that no amount of retail buying could absorb, especially in a weak market.

3. Domestic institutional investors (DIIs) had absorbed most QIB allocation: FII participation was limited. In a market downturn, FII selling pressure at listing was not matched by domestic buying.

4. The valuation left limited upside: At the issue price, LIC was not expensive by Indian insurance standards, but it was not cheap enough to create aggressive post-listing buying demand from value investors.

The lesson: For very large IPOs, assess the macroeconomic and market conditions as carefully as the company fundamentals. GMP cannot account for market regime changes between subscription close and listing. For LIC-scale issues, even small shifts in institutional risk appetite create listing price pressure that dwarfs grey market predictions.

Case Study 3: The Overvalued SME Technology Issue

The archetype: A niche technology company lists on NSE Emerge. GMP builds to 40–50% above issue price during the subscription period. The IPO is subscribed 80x. Social media is full of excitement. Retail investors are applying in large numbers.

What happened: Listed at 20% premium (below GMP prediction). Continued declining for 3 months after listing, eventually trading below issue price.

The warning signs that GMP ignored:

1. No QIB participation: SME IPOs often have no QIBs — no institutional backstop. The 80x subscription and 40–50% GMP were entirely retail/HNI driven, subject to FOMO dynamics without institutional discipline.

2. Valuation at issue price was aggressive: The company was priced at 35x P/E in a sector where listed peers traded at 20x. No specific differentiator justified the premium.

3. OFS dominated: 75% of the issue was OFS by promoters. The promoter reduced from 72% to 30% stake.

4. GMP was operator-driven: The grey market premium was significantly inflated by coordinated dealer activity — buying up applications to create the appearance of demand and drive retail subscription higher.

The lesson: In SME IPOs, the absence of QIB participation means GMP is entirely driven by retail sentiment and potentially operator activity. Without institutional cross-check, SME GMP reliability drops significantly. Combine with fundamental analysis.

The Pattern Across All Failures

The warning signs that consistently preceded GMP prediction failures:

1. QIB subscription tepid or absent while GMP was high 2. Large OFS component creating selling supply at listing 3. Market conditions deteriorating between IPO close and listing 4. Extreme GMP (40%+) suggesting speculative froth rather than value demand 5. Aggressive valuation at issue price with limited room for positive re-rating 6. Operator activity suspected (SME IPOs with no institutional participation and very high GMP)

Building a checklist of these warning signs and checking it before treating GMP as reliable will substantially reduce listing-day surprises.

Key Takeaways

• Paytm showed that positive GMP with weak QIB subscription is a dangerous divergence — QIB wins
• LIC showed that macro conditions between IPO close and listing can overwhelm grey market predictions
• SME IPO GMP without QIB cross-check is the least reliable form of GMP analysis
• The common thread in GMP failures: large OFS, weak institutions, extreme premiums, and macro headwinds
• Build a checklist of GMP warning signs before making any application decision based on GMP

Up Next

Chapter 8 examines the legal status of the grey market in India — SEBI's official position, why it persists, and the risks of participating.

Chapter 8 of 10

Legal Status of the Grey Market in India

Understand the legal status of the IPO grey market in India — SEBI's position, why it is not officially sanctioned, the risks of participating, and why it persists.

Legal Status of the Grey Market in India

The grey market is one of the most visible informal financial markets in India. It operates openly — GMP is published on financial websites, discussed on social media, and cited in mainstream financial media. Yet SEBI has never officially sanctioned it, and the transactions within it have no legal enforceability.

This chapter clarifies exactly where the grey market stands legally, why SEBI does not simply ban it, what risks participants take, and why the market continues to exist.

SEBI's Official Position

SEBI has repeatedly noted that grey market transactions are outside the regulated securities market framework. Officially, SEBI's position is:

1. Trading in unlisted securities through informal channels is not sanctioned by SEBI 2. Participants in grey market transactions have no recourse to SEBI's investor protection mechanisms 3. SEBI has not taken active enforcement action against grey market activity itself (as distinct from market manipulation using grey market dynamics)

The grey market is not explicitly illegal under any current Indian law. The transactions — selling an application form's potential allotment, or trading unlisted shares — are civil agreements between consenting parties. They are not per se criminal.

