

MORGAN STANLEY
GROWTH FUND

To Our Valued Unit Holder,

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

The major part of last year continued to remain difficult for the Indian equity market and, consequently, for the Fund. The market finally has begun to rally in February 1997, following the progressive budget presented by the Finance Minister. We believe the market is now coming out of a prolonged bear phase, and going forward, the prospects look attractive. For the year ended March 31, 1997, your Fund underperformed the BSE 200 Index but outperformed the CRISIL 500 Index. Consistent with its objective, the Fund has remained fully invested in equities through this difficult phase in the market and we believe that it is well positioned to outperform the benchmark indices as the market emerges from the recent prolonged period of consolidation and enters a period of growth and expansion. The performance of the Fund since March 31, 1997 to date gives us reason to remain optimistic.

The specific results of the Fund, along with a commentary from the portfolio managers explaining the Fund's performance, the investment objectives and strategies going forward, are enclosed in the report. We hope you find this report useful and informative.

We are pleased to inform you that the units of the Fund have been placed as an eligible security with the National Securities Depository Limited. Accordingly, if you wish to enjoy the greater convenience of holding your units in a bookentry form, you may now do so by contacting your broker / banker / financial consultant or the NSDL directly, who can advise you on the procedure to convert your holdings.

As the trustees of your 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. 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*

May 16, 1997

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.

PORTFOLIO MANAGERS' LETTER

Dear Unit Holder,

The Morgan Stanley Growth Fund (the "Fund") net asset value ("NAV") declined by 5.7% for the year ending March 31, 1997. During this period, the benchmark indices – BSE 200 and CRISIL 500 – declined by 4.9% and 9.9%, respectively. Although the Fund has had a negative return overall since its inception in January 1994, the performance of any investment has to be viewed in light of the overall market environment. Since inception, the Fund has significantly outperformed the benchmark indices (see Table 1). The incremental outperformance of the Fund can primarily be attributed to the portfolio restructuring exercise (see Table 2) we have doggedly pursued over the past eighteen months.

It will interest you to note that the current financial year has started well for the Fund. The Fund's NAV on May 16, 1997 was Rs. 9.28 per unit, recording an increase of 14.9% since March 31, 1997. The benchmark indices – BSE 200 and CRISIL 500 – have increased by 11.3% and 10.0% respectively during this period.

Portfolio Outlook and Strategy

Over the past 18-24 months, we have spent substantial time in restructuring the Fund's portfolio. This has involved two basic elements – (i) reducing the number of holdings and increasing the concentration levels, and (ii) changing the profile of companies held in the Fund's portfolio.

We have now significantly reduced the number of holdings and hope to decrease the number further down by March 1998. The Fund's concentration levels have accordingly increased significantly - the weightage of the Fund's top 10 holdings increasing from 28% to 52% over the last 12 months. The top 50 holdings now account for nearly 75% of the value of the Fund's portfolio. This process of consolidation has taken time due to the poor market conditions over the past 24 months and the limitations of a paper based settlement system.

The second element, of changing the profile of the companies in the Fund's portfolio, has been our theme in the past as well. We strongly believe that there is going to be a clear polarisation in Indian industry. Liberalisation and the opening of the economy is a double edged sword, bringing both higher risk and higher rewards to corporate India. The skill set required to succeed in this new environment is quite different from the pre-liberalisation era. Competition will intensify and productivity improvement will be the key to sustaining profit growth. The strong, well managed players will get stronger and better, while the mismanaged companies will become increasingly marginalised and less relevant. In restructuring the Fund's portfolio, we have also favoured those companies that we feel will benefit from liberalisation. The criteria we have used to identify such companies are :

- a) dominance in their respective product markets
- b) strong focus on productivity improvements and cost cutting
- c) efficient use of resources, both internal and external
- d) ability to create entry barriers through technology, distribution advantages or low cost base
- e) good growth prospects for their respective product markets
- f) ability to be a world class player.

Being financial investors, it is equally important to us that the management teams running such companies which meet the above criteria are focused on shareholder value creation. We feel that most of the Fund's top holdings fulfil these criteria, and that the Fund's portfolio today is significantly stronger than it was 24 months ago.

