CHAPTER II

PERFORMANCE REVIEW RELATING TO GOVERNMENT COMPANY

2 Operational Performance of Agro Industrial Packaging India Limited

Highlights

The Company was incorporated in February 1987 for manufacturing corrugated cartons. The Company has been dependent upon the State Government for fixation of target for manufacture of cartons, their sale rate and subsidy to be given for sale of each carton.

(Paragraphs 2.1 and 2.8)

The accumulated loss of Rs.57.24 crore as on 31 March 2006 was 323.02 *per cent* of the paid-up capital of Rs.17.72 crore. The losses were incurred mainly due to under-utilisation of capacity, decreasing subsidy allowed by the Government, huge interest burden of State Government loans and increase in cost of inputs and salary and wages.

(Paragraph 2.7)

The Company has not been able to achieve the capacity utilisation envisaged in the detailed project report. The actual capacity utilisation since inception ranged only between 1.85 and 34.37 *per cent*. Low capacity utilisation resulted in payment of idle salary and wages of Rs.4.49 crore during 2001-06.

(Paragraphs 2.9 and 2.18)

The share of the Company in the sale of 20 kg cartons in the State declined from 48.51 *per cent* in 2001-02 to 7.94 *per cent* in 2005-06. Thus, the Company failed to provide packing material to the apple growers of the State at reasonable rates and in time.

(Paragraph 2.11)

The Government/Company failed to reduce surplus manpower. The annual incidence of salary and wages of surplus manpower was Rs.45 lakh.

(Paragraph 2.17)

Introduction

2.1 Agro Industrial Packaging India Limited (Company) was incorporated as a Government company in February 1987 with an authorised capital of Rs.20 crore. The main objects as envisaged in the Memorandum and Articles of Association of the Company were to manufacture, process, design, buy, sell, export, import and/or otherwise deal in all kinds of corrugated packing, packing cartons, paper board packing, fibre board packing, etc.

The Company established a corrugated cartons manufacturing plant at Pragati Nagar (Shimla), which was commissioned in August 1989. The commercial production started in August 1991. The management of the Company is vested in a Board of Directors consisting of nine Directors including the Chairman, the Managing Director (MD) who is the Chief Executive and three non-official Directors, all nominated by the State Government. The Minister of Horticulture is the Ex-officio Chairman of the Company. The MD is assisted by a General Manager at the Head Office in day-to-day affairs and operational activities in the plant are looked after by a Plant Manager. During the last five years ended 31 March 2006, there was no independent MD of the Company. The MD of another Government company viz. Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited has been holding the additional charge of the post of the MD of the Company since 14 May 1998.

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India (Commercial) for the year 1998-99. The Report was discussed by COPU in November 2001. The COPU viewed the irregularities pointed out by Audit very seriously. Not satisfied with the investigation being done by the State Vigilance Department, as the MD of the Company during the period covered under review was himself a Senior Police Officer, COPU recommended (November 2001) investigation by the Central Bureau of Investigation (CBI). Accordingly, the State Government referred (July 2002) the case to the CBI. Further progress is awaited (April 2006).

Scope of audit

2.2 Performance review on the activities of the Company for the period 2001-06 was conducted through a test check of records maintained at the Head Office of the Company at Shimla and the Plant at Pragati Nagar during June to July 2006.

Audit objectives

2.3 The performance review was conducted with a view to ascertain whether and to what extent:

- the objective of providing packing material to the apple growers of the State at reasonable rates and in time was achieved;

- the facilities established for production of all kinds of packing were utilised to the optimum level and wastages were within the norms;
- utilisation of resources including raw material and manpower was as per norms;
- procurement of raw material and manufacturing activities were carried out effectively, efficiently and economically;
- manpower had been utilised optimally;
- system of supply, billing and recovery of dues was adequate; and
- the internal control system prevalent in Company was adequate.

Audit criteria

2.4 The audit criteria used for assessing the achievement of audit objective were:

- targets fixed by the Government/Company and achievement there against;
- norms fixed by the Government/Company for production and wastages;
- rates fixed by the Government for supply of products by the Company;
- directions of the State Government, Board of Directors; and
- demand and supply position of the products.

Audit methodology

2.5 The audit methodology adopted for attaining the audit objectives with reference to audit criteria were examination of:

- directions/orders issued by the State Government;
- agenda and minutes of the BODs meetings and committees constituted by the BODs;
- records relating to fixation of installed capacity and utilisation there against;
- records relating to actual production , wastage, usage of raw material with reference to norms, if any;
- issue of audit observations and pursuance of replies; and
- interaction with the Management.

