



MorganStanley
Growth Fund

Annual Report
March 31, 2002

MorganStanley

News Gothic Regular (Growth Fund)
Pantone 285 (MS Blue)

To our valued Unit Holders,

We are pleased to present to you the eighth annual report of the Morgan Stanley Growth Fund (the "Fund") for the year ended March 31, 2002.

You will find enclosed detailed results of the Fund for the financial year ended March 31, 2002 along with a commentary from the portfolio manager in which he shares with you his views on the Indian economy and equity markets and factors impacting your Fund's performance.

As you are aware, effective November 29, 1999, the units of the Fund were included in the list of securities for compulsory dematerialisation. We encourage those of who have not dematerialised your holdings to do so and eliminate the risk of holding shares in physical or paper form. We also wish to remind you that the Fund has so far paid three dividends since inception viz., Rs. 1.50 per unit for year 2000 (Rs. 0.75 per unit on 24.07.1999 and 19.05.2000 respectively) and Rupee 1.00 for year 2001 on 3.07.2001. Unit holders who have either not received or encashed their dividend instrument are requested to forward a duly signed written request to Karvy Consultants Ltd. for issuance of a fresh dividend instrument.

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 E. Robison
Principal Trustee

May 15, 2002

Important information

Please note that the Board of Trustees of Morgan Stanley Mutual Fund (the "Fund") in their meeting held on May 15, 2002, has appointed, subject to regulatory approvals, if any JP Morgan Chase Bank as Custodian to the Fund in place of Stockholding Corporation Limited. The Fund has intimated SEBI vide its letter dated May 15, 2002. The appointment will be effective from August 2, 2002.

In order to avoid fraudulent encashment of dividend warrants, unit holders are requested to intimate name, address and account number details of their bank to Karvy Consultants Ltd. at below mentioned address.

Karvy Consultants Limited
Unit: Morgan Stanley Growth Fund
21, Avenue 4, Street No. 1, Banjara Hills
Hyderabad - 500 034

The price and redemption value of the units, and income from them, can go up as well as down with the fluctuations in the market value of its underlying investments. Past performance is no indication of future performance. Investments in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by exchange rate fluctuations.

PORTFOLIO MANAGER'S LETTER

Dear Unit Holders,

For the year ended March 31, 2002, the total return of the Morgan Stanley Growth Fund (the "Fund"), based on its net assets and assuming reinvestment of all dividend payouts, rose by 17.8%. For the same period, the benchmark indices, BSE 200 and S&P CNX 500 rose by 7.4% and 2.8% respectively. Since inception in January 1994, the Fund has outperformed the indices as shown in Table 1 below.

Table 1

MSGF NAV Performance v/s Benchmark Indices

Period	MSGF NAV*	BSE 200	S&P CNX 500
Last 1 Year	17.80%	7.43%	2.83%
Last 3 Years	3.55%	1.20%	0.75%
Last 5 Years	13.03%	3.75%	4.20%
Inception (Jan 94) to March 31, 2002	4.94%	-1.87%	-3.12%

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 dividends during the period have been reinvested in the scheme at the then prevailing NAV.

The biggest challenge in the mutual fund business is to consistently generate meaningful out-performance. For example, even in a sophisticated market like the US the best performing funds in 1998 were all in the bottom decile of performance in 2000-01, while the bottom ten in 1998 were in the top decile last year. This is largely because a biased investment style that is successful in a particular cycle rarely works in the succeeding investment cycle. The key then is to not be wedded to a particular sector or a style that is heavily tilted towards growth or value and to understand that leadership is transient. Yet, there needs to be a disciplined and fundamental oriented approach when it comes to selecting companies within a sector or style.

We have been repeatedly making the point that when a new bull market begins, and India along with the rest of the world could well be in the midst of one, a new set of stocks will propel the market higher. What worked in the bull market of 1999-2000 will not necessarily work in 2002. We are increasingly seeing evidence of such a change. This year's price action so far shows that the market can move higher despite under-performance in the tech sector. In fact, the pulse of the market is being determined by the direction of the public sector stocks. Investors always knew there was value in such stocks but were waiting for some trigger and found it once the privatisation programme showed signs of acceleration.

Our strategy has been to overweight undervalued but well run public sector companies where privatisation would only be a bonus and to avoid chasing names hot off the privatisation rumour list.