Table 1

Comparison of MSGF NAV Performance v/s Benchmark Indices

Period	MSGF NAV	BSE 200	CRISIL 500
Quarter ending March 1997	+ 6.7%	+7.2%	+ 6.2%
Year ending March 1997	- 5.7%	- 4.9%	- 9.9%
Inception (Jan 94) to March 1997	- 19.3%	- 28.7%	- 37.3%
March 31, 1997 to May 16, 1997	+ 14.9%	+11.3%	+ 10.0%
Inception (Jan 94) to May 16, 1997	- 7.2%	- 20.7%	- 31.1%

Table 2

Comparison of Top Ten Holdings of MSGF

March 31, 1996	March 31, 1997	May 16, 1997
BHARAT HEAVY ELECTRICALS	BHARAT HEAVY ELECTRICALS	BHARAT HEAVY ELECTRICALS
CONTAINER CORP. OF INDIA	CONTAINER CORP. OF INDIA	CONTAINER CORP. OF INDIA
TELCO	HDFC	HDFC
HDFC	STATE BANK OF INDIA	STATE BANK OF INDIA
STATE BANK OF INDIA	INFOSYS TECHNOLOGIES	INFOSYS TECHNOLOGIES
MADRAS CEMENT	SUNDARAM FINANCE	MRF
INFOSYS TECHNOLOGIES	MRF	SUNDARAM FINANCE
CROMPTON GREAVES	CIPLA	ASAHI INDIA SAFETY GLASS
MTNL	BHARAT EARTH MOVERS	CIPLA
HINDALCO	ASAHI INDIA SAFETY GLASS	HDFC BANK
28.2% of Portfolio	51.9% of Portfolio	58.5% of Portfolio

Table 3

MSGF Per Unit Assets and Liabilities as at March 31,1997

ASSETS	
Equities	8.01
Fixed Income Securities	0.03
Deposits	0.12
Other Current Assets	<u>0.11</u>
Total Assets Marked to Market	8.27
LIABILITIES	(0.20)
NET ASSET VALUE	8.07
Capital	10.00
Net Reserves	- 1.93
NET ASSET VALUE	8.07

Market Outlook

The recent market rally came on the back of a Reaganesque Budget (embracing supply side economics) for the fiscal year 1997-98, based on the cornerstone of tax rationalisation. Though the Budget alone is not going to have an immediate, dramatic impact on the Indian economy, the fact remains that a coalition government presented one of the better Budgets in recent times. There does seem to be political consensus on the liberalisation process.

However, the markets have also been reminded recently of the inherent instability of coalition governments, with the Congress party withdrawing its support. The volatile Indian market discounted all bad news in a single day, falling 8% on the financial year-end. The month long political tug of war has ended in truce, with a new leader heading a more or less unchanged coalition government.

In its semi-annual credit policy announced for the period April-October 1997, the Reserve Bank of India has taken an expansionary stance by cutting interest rates and increasing lendable funds with banks. With good crop prospects and falling interest rates, industrial growth is expected to revive gradually. Lower tax and interest costs should also go a long way to boost corporate earnings for the financial year ending March 1998. Earnings for financial year 1997 are turning out to be dismal, with almost negligible earnings growth. An earnings growth of more than 20% for the current year would deservedly result in a P/E rerating and drive market performance. We believe that such an increase in earnings growth can be expected and our outlook in the medium and long term, therefore, continues to be optimistic.

We at Morgan Stanley Asset Management remain committed to proving superior investment performance over the 15 year life of your Fund. Although we recognize that market conditions have been difficult over the relatively short life span of the Fund to date, we are confident that the patience the Fund's unit holders have shown will be rewarded as the Fund is well positioned to post a smart outperformance over time.

AKASH PRAKASH
Portfolio Manger

ASHUTOSH SINHA
Portfolio Manager

Mumbai
May 16, 1997

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, 1997, and the related Revenue Account for the year ended on that date, both of which we have signed under reference to this report. Our audit was conducted in accordance with generally accepted auditing standards 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 give 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, 1993 and 1996, 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, 1997 and its excess of expenses and losses over income and gains for the year ended on that date.
 - (ii) The Balance Sheet as at March 31, 1997, and the Revenue Account for the year ended on that date, together with the notes thereon, have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
 - (iii) The methods used to value non-traded securities as at Mach 31, 1997 in good faith are fair and reasonable.

K. H. VACHHA

Partner

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Mumbai

May 16, 1997

BALANCE SHEET

MORGAN STANLEY MUTUAL FUND – MORGAN STANLEY GROWTH FUND Balance Sheet as at March 31, 1997

	Schedule	March 31, 1997 Rs.	March 31, 1996 Rs.
ASSETS			
Investments	1	6,874,782,500	7,154,215,950
Deposits	2	102,200,000	92,200,000
Other Current Assets	3	96,714,675	215,740,673
Deferred Revenue Expenditure	4	352,751	552,751
TOTAL		7,074,049,926	7,462,709,374
LIABILITIES			
Initial Contribution by Settlor		500,000	500,000
Unit Capital	5	8,550,206,000	8,550,206,000
Reserves and Surplus	6	(1,650,552,599)	(1,257,009,001)
Current Liabilities and Provisions	7	173,896,525	169,012,375
TOTAL		7,074,049,926	7,462,709,374
RECONCILIATION TO NET ASSET VALUE PER UNIT			
Net Assets as per Balance Sheet (Total Assets less Current Liabilities and Provisions)		6,900,153,401	7,293,696,999
Unrealised Appreciation in Value of Investments not accounted		-	21,602,733
Reported Net Asset Value		6,900,153,401	7,315,299,732
Number of Units in Issue		855,020,600	855,020,600
Net Asset Value per Unit		8.07	8.56
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

