

MORGAN STANLEY
GROWTH FUND

Annual Report
March 31, 2001

To our valued Unit Holders,

We are pleased to present to you the seventh annual report of the Morgan Stanley Growth Fund (the "Fund") for the year ended March 31, 2001.

The year under review was a very volatile and challenging one for investment managers and investors. The first half of calendar year 2000 was one of the most volatile phases for the global financial markets. With accelerating integration into global markets, the Indian market historically referred to as a defensive play was less insulated from the turbulence in the global markets, particularly in the re-rating of technology stocks. In such market conditions, the Fund's strategy during the year has been to move systematically to a defensive stance by adopting a sector-neutral position, where sector allocation closely tracks benchmark indices. Despite a volatile year, your Fund is in a position to pay a 10 % dividend for the year ended March 31, 2001 which was largely facilitated by realizing gains during the initial part of the year. Currently, our ability to generate meaningful absolute returns is somewhat constrained by the broad trends in the market.

During this past year, the Fund's performance has earned recognition in the investment community and was awarded the " Best Performing Equity Fund Scheme (Closed) for 3 and 5 years period award" by the Standards and Poor's Fund Services. Also during the year the Fund initiated investing in foreign currency denominated investments all of which were U.S. dollar denominated American Depository Receipts (ADRs) or Global Depository Receipts (GDRs) issued by Indian companies that are traded on the stock exchanges abroad.

As you are aware, effective November 29, 1999, the Fund was included in the list of securities for compulsory dematerialisation. We encourage those of you that have not dematerialised your holdings to do so and eliminate the risk of holding shares in physical or paper form.

We wish to remind you that the Fund had paid two dividends of Rupees 0.75 per unit, the dividend instruments for which were dispatched on 24.07.1999 and 19.05.2000, respectively, for each of the dividends. Unitholders who have, either not received or encashed their dividend instrument are requested to forward a duly signed written request to Karvy Consultants Limited for issuance of a fresh dividend instrument.

You will find enclosed detailed results of the Fund for the financial year ended March 31, 2001 along with a commentary from the portfolio manager in which he shares with you his views on the Indian economy and equity markets, their prospects and factors influencing the Fund's performance. The industry classification of securities in the Fund's portfolio has been changed to classification based on Morgan Stanley Capital International (MSCI) index. This will provide the investors with a more globally accepted broad based and diversified classification. We hope that you find the report useful and informative.

We wish to inform you that Harold J. Schaaff, Jr., former Principal Trustee of the Fund, resigned from Morgan Stanley Dean Witter in March 2001 and has also resigned from the Board of Trustees of the Fund.

As Trustees of the Fund, it is our duty to safeguard the assets of the Fund and to ensure that the Fund is managed in accordance with the law and good business practice. To this end, we are pleased to report that over the past year, your Fund and its asset management company have maintained high standards in their reporting and control systems.

We greatly appreciate your participation as a unit holder of the Fund and look forward to your continued support.

Sincerely,

Ronald Robison
Principal Trustee

June 4, 2001

*Effective June 4, 2001, Mr. Robison was appointed to the Board of Trustees of the Fund. Mr. Robison has

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been associated with Morgan Stanley Dean Witter since 1998.

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PORTFOLIO MANAGER'S LETTER

Dear Unit Holder,

For the year ended March 31, 2001, the total return of the Morgan Stanley Growth Fund (the "Fund"), based on its net asset and assuming reinvestment of all dividend payouts, was down by 39.8%. For the same period, the benchmark indices, BSE 200 and S&P CNX 500 were down 41.2% and 43.0% respectively. Since inception in January 1994, the Fund has outperformed the benchmark indices as shown in Table I.

The continued turbulence in the global equity markets combined with some local negative developments dragged down the broad Indian market by the end of the first quarter of 2001 to levels not seen since May 1999. The speculative excesses of the past few years, facilitated by the worldwide boom in Technology, Media and Telecom shares, were brutally washed out of the system. However, the selling frenzy extended beyond just clearing the froth, with local sentiment towards equities deteriorating markedly. Local investors, particularly at the retail level, were disillusioned by the rapid erosion in their equity market related wealth leading to both a capitulation and lack of buying interest regardless of price levels.

On the policy front, the government did attempt to accelerate its privatization drive and also presented a growth-oriented budget centered on tax and interest rate cuts. Both fiscal and monetary policies moved in line with international trends to be growth-supportive as the data on the economic front suggested the Indian economy was also being adversely affected by the synchronized global slowdown. However, corporate profitability outside the technology sector did not show any meaningful corresponding drop, probably reflecting the continued productivity increases.

The technology sector in India, which until even late last year seemed to bear no impact of the slump in global technology spending, finally did show signs of a marked deceleration in the growth profile. The debate is still live on whether the Indian technology sector can offset the drop in overall technology spending by increasing outsourcing, given the country's low-cost and low-base advantage. The bigger challenge though is for India to get its domestic act together and carry on with the reform momentum at a time when the risk appetite of investors is low.

