



Morgan Stanley  
**Growth Fund**

**Annual Report**  
March 31, 2003

**To our valued Unit Holders,**

We are pleased to present to you the ninth annual report of the Morgan Stanley Growth Fund ("The Fund") for the year ended March 31, 2003.

You will find enclosed detailed results of the Fund for the financial year ended March 31, 2003 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.

During the year Securities and Exchange Board of India (SEBI) announced various measures having a positive bearing on the mutual fund industry. The measures covered various areas including valuation of securities, disclosure and investor reporting, enhanced corporate governance, rules for mutual funds relating to trading in derivatives, investments in foreign securities and establishment of an independent risk management function for the Fund. SEBI has actively initiated various steps in improving the efficiency of the settlement practices in the Indian stock exchanges and towards this shortened the settlement cycle to Trade date (T) +2 day effective April 1, 2003. SEBI also mandated straight through processing (STP) for mutual funds effective December 2, 2002 with a view to bring in increased transparency, eliminate manual processes and further align Indian markets with international trading and settlement best practices. We are pleased to report that your Fund was STP ready on December 2, 2002 and was amongst the first funds to establish electronic connectivity enabling electronic exchange of trade information with brokers and custodians. We continue to challenge our service providers to improve service levels with an objective to serve our unit holders in an efficient manner.

We wish to inform you that Barton M. Biggs resigned from the Board of Trustees of the Fund in February 2003. We wish to place on record our appreciation for the guidance and direction provided by Barton Biggs during his tenure as a Trustee of the Fund. Effective April 29, 2003, Rajesh K. Gupta was appointed as a Trustee 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 applicable 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**

April 29, 2003

**Important information**

● **Nomination Facility** is available and individual unit holders desirous of availing the same can contact Karvy Consultants Ltd. at below mentioned address. Nomination Form is also available on the Fund's website [www.msgfindia.com](http://www.msgfindia.com).

● 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.

Tel: 040 - 2331 2454, 2332 0251

The price and net asset 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.

Please refer to page 13 for investment objective of the fund, liabilities of the Trustees and settlor, statutory details and other risk factor and disclosures.

# PORTFOLIO MANAGER'S LETTER

Dear Unit Holders,

For the year ended March 31, 2003, the total return of the Anley Growth Fund ("The Fund"), based on its net asset value, assuming reinvestment of all dividend payouts, were down by 7.04% over the same period the benchmark indices, Sensex and BSE 100 were down by 12.56% and 12.56% 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 (March 31, 2003)

PERIOD	MSGF NAV*	Sensex	BSE 100
Last 1 year	-7.04%	-12.56%	-12.56%
Last 3 years	-12.95%	-19.74%	-19.74%
Last 5 years	8.65%	-2.43%	-2.43%
Inception (Jan 94) to March 31, 2003	3.68%	-1.71%	-1.71%

Past performance is no indication of the future performance and may not necessarily provide a basis for comparison with other investments. All returns except for the 1 year are compounded annualised returns.

\* Performance of the fund has been calculated based on the assumption that all dividends during the period except for the 1 year have been reinvested in the scheme at the then prevailing NAV.

Equity markets across the world continue to face stiff headwinds due to a combination of factors, ranging from structural economic issues in the world's largest economies to increased geopolitical tensions. Attracting portfolio money in such an environment is even more difficult.

In this regard, it is important to note that reform-based investing, always one of the main drivers of country returns within emerging markets, is regaining some lost importance. Accelerated reform momentum appears to be one of the few ways of breaking away from the pack. Investors are searching for secular growth themes, typically provided by reforming countries, after their love-hate relationship with tech-led sector-oriented investing.

A look at the performance of various emerging markets in the recent past reflects this trend. Russia, Indonesia and Thailand have been some of the best performing emerging markets, with investors impressed by the pace of reform in these countries. In contrast, markets like Brazil were impacted by investor concerns about the country's debt situation. The lack of commitment of the political class to carrying out economic reforms in the Philippines have completely fallen off the investor map.