Audit findings

2.6 Audit findings, emerging as a result of test check, were reported to the Government/Company in August 2006 and were also discussed in the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 2 September 2006. The Principal Secretary (Horticulture), Government of Himachal Pradesh and Managing Director, Agro Industrial Packaging India Limited attended the meeting. The views expressed by the members have been taken into consideration while finalising the review.

Audit findings are discussed in the succeeding paragraphs.

Performance appraisal

The accumulated loss of Rs.57.24 crore as on 31 March 2006 was 323.02 *per cent* of its paid-up capital of Rs. 17.72 crore.

2.7 The paid-up capital of the Company as on 31 March 2006 was Rs.17.72 crore. During the period of the review the Company incurred losses amounting to Rs.26.38 crore. The loss of Rs.2.01 crore in 2001-02 increased to Rs.6.38 crore in 2005-06. The accumulated loss of Rs.57.24 crore as on 31 March 2006 was 323.02 *per cent* of its paid-up capital.

The main reasons for the losses as analysed by Audit and agreed to by the Management were:

- under-utilisation of plant and machinery and manpower due to its seasonal activities;
- decreasing subsidy allowed by the State Government on cartons due to shortfall in sales;
- interest burden on the State Government loan, which was almost 50 *per cent* of the operating expenses;
- increase in cost of inputs and salary and wages.

The State Government decided (September 2004) to lease out the Company along with the staff. The State Government, however, could not lease out the Company and, therefore, decided (May 2006) to continue the production of cartons during 2006-07. It also directed (June 2006) the Company to invite short-tender notice for leasing out. Further progress in the matter is awaited (September 2006).

The Government stated (September 2006) that with the coming up of private sector carton manufacturing units in the State under the liberalised industrial policy, the market share of the Company had decreased. The requirement of packing material would decrease in future as some big industrial houses were in the process of setting up units in the State to handle fruits directly from the growers. In view of this, the State Government was also examining the option of merging the Company with other sister organisations such as Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited and Himachal Pradesh Agro Industries Corporation Limited.

Production planning

The Company was dependent on the State Government for fixation of targets for manufacture of cartons, their sale rate and subsidy to be given by the State Government.

2.8 The Company did not prepare its own annual manufacturing plan. It remained dependent on the State Government for fixation of targets for manufacture of cartons, their sale rate and subsidy to be given by the State Government on sale of each carton each year as it was unable to sell cartons in the open market owing to the high cost of production and availability of cartons manufactured by private manufacturers in the market at cheaper rates.

Capacity utilisation

2.9 The Company has one plant at Pragati Nagar for manufacture of corrugated cartons mainly for packing of apples. The installed capacity of the plant, utilisation of capacity during the last five years ended 31 March 2006 as against the 90 *per cent* utilisation envisaged in the Detailed Project Report (DPR) was as under:

Table:2.1

Year	Installed capacity	Targeted capacity as per DPR	Actual production	Shortfall in production as compared to targeted capacity as per DPR
	(cartons in lakh)			(in per cent)
2001-02	180	162	39.60	75.56
2002-03	180	162	36.95	77.19
2003-04	180	162	36.04	77.75
2004-05	180	162	21.39	86.80
2005-06	180	162	17.24	89.30

It would be seen from the above that shortfall in actual production as compared to targeted capacity as per DPR increased from 75.56 *per cent* in 2001-02 to 89.30 *per cent* in 2005-06, which rendered the plant and machinery and manpower virtually idle.

The capacity utilisation of the plant since inception ranged between 1.85 and 34.37 *per cent* only.

It is pertinent to mention that as against the expected capacity utilisation of 90 *per cent per annum* as per DPR, the actual utilisation since inception to 31 March 2006 ranged between 1.85 and 34.37 *per cent* only. The Company manufactured cartons for packing apples only except during 1994-98 when it manufactured commercial cartons[#] and sustained a loss of Rs.1.56 crore due to the high cost of production and consequent marketing problems (Paragraph 2A 7.3.2 of Audit Report of the Comptroller and Auditor General of India (Commercial) for 1998-99). Instead of taking remedial measures, the Company stopped manufacture of commercial cartons thereafter.