One of the main strategies of the portfolio over the past few months has been to be underweight the technology sector and keep the focus on identifying and owning well-run, high return on capital employed and reasonably valued companies. Accordingly, some of our large holdings in the Fund are HDFC Bank (India's largest private sector bank), Cipla (one of the largest pharmaceutical companies) and a diversified financial like Housing Development and Finance Corporation (HDFC). Following the carnage in the technology sector, we are also keenly examining any investment opportunities in that space but still think caution is warranted. It usually takes time for confidence to be rebuilt following the sort of devastating blow the sector has undertaken.

Meanwhile, the Indian market is likely to continue keying off global trends, though we do feel some of the more domestic-oriented companies are at levels that, regardless of the international environment, represent very good value. On most valuation parameters the Indian market is obviously cheap, but at a time when psychology has come to dominate valuations it appears the market needs to go through a period of consolidation first to calm a lot of frayed nerves.

RUCHIR SHARMA

Portfolio Manager

Mumbai

June 4, 2001

PORTFOLIO MANAGER'S LETTER

Table 1
MSGF NAV Performance v/s Benchmark Indices

Period	MSGF NAV*	BSE 200	S&P CNX 500
Last 1 Year	-39.75%	-41.16%	-42.99%
Last 3 Years	11.37%	-0.89%	1.77%
Last 5 Years	8.11%	1.20%	1.50%
Inception (Jan 94) to March 31, 2001	3.28%	-3.08%	-3.91%

Past performance is no indication of future performance. All returns except for last 1 year, are compounded annualised returns.

*Performance of the Fund has been calculated based on the assumption that all payouts during the period have been reinvested in the scheme at the then prevailing NAV.

Table 2
Highlights

- Final Dividend of 10% declared for the financial year ending March 31, 2001
- MSGF being awarded as the "The Best Performing Equity Fund scheme (Closed) for a period of 3 years and 5 years" by CNBC India – BNP Paribas in association with Standard & Poor's Fund Services.
- Total investments as of March 31, 2001, in American Depository Receipts/ Global Depository Receipts amounted to Rs. 26.12 crores
- The industry-wise classification of MSGF portfolio holdings changed to reflect the classification adopted by Morgan Stanley Capital International (MSCI) Index. This will provide investors with a more globally accepted, broad based and diversified classification

PORTFOLIO MANAGER'S LETTER

Table 3

Comparison of Top Twenty Five holdings of MSGF

March 31, 1999	March 31, 2000	March 31, 2001
Infosys Technologies	Infosys Technologies	Infosys Technologies
Bharat Heavy Electricals	Zee Telefilms	Hero Honda
Hero Honda	Hero Honda	HDFC
HDFC	SSI	Cipla
Zee Telefilms	HDFC	Wipro
Tata Tea	Telco	State Bank of India
Burroughs Wellcome	Tata Tea	Container Corp. of India
Telco	Cipla	HDFC Bank
Container Corp. of India	Bharat Heavy Electricals	Bharat Heavy Electricals
SSI	Global Electronic Commerce Services	Dabur
Marico Industries	Container Corp. of India	Britannia Industries
Cipla	VSNL	Hindustan Petroleum
Bata India	Subex Systems	Reliance Industries
Glaxo India	Dabur	Cummins India
Agrevo India	Hughes Software	Telco
E Merck	Cummins India	Smithkline Consumer
Dr. Reddy Labs	MRF	Gujarat Ambuja Cements
ITC	Sundaram Fasteners	Asian Paints
Hind Lever Chemicals	Visualsoft	Indian Hotels
Abbot Laboratories	HDFC Bank	Bharat Petroleum
Larsen & Toubro	ITC	Tata Tea
Tata Infotech	Smithkline Consumer	Tata Power
Novartis India	Asian Paints	Hindustan Lever
Wyeth Lederle	Indian Hotels	ITC
Cummins India	Larsen & Toubro	Tisco
80.03% of Portfolio	83.90% of Portfolio	74.41% of Portfolio

AUDITOR'S REPORT

Auditors' Report

To the Board of Trustees of

MORGAN STANLEY MUTUAL FUND

1. We have audited the Balance Sheet of MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND (The "Fund") as at March 31, 2001, and the related Revenue Account for the year ended on that date, both of which we have signed under reference to this report. Our audit was conducted in accordance with generally accepted auditing standards in India and accordingly, included such tests of the accounting records and such other procedures as we considered necessary in the circumstances. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. The Balance Sheet and the Revenue Account referred to above are in agreement with the books of account of the Fund.
2. In our opinion and to the best of our information and according to the explanations given to us;
 - (i) The Balance Sheet and the Revenue Account together with the notes thereon give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto, as applicable, and also give respectively a true and fair view of the state of affairs of Morgan Stanley Mutual Fund - Morgan Stanley Growth Fund as at March 31, 2001 and its net deficit for the year ended on that date.
 - (ii) The Balance Sheet as at March 31, 2001, and the Revenue Account for the year ended on that date, together with the notes thereon, have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto, as applicable.
 - (iii) The methods used to value;
 - (a) thinly traded securities, in accordance with the guidelines for valuation of securities for mutual funds dated September 18, 2000 and circular dated March 28, 2001 issued by the Securities and Exchange Board of India and;
 - (b) non-traded (privately placed) securities in good faith as at March 31, 2001 as determined by Morgan Stanley Dean Witter Investment Management Private Limited under procedures approved by the Board of Trustees of Morgan Stanley Mutual Fund are fair and reasonable.

