

MORGAN STANLEY
GROWTH FUND

To Our Valued Unit Holder,

We are very pleased to present to you the second annual report for the Morgan Stanley Growth Fund.

The past year continued to be a difficult one for the Indian equity market and, consequently, for the Fund. However, after declining in 1995, the market finally began to rally in the first quarter of 1996. While short-term uncertainty in the equity markets is likely as investors adopt a wait and see approach to the new coalition government, our portfolio managers continue to have a positive view of the longer-term prospects. Investors should understand that although investing in equities carries the potential for long-term rewards, with that potential comes greater risk as well. We believe investors in equities will be rewarded, but only if they understand the risks and have the patience to wait out the difficult market periods.

The specific results for the Fund along with a commentary from the portfolio managers explaining the Fund's performance and strategy for the current year are enclosed in the report. We hope you find this report useful and informative. We very much appreciate your participation as a unit holder of the Fund and look forward to a successful year.

Sincerely,

*Warren J. Olsen
Principal Trustee*

June 12, 1996

PORTFOLIO MANAGERS' LETTER

Dear Unit Holder,

The financial year ended March 31, 1996 was a difficult one for the Fund. The Fund's NAV declined 5.2% versus a decline of 3.5% for the BSE National Index and 6.3% for the BSE 200. For the quarter ending March 31, 1996 the Fund's NAV was up 13.7% versus 8.3% for the BSE National Index and 10.2% for BSE 200. The Fund's outperformance was due in part to the substantial portfolio restructuring undertaken over the last year, and we hope to maintain this strong performance going forward.

MARKET

After declining more or less continuously for the past 14 months ended December 31, 1995, the market finally began to rally in the first quarter of 1996. In fact for the period from January through April 1996, India was the best performing market in Asia. The rally was initially triggered by strong buying from FIIs and subsequently supported by the re-emergence of local speculative interest. The retail investor was conspicuous by his absence and consequently, the rally was confined to only a limited number of stocks with the bulk of the 5000 stocks, comprising the broad market, remaining more or less unchanged. The rally confirmed our strategy that any market rise would begin prior to the April elections and would be so sharp and quick as to make it impossible to participate if uninvested.

Though the market may remain sluggish in the short-term until the uncertainty clears on the political front, we retain our positive longer term view. We remain confident that the market reforms set in motion by the previous Congress party government will not be reversed and that economic realities will force further liberalisation.

The three factors driving our optimism on India are :

1. Improving Domestic Liquidity

Domestic Liquidity has definitely begun to improve. The Reserve Bank of India (RBI) has eased its stance on monetary policy and M3 growth (money supply) has begun to pick up. The banking system has seen a Rs.18,000 crore increase in deposits from the middle of March to end of April 1996. Inter-bank call rates have been steady at 10-12% per annum and rates on Bank Certificates of Deposit have declined by 3-4 percentage points. The RBI has clearly signaled its desire to see interest rates lower by cutting the yield on 10 year Government securities. This surge in liquidity is being fuelled by greater monetisation of the government's deficit and strong overseas flows and, at least in the short run, both these factors are likely to continue.

We have previously described the strong correlation between liquidity (M3) and the stock market and see no immediate reason for this relationship to break. By bringing the domestic investor base back to the market and reducing redemption pressures on local institutions, improving domestic liquidity can be a primary mover of the market.

2. Corporate Earnings and Cheap Valuation

The bulk of the corporate results declared to-date are either at or above market consensus and we believe 25-30% profit growth should be the average for companies ending the year March 31, 1996. The broad market has shown an earnings growth of 40% compounded for the period from March 31, 1993 through March 31, 1996, which is spectacular by any standards. For the current year ending March 31, 1997, we expect earnings to grow 20-25%.

It is quite amazing that earnings growth has continued at such a strong clip despite record high real interest rates of 10-12%. In our opinion, the growth shows the strength of economic momentum built up in the real economy. Despite this growth, the market as a whole is only trading at 10-11 times projected 1997 earnings at the bottom of the market's historic trading range for P/Es. India continues to be the cheapest market in Asia and a deserved P/E re-rating will be one of the factors driving market performance.

3. Continuation of Reforms

The new government has announced a common minimum program signalling the continuation of the liberalisation process set in motion by the previous Congress party government. We believe the present political and economic realities are such that a reversal or dramatic change of direction in economic policy is highly unlikely.

Once a new government is established, we expect a series of policy announcements to be made, signalling the continuation of reforms albeit with minor changes in direction or form.

Once the market becomes comfortable with the new government, accepts the inevitability of continuing reforms and liquidity begins to flow through, the market should move upwards again. Until this time, one should be prepared for volatility and some market sluggishness.

PERFORMANCE AND STRATEGY

Staying fully invested helped the Fund to take full advantage of the recent market rally. For the quarter ending March 31, 1996, the Fund outperformed the BSE National Index by 5.4%. The extensive portfolio restructuring done over the past year paid dividends as the rally was

very selective and by no means did it cover the broad market of 5,000 stocks. As discussed in previous communications, our focus has been on long-term stock selection rather than momentum-based opportunism and this stood us in good stead during this rally.

