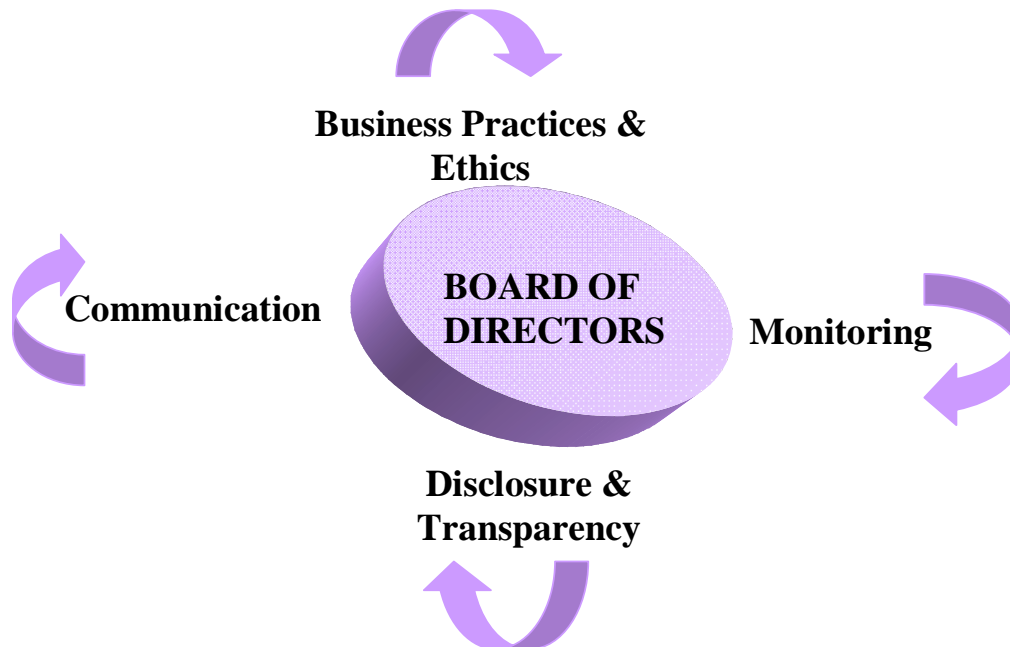


CORPORATE GOVERNANCE REPORT

We define Corporate Governance as

“the systems & processes an organization has in place to protect & enhance the interests of its diverse stakeholders”.



I. MANDATORY REQUIREMENTS

A. Company's philosophy on code of governance

The Company is committed to good Corporate Governance. The mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchange have been fully implemented by your Company. The principles of transparency, accountability, trusteeship and integrity are at the core of the Company's basic character. The Company firmly believes in the right of its stakeholders to information regarding the Company's business and financial performance.

B. Composition of the Board of Directors

The current policy is to have an appropriate mix of Executive and Independent Directors to maintain the independence of the Board, and to separate the Board functions of governance and management. The present strength of your Company's Board is ten Directors, comprising of Executive Chairman, Mr. Gopal G. Patwardhan, and three Executive Directors viz. Mr. Shivaji T. Akhade, Managing Director, Mr. M. Radhakrishnan, Joint Managing Director and Mr. Sudhir Mungase, Wholetime Director and five Non-Executive Independent Directors viz. Mr. Prakash B. Nimbalkar, Mr. Ajit B. Karnik, CA. Vijay K. Thanawala, Prof. Abraham Koshy, Cmde. N. Ravindranathan IN (Retd) and a Non-Executive Director, Mr. J. Stanton Dodson.

None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the listing agreement with Stock Exchanges), across all the Companies in which they are Directors. The necessary disclosures regarding Committee positions have been made by the Directors.

During the financial year 2006 - 2007, fourteen Board meetings were held on the 5th April, 2006, 14th April, 2006, 2nd May, 2006, 16th May, 2006, 21st May, 2006, 15th June, 2006, 1st July, 2006, 18th July, 2006, 4th August, 2006, 25th September, 2006, 8th December, 2006, 21st December, 2006, 21st February, 2007 and 23rd March, 2007.

