



Morgan Stanley  
**Growth Fund**

Annual Report  
March 31, 2005

Morgan Stanley



***To our valued Unit Holders,***

*We are pleased to present to you the eleventh annual report of the Morgan Stanley Growth Fund (the "Fund") for the year ended March 31, 2005.*

*You will find enclosed detailed results of the Fund for the financial year ended March 31, 2005 along with a commentary from the portfolio managers in which they share with you their views on the Indian economy and equity markets and factors impacting your fund's performance.*

*As you are aware, the Securities and Exchange Board of India (SEBI) had mandated Straight Through Processing (STP) norms for domestic mutual funds in 2002 and further announced that all institutional trades executed on the stock exchange should be processed through STP systems from July 1, 2004. We are pleased to inform you that your Fund has implemented the STP initiatives. Further, effective December 1, 2004, SEBI discontinued the issuance of physical contracts for all institutional trades thus moving towards a total electronic environment.*

*During the year, SEBI issued various guidelines on the Central Database of Market Participants (MAPIN) database. We wish to inform you that your Fund has taken necessary steps to ensure compliance.*

*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***

*April 29, 2005*

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.

Please refer to page 13 for investment objective of the Fund, liabilities of the Trustees and settlor, statutory details, other risk factors and disclosures and important investor information.

# PORTFOLIO MANAGER'S LETTER

*Dear Unit Holders,*

For the year ended March 31, 2005, 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 22.76%. For the same period the benchmark indices, Sensex and BSE 100 rose by 16.14% and 17.38% 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 (as of March 31, 2005)**

PERIOD	MSGF NAV*	BSE SENSEX	BSE 100
Returns during the year [(+) (-)]	22.76%	16.14%	17.38%
Returns during the half year [(+) (-)]	20.52%	16.28%	16.14%
Compounded Annualised Growth Rate			
(i) Last 3 years	30.67%	23.23%	26.59%
(ii) Last 5 years	9.63%	5.36%	3.71%
(iii) Since the launch of the scheme (6th January 1994)	11.26%	5.22%	6.29%

Past performance is no indication of future performance and may not necessarily provide basis for comparison with other investments. Past performance may or may not be sustained in future. Distribution tax has been included in the calculation of returns. All returns except for half year and 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 path was rather volatile, but in the end financial year 2004-05 was another year of high returns for equities. The prospect of higher US interest rates and a slowdown in China rattled financial markets in the spring and summer months of 2004, before giving way to revelry in the September to December period of 2004. However, concerns about tighter liquidity conditions and a slowing global economy have now returned to haunt financial markets. The coming months are likely to be challenging for equity investing. This is only natural given the fact that the two-year-old bull market in global equities was built on the foundation of a strong world economy and accommodative monetary conditions.

While there is no doubt that core economic fundamentals of emerging markets, such as India, are much healthier now and higher equity prices reflect the new reality, there was still a strong global element in the two-year rally. Additionally, we know from experience that Fed tightening has never been positive for emerging markets. Historically, almost every major Fed tightening cycle has led to financial turbulence in some part of the world. As a result, we are currently on high alert for any negative repercussions emanating from higher US interests and a slowing global economy.

Even though in the final analysis we do think that the Indian equity market will be able to hold its own because any major global crisis will be averted and the local economy is in fine shape, we are using this opportunity of dullness in equity markets to carefully examine every position in the portfolio. We are particularly looking at some of the small to mid-cap companies as many of these stocks have run up significantly in the bull market.

Once again, while the rally in these stocks took place for some very fundamental reasons - ranging from low starting point valuations to better growth prospects - we are conscious of the fact that small and mid-cap stocks outperform in abundant liquidity and high-risk appetite conditions. Conversely, these stocks don't fare well when liquidity dries up and investors become more risk averse. More importantly, small and mid-cap stocks no longer have the support of low valuations and the

earnings growth of large-cap companies continues to be superior.

From a current portfolio standpoint, our largest overweight in the portfolio is the engineering and capital goods sector, where we think government and corporate spending will be directed in the effort to facilitate better infrastructure. Here too, though, we realize that this is a time to be wise with our capital and to be very selective about what we buy as markets are likely to be in much more unforbearing mood than was the case over the past two years.