K. H. VACHHA

Partner

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Mumbai

June 4, 2001

BALANCE SHEET

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND Balance Sheet as at March 31, 2001

	Schedule	March 31, 2001 Rs.	March 31, 2000 Rs.
ASSETS			
Investments	1	7,335,421,918	14,223,497,832
Deposits	2	603,200,000	-
Other Current Assets	3	64,189,031	385,380,675
TOTAL		<u>8,002,810,949</u>	<u>14,608,878,507</u>
LIABILITIES			
Initial Contribution by Settlor		500,000	500,000
Unit Capital	4	6,794,577,100	7,192,180,040
Reserves and Surplus	5	334,234,492	6,522,146,353
Current Liabilities and Provisions	6	873,499,357	894,052,114
TOTAL		<u>8,002,810,949</u>	<u>14,608,878,507</u>

RECONCILIATION TO NET ASSET VALUE PER UNIT

Net Assets as per Balance Sheet (Total Assets less Initial Contribution By Settlor and Current Liabilities and Provisions)	7,128,811,592	13,714,326,393
Number of Units in Issue	679,457,710	719,218,004
Net Asset Value per Unit	<u>10.49</u>	<u>19.07</u>

Notes to the Accounts 9

The schedules form an integral part of the Accounts.

This is the Balance Sheet referred to in our report of even date.

K. H. VACHHA
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Mumbai
June 04, 2001

For Morgan Stanley Mutual Fund

ABID HUSSAIN
Trustee
J.S.BAIJAL
Trustee
B.RAI
Trustee
B.M.BIGGS
Trustee
RONALD ROBISON
Trustee

For Morgan Stanley Dean Witter
Investment Management Private Limited
PAUL M.MARTIN
Director

CLIFFORD D' SOUZA
Principal

REVENUE ACCOUNT

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND Revenue Account for the year ended March 31, 2001

	Schedule	Year ended March 31, 2001 Rs.	Year ended March 31, 2000 Rs.
INCOME AND GAINS			
Dividends (Note 2.5)		115,006,531	165,463,590
Interest	7	76,253,952	24,347,456
Net Profit on Sale of Investments (Note 2.4)		1,321,525,945	4,064,312,357
TOTAL		1,512,786,428	4,254,123,403
EXPENSES AND LOSSES			
Investment Management and Advisory Fees (Note 4)		105,698,086	130,779,828
Transfer Agent Fees and Expenses		26,818,185	43,700,000
Custodian Fees (Note 5)		10,407,142	19,182,420
Trusteeship Fees and Expenses (Note 6)		2,292,120	2,347,263
Audit Fees		800,000	800,000
Securities and Exchange Board of India Inspection Fees		160,000	188,218
Investor Communication Expenses		31,922,788	17,850,000
Provision for Outstanding Accrued Income (Net)		386,614	393,441
Dividend Distribution Expenses		10,338,375	24,946,807
Other Operating Expenses		2,511,544	2,208,487
Realised Loss on Foreign Currency Transactions (Net) (Note 2.3)		1,067,650	-
TOTAL		192,402,504	242,396,464
Excess of Income and Gains over Expenses and Losses		1,320,383,924	4,011,726,939
Net Change in Unrealised (Depreciation) / Appreciation in Value of Investments and Foreign Currency Denominated Assets and Liabilities	8	(6,700,354,641)	1,353,538,977
		(5,379,970,717)	5,365,265,916
Distribution			
Interim Dividend		-	(569,565,675)
Dividend		(677,922,397)	(538,151,027)
		(677,922,397)	(1,107,716,702)
Tax on Dividends		(69,148,084)	(121,848,837)
		(747,070,481)	(1,229,565,539)
Net (Deficit) / Surplus Transferred to Revenue Reserve		(6,127,041,198)	4,135,700,377

Notes to the Accounts 9
The schedules form an integral part of the Accounts.
This is the Revenue Account referred to in our report of even date.

K. H. VACHHA
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Mumbai
June 04, 2001

For Morgan Stanley Mutual Fund

ABID HUSSAIN <i>Trustee</i>	J.S.BAIJAL <i>Trustee</i>	B.RAI <i>Trustee</i>
B.M.BIGGS <i>Trustee</i>	RONALD ROBISON <i>Trustee</i>	

**For Morgan Stanley Dean Witter
Investment Management Private Limited**
PAUL M.MARTIN
Director

CLIFFORD D' SOUZA
Principal

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND Schedules forming part of the Balance Sheet as at March 31, 2001 and the Revenue Account for the year ended March 31, 2001

