

Layoffs at startups continue in 2023 amid funding winter

At least 11 new tech firms have fired around 1,400 employees in two weeks so far this year

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Indian startups continued to lay off employees in 2023, with at least 11 tech startups firing 1,400 employees in the first two weeks of the year. This accounts for 7.3% of the total layoffs by startups in 2022 as companies seek to cut costs amid economic uncertainty.

"Founders are acutely aware of the slowdown in the dealmaking pace, and 'extend the runway' is the mantra they are adhering to tide over the next quarters. So, startups are going back to the drawing board to implement measures which will help them survive for the next 24 months," said Bhargavi V., cofounder and partner at Java Capital.

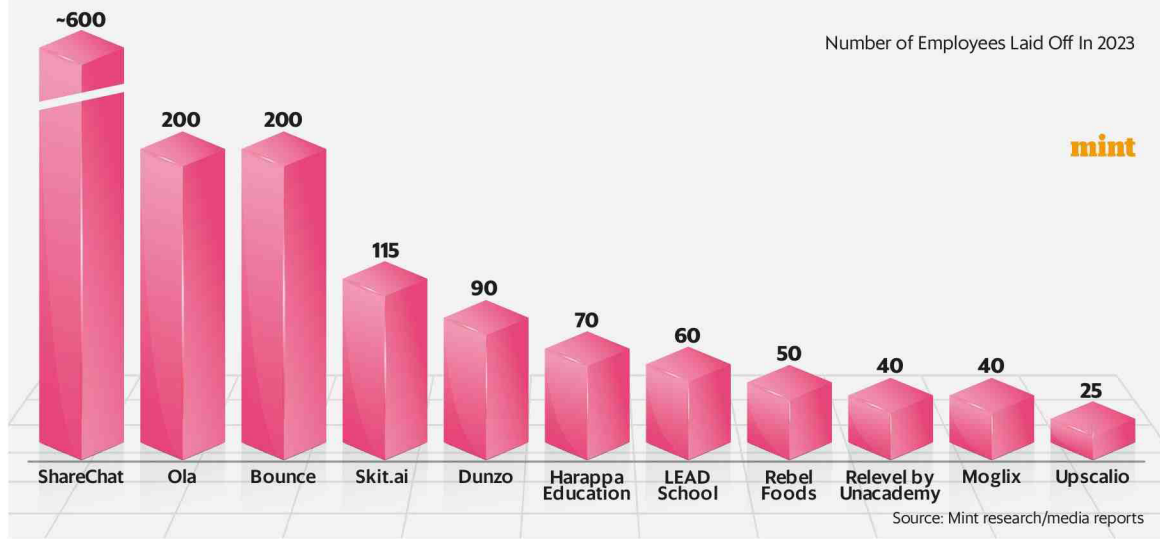
VCCIRCLE

Among companies having concluded layoffs in 2023, Google-backed Mohalla Tech Pvt Ltd, which runs the social media site ShareChat and short video platform Moj, topped the list with around 600 layoffs. It said external macro factors impacted costs and availability of capital. The Bengaluru-based company trimmed its headcount by around 20% in the latest round. Mohalla Tech had also shut its fantasy sports vertical Jeet11, which had nearly 115 employees in December.

Another Google-backed startup that fired its employees in early 2023 is Dunzo. The quick commerce firm sacked 3% or nearly 90 employees as part of its restructuring. Employees from the product and supply chain were impacted. "Some senior developers and at least two directors of engineering have been sacked," a person aware of the development at Dunzo said, seeking anonymity.

Hitting a slowdown

Experts have warned of pain in the next 2-3 quarters that may see more layoffs and shutdowns.



Severely impacted by the post-pandemic return to physical classes, edtech startups have continued retrenchments in 2023. For instance, edtech unicorn Lead School sacked nearly 60 employees early this month after firing 100 employees in August, while

roughly 20% of its workforce so far in 2023, as it pivots to a test product app called NextLevel. Massive layoffs across sectors come after a blockbuster 2021 when startups collectively raised more than \$35 billion in venture capital funding. 2022 saw VC funding drop

increase their runways," said Bhaskar Majumdar, managing partner at Unicorn India Ventures.

Sequoia-backed Rebel Foods, SoftBank-backed Ola, B Capital-backed e-2wheeler maker Bounce, WestBridge Capital-backed voice automation startup Skit.ai, Tiger Global-backed industrial goods marketplace Moglix, and UpScalio, a Thrasio-style venture that finances e-commerce brands also sacked employees in January. Layoffs are likely to continue as VCs believe that companies might be looking at tougher times. "2023 is gloomier than expected six months ago. Winter has truly set in," warned Java Capital's Bhargavi. We expect painful next 2-3 quarters that could see more layoffs and shutdowns with no adequate runways and bad unit economics," Java Capital's Bhargavi said.

BITTER CHILL

LAYOFFS so far this year are about 7.3% of the total layoffs that shook startups last year

GOOGLE-backed Mohalla Tech has laid off the max number of staff—around 600

UPGRAD-owned Harappa Education fired around 70 employees or 35% of its total strength

STARTUP layoffs are likely to continue as VCs believe that cos might be looking at tougher times ahead

UpGrad-owned Harappa Education sacked 70 employees or 35% of its 200-strong workforce. More layoffs are likely at the company, the human resources department had told parting employees. Unacademy-owned Relevel, too, fired 40 employees, or

30% to around \$24 billion, according to data by Venture Intelligence.

"After an extended period of sunshine, Indian startups in 2022 faced a long, bitter and cold winter. As the funding squeeze sets in, startups undertook layoffs to survive and