[#] *Cartons for packing products other than apples*

Sale targets and achievements

2.10 The cartons manufactured by the Company are sold to apple growers at the sale rate fixed by the State Government on year to year basis. The State Government also determines the quantum of cartons to be sold every year. The targets of sale of cartons fixed by the State Government, achievement there against and shortfall during the last five years ended 31 March 2006 were as under:

Table: 2.2

Year	Targets for sale	Actual sale	Shortfall	Loss of subsidy
	(Cartons in lakh)			(Rupees in lakh)
2001-02	41.00	38.45	2.55	11.34
2002-03	66.00	37.49	28.51	253.38
2003-04	60.50	35.55	24.95	249.28
2004-05	40.00	21.76	18.24	145.96
2005-06	30.00	17.92	12.08	72.47
			Total:	**732.43**

It would be seen from the above that although the targets of sale of cartons fixed by the State Government were reduced continuously since 2003-04, the Company was not able to achieve even the reduced targets. Non-achievement of targets deprived the Company of subsidy of Rs.7.32 crore, which could have helped it meet the fixed cost.

The share of the Company in the sale of 20 Kg cartons declined from 48.51 *per cent* in 2001-02 to 7.94 *per cent* in 2005-06. Thus the Company failed to provide packing material to the apple growers of the State at reasonable rates and in time.

2.11 Besides the cartons manufactured by the Company, cartons are also supplied to the growers by private manufactures. Subsidy of Rs.8 per 20 Kg carton during 2001-02 and 2002-03 and Rs.6 per 20 Kg carton during 2003-04 was also available to the private manufacturers. The subsidy to the private manufacturers was, however, withdrawn by the State Government from 2004-05 onwards. As per information supplied by the Department of Horticulture for the years 2002-06, the Company's share in the sale of 20 Kg cartons declined from 48.51 *per cent* in 2001-02 to 10.44 *per cent* in 2004-05 and 7.94 *per cent* in 2005-06. The decline in the Company's share in the sale of cartons was owing to the higher sale rate of its cartons when compared to the sale rate of cartons manufactured by the private manufacturers. Thus, the Company failed to provide packing material to apple growers of the State at reasonable rates and in time. The Company also failed to take advantage of the withdrawal of subsidy by the State Government on cartons manufactured by the private sector from 2004-05 onwards.

The Management stated (September 2006) that actual production had to be demand oriented. Non-achievement of targets was due to fall in demand of apple cartons manufactured by the Company. The reply is not acceptable as the fall in demand of apple cartons manufactured by the Company was due to higher cost of production and consequent higher sale prices of its products in comparison to the sale prices of cartons manufactured by private manufacturers. The Company had not taken any action to reduce the cost of production and consequent sale prices of cartons.

Subsidy on cartons

2.12 The cost of 20 Kg cartons manufactured by the Company ranged between Rs.35.04 and Rs.63.44 per carton during 2002-06. The sale price of these cartons as fixed by the State Government, subsidy admissible, subsidy received and balance receivable at the end of each financial year during 2001-06 was as under:

Table: 2.3

Year	Sale price excluding subsidy	Subsidy	Subsidy admissible	Subsidy received	Balance recoverable (cumulative)
	(Rupees)		**(Rupees in lakh)**		
2000-01	24.50	10.00	591.70	450.00	(-) 141.70
2001-02	24.50	10.00	383.90	241.00	(-) 284.60
2002-03	24.50	10.00	376.04	300.00	(-) 360.64
2003-04	24.50	10.00	352.16	200.59	(-) 512.21
2004-05	26.50	8.00	173.88	358.85	(-) 327.24
2005-06	28.50	6.00	107.49	426.98	(-)7.75*

Audit scrutiny revealed that the State Government did not release the subsidy in advance. The amount of subsidy was also not released on yearly basis resulting in accumulation of recoverable subsidy of Rs.5.12 crore for 2001-04 (2000-01: Rs.1.42 crore, 2001-02: Rs.1.43 crore, 2002-03: Rs.0.76 crore and 2003-04: Rs.1.51 crore) as indicated above. Delay in release of subsidy (Rs.1.85 crore in 2004-05 and Rs.3.19 crore in 2005-06) pertaining to 2001-04 resulted in shortage of working capital during 2004-05 and the Company had to avail cash credit from a bank and pay interest of Rs.19.66 lakh to it.

