

New-Age Ventures Tighten Belt | Hope For IIM Students

# Pay hikes slide from up to 40% to almost nothing at startups

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## Mumbai/Bengaluru:

Things have altered quite perceptibly in a year's time for the ever-changing startup ecosystem. From doling out 30-40% increments to top performers just a year ago, to giving minimal or no increments, new-age internet companies have come a full circle as they battle a funding crunch and pressure to monetize their businesses. **TOI** has learnt that food-discovery and ordering platform Zomato told its employees last month that it may freeze increments for the year 2016, amid mounting pressure to rationalize its operations. Others like mobile advertising startup InMobi have delayed their appraisal cycle while biggies like Flipkart and Snapdeal are being extremely conservative in giving hikes this year.

Flush with funds, India's startup superstars flashing billion-dollar-plus valuation tags lured young talent, offering them fat salaries and increments. But in the past six-

## FUNDING CRUNCH

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**KRIS LAKSHMIKANTH** | CMD, HEAD HUNTERS INDIA

eight months, investor sentiment turned globally, affecting the environment here.

“A few months ago, Zomato asked its employees to take a pay cut in lieu of Esops. Post that, they informed employees about no increments for this year. All this is to cut wage costs at a time their losses are shooting up,” said a person privy to the developments at the company. Valued at \$1 billion, Zomato said in an emailed response to **TOI**, “We were prudent in how we did increments last quarter. We spoke to our teams and were very transparent with them about this decision.

Our people are here for the long term, and understand the reasoning behind it. To add to this, we have not seen any attrition on account of this.”

Gurgaon-based Zomato saw its revenues double to Rs 185 crore for financial year 2015-16 compared to the year before while its losses rose 262% to Rs 492 crore, the company's largest shareholder InfoEdge said in its annual results filings to the BSE on Wednesday. Deepinder Goyal, its founder, said the company had cut its operating costs from \$9 million to \$1.7 million by shuttering opera-

tions in countries like the US and the UK.

“This was somewhat expected. Most of the leading internet startups handed out an average of 20% hike last year when adequate funds were available. That 20% has come down to less than 5% across the leading e-commerce firms,” said Kris Lakshmi-kanth, CMD at Head Hunters India. “This had happened post the 1999-2000 dotcom bust and during the IT slowdown in 2008-09. It's the same situation with these e-commerce companies now as most of them have not raised fresh capital but had gone ahead with aggressive hiring last year,” he said.

Flipkart and Zomato have lead from the front in hiring talent. A Snapdeal spokesperson had said last year that the average hike at the company was 20%. Flipkart did not comment when asked about their annual increments.

Besides attractive hikes, these companies offered Esops as another way of getting on board talent, not only from India but also from Silicon Valley.