Interest in the Indian market last year was just a part of a global reform drive. Some more such catalysts will be required to sustain the momentum. India is to relatively outperform within the emerging markets. Relative performance is also required for India to become a significant part of the global portfolio universe. India's share in the global market has been systematically declined over the years and with it.

Hopefully, India will have some reform effort to show that will positively differentiate its equity market in a more discerning environment. Here a lot of microeconomic blocks are falling in place for a bigger India story to materialise. For example, India is emerging as a global hub for Information Technology services. The key is for a few more such globally competitive industries to emerge in scale. Our effort in the portfolio continues to be directed towards searching for these new opportunities.

**RUCHIR SHARMA**  
Portfolio Manager

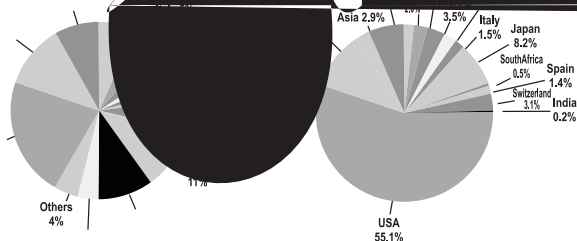
Mumbai  
April 29, 2003 Markets in 1900\*

Table 2

Top Twenty Five holdings of M...

March 31, 2003

State Bank of India  
Infosys Technology  
Bharat Heavy  
Wipro  
Hero



Asian Paints	2.01%
Nestle India	1.95%
SAIL	1.95%
Cipla	1.91%
Colgate Palmolive	1.72%
Glaxo Smithkline Pharma	1.71%
	<b>87.45 %</b>
	<b>of Portfolio</b>

# 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, 2003, 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, 2003 by correspondence with the custodians and others. An audit also includes assessing the accounting principles used and significant estimates made by the 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, 2003 and its net surplus for the year ended on that date.
  - (ii) The Balance Sheet as at March 31, 2003, 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) non-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 (SEBI) and;
    - (b) privately placed equity shares in accordance with the guidelines for valuation of unlisted equity shares from mutual funds dated May 09, 2002 issued by SEBIas at March 31, 2003 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**

**April 29, 2003**

# BALANCE SHEET

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

**Balance Sheet as at March 31, 2003**

	Schedule	March 31, 2003 Rs.	March 31, 2002 Rs.
<b>ASSETS</b>			
Investments	1	6,640,963,353	7,551,062,043
Deposits	2	512,400,000	313,500,000
Other Current Assets	3	37,672,797	326,333,184
<b>TOTAL</b>		<u>7,191,036,150</u>	<u>8,190,895,227</u>
<b>LIABILITIES</b>			
Unit Capital	4	6,138,906,420	6,453,235,050
Reserves and Surplus	5	913,246,692	1,523,303,697
Current Liabilities and Provisions	6	138,883,038	214,356,480
<b>TOTAL</b>		<u>7,191,036,150</u>	<u>8,190,895,227</u>
<b>RECONCILIATION TO NET ASSET VALUE PER UNIT</b>			
Net Assets as per Balance Sheet			
(Total Assets less Current Liabilities and Provisions)		7,052,153,112	7,976,538,747
Number of Units in Issue		613,890,642	645,323,505
Net Asset Value per Unit		<u>11.49</u>	<u>12.36</u>
Notes to the Financial Statements	9		
The schedules form an integral part of the Financial Statements			