The attendance at the Board meetings held during the financial year 2006-2007 and at the last annual general meeting (AGM), the number of other Directorships and Committee Memberships/Chairmanships of Directors as on 31st March, 2007, are as follows :

Name of the Director	No. of Board meetings attended	Attendance at the last AGM	No. of Directorships held *	No. of committee memberships
Mr. Gopal G. Patwardhan	11	Yes	10	01
Mr. Vikram M. Bhat**	05	No	02	01
CA Vijay K. Thanawala	05	No	01	03
Mr. Prakash B. Nimbalkar	06	No	03	03
Prof. Abraham Koshy	01	No	04	01
Mr. Ajit B. Karnik	04	No	01	02
Mr. J. Stanton Dodson	01	No	02***	—
Cmde. N. Ravindranathan IN (Retd) ****	—	No	—	01
Mr. Vilas V Lande *****	09	No	03	—
Mr. Shivaji T. Akhade	13	No	04	03
Mr. M. Radhakrishnan	14	Yes	04	04
Mr. Sudhir V. Mungase	13	Yes	04	01

* Including private Companies and foreign Companies Directorship.

** Mr. Vikram M. Bhat, Director resigned w.e.f. 23rd March, 2007.

*** Board meeting attended through Tele-conferencing.

**** Cmde. N. Ravindranathan IN (Retd) appointed as an Additional Director w.e.f. 23rd March, 2007.

*****Mr. Vilas V. Lande, Director resigned w.e.f. 4th August, 2006.

Details of Directors retiring by rotation and seeking re-appointment at the forthcoming annual general meeting are given below:

Name of the Directors	Date of birth Date of Appointment	Expertise in specific functional areas	Qualifications	Directorships in
CA Vijay K. Thanawala	24th April, 1947 15th June, 2006	a practicing Chartered Accountant for the past 32 years and has vast and varied experience in the field of Audit, Taxation and Management Consultancy.	Chartered Accountant (FCA)	1. Nova Flexi pack Limited
Mr. Prakash B. Nimbalkar	12th February, 1943 15th June, 2006	expertise in finance area, worked in Reserve Bank of India (RBI), Industrial Development Bank of India (IDBI) and Small Industries Development Bank of India (SIDBI).	graduate in commerce and law (B.Com, LLB), Certificated Associate of Indian Institute of Bankers (CAIIB).	1. SICOM AMC Limited 2. Sunrise Asset Reconstruction Company Limited.
Mr. Ajit B. Karnik	21st February, 1948 15th June, 2006	Expertise in maintenance, repairs and overhaul facility for aircraft and air gas turbine engines.	Aircraft Maintenance Engineer in Category A, C & X	1. Aero Turbines (India) Limited

BOARD COMMITTEES

1. Audit Committee

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures, and transparency, integrity and quality of financial reporting.

Your Company has an Audit Committee comprising four members out of which three are non-executive independent Directors viz. CA. Vijay K. Thanawala, Mr. Prakash B. Nimbalkar, Mr. Ajit B. Karnik and Mr. M. Radhakrishnan, Joint Managing Director. CA. Vijay K. Thanawala is the Chairman of the audit committee.

Mr. Ashutosh Kulkarni, Company Secretary is the secretary to the committee. Mr. Shivaji T. Akhade, Managing Director and Mr. Shridhar D. Bhurke, Vice President, Legal are invitees to the meetings. The Statutory Auditors are also invited to attend the meetings.

During the year under review, three Audit Committee meetings were held on 8th December, 2006, 21st December, 2006, and 21st February, 2007.

Attendance at the Audit Committee meetings:

Name of the Director	No. of meetings held	No. of meetings attended
CA. Vijay K. Thanawala	3	3
Mr. Prakash B.Nimbalkar	3	3
Mr. M. Radhakrishnan	3	3
Mr. Ajit B. Karnik*	—	—

* Mr. Ajit B. Karnik, was inducted as a member w.e.f. 23rd March, 2007.

2. Remuneration Committee

The purpose of the Remuneration Committee of the Board is to discharge the Board's responsibilities relating to compensation of the Company's Executive Directors and Senior Management. The committee has overall responsibility for approving and evaluating the Executive Directors and Senior Management compensation plans, policies and programmes.

The Remuneration Committee consists of CA. Vijay K. Thanawala, Prof. Abraham Koshy and Cmde. N. Ravindranathan IN (Retd). All are Non-Executive and Independent Directors.

CA. Vijay K. Thanawala is the Chairman of Remuneration Committee.

The Remuneration Committee meetings were held on 04th August, 2006 and 21st February, 2007.