Privatisation has come to be the most important theme on the marketplace because it currently lies at the heart of India's macro-economic reform effort. Therefore, the speed of the programme has an effect on not just the directly affected stocks. The Indian economy is at a stage where it needs further reforms to move to the next stage of the development / growth cycle. It is becoming increasingly difficult for even some of the leading domestic-oriented companies to generate top-line growth and there is a limit to which corporate India can keep squeezing costs to improve profitability. So we hope the privatisation programme continues to gather momentum and thereby keeps the market going.

Over the past year our strategy was to reduce the number of stocks in the portfolio and we were able to achieve this objective. The Fund currently is invested in a little over 50 stocks. The strength of our portfolio though lies in its diversity with sector preferences reflected at any point in time rarely any sector over-concentration. The portfolio continues to be overweight sectors and stock that we think have strong fundamentals to better the general environment and is correspondingly underweight sectors / stocks that carry much baggage (e.g. excessive speculative fervour) from the previous cycle.

RUCHIR SHARMA
Portfolio Manager

Mumbai
May 15, 2002

Table 2

Top Twenty Five holdings of MSGF

March 31, 2002	
Hero Honda	8.88%
State Bank of India	6.19%
Infosys Technologies	5.95%
Container Corporation of India	5.28%
HDFC	4.15%
Wipro	3.25%
Hindustan Petroleum	3.18%
HDFC Bank	3.08%
Ranbaxy Laboratories	3.04%
Hindustan Lever	3.02%
M T N L	2.97%
I T C	2.95%
Dr. Reddy's Laboratories	2.75%
Gujarat Ambuja Cement	2.65%
Bharat Heavy Electricals	2.51%
Hindalco Industries	2.36%
Wipro ADRs	2.32%
Bharat Petroleum	2.22%
Reliance Industries	1.93%
Cipla	1.91%
Reliance Petroleum	1.88%
Smithkline Beecham Consumer	1.77%
Zee Telefilms	1.69%
Tata Power	1.54%
TELCO	1.49%
	78.96% of Portfolio

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, 2002, and the related Revenue Account for the year ended on that date, both of which we have signed under reference to this report. These financial statements are the responsibility of the Board of Trustees of Morgan Stanley Mutual Fund and the Management of Morgan Stanley Investment Management Private Limited (the "Management"). Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned at March 31, 2002 by correspondence with the custodians and others. An audit also includes assessing the accounting principles used and significant estimates made by Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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.
4. 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, 2002 and its net surplus for the year ended on that date.
 - (ii) The Balance Sheet as at March 31, 2002, and the Revenue Account for the year ended on that date, together with the notes thereon, have been prepared in all material respects 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 amendments thereto, as applicable issued by the Securities and Exchange Board of India and;
 - (b) privately placed securities in good faith
as at March 31, 2002 as determined by Morgan Stanley 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
May 15, 2002

BALANCE SHEET

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Balance Sheet as at March 31, 2002

	Schedule	March 31, 2002 Rs.	March 31, 2001 Rs.
ASSETS			
Investments	1	7,551,062,043	7,335,421,918
Deposits	2	313,500,000	603,200,000
Other Current Assets	3	326,333,184	64,189,031
TOTAL		8,190,895,227	8,002,810,949
LIABILITIES			
Initial Contribution by Settlor (Note 12)		-	500,000
Unit Capital	4	6,453,235,050	6,794,577,100
Reserves and Surplus	5	1,523,303,697	334,234,492
Current Liabilities and Provisions	6	214,356,480	873,499,357
TOTAL		8,190,895,227	8,002,810,949
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)		7,976,538,747	7,128,811,592
Number of Units in Issue		645,323,505	679,457,710
Net Asset Value per Unit		12.36	10.49
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
May 15, 2002

For Morgan Stanley Mutual Fund

ABID HUSSAIN J.S.BAIJAL B. RAI
Trustee *Trustee* *Trustee*

B.M.BIGGS RONALD ROBISON
Trustee *Trustee*

**For Morgan Stanley Investment
Management Private Limited**

PAUL M. MARTIN
Director

JOSEPH CLIFFORD D'SOUZA
Executive Director

REVENUE ACCOUNT

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Revenue Account for the year ended March 31, 2002