Mumbai

May 16, 1997

For Morgan Stanley Mutual Fund

ABID HUSSAIN

Trustee

J.S.BAIJAL

Trustee

B.RAI

Trustee

B.M.BIGGS

Trustee

W.OLSEN

Trustee

J.W.GRISHAM

Trustee

For Morgan Stanley Asset Management

India Private Limited

K.N.VAIDYANATHAN

Vice President

AKASH PRAKASH

Vice President

REVENUE ACCOUNT

MORGAN STANLEY MUTUAL FUND – MORGAN STANLEY GROWTH FUND

Revenue Account for the year ended March 31, 1997

	Schedule	Year ended March 31, 1997 Rs.	Year ended March 31, 1996 Rs.
INCOME AND GAINS			
Dividends (including tax deducted at source Rs.544,415 (1996: Rs.1,656,076)) (Note 2.4)		123,599,772	95,733,585
Interest and Discount	8	12,505,360	42,582,601
		<hr/>	<hr/>
TOTAL		<u>136,105,132</u>	<u>138,316,186</u>
EXPENSES AND LOSSES			
Investment Management and Advisory Fees (Note 5)		73,221,783	74,163,672
Transfer Agent Fees and Expenses		32,813,286	42,304,558
Custodian Fees (Note 6)		27,909,028	21,147,901
Trusteeship Fees and Expenses (Note 7)		1,108,214	1,909,900
Audit Fees		500,000	500,000
Amortisation of Deferred Revenue Expenditure (Note 2.7)		200,000	200,000
Provision for Outstanding Accrued Income		4,173,463	-
Net Loss on Sale of Investments (Note 2.3)		685,152,156	600,049,621
Other Operating Expenses		12,952,862	26,518,556
		<hr/>	<hr/>
TOTAL		<u>838,030,792</u>	<u>766,794,208</u>
Excess of Expenses and Losses over Income and Gains		(701,925,660)	(628,478,022)
Net change in unrealised depreciation of investments (Note 3)	9	308,382,062	(518,537,215)
		<hr/>	<hr/>
Net Deficit transferred to Reserves		<u>(393,543,598)</u>	<u>(1,147,015,237)</u>
Notes to the Accounts	10	<hr/> <hr/>	<hr/> <hr/>

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

K H VACHHA

Partner

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Mumbai
May 16, 1997

For Morgan Stanley Mutual Fund

ABID HUSSAIN
Trustee

B.M.BIGGS
Trustee

J.S.BAIJAL
Trustee

W.OLSEN
Trustee

B.RAI
Trustee

J.W.GRISHAM
Trustee

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

K.N.VAIDYANATHAN
Vice President

AKASH PRAKASH
Vice President

SCHEDULES

MORGAN STANLEY MUTUAL FUND – MORGAN STANLEY GROWTH FUND Schedules forming part of the Balance Sheet as at March 31, 1997 and the Revenue Account for the year ended March 31, 1997