However, they are unenforceable. If a dealer refuses to pay the agreed Kostak rate after receiving your allotment transfer, you have no legal remedy. SEBI cannot help. The courts would not recognise an unregistered securities contract. You would need to resolve it informally.

Why It Is Not Exactly Illegal

Indian securities law regulates transactions on recognised stock exchanges and by registered intermediaries. The grey market operates outside these frameworks.

The key legal concept: unlisted securities can be transferred between parties through off-market transactions. This is legal. The sale of an IPO allotment (post-allotment) from one party to another is, technically, an off-market transfer.

The grey market's practices sit in a legal grey zone (hence the name) — not in clear violation of any specific law, but also not protected or legitimised by any regulatory framework.

Where grey market activity can cross into illegality:

Market manipulation: Using coordinated grey market activity to inflate GMP artificially, driving up subscription, and profiting from coordinated listing-day selling — this could constitute market manipulation under SEBI's PFUTP (Prohibition of Fraudulent and Unfair Trade Practices) regulations.

Insider trading: Using material non-public information about a company to trade its unlisted shares in the grey market is illegal, just as it is on the exchange.

Front-running: Brokers or intermediaries using knowledge of large client orders to trade in the grey market ahead of those orders.

SEBI has taken action against some of these practices in specific cases, but has not moved against the grey market's basic existence.

Why SEBI Does Not Ban It

Several reasons explain why the grey market continues to operate without regulatory intervention:

It provides a genuine service: The grey market offers price discovery for IPOs before official listing. This information — even if imperfect — helps investors make more informed decisions. Eliminating it would not eliminate the underlying demand for pre-listing price signals.

Enforcement is practically difficult: The grey market is a decentralised, trust-based network. Transactions are verbal or informal. There is no paper trail, no exchange, no central counterparty. Regulators would need to pursue individual dealers across multiple cities, at enormous effort, with limited impact.

The market self-regulates on trust: Dealers who default or manipulate lose their reputation and cannot operate in a trust-based community. This informal self-regulation handles most disputes without external intervention.

Legislative bandwidth: More pressing financial market regulation priorities have consistently taken precedence over grey market enforcement.

Risks of Participating in the Grey Market

For retail investors, the risks of grey market participation are real and should not be minimised:

Counterparty risk: The most significant risk. If the dealer you sold your Kostak application to refuses to pay, you have no recourse. Verify reputation extensively before any transaction.

Legal unenforceability: You cannot sue to recover grey market losses. You cannot file a SEBI complaint about a grey market default. Participation is at your own risk.

Tax implications: Grey market transactions may have tax implications that you are responsible for disclosing. Income received as Kostak payments may be taxable as business income. Consult a tax professional.

Regulatory risk: While SEBI has not acted against basic grey market participation, this could change. A policy change or active enforcement campaign could create unexpected compliance issues for known participants.

The Rational Approach

For most retail investors, the grey market's most useful function is as a GMP signal — not as a transaction platform. Reading GMP (available for free on ipomarket.in) is entirely legal and carries no risk.

Active participation — selling Kostak, entering Sauda agreements — is a different decision that involves real counterparty and legal risk. For most retail investors, the expected gain from grey market transactions does not justify this risk when the simpler option is to apply for IPOs through the official ASBA/UPI process and hold through listing.

Key Takeaways

• The grey market is not explicitly illegal in India but is entirely outside SEBI's regulatory framework
• Transactions are unenforceable — if a counterparty defaults, you have no legal recourse
• SEBI has not banned the grey market but has taken action against manipulation using grey market dynamics
• For most retail investors, using GMP as a signal (reading, not transacting) carries no risk
• Active grey market participation (Kostak selling, Sauda) carries counterparty and regulatory risk

Up Next

Chapter 9 brings it together — how to use GMP intelligently as one signal among several, without being misled by it.