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  
April 29, 2003

**For Morgan Stanley Mutual Fund**

ABID HUSSAIN  
*Trustee*

J. S. BAIJAL  
*Trustee*

B. RAI  
*Trustee*

RAJESH K. GUPTA  
*Trustee*

RONALD ROBISON  
*Trustee*

**For Morgan Stanley Investment  
Management Private Limited**

JOSEPH CLIFFORD D'SOUZA  
*Director*

RUCHIR SHARMA  
*Director*

**MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND**

**Revenue Account for the year ended March 31, 2003**

	Schedule	Year ended March 31, 2003 Rs.	Year ended March 31, 2002 Rs.
<b>INCOME AND GAINS</b>			
Dividends on Equity Shares (Gross) (Note 2.5)		177,109,518	162,147,138
Dividends on American Depository Receipts and Global Depository Receipts (Net) (Note 2.5)		2,102,950	1,712,150
Interest	7	24,044,558	37,115,012
Net Profit on Sale of Investments (Note 2.4)		265,471,035	-
Provisions Written Back As No Longer Required		3,020,143	4,218,090
Realised Profit on Foreign Currency Transactions (Net) (Note 2.3)		1,958,956	1,346,003
<b>TOTAL</b>		<b>473,707,160</b>	<b>206,538,393</b>

**EXPENSES AND LOSSES**

Net Loss on Sale of Investments (Note 2.4)				
Transfer Agent Fees and Expenses (Note 64)		20,997,823	(1,346,583)	
Auditor Fees				320,100
				207,98,632
				15,81,293
				Provision for Outstanding Accrued Dividends (Net)
				(44,397)
				(8,661,443)
				<b>TOTAL</b>

**Balance Carried to Balance Sheet**

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2003 and the Revenue Account for the year ended March 31, 2003

<b>SCHEDULE 1</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
<b>Investments</b>	<b>Market/Fair</b>		<b>Market/Fair</b>	
(Notes 2.2, 2.3, 2.4, 7, 8, 10 and 11)	<b>Value</b>	<b>Cost</b>	<b>Value</b>	<b>Cost</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
(Refer to attached Statement of Portfolio Holding as at March 31, 2003)				
American Depository Receipts and Global Depository Receipts	233,603,742	306,592,803	364,983,642	367,611,480
Equity Shares	6,406,187,988	6,473,375,739	7,184,133,617	6,354,379,314
Units of Mutual Funds	682,248	963,187	733,744	981,310
Non Convertible Debentures	1,957,500	2,610,000	1,211,040	13,068,000
	<u>6,642,431,478</u>	<u>6,783,541,729</u>	<u>7,551,062,043</u>	<u>6,736,040,104</u>
Less : Provision for Non Performing Asset	(1,468,125)		-	
	<u>6,640,963,353</u>		<u>7,551,062,043</u>	
<b>SCHEDULE 2</b>			<b>2003</b>	<b>2002</b>
<b>Deposits</b>			<b>Rs.</b>	<b>Rs.</b>
Deposits with Scheduled Banks (including Rs. 64,400,000 (2002 : Rs. 40,700,000) on account of unclaimed dividends)				
			512,400,000	313,500,000
			<u>512,400,000</u>	<u>313,500,000</u>
<b>SCHEDULE 3</b>			<b>2003</b>	<b>2002</b>
<b>Other Current Assets</b>			<b>Rs.</b>	<b>Rs.</b>
Balances with Bank				
- In Current Account			150,046	25,471,190
- In Dividend Account			2,131,830	41,357,494
Sales Contracts Awaiting Completion				
- Equity Shares			29,631,495	6,143,583
Application Money Pending Allotment				
- Equity Shares			-	248,000,000
Interest Receivable on				
- Debentures [net of provision of Rs. 3,494,864 (2002 : Rs. 3,494,864)]			-	-
- Deposits [including receivable for deposits placed towards unclaimed dividend Rs. 6,500 (2002 : Rs. 22,502) and receivable for tax deducted at source Rs. 55,521 (2002 : Rs. 55,521)]			902,376	605,918
Dividends Receivable [net of provision of Rs. 2,099,705 (2002 : Rs. 2,110,755) and including receivable for tax deducted at source Rs. 2,144,182 (2002 : Rs. 2,197,912)]			4,443,780	4,341,729
Receivable on Non Performing Assets [net of provision of Rs. 10,458,000 (2002 : Rs. NIL)]			-	-
Miscellaneous Receivables [net of provision of Rs. Nil (2002 : Rs. 165,068)]			413,270	413,270
			<u>37,672,797</u>	<u>326,333,184</u>
<b>SCHEDULE 4</b>	<b>2003</b>	<b>2003</b>	<b>2002</b>	<b>2002</b>
<b>Unit Capital</b>	<b>Rs.</b>	<b>Units</b>	<b>Rs.</b>	<b>Units</b>
<b>Issued and Subscribed:</b>				
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>
<b>Outstanding</b>				
At beginning of year	6,453,235,050	645,323,505	6,794,577,100	679,457,710
Repurchased through secondary market operations (Note 2.6)	(314,328,630)	(31,432,863)	(341,342,050)	(34,134,205)
At end of year	<u>6,138,906,420</u>	<u>613,890,642</u>	<u>6,453,235,050</u>	<u>645,323,505</u>