* *Less receipt of Rs.7.75 lakh was adjusted by the State Government against the excess subsidy received during the year 1999-2000*

The Management, while confirming the audit observation, stated (September 2006) that the State Government had now released the subsidy payable to the Company for the earlier years.

Credit sale of cartons

2.13 In addition to sale of cartons to the growers directly, the Company also sells cartons to apple growers through Government companies like Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited, Himachal Pradesh Agro Industries Corporation Limited and Co-operative Societies. It was observed during audit that these organisations receive payment from the growers at the rates fixed by the State Government at the time of delivery of cartons but do not release the payment to the Company in time. The Company has not entered into any agreement with these organisations for release of payment immediately after receipt from the growers. Consequently, a significant amount remained outstanding for recovery at the end of each financial year. The year-wise position of outstanding as on 31 March each year was as under:

Table: 2.4

As on	Amount recoverable (Rupees in lakh)
31 March 2002	162.21
31 March 2003	89.41
31 March 2004	136.68
31 March 2005	117.80
31 March 2006	225.43

Out of the above, an amount of Rs.1.71 crore related to a Government company (HPMC: Rs.1.33 crore) and Co-operative Institutions (Rs.0.38 crore). Further scrutiny of records revealed that out of Rs.1.71 crore, an amount of Rs.0.57 crore was still (August 2006) recoverable. Delayed receipt of sale proceeds resulted in scarcity of working capital to the Company.

The Management stated (September 2006) that efforts were being made to recover the balance amount.

Consumption of inputs

Excess consumption of paper

2.14 For manufacture of cartons, the cost of paper constitutes about 95 *per cent* of the total cost of raw material consumed. The DPR of the plant envisaged wastage of five *per cent* during manufacturing of cartons. However, the actual wastage during 2001-06 ranged between 8.62 and 11.46 *per cent*. Excess wastage of paper was one of the reasons for the high cost of production. The Company was of the view that the wastage could not be restricted to five *per cent* and efforts were being made to keep it within 10 *per cent.*

Audit analysis of wastage revealed that the major portion of wastage was on account of cartons rejected during inspection before sale. These rejected cartons were converted into separator sheets, which were sold at a nominal price. The remaining portion of the rejected cartons were disposed off as scrap as detailed below:

Table: 2.5

	2001-02	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Number of cartons rejected	2,00,660	2,63,120	2,01,370	55,780	69,720
Expected realisation per rejected carton (Rupees)	26.83	26.57	26.53	26.25	26.80
Actual realisation per rejected carton (Rupees)	7.48	5.56	8.09	10.57	11.51
Loss on account of per rejected carton (Rupees)	19.35	21.01	18.44	15.68	15.29
Loss on account of rejected cartons (Rupees in lakh)	**38.83**	**55.28**	**37.13**	**8.75**	**10.66**

As a result of rejection of cartons, the Company was deprived of revenue of Rs.1.51 crore during 2001-06.

It would be seen from the above that as a result of rejection of cartons, the Company was deprived of revenue of Rs.1.51 crore during 2001-06.

The Management stated (September 2006) that five *per cent* wastage was provided for imported paper. Keeping in view the paper available in the indigenous market, the level of wastage had been fixed at 10 *per cent*. The wastage also included rejected cartons sorted out during quality control checks, which was negligible as compared to total production. The reply is not acceptable, as there was no basis for fixing wastage level at 10 *per cent*. The percentage of rejected cartons ranged between 2.62 and 7.12, which formed part of total wastage ranging between 8.82 and 11.46 *per cent*. The percentage of rejected cartons can not be considered in isolation as the rejection of cartons was controllable and it was substantial in terms of loss to the Company.

Under recovery on account of paper core cut

2.15 As per terms and conditions of tenders for the purchase of paper, the suppliers are required to supply paper on steel core. In case of non-supply of paper on steel core, the same is to be supplied on paper core for which paper core cut is to be imposed at the average weight of paper core less scrap. Initially, the suppliers are paid at the rate finalised for that year without indicating the element of paper core. After completion of supply, the extent of paper core received is determined based on the average weight of 5 kg per paper core, and accordingly, the recovery of paper core cut is imposed on the suppliers after reducing the value realised on account of sale of scrap.

