

**MORGAN STANLEY**  
**GROWTH FUND**

***To Our Valued Unit Holder,***

*We are pleased to present to you the fifth annual report of the Morgan Stanley Growth Fund (the "Fund") for the year ended March 31, 1999.*

*The year under review was the most interesting one for fund managers. The broad market remained largely unchanged and recorded only a marginal increase over the year. However, the market offered a number of opportunities in select sectors, which were a stock picker's delight.*

*The Fund realised significant benefits from these opportunities and recorded a huge outperformance against the benchmark indices, BSE 200 and S & P CNX 500. The Fund also retained its better ranking against its peers in the closed end mutual funds category. The combined strategy of weeding out marginal positions and restructuring the portfolio to orient it towards growth sectors helped achieve this performance.*

*You will find enclosed detailed results of the Fund for the financial year ended March 31, 1999 along with a commentary from the portfolio manager in which he shares with you his views on the Indian economy and equity markets, their prospects and the factors influencing the Fund's performance. We do hope that you find the report useful and informative.*

*In the last annual report, we shared with you the benefits of holding the Fund's units in an electronic form at the depository. We are pleased to inform you that as on date, nearly a quarter of the Fund's outstanding capital is currently held in an electronic form. We would encourage all investors to take advantage of this opportunity and eliminate the risk of holding securities in physical or paper form.*

*As 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. To this end, we are pleased to report that over the past year, your Fund and its asset management company have maintained their high standards in reporting and control systems. We greatly appreciate your participation as a unit holder of the Fund and look forward to another successful year.*

*Sincerely,*

*Michael F. Klein  
Principal Trustee*

*May 13, 1999*

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.

## PORTFOLIO MANAGER'S LETTER

*Dear Unit Holder,*

The Morgan Stanley Growth Fund (the "Fund") net asset value ("NAV") appreciated by 47% to register a record high of Rs.13.41 for the year ended March 31, 1999. During this period, the benchmark indices – BSE 200 and S & P CNX 500 – increased by 1% and 6% respectively. Since inception in January 1994, the Fund has outperformed the benchmark indices (see Table 1). The opportunity presented for stock picking in the last year coupled with the benefits of the portfolio restructuring exercise of previous years, helped achieve this outperformance. The Fund continues to remain amongst the best performing funds while compared with its peers in the closed end mutual funds category (see Table 2).

### **Review**

The Indian equity market has put in a surprisingly strong performance since late November. Most observers would characterise the rise as 'surprising' given the apparently negative developments during that period. The fourth quarter of 1998 was a particularly difficult time for the political economy. Economic activity decelerated sharply and the political situation was seen as being far from certain. However, as it seems with the help of hindsight, the fourth quarter may have marked an important inflection point for the political economy and set the base for better things to come.

The New Year has brought in some cheer with economic data coming in better than expected and a growing feeling amongst business houses that the worst may well be behind us. In what has become typical over the past few years, the Indian stock market managed to again stage a strong rally in the first quarter of the calendar year. Right through the bear market, now in its fifth year, the stock market has on average registered its strongest performance in the first quarter of the calendar year.

There was no apparent trigger for the sharp up-move but the rise in general was attributed to a) significant fall in the rate of inflation, a major issue with the electorate, which in turn facilitated the central bank to be more accommodative on the monetary side b) a feeling that the economic cycle could well be turning around and c) probably most importantly, a renewed attempt on the part of the policymakers to push ahead with key economic reforms. Also, sentiment had gotten very bearish late last year and in such circumstances it takes only marginal net buying to liven price action.

The leadership to the market, for the most part, was provided by the technology sector, which has for a fair while been operating in a bull-market zone of its own. While the technology sector did grab the headlines, along with some consumer goods and pharmaceutical stocks, the real story of the year on the Indian stock market, in our minds, has been the stellar performance of stocks outside the popular technology, pharmaceuticals and consumer good sectors. Even in some of the most run-down sectors, certain large-cap stocks have managed to rise by anywhere between 50-500 per cent over the past quarter.

So contrary to popular perception, the latest bull-run has not been confined to just three sectors. Market breadth has widened considerably and is reflected in the fact that the number of stocks traded this year has doubled from 900 to around 2,000. The sharp rallies in stocks outside the core growth sectors is also in keeping with the emerging global theme that favours economic cycle sensitive stocks. As Table 3 shows, our portfolio incorporates this new theme.

