

Determinants Of Ipo Success and Failure: A Comparative Study of Zomato and Paytm

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Abstract—Through an IPO, a private company becomes publicly listed and raises funds from investors in the capital market. In India, the IPO market experienced rapid growth after the COVID-19 pandemic, especially in the technology, fintech, and digital start-up sectors. However, the performance of IPOs has not been uniform. Some IPOs generated strong investor confidence and delivered impressive listing gains, while others failed because of overvaluation, weak profitability, poor investor sentiment, and unsustainable business models. This research paper examines the determinants of IPO success and failure through a comparative study of Zomato and Paytm. Both companies launched their IPOs in 2021 and attracted massive public attention due to their strong market presence and digital business models. Despite operating in the same start up ecosystem and launching IPOs during a favourable market environment, the outcomes of the two IPOs were significantly different.

The study uses secondary data collected from research papers, IPO prospectuses, company reports, NSE/BSE data, journals, and published market reports. The analysis focuses on investor sentiment, valuation strategy, subscription rates, listing performance, financial condition, profitability outlook, and market response.

The findings reveal that IPO success depends upon multiple interconnected factors such as strong brand value, realistic valuation, positive investor sentiment, subscription level, growth expectations, and market confidence. Zomato's IPO was considered comparatively successful because investors believed in its long-term growth potential and digital economy expansion. On the other hand, Paytm's IPO faced criticism due to aggressive pricing, heavy losses, weak profitability expectations, and negative investor sentiment.

The study concludes that investor psychology and behavioural finance play a crucial role in IPO markets. IPOs launched during periods of excessive optimism may initially attract attention, but sustainable long-term performance depends on financial stability, transparent valuation, and strong business fundamentals.

Index Terms—Initial Public Offering (IPO)

- IPO Success and Failure
- Zomato IPO
- Paytm IPO
- Valuation Techniques
- Discounted Cash Flow (DCF)
- Relative Valuation
- Pricing Strategy
- Investor Sentiment
- Fear of Missing Out (FOMO)
- Corporate Governance
- SEBI Regulations
- Fintech Industry
- Market Performance
- Investor Confidence

I. INTRODUCTION

1.1 Meaning of IPO

An Initial Public Offering (IPO) refers to the process through which a private company offers its shares to the public for the first time. After an IPO, the company becomes publicly listed on stock exchanges such as the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). IPOs help companies raise capital for business expansion, research and development, debt repayment, technological innovation, marketing activities, and strategic growth.

IPO investment is also important for investors because it provides an opportunity to invest in companies during their early growth stage. Investors expect that companies with strong future potential will generate high returns over time.

In modern economies, IPOs are considered indicators of market development, investor confidence, and entrepreneurial growth. The success of an IPO depends not only on the company's financial condition but also on market sentiment, investor psychology, economic conditions, and pricing strategy.

1.2 Growth of IPO Market in India

India witnessed a remarkable rise in IPO activity between 2020 and 2023. Several factors contributed to this growth:

- Increase in retail investor participation
- Digital trading platforms and mobile applications
- Low interest rates after COVID-19
- Rapid growth of internet-based businesses
- Expansion of start-up ecosystem
- Rise of technology and fintech companies
- Increased awareness regarding stock market investments

The COVID-19 pandemic accelerated digital transformation across industries. Businesses related to online delivery, fintech, e-commerce, digital payments, and internet services experienced rapid growth. Investors became highly optimistic regarding technology startups and digital platforms.

As a result, many startup companies decided to raise funds through IPOs. Zomato and Paytm became two of the most important IPOs during this period.

1.3 Background of Zomato IPO

Zomato is one of India's leading online food delivery and restaurant aggregator companies. The company was founded by Deepinder Goyal and initially started as a restaurant discovery platform. Over time, Zomato expanded its business into online food delivery, customer reviews, table booking, and restaurant partnerships.