Chapter 9 of 10

How to Use GMP Without Getting Burned

A practical guide to using IPO GMP intelligently — combining it with subscription data, fundamentals, and market conditions to make better IPO decisions.

How to Use GMP Without Getting Burned

Eight chapters have built your GMP knowledge: what it is, how it forms, how accurate it is, when it lies, and its legal status. This chapter converts all of that into a practical decision framework — how to actually use GMP in your IPO investing process.

The Core Principle: GMP is One Input, Not The Answer

This bears repeating because it is the central error most investors make. GMP is a sentiment indicator — valuable, but not decisive. Used in isolation, it leads to poor decisions. Used as one signal among several, it genuinely improves decision-making.

The analogy: a weather forecast is one input when deciding whether to carry an umbrella. It is valuable. But combining it with the actual sky condition, the time of year, and your specific plans is better than the forecast alone. GMP is the weather forecast of IPO investing.

Building Your GMP Assessment Framework

Before every IPO application decision, assess five signals:

Signal 1: GMP Level and Trend

Level: What is the current GMP as a percentage of issue price?

- Above 20%: Strong positive signal (tempered by other factors)
- 10–20%: Moderate positive signal
- 0–10%: Neutral to mildly positive
- Negative: Meaningful warning signal

Trend: More important than the level. Is GMP rising, stable, or falling during the subscription period?

- Rising GMP: Momentum building — market increasingly confident
- Stable GMP: Conviction at current level
- Falling GMP: Sentiment deteriorating — investigate why

A falling GMP is often more informative than the absolute level. If an IPO opened with ₹50 GMP and it has fallen to ₹20 by Day 3, something has changed — subscription data, market conditions, or new information. Dig before holding your application.

Signal 2: QIB Subscription

As established throughout this book, QIB subscription is the most reliable institutional signal. Use it as the primary cross-check against GMP.

GMP + Strong QIB (10x+): Both signals aligned — high credibility, proceed with conviction GMP + Moderate QIB (3–10x): Generally positive but tempered High GMP + Weak QIB (below 3x): Divergence warning — GMP may be retail/operator driven High GMP + No QIB (SME IPO): Treat GMP with significant scepticism

Signal 3: Market Conditions

Assess the broad market environment on listing day relative to when GMP was set:

Market stable/rising: GMP more likely to be accurate Market declined 1–2% since subscription: Buffer some GMP downward Market in correction (2%+ down): Discount GMP significantly

For 3-day IPOs (T+3 listing), the market gap between application and listing is short enough that this matters less than for IPOs with longer subscription-to-listing windows.

Signal 4: Fundamental Quality

Is the company fundamentally sound at the issue price?

- Strong fundamentals, fair valuation + positive GMP: High conviction application
- Strong fundamentals, expensive valuation + positive GMP: Proceed cautiously
- Weak fundamentals + high GMP: GMP is sentiment, not validation — apply with full awareness

Signal 5: OFS Composition

Large OFS components create listing-day selling supply that GMP does not account for. For every ₹1,000 crore of OFS, there are sellers entering the market on Day 1 with no lock-in and strong incentives to sell.

OFS below 40% of issue: GMP impact on listing is relatively clean OFS 40–70%: Monitor selling pressure risk OFS above 70% (especially by promoters): GMP is structurally challenged by supply

The GMP Decision Matrix

Combining the five signals:

GMP Level	QIB Sub	Fundamentals	Decision
High (20%+)	Strong (10x+)	Good	Apply with conviction
High (20%+)	Strong (10x+)	Expensive	Apply, plan quick exit
High (20%+)	Weak (under 3x)	Good	Apply but widen confidence interval
High (20%+)	Weak (under 3x)	Poor	Avoid — GMP unreliable here
Moderate (10–20%)	Strong	Good	Apply with normal conviction
Moderate	Moderate	Average	Apply conservatively (1 lot retail)
Low (0–10%)	Any	Good	Fundamentals drive decision, not GMP
Negative	Any	Any	Reassess application; withdrawal likely appropriate

The Application Modification Discipline

One of the most underused features of the IPO process: you can modify or withdraw your application before the IPO closes.