## Outlook and Strategy for 1999

The gruelling bear market conditions of the past four years and the recessionary trend in the real economy of the past thirty months has forced the Indian corporate sector to get into a very lean shape. Even though many corporates continue to reel under the pressure of an economy growing below trend, global experience clearly shows that when the macro-economy does turn around the return on equity in the micro-economy would stand to be very large. Here even though signs of any V-shaped recovery remain far from apparent there are the first indications that the economy could be past its worst point in the current cycle. The government's tax receipts along with the export numbers for the past couple of months endorse such a view with both these variables, for example, showing some growth.

Probably, the more important concern for the financial markets going forward is the fluid political situation. While we do think that the Indian economy has sufficient momentum to grow by six per cent in a favourable global deflation environment, the economy is still in need of major policy initiatives to move to a higher growth trajectory. India still ranks very low on various indices of economic freedom and it would take just small changes in the degree of economic freedom to get disproportionately higher changes in economic growth. With signs emerging of a revival of interest in emerging markets as an asset class, India could position itself as the 'most rapidly emerging economy' given the low base from where it is starting.

In a nutshell, we think the Indian stock market is on the edge of breaking out of a bear market. The breakout is being held back somewhat by the moribund macro-economy. However, based on the emerging trends, we remain hopeful that both the political and economic cycle will start moving in sync in the right direction in the coming few months and India will enter the new millennium on sound footing.

**VINOD SETHI**  
**Portfolio Manager**

**May 13, 1999**

**Table 1**

### MSGF NAV Performance v/s Benchmark Indices

<b>Period</b>	<b>MSGF NAV</b>	<b>BSE 200</b>	<b>S &amp; P CNX 500</b>
Quarter ending March 1999	+ 38.1%	+ 20.8 %	+ 23.5 %
Year ended March 1999	+ 46.6 %	+ 0.9 %	+ 6.0 %
Inception (Jan 94) to March 1999	+ 34.1 %	- 17.4 %	- 24.7 %

**Table 2**

### MSGF v/s Competition as of March 1999

<b>Period</b>	<b>No. of Funds</b>	<b>MSGF Rank</b>
3 Years	25	3
1 Year	30	1
3 Months	31	3

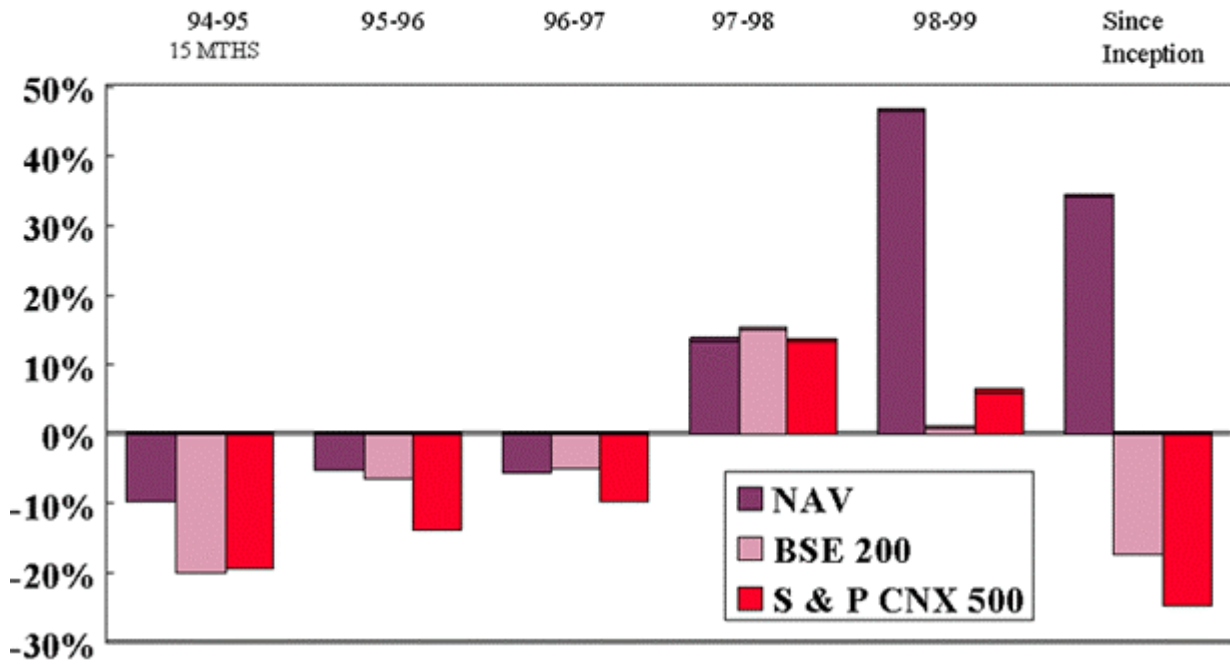
*Source: Value Research rankings of closed end growth funds.  
Business Standard (Smart Investor) April 5, 1999*