Attendance at the Remuneration Committee meeting:

Name of the Director	No. of meetings held	No. of meetings attended
Mr. Vikram M. Bhat*	2	2
Cmde. N. Ravindranathan IN (Retd)*	2	—
CA. Vijay K. Thanawala	2	1
Prof. Abraham Koshy	2	1

*Mr. Vikram M. Bhat, Chairman of the Committee resigned with effect from 23rd March, 2007. The committee was reconstituted on 23rd March, 2007 and Cmde. N. Ravindranathan IN (Retd) Director was inducted as a member of the Committee.

The details of remuneration paid to Directors of the Company during the financial year 2006-2007 are given below:

(Rs. in Lacs)

Name of the Directors	Salary, and Perquisites	Commission - 1% of net profits	Sitting Fees for Board and Committee meetings
Mr. Vilas V. Lande	15.00	—	—
Mr. Shivaji T. Akhade	24.00	—	—
Mr. M. Radhakrishnan	21.00	—	—
Mr. Sudhir V. Mungase	21.00	—	—
Mr. Gopal G. Patwardhan	—	2.00	0.45
Mr. Vikram M. Bhat*	—	2.00	0.50
Mr. Prakash B. Nimbalkar	—	2.00	1.00
CA. Vijay K. Thanawala	—	2.00	0.85
Prof. Abraham Koshy	—	2.00	0.10
Mr. Ajit B. Karnik	—	2.00	0.35
Mr. J. Stanton Dodson	—	2.00	0.10
Cmde. N. Ravindranathan IN (Retd)**	—	—	—

*Mr. Vikram M. Bhat, resigned with effect from 23rd March, 2007.

**Cmde. N. Ravindranathan IN (Retd) appointed on 23rd March, 2007.

All Non-Executive Directors of your Company receive sitting fees for each meeting of Board and Committee thereof attended by them. The net profits of the Company, not exceeding 1% are distributable as commission, amongst the Non-Executive Directors considering the special services and efforts rendered by them. Other than sitting fees and commission on the net profits of the Company, no other remuneration is paid to the Non- Executive Directors for financial year 2006-07.

The remuneration paid to Managing Directors and Wholetime Director are within the ceiling prescribed under the provisions of the Companies Act, 1956.

Except the Managing Director and Wholetime Directors, all the members of the Board are liable to retire by rotation.

Your Company presently does not have performance linked incentives for its directors. No severance fee is payable.

3. Selection Committee

The purpose of the Selection Committee is to oversee the Company's nomination process for the top level management and specifically to identify, screen and review individuals qualified to serve as Executive Directors, Non Executive Directors and Independent Directors consistent with criteria approved by the Board and to recommend, for approval by the Board, nominees for election at the annual meeting of the shareholders.

Selection Committee was constituted on 23rd March, 2007 as per Directors' Relatives (Officer or Place of Profit) Rules, 2003. The Committee consisting of three members out of which two are Independent Directors viz. Mr. Prakash B. Nimbalkar, CA. Vijay K. Thanawala and Mr. Shivaji T. Akhade. Mr. Prakash B. Nimbalkar is the Chairman of the Committee.

During the year under review, one Selection Committee meeting was held on 23rd March, 2007. All members were present at the meeting.

4. Risk Management Committee

Risk Management Committee was reconstituted on 19th July, 2007. The Committee consisting of three members viz. Mr. Shivaji T. Akhade, Mr. M. Radhakrishnan and Mr. Deepak Kalera.

Mr. Shivaji T. Akhade is the Chairman of the Committee.

During the year no Risk Management Committee meeting was held.

5. Investors' Grievance and Share Transfer Committee

Investors' Grievance and Share Transfer Committee was constituted on 4th August, 2006. This committee specifically looks into the shareholders' and investors' complaints on matters relating to transfer of shares, non-receipt of annual report, non-receipt of dividend etc. In addition, the Committee also looks into matters that can facilitate better investor services and relations.

The Committee consisting of three members out of which two are Non-Executive Independent Directors viz. Mr. Prakash B. Nimbalkar, Mr. Ajit B. Karnik and one Executive Director Mr. M. Radhakrishnan. Mr. Prakash B. Nimbalkar is the Chairman of the Committee.

During the year under review, the Committee met on 4th September, 2006, 8th December, 2006 and 21st February, 2007.

Attendance at the Investors' Grievance and Share Transfer Committee meeting:

Name of the Director	No. of meetings held	No. of meetings attended
Mr. Prakash B. Nimbalkar	3	3
Mr. Ajit B. Karnik	3	2
Mr. M. Radhakrishnan	3	3

All shares received for transfer were registered and dispatched within thirty days of receipt, if the documents were correct and valid in all respects. There were no pending share transfers as on 31st March, 2007.

