

Start Up, Top Up, Tighten Up... Cos Lay Off Thousands

MORE PAIN AHEAD Founders, investors say readjustment in growth plans due to poor macros leading cause of job cuts

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Bengaluru: As the funding winter continues, startups laid off about 9,400 employees in the January-March period, according to data from hiring firm Careernet shared exclusively with ET. Edtech firms Byju's, Unacademy, social media firm ShareChat, apartment-management startup MyGate and car-servicing startup GoMechanic were among the companies that fired a significant chunk of their team, the report said. About 70% of all startups laid off 100-300 people each in the quarter. This included the likes of instant delivery services provider Dunzo, healthtech software-as-a-service (SaaS) startup Innovaccer and ride-hailing major Ola among others.

While layoffs are expected to continue, hires in senior roles were also down by around 80% in the March quarter compared with the same period last year, according to Careernet.

This trend was visible in sectors such as fintech, ecommerce, edtech, SaaS and healthtech among others. Ecommerce and edtech have seen a significant impact as hiring in the March quarter was down 93% and 84%, respectively, compared with the same period last year.

Edtech startups have laid off the largest numbers—over 1,000 employees at a time, according to the report.

"The situation will likely not improve in the next two quarters," said Anshuman Das, cofounder and CEO of Careernet. "While there will be more seed and series A funding which can offer a good supply of new entrepreneurs... These companies hire slowly. Largely, jobs across all sectors have been trimmed, except SaaS, where more might happen."

The analysis of fresh hires was based on new senior positions with annual salary packages exceeding Rs 50 lakh. ET had reported last month that hiring for

senior leadership roles had dipped 60-80% year-on-year at new-age tech firms.

MORE PAIN AHEAD?

Several startup founders and investors told ET that even with adequate capital, their companies are going slow on hiring as growth plans have been redesigned in line with the current macroeconomic conditions.

"Layoffs may continue and at

places where you may not see layoffs, you will see muted (pay) hikes," said Ashish Dave, CEO, Mirae Asset Venture Investment in India, which has backed companies like Bigbasket, Unacademy and Ola. "Companies have hired expecting growth but that has not come. Now when there is a high cost structure, it needs to be readjusted with the new growth rate of startups."

Swiggy founder Sriharsha Maje-

ty had told staff in January while laying off about 380 people that the food-delivery firm had hired too many people. "Our over-hiring is a case of poor judgement and I should have done better here," he said at the time.

Local language social media platform ShareChat CEO Ankush Sachdeva had conveyed to his team that the firm overestimated market growth during the highs of 2021 and underestimated the

duration and intensity of the global liquidity squeeze that followed.

Traditional sectors such as banking, financial services and insurance have increased their hiring, said Abhimanyu Saxena, founder and CEO of tech-focused upskilling and reskilling platform Scaler.

"Some global legacy companies are also setting up larger teams in India. Startup employees have no hesitancy in joining these industries with adequate compensation," said Saxena, whose startup is backed by investors like Sequoia Capital India, Tiger Global and Lightrock.

FUNDING MATTERS

The Careernet report said there were a total 260 funding deals during the period under review. About \$3.4 billion was raised in the period, a decline of 71.6% by value from \$12 billion in the same period last year. Of this, 110 deals amounting to about \$214 million were seed-stage, 41 were pre-series stage

amounting to \$163 million, 55 growth-stage amounting to \$887 million and 24 late-stage amounting to \$2.1 billion.

Siddharth Pai, founding partner at Bengaluru-based early-stage venture capital firm 3one4 Capital, told ET that the industry is seeing ticket sizes in seed stage deals increase over the years, starting from a minimum \$1 million now. He said there are also more specialised institutional funds and dedicated micro-VC funds investing in this stage now.

"Investors typically buy in recessive dips in these early-stage companies, founders enter the market during such times too, wanting to raise at least a year's cash runway as they go about setting early traction and their minimum viable products. At the late stage, there is still some fear, even as companies try their best to arrest cash burn," said Pai. 3one4 Capital has backed startups like Open, which last week laid off 47 employees. Its founders took a 50% pay cut.

STARTUPS DRIVE ABOUT 80% OF A DIP IN JAN-MARCH 2023 SENIOR HIRES*

Sector	Jan-March '22	Jan-March '23	% Dip
	% Breakup of 500+ hired	% Breakup of 100+ hired	
Fintech	25	35	72
E-commerce	25	20	84
Edtech	15	5	93
SaaS	15	20	73
Healthtech	10	15	70
Others	10	5	90

*Year-over-year comparison
Source: Careernet

ABOUT 9,400 STARTUP EMPLOYEES LOSE JOBS IN JAN-MARCH 2023

Employees fired	Layoff split (%)	Startups firing
>1,000	5	Byju's
301-500	14	ShareChat, MyGate, GoMechanic, Swiggy, Unacademy, K12
101-300	30	Bounce, Innovaccer, Ola, MediBuddy, Phable, Yellow.ai, Exotel, SirionLabs, Hubilo, UpGrad, Skit.ai

Source: Careernet