**Sridhar Sivaram and  
Amay Hattangadi**  
Portfolio Managers  
Mumbai  
April 29, 2005

**Ruchir Sharma**  
Co-Head Global  
Emerging Markets

**Table 2**

**Top Twenty Five holdings of MSGF**

<b>March 31, 2005</b>	
Bharat Heavy Electricals	6.83%
Oil and Natural Gas Corporation	5.09%
Infosys Technologies	4.91%
Hero Honda	4.48%
HDFC Bank*	4.31%
Siemens	3.89%
ITC	3.84%
ABB	3.76%
HDFC	3.49%
ACC	3.03%
Wipro*	2.97%
State Bank of India	2.60%
Gujarat Ambuja Cement	2.43%
Hindustan Construction Co.	2.42%
Container Corporation of India	2.39%
UTI Bank*	2.34%
Tata Consultancy Services	2.26%
Cipla	2.02%
Hindalco Industries	2.00%
Punjab National Bank	1.98%
Aventis Pharma	1.98%
TISCO	1.81%
SAIL	1.78%
MTNL	1.74%
Mahindra & Mahindra	1.65%
	<b>76% of Portfolio</b>
<b>*Includes Local Shares and ADRs / GDRs</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, 2005, 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 a 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, 2005 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 purposes 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, 2005 and its net surplus for the year on that date.
  - (ii) The Balance Sheet as at March 31, 2005, 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 and 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 (SEBI);
    - b) privately placed equity shares in accordance with the guidelines for valuation of unlisted equity shares for Mutual Funds dated May 9, 2002 issued by the SEBI; and
    - c) privately placed equity shares of listed companies with lock-in period in good faith as at March 31, 2005 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*

M.No.F30798

For and on behalf of

**PRICE WATERHOUSE**

*Chartered Accountants*

**Mumbai**

**April 29, 2005**

# BALANCE SHEET

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Balance Sheet as at March 31, 2005

	Schedule	March 31, 2005 Rs.	March 31, 2004 Rs.
<b>ASSETS</b>			
Investments	1	15,479,761,045	13,099,708,756
Deposits	2	123,400,000	413,700,000
Other Current Assets	3	94,516,447	302,089,179
<b>TOTAL</b>		<u>15,697,677,492</u>	<u>13,815,497,935</u>
<b>LIABILITIES</b>			
Unit Capital	4	6,001,821,810	6,001,821,810
Reserves and Surplus	5	9,441,621,358	6,580,671,772
Current Liabilities and Provisions	6	254,234,324	1,233,004,353
<b>TOTAL</b>		<u>15,697,677,492</u>	<u>13,815,497,935</u>
<b>RECONCILIATION TO NET ASSET VALUE PER UNIT</b>			
Net Assets as per Balance Sheet (Total Assets less Current Liabilities and Provisions)		15,443,443,168	12,582,493,582
Number of Units in Issue		600,182,181	600,182,181
Net Asset Value per Unit		<u>25.73</u>	<u>20.96</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, 2005

**For Morgan Stanley Mutual Fund**

ABID HUSSAIN  
*Trustee*

J. S. BAIJAL  
*Trustee*

RAJESH K. GUPTA  
*Trustee*

RONALD ROBISON  
*Trustee*

**For Morgan Stanley Investment Management Pvt. Ltd.**

JOSEPH CLIFFORD D'SOUZA  
*Director*

SRIDHAR SIVARAM  
*Director & Portfolio Manager*

AMAY HATTANGADI  
*Portfolio Manager*

# REVENUE ACCOUNT

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Revenue Account for the year ended March 31, 2005