SCHEDULE 1	2001	2001	2000	2000
Investments	Market/Fair	Cost	Market/Fair	Cost
(Notes 2.2,2.3,2.4,7,9,10 and 12)	Value	Rs.	Value	Rs.
(Refer to attached Statement of Portfolio Holding as at March 31, 2001)	Rs.	Rs.	Rs.	Rs.
Equity Shares (including Global Depository Receipts and American Depository Receipts)	7,332,729,760	8,937,020,171	14,216,604,315	9,124,741,444
Units of Mutual Funds	812,958	1,064,166	1,019,280	1,064,166
Non Convertible Debentures	1,879,200	13,068,000	5,874,237	13,068,000
	<u>7,335,421,918</u>	<u>8,951,152,337</u>	<u>14,223,497,832</u>	<u>9,138,873,610</u>
SCHEDULE 2			2001	2000
Deposits			Rs.	Rs.
Deposits with Scheduled Banks			<u>603,200,000</u>	<u>-</u>
SCHEDULE 3			2001	2000
Other Current Assets			Rs.	Rs.
Balances with Bank				
- In Current Account			105,442	9,268,788
- In Dividend Account			54,317,888	32,568,755
Sales Contracts Awaiting Completion				
- Equity Shares			5,033,101	264,402,019
Application Money Pending Allotment				
- Equity Shares			-	55,000,000
Interest Receivable on				
- Debentures (net of provision of Rs.3,258,033 (2000 :Rs.3,258,033))			156,600	156,600
- Deposits (including receivable for tax deducted at source Rs.55,521(2000: Rs.55,521))			559,386	55,521
Dividends Receivable (net of provision of Rs.2,100,511 (2000: Rs.1,713,897) and including receivable for tax deducted at source Rs.2,197,912 (2000: Rs.2,197,912))			3,402,776	23,350,576
Miscellaneous Receivables			613,838	578,416
			<u>64,189,031</u>	<u>385,380,675</u>
SCHEDULE 4	2001	2001	2000	2000
Unit Capital	Rs.	Units	Rs.	Units
Issued and Subscribed:				
Units of Rs.10 each fully paid up	<u>9,818,001,000</u>	<u>981,800,100</u>	<u>9,818,001,000</u>	<u>981,800,100</u>
Outstanding				
At beginning of year	7,192,180,040	719,218,004	7,594,209,000	759,420,900
Repurchased through secondary market operations (Note 2.6)	(397,602,940)	(39,760,294)	(402,028,960)	(40,202,896)
At end of year	<u>6,794,577,100</u>	<u>679,457,710</u>	<u>7,192,180,040</u>	<u>719,218,004</u>
SCHEDULE 5			2001	2000
Reserves and Surplus			Rs.	Rs.
<i>Unit Premium Reserve</i>				
At beginning of year			348,556,471	552,334,506
Discount/(Premium) on Repurchase of Units (Note 2.6)			(60,870,663)	(203,778,035)
At end of year			<u>287,685,808</u>	<u>348,556,471</u>
<i>Revenue Reserve</i>				
At beginning of year			6,173,589,882	2,037,889,505
Net (Deficit) / Surplus Transferred from Revenue Account			(6,127,041,198)	4,135,700,377
At end of year			<u>46,548,684</u>	<u>6,173,589,882</u>
Total			<u>334,234,492</u>	<u>6,522,146,353</u>

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND Schedules forming part of the Balance Sheet as at March 31, 2001 and the Revenue Account for the year ended March 31, 2001

SCHEDULE 6	2001	2000
Current Liabilities and Provisions	Rs.	Rs.
<i>Current Liabilities</i>		
Investment Management and Advisory Fees	15,240,899	14,325,664
Transfer Agent's Fees and Expenses	1,871,228	3,511,308
Custodian Fees	365,634	881,842
Trusteeship Fees and Expenses	448,900	526,361
Audit Fees	800,000	800,000
Investor Communication Expenses	15,035,979	14,690,326
Purchase Contracts Awaiting Completion		
- Equity Shares	-	144,999,779
Rights Payable		
- Equity Shares	30,585	30,585
Repurchase of Units	3,826,245	53,411,733
Unclaimed Dividend (Note 11)	54,317,888	32,568,755
Dividend Distribution Expenses	12,000,000	13,000,000
Sundry Payables	22,491,518	17,958,121
	<u>126,428,876</u>	<u>296,704,474</u>
<i>Provisions</i>		
Dividend	677,922,397	538,151,027
Tax on Dividend	69,148,084	59,196,613
	<u>747,070,481</u>	<u>597,347,640</u>
	<u>873,499,357</u>	<u>894,052,114</u>

SCHEDULE 7	April 1, 2000 to	April 1, 1999 to
Interest (Note 2.5)	March 31, 2001	March 31, 2000
	Rs.	Rs.
Debentures	1,604,356	313,200
Deposits	74,649,596	24,034,256
	<u>76,253,952</u>	<u>24,347,456</u>

SCHEDULE 8	April 1, 2000 to	April 1, 1999 to
Unrealised (Depreciation) / Appreciation in Value of Investments and Foreign Currency Denominated Assets and Liabilities	March 31, 2001	March 31, 2000
	Rs.	Rs.
<i>(A) Investments</i>		
Net unrealised (depreciation) / appreciation in value of investments at beginning of year	5,084,624,222	3,731,085,245
Net movement in unrealised (depreciation) / appreciation in value of investments including foreign currency denominated investments during the year (I)	<u>(6,700,354,641)</u>	<u>1,353,538,977</u>
Net unrealised (depreciation) / appreciation in value of investments including foreign currency denominated investments at end of year	<u>(1,615,730,419)</u>	<u>5,084,624,222</u>
<i>(B) Other Foreign Currency Denominated Assets and Liabilities (II)</i>		
	-	-
Total (I) + (II)	<u>(6,700,354,641)</u>	<u>1,353,538,977</u>

