How accurate is the IPO grey market premium? Evidence from 35 Indian IPOs

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Abstract. The grey market premium (GMP), an unofficial pre-listing price quoted by unregulated dealers, is widely reported in India as a forecast of an IPO's listing-day gain. We record the GMP of every mainboard IPO during its bidding window, before listing and without back-filling, and compare it with the listing-day close for 35 IPOs listed between 3 September and 8 October 2026. GMP predicted the direction of the listing correctly in 74% of cases and was strongly correlated with the actual gain (r = 0.83), but missed its size by 12.5 percentage points on average (median 9.6), with errors evenly split between over- and under-estimation (18 vs 17). The relationship is steeper than one-for-one (slope 1.39): high-GMP IPOs listed even higher than GMP implied, while below a GMP of 10% the direction call was no better than a coin toss and all nine loss-making listings occurred. We release the data under CC BY 4.0 (DOI 10.5281/zenodo.23349741).

1. Introduction

Before an Indian IPO lists, dealers quote an informal premium over the issue price at which allotment entitlements change hands. This grey market premium is reported daily by financial media and is a common reason retail investors apply. Because the market is unregulated and thinly traded, its forecasting value is often asserted but rarely measured. This note measures it on a clean, forward-looking sample.

2. Data and method

For each mainboard IPO listing between 3 September and 8 October 2026 (n = 35), we recorded the last GMP observed before listing, blended from public grey-market trackers, as a percentage of the upper end of the price band (the *GMP-implied gain*). The *actual gain* is the listing-day close relative to the issue price. A forecast's *direction* is correct when both gains have the same sign. Error is the actual gain minus the implied gain; we report the mean absolute error (MAE) in percentage points. All values were recorded before listing; nothing was back-filled.

3. Results

Measure	Value
IPOs	35
Direction correct	74%
Mean absolute error (median)	12.5 pp (9.6 pp)
Too optimistic / too pessimistic	18 / 17

Correlation, implied vs actual (r)	0.83 (R^2 = 0.68)
OLS slope, intercept	1.39, −5.3 pp
Listings below issue price	9

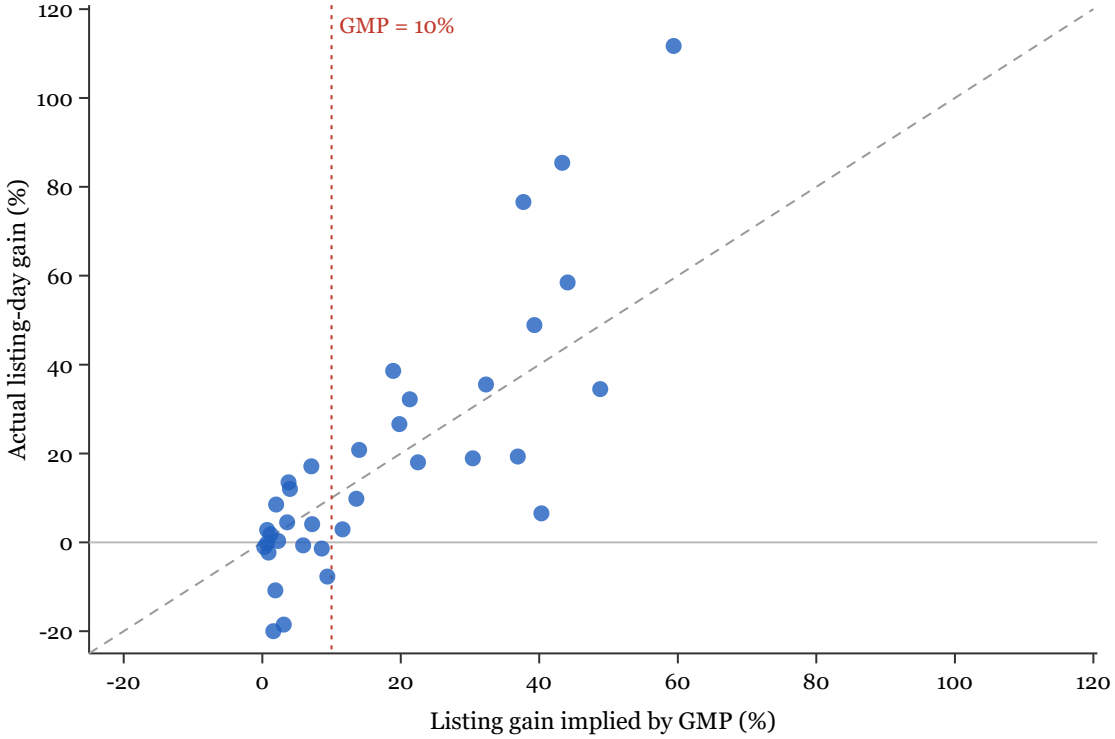


Figure 1. GMP-implied vs actual listing-day gain, 35 Indian mainboard IPOs. Dashed grey: perfect forecast. Red: GMP = 10%.

GMP band	n	Direction correct	MAE (pp)	Mean implied	Mean actual	Losses
Below 10%	18	50%	7.7	3.6%	0.1%	9
10% to 30%	7	100%	8.7	17.4%	21.3%	0
30% and above	10	100%	23.8	41.2%	49.6%	0

Three patterns stand out. First, GMP is informative: it ranks IPOs well and gets the direction right three times in four. Second, it is imprecise on magnitude, and its errors are symmetric rather than systematically inflated, contrary to the common view that GMP is mostly hype. Third, the error depends on the state: for hot issues (GMP of 30% or more) the grey market under-priced the eventual listing gain, while for weak issues (GMP under 10%) the direction call was a coin toss and every loss-making listing in the sample fell in this band.

4. Limitations

The sample is small and covers one market regime (five weeks of autumn 2026). GMP is an unofficial, intraday-varying quote; our figure is one pre-listing snapshot blended from public trackers, not a traded price. SME IPOs are excluded. Results are descriptive and should not be read as investment advice.

5. Conclusion

GMP is a useful directional signal for Indian mainboard IPOs but a poor point forecast. Investors should read it as a percentage of the issue price, treat a GMP below 10% as uninformative, and avoid applying solely for an expected listing gain. We will extend the sample as new IPOs list; the live table is maintained at paisatools.co.in/ipo/gmp-accuracy.

Data availability

Data and collection script: Zenodo, DOI **10.5281/zenodo.23349741**; GitHub github.com/nils44344/india-ipo-gmp-accuracy; Kaggle dataset nilayyyka/india-ipo-gmp-vs-actual-listing. Licence CC BY 4.0.

Suggested citation: Kabariya, N. (2026). How accurate is the IPO grey market premium? Evidence from 35 Indian IPOs. PaisaTools Working Paper. Data: doi.org/10.5281/zenodo.23349741