SCHEDULE 1 Investments (Notes 2.2, 3 and 8)	1997 Market/Fair Value Rs.	1997 Cost Rs.	1996 Lower of Cost and Market/Fair Value Rs.	1996 Market/ Fair Value Rs.
(Refer to attached Statement of Portfolio Holding as at March 31, 1997)				
Equity Shares	6,834,591,190	7,036,102,226	7,020,700,598	7,020,700,598
Warrants	12,809,471	11,280,301	32,275,080	42,594,205
Units of Mutual Funds	5,348,435	7,138,256	24,622,325	24,622,325
Convertible Debentures	2,765,484	5,748,120	37,109,240	48,392,848
Non Convertible Debentures	19,267,920	24,668,750	17,017,707	17,017,707
Privately Placed Convertible Debentures	-	-	22,491,000	22,491,000
	6,874,782,500	7,084,937,653	7,154,215,950	7,175,818,683
SCHEDULE 2 Deposits			1997 Rs.	1996 Rs.
Deposits with Scheduled Banks			102,200,000	92,200,000
SCHEDULE 3 Other Current Assets			1997 Rs.	1996 Rs.
Balance with Banks in Current Account			162,389	50,608
Sales Contracts Awaiting Completion				
- Equity Shares			79,150,546	64,824,241
Application Money Pending Allotment				
- Equity Shares			-	129,562,900
- Debentures and Bonds			-	3,970,000
Interest Receivable on				
- Debentures and Bonds (net of provision of Rs.1,516,930 and including receivable for tax deducted at source Rs.3,140,776 (1996 : Rs.3,140,776))			6,044,455	6,133,122
- Deposits (including receivable for tax deducted at source Rs.55,521 (1996 : Rs.Nil))			104,148	83,358
Dividends Receivable (net of provision of Rs.2,656,533 and including receivable for tax deducted at source Rs.2,509,617 (1996 : Rs.3,975,069))			10,308,724	10,152,435
Miscellaneous Receivables			944,413	964,009
			96,714,675	215,740,673
SCHEDULE 4 Deferred Revenue Expenditure and Issue Costs (Note 2.7)			1997 Rs.	1996 Rs.
At beginning of year			552,751	295,278,991
Charged to Reserves			-	(294,526,240)
Amortised during the year			(200,000)	(200,000)
At end of year			352,751	552,751
SCHEDULE 5 Unit Capital	1997 Rs.	1997 Units	1996 Rs.	1996 Units
Issued and Subscribed:				
Units of Rs.10 each fully paid up	9,818,001,000	981,800,100	9,818,001,000	981,800,100
Outstanding				
At beginning of the year	8,550,206,000	855,020,600	9,108,651,000	910,865,100
Repurchased through secondary market operations (Note 2.5)	-	-	(558,445,000)	(55,844,500)
At end of year	8,550,206,000	855,020,600	8,550,206,000	855,020,600

SCHEDULE 6**Reserves and Surplus**

	1997	1996
	Rs.	Rs.
At beginning of year	(1,257,009,001)	30,316,791
Net Deficit transferred from Revenue Account	(393,543,598)	(1,147,015,237)
Discount on Repurchase of Units (Note 2.5)	-	154,215,685
Issue Costs	-	(294,526,240)
At end of year	<u>(1,650,552,599)</u>	<u>(1,257,009,001)</u>

SCHEDULE 7**Current Liabilities and Provisions**

	1997	1996
	Rs.	Rs.
Investment Management and Advisory Fees	6,199,761	7,487,082
Trusteeship Fees and Expenses	278,070	653,082
Fund Accounting and Administration Fees	12,300,000	12,300,000
Transfer Agent's Fees and Expenses	810,976	861,470
Audit Fees	500,000	500,000
Custodian Fees	2,311,612	2,018,040
Purchase Contracts Awaiting Completion		
- Equity Shares	105,963,090	83,547,840
Rights Payable		
- Equity Shares	5,084,520	1,134,780
- Debentures	-	20,006,005
Calls Payable on Securities	9,223,050	-
Repurchase of Units	-	1,198,551
Warrants Payable	9,168,950	21,507,055
Sundry Payables	22,056,496	17,798,470
	<u>173,896,525</u>	<u>169,012,375</u>

SCHEDULE 8**Interest and Discount (Note 2.4)**

	April 1, 1996 to	April 1, 1995 to
	March 31, 1997	March 31, 1996
	Rs.	Rs.
Debentures and Bonds	4,319,800	6,637,908
Deposits (including receivable for tax deducted at source Rs. 55,521 (1996: Rs.Nil))	7,720,632	35,324,132
Others	464,928	620,561
	<u>12,505,360</u>	<u>42,582,601</u>

SCHEDULE 9**Unrealised Appreciation/(Depreciation) in Value of Investments**

	April 1, 1996 to	April 1, 1995 to
	March 31, 1997	March 31, 1996
	Rs.	Rs.
Unrealised depreciation in value of investments at beginning of year	(518,537,215)	-
Write-back of unrealised depreciation in value of investments from the previous year	311,555,315	-
Change in unrealised depreciation in value of investments at end of year	(4,702,423)	(518,537,215)
Change in unrealised appreciation in value of investments at end of year	1,529,170	-
Net movement in unrealised depreciation in value of investments during the year	<u>308,382,062</u>	<u>(518,537,215)</u>
Net unrealised depreciation in value of investments at end of year	<u>(210,155,153)</u>	<u>(518,537,215)</u>

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 closed 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 market/fair value at the Balance Sheet date/date of determination. In valuing the Fund's investments:

- i) Securities listed on a recognised stock exchange 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, which is not more than thirty days prior to the valuation date. Non pari passu (new) shares are valued as above less the previous year's dividend, if any.
- ii) Securities not listed on a recognised stock exchange, for which over-the-counter quotations are readily available, are valued at the mean between the last current bid and asked price.
- iii) Non-traded securities, including those not traded within thirty days prior to the valuation date, are valued at fair value as determined in good faith by Morgan Stanley Asset Management India Private Limited under procedures approved 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. 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.