SCHEDULE 9 Notes to the Accounts

1. Organisation

Morgan Stanley Growth Fund (the "Fund") was launched on January 6, 1994 for a period of 15 years from the date of allotment on February 18, 1994. The Fund is a closed ended fund of Morgan Stanley Mutual Fund ("MSMF"), which has been sponsored by Morgan Stanley Dean Witter & Co. (formerly known as Morgan Stanley Group Inc.), a corporation organised under the laws of the State of Delaware, United States of America. Morgan Stanley Dean Witter Investment Management Private Limited ("MSDWIM") (formerly known as Morgan Stanley Asset Management India Private Limited), incorporated under the Companies Act, 1956 of India, has been appointed as the asset management company.

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND Schedules forming part of the Balance Sheet as at March 31, 2001 and the Revenue Account for the year ended March 31, 2001

2. Significant Accounting Policies

2.1 Basis of Accounting

The Fund maintains its books of account on an accrual basis.

2.2 Portfolio Valuation

Investments are stated at market/fair value at the Balance Sheet date/valuation date. In valuing the Fund's investments:-

- (i) Securities listed on a recognised stock exchange, including dematerialised securities, are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported, the previous quoted price is used, when it is not more than thirty days prior to the valuation date. Non pari passu (new) shares are valued as above less the previous year's dividend, if any.
- (ii) Securities not listed on a recognised stock exchange, for which over-the-counter quotations are readily available, are valued at the mean between the last current bid and asked price.
- (iii) Non-traded and thinly traded securities, including those not traded within thirty days prior to the valuation date, are valued at fair value as determined by MSDWIM in accordance with the guidelines for valuation of securities for mutual funds dated September 18, 2000 and circular dated March 28, 2001 issued by the Securities and Exchange Board of India and approved by the Board of Trustees.
- (iv) Privately placed securities are valued at fair value as determined in good faith by MSDWIM under procedures approved by the Board of Trustees.

2.3 Foreign Currency Translation

The books and records of the Fund are maintained in Indian rupees. Amounts denominated in or expected to settle in foreign currencies are translated into Indian rupees on the following basis.

- (i) Market value of investments, other assets and liabilities at the closing rate of exchange on the Balance Sheet date / valuation date.
- (ii) Purchases and sales of investments, income and expense at the rate of exchange prevailing on the respective date of such transactions.

The Fund does not isolate that portion of the change in investment valuation resulting from changes in the foreign exchange rates from the fluctuations arising from changes in the local market prices of securities held. Such fluctuations are included in unrealised appreciation or depreciation on investments.

Net realised foreign exchange gains and losses arise from sales of foreign currency denominated securities, currency gains or losses realised between trade and settlement dates of foreign currency denominated securities transactions and the difference between the recorded amounts of foreign currency denominated dividends, interest and expenses recorded in the Fund's books and the Indian rupee equivalent amounts actually received or paid.

Net unrealised foreign exchange gains and losses arising from changes in value of assets and liabilities denominated in foreign currency resulting from changes in foreign exchange rate are included in net unrealised appreciation or depreciation in value of investments and foreign currency denominated assets and liabilities.

2.4 Securities Transactions

Investment securities transactions are accounted for on a trade date basis. The Fund uses the average cost method for determining the realised gain or loss on sale of investments. Fully paid "Rights" are included in the cost of investments for the purpose of determining realised gains or losses. Accruals for rights entitlements or partly paid rights are not included in the cost of investments for the purpose of determining realised gains or losses.

2.5 Investment Income

Dividend and interest income are recorded on an accrual basis.

2.6 Repurchase of Units

In accordance with the permission granted by the Securities and Exchange Board of India, dated June 23, 1994, the Fund may repurchase units from the secondary market based on prevailing market prices. The discount/premium resulting from repurchases is credited/debited to Unit Premium Reserve.

2.7 Issue Costs

Issue costs comprise those costs directly associated with the issue of units in the Fund and included lead managers' fees, brokerage/incentive fees on issue of units, advertising and marketing, registrar's fees and expenses and printing and despatch costs, which have been charged directly to Reserves.

3. Income Taxes

No provision for taxation has been made as the Fund qualifies as a recognised Mutual Fund under Section 10(23D) of the Income Tax Act, 1961. For taxes deducted at source from the investment income, which are recoverable, a receivable is recorded in the books of account.