Comparative Performance

	March 31, 1995	March 31, 1996	Change
MSGF NAV	9.03	8.56	- 5.2%
BSE NAT Index	1606	1549	- 3.5%
BSE 200	368	345	- 6.3%
CRISIL 500	813	700	- 13.9%

Breakdown of NAV as on March 31, 1996 Per Unit Assets and Liabilities

Cash	0.00
Equities	8.28
Fixed Income Securities	0.09
Time Deposits	0.11
Application Monies	0.16
Accounts Receivables	0.10
Unrealised Appreciation not Accounted for	0.02
Total Assets Marked to Market	8.76
Liabilities	0.20
Net Asset Value	8.56

Top 5 Industries by Market Value

Industry	Rs. Million
Electrical Equipments	655.6
Auto Ancillaries	595.5
Banking & Finance	579.9
Automobile	447.5
Cement	393.2

Top 5 Stocks by Market Value

Company	Rs. Million
Bharat Heavy Electricals	323.8
Container Corporation of India	318.3
Telco	317.5
HDFC	302.6
State Bank of India	221.0

MSGF Processing Standards

Particulars	Turnaround
Transfer of units	15 Days
Issue of duplicate unit Certificates	40 Days
Change of address	2 Days
Registration of Liens	3 Days
Registration of power of attorney	3 Days
Other requests	5 Days

INVESTOR SERVICE

During the year, the Fund has initiated several measures to enhance investor service. The Fund's agent, Karvy Consultants, has increased the number of investor service centres to 55. The Fund has benefited from new technology and has conducted periodic audits of its transfer agents to ensure that service standards are met. During the year, the Fund bought back 55,844,500 units from the secondary market. The discount on such buy back enhances the net asset value of the remaining unit holders.

The market, as the last rally clearly shows, is being very selective and rewarding stock selection and this has helped us differentiate our performance. The process of portfolio restructuring continues and we plan to significantly reduce the number of stocks and further concentrate our core holdings. Given our positive longer-term outlook, the Fund will remain fully invested going forward.

Yours sincerely,

AKASH PRAKASH
Portfolio Manager

ASHUTOSH SINHA
Portfolio Manager

Mumbai
June 12, 1996

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, 1996, and the related Revenue Account for the year ended March 31, 1996 both of which we have signed under reference to this report. Our audit was conducted in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and such other procedures, as we considered necessary in the circumstances. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. The Balance Sheet and the Revenue Account referred to above are in agreement with the books of account of the Fund.

2. In our opinion and to the best of our information and according to the explanations given to us, 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 Fund) Regulations, 1993 and also give respectively a true and fair view of the state of affairs of the Morgan Stanley Mutual Fund - Morgan Stanley Growth Fund as at March 31, 1996 and its excess of expenses and losses over income and gains for the year ended on that date.

K. H. VACHHA

Partner

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Mumbai

May 23, 1996

BALANCE SHEET

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND Balance Sheet as at March 31, 1996

	Schedule	March 31, 1996 Rs.	March 31, 1995 Rs.
ASSETS			
Investments	1	7,154,215,950	8,578,993,846
Deposits	2	92,200,000	109,100,000
Other Current Assets	3	215,740,673	348,260,903
Deferred Revenue Expenditure	4	552,751	295,278,991
		7,462,709,374	9,331,633,740
TOTAL		7,462,709,374	9,331,633,740
 LIABILITIES			
Initial Contribution by Settlor		500,000	500,000
Unit Capital	5	8,550,206,000	9,108,651,000
Reserves and Surplus	6	(1,257,009,001)	30,316,791
Current Liabilities and Provisions	7	169,012,375	192,165,949
		7,462,709,374	9,331,633,740
TOTAL		7,462,709,374	9,331,633,740
 RECONCILIATION TO NET ASSET VALUE PER UNIT			
Net Assets as per Balance Sheet (Total Assets less Current Liabilities And Provisions)		7,293,696,999	9,139,467,791
Unrealised Appreciation in Value of Investments not accounted		21,602,733	31,179,604
Unrealised Depreciation in Value of Investments not provided		-	(654,740,843)
Deferred Revenue expenditure not considered		-	(295,278,991)
Reported Net Asset Value		7,315,299,732	8,220,627,561
Number of Units in Issue		855,020,600	910,865,100
Net Asset Value per Unit		8.56	9.03
Notes to the Accounts	10		

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

For Morgan Stanley Mutual Fund

ABID HUSSAIN
Trustee

J.S.BAIJAL
Trustee

For Morgan Stanley Asset Management

India Private Limited

B.RAI
Trustee

V.SETHI
Director

Mumbai
May 23, 1996

B.M.BIGGS
Trustee

W.OLSEN
Trustee

J.W.GRISHAM
Trustee

K.N. VAIDYANATHAN
Vice President

REVENUE ACCOUNT

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND Revenue Account for the year ended March 31, 1996

	Schedule	Year ended March 31, 1996 Rs.	January 6, 1994 to March 31, 1995 Rs.
INCOMES AND GAINS			
Dividends (including tax deducted at source Rs.1,656,076 (1995: Rs.2,318,993)) (Note 2.4)		95,733,585	108,172,004
Interest and Discount	8	42,582,601	104,551,184
Discount on Repurchase of Units (Note 3.3)		-	64,823,505
Profit on Sale of Investments	9(A)	<u>346,161,830</u>	<u>551,413,831</u>
TOTAL		<u>484,478,016</u> =====	<u>828,960,524</u> =====
EXPENSES AND LOSSES			
Investment Management and Advisory Fees (Note 5)		74,163,672	123,334,654
Transfer Agent Fees and Expenses		42,304,558	41,556,380
Custodian Fees (Note 6)		21,147,901	66,931,031
Trusteeship Fees and Expenses (Note 7)		1,909,900	984,275
Audit Fees		500,000	300,000
Amortisation of Deferred Revenue Expenditure (Notes 2.7 and 3.2)		200,000	98,426,330
Fund Accounting and Administration Fees (Note 8)		-	12,300,000
Loss on Sale of Investments	9(B)	946,211,451	441,366,756
Provision for unrealised depreciation in value of investments (Note 3.1)		518,537,215	-
Other Operating Expenses		<u>26,518,556</u>	<u>13,444,307</u>
TOTAL		<u>1,631,493,253</u>	<u>798,643,733</u>
Net (Deficit) / Surplus transferred to Reserves		<u>(1,147,015,237)</u> =====	<u>30,316,791</u> =====
Notes to the Accounts	10		