2.4 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 may repurchase 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 included lead managers' fees, brokerage/incentive fees on issue of units, advertising and marketing, registrar's fees and expenses and printing and despatch costs, which have been charged directly to Reserves.

2.7 Deferred Revenue Expenditure

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. Change in Accounting Policy

Valuation of Investments

In accordance with the Ninth Schedule of The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, investments are stated at market/fair value at the Balance Sheet date/date of determination. This represents a change in accounting policy over the prior year whereby investments were stated at the lower of cost/amortised cost and market/fair value in aggregate according to each category of investments as set out in Schedule 1. The effect of this change in accounting policy as at March 31, 1997 decreases the net deficit in the Revenue Account and Reserves and Surplus by Rs.1,529,170 being the unrealised gain on those security categories where market value is in excess of cost at March 31, 1997. 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. Aggregate Value of Purchases and Sales of Investments

During the year ended March 31, 1997 purchases and sales of investment securities aggregated Rs.3,069,666,694 and Rs.2,972,330,049 respectively, being 43.41% and 42.04% of the average weekly net asset value.

9. Income / Expenditure

The total income (including net loss on sale of investments and net change in unrealised depreciation in the value of investments) and total expenses for the year is Rs. (240,664,962) and Rs. 152,878,636 respectively, being (3.40%) and 2.16% of the average weekly net asset value.

10. Historical Per Unit Statistics *

	April 1, 1996 to March 31, 1997	April 1, 1995 to March 31, 1996	January 6, 1994 to March 31, 1995
	Rs.	Rs.	Rs.
(a) Net Asset Value per unit at end of period	8.07	8.56	9.03
(b) i) Gross income other than profit from sale of investments	0.16	0.16	0.29
ii) Gross income from profit on inter scheme sales/transfer of investments	-	-	-
iii) Gross income from profit on sale of investments to third parties	-	-	0.11
iv) Transfer of revenue account from past year's reserve	-	-	-
Gross Income and Gains	0.16	0.16	0.40
(c) Aggregate of expenses and net realised losses	0.98	0.88	0.37
(d) Net (Loss)/Income (b) – (c)	(0.82)	(0.72)	0.03
(e) Net change in unrealised depreciation in value of investments	0.34	0.15	(0.65)
(f) Repurchase Price (Market Buyback)			
i) Highest	Not Applicable	7.50	10.10
ii) Lowest	Not Applicable	6.65	7.07
(g) Resale Price			
i) Highest	Not Applicable	Not Applicable	Not Applicable
ii) Lowest	Not Applicable	Not Applicable	Not Applicable
(h) Market Price			
i) Highest	7.40	7.75	10.10
ii) Lowest	6.00	5.40	7.00
(i) Price Earning Ratio	Not Applicable	Not Applicable	Not Applicable
(j) Ratio of expenses (excluding deferred revenue expenditure amortised and net loss on sale of investments) to average net assets	2.16%	2.34%	2.65%
(k) Ratio of gross income (including net loss on sale of investments and net change in unrealised depreciation in value of investments) to average net assets	(3.71%)	(4.70%)	(2.42%)

* The above per unit calculations with the exception of the Net Asset Value per unit are based on the weighted average number of units in issue over the relevant period.

11. Previous year's 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 and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Mumbai

May 16, 1997

For Morgan Stanley Mutual Fund

ABID HUSSAIN

Trustee

J.S.BAIJAL

Trustee

B.RAI

Trustee

B.M.BIGGS

Trustee

W.OLSEN

Trustee

J.W.GRISHAM

Trustee

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

K.N.VAIDYANATHAN

Vice President

AKASH PRAKASH

Vice President

PORTFOLIO OF INVESTMENTS

MORGAN STANLEY MUTUAL FUND – MORGAN STANLEY GROWTH FUND

Statement of Portfolio Holding as at March 31, 1997

(Referred to in Schedule 1 to the Balance Sheet as at March 31, 1997 and the Revenue Account for the year ended March 31, 1997)