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND Schedules forming part of the Balance Sheet as at March 31, 2001 and the Revenue Account for the year ended March 31, 2001

4. Investment Management and Advisory Fees

In accordance with the agreement between the Board of Trustees and MSDWIM, the Fund has provided for investment management and advisory fees payable to MSDWIM for managing the Fund at an annual rate of 1.25% of the average weekly net asset value recorded by the Fund up to Rs. 100 crores and at an annual rate of 1% of the excess amount over Rs. 100 crores. All costs, charges and expenses incurred by MSDWIM in the administration and execution of the activities of the Fund, except those costs directly attributable to the Fund, are on their own account for which they receive investment management and advisory fees. The Chase Manhattan Bank provides certain accounting services to the Fund at no cost to the Fund.

5. Custodian Fees

Stock Holding Corporation of India Limited ("SHCIL") provides custodial services to the Fund for which custody fee is payable to them.

Standard Chartered Grindlays Bank, Mumbai branch provides custodial services to the Fund for foreign currency denominated securities for which custody fee is payable to them.

6. Trusteeship Fees

In accordance with the agreement dated November 3, 1993 between Morgan Stanley Dean Witter & Co. ("the Settlor") (formerly known as Morgan Stanley Group Inc.) and the Board of Trustees, the Fund has paid or provided for an annual fee of the rupee equivalent of US\$5,000 and a fee of the rupee equivalent of US\$500 per meeting attended, to each of the Trustees not affiliated with the Settlor.

7. Aggregate Value of Purchases and Sales of Investments

During the year ended March 31, 2001 purchases and sales of investment securities aggregated Rs. 4,414,988,803 and Rs. 5,924,634,380 respectively, being 42.35% and 56.83% of the average weekly net asset value.

8. Income / Expenditure

The total income / (loss) (including net profit on sale of investments and net change in unrealised (depreciation) / appreciation in the value of investments and foreign currency denominated assets and liabilities) and total expenses for the year is Rs. (5,187,568,213) and Rs. 192,402,504 respectively, being (49.76%) and 1.85% of the average weekly net asset value.

9. Illiquid Securities

Illiquid securities at fair value aggregated to Rs. 103,553,127 being 1.45% of the net asset value as at March 31, 2001

10. Non Performing Assets (NPA)

Securities classified as non performing assets (NPA) as at March 31, 2001 are being carried in the books of account at Rs. Nil as against the carrying value of Rs. 4,496,940 as at March 31, 2000 (Cost as at March 31, 2001 and 2000 : Rs. 10,458,000).

11. Unclaimed Dividend

Details of unclaimed dividend as at March 31, 2001 are as follows: -

	Unclaimed Dividend (Rs)	Number of unit holders*
Interim Dividend – June 1999	27,831,680	104,852
Dividend – April 2000	26,486,208	99,000

*Excludes unit holders relating to in-transit positions at National Securities Depository Limited (NSDL).

12. Disclosure under Regulation 25 (8) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended

During the year, the Fund subscribed to the issue of equity shares of Aztec Software and Technology Services Limited aggregating to Rs. 150,000,000. JM Morgan Stanley Securities Limited, an associate of MSDWIM was the lead manager to this issue.

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND Schedules forming part of the Balance Sheet as at March 31, 2001 and the Revenue Account for the year ended March 31, 2001

13. Historical Per Unit Statistics *

	April 1, 2000 to March 31,2001	April 1, 1999 to March 31,2000	April 1, 1998 to March 31,1999
	Rs.	Rs.	Rs.
(a) Net asset value per unit at end of year	<u>10.49</u>	<u>19.07</u>	<u>13.41</u>
(b) (i) Gross income other than profit from sale of investments	0.28	0.25	0.15
(ii) Gross income from profit on inter scheme sales/transfer of investments	-	-	-
(iii) Gross income from profit on sale of investments to third parties	1.90	5.41	1.64
(iv) Transfer of revenue account from past year's reserve	-	-	-
Gross income and gains	<u>2.18</u>	<u>5.66</u>	<u>1.79</u>
(c) Aggregate of expenses and net realised losses	0.28	0.32	0.19
(d) Net income/ (loss) (b) - (c)	<u>1.90</u>	<u>5.34</u>	<u>1.60</u>
(e) Net change in unrealised (depreciation) / appreciation in value of investments and foreign currency denominated assets and liabilities	(9.64)	1.80	2.40
(f) Repurchase price (market buyback)			
(i) Highest	15.35	17.11	6.30
(ii) Lowest	8.56	10.11	5.99
(g) Resale price			
(i) Highest	Not Applicable	Not Applicable	Not Applicable
(ii) Lowest	Not Applicable	Not Applicable	Not Applicable
(h) Market price (The Stock Exchange, Mumbai)			
(i) Highest	15.50	17.50	9.00
(ii) Lowest	7.35	6.05	3.25
(i) Price earning ratio**	4.74	2.85	4.53
(j) Ratio of expenses (excluding deferred revenue expenditure amortised) to average net assets	1.85%	1.87%	1.87%
(k) Ratio of gross income (including net profit on sale of investments and net change in unrealised (depreciation) / appreciation in value of investments and foreign currency denominated assets and liabilities) to average net assets	(49.76%)	43.27%	41.69%

* The above per unit calculations with the exception of the net asset value per unit are based on the weighted average number of units in issue over the relevant year.

** Price earning ratio has been calculated based on closing market price at the end of the relevant year and earnings per share represented by excess of income and gains over expenses and losses and weighted average number of units in issue over the relevant year.