	Schedule	Year ended March 31, 2005 Rs.	Year ended March 31, 2004 Rs.
<b>INCOME AND GAINS</b>			
Dividends on Equity Shares (Gross) (Note 2.5)		235,447,181	261,935,821
Dividends on American Depository Receipts and Global Depository Receipts (Net) (Note 2.5)		2,354,954	2,363,196
Interest and Discount	7	35,169,628	25,853,113
Net Profit on Sale of Investments (Note 2.4)		2,372,598,038	1,249,825,119
Provisions Written Back As No Longer Required		2,980,565	2,556,675
Provisions for Non Performing Assets Written Back As No Longer Required		-	1,468,125
Provision for Investments Doubtful of Realisation Written Back As No Longer Required		37,834	422,336
<b>TOTAL</b>		<u>2,648,588,200</u>	<u>1,544,424,385</u>
<b>EXPENSES AND LOSSES</b>			
Investment Management and Advisory Fees (Note 4)		135,610,584	110,078,411
Transfer Agent Fees and Expenses		17,225,972	20,868,367
Custodian Fees (Note 5)		6,576,839	5,142,973
Trusteeship Fees and Expenses (Note 6)		1,462,081	1,472,491
Audit Fees		600,000	600,000
Securities and Exchange Board of India Inspection Fees		176,318	170,000
Investor Communication Expenses		28,236,075	29,334,708
Dividend Distribution Expenses		-	11,000,000
Other Operating Expenses		17,328,954	13,059,093
Investments Written Off		-	197,786
Provision for Investments Doubtful of Realisation		-	14,460
Realised Loss on Foreign Currency Transactions (Net) (Note 2.3)		1,185,072	1,256,674
<b>TOTAL</b>		<u>208,401,895</u>	<u>193,194,963</u>
<b>Net Surplus for the Year</b>		2,440,186,305	1,351,229,422
Net Change in Unrealised Appreciation /(Depreciation) in Value of Investments and Foreign Currency Denominated Assets and Liabilities	8	423,070,231	5,343,217,176
		<u>2,863,256,536</u>	<u>6,694,446,598</u>
<b>Distribution</b>			
Dividend (2004 : declared on April 28, 2004)		-	(900,273,272)
Tax on Dividend (Education cess @ 2% paid in respect of tax on dividend distributed for the previous year (2004 : Rs. Nil))		(2,306,950)	(115,347,513)
		<u>(2,306,950)</u>	<u>(1,015,620,785)</u>
<b>Balance Carried to Balance Sheet</b>		<u>2,860,949,586</u>	<u>5,678,825,813</u>
Notes to the Financial Statements	9		

The schedules form an integral part of the Financial Statements  
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  
April 29, 2005

**For Morgan Stanley Mutual Fund**

ABID HUSSAIN  
*Trustee*

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*Trustee*

**For Morgan Stanley Investment Management Pvt. Ltd.**

B. RAI  
*Trustee*

JOSEPH CLIFFORD D'SOUZA  
*Director*

SRIDHAR SIVARAM  
*Director & Portfolio Manager*

AMAY HATTANGADI  
*Portfolio Manager*

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2005 and the Revenue Account for the year ended March 31, 2005

SCHEDULE 1	2005	2005	2004	2004
Investments	Market/Fair Value	Cost	Market/Fair Value	Cost
(Notes 2.2, 2.3, 2.4, 7, 8, and 10)	Rs.	Rs.	Rs.	Rs.
(Refer to attached Statement of Portfolio Holding as at March 31, 2005)				
American Depository Receipts and Global Depository Receipts	348,608,242	222,512,374	234,214,525	177,078,655
Equity Shares	14,783,182,616	9,284,060,861	12,605,370,297	7,472,730,319
Non Convertible Debentures	-	-	12,534,184	-
Treasury Bills	347,970,187	348,010,654	247,589,750	247,792,857
	<u>15,479,761,045</u>	<u>9,854,583,889</u>	<u>13,099,708,756</u>	<u>7,897,601,831</u>

SCHEDULE 2	2005	2004
Deposits	Rs.	Rs.
Money at Call with Scheduled Banks		62,600,000
Deposits with Scheduled Banks		353,300,000
- Unclaimed Dividends **		60,800,000
		<u>123,400,000</u>
		<u>413,700,000</u>

\*\* Rs.1,900,000 (2004: Rs.1,000,000) earmarked towards Investor Education Fund

SCHEDULE 3	2005	2004
Other Current Assets	Rs.	Rs.
Balances with Bank		
- In Current Account		29,886
- In Dividend Account ***		46,993,743
Sales Contracts Awaiting Completion		
- Equity Shares		37,532,355
Application Money Pending Allotment		
- Equity Shares		192,750,000
Interest Receivable on		
- Debentures (net of provision of Rs. 3,258,032 (2004 : Rs. 3,258,032))		823,249
- Deposits (including receivable for deposits placed towards unclaimed dividend Rs. 235,347 (2004 : Rs. 178,496) and receivable for tax deducted at source Rs. 55,521(2004 : Rs. 55,521)) ****	299,173	276,766
Dividends Receivable (net of provision of Rs. 2,122,365 (2004 : Rs.2,122,365) and including receivable for tax deducted at source Rs. 2,144,182 (2004 : Rs. 2,144,182))	9,239,301	2,144,182
Miscellaneous Receivables	421,989	413,270
	<u>94,516,447</u>	<u>302,089,179</u>