**Table 3****Comparison of Top Twenty Five Holdings of MSGF**

<b>March 31, 1997</b>	<b>March 31, 1998</b>	<b>March 31, 1999</b>
Bharat Heavy Electricals	Bharat Heavy Electricals	Infosys Technologies
Container Corp. of India	Container Corp. of India	Bharat Heavy Electricals
HDFC	Infosys Technologies	Hero Honda
State Bank of India	HDFC	HDFC
Infosys Technologies	State Bank of India	Zee Telefilms
Sundram Finance	Zee Telefilms	Tata Tea
MRF	Hero Honda	Burroughs Wellcome
Cipla	NIIT	Telco
Bharat Earth Movers	Cummins India	Container Corp. of India
Asahi India	Hind Lever Chemicals	SSI
Marico Industries	Cipla	Marico Industries
Foseco	Burroughs Wellcome	Cipla
HDFC Bank	Marico Industries	Bata India
Vikas WSP	Asahi India	Glaxo India
Atlas Copco	Wyeth Lederle	Agrevo India
Siltap Chemicals	MRF	E Merck
Shriram Honda	Hoechst Schering	Dr Reddy Labs
Hoechst Schering	Nestle	ITC
Burroughs Wellcome	Shriram Honda	Hind Lever Chemicals
Hind Power Plus	Software Solution	Abbot Laboratories
Zee Telefilms	Bata India	Larsen & Toubro
Hind Lever Chemicals	Foseco	Tata Infotech
Rane Madras	Tata Infotech	Novartis India
NRB Bearing	Vikas WSP	Wyeth Lederle
LG Balakrishna	Essel Packaging	Cummins India
<b>65.34% of Portfolio</b>	<b>80.90% of Portfolio</b>	<b>80.03% of Portfolio</b>

**Table 4**

**MSGF - yearly performance**



## **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, 1999, 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 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 Securities and Exchange Board of India (Mutual Funds) Amendment Regulations, 1998, 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, 1999 and its net surplus for the year ended on that date.
  - (ii) The Balance Sheet as at March 31, 1999, 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 and Securities and Exchange Board of India (Mutual Funds) Amendment Regulations, 1998.
  - (iii) The methods used to value non-traded securities as at March 31, 1999 in good faith are fair and reasonable.
3. We draw attention to Schedule 10, Note 10 to the accounts. It may be noted in this connection that our audit is not intended, designed nor performed to provide and accordingly does not provide any assurance that the internal systems of Morgan Stanley Dean Witter Investment Management Private Limited (formerly Morgan Stanley Asset Management India Private Limited) or those of its service providers/external dependencies are/or will be Year 2000 compliant and we are, therefore, unable to comment on the Management's opinion in this regard.

**K. H. VACHHA**

*Partner*

For and on behalf of

**PRICE WATERHOUSE**

*Chartered Accountants*

**Mumbai**

**May 13, 1999**

# BALANCE SHEET

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Balance Sheet as at March 31, 1999

	Schedule	March 31, 1999 Rs.	March 31, 1998 Rs.
<b>ASSETS</b>			
Investments	1	9,674,723,165	7,356,667,012
Deposits	2	325,100,000	19,400,000
Other Current Assets	3	400,217,312	52,587,657
Deferred Revenue Expenditure	4	-	152,751
<b>TOTAL</b>		<b>10,400,040,477</b>	<b>7,428,807,420</b>
<b>LIABILITIES</b>			
Initial Contribution by Settlor		500,000	500,000
Unit Capital	5	7,594,209,000	8,015,282,000
Reserves and Surplus	6	2,590,224,011	(678,965,597)
Current Liabilities and Provisions	7	215,107,466	91,991,017
<b>TOTAL</b>		<b>10,400,040,477</b>	<b>7,428,807,420</b>
<b>RECONCILIATION TO NET ASSET VALUE PER UNIT</b>			
Net Assets as per Balance Sheet (Total Assets less Current Liabilities and Provisions)		10,184,933,011	7,336,816,403
Number of Units in Issue		759,420,900	801,528,200
Net Asset Value per Unit		13.41	9.15

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 13, 1999

**For Morgan Stanley Mutual Fund**

ABID HUSSAIN <i>Trustee</i>	J.S.BAIJAL <i>Trustee</i>	B.RAI <i>Trustee</i>
B.M.BIGGS <i>Trustee</i>	M.F.KLEIN <i>Trustee</i>	