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

For Morgan Stanley Mutual Fund

ABID HUSSAIN
Trustee

J.S.BAIJAL
Trustee

**For Morgan Stanley Asset Management
India Private Limited**

B.RAI
Trustee

V.SETHI
Director

Mumbai
May 23, 1996

B.M.BIGGS
Trustee

W.OLSEN
Trustee

J.W.GRISHAM
Trustee

K.N. VAIDYANATHAN
Vice President

SCHEDULES

MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND Schedules forming part of the Balance Sheet as at March 31, 1996 and the Revenue Account for the year ended March 31, 1996

SCHEDULE 1	1996	1996	1995	1995
Investments (Notes 2.2, 3.1, 9, 10 and 13)	Lower of Cost and Market/Fair Value Rs.	Market/ Fair Value Rs.	Cost Rs.	Market/ Fair Value Rs.
(Refer to attached Statement of Portfolio Holding as at March 31, 1996)				
Equity Shares	7,020,700,598	7,020,700,598	8,222,713,313	7,605,790,499
Warrants	32,275,080	42,594,205	8,741,840	14,085,264
Units of Mutual Funds	24,622,325	24,622,325	171,849,478	139,196,150
Convertible Debentures	37,109,240	48,392,848	50,389,535	76,225,715
Non Convertible Debentures	17,017,707	17,017,707	26,799,680	21,634,980
Privately Placed Convertible Debentures	22,491,000	22,491,000	-	-
Privately Placed Treasury Bonds	-	-	98,500,000	98,500,000
	7,154,215,950	175,818,683	8,578,993,846	7,955,432,608
	7,154,215,950	175,818,683	8,578,993,846	7,955,432,608
SCHEDULE 2				
Deposits			1996	1995
			Rs.	Rs.
Deposits with Scheduled Banks			92,200,000	109,100,000
			92,200,000	109,100,000
SCHEDULE 3				
Other Current Assets			1996	1995
			Rs.	Rs.
Balance with Banks in Current Account			50,608	55,705
Sales contracts awaiting completion				
- Equity Shares			64,824,241	186,974,981
Application Money pending Allotment				
- Equity Shares			129,562,900	114,236,850
- Debentures and Bonds			3,970,000	19,275,609
Interest Receivable on				
- Debentures and Bonds (including tax deducted Rs.3,140,776 (1995: Rs.3,140,776))			6,133,122	10,207,863
- Deposits			83,358	953,631
Dividends Receivable (including tax deducted Rs.3,975,069 (1995: Rs.2,318,993))			10,152,435	13,924,219
Miscellaneous Receivables			964,009	2,632,045
			215,740,673	348,260,903
			215,740,673	348,260,903
SCHEDULE 4				
Deferred Revenue Expenditure and Issue Costs (Notes 2.7 and 3.2)			1996	1995
			Rs.	Rs.
At beginning of year / period			295,278,991	-
Incurred during the year / period			-	393,705,321
Charged to Reserves			(294,526,240)	-
Amortised during the year / period			(200,000)	(98,426,330)
At end of year / period			552,751	295,278,991
			552,751	295,278,991

SCHEDULE 5	1996	1996	1995	1995
Unit Capital	Rs.	Units	Rs.	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 the beginning of year / period	9,108,651,000	910,865,100	9,818,001,000	981,800,100
Repurchased through secondary market operations (Notes 2.5 and 3.3)	<u>(558,445,000)</u>	<u>(55,844,500)</u>	<u>(709,350,000)</u>	<u>(70,935,000)</u>
At end of year / period	8,550,206,000	855,020,600	9,108,651,000	910,865,100
	=====	=====	=====	=====

SCHEDULE 6	1996	1995
Reserves and Surplus	Rs.	Rs.
At beginning of year / period		30,316,791
Net (Deficit) / Surplus transferred from Revenue Account		(1,147,015,237)
Discount on Repurchase of Units (Notes 2.5 and 3.3)		154,215,685
Issue Costs (Notes 2.6 and 3.2)		<u>(294,526,240)</u>
At end of year / period		<u>(1,257,009,001)</u>
		=====

SCHEDULE 7	1996	1995
Current Liabilities and Provisions	Rs.	Rs.
Investment Management and Advisory Fees	7,487,082	8,336,625
Trusteeship Fees and Expenses	653,082	166,842
Fund Accounting and Administration Fees	12,300,000	12,300,000
Transfer Agent's Fees and Expenses	861,470	1,724,000
Audit Fees	500,000	300,000
Custodian Fees	2,018,040	4,765,539
Purchase contracts awaiting completion		
- Equity Shares	83,547,840	47,212,956
Rights Payable		
- Equity Shares	1,134,780	43,017,975
- Debentures	20,006,005	30,388,330
Repurchase of Units	1,198,551	29,507,164
Warrants Payable	21,507,055	8,741,840
Sundry Creditors	<u>17,798,470</u>	<u>5,704,678</u>
	<u>169,012,375</u>	<u>192,165,949</u>
	=====	=====

SCHEDULE 8	April 1, 1995	January 6, 1994
Interest and Discount (Note 2.4)	to March 31, 1996	to March 31, 1995
	Rs.	Rs.
Debentures and Bonds (including tax deducted at source Rs. Nil (1995: Rs. 3,140,776))	6,637,908	37,222,787
Treasury Bills	-	44,021,886
Commercial Paper	-	5,598,400
Deposits	35,324,132	17,234,725
Other	<u>620,561</u>	<u>473,386</u>
	<u>42,582,601</u>	<u>104,551,184</u>
	=====	=====

SCHEDULE 9

Profit / Loss on Sale of Investments (Note 2.3)

	April 1, 1995 to March 31, 1996	January 6, 1994 to March 31, 1995
	Rs.	Rs.
(A) Profit on sale of Investments		
- Short Term	99,792,181	533,747,382
- Long Term	<u>246,369,649</u>	<u>17,666,449</u>
	346,161,830	551,413,831
	=====	=====
(B) Loss on sale of Investments		
- Short Term	185,378,649	327,306,433
- Long Term	<u>760,832,802</u>	<u>114,060,323</u>
	946,211,451	441,366,756
	=====	=====

SCHEDULE 10

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 close ended fund of Morgan Stanley Mutual Fund (MSMF), which has been sponsored by Morgan Stanley Group Inc., a corporation organised and existing under the laws of the State of Delaware, United States of America. Morgan Stanley Asset Management India Private Limited, incorporated under the Companies Act, 1956, 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.