It was noticed in audit that there was wide variation in the actual quantity of paper core sold by the plant and the quantity against which paper core cut was recovered from the suppliers. This resulted in less recovery of Rs.10.75 lakh during the last five years ended 31 March 2006 as detailed below:

Table: 2.6

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
Paper core (In kg)	41,470	31,890	30,790	12,495	12,005
Total paper core cut imposed on supplier (In kg)	10,215	12,830	13,705	7,865	9,120
Less paper core cut imposed (In kg)	31,255	19,060	17,085	4,630	2,885
Average cost of paper per kg (In Rupees)	17.63	17.08	17.54	18.38	18.57
Average realisation from paper core per kg	3.20	2.90	3.35	3.55	3.60
Less realisation per kg (In Rupees)	14.43	14.18	14.19	14.83	14.97
Total less realisation (Rs.in lakh)	**4.51**	**2.70**	**2.42**	**0.69**	**0.43**

The Management stated (September 2006) that paper was not available on steel core. During running of paper received on paper core on the machine, some layers of paper remained on paper core, which could not be removed. This resulted in loss to the Company. The reply is not acceptable, as the Company should have either purchased paper on steel core or amended its terms and conditions in regard to imposition of cut for paper core on actual weight basis instead of on average weight basis.

Excess consumption of light diesel oil

2.16 In the process of manufacture of cartons, boilers are operated for providing steam required by corrugators for drying of paper. Light diesel oil (LDO) is used for operation of boilers. The Company has not fixed norms for consumption of LDO. As per DPR, 2,604 litre of LDO is required for manufacturing one lakh sheets. As against this, the consumption of LDO during the last five years ended 31 March 2006 ranged between 2,923 (2004-05) and 3,545 (2001-02) litre per lakh sheets of paper. This resulted in excess consumption of 2,30,032 litre of LDO valued at Rs.41.01 lakh as detailed below:

Table: 2.7

Year	Production of sheets of paper (In lakh)	Norm for LDO consumption as per DPR (Per lakh sheets in litre)	LDO consumed per lakh sheets (In litre)	Excess consump-tion of LDO per lakh sheets (In litre)	Excess consump-tion of LDO in litre	Average rate of LDO per litre (In Rupees)	Value of LDO excess consumed (Rupees in lakh)
2001-02	85.82	2,604	3,545	941	80,757	15.90	12.84
2002-03	81.96	2,604	3,421	817	66,961	15.61	10.45
2003-04	74.33	2,604	3,213	609	45.267	17.46	7.90
2004-05	46.41	2,604	2,923	319	14,805	20.81	3.08
2005-06	36.53	2,604	3,295	691	25,242	26.70	6.74
						Total:	**41.01**

The Management had not investigated the reasons for wide variation in the consumption of LDO in different years for taking remedial action.

The Management attributed (September 2006) excess consumption of LDO to normal wear and tear of machine, moisture in the paper and electrical breakdowns. The reply is not acceptable, as all these factors are controllable and the Management should have taken remedial action.

Manpower management

Surplus manpower

The Company failed to reduce the surplus manpower having annual incidence of salary and wages of Rs.45 lakh.

2.17 The Company adopted the manpower norms stipulated in the Revised Project Report of the Plant. Against the requirement of 210 persons for manufacture of 30,000 MT of corrugated sheets and 180 lakh corrugated cartons in three shifts *per annum*, the Company had 192 employees as on 31 March 2002. As the capacity utilisation since inception ranged only between 1.85 and 34.37 *per cent*, the Company should have re-assessed its manpower requirement with a view to reducing the excess manpower. The Company did not do so till May 2004 when on receipt (February 2004) of instructions from the State Government, it assessed 32 regular and 84 daily wage employees as surplus against the total strength of 189. The detail of surplus employees was furnished (May and August 2004) to the State Government for adjustment in other departments but they continue to be on the roll of the Company. The Company also did not take action under the Industrial Disputes Act, 1947 for the retrenchment of surplus staff. The annual incidence of the salary and wages of surplus staff amounted to Rs.45 lakh *per annum*. In May 2006, the State Government agreed to absorb 116 excess employees/workers of the Company in Government departments. Further action in this regard is, however, awaited (August 2006).

The Management confirmed (September 2006) the audit observation.

Payment of idle salary and wages

2.18 The activity of the plant was restricted to manufacture of cartons for sale on subsidy announced by the State Government on year to year basis and due to high cost of production of cartons manufactured by the Company, the operational period of the plant is decreasing year after year as detailed below:

Table: 2.8

Year	Period of operational activity	Total salary & wages	Number of idle days	Idle salary & wages
	(No. of days)	(Rupees in lakh)		(Rupees in lakh)
2001-02	186	141.77	179	69.53
2002-03	192	149.66	173	70.93
2003-04	184	158.99	182	79.06
2004-05	117	160.51	248	109.06
2005-06	107	170.13	258	120.26
			Total	**448.84**

It would be seen from the table that the operational period of the plant ranged only between 107 and 192 days resulting in payment of idle salary and wages of Rs.4.49 crore during 2001-06.