Zomato launched its IPO in July 2021. Even though the company was not profitable at the time of listing, investors showed strong confidence in its future growth potential. The IPO received strong

subscription from retail investors, institutional investors, and foreign investors.

The company benefited from:

- Strong brand recognition
- Rapid growth in online food delivery
- Expansion of internet penetration in India
- Increasing smartphone usage
- Positive market sentiment toward start-ups
- Expectations of future profitability

The IPO delivered strong listing gains and became one of the most successful start-up IPOs in India.

1.4 Background of Paytm IPO

Paytm is one of India's largest fintech and digital payment companies. The company offers digital wallet services, payment solutions, financial services, insurance, ticket booking, and merchant services.

Paytm launched its IPO in November 2021, which became one of the largest IPOs in Indian history. Initially the IPO attracted huge attention because of the company's market position and digital payment ecosystem. However, after listing, the stock price declined sharply.

Several factors contributed to the poor performance of Paytm IPO:

- Aggressive valuation
- Heavy financial losses
- Weak profitability outlook
- Concerns regarding business sustainability
- Negative investor sentiment
- Weak subscription from some investor categories

The failure of Paytm IPO created debates regarding startup valuations and investor behaviour in India.

1.5 Need for the Study

The comparative study of Zomato and Paytm IPOs is important because both companies belong to the Indian start up ecosystem and launched IPOs during a similar market environment. However, their market outcomes were completely different.

The study helps in understanding:

- Why some IPOs succeed while others fail
- Role of investor psychology in IPO markets
- Importance of valuation strategy
- Impact of financial performance on investor confidence

- Relationship between market sentiment and IPO success

The research is useful for:

- Investors
- Companies planning IPOs
- Financial analysts
- Policymakers
- Researchers
- Market regulators

1.6 Objectives of the Study

The major objectives of the study are:

1. To analyse the determinants of IPO success and failure.
2. To compare the IPO performance of Tomato and Pat.
3. To study the impact of investor sentiment on IPO outcomes.
4. To examine the role of valuation and financial performance.
5. To identify factors influencing long-term IPO sustainability.

1.7 Research Questions

The study attempts to answer the following questions:

- Why Zomato IPO was considered successful?
- Why did Pat IPO fail after listing?
- How does investor sentiment affect IPO performance?
- What are the major determinants of IPO success in India?
- How does valuation influence investor confidence?

1.8 Scope of the Study

The study focuses on comparative analysis of Tomato and Pat IPOs. The analysis includes:

- IPO subscription level
- Listing performance
- Investor sentiment
- Financial condition
- Valuation strategy
- Long-term market response
- Behavioural finance aspects

The research mainly focuses on the Indian start up ecosystem and post-COVID IPO environment.

II. LITERATURE REVIEW

2.1 Introduction to Literature Review

Literature review is an important part of any research study because it helps in understanding previous research, identifying research gaps, and developing a theoretical foundation for the study.

Many researchers have studied IPO performance, investor psychology, valuation strategies, behavioural finance, and long-term underperformance of start-up IPOs.

2.2 Review of Previous Studies

Mehta et al. (2022)

Mehta and colleagues conducted sentiment analysis on Pat IPO using Twitter data.

The researchers concluded that social media sentiment has a strong influence on investor behaviour and IPO performance.

Sarika Mahajan (2022)

Sarika Mahajan analyzed the failure of Paytm IPO and identified several reasons behind its poor market performance.

According to the study:

- Paytm IPO was aggressively priced.
- Investors considered the valuation unrealistic.
- Continuous financial losses reduced confidence.
- Weak profitability outlook affected market response.

The study highlighted the importance of realistic pricing in IPO markets.

Ritter (1991)

Ritter introduced the “Windows of Opportunity” theory. According to this theory, companies launch IPOs during periods of high market optimism when investors are willing to pay higher prices.

However, IPOs launched during such periods may underperform in the long run because of overvaluation.