2.2 Portfolio Valuation

Investments are stated at the lower of cost / amortised cost and market value / fair value less front end fees received, if any, in aggregate by category of investments, as set out in Schedule 1. In valuing the Fund's investments:-

- (i) Securities listed on a recognised stock exchange are valued at the last sale price on the principal exchange on which the security is traded. If no sale is reported at that time, the last quoted price is used. Non pari passu (New) shares are valued as above less the previous year's dividend, if any.
- (ii) Securities not listed in 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) Short term securities having a maturity of sixty days or less are valued at cost plus accrued interest or discount.
- (iv) Securities for which market quotations are not readily available are valued at fair value as determined in good faith by the Board of Trustees.

2.3 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. Accrual for rights entitlements or partly paid rights are not included in the cost of investments for the purpose of determining realised gains or losses.

2.4 Investment Income

Dividend and interest income are recorded on an accrual basis.

2.5 Repurchase Of Units

In accordance with the permission granted by The Securities and Exchange Board of India ("SEBI"), dated June 23, 1994, the Fund repurchases units from the secondary market based on prevailing market prices. The discount / premium resulting from repurchases is credited / debited to Reserves.

2.6 Issue Costs

Issue costs comprise those costs directly associated with the issue of units in the Fund and include Lead Managers' fees, brokerage / incentive fees on issue of units, advertising and marketing, registrars fees and expenses and printing and despatch costs, which have been charged directly to Reserves.

Significant Accounting Policies (continues)

2.7. Organisation costs incurred by the Fund have been deferred and are being amortised over a period of five years from the commencement of the Fund.

3. Changes in Accounting Policy

3.1 Valuation of investments

At March 31, 1996 investments are stated at the lower of cost / amortised cost and market / fair value in aggregate, according to category of investments, as set out in Schedule 1. This represents a change in accounting policy over the prior period whereby investments were stated at cost or amortised cost, as appropriate. The effect of this change in accounting policy increases the deficit in the Revenue Account by Rs.518,537,215 being the unrealised loss on those security categories where cost is in excess of market value at March 31, 1996. This change in accounting policy does not impact the reported Net Asset Value per Unit.

3.2 Issue Costs

Issue costs are charged directly to reserves. This represents a change in accounting policy over the prior period whereby issue costs were capitalised as deferred revenue expenditure and amortised over a five year period. However, for the purpose of computing Net Asset Value per Unit, these issue costs were not included in the total assets of the Fund. The effect of this change in accounting policy reduces Reserves by Rs.294,526,240, being the unamortised element of issue costs at March 31, 1995. Had the previous basis been followed the net deficit in the Revenue Account for the current year would be increased by Rs.78,541,064. This change in accounting policy does not impact the reported Net Asset Value per Unit.

3.3 Discount on Repurchase of Units

The discount or premium resulting from the repurchases of Units is credited / debited to Reserves in the year in which the transaction is effected. This represents a change in accounting policy over the prior period whereby such discount or premium was credited or debited to the Revenue Account. This change in accounting policy does not affect Reserves of the Fund. During the current year, the discount realised by the Fund from repurchase of Units amounting to Rs.154,215,685 was directly credited to Reserves as against an amount of Rs.64,823,505 which was credited to the Revenue Account at March 31, 1995. Had the discount been credited to the Revenue Account in the manner as was done during the previous period, the net deficit in the Revenue Account for the current year would be decreased by Rs.154,215,685. This change in accounting policy does not impact the reported Net Asset Value per Unit.

4. 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 and the Direct Tax Laws (Amendment) Act, 1988. For taxes deducted at source from the investment income, which are recoverable, a receivable is recorded in the books of account.

5. Investment Management and Advisory Fees

In accordance with the agreement between the Board of Trustees and Morgan Stanley Asset Management India Private Limited ("MSAM"), the Fund has provided for investment management and advisory fees payable to MSAM for managing the Fund at an annual rate of 1.25% of the weekly average 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 MSAM 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.

6. Custodian Fees

Stock Holding Corporation of India Limited ("SHCIL") provides custodial services to the Fund. Custody fees are charged at 0.05% per annum of the assets held by the custodian. Transaction fees are charged at 0.42% of the purchase and sales transactions by value. Confirmation has been received from SHCIL at the year end of the investments held by them.

7. Trusteeship Fees

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

8. Fund Accounting and Administration Fees

In accordance with the agreement between Morgan Stanley Asset Management India Private Limited ("MSAM") and Morgan Stanley Bank Luxembourg S.A. ("MSBL"), the Fund had provided for the reimbursement of the fund accounting fees to MSAM at the annual

rate of 0.20% of the weekly average Net Assets subject to an annual minimum fee of Rs.2,000,000 and a maximum fee of Rs.10,000,000. However during the current year, SEBI issued a directive to all mutual funds stating that, pending full implementation of the recommendations of the NAV committee, the funds shall not be charged a separate fund accounting fee for the year 1995-96. To comply with the SEBI directive, the Fund has reversed an accrual of Rs.10,000,000 recorded during the current year for fund accounting fees.

9. Investment Restrictions

In the case of three companies the Fund inadvertently purchased an excess of 5,891, 1000 and 6,300 equity shares which resulted in a holding of 5.12 %, 5.03% and 5.11% respectively of the issued equity capital of these companies. In compliance with Regulation 41 of the Securities and Exchange Board of India (Mutual Fund) Regulations, 1993, the Fund sold its investment in these companies in excess of 5 %. The Fund did not incur a loss from these sales.