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2003 and the Revenue Account for the year ended March 31, 2003

<b>SCHEDULE 5</b>	<b>2003</b>	<b>2002</b>
<b>Reserves and Surplus</b>	<b>Rs.</b>	<b>Rs.</b>
<i>Unit Premium Reserve</i>		
At beginning of year	388,452,185	287,685,808
Discount on Repurchase of Units (Note 2.6)	35,337,156	100,766,377
At end of year	<u>423,789,341</u>	<u>388,452,185</u>
<i>Revenue Reserve</i>		
At beginning of year	1,134,851,512	46,548,684
Balance Transferred from Revenue Account	(645,394,161)	1,088,302,828
At end of year [including net unrealised depreciation in value of investments Rs. 141,110,251 (2002 : net unrealised appreciation of Rs. 815,021,939)]	<u>489,457,351</u>	<u>1,134,851,512</u>
	<u><u>913,246,692</u></u>	<u><u>1,523,303,697</u></u>
<b>SCHEDULE 6</b>	<b>2003</b>	<b>2002</b>
<b>Current Liabilities and Provisions</b>	<b>Rs.</b>	<b>Rs.</b>
<i>Current Liabilities</i>		
Investment Management and Advisory Fees	18,576,279	19,181,021
Transfer Agent's Fees and Expenses	514,492	1,605,258
Custodian Fees	294,182	391,983
Trusteeship Fees and Expenses	576,555	1,666,082
Audit Fees	800,000	800,000
Investor Communication Expenses	14,308,106	15,077,477
Purchase Contracts Awaiting Completion		
- Equity Shares	8,756,791	57,221,392
Repurchase of Units	3,622,319	14,046,791
Unclaimed Dividend (Note 12)	61,199,979	79,811,218
Interest from Investment of Unclaimed Dividend	5,338,351	2,268,778
Provision for Investments Doubtful of Realisation	1,583,092	-
Sundry Payables	23,312,892	22,286,480
	<u>138,883,038</u>	<u>214,356,480</u>
<b>SCHEDULE 7</b>	<b>April 1, 2002 to</b>	<b>April 1, 2001 to</b>
<b>Interest (Note 2.5)</b>	<b>March 31, 2003</b>	<b>March 31, 2002</b>
	<b>Rs.</b>	<b>Rs.</b>
Debentures	-	236,831
Deposits	24,044,558	36,878,181
	<u>24,044,558</u>	<u>37,115,012</u>

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2003 and the Revenue Account for the year ended March 31, 2003