\*\*\* Rs. 619,270 (2004 : Rs. 427,540) earmarked towards Investor Education Fund

\*\*\*\* Rs. 9,681 (2004 : Rs. 1,534) earmarked towards Investor Education Fund

SCHEDULE 4	2005	2005	2004	2004
Unit Capital	Rs.	Units	Rs.	Units
<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	6,001,821,810	600,182,181	6,138,906,420	613,890,642
Repurchased through secondary market operations (Note 2.6)	-	-	(137,084,610)	(13,708,461)
At end of year	<u>6,001,821,810</u>	<u>600,182,181</u>	<u>6,001,821,810</u>	<u>600,182,181</u>

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2005 and the Revenue Account for the year ended March 31, 2005

<b>SCHEDULE 5</b>	<b>2005</b>	<b>2004</b>
<b>Reserves and Surplus</b>	<b>Rs.</b>	<b>Rs.</b>
<i>Unit Premium Reserve</i>		
At beginning of year	412,388,608	423,789,341
(Premium)/Discount on Repurchase of Units (Net) (Note 2.6)	-	(11,400,733)
At end of year	<u>412,388,608</u>	<u>412,388,608</u>
<i>Revenue Reserve</i>		
At beginning of year	6,168,283,164	489,457,351
Balance Transferred from Revenue Account	<u>2,860,949,586</u>	<u>5,678,825,813</u>
At end of year [including net unrealised appreciation in value of investments Rs. 5,625,177,156 (2004 : Rs. 5,202,106,925)]	<u>9,029,232,750</u>	<u>6,168,283,164</u>
	<u><u>9,441,621,358</u></u>	<u><u>6,580,671,772</u></u>
<b>SCHEDULE 6</b>	<b>2005</b>	<b>2004</b>
<b>Current Liabilities and Provisions</b>	<b>Rs.</b>	<b>Rs.</b>
<i>Current Liabilities</i>		
Investment Management and Advisory Fees	36,728,907	34,023,031
Transfer Agent's Fees and Expenses	1,645,500	18,000
Custodian Fees	666,748	554,237
Trusteeship Fees and Expenses	589,911	570,000
Audit Fees	600,000	600,000
Investor Communication Expenses	10,680,063	11,397,001
Purchase Contracts Awaiting Completion		
- Equity Shares	67,927,945	70,363,379
Unclaimed Dividend (Note 11)	98,715,264	55,236,052
Interest from Investment of Unclaimed Dividend	6,784,874	6,316,134
Investor Education Fund (Note 13)	2,528,951	1,429,074
Dividend Distribution Expenses	-	11,000,000
Provision for Investments Doubtful of Realisation	-	37,834
Sundry Payables	<u>27,366,161</u>	<u>25,838,826</u>
	<u>254,234,324</u>	<u>217,383,568</u>
<i>Provisions</i>		
Dividend	-	900,273,272
Tax on Dividend	-	115,347,513
	-	1,015,620,785
	<u>254,234,324</u>	<u>1,233,004,353</u>
<b>SCHEDULE 7</b>	<b>April 1, 2004 to</b>	<b>April 1, 2003 to</b>
<b>Interest and Discount (Note 2.5)</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>
	<b>Rs.</b>	<b>Rs.</b>
Debentures	829,263	1,603,118
Treasury Bills	22,667,673	2,387,857
Reverse Repos	126,997	-
Deposits	10,744,527	21,862,138
Others	<u>801,168</u>	<u>-</u>
	<u>35,169,628</u>	<u>25,853,113</u>

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2005 and the Revenue Account for the year ended March 31, 2005