Quantity	Company Name	Market Value (Rs.)	Rs.
EQUITY SHARES (99.41%)			
Appliances & Household Durables (0.22%)			
147,400	La Opala Glass	5,896,000	
534,400	Maharaja International	6,706,720	
30,537	Philips India	2,412,423	15,015,143
Automobiles (11.72%)			
288,450	Ahmednagar Forging	12,980,250	
292,095	Apollo Tyres	31,473,230	
97,000	Asahi India Safety Glass	82,450,000	
132,931	Autolec Industries	6,779,481	
137,714	Autolite (India)	11,430,262	
445,000	Automotive Axles	24,475,000	
200,000	Autopal Industries	4,850,000	
62,350	Bimetal Bearings	24,830,888	
311,006	Ceat Tyres	14,772,785	
545,150	Denso India	50,153,800	
160,158	Hero Honda	48,007,361	
339,900	I P Rings	44,866,800	
196,400	Jaybharat Maruti	5,008,200	
324,225	Kalyani Brakes	32,422,500	
189,500	Lakshmi Auto Components	6,632,500	
235,800	Lumax Industries	23,874,750	
242,300	Majestic Auto	10,176,600	
147,900	MM Forging	6,470,625	
297,920	Motherson Sumi	28,302,400	
44,350	MRF	128,836,750	
721,000	Patheja Forgings	15,213,100	
340,000	Patheja Brothers & Forging (New)*	21,522,000	
85,000	Premier Auto Electricals (New)	1,445,000	
169,800	Premier Auto Electricals	3,480,900	
103,900	Rane Brakes & Linings	24,936,000	
194,450	Rane (Madras)	54,446,000	
189,000	Shanthi Gears	29,909,250	
145,100	Sterling Tools	4,534,375	
103,710	Sundaram Brake Linings	16,183,946	
36,550	Sundaram Fasteners	21,500,538	
38,100	Wheels India	9,334,500	801,299,791
Banking (4.98%)			
1,462,500	HDFC Bank	68,006,250	
998,983	State Bank of India	272,472,613	340,478,863
Beverages & Tobacco (0.15%)			
50,000	Gillanders Arbuthnot*	4,787,000	
14,484	I T C	5,188,893	9,975,893
Broadcasting & Publishing (1.14%)			
148,100	New Delhi Television*	11,996,100	
459,250	Samtel Colour	4,936,938	
149,900	Television Eighteen*	4,975,181	
637,600	Zee Telefilms	56,108,800	78,017,019

Building Materials & Components (1.97%)		
582,183	Bell Ceramics	8,732,745
230,695	FGP	10,727,318
3,400,000	Gujarat Sidhee Cement	17,000,000
154,800	Hindustan Sanitary	26,316,000
187,600	Murdeswar Ceramics	8,254,400
299,500	Restile Ceramics	374,375
73,800	SPL	12,807,990
125,600	Supreme Industries	22,011,400
382,500	Vesuvius Industries	22,758,750
21,338	Vesuvius Industries (New)	1,269,611
69,320	Vesuvius Industries (Rights)	4,124,540
		134,377,129
Chemicals (5.65%)		
15,745	Alembic Chemicals	13,477,720
6,298	Alembic Chemicals (Rights)	5,277,724
107,350	BASF India	18,598,388
96,200	Camlin	3,174,600
99,500	Centak Chemicals	13,755,875
105,000	Cyanamid India	45,937,500
62,000	Dr. Beck	4,774,000
240,900	Foseco India	71,788,200
122,962	Hind Lever Chemicals (New)	55,763,267
100,000	Hoechst Schering Agrevo	60,000,000
54,000	IBP	5,130,000
27,000	IBP (New)	2,470,500
371,934	Indian Organic Chemicals	2,975,472
237,100	Jaysynth Dyechem	5,927,500
189,500	Siltap Chemicals	62,535,000
225,375	Sudarshan Chemicals	14,235,461
		385,821,207
Construction & Housing (0.39%)		
135,000	Dharti Dredging *	9,450,000
150,000	Hindustan Construction	4,500,000
150,100	IVR Construction	5,403,600
103,600	Nagarjuna Construction	4,796,680
63,868	Nagarjuna Construction (New)	2,765,484
		26,915,764
Data Processing & Reproduction (3.67%)		
237,200	Infosys Technologies	238,801,100
233,600	Software Solution	11,913,600
		250,714,700
Electrical & Electronics (16.02%)		
100,500	Asian Electronics	10,150,500
10,690	Bharat Bijlee	10,690,000
3,379,500	Bharat Heavy Electricals	988,503,750
97,500	Control & Switchgear*	5,850,000
58,800	Control & Switchgear (New)*	3,528,000
359,800	Datar Switchgear	19,789,000
96,950	Kirloskar Cummins	38,295,250
149,000	NSP Electronics*	2,901,030
146,150	OEN Connectors	7,015,200
382,000	Uniflex Cables	8,595,000
		1,095,317,730
Energy Equipment & Services (2.77%)		
297,500	Amar Raja Batteries	19,040,000
144,000	Emco Transformers	15,984,000
288,024	Ion Exchange	25,778,148
244,600	Jyoti Structures	40,359,000
150,000	Renewable Energy Systems	8,325,000
59,200	REPL Engineering	997,520