**For Morgan Stanley Dean Witter  
Investment Management Private Limited**

PAUL M.MARTIN  
*Director*

K.N.VAIDYANATHAN  
*Vice President*

# REVENUE ACCOUNT

## MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND

Revenue Account for the year ended March 31, 1999

	Schedule	Year ended March 31, 1999 Rs.	Year ended March 31, 1998 Rs.
<b>INCOME AND GAINS</b>			
Dividends (Note 2.4)		102,874,613	98,130,551
Interest	8	13,302,671	5,096,594
Provision for Outstanding Accrued Income Written Back (Net)		266,732	-
Net Profit on Sale of Investments (Note 2.3)		1,272,343,872	-
<b>TOTAL</b>		1,388,787,888	103,227,145
<b>EXPENSES AND LOSSES</b>			
Investment Management and Advisory Fees (Note 4)		79,723,899	76,056,436
Transfer Agent Fees and Expenses		29,100,000	28,186,057
Custodian Fees (Note 5)		16,761,498	23,062,304
Trusteeship Fees and Expenses (Note 6)		1,754,421	1,854,300
Audit Fees		800,000	600,000
Securities and Exchange Board of India Inspection Fees		284,211	500,000
Investor Communication Expenses		15,422,775	9,930,095
Amortisation of Deferred Revenue Expenditure (Note 2.7)		152,751	200,000
Provision for Outstanding Accrued Income (Net)		-	612,554
Net Loss on Sale of Investments (Note 2.3)		-	1,236,502,369
Other Operating Expenses		1,710,813	2,559,654
<b>TOTAL</b>		145,710,368	1,380,063,769
<b>Excess/(Deficit) of Income and Gains over Expenses and Losses</b>		1,243,077,520	(1,276,836,624)
Net change in unrealised appreciation/depreciation of investments	9	1,864,591,414	2,076,648,984
<b>Net Surplus transferred to Revenue Reserve</b>		3,107,668,934	799,812,360
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*  
Mumbai  
May 13, 1999

ABID HUSSAIN  
*Trustee*  
  
B.M.BIGGS  
*Trustee*

**For Morgan Stanley Mutual Fund**

J.S.BAIJAL  
*Trustee*  
  
M.F.KLEIN  
*Trustee*

B.RAI  
*Trustee*

**For Morgan Stanley Dean Witter  
Investment Management Private Limited**

PAUL M.MARTIN  
*Director*  
  
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, 1999 and the Revenue Account for the year ended March 31, 1999

<b>SCHEDULE 1</b>	<b>1999</b>	<b>1999</b>	<b>1998</b>	<b>1998</b>
<b>Investments</b> (Notes 2.2 and 7)	<b>Market/Fair Value Rs.</b>	<b>Cost Rs.</b>	<b>Market/Fair Value Rs.</b>	<b>Cost Rs.</b>
(Refer to attached Statement of Portfolio Holding as at March 31, 1999)				
Equity Shares	9,666,965,995	5,928,367,795	7,343,250,907	5,468,625,036
Units of Mutual Funds	1,649,970	2,202,125	1,898,685	2,244,645
Non Convertible Debentures	6,107,200	13,068,000	11,517,420	19,303,500
	9,674,723,165	5,943,637,920	7,356,667,012	5,490,173,181
<b>SCHEDULE 2</b>			<b>1999</b>	<b>1998</b>
<b>Deposits</b>			<b>Rs.</b>	<b>Rs.</b>
Deposits with Scheduled Banks			325,100,000	19,400,000
			325,100,000	19,400,000
<b>SCHEDULE 3</b>			<b>1999</b>	<b>1998</b>
<b>Other Current Assets</b>			<b>Rs.</b>	<b>Rs.</b>
Balance with Bank in Current Account			245,529	138,056
Sales Contracts Awaiting Completion				
- Equity Shares			385,972,147	44,486,598
Interest Receivable on				
- Debentures (net of provision of Rs.3,258,033 (1998: Rs.3,258,033))			156,600	440,604
- Deposits (including receivable for tax deducted at source Rs.55,521 (1998: Rs.55,521))			153,496	60,571
Dividends Receivable (net of provision of Rs.1,261,252 (1998: Rs.1,527,984) and including receivable for tax deducted at source Rs.2,197,912 (1998: Rs.2,197,912))			13,028,702	6,188,236
Miscellaneous Receivables			660,838	1,273,592
			400,217,312	52,587,657
<b>SCHEDULE 4</b>			<b>1999</b>	<b>1998</b>
<b>Deferred Revenue Expenditure (Note 2.7)</b>			<b>Rs.</b>	<b>Rs.</b>
At beginning of year			152,751	352,751
Amortised during the year			(152,751)	(200,000)
At end of year			-	152,751
<b>SCHEDULE 5</b>	<b>1999</b>	<b>1999</b>	<b>1998</b>	<b>1998</b>
<b>Unit Capital</b>	<b>Rs.</b>	<b>Units</b>	<b>Rs.</b>	<b>Units</b>
<b>Issued and Subscribed:</b>				
Units of Rs.10 each fully paid up	9,818,001,000	981,800,100	9,818,001,000	981,800,100
	9,818,001,000	981,800,100	9,818,001,000	981,800,100
<b>Outstanding</b>				
At beginning of year	8,015,282,000	801,528,200	8,550,206,000	855,020,600
Repurchased through secondary market operations (Note 2.5)	(421,073,000)	(42,107,300)	(534,924,000)	(53,492,400)
At end of year	7,594,209,000	759,420,900	8,015,282,000	801,528,200