<b>SCHEDULE 8</b> <b>Unrealised Appreciation/(Depreciation) in Value of Investments and Foreign Currency Denominated Assets and Liabilities (Notes 2.2, 2.3 and 7)</b>	<b>April 1, 2004 to March 31, 2005 Rs.</b>	<b>April 1, 2003 to March 31, 2004 Rs.</b>
(A) Investments		
(a) American Depository Receipts and Global Depository Receipts		
At beginning of year	57,135,870	(72,989,061)
Net movement during the year	(I) 68,959,998	130,124,931
At end of year	<u>126,095,868</u>	<u>57,135,870</u>
(b) Equity Shares		
At beginning of year	5,132,639,978	(67,187,751)
Net movement during the year	(II) 366,481,777	5,199,827,729
At end of year	<u>5,499,121,755</u>	<u>5,132,639,978</u>
(c) Units of Mutual Funds		
At beginning of year	-	(280,939)
Net movement during the year	(III) -	280,939
At end of year	<u>-</u>	<u>-</u>
(d) Non Convertible Debentures		
At beginning of year	12,534,184	(652,500)
Net movement during the year	(IV) (12,534,184)	13,186,684
At end of year	<u>-</u>	<u>12,534,184</u>
(e) Treasury Bills		
At beginning of year	(203,107)	-
Net movement during the year	(V) 162,640	(203,107)
At end of year	<u>(40,467)</u>	<u>(203,107)</u>
Net movement in unrealised appreciation/(depreciation) in value of investments including foreign currency denominated investments during the year	(A) = (I)+(II)+(III)+(IV)+(V) <u>423,070,231</u>	<u>5,343,217,176</u>
(B) Other Foreign Currency Denominated Assets and Liabilities	(B) -	-
Total	(A) + (B) <u>423,070,231</u>	<u>5,343,217,176</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, 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 unlisted equity 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.
- (v) Equity shares awaiting listing are valued at fair value/application price as determined in good faith by MSIMPL in accordance with procedures approved by the Board of Trustees.
- (vi) Privately placed equity shares of listed companies with lock-in period are valued at fair value as determined in good faith by MSIMPL under procedures 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, 2005 and the Revenue Account for the year ended March 31, 2005

(vii) Treasury bills are valued at the yield at which they are currently traded. Treasury bills not traded for a period of seven days, are valued at cost plus accrued interest till the beginning of the day plus the difference between the redemption value and cost spread uniformly over the remaining maturity period of the treasury bills.

(viii) Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest up to the date of resale.

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 unrealised 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

JPMorgan Chase Bank provides custodial services to the Fund for which custody fee is payable to them.

### 6. Trusteeship Fees

In accordance with the agreement dated November 3, 1993 between Morgan Stanley ("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.

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2005 and the Revenue Account for the year ended March 31, 2005

**7. Aggregate Appreciation and Depreciation In Value of Investments**

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

	2005 (Rs.)	2004 (Rs.)
American Depository Receipts and Global Depository Receipts		
Appreciation	138,057,524	69,911,865
Depreciation	11,961,656	12,775,995
Equity Shares		
Appreciation	5,879,418,772	5,604,699,734
Depreciation	380,297,017	472,059,756
Non Convertible Debentures		
Appreciation	Nil	12,534,184
Depreciation	Nil	Nil
Treasury Bills		
Appreciation	Nil	Nil
Depreciation	40,467	203,107

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

During the year ended March 31, 2005 purchases and sales of investment securities aggregated Rs. 9,193,559,423 (excluding accretion of discount Rs. 22,667,673) and Rs. 9,631,843,076 respectively, being 69.07% and 72.36 % of the average daily net asset value.

**9. Income/Expenditure**

The total income (including net profit on sale of investments, realised loss on foreign currency transactions and net change in unrealised appreciation in the value of investments and foreign currency denominated assets and liabilities) and total expenses (excluding realised loss on foreign currency transactions) for the year is Rs. 3,070,473,359 and Rs. 207,216,823 respectively, being 23.07% and 1.56% of the average daily net asset value.

**10. Illiquid Securities**

Illiquid (equity) securities at fair value aggregated to Rs. 1,630,500 being 0.01% of the net asset value as at March 31, 2005

**12. Unclaimed Dividend**

Details of unclaimed dividend are as follows: -

	Unclaimed Dividend (Rs.)		Number of Unit Holders*	
	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004
Interim Dividend - June 1999	16,461,270	16,966,695	75,417	77,418
Dividend - April 2000	14,376,382	14,860,057	68,250	70,010
Dividend - June 2001	22,422,900	23,409,300	81,397	84,159
Dividend - April 2004	45,454,712	-	1,01,515	-