SCHEDULE 8 Unrealised (Depreciation) / Appreciation in Value of Investments and Foreign Currency Denominated Assets and Liabilities (Notes 2.2, 2.3 and 7)	April 1, 2002 to March 31, 2003 Rs.	April 1, 2001 to March 31, 2002 Rs.
(A) Investments		
(a) American Depository Receipts and Global Depository Receipts		
At beginning of year	(2,627,838)	(94,172,325)
Net movement during the year	(I) <u>(70,361,223)</u>	<u>91,544,487</u>
At end of year	<u>(72,989,061)</u>	<u>(2,627,838)</u>
(b) Equity Shares		
At beginning of year	829,754,303	(1,510,118,086)
Net movement during the year	(II) <u>(896,942,054)</u>	<u>2,339,872,389</u>
At end of year	<u>(67,187,751)</u>	<u>829,754,303</u>
(c) Units of Mutual Funds		
At beginning of year	(247,566)	(251,208)
Net movement during the year	(III) <u>(33,373)</u>	<u>3,642</u>
At end of year	<u>(280,939)</u>	<u>(247,566)</u>
(d) Non Convertible Debentures		
At beginning of year	(11,856,960)	(11,188,800)
Net movement during the year	(IV) <u>11,204,460</u>	<u>(668,160)</u>
At end of year	<u>(652,500)</u>	<u>(11,856,960)</u>
Net movement in unrealised (depreciation) / appreciation in value of investments including foreign currency denominated investments during the year	(A) = (I)+(II)+(III)+(IV) <u>(956,132,190)</u>	<u>2,430,752,358</u>
(B) Other Foreign Currency Denominated Assets and Liabilities (B)	<u>-</u>	<u>-</u>
Total	(A) + (B) <u>(956,132,190)</u>	<u>2,430,752,358</u>

## SCHEDULE 9

### Notes to the Financial Statements

#### 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 (formerly 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"), 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 (the "Regulations") and amendments thereto, as applicable.

##### 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 prior to the valuation date.
- (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 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 (SEBI) and approved by the Board of Trustees.
- (iv) Privately placed securities are valued at fair value as determined by MSIMPL in accordance with the guidelines for valuation of unlisted equity shares for mutual funds dated May 09, 2002 issued by SEBI and approved by the Board of Trustees.

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2003 and the Revenue Account for the year ended March 31, 2003

Debt securities are classified as non performing assets and provision has been made in respect thereof in accordance with the guidelines for identification and provisioning for non performing assets (debt securities) for mutual funds dated September 18, 2000 and amendments thereto, as applicable issued by SEBI.

Following the issue of the guidance note on accounting for investments in the financial statements of mutual funds by the Institute of Chartered Accountants of India (pursuant to the Eleventh Schedule of the Regulations) net unrealized appreciation / (depreciation) in the value of investments is determined separately for each category of investments. Further the change in net unrealised appreciation / (depreciation), if any, between two Balance Sheet dates / valuation dates is recognized in the Revenue Account. Unrealised appreciation is reduced from the distributable income at the time of income distribution. At the end of the financial year, the balance in the Revenue Account including change in the net unrealised appreciation or depreciation in the value of investments is transferred to Revenue Reserve.

#### 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.

### 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

The Fund has paid or provided for investment management and advisory fees payable to MSIMPL for managing the Fund at an annual rate of 1.25% of the average daily 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. JPMorgan Chase Bank provides certain accounting services to the Fund at no cost to the Fund.

### 5. Custodian Fees

Stock Holding Corporation of India Limited ("SHCIL") provided custodial services to the Fund till August 1, 2002 for which custody fee has been paid to them.

Standard Chartered Bank, Mumbai branch provided custodial services to the Fund till August 1, 2002 for foreign currency denominated securities for which custody fee has been paid to them.

JPMorgan Chase Bank provides custodial services to the Fund with effect from August 2, 2002 for which custody fee is payable to them.

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2003 and the Revenue Account for the year ended March 31, 2003

**6. Trusteeship Fees**

In accordance with the agreement dated November 3, 1993 between Morgan Stanley (formerly 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 Appreciation and Depreciation in Value of Investments**

Aggregate appreciation and depreciation in value of investments are as follows:

	2003 (Rs.)	2002 (Rs.)
American Depository Receipts and Global Depository Receipts		
Appreciation	10,361,251	29,219,208
Depreciation	83,350,312	31,847,046
Equity Shares		
Appreciation	1,100,548,578	1,718,600,087
Depreciation	1,167,736,329	888,845,784
Units of Mutual Funds		
Appreciation	Nil	Nil
Depreciation	280,939	247,566
Non Convertible Debentures		
Appreciation	Nil	Nil
Depreciation	652,500	11,856,960

**8. Aggregate Value of Purchases and Sales of Investments**

During the year ended March 31, 2003 purchases and sales of investment securities aggregated Rs. 1,639,877,019 and Rs. 1,846,027,717 respectively, being 21.79 % and 24.52 % of the average daily net asset value.

