

INTRODUCTION

The investment objective of Morgan Stanley Growth Fund ("MSGF" or the "Scheme") is long-term capital appreciation. In seeking to achieve this objective, the Scheme will invest primarily in equity and equity-related securities issued by Indian companies. See "Investment Objective, Policies and Limitations".

MSGF is a close-ended scheme of Morgan Stanley Mutual Fund ("MSMF"), which has been sponsored by Morgan Stanley Asset Management India Private Limited ("MSAM India"). MSAM India is a subsidiary of Morgan Stanley Group Inc. ("Morgan Stanley"), which is an internationally reputed financial services company. MSMF is registered with the Securities and Exchange Board of India ("SEBI"). See "Management and Administration". Investment in MSGF involves certain risks and special considerations associated with making investments in securities. No assurance can be given that the Scheme's investment objective will be achieved. See "Risk Factors and Special Consideration".

The offering of Units of MSGF will be open for subscription commencing on 6th January 1994 and will remain open until one day after notice of the date of closure has been given through advertisement in major national daily newspapers. The earliest closure date will be three working days after the opening date and the latest closure date will be twelve working days after the opening date. If subscriptions for at least 18 crore Units have not been received by the closure date, the offering will be terminated and all subscriptions will be returned within 78 days from the closure date. In the event that the issue is oversubscribed, allotments will be made on a "first come, first served" basis. However, MSMF reserves the right to accept or reject any subscription, including accepting subscriptions in excess of the target amount. See "Terms of the Issue".

Application has been made to list the Units of MSGF on the Bombay, Calcutta, Delhi, Madras and Ahmedabad Stock Exchanges, with trading to commence within 10 weeks from the closure date.

Prior to this offering, there has been no public market for Units of MSGF. This Offering Circular contains information a prospective investor should know before investing and should be retained for future reference. See "Terms of the Issue". The minimum subscription is 100 Units, and in multiples of 100 Units thereafter.

No person has been authorised to give any information or to make any representations not contained in this Offering Circular in connection with this offering and any information or representations not contained herein must not be relied upon as having been authorised by MSMF or the Lead Managers. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

In this Offering Circular all reference to "US\$" or "\$" are to United States dollars and to "Rs." are to Indian rupees. On 30th September 1993 the approximate exchange rate between the United States dollar and the Indian rupee was US\$ 1.00 = Rs.30.00, and unless otherwise specified, all United States dollars and Indian rupees have been so converted at such exchange rate. No representation is made that the United States dollars or Indian rupee amounts could have been or could be converted into Indian rupees or United States dollars at any particular rate at all.

The terms of this offering have been prepared in accordance with Securities and Exchange Board of India (Mutual Fund) Regulations 1993. The units being offered for public subscription have not been approved or disapproved by Securities and Exchange Board of India (SEBI). Further, SEBI has not certified on the accuracy nor on the adequacy of the Offering Circular.

SUMMARY

This summary is derived from, and should be read in conjunction with, the full text of this Offering Circular.

THE SCHEME

- : Morgan Stanley Growth Fund (“MSGF” or the Scheme”), a close-ended scheme of Morgan Stanley Mutual Fund (“MSMF”) which is registered with SEBI.

INVESTMENT OBJECTIVE & POLICIES

- : The investment objective of the Scheme is to achieve long-term capital appreciation by investment primarily in equity and equity-related securities of Indian Companies. Under normal circumstances, at least 70% of the Scheme’s total assets will be invested in equity and equity-related securities. In addition, the Scheme may purchase debt securities, which are considered to present an opportunity for long-term capital appreciation. No assurance can be given that the Scheme’s Investment objective will be realised. See “Investment Objective, Policies and Limitations”.

THE OFFER

- : The targeted amount to be issued is Rs. 300 crores. Units will be issued at a price of Rs. 10 per Unit, payable in full upon application. The offer will be open for subscription commencing 6th January, 1994 and will remain open until one day after notice of the date of closure is given through advertisement in major national daily newspapers, with the earliest date of closure being three working days after the opening date and the latest issue of closure being twelve working days after the opening date. If subscriptions for at least 18 crores Units have not been received by the closure date, the offering will be terminated and all subscriptions will be returned within 78 days from the closure date. In the event that the issue is oversubscribed, allotments will be made on a “first come, first served” basis. However, MSMF reserves the right to accept or reject any subscriptions, including subscriptions in excess of the targeted amount. See “Terms of the Issue”.