\*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.**

MSIMPL has not utilised the services of the Sponsor or any of its affiliates, employees or their relatives for the purpose of any securities transaction as specified under Regulation 25(8) of the Regulation. However, during the year the Fund subscribed to the issue of equity shares of the following companies where JM Morgan Stanley Private Limited, an associate of MSIMPL was the lead manager/co-manager to these issues. The subscriptions were made through non-affiliate entities as given below:-

Name of Company	Amount invested (Rs.)	Entities through whom investment made
Punjab National Bank	182,119,860	Enam Financial Consultants Private Limited
Tata Consultancy Services Limited	77,350,000	DSP Merrill Lynch Limited
New Delhi Television Limited	45,500,000	Kotak Mahindra Capital Company Limited
Oil and Natural Gas Corporation Limited – (under reserved category)*	130,043,250	DSP Merrill Lynch Limited

\*Application for Rs 192,750,000 was made in March 2004. However, the confirmation of allocation of the shares was received in April 2004.

# SCHEDULES

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Schedules forming part of the Balance Sheet as at March 31, 2005 and the Revenue Account for the year ended March 31, 2005

**13. Investor Education Fund**

In accordance with the guidelines issued by SEBI on unclaimed dividend, interest accrued on call deposits in respect of unclaimed dividend after a period of three years from the due dates for the respective dividend declaration is being transferred to a separate pool account on a quarterly basis. Such amounts along with further interest earned thereon would be utilized for investor education.

**14. Historical Per Unit Statistics \***

	April 1, 2004 to March 31, 2005	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
	Rs.	Rs.	Rs.
(a) Net asset value per unit at end of year	25.73	20.96	11.49
(b) (i) Gross income other than profit from sale of investments	0.46	0.49	0.33
(ii) Gross income from profit on inter scheme sales/transfer of investments	-	-	-
(iii) Income (net) from profit on sale of investments to third parties	3.95	2.06	0.43
(iv) Transfer of revenue account from past year's reserve	-	-	-
Gross income and gains	4.41	2.55	0.76
(c) Aggregate of expenses write off and charges	0.35	0.32	0.26
(d) Net income/(loss) (b) - (c)	4.06	2.23	0.50
(e) Net change in unrealised appreciation/(depreciation) in value of investments and foreign currency denominated assets and liabilities	0.70	8.83	(1.52)
(f) Repurchase price (market buyback)			
(i) Highest	-	17.39	9.44
(ii) Lowest	-	8.38	8.33
(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	23.00	19.00	9.80
(ii) Lowest	13.00	8.15	8.00
(i) Price earning ratio **	5.39	7.60	17.14
(j) Ratio of expenses (excluding investments written off, provision for non performing assets, realised loss on foreign currency transactions and provision for investments doubtful of realisation) to average net assets	1.56%	1.78%	1.94%
(k) Ratio of gross income (including net profit on sale of investments, realised loss on foreign currency transactions and net change in unrealised appreciation/(depreciation) in value of investments and foreign currency denominated assets and liabilities) to average net assets	23.07%	64.03%	(6.41%)

\* 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 unit 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.

<p><b>K. H. VACHHA</b> <i>Partner</i></p> <p>For and on behalf of <b>PRICE WATERHOUSE</b> <i>Chartered Accountants</i></p> <p>Mumbai April 29, 2005</p>	<p style="text-align: center;"><b>For Morgan Stanley Mutual Fund</b></p> <p>ABID HUSSAIN <i>Trustee</i></p> <p>RAJESH K. GUPTA <i>Trustee</i></p>	<p style="text-align: center;"><b>For Morgan Stanley Investment Management Pvt. Ltd.</b></p> <p>J. S. BAIJAL <i>Trustee</i></p> <p>RONALD ROBISON <i>Trustee</i></p>	<p style="text-align: center;"><b>JOSEPH CLIFFORD D'SOUZA</b> <i>Director</i></p> <p>SRIDHAR SIVARAM <i>Director &amp; Portfolio Manager</i></p> <p>AMAY HATTANGADI <i>Portfolio Manager</i></p>
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# PORTFOLIO OF INVESTMENTS

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Statement of Portfolio Holding as at March 31, 2005 (Referred to in Schedule 1 to the Balance Sheet as at March 31, 2005 and the Revenue Account for the year ended March 31, 2005)