	Schedule	Year ended March 31, 2002 Rs.	Year ended March 31, 2001 Rs.
INCOME AND GAINS			
Dividends (Note 2.5)		163,859,288	115,006,531
Interest	7	37,115,012	76,253,952
Net Profit on Sale of Investments (Note 2.4)		-	1,321,525,945
Provisions Written Back As No Longer Required		4,218,090	1,661,625
Realised Profit on Foreign Currency Transactions (Net) (Note 2.3)		1,346,003	-
TOTAL		206,538,393	1,514,448,053
EXPENSES AND LOSSES			
Net Loss on Sale of Investments (Note 2.4)		1,411,661,327	-
Investment Management and Advisory Fees (Note 4)		75,102,717	105,698,086
Transfer Agent Fees and Expenses		21,946,658	26,818,185
Custodian Fees (Note 5)		6,804,399	10,407,142
Trusteeship Fees and Expenses (Note 6)		2,500,189	2,292,120
Audit Fees		800,000	800,000
Securities and Exchange Board of India Inspection Fees		130,000	160,000
Investor Communication Expenses		27,198,632	31,922,788
Provision for Outstanding Accrued Dividend (Net)		10,244	386,614
Provision for Outstanding Accrued Interest on Non Performing Asset		236,831	-
Provision for Miscellaneous Receivables		165,068	-
Dividend Distribution Expenses		-	12,000,000
Other Operating Expenses		2,431,858	2,511,544
Realised Loss on Foreign Currency Transactions (Net) (Note 2.3)		-	1,067,650
TOTAL		1,548,987,923	194,064,129
Excess of Expenses and Losses over Income and Gains		(1,342,449,530)	1,320,383,924
Net Change in Unrealised Appreciation / (Depreciation) in Value of Investments and Foreign Currency Denominated Assets and Liabilities	8	2,430,752,358	(6,700,354,641)
		1,088,302,828	(5,379,970,717)
Distribution			
Dividend		-	(677,922,397)
Tax on Dividend		-	(69,148,084)
		-	(747,070,481)
Net Surplus / (Deficit) Transferred to Revenue Reserve		1,088,302,828	(6,127,041,198)
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
May 15, 2002

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 Investment
Management Private Limited**

PAUL M. MARTIN
Director

JOSEPH CLIFFORD D'SOUZA
Executive Director

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Schedules forming part of the Balance Sheet as at March 31, 2002 and the Revenue Account for the year ended March 31, 2002

SCHEDULE 1 Investments (Notes 2.2, 2.3, 2.4, 7, 9, 10 and 13)	2002 Market / Fair Value Rs.	2002 Cost Rs.	2001 Market / Fair Value Rs.	2001 Cost Rs.
(Refer to attached Statement of Portfolio Holding as at March 31, 2002)				
Equity Shares (including Global Depository Receipts and American Depository Receipts)	7,549,117,259	6,721,990,794	7,332,729,760	8,937,020,171
Units of Mutual Funds	733,744	981,310	812,958	1,064,166
Non Convertible Debentures	1,211,040	13,068,000	1,879,200	13,068,000
	<u>7,551,062,043</u>	<u>6,736,040,104</u>	<u>7,335,421,918</u>	<u>8,951,152,337</u>
SCHEDULE 2 Deposits			2002 Rs.	2001 Rs.
Deposits with Scheduled Banks (including Rs 40,700,000 (2001: Rs Nil) on account of unclaimed dividends)				
			313,500,000	603,200,000
			<u>313,500,000</u>	<u>603,200,000</u>
SCHEDULE 3 Other Current Assets			2002 Rs.	2001 Rs.
Balances with Bank				
- In Current Account			25,471,190	105,442
- In Dividend Account			41,357,494	54,317,888
Sales Contracts Awaiting Completion				
- Equity Shares			6,143,583	5,033,101
Application Money Pending Allotment				
- Equity Shares			248,000,000	-
Interest Receivable on				
- Debentures [net of provision of Rs. 3,494,864 (2001: Rs. 3,258,033)]			-	156,600
- Deposits [including receivable for deposits placed towards unclaimed dividend Rs 22,502 (2001: Rs Nil) and receivable for tax deducted at source Rs. 55,521 (2001: Rs. 55,521)]			605,918	559,386
Dividends Receivable [net of provision of Rs. 2,110,755 (2001: Rs. 2,100,511) and including receivable for tax deducted at source Rs. 2,197,912 (2001: Rs. 2,197,912)]				
			4,341,729	3,402,776
Miscellaneous Receivables [net of provision of Rs. 165,068 (2001: Rs. Nil)]				
			413,270	613,838
			<u>326,333,184</u>	<u>64,189,031</u>
SCHEDULE 4 Unit Capital	2002 Rs.	2002 Units	2001 Rs.	2001 Units
Issued and Subscribed:				
Units of Rs. 10 each fully paid up	9,818,001,000	981,800,100	9,818,001,000	981,800,100
Outstanding				
At beginning of year	6,794,577,100	679,457,710	7,192,180,040	719,218,004
Repurchased through secondary market operations (Note 2.6)	(341,342,050)	(34,134,205)	(397,602,940)	(39,760,294)
At end of year	<u>6,453,235,050</u>	<u>645,323,505</u>	<u>6,794,577,100</u>	<u>679,457,710</u>