During the year under review, the Company had received complaints from shareholders relating to allotment of shares, refund of application money and dividend. The complaints were duly attended to and there were no complaints pending for more than 30 days as on 31st March, 2007.

Mr. Ashutosh B. Kulkarni, Company Secretary is the secretary to the committee.

C. General Body Meetings

Financial Year	:	2005-06 10th AGM	2006-07 EGM
Venue	:	“Hotel Kalasagar”, P-4, M.I.D.C Plot, Mumbai –Pune Road, Pimpri, Pune: 411 034	“Hotel Kalasagar”, P-4, M.I.D.C Plot, Mumbai –Pune Road, Pimpri, Pune: 411 034
Day	:	Wednesday	Friday
Date	:	27th September, 2006	23rd March, 2007
Time	:	11.30 a.m.	11.00 a.m.
No. of Special Resolution(s) passed	:	4	3

All resolutions as set out in the respective notices were duly passed by the shareholders.

No special resolution was put through postal ballot at the last extraordinary general meeting.

D. Disclosures

Disclosures on materially significant related parties transactions

The Company has not entered into any transaction of material nature with the Promoters, Directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The Register of Contracts containing transactions, in which Directors are interested, is placed before the Board regularly.

Statutory Compliance, Penalties and Strictures

The company has complied with the various rules and regulations prescribed by the Stock Exchange, Securities and Exchange Board of India and any other statutory authority relating to capital markets. No penalties or strictures have been imposed by them on the Company.

Means of Communication

Company puts forth vital information about it and its performance, including quarterly results, official news releases and communication to investors and analysts, through Company’s official website at www.autolineind.com regularly and also for the benefit of the public at large.

The financial results and shareholding pattern are made available on the Stock Exchange [Website www.sebiedifar.nic.in](http://www.sebiedifar.nic.in) for shareholders/investors information.

II. NON-MANDATORY REQUIREMENTS

- A. Office of the Chairman of the Board and reimbursement of expenses by the Company. The Company is presently reimbursing the expenses incurred in performance of duties.
- B. Shareholders’ rights - furnishing of quarterly financial results. The Company’s quarterly financial results will be published in English and Marathi newspapers having wide circulation.
- C. Postal Ballot

The company will seek shareholders’ approval through postal ballot in respect of such resolutions as are laid down in Companies (Passing of Resolution by Postal Ballot) Rules, 2001, as and when the occasion arises.

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange on Code of Corporate Governance, Certificate from Statutory Auditors’ of the Company regarding compliance of conditions of Corporate Governance by the Company is annexed. The Statutory Auditors Certificate will also be sent to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited where the Company’s shares are listed, alongwith the annual return to be filed by the Company.

GENERAL SHAREHOLDER’S INFORMATION

i. Annual general meeting

- Date and Time : 1st September, 2007, 3.00 P.M.
- Venue : “Hotel Kalasagar”, P-4, M.I.D.C Plot,
Mumbai – Pune Road, Pimpri, Pune: 411 034.

ii. Financial calendar

Financial year	: April to March
Financial reporting (tentative)	
First quarter results	: Third week of July, 2007
Half-yearly results	: Last week of October, 2007
Third quarter results	: Last week of January, 2008
Fourth quarter results	: Last week of April, 2008

iii. Dates of book closure : From Saturday the 25th August, 2007 to 1st September, 2007 (both days inclusive).

iv. Dividend payment : On or after 1st September, 2007

v. Listing on Stock Exchanges :

- Bombay Stock Exchange Limited, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001
- National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai-400 051, India

vi. Stock code : 532797
Demat ISIN Number: INE718H01014

vii. Market price data

Monthly high and low quotations of shares traded on Stock Exchanges for the period from 31st January, 2007 to 31st March, 2007:

(Rs.)