<b>SCHEDULE 6</b>	<b>1999</b>	<b>1998</b>
<b>Reserves and Surplus</b>	<b>Rs.</b>	<b>Rs.</b>
<i>Unit Premium Reserve</i>		
At beginning of year	390,813,832	219,039,190
Discount on Repurchase of Units (Note 2.5)	161,520,674	171,774,642
At end of year	<u>552,334,506</u>	<u>390,813,832</u>
<i>Revenue Reserve</i>		
At beginning of year	(1,069,779,429)	(1,869,591,789)
Net Surplus transferred from Revenue Account	3,107,668,934	799,812,360
At end of year	<u>2,037,889,505</u>	<u>(1,069,779,429)</u>
<b>Total</b>	<u><u>2,590,224,011</u></u>	<u><u>(678,965,597)</u></u>

<b>SCHEDULE 7</b>	<b>1999</b>	<b>1998</b>
<b>Current Liabilities and Provisions</b>	<b>Rs.</b>	<b>Rs.</b>
Investment Management and Advisory Fees	8,891,306	6,044,934
Trusteeship Fees and Expenses	531,150	434,134
Fund Accounting and Administration Fees	-	12,300,000
Transfer Agent's Fees and Expenses	733,279	613,825
Audit Fees	800,000	600,000
Investor Communication Expenses	11,000,000	11,000,000
Custodian Fees	1,016,706	1,959,885
Purchase Contracts Awaiting Completion		
- Equity Shares	174,891,922	31,699,182
Rights Payable		
- Equity Shares	30,585	303,356
Calls Payable on Securities	-	900
Repurchase of Units	289,122	12,021,047
Sundry Payables	16,923,396	15,013,754
	<u>215,107,466</u>	<u>91,991,017</u>

<b>SCHEDULE 8</b>	<b>April 1, 1998 to</b>	<b>April 1, 1997 to</b>
<b>Interest (Note 2.4)</b>	<b>March 31, 1999</b>	<b>March 31, 1998</b>
	<b>Rs.</b>	<b>Rs.</b>
Debentures	577,504	1,827,578
Deposits	12,725,167	3,207,194
Others	-	61,822
	<u>13,302,671</u>	<u>5,096,594</u>

<b>SCHEDULE 9</b>	<b>April 1, 1998 to</b>	<b>April 1, 1997 to</b>
<b>Unrealised Appreciation/(Depreciation) in Value of Investments</b>	<b>March 31, 1999</b>	<b>March 31, 1998</b>
	<b>Rs.</b>	<b>Rs.</b>
Net unrealised appreciation/(depreciation) in value of investments at beginning of year	1,866,493,831	(210,155,153)
Net movement in unrealised appreciation/depreciation in value of investments during the year	1,864,591,414	2,076,648,984
Net unrealised appreciation in value of investments at end of year	<u>3,731,085,245</u>	<u>1,866,493,831</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 Dean Witter & Co (formerly known as Morgan Stanley Group Inc.), a corporation organised under the laws of the State of Delaware, United States of America. Morgan Stanley Dean Witter Investment Management Private Limited ("MSDWIM") (formerly known as 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/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 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 MSDWIM under procedures approved by the Board of Trustees.

### **2.3 Securities Transactions**

Investment securities transactions are accounted for on an accrual basis. The Fund uses the average cost method for determining 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 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.

### **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 amortised over a period of five years from the commencement of the Fund.

## **3. Income Taxes**

No provision for taxation has been made as the Fund qualifies as a recognised Mutual Fund under Section 10(23D) of the Income Tax Act, 1961. For taxes deducted at source from the investment income, which are recoverable, a receivable is recorded in the books of account.

## **4. Investment Management and Advisory Fees**

In accordance with the agreement between the Board of Trustees and MSDWIM, the Fund has provided for investment management and advisory fees payable to MSDWIM 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 MSDWIM 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. The Chase Manhattan Bank provides certain accounting services to the Fund at no cost to the Fund.

