

Grey Market Premium and IPO Listing Gain

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Abstract - Demand for Initial Public Offering (IPO) has been very high in the Indian market in 2021. Here retail investors have shown their great interest; the quota of retail investors is first oversubscribed on the very first day of an IPO. It is the right thing that people are investing their money in. But the thing to be seen is that the money people are investing, are they looking at the performance of the company or are they investing money by looking at some other thing? In this article, we will know what is an IPO in the primary market.

When a new issue comes onto the market. So what is the problem in front of him? We are also a descriptive study of will, the grey market. What is premium and whether the listing price of IPO is known correctly from GMP or not? In this, we will study all the IPOs that have come from 1 November 2021 to 28 February 2022.

India's market is an emerging one. There are still many opportunities to invest here. In 2021, we saw that retail investors have invested money here. Be it the IPO of any company, first of all, the retail section is full. From our research paper, it will be helpful to know whether listing can be gained by looking at the grey market. Does the price of the grey market affect the listing price of the IPO?

Key Words: Grey Market Premium, Meaning of IPO, Listing Gain, Impact on Listing Gain, Cut-Off Price, Retail Investor View

1. INTRODUCTION

The capital market of India is an emerging market. We divide the capital market into two parts, a primary market, and a secondary market. When a company issues its shares in the market for the first time. So we call it the primary market. Within this, the company's shares are traded in the market for the first time. When the company raises funds, this offer is called an initial public offering. There was a flood of IPO in India in 2021. To invest in an IPO, up to 15000 is needed. That's why retail investors invest a lot of money in this. The second biggest reason is, listing gain, all the people in the market today, just want to earn a listing gain. It does not matter to any investor, what the company does, and what is the management of the company. The investor just means by listing gain, he does not get any interest in the company.

When the company issues an IPO, it decides the price band of the IPO itself. Now the company can keep it for more than its value and also less. A range of price bands is kept. which max. There is a price; we call it the cut-off price. When an IPO is oversubscribed, all apply at the cut-off price. If the company keeps a higher price band, then investors are less attracted to it. Since the lot size will be less than the higher price band, if the lot size is less, then the number of shares will be less. Due to this, the opportunities for listing gain will also be reduced.

Retail investors just need to gain a listing in the IPO market in India. Now the question is whether we can first find out which IPO listing will give us a gain or not. By the way, if you see it right, GMP is illegal. GMP is such a market where, before the arrival of the IPO, its buying and selling starts. All this happens on trust and this price is updated on different websites like chittorgarh.com, www.ipowatch.in, etc. This rate changes every day according to the trade and as long as it keeps on changing, the listing of the IPO is completed.

According to Investopedia 1. An initial public offering (IPO) refers to the process of offering shares of a private corporation to the public in a new stock issuance. An IPO allows a company to raise capital from public investors. The transition from a private to a public company can be an important time for private investors to fully realize gains from their investment as it typically includes a share premium for current private investors. Meanwhile, it also allows public investors to participate in the offering.

According to edelweiss 2. An initial public offering (IPO) is the first time a company issues shares to the public. This is when a private company decides to go 'public'. In other words, a company that was privately-owned until then becomes a publicly-traded company. Before the IPO, a company has very few shareholders. This includes the founders, angel investors, and venture capitalists. But during an IPO, the company opens its shares for sale to the public. As an investor, you can buy shares directly from the company and become a shareholder.

According to Bankrate.com 3. Ownership of a company is determined by stock. As a private company, the stock is owned by a small group of shareholders and is not offered to anyone else outside the company. In an IPO, those shares are either sold to the public or more shares are added for that purpose, which is called dilution. If more shares are

added, suddenly the original owners own a smaller proportion of the company, with the public making up the difference.

An investment bank determines the value of the company by purchasing the shares to be publicly traded first, assuming the risk. The company itself has already authorized the number of shares it has, so the valuation is divided up over the number of those shares. But once the stock goes to market, buyers and sellers determine the actual value, and the investment bank will attempt to sell what it can. This might result in a windfall for the company, but it could also lose value.

IPOs are sought to help grow the company, when the company's funds aren't enough to do it on their own, or investors may push for an IPO in order to convert their shares into cash. Sometimes a company isn't worth *anything* in liquid cash before the IPO, which is common for tech startups that run on venture capital. In that case, the IPO is a way for the investors to recoup their investments in the absence of revenue.

Because filing an IPO requires revealing everything about a company's finances, it may resist going public if it doesn't want to disclose certain information. The company's profitability might hinge on assumptions about its output and efficiency that it isn't required to report as a private company. There are also expensive fees involved — upwards of millions of dollars. And the negative press from a poor showing can compound to hurt a company even more.

2. LITERATURE REVIEW

Chandrasekhar Krishnamurti et. all. 4. According to these, listing gain can be detected from GMP. GMP is an important factor.

S Neupane 5. They believe that retail investors come to IPO from big investors.

3. OBJECTIVES

1. To know the meaning of GMP.
2. Factor affecting IPO s listing gain.
3. To know the GMP Impact on listing gain.

4. RESEARCH METHODOLOGY

In this paper, we will see whether the GMP of the IPO affects its listing or not. We have taken the history of IPO from websites like money control etc. As we know that there is no official source of GMP, we have taken it from different websites like CHHITOGARH and IPOWATCH from all these

sites. Then we will arrange all the data in the form of a table. Then we will find out only after seeing that the listing of the IPO which had GMP has also been done at the same price.