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Schedules forming part of the Balance Sheet as at March 31, 2002 and the Revenue Account for the year ended March 31, 2002

SCHEDULE 5	2002	2001
Reserves and Surplus	Rs.	Rs.
<i>Unit Premium Reserve</i>		
At beginning of year	287,685,808	348,556,471
Discount / (Premium) on Repurchase of Units (Note 2.6)	100,766,377	(60,870,663)
At end of year	<u>388,452,185</u>	<u>287,685,808</u>
<i>Revenue Reserve</i>		
At beginning of year	46,548,684	6,173,589,882
Net Surplus / (Deficit) Transferred from Revenue Account	1,088,302,828	(6,127,041,198)
At end of year [(including net unrealised appreciation in value of investments Rs. 815,021,939 (2001: net unrealised depreciation of Rs. 1,615,730,419)]	<u>1,134,851,512</u>	<u>46,548,684</u>
Total	<u>1,523,303,697</u>	<u>334,234,492</u>
SCHEDULE 6	2002	2001
Current Liabilities and Provisions	Rs.	Rs.
<i>Current Liabilities</i>		
Investment Management and Advisory Fees	19,181,021	15,240,899
Transfer Agent's Fees and Expenses	1,605,258	1,871,228
Custodian Fees	391,983	365,634
Trusteeship Fees and Expenses	1,666,082	448,900
Audit Fees	800,000	800,000
Investor Communication Expenses	15,077,477	15,035,979
Purchase Contracts Awaiting Completion		
- Equity Shares	57,221,392	-
Rights Payable		
- Equity Shares	-	30,585
Repurchase of Units	14,046,791	3,826,245
Unclaimed Dividend (Note 11)	79,811,218	54,317,888
Interest from Investment of Unclaimed Dividend	2,268,778	-
Dividend Distribution Expenses	-	12,000,000
Sundry Payables	22,286,480	22,491,518
	<u>214,356,480</u>	<u>126,428,876</u>
<i>Provisions</i>		
Dividend	-	677,922,397
Tax on Dividend	-	69,148,084
	-	747,070,481
	<u>214,356,480</u>	<u>873,499,357</u>
SCHEDULE 7	April 1, 2001 to	April 1, 2000 to
Interest (Note 2.5)	March 31, 2002	March 31, 2001
	Rs.	Rs.
Debentures	236,831	1,604,356
Deposits	36,878,181	74,649,596
	<u>37,115,012</u>	<u>76,253,952</u>
SCHEDULE 8	April 1, 2001 to	April 1, 2000 to
Unrealised Appreciation / (Depreciation) in Value of Investments and Foreign Currency Denominated Assets and Liabilities (Note 2.3)	March 31, 2002	March 31, 2001
	Rs.	Rs.
<i>(A) Investments</i>		
Net unrealised (depreciation) / appreciation in value of investments including foreign currency denominated investments at beginning of year	(1,615,730,419)	5,084,624,222
Net movement in unrealised appreciation / (depreciation) in value of investments including foreign currency denominated investments during the year	(I) 2,430,752,358	(6,700,354,641)
Net unrealised appreciation / (depreciation) in value of investments including foreign currency denominated investments at end of year	<u>815,021,939</u>	<u>(1,615,730,419)</u>
<i>(B) Other Foreign Currency Denominated Assets and Liabilities</i>		
	(II) -	-
Total (I) + (II)	<u>2,430,752,358</u>	<u>(6,700,354,641)</u>

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Schedules forming part of the Balance Sheet as at March 31, 2002 and the Revenue Account for the year ended March 31, 2002

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., a corporation organised under the laws of the State of Delaware, United States of America. Morgan Stanley Investment Management Private Limited ("MSIMPL") (formerly known as Morgan Stanley Dean Witter Investment Management Private Limited), incorporated under the Companies Act, 1956 of India, has been appointed as the asset management company.