246,016	S&S Power Switch	16,729,088	
372,500	Shriram Honda	61,835,000	189,047,756
Financial Services (11.85%)			
707,000	Canfin Homes	10,180,800	
242,397	HDFC	666,591,750	
432,800	Sundaram Finance	133,237,480	810,010,030
Food & Household Products (1.86%)			
423,400	American Dryfruit	2,857,950	
504,850	Balrampur Chini Mill	33,621,937	
45,300	Britannia Industries	10,872,000	
176,750	Rossell Industries	4,949,000	
100,000	Thiru Arooran Sugar	6,200,000	
200,000	Thiru Arooran Sugar (Rights)	11,900,000	
205,100	Vadilal Industries	1,281,875	
1,294,167	Vashishti Detergents (New)	50,148,971	
187,000	Western Hatcheries	5,049,000	126,880,733
Forest Products & Papers (1.20%)			
322,629	Ballarpur Industries	16,615,394	
17,000	ITC Bhadrachalam	841,500	
262,000	ITC Bhadrachalam (New)	12,314,000	
205,826	ITC Bhadrachalam (Rights)	9,673,822	
108,050	J K Corporation	4,430,050	
227,550	Paper Products	32,767,200	
111,850	Pudumjee Pulp & Paper Mills	5,173,063	81,815,029
Health & Personal Care (5.60%)			
71,600	Abbot Laboratories	14,248,400	
150,000	Aldrich Pharmaceuticals*	1,500,000	
241,235	Burroughs Wellcome (India)	59,464,428	
180,550	Cipla	105,170,375	
340,000	Eastern Medikit*	8,921,600	
259,500	E Merck	45,153,000	
139,600	FDC	8,655,200	
68,700	Godrej Soaps	2,078,175	
172,700	Henkel Spic	2,245,100	
25,000	Hoechst Marion Roussel	8,025,000	
75,300	Lakme	17,413,125	
334,800	Marico Industries	80,352,000	
70,500	Targoff Pure Drugs*	4,053,750	
97,200	Unichem Labs	12,271,500	
33,100	Wyeth Laboratories	13,074,500	382,626,153
Industrial Components (3.49%)			
319,400	Atlas Copco (India)	63,880,000	
423,092	Carbon Everflow	12,269,668	
122,586	Carbon Everflow (Rights)	3,125,943	
384,100	Esab India	33,512,725	
335,600	G.K.W.	6,510,640	
180,918	IgniFluid Boilers*	8,009,240	
352,500	ITW Signode India	33,663,750	
336,249	KEC International	21,015,562	
222,650	KSB Pumps	39,141,870	
214,300	Secure Meters*	15,001,000	
150,000	Vijay Fire Protection Systems	2,400,000	238,530,398
Leisure & Tourism (0.04%)			
45,000	Om Sinduri Hotel*	2,901,150	2,901,150
Machinery & Engineering (7.68%)			
172,950	Alfa Laval (India)	19,543,350	
439,675	Artson Engineering	6,375,288	

701,600	Bharat Earth Movers	91,208,000	
172,900	DGP Windsor	10,244,325	
141,250	Elgi Equipments	48,025,000	
5,900	Elgi Equipments (Rights)	1,985,350	
199,600	Engine Values	43,912,000	
245,900	Flat Products	29,508,000	
719,900	Hindustan Power Plus	58,131,925	
123,400	Ingersoll Rand	34,552,000	
209,250	Kirloskar Oil Engines	18,361,688	
155,643	LG Balkrishna Brothers	52,140,405	
265,850	Modi Xerox	30,572,750	
248,400	NRB Bearing	53,468,100	
150,600	Praj Industries	9,525,450	
290,000	Shaily Engineering (New)*	7,656,000	
3,175	Widia India	9,859,963	525,069,594
Materials & Commodities (1.90%)			
114,050	Caprihans	5,012,498	
45,620	Caprihans (New)	1,890,949	
73,750	Cosmo Films	2,065,000	
86,185	Cosmo Films (New)	2,283,903	
306,000	Delta Industries	4,972,500	
383,101	Essel Packaging	36,394,595	
367,400	Oil Country Tubular	8,817,600	
107,500	Sharp Industries	564,375	
497,200	Vikas WSP	67,619,200	129,620,620
Metals – Non Ferrous (0.11%)			
410,000	Annapurna Foils*	1,845,000	
1,000,000	Pennar Aluminium	5,400,000	7,245,000
Metal – Steel (0.37%)			
149,000	Bellary Steel	1,564,500	
393,100	Nahar International	4,127,550	
180,000	Navabharat Ferro Alloys	5,310,000	
581,000	Shri Ishar Alloys	3,486,000	
79,400	Tata SSL (New)	2,719,450	
224,500	Tata SSL	8,362,625	25,570,125
Miscellaneous (0.04%) **			
45	Associated Cement Company	59,580	
4,080	Ashok Leyland	343,740	
28	Asian Paints	7,826	
1,000	Bajaj Tempo	233,000	
317	Bajaj Tempo (Rights)	71,642	
50	Carborundum Universal	6,150	
2,100	Crompton Greaves	187,950	
100	Dabur	24,200	
50	Escorts	3,675	
100	German Remedies	16,525	
280	GKN Invel Transmission	21,630	
100	Great Eastern Shipping	3,575	
900	Gujarat Ambuja Cement	226,125	
200	Harig Crankshafts	900	
2,800	IFCI	71,400	
2,340	Indian Petrochemical	323,505	
600	Indian Seam Steel	1,950	
3,450	ITC Hotels	472,650	
200	Long View Tea	1,650	
200	Medi Caps	2,600	
700	Modi Tele Fibres	700	
400	MTNL	96,400	
25	Mukand Iron & Steel	1,300	
225	Nestle India	48,150	