10. Short Sales

The Fund entered into twelve contracts for sale of equity shares and was unable to deliver these shares on settlement date. The loss resulting from the subsequent sale of these securities totalling Rs.128,507 was reimbursed to the Fund by MSAM subsequently.

11. Unrealised Appreciation

Unrealised appreciation in the value of investments not accounted for amounts to Rs.21,602,733 (1995: Rs.31,179,604). This appreciation however is included in the computation of the Reported Net Asset Value.

12. Historical Per Unit Statistics *

	April 1, 1995 to March 31, 1996	January 6, 1994 to March 31, 1996
	Rs.	Rs.
(a) Net Asset Value	8.56	9.03
(b) (i) Gross income other than profit from sale of investments	0.16	0.29
(ii) Gross income from profit on inter-schemes sales / transfer of investments	-	-
(iii) Gross income from profit on sale of investments to third parties	0.40	0.57
(iv) Transfer of revenue account from past year's reserve	-	-
Gross Income and Gains	0.56	0.86
(c) (i) Total expenses and Realised losses	1.28	0.83
(ii) Provision for unrealised depreciation in value of investments	0.60	-
Expenses and Losses	1.88	0.83
(d) Net (Loss) / Income (b) – (c)	(1.32)	0.03
(e) Unrealised appreciation in value of investments not accounted for	0.02	0.03
(f) Unrealised depreciation in value of investments not provided for	-	(0.68)
(g) Repurchase price (Market Buyback)		
(i) Highest	7.50	10.10
(ii) Lowest	6.65	7.07
(h) Resale Price		
(i) Highest	Not Applicable	Not Applicable
(ii) Lowest	Not Applicable	Not Applicable
(i) Price Earning Ratio	Not Applicable	Not Applicable

* 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 period.

13. Non Performing Investments **

	1996	1996	1995	1995
	Carrying Amount	Market Value	Carrying Amount	Market Value
	Rs.	Rs.	Rs.	Rs.
Equity Shares	1,29,949,134	129,949,134	Not Applicable	Not Applicable
Units of Mutual Funds	23,912,525	23,912,525	Not Applicable	Not Applicable

** Schedule VII read with Regulation 54 of the Securities and Exchange Board of India (Mutual Fund) Regulations 1993 states that an investment shall be regarded as non performing if it has provided no returns in the form of dividend or interest for more than two years as at the end of the accounting year of the Mutual Fund.

14. The first financial statements of the Fund were for the period January 6, 1994 to March 31, 1995 and the figures thereof are not comparable with the current year's figures. Previous period figures have been regrouped / rearranged where appropriate.

Signatures to Schedules 1 to 10 forming part of the Balance Sheet and Revenue Account.

K. H. VACHHA
Partner

For Morgan Stanley Mutual Fund

**For Morgan Stanley Asset Management
India Private Limited**

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants
Mumbai
May 23, 1996

ABID HUSSAIN
Trustee

B.M.BIGGS
Trustee

J.S.BAIJAL
Trustee

W.OLSEN
Trustee

B.RAI
Trustee

J.W.GRISHAM
Trustee

V.SETHI
Trustee

K.N.VAIDYANATHAN
Vice President

PORTFOLIO OF INVESTMENTS

MORGAN STANLEY MUTUAL FUND – MORGAN STANLEY GROWTH FUND
Statement Of Portfolio Holding As At March 31, 1996 (Referred to in Schedule 1 to the Balance Sheet as at
March 31, 1996 and the Revenue Account for the year ended March 31, 1996)

Quantity	Company Name	Market Value (Rs.)	Rs.
EQUITY SHARES			
Abrasive/Grindwheels			
215,245	Carborundum Universal	34,439,200	34,439,200
Agro Based Products			
187,100	Western Hatcheries	12,161,500	12,161,500
Aluminium			
86,202	Hindustan Aluminium	98,270,280	
1,000,000	Pennar Aluminium	15,750,000	114,020,280
Auto Ancillaries			
45,400	Amar Raja Batteries	2,996,400	
92,500	Asahi India Safety	57,350,000	
132,431	Autolec Industries	12,746,484	
137,764	Autolite India	28,930,440	
400,000	Automotive Axles	30,000,000	
200,000	Autopal Industries	10,500,000	
99,850	Engine Valves	60,908,500	
74,583	Harig Crankshafts	633,955	
101,000	Hitech Gears	6,161,000	
176,850	IP Rings Ltd.	30,064,500	
196,400	Jaybharat Maruti	11,293,000	
164,825	Kalyani Brakes	18,130,750	
100,175	Kalyani Brakes (New)	11,019,250	
126,300	Lakshmi Auto Corp.	5,683,500	
63,200	Lakshmi Auto Corp. (New)	2,749,200	
150,000	Laser Lamps Haryana	3,675,000	
197,400	Lumax Industries	26,056,800	
238,000	Motherson Sumi	27,965,000	
59,920	Motherson Sumi (New)	6,920,760	
10,906	Motor Industries	69,525,750	
545,200	Nippon Denso India	60,653,500	
20,000	Premier Auto Electricals	1,675,000	
19,800	Rane Brakes & Lining	10,890,000	
117,650	Rane Madras	42,354,000	
163,000	Rico Auto	22,168,000	
90,200	Sibar Auto Parts	1,240,250	
121,900	Sona Steering	8,837,750	
93,000	Sundaram Brake Lining	21,855,000	
10,710	Sundaram Brake Lining (New)	2,490,075	595,473,864
Automobile			
150,600	Bajaj Tempo	70,782,000	
117,000	Escorts	13,806,000	
31,600	Escort Tractors	4,866,400	
97,053	Hero Honda	28,145,370	
85,850	Kinetic Honda	9,443,500	
37,600	Majestic Auto	3,008,000	
696,230	Telco	317,480,880	447,532,150