GMP monitoring during the subscription period enables dynamic decision-making:

Day 1: Apply (if initial analysis is positive) Day 2 evening: Check QIB subscription and updated GMP

- If both are strong ’Hold application confidently
- If QIB is weak but GMP still high ’Consider reducing lots or setting a mental stop

Day 3 morning: Final check before close

- If GMP has fallen sharply and QIB is disappointing ’Withdraw

This active monitoring approach — treating your IPO application as a position that can be adjusted during the subscription period — significantly improves outcomes.

What To Do Post-Allotment With GMP Information

If you receive allotment, re-assess GMP on the day before listing:

GMP still strong and confirmed by subscription: Plan to hold through listing or sell at your pre-set target price above current GMP (listing day demand can exceed GMP)

GMP has fallen since your application: Reassess your original thesis. If fundamentals are good, hold. If this was a pure listing-gain play and GMP is now flat or negative, plan to exit quickly at listing.

Negative GMP day before listing: Make peace with a potential listing loss. Decide in advance whether you will hold (if you believe in the fundamentals) or sell (if you applied purely for listing gains). Do not improvise on listing day.

> **Pro Tip**
>
> Create a simple tracking sheet for every IPO you apply to: column for Day 1 GMP, Day 2 GMP, Day 3 GMP, QIB subscription, market conditions (Nifty 3-day change), actual listing price, and actual 30-day price. After 10–15 IPOs, you will have calibrated your own GMP reliability model based on your specific market conditions and sector focus.

Key Takeaways

• Use GMP as one of five signals: level/trend, QIB subscription, market conditions, fundamentals, OFS composition
• Falling GMP during subscription is more informative than absolute level — investigate the cause
• The divergence between high GMP and weak QIB is the single most important warning pattern
• Active monitoring allows application modification before close — use this underrated feature
• Track your own IPO GMP accuracy over 10–15 applications to build personalised calibration

Up Next

Chapter 10 shows you how to use ipomarket.in's live GMP tracker effectively — what the numbers mean, how frequently they update, and how to combine them with our other live data tools for better IPO decisions.

Chapter 10 of 10

GMP Tracking on ipomarket.in

Learn how to use ipomarket.in's live IPO GMP tracker — what the numbers mean, update frequency, and how to combine GMP with subscription data and pipeline tools.

GMP Tracking on ipomarket.in

Throughout this book, we have referenced ipomarket.in as a live data source for GMP, subscription data, allotment status, and the IPO pipeline. This final chapter is a practical guide to using these tools effectively — so that the framework you have built across nine chapters translates into informed, real-time IPO decisions.

What ipomarket.in Tracks

ipomarket.in is designed as India's free IPO intelligence platform — tracking every IPO from DRHP filing through to post-listing performance. For GMP specifically, the platform provides:

Live GMP: Updated through the day based on grey market dealer quotes. Displayed in both absolute rupees (e.g. ₹45) and as a percentage of issue price (e.g. 15%).

Expected Listing Price: Automatically calculated as Issue Price + GMP for every active IPO — giving you the grey market's current listing price prediction without manual arithmetic.

GMP Trend: Historical GMP data for each IPO, allowing you to see whether GMP has been rising, falling, or stable since the IPO opened. This trend data is among the most valuable features for the framework in Chapter 9.

Live Subscription Data: Category-wise (QIB, HNI, Retail) subscription updated multiple times daily during the subscription period. The combination of live subscription alongside live GMP on the same page is the fastest way to apply the GMP + QIB cross-check from Chapter 9.

How to Read the GMP Display

On ipomarket.in's IPO pages, GMP is displayed in a consistent format:

GMP: ₹45 (15%) — read as: grey market expects a ₹45 listing premium above the issue price, representing a 15% expected listing gain.

GMP: ₹20 (8%) — read as: grey market expects listing at ₹20 below issue price, a projected 8% listing loss.

GMP: ₹0 — flat listing expected; no significant grey market premium or discount.