MINIMUM SUBSCRIPTION

- : 100 Units, and in multiples of 100 Units thereafter.

ASSET MANAGEMENT COMPANY

- : Morgan Stanley Asset Management India Private Limited (“MSAM India”) will be the asset management company for the Scheme. MSAM India is an affiliate of Morgan Stanley Asset Management Inc. (“MSAM”), which provides portfolio management and fiduciary services to institutions, international organisations and individuals investing in the world’s equity and fixed-income markets. Both

MSAM and MSAM India are subsidiaries of Morgan Stanley Group Inc., which is an internationally reputed financial services company. As at 31st July, 1993, MSAM has assets under management, including assets under fiduciary advisory control, totalling approximately US\$ 44.2 billion (approximately Rs.132,600 crores). MSAM is one of the leading money managers in emerging markets with over US\$ 3.3 billion (approximately Rs. 9,900 crores) currently invested in developing countries. See “Management and Administration”.

DIVIDEND POLICY

- : It is currently intended that all of the Scheme’s net investment income and capital gains will be reinvested in its investment portfolio. The Scheme will therefore ordinarily not declare dividends. However, the Board of Trustees of MSMF (the “Board”) may, if it deems advisable, declare dividends or distribution of profits in cash or in Units of the Scheme from time to time.

LISTING

- : Applications have been made for the Units to be listed on the Bombay, Calcutta, Delhi, Madras and Ahmedabad Stock Exchanges. Trading in the Units is expected to commence within 10 weeks from the closure date of the offering.

DURATION OF THE SCHEME

- : The duration of the Scheme is 15 years from the date of allotment. However, the scheme may be liquidated any time prior to the expiration of the 15 years under the following circumstances :
 - On the happening of any event which, in the opinion of the Board, requires the Scheme to be wound up.
 - If seventy five percent of the Unitholders pass a resolution that the Scheme be wound up.
 - If SEBI so directs in the interest of the Unitholders.

RISK FACTORS

- : Investment in the Scheme should be regarded as long-term in nature. Investing in Units of the Scheme entails certain risks and considerations of which an investor should be aware. The attention of investors is drawn to “Risk Factors and Special Considerations”.

INVESTMENT OBJECTIVE, POLICIES AND LIMITATIONS

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Scheme is to provide investors a vehicle for long-term capital appreciation. The Scheme will seek to achieve this objective through investment, primarily in equity and equity-related securities of Indian companies.

It is anticipated that at least 70% of the Scheme's total assets will be invested in equity and equity-related securities issued by Indian companies. Debt securities will be purchased when MSAM India believes that they present an opportunity for achieving the Scheme's investment objective of long-term capital appreciation. Securities in which the Scheme may invest include those listed on the Stock Exchanges of India, including the OTC Exchange of India, as well as unlisted securities. Assets of the Scheme, however, will be invested only in transferable securities.

Investments in debt securities are generally considered to have a lower risk profile than equities. While investments made by the Scheme are expected to be mainly liquid, the proposed investment mix for the Scheme will present a medium risk profile.

The Scheme will purchase securities in public offerings and rights issues, as well as those traded in the secondary markets. It may also invest in securities placed directly by the issuer or acquired in negotiated transactions. Cash balances of the Scheme will be invested in short-term debt obligations, money market instruments and bank obligations and deposits pending investment in accordance with the Scheme's investment objective and when MSAM India believes that a defensive posture with respect to the equity markets is warranted. When such market conditions exist, the Scheme may hold up to 100% of its assets in such investments. The Scheme may also retain such amounts in cash or cash equivalents as the Board deems appropriate for the purposes of paying the Scheme's anticipated expenses.

MSAM India will endeavour to identify Indian companies with sound management, a good track record and technology; businesses which are internationally competitive and/or have branded products/services with significant growth potential. Given the rapidly changing economic environment, there are inherent risks in designing a long-term portfolio in India. However, MSAM India believes that good fund management can be proactive in identifying and seizing opportunities and in reducing these risks through research and analysis. This means that investments will be selected for the long-term value they possess rather than for their short-term gain or income potential. It also means that MSAM India will prefer to buy "good value" stocks for the Scheme even if they do not have the liquidity of high-priced speculative stocks. Such a strategy is facilitated because of the close-ended nature of the Scheme.