2. Significant Accounting Policies

2.1 Basis of Accounting

The Fund maintains its books of account on an accrual basis. These financial statements 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, and the format of the financial statements specified in the Eleventh Schedule.

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 in case of equity shares and fifteen days in case of debt securities (thirty days for the period upto February 19, 2002 for debt securities) 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/thinly traded equity securities, including those not traded within thirty days and non traded/thinly traded debt securities including those not traded within fifteen days (thirty days for the period upto February 19, 2002) prior to the valuation date, are valued at fair value as determined by MSIMPL in accordance with the guidelines for valuation of securities for mutual funds dated September 18, 2000 and amendments thereto, as applicable 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 MSIMPL 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.

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Schedules forming part of the Balance Sheet as at March 31, 2002 and the Revenue Account for the year ended March 31, 2002

- 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.
- 4. Investment Management and Advisory Fees**
In accordance with the agreement between the Board of Trustees and MSIMPL, the Fund has provided for investment management and advisory fees payable to MSIMPL 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 MSIMPL 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. JP Morgan Chase Bank (formerly 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 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") 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, 2002 purchases and sales of investment securities aggregated Rs. 2,734,945,972 and Rs. 3,539,950,248 respectively, being 37.27% and 48.24% of the average weekly net asset value.
- 8. Income / Expenditure**
The total income (including net loss on sale of investments and net change in unrealised appreciation / (depreciation) in the value of investments and foreign currency denominated assets and liabilities) and total expenses for the year is Rs. 1,225,629,424 and Rs. 137,326,596 respectively, being 16.70% and 1.87% of the average weekly net asset value.
- 9. Illiquid Securities**
Illiquid (equity) securities at fair value aggregated to Rs. 44,792,125 being 0.56% of the net asset value as at March 31, 2002
- 10. Non Performing Assets (NPA)**
Securities classified as non performing assets (NPA) as at March 31, 2002 are being carried in the books of account at Rs. 1,211,040 as against the carrying value of Rs. 1,879,200 as at March 31, 2001 (Cost as at March 31, 2002 and 2001: Rs. 13,068,000).
- 11. Unclaimed Dividend**
Details of unclaimed dividend as at March 31, 2002 are as follows: -
- | | Unclaimed Dividend (Rs) | Number of unit holders* |
|------------------------------|-------------------------|-------------------------|
| Interim Dividend – June 1999 | 23,492,555 | 92,599 |
| Dividend – April 2000 | 20,674,885 | 84,642 |
| Dividend – June 2001 | 35,643,778 | 105,132 |
- *Excludes unit holders relating to in-transit positions at National Securities Depository Limited (NSDL).
- 12. Initial Contribution by Settlor**
The initial contribution of Rs 500,000 paid at the formation of Morgan Stanley Mutual Fund (the "Trust") by Morgan Stanley Dean Witter & Co. (the "Settlor") has been hitherto maintained and accounted in the books of account of the Fund. During the year this initial contribution has been transferred to the books of account of the Trust to reflect the ownership of these funds.
- 13. 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 Bharti Tele-ventures Limited and American Depository Receipts (ADR) of HDFC Bank Limited aggregating to Rs. 153,000,000 and US\$ 1,643,004 (Rs 77,262,263) respectively. JM Morgan Stanley Securities India Private Limited and Morgan Stanley & Co Inc., associates of MSIMPL were the co - lead manager and joint global coordinator to these issues respectively. The subscription was made through non affiliate entities, DSP Merrill Lynch Limited and Merrill Lynch & Co. respectively.

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Schedules forming part of the Balance Sheet as at March 31, 2002 and the Revenue Account for the year ended March 31, 2002