**9. Income / Expenditure**

The total income (including net profit on sale of investments and net change in unrealised depreciation in the value of investments and foreign currency denominated assets and liabilities) and total expenses (excluding investments written off, provision for non performing assets and provision for investments doubtful of realisation) for the year is Rs. (482,425,030) and Rs. 146,134,301 respectively, being (6.41%) and 1.94 % of the average daily net asset value.

**10. Illiquid Securities**

Illiquid (equity) securities at fair value aggregated to Rs. 15,742,906 being 0.22% of the net asset value as at March 31, 2003

**11. Non Performing Assets (NPA)**

Securities classified as non performing assets (NPA) as at March 31, 2003 are being carried in the books of account at Rs. 489,375 (net of provision Rs. 1,468,125) as against the carrying value of Rs. 1,211,040 as at March 31, 2002 (Cost as at March 31, 2003 Rs. 2,610,000 and 2002 : Rs. 13,068,000).

**12. Unclaimed Dividend**

Details of unclaimed dividend are as follows: -

	Unclaimed Dividend (Rs.)		Number of Unit Holders*	
	March 31, 2003	March 31, 2002	March 31, 2003	March 31, 2002
Interim Dividend – June 1999	18,570,495	23,492,555	84,022	92,599
Dividend – April 2000	16,515,831	20,674,885	76,565	84,642
Dividend – June 2001	26,113,653	35,643,778	91,742	105,132

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

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2003 and the Revenue Account for the year ended March 31, 2003

#### 13. Historical Per Unit Statistics \*

	April 1, 2002 to March 31, 2003 Rs.	April 1, 2001 to March 31, 2002 Rs.	April 1, 2000 to March 31, 2001 Rs.
(a) Net asset value per unit at end of year	11.49	12.36	10.49
(b) (i) Gross income other than profit from sale of investments	0.33	0.31	0.28
(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	0.43	(2.12)	1.90
(iv) Transfer of revenue account from past year's reserve	-	-	-
Gross income and gains	0.76	(1.81)	2.18
(c) Aggregate of expenses write off and charges	0.26	0.21	0.28
(d) Net income / (loss) (b) - (c)	0.50	(2.02)	1.90
(e) Net change in unrealised appreciation / (depreciation) in value of investments and foreign currency denominated assets and liabilities	(1.52)	3.65	(9.64)
(f) Repurchase price (market buyback)			
(i) Highest	9.44	9.45	15.35
(ii) Lowest	8.33	4.85	8.56
(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	9.80	9.75	15.50
(ii) Lowest	8.00	4.85	7.35
(i) Price earning ratio **	17.14	-	4.74
(j) Ratio of expenses (excluding investments written off, provision for non performing assets and provision for investments doubtful of realisation) to average net assets	1.94%	1.87%	1.85%
(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	(6.41%)	16.70%	(49.76%)

\* The above per unit calculations with the exception of the net asset value 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.

Signature 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  
April 29, 2003

**For Morgan Stanley Mutual Fund**

ABID HUSSAIN  
*Trustee*

J. S. BAIJAL  
*Trustee*

B. RAI  
*Trustee*

RAJESH K. GUPTA  
*Trustee*

RONALD ROBISON  
*Trustee*

**For Morgan Stanley Investment  
Management Private Limited**

JOSEPH CLIFFORD D'SOUZA  
*Director*

RUCHIR SHARMA  
*Director*

# PORTFOLIO OF INVESTMENTS

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Statement of Portfolio Holding as at March 31, 2003 (Referred to in Schedule 1 to the Balance Sheet as at March 31, 2003 and the Revenue Account for the year ended March 31, 2003)

