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CASE STUDY – FINANCE

CS- 21-005

Financing the growth of Urban Chowk

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Abstract (150 words):

On a hot summer afternoon in May 2021, Kartikey Rajput was discussing the possible financing options for expansion of the food park 'Urban Chowk' with his wife Nikita in their office at Ahmedabad. They had a plan to expand their food services operations beyond Ahmedabad by launching five new projects in the next 3 years. The couple relaunched the second edition of Urban Chowk. The decision to go beyond Ahmedabad would require the selection of cities besides the major challenge of financing choice. The Indian food sector was witnessing a sharp rise in the equity financing through angel investors, venture capitalists or private equity firms for the growth. But the risk of equity financing was the dilution of the Rajput couple's stake in the business, and its limit remained unknown. Further, the equity financiers, expecting more revenues and cash flow, might demand launching new operations in a few metro or mini metro cities that may not be of interest to the promoters. Although mini metro cities offer a potential market, logistics may pose a challenge to Rajputs due to the lack of understanding regarding the market. In the next week, Rajput had to meet a few angel investors; thus, he was lost in contemplation, with his fingers idling on the keyboard of his laptop.

Keywords: Entrepreneurial Finance, Small businesses, Food service sector, entrepreneurship