## **5. Custodian Fees**

Stock Holding Corporation of India Limited ("SHCIL") provides custodial services to the Fund. Custody fees are charged at 0.20% per annum for securities held by the custodian in the physical segment and at 0.03% per annum for securities held in the depository. Transaction fees for the purchase and sale transactions by value are charged at 0.20% in the physical segment subject to minimum of Rs. 4,000 and maximum of Rs. 10,000 per trade and at 0.05% in the depository segment. In addition, SHCIL will be reimbursed for the custody and transaction charges levied by National Securities Depository Limited as set from time to time.

## **6. Trusteeship Fees**

In accordance with the agreement dated November 3, 1993 between Morgan Stanley Dean Witter & Co. ("the Settlor") (formerly known as Morgan Stanley Group Inc.) and the Board of Trustees, the Fund has paid or provided for an annual fee of the rupee equivalent of US\$5,000 and a fee of the rupee equivalent of US\$500 per meeting attended, to each of the trustees not affiliated with the Settlor.

## **7. Aggregate Value of Purchases and Sales of Investments**

During the year ended March 31, 1999 purchases and sales of investment securities aggregated Rs.₹4,011,426 and Rs. 3,952,890,559 respectively, being 40.16% and 50.65% of the average weekly net asset value.

## **8. Income/ Expenditure**

The total income (including net profit on sale of investments and net change in unrealised appreciation/depreciation in the value of investments) and total expenses for the year is Rs.₹253,379,302 and Rs.145,710,368 respectively, being 41.69% and 1.87% of the average weekly net asset value.

**9. Historical Per Unit Statistics \***

	<b>April 1, 1998 to March 31,1999 Rs.</b>	<b>April 1, 1997 to March 31,1998 Rs.</b>	<b>April 1, 1996 to March 31,1997 Rs.</b>
(a) Net asset value per unit at end of year	13.41	9.15	8.07
(b) (i) Gross income other than profit from sale of investments	0.15	0.12	0.16
(ii) Gross income from profit on inter scheme sales/transfer of investments	-	-	-
(iii) Gross income from profit on sale of investments to third parties	1.64	-	-
(iv) Transfer of revenue account from past year's reserve	-	-	-
Gross income and gains	1.79	0.12	0.16
(c) Aggregate of expenses and netrealised losses	0.19	1.67	0.98
(d) Net income/(loss) (b) - (c)	1.60	(1.55)	(0.82)
(e) Net change in unrealised appreciation/depreciation in value of investments	2.40	2.51	0.34
(f) Repurchase price (market buyback)			
(i) Highest	6.30	7.90	Not Applicable
(ii) Lowest	5.99	5.85	Not Applicable
(g) Resale price			
(i) Highest	Not Applicable	Not Applicable	Not Applicable
(ii) Lowest	Not Applicable	Not Applicable	Not Applicable
(h) Market price			
(i) Highest	9.00	9.50	7.40
(ii) Lowest	3.25	5.50	6.00
(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	1.87%	1.95%	2.16%
(k) Ratio of gross income (including net profit/loss on sale of investments and net change in unrealised appreciation/depreciation in value of investments) to average net assets	41.69%	12.83%	(3.71%)

\* The above per unit calculations with the exception of the net asset value per unit are based on the weighted average number of units in issue over the relevant year.

**10. Year 2000**

- i) The investment management and advisory services provided to the Fund by MSDWIM depend on the smooth operation of the systems of MSDWIM. Many computer and software systems in use today cannot recognise the Year 2000, but revert to 1900 or some other date, due to the manner in which dates were encoded and calculated. That failure could have a negative impact on the handling of securities trades, pricing and accounting services. MSDWIM has been actively working on necessary changes to its own computer systems to deal with the Year 2000 problems and expects that its systems will be adapted before that date. This effort is fully resourced up to and throughout the event period, and is expected to evolve over the course of 1999. There can be no assurance, however, that the efforts of MSDWIM will be successful. In addition, service providers to the Fund may be faced with similar problems. MSDWIM is monitoring their remedial efforts, but there can be no assurance that they and the services they provide will not be adversely effected.
- ii) The costs associated with remediation of systems at MSDWIM and the service providers to the Fund will not be charged to the Fund.
- iii) MSDWIM is in the process of developing and testing additional levels of contingency capability as part of managing the Year 2000 event.

**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 13, 1999

**For Morgan Stanley Mutual Fund**

ABID HUSSAIN  
Trustee

J.S.BAIJAL  
Trustee

B.RAI  
Trustee

B.M.BIGGS  
Trustee

M.F. KLEIN  
Trustee

**For Morgan Stanley Dean Witter  
Investment Management Private Limited**  
PAUL M.MARTIN  
Director

K.N.VAIDYANATHAN  
Vice President

**MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND**  
**Statement Of Portfolio Holding as at March 31, 1999**  
(Referred to in Schedule 1 to the Balance Sheet as at March 31, 1999 and the Revenue Account for the year ended March 31, 1999.)