INVESTMENT LIMITATIONS

Pursuant to the SEBI (Mutual Funds) Regulation, 1993 (the "SEBI Guidelines"), the following investment limitations are applicable to the Scheme:

1. Investments in privately placed debentures, securitised debts and other unquoted debt instruments shall not exceed 10% of the total assets of the Scheme.
2. Debt instruments should be rated as investment grade by a credit rating agency. In case a debt instrument is not rated, the specific approval of the Board shall be obtained prior to investment.
3. No term loans for any purpose will be advanced by the Scheme.
4. The Scheme shall not invest more than 5% of its total assets in any one company's shares.
5. MSMF under all its schemes, including the Scheme, taken together will not own more than 5% of any company's paid up capital carrying voting rights.
6. MSMF under all its schemes, including the Scheme, taken together will not invest more than 10% of its total combined assets in the shares, debentures or other securities of a single company.

7. MSMF under all its schemes, including the Scheme, taken together, except for those not specifically created for investment in one or more specified industries, shall not invest more than 15% of its total combined assets in the shares or debentures of issuers in any one industry.
8. Transfers of investments from one scheme to another scheme, including the Scheme, under MSMF shall be allowed only if :-
 - (a) Such transfers are made at the prevailing market price for quoted securities on spot basis;
 - (b) The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made; and
 - (c) The accounting and registration of the transaction is completed and is ratified at the next meeting of the Board.
9. The Scheme shall not engage in option trading, short selling or carry-forward transactions or badla transactions, nor shall it borrow funds to finance its investments.
10. The Scheme shall not enter into any transactions, which exposes it to unlimited liability or results in the encumbering of its assets in any way.
11. The Scheme shall not invest in or lend to another scheme managed by MSAM India.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Investing in the Scheme involves certain risks and considerations associated with making investments in securities. There can be no assurance the Scheme will achieve its objective. The value of the Scheme's investments may be affected generally by factors affecting capital markets, such as interest rates, currency exchange rates, foreign investment, changes in governmental policy, taxation and political, economic or other developments. Consequently, the net asset value of the Scheme may fluctuate, and the value of the Scheme's Units may go down as well as up. The Units may also trade at a discount to the

Scheme's net asset value. Past performance of the sponsors is not necessarily indicative of future performance of the Scheme.

In addition, the stock markets in the past have experienced substantial price volatility and no assurance can be given that such volatility will not occur again in the future. The stock markets in the past also have been subject to closure and there can be no certainty that this will not recur. A large percentage of market capitalisation and trading value on the stock exchanges is represented by a relatively small number of issuers.

Investors therefore are urged to study the terms of offer carefully before they invest in the Scheme. MSGF is only the name of the Scheme and does not in any manner indicate either the quality of the Scheme, its future prospects or the returns.

MANAGEMENT AND ADMINISTRATION

CONSTITUTION OF MSMF AND THE SCHEME

MSMF has been constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) and is registered as a trust under the Indian Registration Act, 1908. MSMF was registered with SEBI on 5th November, 1993.

The Registered Office of MSMF is at c/o. Morgan Stanley Asset Management India Pvt. Ltd., 86, Maker Chambers VI, Nariman Point, Bombay 400 021.

MSGF, a close-ended scheme of MSMF, is the first Scheme to be floated under MSMF.

THE SPONSOR

MSMF is sponsored by Morgan Stanley, which is an internationally reputed financial services company. Details regarding Morgan Stanley appear below under "Information regarding Morgan Stanley".

BOARD OF TRUSTEES

The Board of Trustees of MSMF (the "Board") shall manage MSMF. The members of the Board are :-

MR. BARTON M. BIGGS

1221, Avenue of the Americas, New York, NY 10020, USA.

Mr. Biggs joined Morgan Stanley as a General Partner and Managing Director in 1973. He initiated the Research Department and is currently Director of Global Research and Strategy. "Institutional Investor" magazine named him as a strategist to its All-American Team ten times. Mr. Biggs founded MSAM in 1975 and is its Chairman. He is a member of the Operating Committee and Executive Committee of Morgan Stanley Inc. and serves on its Board of Directors. Mr. Biggs also is a Managing Director of Morgan Stanley & Co., Incorporated. He is also the Chairman and Supervisory Director of the India Magnum Fund N.V., and serves as the Chairman and Director of the Latin American Discovery Fund, Inc. and Morgan Emerging Markets Fund, Inc.

DR. ABID HUSSAIN

Jawahar Nagar, Dr. Rajendra Prasad Road, New Delhi 110 001.