The colour coding on ipomarket.in follows intuitive convention:

- Green: Positive GMP (expected listing gain)
- Red: Negative GMP (expected listing loss)
- Grey/neutral: Near-zero GMP

Update Frequency

Grey market dealer quotes are informal and not published on a real-time exchange feed. ipomarket.in aggregates quotes from multiple grey market sources and updates GMP data several times daily — typically reflecting dealer activity during market hours.

Practical guidance:

- Check GMP in the morning (pre-market): get a read before the trading day sentiment forms
- Check at mid-day: see if market movements have shifted grey market expectations
- Check in the evening: see end-of-day consensus before the next subscription day

For IPOs on their final subscription day, late afternoon GMP checks (post-3 PM) reflect the most current grey market consensus before the IPO closes at 5 PM.

Using GMP Alongside the Subscription Data Tool

The most powerful way to use ipomarket.in for IPO decisions is the combination of GMP and live subscription data on the same dashboard.

The workflow:

1. Check overall subscription progress (is the IPO filling up? Which categories?) 2. Check QIB subscription specifically (the cross-check from Chapter 9) 3. Check GMP level and recent trend 4. Apply the decision matrix from Chapter 9 5. Decide: hold application, modify, or withdraw

This five-step check takes approximately 3 minutes and is best done on Day 2 evening and Day 3 morning of any IPO you have applied to.

The IPO Pipeline: Identifying GMP Opportunities Early

ipomarket.in's IPO pipeline section lists all upcoming IPOs — from DRHPs filed with SEBI through to IPOs with confirmed open dates. GMP for upcoming IPOs often begins developing before the subscription period opens, based on early market interest in the DRHP.

How to use the pipeline for early GMP research:

1. Review the pipeline weekly for new additions 2. For IPOs in your target sector or meeting your screening criteria, check if a GMP has begun forming before the subscription period 3. Download and review the DRHP while the GMP is still developing — you will be researching before the social media buzz arrives 4. By subscription open, you will already have a fundamental view — which you can compare to the emerging GMP

This is the research advantage of using the pipeline proactively rather than reactively.

Allotment Status: Closing the Loop

After applying and having the subscription period close, ipomarket.in's allotment section provides direct links to the registrar's allotment status check for every IPO — eliminating the need to find the registrar's website separately.

GMP on allotment day: Check GMP when allotment results are out. If you have received allotment and GMP is still strong, confirm your listing-day strategy. If GMP has fallen since you applied, reassess using the post-allotment framework from Chapter 9.

The Full ipomarket.in Workflow for GMP-Aware Investing

``` STAGE 1 — DISCOVERY (IPO pipeline) • Check pipeline weekly for new DRHPs and confirmed dates • Note early GMP formation for upcoming issues

STAGE 2 — RESEARCH (pre-subscription) • Download DRHP from IPO detail page • Run evaluation checklist • Track anchor investor disclosure (day before IPO opens)

STAGE 3 — ACTIVE MONITORING (subscription period) • Day 1: Check opening subscription + initial GMP • Day 2 evening: Check QIB subscription + GMP trend •critical • Day 3 morning: Final check + modify/withdraw decision if needed
```

STAGE 4 — POST-CLOSE (allotment to listing) • Check allotment status via ipomarket.in allotment tool • Monitor GMP day-before-listing • Confirm or adjust listing-day strategy

STAGE 5 — POST-LISTING • Track listed performance on ipomarket.in • Update your personal GMP accuracy log ```

This workflow — grounded in the framework of this entire book — converts abstract GMP knowledge into concrete, repeatable decisions. No login required. All data free.

Key Takeaways

- ipomarket.in displays live GMP in rupees and percentage, with expected listing price calculated automatically
- The combination of live GMP and live subscription data on one dashboard enables the Chapter 9 cross-check in minutes
- GMP updates multiple times daily — check morning, mid-day, and evening for active IPOs
- The IPO pipeline tool enables early GMP research before social media buzz drives FOMO
- The full five-stage workflow — discovery through post-listing — creates a systematic, GMP-aware IPO process

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