Quantity	Company Name	Market Value (Rs.)	Rs.	Quantity	Company Name	Market Value (Rs.)	Rs.
<b>FOREIGN SECURITIES</b>				<b>Industrial Machinery (1.03%)</b>			
<b>AMERICAN DEPOSITORY RECEIPTS (3.52%)</b>				1,275,145	Cummins India	65,988,754	65,988,754
<b>Banking (34.45%)</b>				<b>Integrated Telecommunication Services (3.12%)</b>			
107,800	HDFC Bank ADRs	80,469,601	80,469,601	1,900,000	Bharti Televentures	53,770,000	
<b>Integrated Telecommunication Services (8.53%)</b>				1,520,534	M T N L	146,047,291	199,817,291
102,000	M T N L ADRs	19,917,275	19,917,275	<b>IT Consulting and Services (13.40%)</b>			
<b>IT Consulting and Services (57.02%)</b>				150,000	Federal Technology *	1,987,500	
96,890	Wipro ADRs	133,216,866	133,216,866	587,056	HCL Technologies	88,968,337	
			233,603,742	279,351	Indiainfo.com @	-	
				130,800	Infosys Technologies	528,471,240	
				194,681	Wipro	239,136,406	858,563,483
<b>INDIAN SECURITIES</b>				<b>Media (0.12%)</b>			
<b>EQUITY SHARES (96.44%)</b>				250,000	Chandamama @	95,000	
<b>Aluminium (3.24%)</b>				148,100	New Delhi Television @	7,295,406	7,390,406
386,609	Hindalco Industries	206,642,511	206,642,511	<b>Motorcycle Manufacturers (4.95%)</b>			
<b>Apparel and Accessories (0.66%)</b>				1,682,699	Hero Honda	317,020,492	317,020,492
841,760	Titan Industries	42,593,056	42,593,056	<b>Oil and Gas Exploration and Production (6.27%)</b>			
<b>Automobile Manufacturers (2.91%)</b>				598,792	Hindustan Petroleum	176,254,425	
1,196,919	TELCO	186,300,442	186,300,442	633,500	Oil & Natural Gas Corporation	225,399,300	401,653,725
<b>Banking (11.32%)</b>				<b>Packaged Foods (4.40%)</b>			
271,776	Corporation Bank	35,860,843		150,552	Britannia Industries	75,276,000	
236,191	HDFC Bank	55,209,646		242,591	Nestle India	129,725,537	
2,348,328	State Bank of India	633,813,727	724,884,216	358,466	Smithkline Beecham Consumer	76,765,494	281,767,031
<b>Biotechnology (0.10%)</b>				<b>Pharmaceuticals (7.74%)</b>			
250,000	Shanta Biotech @	6,365,000	6,365,000	150,000	Aldrich Pharmaceuticals @	-	
<b>Commodity Chemicals (5.54%)</b>				177,376	Cipla	126,726,283	
404,087	Asian Paints	133,389,119		340,000	Eastern Medikit @	-	
802,210	Reliance Industries	221,770,955	355,160,074	390,053	Glaxo India	113,875,973	
<b>Construction and Farm Machinery (0.66%)</b>				408,400	Ranbaxy Laboratories	255,004,960	
361,646	Punjab Tractors	42,511,487	42,511,487	62,500	Targoff Drugs @	-	495,607,216
<b>Construction Materials (2.47%)</b>				<b>Steel (4.53%)</b>			
202,500	Dharti Dredging @	-		340,000	Patheja Brothers & Forging @	-	
990,307	Gujarat Ambuja Cement	158,201,543	158,201,543	14,686,022	S A I L	129,236,994	
<b>Consumer Electronics (0.27%)</b>				1,202,238	TISCO	160,799,333	290,036,327
970,760	Samtel Colour	17,522,218	17,522,218	<b>Tobacco (3.82%)</b>			
<b>Consumer Finance (4.10%)</b>				388,894	I T C	244,808,773	244,808,773
792,230	HDFC	262,782,691	262,782,691				6,406,187,988
<b>Diversified Metals and Mining (0.54%)</b>				<b>UNITS OF MUTUAL FUNDS (0.01%)</b>			
1,324,032	Neyveli Lignite Corporation	34,888,243	34,888,243	74,400	UTI Master Gain	682,248	682,248
<b>Electric Utilities (1.41%)</b>							682,248
800,108	Tata Power	90,492,215	90,492,215	<b>NON-CONVERTIBLE DEBENTURES (0.03%)</b>			
<b>Engineering (0.00%)</b>				<b>Industrial Machinery</b>			
159,500	Shaily Engineering @	-	-	26,100	Textool Industries *#	1,957,500	1,957,500
<b>Fertilizers and Agricultural Chemicals (0.13%)</b>							1,957,500
276,115	Indo Gulf Fertilizer	8,587,177	8,587,177	<b>TOTAL INVESTMENTS AT MARKET VALUE (Cost Rs. 6,783,541,729)</b>			
<b>Health Care Equipment (1.16%)</b>							<b>6,642,431,478</b>
2,065,180	Dabur	74,139,962	74,139,962	* 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 (SEBI) and approved by the Board of Trustees.			
<b>Heavy Electrical Equipment (7.52%)</b>				@ Private placements/unlisted (Illiquid) equity shares at fair value as determined by MSIMPL in accordance with the guidelines for valuation of unlisted equity shares for mutual funds dated May 09, 2002 issued by SEBI and approved by the Board of Trustees.			
379,464	A B B	109,247,686		# Non performing assets.			
1,668,383	Bharat Heavy Electricals	372,716,762		ADR – American Depository Receipts			
180,918	IBIL Technologies @	-	481,964,448	Confirmation has been received from JPMorgan Chase Bank, Mumbai branch at the year end of the investments held by them.			
<b>Highways and Railtracks (3.78%)</b>							
1,120,363	Container Corporation of India	242,110,444	242,110,444				
<b>Household Products (4.81%)</b>							
939,513	Colgate Palmolive	114,150,830					
1,312,862	Hindustan Lever	194,237,933	308,388,763				