300	Punjab Wireless	21,450	
600	PVD Plast Mould	1,800	
600	R S Software	6,000	
100	Shin-Ho Petrochem	500	
2,400	Shree Cement	45,000	
50	Shrenuj Diamonds	975	
15	SKF Bearings	39,000	
400	Tainwala Chemicals	2,500	
289	TELCO	98,260	
100	Uniworth International	1,325	
100	Videsh Sanchar Nigam	97,500	2,541,133
Multi Industry (0.24%)			
581,110	Birla VXL	9,297,760	
171,269	VST Tillers	7,364,567	16,662,327
Recreation & Other Consumer Goods (1.20%)			
38,870	Kodak India	15,703,480	
918,300	Timex Watches	29,385,600	
117,000	Titan Industries	7,107,750	
445,000	Topline Shoes*	0	
316,383	Tube Investments	16,214,629	
333,500	VIP Industries	13,506,750	81,918,209
Telecommunications (0.31%)			
180,900	Indian Telephone	1,266,300	
496,500	Tata Telecom	20,108,250	21,374,550
Textiles & Apparel (2.49%)			
131,303	Coates Viyella India	7,005,015	
65,651	Coates Viyella India (Rights)	4,267,315	
16,930	Garware Polyester	1,303,610	
260,115	Garware Polyester (Rights)	19,248,510	
147,200	GTN Textiles	7,323,200	
799,200	Indo Rama Synthetics	14,065,920	
182,802	Indo Rama Synthetics (Rights)	2,806,011	
876,963	JK Synthetics	7,103,400	
90,450	Mahavir Spinning	6,512,400	
266,400	Pearl Global	7,339,320	
153,508	Precot Mills	20,378,187	
68,400	Raymond (New)	4,959,000	
17,850	Raymond	1,383,375	
710,700	Sanghi Polyester	6,467,370	
290,100	Shree Raj Syntex	4,931,700	
45,000	Sri Venkatesa Mills*	6,588,450	
61,818	Sri Ramakrishna Mills	8,669,975	
145,772	Super Spinning	36,443,000	
112,034	Vardhman Polytex	3,248,986	170,044,744
Transportation – Road & Rail (12.59%)			
2,001,500	Container Corporation of India	860,645,000	860,645,000
Wholesale & International Trade (0.35%)			
167,300	Faze Three Exports	7,110,250	
90,000	Fortune International	1,890,000	
644,900	Maral Overseas	15,155,150	24,155,400
Total (Cost Rs.7,036,102,226)			<u>6,834,591,190</u>
WARRANTS (0.19%)			
90,083	Apollo Tyres	11,170,306	
10,710	Sundaram Brake Linnings*	1,639,165	12,809,471
Total (Cost Rs.11,280,301)			<u>12,809,471</u>

UNITS OF MUTUAL FUNDS (0.08%)		
551,300	Master Gain 92	5,347,610
100	SBI Magnum Express	825
	Total (Cost Rs.7,138,256)	<u>5,348,435</u>
CONVERTIBLE DEBENTURES (0.04%)		
63,868	Nagarjuna Construction*	2,765,484
	Total (Cost Rs.5,748,120)	<u>2,765,484</u>
NON-CONVERTIBLE DEBENTURES (0.28%)		
1,805	Apollo Tyres*	205,806
581,000	Shri Ishar Alloys *	8,482,600
79,400	Tata SSL*	2,982,264
491,000	Supreme Petro Chemicals	5,695,600
26,050	Textool Industries	1,901,650
	Total (Cost Rs.24,668,750)	<u>19,267,920</u>
TOTAL INVESTMENTS AT MARKET VALUE		<u>6,874,782,500</u>
(Cost Rs.7,084,937,653)		=====

* Fair value as determined in good faith by Morgan Stanley Asset Management India Private Limited.

** Individual Securities with holding less than 5,000 shares and value less than Rs.500,000.

On written request, present and prospective unit holders can obtain a copy of the trust deed, the annual report and the offering circular.
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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