Quantity	Company Name	Market Value (Rs.)	Rs.	Quantity	Company Name	Market Value (Rs.)	Rs.		
<b>EQUITY SHARES (99.92%)</b>									
Appliances & Household Durables (0.75%)				Financial Services (4.81%)					
345,900	Carrier Aircon	72,396,870	72,396,870	203,895	HDFC	464,880,600	464,880,600		
Automobiles (12.44%)				Health & Personal Care (20.19%)					
197,300	Asahi India Safety Glass	62,938,700		92,100	Abbot Laboratories	135,686,325			
590,150	Denso India	20,655,250		516,130	Bausch & Lomb	73,342,073			
570,704	Hero Honda	498,664,388		336,309	Burroughs Wellcome (India)	332,861,833			
39,341	MRF	76,242,858		171,550	Cipla	240,170,000			
103,900	Rane Brakes & Lining	13,507,000		23,300	Dabur	15,191,600			
194,450	Rane Madras	11,278,100		200,000	Dr. Reddy Labs	172,400,000			
182,800	Shanthi Gears	10,785,200		340,000	Eastern Medikit *	6,001,000			
114,420	Sundaram Brake Lining	20,023,500		239,950	E Merck	173,783,788			
260,450	Sundaram Fastener	93,175,988		210,350	Glaxo India	192,890,950			
1,930,390	TELCO	326,621,988		334,800	Marico Industries	246,998,700			
132,500	TVS Suzuki	64,130,000		78,500	Nestle India	45,216,000			
34,350	Wheels India	4,637,250	1,202,660,222	128,250	Novartis India	119,529,000			
Banking (1.38%)				170,100 Wyeth Lederle				113,967,000	1,950,585,632
518,700	HDFC Bank	35,868,105		Industrial Components (1.29%)					
458,383	State Bank of India	97,818,932	133,687,037	349,100	Esab India	34,613,265			
Beverages & Tobacco (1.55%)				180,918 IBIL Technologies*				2,171,016	
155,603	I T C	149,845,689	149,845,689	494,000	ITW Signode	51,623,000			
Broadcasting & Publishing (4.39%)				235,500 KSB Pump				36,502,500	124,909,781
148,100	New Delhi Television *	19,993,500		Machinery & Engineering (2.22%)					
409,550	Zee Telefilms	404,123,463	424,116,963	268,750	Alfa Laval (India)	61,275,000			
Building Materials & Components (1.15%)				147,000 Elgi Equipments				35,544,600	
196,400	ICI India	42,736,640		895,220	Hindustan Power Plus	35,271,668			
564,658	Vesuvius Industries	68,775,344	111,511,984	155,643	LG Balkrishna Bros.	7,237,400			
Chemicals (4.58%)				248,400 NRB Bearing				16,444,080	
201,000	Agrevo India	178,990,500		208,250	Rane Engines *	18,575,900			
170,250	BASF India	32,778,800		290,000	Shaily Engineering *	675,700			
239,700	Foseco India	64,215,630		15,140	Widia India	39,666,800	214,691,148		
245,824	Hind Lever Chemicals	142,516,464		Materials & Commodities (2.09%)					
62,755	Punjab Chemicals	12,990,285		309,676	Essel Packaging	84,077,034			
222,675	Sudarshan Chemicals	10,799,738	442,291,417	2,032,600	Oil Country Tubular	27,643,360			
Construction & Housing (0.02%)				222,200 Vikas WSP				90,657,600	202,377,994
202,500	Dharti Dredging *	2,025,000	2,025,000	Miscellaneous (0.04%) **					
Data Processing & Software (21.13%)				150,000 Aldrich Pharmaceuticals *				15,000	
544,725	Infosys Technologies	1,591,356,225		1,367	Bajaj Tempo	180,444			
25,325	NIIT	47,397,844		1,400	BFL Software	1,605,100			
400,600	SSI	282,101,900		500	Castrol India	422,000			
71,982	Tata Infotech	121,379,648	2,042,235,617	800	Centak Chemicals	135,520			
Electricals & Electronics (8.49 %)				2,000 Crompton Greaves				71,900	
2,992,700	Bharat Heavy Electricals	710,766,250		100	Cyanamid Agro	44,800			
156,300	Control & Switchgear *	7,815,000		2,060	Indian Petrochemical	227,630			
289,750	Cummins India	102,643,938	821,225,188	13	Indo Rama Synthetics	104			
Energy Equipment & Services (1.39%)				200 Ingersoll Rand				109,000	
227,900	Amar Raja Batteries	65,179,400		100	IP Rings	6,385			
200,400	Jyoti Structural	13,767,480		400	ITC Hotels	39,980			
322,500	Honda SIEL	55,695,750	134,642,630	660	Lakme	85,536			
				650 Mahavir Spinning				26,325	
				135 Max India				27,500	
				280 Motherson Sumi				17,822	
				340,000 Patheja Brothers & Forging *				0	