14. Previous year's figures have been regrouped/rearranged where appropriate.

Signatures to Schedules 1 to 9 forming part of the Balance Sheet and Revenue Account.

K. H. VACHHA

Partner

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Mumbai
June 04, 2001

For Morgan Stanley Mutual Fund

ABID HUSSAIN
Trustee

J.S.BAIJAL
Trustee

B.RAI
Trustee

B.M.BIGGS
Trustee

RONALD ROBISON
Trustee

For Morgan Stanley Dean Witter
Investment Management Private Limited
PAUL M.MARTIN
Director

CLIFFORD D' SOUZA
Principal

PORTFOLIO OF INVESTMENTS

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Statement Of Portfolio Holding as at March 31, 2001

(Referred to in Schedule 1 to the Balance Sheet as at March 31, 2001 and the Revenue Account for the year ended March 31, 2001)

Quantity	Company Name	Market Value (Rs.)	Rs.	Quantity	Company Name	Market Value (Rs.)	Rs.
EQUITY SHARES (99.96%)				Electrical Equipments (3.65%)			
				1,515,023	Bharat Heavy Electricals	215,133,266	
Appliances & Household Durables (0.31%)				213,530	Siemens	52,507,027	267,640,293
336,968	Carrier Aircon	22,829,582	22,829,582	Food Products (6.50%)			
Auto Components (2.05%)				239,450	Britannia Industries	165,256,418	
590,050	Denso India	7,906,670		115,474	Nestle India	58,441,391	
108,641	MRF	85,533,059		371,496	Smithkline Beecham Consumer	137,230,622	
31,100	Rane Brakes & Lining*	2,353,648		493,039	Tata Tea	115,346,474	476,274,905
260,450	Sundaram Fastener	54,694,500	150,487,877	Healthcare Providers & Services (0.09%)			
Automobiles (10.55%)				550,000	Dr. Ramaya's Pramila Hospital*	6,715,500	6,715,500
4,198,460	Hero Honda	589,253,861		Hotels , Restaurants & Leisure (1.70%)			
167,918	Punjab Tractors	35,607,012		488,011	Indian Hotels	124,296,402	124,296,402
2,231,139	TELCO	145,135,592	773,834,489	Household Products (3.49%)			
28,025	TVS Suzuki	3,838,024		529,263	Colgate Palmolive	81,771,134	
Banking (7.73%)				460,000	Hindustan Lever	100,625,000	
1,170,161	HDFC Bank	269,137,030		361,067	Reckitt & Colman	73,422,974	255,819,108
1,346,951	State Bank of India	269,726,938		Internet Software & Services (0.08%)			
65,000	State Bank of India GDRs	27,830,920	566,694,888	279,351	Indiainfo.Com@	5,587,020	5,587,020
Beverages & Tobacco (1.34%)				IT Consulting & Services (12.13%)			
120,666	I T C	98,270,390	98,270,390	1,500,000	Aztec Software	84,075,000	
Biotechnology (0.77%)				212,707	HCL Technologies	78,425,071	
250,000	Shanta Biotech@	56,250,000	56,250,000	161,250	Infosys Technologies	658,367,625	
Chemicals (6.66%)				76,600	SSI	51,459,880	
545,592	Asian Paints	134,324,750		241,000	Subex Systems	16,749,500	889,077,076
177,900	Aventis Crop Science	19,755,795		Leisure Equipments & Products (0.69%)			
313,941	Castrol India	72,159,339		1,211,150	Titan Industries	50,323,283	
104,120	Excel Industries	6,226,376		17,600	VIP Industries	343,200	50,666,483
2,613,843	Indo Gulf Fertilizer	90,308,276		Machinery (2.92%)			
402,500	Reliance Industries	157,337,250		276,900	Alfa Laval (India)	37,547,640	
130,403	Syngenta India	8,534,876	488,646,662	2,525,840	Cummins India	146,498,720	
Communication Equipment (0.57%)				118,853	Honda SIEL	7,012,327	
200,000	Global Tele systems	32,300,000		248,250	KSB Pump	13,343,437	
387,800	MRO TEK	9,675,610	41,975,610	174,067	Thermax India	10,061,073	214,463,197
Construction Materials (2.15%)				Media (1.08%)			
874,410	Gujarat Ambuja Cement	134,746,581		250,000	Chandamama@	4,250,000	
625,000	India Cements	23,125,000	157,871,581	148,100	New Delhi Television@	19,993,500	
Diversified Financial Services (5.58%)				970,760	Samtel Colour	23,055,550	
739,950	HDFC	403,161,758		261,482	Zee Telefilms	31,796,211	79,095,261
155,000	Tata Finance	6,207,750	409,369,508	Metals & Mining (1.27%)			
Diversified Telecom Services (1.53%)				759,000	TISCO	92,863,650	92,863,650
683,000	M T N L	90,360,900		Miscellaneous (0.01%) **			
21,800	VSNL	6,365,600		150,000	Aldrich Pharmaceuticals@	0	
27,900	VSNL ADRs	15,386,822	112,113,322	1,600	Amar Raja Batteries	119,920	
Electric Utilities (2.30%)				1,367	Bajaj Tempo*	59,259	
336,000	BSES	63,117,600		156,300	Control & Switchgear@	0	
1,063,297	Tata Power	105,425,898	168,543,498	202,500	Dharti Dredging@	0	
				340,000	Eastern Medikit @	0	
				180,918	IBIL Technologies@	0	
				1,260	Indian Petrochemical	68,103	
				270	Max India	26,231	