14. Historical Per Unit Statistics*

	April 1, 2001 to March 31, 2002	April 1, 2000 to March 31, 2001	April 1, 1999 to March 31, 2000
	Rs.	Rs.	Rs.
(a) Net asset value per unit at end of year	12.36	10.49	19.07
(b) (i) Gross income other than profit from sale of investments	0.31	0.28	0.25
(ii) Gross income from profit on inter scheme sales/transfer of investments	-	-	-
(iii) Income (net) from profit / loss on sale of investments to third parties	(2.12)	1.90	5.41
(iv) Transfer of revenue account from past year's reserve	-	-	-
Gross income and gains	(1.81)	2.18	5.66
(c) Aggregate of expenses, write off and charges	0.21	0.28	0.32
(d) Net income / (loss) (b) - (c)	(2.02)	1.90	5.34
(e) Net change in unrealised appreciation / (depreciation) in value of investments and foreign currency denominated assets and liabilities	3.65	(9.64)	1.80
(f) Repurchase price (market buyback)			
(i) Highest	9.45	15.35	17.11
(ii) Lowest	4.85	8.56	10.11
(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	9.75	15.50	17.50
(ii) Lowest	4.85	7.35	6.05
(i) Price earning ratio**	-	4.74	2.85
(j) Ratio of expenses to average net assets	1.87%	1.85%	1.87%
(k) Ratio of gross income (including net profit / (loss) on sale of investments and net change in unrealised appreciation / (depreciation) in value of investments and foreign currency denominated assets and liabilities) to average net assets	16.70%	(49.76)%	43.27%

* 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.

15. 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
May 15, 2002

For Morgan Stanley Mutual Fund

ABID HUSSAIN J.S.BAIJAL B. RAI
Trustee *Trustee* *Trustee*

B.M.BIGGS RONALD ROBISON
Trustee *Trustee*

**For Morgan Stanley Investment
Management Private Limited**

PAUL M. MARTIN
Director

JOSEPH CLIFFORD D'SOUZA
Executive Director

PORTFOLIO OF INVESTMENTS

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Statement of Portfolio Holding as at March 31, 2002
(Referred to in Schedule 1 to the Balance Sheet as at March 31, 2002 and the Revenue Account for the year ended March 31, 2002)

Quantity	Company Name	Market Value (Rs.)	Rs.	Quantity	Company Name	Market Value (Rs.)	Rs.
FOREIGN SECURITIES				Electrical Equipments (3.68%)			
AMERICAN DEPOSITORY RECEIPTS / GLOBAL DEPOSITORY RECEIPTS (4.83%)				280,895	A B B	74,591,667	
Banking (24.26%)				1,123,383	Bharat Heavy Electricals	189,683,220	264,274,887
118,800	HDFC Bank ADRs	88,553,044	88,553,044	Food Products (3.73%)			
Construction Materials (6.05%)				150,552	Britannia Industries	81,478,742	
107,000	Gujarat Ambuja Cement GDRs	22,082,660	22,082,660	102,816	Nestle India	52,682,918	
Diversified Telecom Services (8.08%)				354,169	Smithkline Beecham Consumer	133,716,506	267,878,166
102,000	M T N L ADRs	29,471,064	29,471,064	Household Products (5.70%)			
Pharmaceuticals (13.62%)				722,131	Colgate Palmolive	101,748,258	
46,300	Dr. Reddy's Laboratories ADRs	49,710,531	49,710,531	1,011,786	Hindustan Lever	228,005,975	
Software (47.99%)				331,480	Reckitt Benckiser	79,986,124	409,740,357
96,890	Wipro ADRs	175,166,343	175,166,343	Leisure Equipments & Products (0.62%)			
Total (Cost Rs. 367,611,480)				865,282	Titan Industries	44,475,495	44,475,495
			<u>364,983,642</u>	Machinery (0.94%)			
INDIAN SECURITIES				1,275,145	Cummins India	67,327,656	67,327,656
EQUITY SHARES (95.14%)				Media (2.32%)			
Automobiles (11.65%)				250,000	Chandamama@	1,875,000	
2,008,696	Hero Honda	670,301,855		148,100	New Delhi Television@	14,995,125	
361,646	Punjab Tractors	54,753,204		970,760	Samtel Colour	22,327,480	
891,239	TELCO	112,518,924	837,573,983	761,482	Zee Telefilms	127,776,680	166,974,285
Banking (9.74%)				Metals & Mining (6.00%)			
988,824	HDFC Bank	232,521,964		231,074	Hindalco Industries	177,938,534	
2,126,088	State Bank of India	467,314,142	699,836,106	1,135,936	National Aluminium	93,601,126	
Beverages & Tobacco (3.10%)				15,396,098	S A I L	75,440,880	
319,666	I T C	222,695,319	222,695,319	862,238	TISCO	84,197,541	431,178,081
Biotechnology (0.35%)				Miscellaneous (0.00%)**			
250,000	Shanta Biotech@	25,000,000	25,000,000	150,000	Aldrich Pharmaceuticals@	-	
Chemicals (4.45%)				500	Castrol India	93,100	
266,592	Asian Paints	87,455,505		202,500	Dharti Dredging@	-	
155,070	Aventis Crop Science	26,982,180		340,000	Eastern Medikit@	-	
1,380,576	Indo Gulf Fertilizer	59,433,797		180,918	IBIL Technologies@	-	
485,500	Reliance Industries	145,989,850	319,861,332	279,351	Indiainfo.Com@	-	
Construction Materials (2.79%)				340,000	Patheja Brothers & Forging@	-	
1,000,177	Gujarat Ambuja Cement	200,335,453	200,335,453	290,000	Shaily Engineering@	-	
Diversified Financial Services (4.37%)				600	SSI	107,130	
458,115	HDFC	313,625,529	313,625,529	70,500	Targoff Drugs@	-	200,230
Diversified Telecom Services (4.14%)				Oil & Gas (8.24%)			
1,900,000	Bharti Tele-ventures	72,960,000		509,076	Bharat Petroleum	167,893,265	
1,520,534	M T N L	224,202,738	297,162,738	826,792	Hindustan Petroleum	240,265,755	
Electric Utilities (1.62%)				155,000	Oil and Natural Gas Corporation	42,369,250	
1,022,297	Tata Power	116,030,710	116,030,710	5,479,811	Reliance Petroleum	141,653,114	592,181,384
				Pharmaceuticals (9.94%)			
				141,740	Cipla	144,284,233	
				1,940,180	Dabur	107,874,008	
				189,462	Dr. Reddy's Laboratories	208,000,857	
				43,837	E Merck	13,269,460	
				261,500	Ranbaxy Laboratories	229,675,450	
				182,500	Stride Arcolab	11,132,500	714,236,508