Dr. Abid Hussain is a renowned economist and a fiscal and monetary policy specialist. He is a member of the Indian Administrative Service and has held the following senior positions: Secretary, Department of Heavy Industries, Secretary, Ministry of Commerce; Member, Planning Commission; Ambassador to the United States of America. He has chaired important UN/ESCAP sessions and delivered key-note addresses at numerous international forums. In addition, he has negotiated trade agreements with the U.S.A., USSR, the People's Republic of China and several other countries.

DR. LOVRAJ KUMAR

77, Sundar Nagar, New Delhi 110 003.

Dr. Lovraj Kumar has served the Government of India in various capacities, including : Advisor, Ministry of Defence and Economic Coordination; Advisor,

Ministry of Petroleum and Chemicals; Chairman Bureau of Industrial Costs and Prices; Secretary, Ministry of Industry and Secretary, Ministry of Steel. After his retirement in 1984, he has held the following posts: Advisor to the Government of India Advisory Board on Energy; Chairman of several government committees on petroleum, energy, chemical industry and others; Trustees for the World Wide Fund for Nature India; and Chairman of DCL Polyesters Ltd. Dr. Kumar is on the board of Companies such as United Carbon India Ltd., Bata India Ltd., EID Parry Ltd., among others.

MR. WARREN J. OLSEN

1221, Avenue of the Americas, New York, NY 10020, USA.

Mr. Olsen is a Principal of Morgan Stanley & Co. Incorporated and is responsible for Morgan Stanley's mutual fund business. He also serves as Vice President of MSAM. He is President of The Malaysia Fund, Inc. and The Thai Fund Inc. Mr. Olsen is President and Director of The Brazilian Investment Fund, Inc., The Latin American Discovery Fund, Inc., Morgan Stanley Emerging Markets Fund, Inc., Morgan Stanley Fund, Inc., Morgan Stanley Institutional Fund, Inc., PCS Cash Fund, Inc. and the Turkish Investment Fund, Inc. Mr. Olsen also currently serves as a Director of The India Magnum Fund N.V., The Morgan Stanley Emerging Growth Stock Institutional Portfolio, Morgan Stanley Emerging Markets Portfolio, Morgan Stanley High Yield Institutional Portfolio, Morgan Stanley Japanese Warrant Fund N.V., Morgan Stanley SICAV and The Portuguese Investment Fund Ltd. Mr. Olsen is also a member of the New York State Bar and is a certified public accountant.

DUTIES AND POWERS OF THE BOARD

Under the SEBI Regulations, the Board has various obligations. The Board is responsible for appointing and contracting with MSMF's investment manager, custodians and other service providers. The Board also is responsible for holding the Scheme's properties in trusts and for providing reports and information regarding MSMF and the Scheme to SEBI and the Unitholders. It is the Board's responsibility to ensure that MSMF is operated in accordance with the SEBI Regulations.

In addition, the Board has been granted certain powers pursuant to the Deed to Trust constituting MSMF. These powers include the ability to float schemes under MSMF and permit the Board to authorise MSAM India to engage in various transactions in managing the Scheme's investment portfolio.

The Board may also prescribe forms and rules to give effect to the provisions of MSMF, the Scheme and the various agreements associated therewith, with the power granted to the Board to add, alter or amend all or any of such forms and rules with prior approval of SEBI. All such amendments will be in conformity with the SEBI regulations and/or guidelines or notifications issued by the Government of India. In addition, any amendments to the Scheme would be made after the prior concurrence of SEBI.

ASSET MANAGEMENT COMPANY

The Board has appointed MSAM India as the asset management company for MSMF, taking into account the requirements of the SEBI Regulations. MSAM India has entered into an Investment Management and Advisory Agreement with MSMF, pursuant to which MSAM India will supervise the operations of MSMF and manage the assets of MSMF's schemes. MSAM India is a private limited company incorporated under the Companies Act, 1956 on 12th October, 1993 and is a subsidiary of Morgan Stanley. MSAM India was approved to act as an asset management company for MSMF by SEBI on 5th November, 1993.

The appointment of MSAM India as the asset management company can be terminated with the approval of SEBI and upon an unanimous resolution of the Board or by 75% of the Unitholders of the Scheme.