Banking & Finance				
	28,600	Ashok Leyland Finance	2,345,200	
	707,000	Canfin Homes	14,847,000	
	93,398	HDFC	302,609,520	
	25,000	HDFC Bank	812,500	
	433,400	IFCI	18,419,500	
	929,448	State Bank Of India	220,976,262	
	87,050	Sundaram Finance	19,847,400	579,857,382
Bearings				
	74,900	Gleitlager (India)	730,275	
	194,300	NRB Bearing (New)	24,967,550	
	11,490	SKF Bearings	34,010,400	59,708,225
Breweries				
	275,275	McDowell	6,537,781	
	219,200	United Breweries	7,672,000	14,209,781
Cables				
	300,000	Uniflex Cables	11,100,000	
	82,000	Uniflex Cables (New)	2,870,000	13,970,000
Casting & Forging				
	288,450	Ahmednagar Forging	23,797,125	
	194,975	Amforge Industries	15,598,000	
	61,700	Bharat Forge	9,100,750	
	148,300	MM Forging	11,493,250	
	200,000	Patheja Bros & Forging (New) *	32,400,000	92,389,125
Cement				
	24,274	Associated Cement	92,241,200	
	150,000	Dalmia Cement	37,500,000	
	3,400,000	Guj Sidhee Cement	38,250,000	
	109,900	Gujarat Ambuja	38,684,800	
	13,740	Madras Cement	155,949,000	
	44,100	OCL	9,702,000	
	414,050	Shree Cement	20,909,525	393,236,525
Cement Products/Building Materials				
	400,158	Bell Ceramics (New)	6,922,733	
	182,025	Bell Ceramics	3,549,487	
	153,700	Hindustan Sanitary	28,588,200	
	187,600	Murdeswar Ceramics	14,539,000	
	321,000	Restile Ceramics	1,605,000	
	73,800	SPL	22,140,000	77,344,420
Computer				
	100,000	Advanced Micronic	1,250,000	
	233,600	Software Solution	15,651,200	
	500,000	Computech Intl. (New)	2,750,000	
	420,000	Frontier Info Technology	2,520,000	
	202,900	Infosys Technology	100,435,500	
	107,200	R S Software	2,894,400	125,501,100
Construction				
	196,700	Alacrity Housing	6,097,700	
	150,000	Hindustan Construction (New)	8,850,000	
	117,000	IVR Construction	7,956,000	
	103,600	Nagarjuna Construction	17,612,000	40,515,700
Consumer Electronics				
	77,600	BPL Limited	5,121,600	
	534,400	Maharaja International	6,947,200	
	243,409	Phillips India	34,685,783	

	105,700	Salora International	4,016,600	
	55,947	Samtel (India)	3,916,290	
	360,450	Samtel Colour	17,301,600	
	79,000	Solidaire India *	632,000	72,621,073
Cycles	316,233	Tube Investments	46,170,018	46,170,018
Diamonds	90,000	Suashish Diamonds	13,500,000	13,500,000
Diversified	606,330	Birla VXL	17,280,405	
	2,500	Century Textiles	15,062,500	
	97,450	I C I India	17,541,000	
	448,834	Indian Organics	13,913,854	
	882,696	JK Synthetics	25,598,184	
	415,000	S & S Industries	5,602,500	
	273,942	Standard Industries	5,752,782	100,751,225
Electrical Equipment	125,100	Asian Electronics	61,299,000	
	2,643,100	BHEL	323,779,750	
	98,000	Control & Switchgear *	13,720,000	
	442,250	Crompton Greaves	104,371,000	
	192,400	Datar Switchgear	30,784,000	
	45,000	Emco Transformers	5,400,000	
	99,000	Emco Transformers (New)	11,731,500	
	150,000	NSP Electronics *	7,500,000	
	246,466	S&S Power Switch	44,363,880	
	360,600	Shriram Honda	52,647,600	655,596,730
Electrodes	307,066	Carbon Everflow	20,266,356	
	122,826	Carbon Everflow (New)	7,799,451	
	384,100	Esab India	28,039,300	56,105,107
Electronics	79,500	AKG Acoustics	1,908,000	
	260,000	Centum Electronics	1,560,000	
	182,000	OEN Connectors	6,552,000	10,020,000
Engineering	499,200	REPL Engg	25,459,200	
	439,675	Artson Engg	9,013,338	
	110,900	DGP Windsor	14,195,200	
	165,450	FGP Ltd	14,063,250	
	143,000	Flat Products	24,024,000	
	102,900	Flat Products (New)	17,050,530	
	352,500	ITW Signode (Nagar)	40,537,500	
	155,744	LG Balkrishna Bros	60,740,160	
	150,600	Praj Industries	18,072,000	
	122,500	PSL Holdings	8,330,000	
	371,200	Radico Khaitan	2,505,600	
	296,300	Shaily Engineering (New) *	13,037,200	
	189,000	Shanthi Gears	36,855,000	
	206,900	Thermax India	71,794,300	355,677,278
Engines	209,250	Kirloskar Oil Engg	26,156,250	
	143,800	Wartsila Diesel	36,237,600	62,393,850
Fasteners	335,600	G.K.W. Ltd	13,424,000	
	146,400	Sterling Tools (New)	8,784,000	22,208,000