Loughran and Ritter (1995)

Loughran and Ritter explained the “New Issues Puzzle.” They argued that IPOs often underperform in the long run because investors become excessively optimistic during the listing period.

The study concluded that:

- Overpricing reduces long-term returns.

- Investor sentiment strongly affects IPO demand.
- Market hype can create unrealistic expectations.

Ljungqvist, Nanda, and Singh (2006)

The study emphasized the importance of behavioural finance in IPO markets.

The researchers identified several behavioural factors influencing IPO performance:

- Herd mentality
- Overconfidence
- Speculative investing
- Fear of missing out (FOMO)
- Investor optimism

The study concluded that investor emotions can significantly influence IPO pricing and demand.

Rizvi and Singh (2025)

Rizvi and Singh studied the Zomato IPO and evaluated whether the company was overpriced or under-priced.

The study highlighted:

- Strong growth potential of online food delivery
- Rise in internet penetration in India
- Expansion of smartphone usage
- Investor confidence in digital businesses

2.3 Major Findings from Literature

The literature review indicates that IPO performance depends upon several factors:

- Investor sentiment
- Valuation strategy
- Financial performance
- Subscription level
- Brand value
- Profitability expectations
- Market conditions
- Business sustainability
- Corporate governance
- Media influence

The literature also suggests that behavioural finance and investor psychology are highly important in start-up IPOs.

2.4 Research Gap

Although many studies examine IPO performance, very few comparative studies focus on Zomato and Paytm together.

Most existing studies focus only on:

- Short-term listing gains

- Social media sentiment
- Financial analysis
- Long-term underperformance

There is limited integrated research connecting valuation strategy, investor psychology, and start up business models in the Indian context.

This research attempts to fill that gap.

III. RESEARCH METHODOLOGY

3.1 Meaning of Research Methodology

Research methodology refers to the systematic process used to conduct research and analyse data.

The methodology explains:

- Research design
- Data collection methods
- Sources of data
- Analytical techniques
- Research objectives

3.2 Research Design

The present study is descriptive and comparative in nature.

The study compares the IPO performance of Zomato and Paytm to identify factors responsible for success and failure.

3.3 Sources of Data

The study is based on secondary data.

Data has been collected from:

- Research papers
- IPO prospectus
- NSE reports
- BSE reports
- Annual reports
- Academic journals
- Financial websites
- SSRN papers
- Company presentations

3.4 Nature of Data

The study uses qualitative as well as quantitative data.

Qualitative Data:

- Investor sentiment
- Media reports
- Behavioural factors
- Expert opinions

Quantitative Data:

- Subscription rates
- Listing gains
- Revenue figures
- Loss figures
- Share price trends

3.5 Comparative Analysis Method

Comparative analysis has been used to compare:

- Subscription levels
- Investor confidence
- Valuation strategies
- Market response
- Financial condition
- Long-term stock performance

3.6 Importance of Comparative Analysis

Comparative analysis helps researchers identify similarities and differences between two cases.

In this study, comparative analysis helps in understanding:

- Why one IPO succeeded while another failed
- How investors react to different valuations
- Importance of sentiment and market psychology

3.7 Limitations of Methodology

- Dependence on secondary data
- Limited access to real-time investor information
- Rapidly changing market conditions
- Limited availability of updated financial reports

IV. IPO MARKET AND START-UP ECOSYSTEM IN INDIA

4.1 Evolution of Start-up IPOs in India

India has emerged as one of the fastest-growing start up ecosystems in the world.

Government initiatives such as:

- Start-up India
- Digital India
- UPI ecosystem
- Internet infrastructure development

Played a major role in encouraging start up growth.

4.2 Impact of COVID-19 on IPO Market

The COVID-19 pandemic accelerated digital transformation across industries.

Consumer behaviour shifted toward:

- Online food delivery
- Digital payments
- E-commerce
- Online entertainment
- Mobile applications

As a result, investors became highly optimistic regarding digital businesses.

4.3 Rise of Retail Investors

One of the major developments in India's IPO market was the rise of retail investors.