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### **Investment Objective**

Morgan Stanley Growth Fund is a closed end Fund with long-term capital appreciation as its investment objective. The Scheme will seek to achieve this objective through investment, primarily in equity and equity-related securities of Indian companies.

### **Statutory Details**

Morgan Stanley Mutual Fund has been set up as a Trust by Morgan Stanley (liability restricted to the seed corpus contributed). The Board of Trustees of Morgan Stanley Mutual Fund have appointed Morgan Stanley Investment Management Private Limited as the asset management company.

### **Risk Factors**

The price and net asset 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. All investments in Mutual funds and securities are subject to market risks and the NAV of the scheme may go up or down depending upon the factors and forces affecting the securities market. The information is not necessarily indicative of future results and may not necessarily provide basis for comparison with other investments. There can be no assurance that the fund's objectives will be achieved. The name of the scheme does not indicate the quality of the scheme, its future prospects or returns. Please read the Offer Document before investing.

On written request and on payment of a nominal fee, present and prospective unit holders/ investors can obtain a copy of the trust deed, the annual report of the Asset Management Company and/or the Fund and the offering circular. Contact: Karvy Consultants Ltd., 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. Tel: 040 - 2331 2454, 2332 0251

***Mutual Fund :***  
MORGAN STANLEY MUTUAL FUND

***Trustees:***  
ABID HUSSAIN  
J. S. BAIJAL  
B. RAI  
RONALD ROBISON  
RAJESH K. GUPTA

***Scheme :***  
MORGAN STANLEY GROWTH FUND

***Asset Management Company :***  
MORGAN STANLEY INVESTMENT  
MANAGEMENT PRIVATE LIMITED

***Custodian :***  
JPMORGAN CHASE BANK

***Registrar & Transfer Agent :***  
KARVY CONSULTANTS LIMITED

***Legal Advisor :***  
LITTLE & CO.

***Auditor :***  
PRICE WATERHOUSE

***Banker :***  
STANDARD CHARTERED BANK