Quantity	Company Name	Market/Fair Value (Rs.)	Rs.	Quantity	Company Name	Market/Fair Value (Rs.)	Rs.									
<b>FOREIGN SECURITIES</b>				<b>Paper (1.08%)</b>												
<b>AMERICAN DEPOSITORY RECEIPTS/ GLOBAL DEPOSITORY RECEIPTS (2.25%)</b>				<b>Petroleum Products (2.82%)</b>												
<b>Banks (77.83%)</b>				1,668,000 Ballarpur Industries 159,460,800 159,460,800												
107,800	HDFC Bank ADRs	193,255,752		<b>Pharmaceuticals (6.64%)</b>												
350,000	UTI Bank GDRs	78,049,123	271,304,875	811,000	Chennai Petroleum Corporation	186,651,650										
<b>Software (22.17%)</b>				525,500	Indian Oil Corporation	230,458,025	417,109,675									
87,870	Wipro ADRs	77,303,367	77,303,367	<b>Total (Cost Rs. 222,512,374)</b>												
			<b>348,608,242</b>													
<b>INDIAN SECURITIES</b>				<b>Power (1.56%)</b>												
<b>EQUITY SHARES (95.50%)</b>				2,688,400 National Thermal Power Corporation 230,395,880 230,395,880												
<b>Auto (6.40%)</b>				<b>Software (12.24%)</b>												
1,261,284	Hero Honda Motors	691,372,825		150,000	Federal Technology*	1,630,500										
512,000	Mahindra and Mahindra	254,540,800	945,913,625	538,000	HCL Technologies	199,275,200										
<b>Auto Ancillaries (2.53%)</b>				203,000	I-Flex Solutions	119,739,550										
238,562	Amtek Auto	38,718,613		279,351	Indiainfo.Com@	-										
408,925	Apollo Tyres	116,809,426		336,868	Infosys Technologies	758,812,013										
106,810	Motor Industries Company	218,244,873	373,772,912	243,500	Tata Consultancy Services	348,874,625										
<b>Banks (11.59%)</b>				568,043	Wipro	381,213,657	1,809,545,545									
867,191	HDFC Bank	471,968,702		<b>Telecom - Services (1.82%)</b>												
2,729,385	Industrial Development Bank of India	248,783,443		2,344,500	Mahanagar Telephone Nigam	269,148,600	269,148,600									
778,974	Punjab National Bank	306,370,474		<b>Textile Products (0.97%)</b>												
611,428	State Bank of India	401,677,625		1,154,033	Welspun India	142,753,882	142,753,882									
1,173,000	UTI Bank	283,924,650	1,712,724,894	<b>Transportation (2.75%)</b>												
<b>Cement (5.71%)</b>				460,363	Container Corporation of India	368,336,436										
1,299,155	Associated Cement Companies	468,280,420		345,500	Gateway Distriparks	38,713,275	407,049,711									
936,000	Gujarat Ambuja Cements	375,897,600	844,178,020	<b>Total (Cost Rs. 9,284,060,861)</b>												
<b>Construction (4.00%)</b>				<b>14,783,182,616</b>												
991,455	Gammon India	218,318,391		<b>TREASURY BILLS (2.25%)</b>												
866,660	Hindustan Construction Co. #	373,422,128	591,740,519	2,500,000	91 day Treasury-Bill 06 May 2005	248,741,500										
<b>Consumer Non Durables (6.33%)</b>				1,000,000	91 day Treasury-Bill 27 May 2005	99,228,687	347,970,187									
1,814,862	Hindustan Lever	239,108,069		<b>Total (Cost Rs. 348,010,654)</b>												
441,500	ITC	593,265,625		<b>15,479,761,045</b>												
427,469	Marico Industries	103,874,967	936,248,661	<b>TOTAL INVESTMENTS AT MARKET VALUE (Cost Rs. 9,854,583,889)</b>												
<b>Ferrous Metals (3.75%)</b>				*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.												
4,358,022	Steel Authority of India	274,337,485		@ 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.												
698,357	Tata Iron and Steel Company	279,971,321	554,308,806	# Private placements equity shares of listed companies with lock-in period are valued at fair value as determined in good faith by MSIMPL under procedures approved by the Board of Trustees in respect of following												
<b>Finance (3.65%)</b>				<table border="1"> <thead> <tr> <th>Company Name</th> <th>No of Shares</th> <th>Fair Value (Rs.)</th> </tr> </thead> <tbody> <tr> <td>New Delhi Television Limited</td> <td>370,250</td> <td>61,879,883</td> </tr> <tr> <td>Hindustan Construction Co. Limited</td> <td>866,660</td> <td>373,422,128</td> </tr> </tbody> </table>				Company Name	No of Shares	Fair Value (Rs.)	New Delhi Television Limited	370,250	61,879,883	Hindustan Construction Co. Limited	866,660	373,422,128
Company Name	No of Shares	Fair Value (Rs.)														
New Delhi Television Limited	370,250	61,879,883														
Hindustan Construction Co. Limited	866,660	373,422,128														
742,645	Housing Development Finance Corporation	539,605,857	539,605,857	ADR – American Depository Receipts												
<b>Hotels (1.52%)</b>				GDR – Global Depository Receipts												
1,471,576	Hotel Leelaventure	225,003,970	225,003,970	Confirmation has been received from JPMorgan Chase Bank, Mumbai branch and Standard Chartered Bank, Mumbai branch at the year end of the investments held by them.												
<b>Industrial Capital Goods (15.13%)</b>																
503,464	ABB	580,645,031														
1,374,383	Bharat Heavy Electricals	1,054,701,514														
180,918	IBIL Technologies @	-														
353,477	Siemens	600,645,792	2,235,992,337													
<b>Industrial Products (0.86%)</b>																
1,143,393	Cummins India	127,545,489														
340,000	Patheja Brothers Forging and Stampings @	-	127,545,489													
<b>Media &amp; Entertainment (1.24%)</b>																
1,020,250	New Delhi Television #	182,584,883	182,584,883													
<b>Non - Ferrous Metals (2.09%)</b>																
238,609	Hindalco Industries	308,676,533	308,676,533													
<b>Oil (5.32%)</b>																
891,200	Oil And Natural Gas Corporation	786,706,800	786,706,800													