Month	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High Price	Low Price	High Price	Low Price
January, 2007	282.00	252.25	287.70	230.00
February, 2007	463.00	247.00	463.70	245.00
March, 2007	294.35	191.20	294.50	193.00

viii. Registrar and Share Transfer Agents : **Intime Spectrum Registry Limited**
Block 202,2nd Floor, Akshya Complex,
Off Dhole Patil Road, Near Ganesh Mandir, Pune-411 001,
Phone: 020-65203395 Fax: 020-26053503
Email address: pune@intimespectrum.com

ix. Share transfer system : Transfers in physical form have to be lodged with Intime Spectrum Registry Limited at the above mentioned address. All shares received for transfer were registered and despatched within thirty days of receipt, if the documents were correct and valid in all respects.
The time taken to process dematerialisation of shares is 10 days upon receipt of documents from Depository Participant.

x. Distribution of shareholdings as on 31st March, 2007

No of equity shares held	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
1-5000	14986	96.0830	825364	7.9620
5001-10000	281	1.8020	229473	2.2140
10001-20000	136	0.8720	209908	2.0250
20001- 30000	55	0.3530	138386	1.3350
30001-40000	39	0.2500	146154	1.4100
40001- 50000	25	0.1600	120866	1.1660
50001- 100000	27	0.1730	198725	1.9170
100001 and above	48	0.3080	8497968	81.9730
Total	15597	100.00	10366844	100.00

xi. Shareholding pattern as on 31st March 2007

Sr. No	Category	No. of shares held	% of holding
A	Promoters holding		
	Individuals	2219321	21.408
	Bodies Corporate	900000	8.682
	Sub- total	3119321	30.090
B	Non- promoters holding		
	Mutual funds	35000	0.337
	Banks, Financial Institutions, Insurance Companies	1000	0.009
	FII's	779020	7.514
	Sub- total	815020	7.860
C	Others		
	Bodies corporate	4593718	44.312
	NRIs	38637	0.372
	Indian public	1800148	17.365
	Sub- total	6432503	62.049
	TOTAL	10366844	100.00

xii. Dematerialisation of shares and liquidity

As on 31st March, 2007 total dematted shares 33,41,683.

xiii. Outstanding GDR/warrants or convertible bonds, conversion dates and likely impact on equity: Not applicable

xiv. Plant locations:

Unit -I : S.No. 825, Kudalwadi, Post Chikhali, Taluka Haveli, Pune-412114; Tel No: 020-27490022/5610; Fax No: 020- 56102377

Unit -II : S No 291 to 296, Nanekarwadi, Taluka Khed, Dist-Pune-410501 Tel No: 952135-563035

Unit -III : T-135, MIDC, Bhosari, Pune – 411026; Tel No: 020- 30682011/12; Fax: 020-27110540

Unit -IV : F-24/25 MIDC, Pimpri, Pune-411018; Tel No.020-30682034/35; Fax: 020- 27474034

Unit -V : S. No.313, 314,320 to 323, Nanekarwadi, Chakan, Taluka Khed, Pune – 410501; Tel No: 952135-563035,

xv. Address for correspondence : Ashutosh Kulkarni, Company Secretary Autoline Industries Limited,

T-135, MIDC, Bhosari, Pune: 411026,

Tel No: 020- 30682011/12; Fax: 020-27110540

Email: ashutosh.kulkarni@autolineind.com

Website: www.autolineind.com

Investor Grievance Cell

Email: investorservices@autolineind.com

CEO & CFO CERTIFICATION

To:
The Board of Directors,

The Managing Director and Chief Financial Officer appointed in terms of Clause 49 of the Listing Agreement, certify to the Board that :

- a) The Financial Statements and Cash Flow Statements for the year 1st April, 2006 to 31st March, 2007 have been reviewed and to the best of their knowledge and belief are true and fair view of the Company's affairs.
- b) To the best of their knowledge and belief, no transactions entered are fraudulent, illegal or violate the Company's Code of Conduct.
- c) They accept the responsibility for establishing and maintaining internal control for financial reporting and that they have evaluated the effectiveness, disclosing the deficiencies to the Auditors and the Audit Committee and take steps or proposed to take steps to rectify these deficiencies.
- d) They indicated to the Auditors and Audit Committee:
 - a) Significant changes in Internal Control Process during the year.
 - b) Significant changes in Accounting Policies
 - c) Instances of significant fraud of which they have become aware.

For Autoline Industries Limited

For Autoline Industries Limited

Shivaji T. Akhade
Managing Director & CEO

M. Radhakrishnan
Jt. Managing Director & CFO

DECLARATION BY THE CEO UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO CODE OF CONDUCT

In accordance with Clause 49 sub clause 1(D) of the Listing Agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, I hereby confirm that all the Directors and the senior management personnel of the Company have affirmed compliance to their respective Codes of Conduct as applicable to them for the financial year ended 31st March, 2007.

For Autoline Industries Limited

Place : Pune
Dated : 19th July, 2007

Shivaji T. Akhade
Managing Director & CEO