The Management stated (September 2006) that due to phasing out of subsidy by the State Government its cartons were becoming un-competitive. It was for this reason that the State Government decided to lease out the plant. The reply is not acceptable, as this state of affairs has been continuing since inception and action was not taken to improve the position.

Corporate governance

2.19 Corporate governance is the system by which companies are directed and controlled by the Management in the best interest of the shareholders and others ensuring greater transparency and better and timely financial reporting. The Board of Directors (BODs) are responsible for governance in their companies.

In regard to corporate governance, Audit observed the following deficiencies:

- As per the Memorandum and Articles of Association, the BODs should consist of minimum two and maximum 15 Directors. As against this, the BODs had 12 Directors (six official and six non-official) during 2001-02 and 2002-03 and nine Directors (six official and three non-official) during 2003-04 to 2005-06. While Financial Commissioner-cum-Secretary (Finance) did not attend any of the eight meetings held during 2001-02 and 2002-03, the Principal Secretary (Horticulture) did not attend any of the four meetings held during 2003-04. Similarly, two non-official Directors during 2001-02 and four non-official Directors during 2002-03 also did not attend any meeting.
- During the period under review, the BODs never considered any long-term revival plan for the Company. In May 2004, the BODs considered a short-term plan and approached (June 2006) the State Government for conversion of Government loan of Rs.22.13 crore into equity and waiving off the interest thereon of Rs.9.44 crore. The BODs, however, neither considered nor indicated to the State Government the manner in which the activities would be regulated in future to make the Company economically viable.
- As mentioned in paragraph 2.8 *supra*, the Company did not prepare its own manufacturing plan and it remained dependent on the State Government for fixation of targets for manufacturing of cartons.

Internal control

2.20 Internal control is an integral part of the process designed and effected by the Management of an organisation to achieve its specified objects ethically, economically and efficiently. It helps in creating a reliable financial and management information system besides facilitating effective decision making. Internal Control System is most effective when it is built into the entity's infrastructure and is an integral part of the essence of the organisation. Internal audit system is an important part of the internal control system. In order to exercise internal control upon its activities, the organisation should have functional and internal audit manuals.

Audit scrutiny revealed the following deficiencies in the internal control system of the Company:

- The Company has not prepared functional and internal audit manuals.
- Internal audit was being got conducted by the same firm of Chartered Accountants since 1997-98. The firm is being appointed year after year without inviting offers from other available firms.
- The reports of internal auditors are generally submitted to the General Manager. These are not submitted to the Managing Director on regular basis.
- There was no system to monitor and take follow-up action on the reports of internal auditors.
- The system of internal control in regard to consumption of raw material (paper) and fuel (LDO) as mentioned in paragraphs 2.14 and 2.16 *supra* respectively was also deficient.

Acknowledgement

2.21 Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Company and the concerned officers of the State Government at various stages of conducting the performance review.

Conclusion

The Company has not been able to achieve the capacity utilisation envisaged in the detailed project report since inception. The Company has been dependent upon the State Government for fixation of targets for manufacture of cartons, their sale price and subsidy to be given for sale of each carton. The share of the Company in the sale of 20 kg cartons in the State declined from 48.51 *per cent* in 2001-02 to 7.94 *per cent* in 2005-06. Thus, the Company failed to provide packing material to apple growers of the State at reasonable rates and in time. Low capacity utilisation resulted in surplus manpower and consequent payment of idle wages. The accumulated losses of the Company are more than its paid-up capital and have resulted mainly due to under-utilisation of capacity, decreasing trend in subsidy allowed by the Government, huge interest burden on State Government loans and increase in cost of inputs and salary and wages.

Recommendations

- **The Company should increase capacity utilisation and explore the economic viability of manufacturing other type of cartons.**
- **The Government should consider immediate steps to improve the performance of the Company by adjusting surplus manpower and reducing /waiving off interest liability on Government loan.**
- **In case the above measures are not feasible, the Government may consider other options such as closure of the Company/collaboration/disinvestment.**