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

### Regulatory Disclosures

#### 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

All investments in Mutual Funds and securities are subject to market and other risks and the NAV of units issued under the Scheme can go up or down depending on the factors and forces affecting the securities market. There can be no assurance that the objectives of the Scheme of the fund will be achieved. Investments in close-ended schemes are subject to market risks of infrequent trading, possibility of market price of units being traded at a discount to NAV etc. 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.

The past performance of the Mutual Funds managed by the Sponsors and their affiliates/associates is not necessarily indicative of the future performance of the Scheme. Investors in the Scheme are not being offered a guaranteed or assured rate of return. The liquidity and valuation of the Scheme's investments due to its holdings of unlisted securities may be affected if they have to be sold prior to their target date of divestment.

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### Other Investor Information

- There are no unit holders over 25% of the Net Asset Value of the scheme as at March 31, 2005
- Pursuant to SEBI Regulations the following category of investors are required to obtain a Unique Identification Number (UIN) to be able to enter into any securities market transaction (including any transaction in units of mutual funds)
  - a) all bodies corporate, its promoters and directors were required to obtain a UIN by December 31, 2004,
  - b) all Foreign Institutional Investor (FIIs) were required to obtain a UIN by March 31, 2005 and
  - c) all resident investors not being bodies corporates and entering into transactions for value of Rs. One lakh and more are required to obtain a UIN by December 31, 2005.
- Nomination Facility is available and individual unit holders desirous of availing the same can contact Karvy Computershare Private Limited at below mentioned address. Nomination form is also available on the Fund's website [www.msgfindia.com](http://www.msgfindia.com).

#### Karvy Computershare Private Limited

Unit: Morgan Stanley Growth Fund,  
21, Avenue 4, Street No. 1,  
Banjara Hills, Hyderabad - 500 034.  
Tel: 040 - 2331 2454, 2332 0251

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 Computershare Private Ltd., 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. Tel: 040 - 2331 2454, 2332 0251

Book Post

***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 COMPUTERSHARE  
PRIVATE LIMITED

***Legal Advisor :***

LITTLE & CO.

***Auditor :***

PRICE WATERHOUSE

***Banker :***

STANDARD CHARTERED BANK

If undelivered please return to:

**Karvy Computershare Private Limited**

Unit: Morgan Stanley Growth Fund,  
21 Avenue 4, Street No. 1,  
Banjara Hills, Hyderabad - 500 034.  
Tel: 040 - 2331 2454, 2332 0251