**MORGAN STANLEY MUTUAL FUND - MORGAN STANLEY GROWTH FUND**  
**Statement Of Portfolio Holding as at March 31, 1999**  
(Referred to in Schedule 1 to the Balance Sheet as at March 31, 1999 and the Revenue Account for the year ended March 31, 1999.)

Quantity	Company Name	Market Value (Rs.)	Rs.	Quantity	Company Name	Market Value (Rs.)	Rs.
680	Philips India	108,324					
100	RS Software	20,810					
70	Sandvik Asia	77,350					
45,000	Sri Venkatesa Mills *	253,350					
61,818	Sri Ramakrishna Mills *	268,290					
70,500	Targoff Drugs *	0					
100	Videsh Sanchar Nigam	66,000					
3	VST Tillers	57	3,809,227				
<b>Multi Industry (1.33%)</b>							
548,356	Larsen & Toubro	128,315,304	128,315,304				
<b>Recreation &amp; other Consumer Goods (7.32%)</b>							
728,400	Bata India	204,316,200					
158,700	EIH	33,660,270					
132,720	Kodak India	47,613,300					
793,300	Tata Tea	383,957,200					
1,000,600	Timex Watches	17,010,200					
179,535	Titan Industries	14,219,172					
252,500	VIP Industries	7,070,000	707,846,342				
<b>Textiles &amp; Apparel (0.10%)</b>							
121,700	Madura Coats	6,085,000					
252,400	Pearl Global	3,786,000	9,871,000				
<b>Transportation - Road &amp; Rail (3.34%)</b>							
1,836,500	Container Corporation of India	323,040,350	323,040,350				
	<b>Total (Cost Rs 5,928,367,795)</b>		<u>9,666,965,995</u>				
<b>UNITS OF MUTUAL FUNDS (0.02%)</b>							
170,100	UTI Master Gain	1,649,970	1,649,970				
	<b>Total (Cost Rs.2,202,125)</b>		<u>1,649,970</u>				
<b>NON-CONVERTIBLE DEBENTURES (0.06%)</b>							
581,000	Shri Ishar Alloys *	4,264,540					
26,100	Textool Industries	1,842,660	6,107,200				
	<b>Total (Cost Rs.13,068,000)</b>		<u>6,107,200</u>				

**TOTAL INVESTMENTS AT MARKET VALUE** 9,674,723,165  
(Cost Rs.5,943,637,920)

\*Fair value as determined in good faith by Morgan Stanley Dean Witter Investment Management Private Limited under procedures approved by the Board of Trustees.

\*\*Individual securities with holding less than 5,000 shares or value less than Rs.500,000.

Confirmation has been received from Stock Holding Corporation of India Limited at theyear end of the investments held by them.

**MSGF Per Unit Assets and Liabilities as at March 31, 1999**

<b>ASSETS</b>	
Equities	12.73
Fixed Income Securities	0.01
Deposits	0.43
Other Current Assets	0.52
<b>Total Assets Marked to Market</b>	<b>13.69</b>
<b>LIABILITIES</b>	<b>(0.28)</b>
<b>NET ASSET VALUE</b>	<u><b>13.41</b></u>
Capital	10.00
Net Reserves	3.41
<b>NET ASSET VALUE</b>	<u><b>13.41</b></u>

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

Contact: Karvy Consultants Ltd., 21, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034

***Mutual Fund :***

MORGAN STANLEY MUTUAL FUND

***Trustees :***

ABID HUSSAIN

J.S. BAIJAL

B. RAI

B.M. BIGGS

M.F. KLEIN

***Scheme :***

MORGAN STANLEY GROWTH FUND

***Asset Management Company :***

MORGAN STANLEY DEAN WITTER  
INVESTMENT MANAGEMENT PRIVATE  
LIMITED

***Custodian :***

STOCK HOLDING CORPORATION  
OF INDIA LIMITED

***Registrar & Transfer Agent :***

KARVY CONSULTANTS LIMITED

***Legal Advisor :***

LITTLE & CO.

***Auditor :***

PRICE WATERHOUSE

***Banker :***

STANDARD CHARTERED BANK