Under the Investment Management and Advisory Agreement, MSAM India will provide MSMF with a variety of services, including assisting in this offering of the Scheme's Units, managing and trading the securities comprising the Scheme's investment portfolio and developing and managing other schemes under MSMF. MSAM India also has agreed to do all things required for the proper and efficient management of MSMF's business and affairs, as well as to obtain tax benefits for the unitholders of MSMF's schemes as described under "Taxation" below.

The Registered Office of MSAM India is 86, Maker Chambers VI, Nariman Point, Bombay 400 021.

The members of the Board of Directors of MSAM India are:

MR. G. DAVID BRINTON

49, Grossett Road, Riverside, CT 06878, USA.

Mr. G. David Brinton is a senior associate in the New York law firm of Rogers & Wells and specialises in mutual fund and investment company regulations. He has over eight years of experience in this area and has worked on structuring various U.S and offshore funds.

MR. MADHAV DHAR

20, Waterside Plaza, New York, NY 10010, USA.

Mr. Madhav Dhar is a Managing Director of Morgan Stanley. He joined MSAM in 1984 to focus on global asset allocation and investment strategy. He heads MSAM's emerging markets group, which has approximately US\$3.3 billion (approximately Rs. 9,900 crores) under management as of 30th September, 1993, and serves as the principal portfolio manager of the global emerging market portfolios. Mr. Dhar also coordinates MSAM's developing country effort and has been involved in the launching of each of Morgan Stanley's country funds. He is the Director of the Morgan Stanley Emerging Markets Fund, Inc.

MR. LEONARD B. MACKEY, Jr.

222, Riverside Drive, New York, NY 10025, USA.

Mr. Leonard B. Mackey, Jr. is a partner in the law firm of Rogers & Wells and specialises in mutual fund and investment company regulations. He has over 15 years of experience in advising mutual funds, closed-end funds and investment advisers primarily in the United States, but also in other jurisdictions.

MR. HAROLD SCHAAFF

15, West 84th Street, New York, NY 10024, USA.

Mr. Harold Schaaff is the General Counsel and Secretary of MSAM and is a Vice President of Morgan Stanley. Prior to joining Morgan Stanley in 1989, he was attorney with the New York law firm of Sullivan & Cromwell. As the General Counsel and Secretary of MSAM, Mr. Schaaff is responsible for all legal, compliance and corporate secretarial matters arising in connection with MSAM's business. He is a member of the Bars of the State of California and the State of New York.

CUSTODIAN

The Board has entered into a Custody Agreement with Stock Holding Corporation of India Ltd. ("SHCIL") pursuant to which it will provide various custodial services for the Scheme's investment portfolio securities. These services include receiving, registering and holding the Scheme's investment portfolio securities, and releasing such securities only upon MSAM India's authorisation in connection with a sale and receiving the proceeds thereof. In addition, SHCIL shall receive and hold all distributions made upon the Scheme's portfolio securities. SHCIL shall also forward all information received regarding such securities to MSMF.

MSMF shall pay to SHCIL custodial fees for its services which are calculated based upon the nature of the Scheme's investment portfolio securities and the transactions in which such securities are acquired or disposed of. While the fees vary, the maximum fee will be 0.35% of the value of the transaction involving a portfolio security. SHCIL also will be reimbursed for all reasonable out of pocket expenses incurred by it in the performance of its duties.

MSMF will also maintain one or more accounts with the Hong Kong and Shanghai Banking Corporation Ltd. ("HKSB") in Bombay for the custody of cash and certain cash-related assets.

MUTUAL FUND ACCOUNTING AND ADMINISTRATION

MSAM India will appoint Morgan Stanley Bank Luxembourg ("MSBL") to perform mutual fund accounting and administration services for MSMF. Such services are very specialised and responsibility is usually contracted to a service provider. MSBL performs such activities for a number of the MSAM offshore funds out of its facilities in Luxembourg. For MSMF, these services are expected to include computing the net asset value ("NAV") per Unit of the Scheme on a weekly basis, maintaining MSMF's books and records, monitoring compliance with the Scheme's investment limitations as well as the SEBI Regulations and other regulations, preparing and distributing reports on the Scheme to the Unitholders and SEBI and monitoring the performance of MSMF's custodians and other service providers. MSBL currently provides some of these services to the Indian Magnum Fund N.V. and, as a result, has developed a good understanding of the Indian securities market and has worked closely with SHCIL and HKSB. For these services to be rendered by MSBL, MSAM India will pay a fee monthly in arrears, to MSBL computed to an annual rate of 0.2% of the Scheme's average weekly net assets subject to an annual minimum fee of Rs. 20 lakhs and an annual maximum fee of Rs. 1 crore, plus reasonable out-of-pocket expenses. MSMF will reimburse MSAM India for any and all such fees payable to MSBL.