5. MEANING OF GMP

Gray market premium is such a market, which does not exist in a formal form. This is a market where the listing premium of an IPO is known even before its listing. This price depends on the demand and supply. Many people have described GMP in many different ways. which is like this.

According to Investopedia 6. A gray market is an unofficial market for financial securities. Gray (or "grey") market trading generally occurs when a stock has been suspended from trades of the market, or when new securities are bought and sold before official trading begins. The gray market enables the issuer and underwriters to gauge demand for a new offering because it is a "when-issued" market (i.e., it trades securities that will be offered in the very near future). The gray market is an unofficial one but is not illegal.

According to Nirmal bang broking 7. grey Market IPO is an unofficial market where individuals buy/sell IPO shares or applications before they are officially launched for trading on the stock exchange. As it is an unofficial over-the-counter market, there are no regulations around it. All transactions are done in cash on a personal basis. Any 3rd party firms like SEBI, Stock Exchange, or Brokers are not involved or back this transaction. Grey market trading is done among a small set of people as there is no official platform or rules defined for this trading.

6. FACTORS AFFECTING IPO 'S LISTING

6.1 Issue Size- When the company issues its IPO. So the size of the IPO also affects its listing price. So the company will have to face a lot of problems in filling it. If it is less subscribed. Then we will get to see less listing gain on it.

6.2 Company's Financial Position-The financial position of any company also affects the listing price of its IPO. If the company has a good position, then investors will invest good money in it. So we can say that this factor also affects the listing price.

6.3 Price Band-The price band is the range in which the shares of the IPO are bid. We call that range the price band. If the company keeps this more. So the investment might be less. So the price band also affects the listing.

6.4 GMP-GMP is an informal market. If the IPO price is not doing well in this, then it will also affect the listing. If it is good then investors will invest more.

6.5 Time-It is also very important. If the IPO of a company is coming when the market is not doing well. Even if that company is not profitable, its listing price will be affected.

IPO HISTORY

Date	IPO Name	Cut off Price	Listing Price	Lot Size	GMP
16/02/22	Vedant Fashions	866	950	17	-12
08/02/22	Adani Wilmar	230	274	65	23
31/01/22	AGS Transact	175	176	85	-6
31/12/21	Cms Info	216	242.95	69	-8
28/12/21	Supriya Life sci	274	425	54	130
27/12/21	HP Adhesive	274	319	50	80
24/12/21	Data Pattern	585	864	25	320
22/12/21	Metro Brands	500	436	30	20
21/12/21	CE Info	1033	1581	14	700
20/12/21	Shriram Prop.	118	94	125	-15
17/12/21	RateGain Travel	425	364.80	35	10
14/12/21	Anand Rathi	550	584.45	27	50
13/12/21	Tega Industries	453	753	33	300
10/12/21	Star Health	900	903	16	-15
26/11/21	Tarsons Product	662	700	22	180
23/11/21	Latent View	197	530	76	300
18/11/21	One 97 Paytm	2150	1955	6	-30
18/11/21	Sapphire Foods	1180	1311	12	130
15/11/21	Sigachi Ind.	163	575	90	200
15/11/21	SJS Enterprises	542	514	27	69
15/11/21	PB Fintech	980	1444	15	16
12/11/21	Fino Payment	577	548	25	0
10/11/21	FSN E-co Nykaa	1125	2001	12	750

7. FINDINGS

In this study, when we look at the table and find and find that the GMP of whichever IPO was more than the cut off price. Its listing was above and whose GMP was low or was in minus, its listing is below.

7.1 GMP can be found out how much gain/loss the IPO will give.

7.2 This affects the subscription of IPO.

8. CONCLUSIONS

We have learned here what is the primary market. This is the market where the company issues its shares for the first time. We also saw that we can make a lot of money from this small amount. But there is also a risk factor here. Retail investor shows great interest here.

Then we saw what is GMP? GMP is an informal market. This is illegal by SEBI. But this update happens on the internet. The listing price of the IPO can be ascertained in advance. Whose GMP is HIGH. His listing is also up and the low one, his listing is below. So by doing this study we found that with GMP we can already estimate the listing price of IPO. Now investors have started looking at GMP and not the company's work before investing money in an IPO. Now we are getting to see that people just want listing gain from IPO. They want to get out of it only on the day of listing.

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BIOGRAPHIES



Pinki. Being Assistant Professor I am working for my students to boost their knowledge to make them prepare for the future. I believe that Teaching is not just profession. It is divine responsibility to guide and enlighten others which will serve as a small or big path in the life.



My self Aryan, I am a student of M.Com. I want to become a professor. Apart from this, I also have good knowledge of the stock market. Here I came as a trader. But when I traded for a year, I became interested in brokerage, so I tried to know this market deeply, I found that there is more profit in brokerage than trading, So I tried to become a sub-broker with Upstox. Now along with my studies, I am also managing my brokerage firm. But I have to become a permanent goal teacher.