Factors responsible for increased retail participation:

- Online trading apps
- Easy account opening process
- Social media influence
- Financial awareness
- Low interest rates

Retail investors played a major role in start-up IPO subscriptions.

V. DETAILED ANALYSIS OF TOMATO IPO

5.1 Company Profile

Tomato is an online food delivery and restaurant discovery platform.

The company operates through:

- Food delivery services
- Restaurant listings
- Customer reviews
- Dining services
- Hyper pure B2B services

5.2 Business Model

Zomato follows an aggregator-based business model.

The platform connects:

- Customers
- Restaurants
- Delivery partners

Revenue sources include:

- Delivery commissions
- Advertising revenue
- Subscription services
- Restaurant partnerships

5.3 Reasons behind Zomato IPO Success

Strong Brand Recognition

Zomato was already a well-known brand among urban consumers.

Digital Economy Growth

India's digital transformation increased online food delivery demand.

Positive Investor Sentiment

Investors believed in long-term growth opportunities.

High Subscription Rate

The IPO received strong subscription from retail and institutional investors.

Market Timing

The IPO was launched during a period of high market optimism.

Growth Potential

Investors focused more on future expansion rather than present losses.

5.4 Financial Analysis of Zomato

Although Zomato was loss-making, investors remained optimistic because:

- Revenue was increasing rapidly.
- Customer base was expanding.
- Online food delivery market had huge potential.
- Internet penetration was growing.

Investors believed the company could become profitable in the future.

5.5 Listing Performance of Zomato

The IPO generated positive listing gains.

The stock opened at a premium compared to the issue price.

Strong listing performance increased investor confidence in start-up IPOs.

VI. DETAILED ANALYSIS OF PAYTM IPO

6.1 Company Profile

Paytm is one of India's leading fintech companies.

The company provides:

- Digital payment services
- Wallet services
- Financial products
- Merchant services
- Insurance services
- Ticket booking services

6.2 Business Model

Paytm operates through a fintech ecosystem.

The company earns revenue from:

- Transaction fees
- Merchant commissions
- Financial services
- Lending products
- Advertising and promotions

6.3 Reasons behind Paytm IPO Failure

Overvaluation

One of the biggest criticisms against Paytm IPO was aggressive pricing.

Investors believed that the valuation was unrealistic compared to profitability.

Continuous Losses

The company reported heavy financial losses.

Weak Investor Confidence

Many investors were uncertain regarding future profitability.

Negative Sentiment

Negative media reports and social media discussions affected investor psychology.

Weak Listing Performance

The stock price declined sharply after listing.

Sustainability Concerns

Investors questioned the long-term sustainability of the business model.

6.4 Sentiment Analysis of Paytm IPO

Research studies showed that negative investor sentiment was stronger than positive sentiment during the Paytm IPO period.

Negative discussions on social media influenced retail investors and reduced confidence.

VII. COMPARATIVE ANALYSIS OF ZOMATO AND PAYTM IPOs

7.1 Comparison Based on Investor Sentiment

Zomato:

- Positive investor mood
- Optimism regarding growth
- Strong brand trust

Paytm:

- Negative investor perception
- Fear regarding losses
- Valuation concerns

7.2 Comparison Based on Valuation

Zomato’s valuation was considered growth-oriented but acceptable.

Paytm’s valuation was viewed as excessively aggressive.

7.3 Comparison Based on Listing Performance

Zomato:

- Positive listing gains
- Strong market demand

Paytm:

- Negative listing performance
- Sharp decline in share price

7.4 Comparison Based on Financial Condition

Both companies were loss-making.

However, investors viewed Zomato as having better future growth opportunities.

Paytm faced greater criticism regarding profitability and sustainability.

VIII. ROLE OF BEHAVIOURAL FINANCE IN IPO PERFORMANCE

8.1 Meaning of Behavioural Finance

Behavioural finance studies how emotions and psychology influence investment decisions.