PORTFOLIO OF INVESTMENTS

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Statement of Portfolio Holding as at March 31, 2002
(Referred to in Schedule 1 to the Balance Sheet as at March 31, 2002 and the Revenue Account for the year ended March 31, 2002)

Quantity	Company Name	Market Value (Rs.)	Rs.	
Software (11.07%)				
150,000	Federal Technology*	2,922,000		*Thinly traded / non traded (Illiquid) securities at fair value as determined by Morgan Stanley Investment Management Private Limited (MSIMPL) in accordance with the guidelines for valuation of securities for mutual funds dated September 18, 2000 and amendments thereto, as applicable, issued by the Securities and Exchange Board of India and approved by the Board of Trustees.
385,056	HCL Technologies	97,669,454		
120,250	Infosys Technologies	449,187,863		
144,200	Wipro	245,370,720	795,150,037	
Transportation - Road & Rail (5.55%)				
1,598,056	Container Corporation of India	398,395,361	398,395,361	@Private placements / unlisted (Illiquid) securities at fair value as determined in good faith by MSIMPL under procedures approved by the Board of Trustees.
	Total (Cost Rs. 6,354,379,314)		<u>7,184,133,617</u>	**Individual securities with holding less than 5,000 shares or value less than Rs.500,000.
UNITS OF MUTUAL FUNDS (0.01%)				
75,800	UTI Master Gain	733,744	733,744	# Non performing assets.
	Total (Cost Rs. 981,310)		<u>733,744</u>	ADR – American Depository Receipts GDR – Global Depository Receipts
NON-CONVERTIBLE DEBENTURES (0.02%)				
Metals & Mining (0.00%)				
581,000	Shri Ishar Alloys*#	-	-	Confirmation has been received from Stock Holding Corporation of India Limited and Standard Chartered Bank, Mumbai branch at the year end of the investments held by them
Industrial Conglomerates (100%)				
26,100	Textool Industries*#	1,211,040	1,211,040	
	Total (Cost Rs. 13,068,000)		<u>1,211,040</u>	
TOTAL INVESTMENTS AT MARKET VALUE (Cost Rs. 6,736,040,104)			<u><u>7,551,062,043</u></u>	

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 INVESTMENT
MANAGEMENT PRIVATE LIMITED

Custodian :
STOCK HOLDING CORPORATION
OF INDIA LIMITED

STANDARD CHARTERED BANK

Registrar & Transfer Agent :
KARVY CONSULTANTS LIMITED

Legal Advisor :
LITTLE & CO.

Auditor :
PRICE WATERHOUSE

Banker :
STANDARD CHARTERED BANK