PORTFOLIO OF INVESTMENTS

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Statement Of Portfolio Holding as at March 31, 2001

(Referred to in Schedule 1 to the Balance Sheet as at March 31, 2001 and the Revenue Account for the year ended March 31, 2001)

Quantity	Company Name	Market Value (Rs.)	Rs.	Quantity	Company Name	Market Value (Rs.)	Rs.
270	Motherson Sumi	37,017		UNITS OF MUTUAL FUNDS (0.01%)			
450	NIIT	322,312		82,200	UTI Master Gain	812,958	812,958
340,000	Patheja Brothers & Forging@	0		Total (Cost Rs.1,064,166)			
290,000	Shaily Engineering@	0				812,958	
45,000	Sri Venkatesa Mill*	0		NON-CONVERTIBLE DEBENTURES (0.03%)			
2,000	Tamilnadu Newsprint	60,000		581,000	Shri Ishar Alloys * #	0	
70,500	Targoff Drugs*	0		26,100	Textool Industries *	1,879,200	1,879,200
1,000	Vikas WSP	24,950	717,792	Total (Cost Rs.13,068,000)			
Oil & Gas (3.78%)						1,879,200	
622,076	Bharat Petroleum	118,567,686				1,879,200	
989,000	Hindustan Petroleum	158,833,400	277,401,086	TOTAL INVESTMENTS AT MARKET VALUE (Cost Rs. 8,951,152,337)			
Personal Products (0.52%)						7,335,421,918	
66,721	P & G Hygiene	37,790,774	37,790,774				
Pharmaceuticals (11.35%)							
24,337	Abbot Laboratories	3,862,282		<p>*Thinly traded / non traded (Illiquid) securities at fair value as determined by Morgan Stanley Dean Witter Investment Management Private Limited (MSDWIM) in accordance with the guidelines for valuation of securities for mutual funds dated September 18, 2000 and circular dated March 28, 2001 issued by the Securities and Exchange Board of India and approved by the Board of Trustees.</p> <p>@Private placements (Illiquid) securities at fair value as determined in good faith by MSDWIM under procedures approved by the Board of Trustees.</p> <p>**Individual securities with holding less than 5,000 shares or value less than Rs.500,000.</p> <p># Non performing assets.</p> <p>GDR – Global Depository Receipts ADR – American Depository Receipts</p> <p>Confirmation has been received from Stock Holding Corporation of India Limited and Standard Chartered Grindlays Bank, Mumbai branch at the year end of the investments held by them.</p>			
83,500	Aurobindo Pharma	24,607,450					
323,010	Cipla	322,622,388					
3,028,630	Dabur	184,443,567					
137,807	E Merck	64,252,514					
105,885	Glenmark Pharma	12,658,552					
112,077	Hoechst Marion	50,995,035					
302,100	Lupin Laboratories	46,462,980					
173,648	Novartis India	46,841,548					
64,204	Parke Davis	9,929,148					
68,583	Pfizer	38,423,626					
282,500	Stride Arcolab	27,402,500	832,501,590				
Software (5.42%)							
150,000	Federal Technology*	2,013,000					
95,800	Hughes Software	62,246,050					
46,053	Polaris Software	11,529,369					
49,341	Visualsoft	11,017,845					
69,600	Wipro	92,863,800					
145,940	Wipro ADRs	218,024,728	397,694,792				
Textiles & Apparel (0.06%)							
74,200	Shoppers Stop@	4,452,000	4,452,000				
Transportation – Road & Rail (3.72)							
1,918,997	Container Corporation of India	272,785,424	272,785,424				
Total (Cost Rs.8,937,020,171)		7,332,729,760					

On written request and on payment of a nominal fee, present and prospective unit holders can obtain a copy of the trust deed, the annual report of the Asset Management Company or the Fund and the offering circular.
Contact: Karvy Consultants Ltd., 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034

Mutual Fund :

MORGAN STANLEY MUTUAL FUND

Trustees:

ABID HUSSAIN

J.S.BAIJAL

B.RAI

B.M.BIGGS

RONALD ROBISON

Scheme :

MORGAN STANLEY GROWTH FUND

Asset Management Company :

MORGAN STANLEY DEAN WITTER
INVESTMENT MANAGEMENT PRIVATE
LIMITED

Custodian :

STOCK HOLDING CORPORATION
OF INDIA LIMITED

STANDARD CHARTERED GRINDLAYS BANK

Registrar & Transfer Agent :

KARVY CONSULTANTS LIMITED

Legal Advisor :

LITTLE & CO.

Auditor :

PRICE WATERHOUSE

Banker :

STANDARD CHARTERED GRINDLAYS BANK