Traditional finance assumes that investors behave rationally.

8.2 Behavioural Factors Affecting IPOs

Herd Behaviour

Investors often follow the actions of others.

Overconfidence

Investors may become excessively optimistic during bull markets.

Fear of Missing Out (FOMO)

Investors invest because they fear missing future gains.

Speculative Investing

Investors focus on short-term profits instead of fundamentals.

8.3 Behavioural Analysis of Zomato and Paytm

Zomato benefited from:

- Positive optimism
- Strong market hype
- Confidence in digital businesses

Paytm suffered because:

- Investors became cautious
- Negative sentiment spread quickly
- Fear increased after listing decline

IX. CALCULATION AND RESULT ANALYSIS

9.1 Comparative IPO Performance Table

Factors	Zomato IPO	Paytm IPO
IPO Year	2021	2021
Sector	Food Delivery	Fintech
Investor Sentiment	Positive	Negative
Subscription Level	Highly Oversubscribed	Weak Subscription
Listing Performance	Positive	Negative
Profitability Status	Growth Focused	Heavy Losses
Valuation Perception	Growth Valuation	Overvalued
Investor Confidence	High	Low
Long-Term Response	Stable Recovery	Sharp Decline

9.2 Major Findings

The study found that:

- Investor sentiment strongly affects IPO performance.
- Overvaluation reduces investor confidence.
- Strong brand image increases subscription rates.
- Market optimism supports start up IPOs.
- Long-term sustainability is essential for success.

X. CONCLUSION

The study concludes that IPO success and failure depend on several interconnected factors such as valuation strategy, profitability outlook, investor sentiment, subscription level, business sustainability, and market confidence.

On the other hand, Paytm IPO failed mainly because of overvaluation, continuous losses, weak profitability expectations, and negative investor sentiment.

The research also highlights the importance of behavioural finance in IPO markets. Investor psychology, optimism, media influence, and social sentiment play a significant role in determining IPO outcomes.

Companies planning future IPOs should focus on:

- Transparent valuation
- Sustainable business model

- Strong financial fundamentals
- Effective investor communication
- Long-term profitability

A balanced valuation strategy and strong investor trust are essential for long-term IPO success.

XI. RESEARCH GAP AND FUTURE SCOPE

11.1 Research Gap

The present study identifies several important research gaps in existing literature related to IPO success and failure in the Indian start up ecosystem.

Although numerous studies have analysed IPO performance, investor sentiment, valuation strategy, and long-term stock performance, very limited comparative studies are available focusing specifically on Zomato and Paytm IPOs together.

Most previous research studies mainly focused on:

- Short-term listing gains
- Social media sentiment analysis
- Financial performance of IPO firms
- Long-term underperformance of start-up IPOs
- Behavioural finance theories in general IPO markets

However, there is a lack of integrated research connecting all major dimensions together such as:

- Investor psychology
- Start-up valuation strategy
- Brand image
- Subscription patterns
- Media influence
- Financial sustainability
- Market confidence

Another important research gap is the limited availability of studies examining the role of post-COVID market conditions in shaping investor behaviour toward start up IPOs.

The COVID-19 pandemic transformed the Indian economy and accelerated digital adoption across industries. During this period, investors showed extraordinary optimism toward internet-based companies and technology start-ups. However, existing studies have not fully explored whether such optimism was based on actual business fundamentals or temporary market enthusiasm.

Most studies on Paytm focus mainly on its failure and overvaluation. Similarly, many studies on Zomato

focus only on listing gains and market hype. Very few researchers have comparatively examined why two loss-making start-up companies received completely different investor reactions.

Another major research gap exists in understanding the relationship between behavioural finance and start up valuation in India. Many investors participate in IPOs because of media trends, influencer opinions, and fear of missing out rather than detailed financial analysis. Existing literature has not deeply explored how such behavioural biases influence IPO subscriptions and long-term stock performance.

