

## Financial feasibility of grape wine production in Maharashtra

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Received : June, 2010; Accepted : January, 2011

### ABSTRACT

In all 32 grape winery units were selected from Pune, Nasik and Sangli districts. In order to know the financial feasibility of project, the evaluation measures were used like net present worth, benefit cost ratio, net benefit investment ratio and internal rate of return. The result revealed that present worth of benefit was Rs. 651.47 lakh while present worth of cost was Rs. 439.93. Thus, net present worth was Rs. 211.54 lakh. Benefit cost ratio was found to be 1.48. Sum of negative stream for one year was Rs. -118.25. Sum of positive stream for fourteen year was Rs. 329.79 lakh. Thus, N/K ratio was found to be 2.87 which indicated that project was worth while. Internal rate of return was found 65.50 per cent.

Kakade, A.D., Pawar, B.R. and Bankar, S.S. (2011). Financial feasibility of grape wine production in Maharashtra. *Internat. J. Com. & Bus. Manage*, 4(1): 57-59.

**Key words :** Grape wine, Financial feasibility, Net benefit

India is emerging fast as a major grape growing country of the world. Highest grape cultivation is observed in Maharashtra due to suitable climate for grape production. Hence, grape processing industries are recently developing like raisin making and wine making. Grape wine is nutritious physiologically active complex drink that can feed our halides influence health and it is fairly good source of minerals like calcium, phosphorus, iron and vitamins (Gastineau *et al.*, 1979). Maharashtra has 58 winery units. Grape wine production is capital intensive project because of the highest initial investment. The gestation period for grape wine is the highest initial investment. The gestation period for grape wine production is only of one year in which project is established but there is no economic return in the first year. On the contrary production period is 14 years and that is known as economic life. In every year about 7 to 8 winery units are being established in Maharashtra. There is an annual growth rate of about 20 per cent in the present turn over is Rs.200 crore in wine business. To meet the domestic demand and for exporting wine from India, good quality wines comparable to standard wine of Europe and USA have to be produced. To give impetus to grape

processing and wine industry for the benefit of farmers, Maharashtra state announced a comprehensive wine policy in 2001 and recently in September 2005. It has established Maharashtra Grape Board especially to develop marketing channels for grape products (Naveen *et al.*, 2010). By keeping in view the above aspects, the present study has been undertaken.

### METHODOLOGY

Multistage sampling design was adopted for selection for districts and grape winery owners. At the first stage Pune, Nasik and Sangli districts were selected purposely on the basis of availability winery units. In second stage, eight units from Pune district, also eight units from Northern Nasik and eight units from Southern Nasik while eight units from Sangli district were selected randomly. Cross sectional data were collected from sample grape winery owners by personal interview method with the help of pre-tested schedule in the year 2009-2010. In order to know the financial feasibility of project, the evaluation measures namely, Net present worth (NPW), benefit cost ratio (BCR), net benefit investment ratio (N/K ratio) and internal rate of return (IRR) were used as follows.

#### Net present worth (NPW):

The net present worth is computed by finding the difference between present worth of benefit stream and present worth of cost stream. It is calculated by the formula as :

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