Fertilisers				
	94,775	Zuari Agro	37,436,125	37,436,125
Food & Dairy Products				
	423,400	American Dryfruit	11,431,800	
	199,000	Jaya Foods Inds	4,975,000	
	250,000	Vadilal Industries	6,000,000	22,406,800
Health Care				
	192,200	Godrej Soaps	12,877,400	12,877,400
Hotels				
	100,400	Asian Hotels	29,116,000	
	5,000	Indian Resorts	2,550,000	
	92,000	ITC Hotels	17,112,000	
	350,000	ITC Hotels (New)	64,225,000	
	200,000	Kamat Hotel	5,700,000	
	50,000	Om Sinduri Hotel *	3,375,000	122,078,000
Industrial Gas				
	156,000	BOC India	15,210,000	15,210,000
Jute				
	306,000	Delta Industries	12,852,000	12,852,000
Leather & Allied				
	260,000	Cosmos Leather	3,575,000	
	445,000	Topline Shoes	1,446,250	5,021,250
Lubricants				
	54,000	IBP Co	9,990,000	9,990,000
Marine Products				
	49,300	Kings Inter Aqua	209,525	209,525
Media				
	200,000	Catvision Products (New)	2,000,000	
	148,100	New Delhi Television (New)*	19,993,500	
	154,300	Srishti Video Corp (New)	3,857,500	
	149,900	Television Eighteen *	11,242,500	37,093,500
Metal-Ferrous/Mining				
	100,000	Navabharat Ferro	4,400,000	
	80,000	Navabharat Ferro (New)	3,360,000	7,760,000
Miscellaneous				
	118,600	Alpha Geo India	1,749,350	
	96,600	Camlin Limited	6,037,500	
	189,200	Cenelub Industries	1,277,100	
	149,970	Coats Of India	35,242,950	
	310,000	Control Print (India)	4,495,000	
	200,000	Guj Narmada Flyash	1,450,000	
	220,000	Hind. Agregenetics	1,375,000	
	145,800	La Opala Glass	5,103,000	
	80,000	MSL Industries	8,300,000	
	266,500	Pearl Global	13,591,500	
	150,000	Res Photovoltaics (New) *	24,000,000	
	150,000	Vijay Fire Prot.	4,500,000	
	278,300	Vikas WSP	38,962,000	
	250,000	Vippy Solvex Products	2,750,000	
	171,269	VST Tillers	11,988,830	160,822,230
Office Equipment				
	325,850	Modi Xerox	61,911,500	61,911,500
Packaging				
	410,000	Annapurna Foils	4,100,000	
	105,750	Bajaj Plastics	3,172,500	
	73,750	Cosmo Films	9,440,000	

	383,438	Essel Packaging	80,521,980	
	16,930	Garware Polyester	3,555,300	
	260,115	Garware Polyester (New)	53,583,690	
	179,250	Paper Products	23,302,500	
	48,300	Paper Products (New)	6,158,250	
	202,300	Pearl Polymers	8,294,300	
	342,500	Prestige HM-Poly	2,740,000	
	100,250	Sharp Industries	1,478,689	
	114,650	Sharp Industries (New)	1,484,716	197,831,925
Paint				
	125,878	Asian Paints	43,113,215	43,113,215
Paper & Pulp				
	9,175	Andhra P Paper	16,515,000	
	385,629	Ballarpur Industries	69,413,220	
	5,826	ITC Bhadrachalam (New)	582,600	
	158,050	J K Corporation	18,768,437	
	201,850	Pudamjee Paper	20,185,000	
	150,000	Tamilnadu Newsprint	18,000,000	143,464,257
Petrochem				
	560,020	Indian Petrochemical	87,923,140	
	169,400	Shin-A-Chemical	1,185,800	89,108,940
Pharmaceuticals				
	65,200	Targoff Drugs	11,866,400	
	181,150	Cipla	72,460,000	
	75,000	Crossland Research	39,000,000	
	34,900	Dabur	8,725,000	
	150,000	Aldrich Pharmaceuticals *	3,300,000	
	15,745	Alembic Chemicals	20,468,500	
	259,500	E Merck	49,305,000	
	25,150	German Remedies	3,112,312	
	70,000	Hoechst Marion	17,850,000	
	141,200	Medicaps	5,083,200	
	42,600	Sandoz India	15,975,000	
	154,600	Sun Pharma	40,969,000	
	100,000	Unichem Labs	27,000,000	315,114,412
Pigments & Dyes				
	9,829	Color Chem	31,452,800	
	220,563	Indian Dyestuffs	5,072,949	
	237,100	Jaysynth Dyechem	16,597,000	
	105,200	Metrochem Industries	5,680,800	
	225,450	Sudarshan Chemicals	75,525,750	
	80,050	Ultra Marine	9,305,813	143,635,112
Plastics Processing				
	79,600	Blow Plast	14,646,400	
	114,050	Caprihans	12,830,625	
	340,000	Eastern Medikit *	11,900,000	
	360,450	Kunststoffe Ind.	3,514,387	
	271,220	PVD Plast	4,475,130	
	125,650	Supreme Industries	45,234,000	
	206,325	Tainwala Chemicals	3,610,688	
	333,500	VIP Industries	25,012,500	121,223,730
Pollution Control Equipment				
	5,000	Ion Exchange	737,500	737,500
Power				
	80,300	Bull Power Systems	1,766,600	
	365,300	Hindustan Power Plus	28,128,100	29,894,700