There is also limited research regarding:

- Impact of social media on retail investor behaviour
- Role of institutional investors in start-up IPO pricing
- Influence of digital trading applications on IPO participation
- Effect of economic uncertainty on start-up valuations
- Comparison between Indian start up IPOs and global technology IPOs

The majority of earlier studies are based on quantitative data only and often ignore qualitative factors such as investor emotions, trust, optimism, and psychological reactions.

Therefore, this study attempts to bridge these gaps by providing a comparative analysis of Zomato and Paytm IPOs while integrating financial, behavioural, and market-related factors together.

11.2 Future Scope of the Study

The present study provides several opportunities for future research in the area of IPO performance, startup valuation, and investor behaviour.

One important area for future research is the long-term stock market performance of start-up IPOs in India. Many start-up companies initially receive strong market attention, but their long-term sustainability remains uncertain. Future researchers can analyse whether start up IPOs create long-term shareholder value.

Future researchers can also use advanced quantitative techniques such as:

- Regression analysis
- Statistical modelling

- Machine learning models
- Predictive analytics
- Artificial intelligence tools

These methods can help predict IPO success probability based on variables such as:

- Subscription levels
- Financial performance
- Investor sentiment
- Social media trends
- Market conditions

Another important area for future study is social media sentiment analysis. Modern investors are highly influenced by online platforms such as Twitter, YouTube, Reddit, Telegram groups, and financial influencers. Researchers can examine how digital media shapes investor psychology before and after IPO listing.

Future research can also focus on behavioural finance aspects such as:

- Herd mentality
- Fear of missing out (FOMO)
- Overconfidence bias
- Loss aversion
- Speculative investing behaviour

Researchers may also study the role of government regulations and SEBI policies in controlling aggressive IPO pricing and protecting retail investors. Another future scope area is sector-wise IPO analysis.

Researchers can compare IPO performance across:

- Fintech companies
- Food delivery companies
- E-commerce firms
- Renewable energy start-ups
- Artificial intelligence companies
- Health-tech start-ups

Future studies may also examine the impact of macroeconomic factors such as:

- Inflation
- Interest rates
- GDP growth
- Global recession fears
- Foreign investment flows
- Currency fluctuations

On IPO market performance.

Another significant future scope is studying the role of Environmental, Social, and Governance (ESG) factors in IPO success. Modern investors increasingly prefer companies with sustainable business practices and strong governance standards.

Researchers can also conduct primary research using:

- Investor surveys
- Interviews with financial analysts
- Expert opinions
- Questionnaires
- Behavioural experiments

This would provide more practical insights into investor decision-making.

Overall, the present study creates a foundation for future academic research in IPO markets, behavioural finance, startup valuation, and investor psychology.

XII. LIMITATIONS OF THE STUDY

The study has several limitations:

1. The research is mainly based on secondary data.
2. Investor sentiment changes rapidly over time.
3. Limited updated financial information was available.
4. The study focuses only on two companies.
5. Market conditions during 2021 may not represent all IPO environments.
6. Behavioural factors are difficult to measure accurately.

ACKNOWLEDGEMENT

Now, I wish to acknowledge the immense help extended by all those who have provided me with their valuable guidance, encouragement, and support in completing my research paper entitled “Determinants of IPO Success and Failure: A Comparative Study of Zomato and Paytm.” I want to start by saying thank you to my teachers who helped me with my project. They gave me a tide as and tips that made my work a lot better. I would like to thank my college/university and department for the provision of adequate facilities that have assisted me in completing my research paper successfully. I want to say thank you to my family and friends who helped me a lot. They motivated me and supported me all the time, and I couldn't have finished this research without them. I want to thank all the

authors, researchers, and people who shared their information online, in journals, and other sources, because they helped me get the important information I needed for my research. I'm really grateful for the opportunity to work on this research paper, it's been a great learning experience for media want to thank all the people who helped me out, whether it was directly or indirectly, they all played a big role in getting my paper finished.

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