Pumps & Compressors			
	124,950	Elgi Equipments	43,732,500
	5,900	Elgi Equipments (New)	149,329
	73,450	Kirloskar Pneumatics	1,909,700
	50,000	Roto Pump	1,350,000
			47,141,529
Shipping			
	531,537	Chowgule Steam Ship	12,491,120
	639,380	Great Eastern Shipping	28,772,100
	161,900	Mercator Lines	2,995,150
	526,400	Shipping Corporation	16,318,400
			60,576,770
Soda Ash / Caustic			
	437,700	Modi Alkalies	3,501,600
			3,501,600
Steel			
	166,600	Bellary Steel	3,415,300
	250,000	Indian Seam Steel	1,625,000
	67,039	Mukand Iron & Steel	10,860,318
	396,600	Nahar International	11,501,400
	241,500	Panchmahal Steel	13,282,500
	581,000	Shri Ishar Alloys	12,782,000
	224,500	Special Steels	26,266,500
	66,246	Tata Iron & Steel	13,116,708
	380,600	Viraj Alloys	12,559,800
			105,409,526
Sugar			
	54,550	Bajaj Hindustan	4,145,800
	202,050	Balrampur Chini Mill	39,601,800
	201,200	Kothari Sugar	5,432,400
	187,550	Sakthi Sugar	7,314,450
	176,200	Thiru Arooran Sugar	23,787,000
	225,000	Upper Ganges Sugar	19,687,500
			99,968,950
Tea			
	50,000	Gilliander Arbhuthol	2,500,000
	150,000	Long View Tea Co	4,050,00
	243,600	Rossel Industries *	8,935,248
	74,085	Rossel Tea *	814,935
			16,300,183
Telecommunication			
	255,000	Indian Telephone	3,442,500
	690,400	Mahangar Telephone	122,891,200
	65,900	Punjab Wireless	10,214,500
	33,100	Videsh Sanchar	39,720,000
			176,268,200
Textiles			
	100,000	ATL Textiles	2,000,000
	240,000	Cheslind Textiles	2,400,000
	151,700	Faze Three Exports	10,619,000
	177,200	GTN Textiles	21,264,000
	609,842	Indo Rama Synthetics	24,393,680
	182,983	Indo Rama Synthetics (New)	7,319,320
	222,000	Mahavir Spinning	27,084,000
	645,400	Maral Overseas	17,425,800
	823,200	Modi Tele Fibres	3,292,800
	153,508	Precot Mills	23,486,724
	120,000	Raymond Woollen	40,200,000
	195,500	S R F	10,263,750
	711,600	Sanghi Polyester	15,299,400
	290,100	Shree Raj Syntex	8,993,100
	45,000	Shree Venkateswara *	4,950,000
	61,818	Shri Ramakrishna	7,418,160

	146,048	Super Spinning	21,761,152	
	112,234	Vardhman Polytex	3,928,190	
	487,900	Viniyoga Clothex	4,147,150	
	155,000	Viral Filaments	13,020,000	
	300,000	Viral Syntex	15,300,000	
	221,016	Woolworth (India)	9,061,656	293,627,882
Tobacco/Cigarettes				
	135,600	I T C	30,781,200	30,781,200
Trading				
	24,400	Uniworth International	366,000	
	90,000	Fortune International	4,950,000	5,316,000
Transmission Lines Power				
	300,000	Dharti Dredging (New) *	21,000,000	
	240,900	Jyoti Structural	44,566,500	
	336,399	KEC International	37,844,888	
	26,250	S A E India	3,018,750	106,430,138
Transport				
	2,273,600	Container Corp Of India	318,304,000	
	100,000	SKS Limited	1,350,000	319,654,000
Tyres & Tubes				
	291,854	Apollo Tyres	52,241,866	
	133,900	Ceat Tyres	10,845,900	
	34,450	MRF	98,182,500	161,270,266
Watches & Accesories				
	179,800	Timex Watches	9,259,700	9,259,700
		Total (Cost Rs.7,532,426,606)		<u>7,020,700,598</u>
WARRANTS				
	48,743	Amforge Industries *	3,753,211	
	91,604	Apollo Tyres	15,206,264	
	52,500	Raymond *	17,062,500	
	10,710	Sundaram Brake Lining *	2,013,480	
	26,050	Textool Industries	4,558,750	42,594,205
		Total (Cost Rs.32,275,080)		<u>42,594,205</u>
UNITS OF MUTUAL FUNDS				
	206,000	SBI Magnum Express	1,874,600	
	1,969,500	Master Gain	22,747,725	24,622,325
		Total (Cost Rs.27,752,489)		<u>24,622,325</u>
CONVERTIBLE DEBENTURES				
	46,540	Cosmo Films *	5,957,120	
	154,300	Srishti VideoCorp *	4,281,825	
	64,750	Nagarjuna Construction *	20,655,250	
	48,743	Amforge Industries *	3,899,440	
	15,615	Indian Seamless Metal *	1,054,013	
	79,400	Special Steels *	12,545,200	48,392,848
		Total (Cost Rs.37,109,240)		<u>48,392,848</u>
NON CONVERTIBLE DEBENTURES				
	491,000	Supreme Petro Chemicals	6,260,250	
	1,805	Apollo Tyres *	222,015	
	581,000	Shri Ishar Alloys *	8,470,980	
	26,050	Textool Industries *	2,064,462	17,017,707

	Total (Cost Rs.20,698,750)		<u>17,017,707</u>
PRIVATELY PLACED CONVERTIBLE DEBENTURES			
107,000	IgniFluid Boilers *	7,490,000	
214,300	Secure Meters *	15,001,000	22,491,000
	Total (Cost Rs.22,491,000)		<u>22,491,000</u>
TOTAL INVESTMENTS AT MARKET VALUE			
	(Cost Rs.7,672,753,165)		<u>7,175,818,683</u> =====

*Fair Valuation approved by Trustees

Mutual Fund :

MORGAN STANLEY MUTUAL FUND

Trustees :

ABID HUSSAIN

J. S. BAIJAL

B. M. BIGGS

W. OLSEN

B. RAI

J. W. GRISHAM

Scheme :

MORGAN STANLEY GROWTH FUND

Asset Management Company :

MORGAN STANLEY ASSET MANAGEMENT
INDIA PRIVATE LIMITED

Custodian :

STOCK HOLDING CORPORATION
OF INDIA LTD.

Registrar & Transfer Agents :

KARVY CONSULTANTS LTD.

Legal Advisor :

LITTLE & CO.

Auditor :

PRICE WATERHOUSE

Banker :

STANDARD CHARTERED BANK

Registered Office : Morgan Stanley Mutual Fund, Forbes Building, 5th Floor, Charanjit Rai Marg, Mumbai 400 001.