REGISTRAR AND TRANSFER AGENT

MSMF has entered into an agreement with Karvy Consultants Pvt. Ltd. ("Karvy") for the provision of registrar and transfer agency services on its behalf. In this connection, Karvy will be the Registrar and Transfer Agent for units of the Scheme.

INFORMATION REGARDING MORGAN STANLEY

MORGAN STANLEY : AN INTRODUCTION

Morgan Stanley, is an internationally reputed financial services company. It employs more than 7,400 people to provide a wide spectrum of financial and advisory services to many "Fortune 500" corporations, institutions, governments and individual investors. Its main activities include investment banking, financial services, merchant banking, underwriting, asset management, security sales and trading, investment research, brokerage and correspondent services, commodities and foreign exchange trading, advisory services and global custody.

Morgan Stanley's operations span across North America, Asia, Europe and Latin America, with headquarters in New York and offices in 20 cities around the world, including its new presence in Bombay through MSAM India.

As at 31st July, 1993 the total assets of Morgan Stanley amounted to approximately US\$ 90 billion (approximately Rs. 270,000 crores) and the funds under management including assets under fiduciary, advisory control, in its investment management unit, MSAM, totalled approximately US \$ 44.2 billion (approximately Rs. 132,600 crores). Its net worth on such date was approximately US\$ 3.6 billion (approximately Rs. 10,800 crores). Its total revenues for the six months ended 30th July, 1993 were approximately US\$ 4.7 billion (approximately Rs. 14,100 crores) and its net profit for the six months then ended was approximately US\$ 0.4 billion (approximately Rs. 1,200 crores).

Morgan Stanley conducts its investment management operations through MSAM. MSAM provides portfolio management and fiduciary services to institutions, international organisations and individuals investing in the world's equity and fixed income markets. MSAM has offices in New York, London, Singapore, Tokyo, Chicago and Los Angeles and a staff of over 200 personnel. MSAM India, located in Bombay and acting as the Scheme's asset management company, is MSAM's newest office.

MORGAN STANLEY'S EMERGING MARKETS EXPERTISE

A major benefit of Morgan Stanley's global research has been its identification of new growth areas in the so-called "emerging markets". These markets have a high degree of risk but MSAM's global skills have resulted in their clients earning returns which have outperformed emerging market indices.

MSAM is one of the leading money managers in the emerging markets with over US\$ 3.3 billion (approximately Rs. 9,900 crores) currently invested in developing countries. It has 23 experts specialising in different emerging markets in Europe, Latin America, Africa and Asia, including the Indian sub-continent.

MSAM's INVESTMENTS IN INDIA

MSAM was one of the first non-Indian institutional investors to enter the Indian capital market. In 1989, MSAM sponsored The India Magnum Fund N.V. ("IMF"), anticipating that the Indian economy would integrate with the world economy, that the Indian rupee will become convertible, and that the process of economic change would be irreversible. MSAM acts as the investment manager to IMF. IMF raised US\$ 156 million (approximately Rs. 250 crores at the then exchange rate) in October 1989; another US\$ 49 million (approximately Rs. 100 crores at the then exchange rate) was raised in a second offering in 1990. The total net asset value of IMF has since appreciated, pre-tax, to approximately US\$ 360 million (approximately Rs. 1080 crores) as of 30th September, 1993. One rupee invested initially in the IMF in October, 1989 has grown to Rs. 3.90 (pre-tax) as at 30th September, 1993. This represents a compounded annual pre-tax return of 40.5% in rupee terms.

MSAM has also obtained registration as a Foreign Institutional Investor ("FII") with SEBI on behalf of its many clients, and has invested over US\$ 100 million (approximately Rs. 300 crores) in the Indian capital markets. As a result, MSAM's direct aggregate investment, as at 30th September, 1993, in India was over US\$ 500 million (approximately Rs. 1,500 crores), making it one of the largest FIIs.

In making investment decisions for the IMF and its institutional clients invested in India, MSAM has followed the same decision processes it uses all over the world. This involves reliance on extensive fundamental research. In conducting research, MSAM visits companies representing potential investments and analyses financial and other information regarding issuers of potential investment securities. In India alone, MSAM has visited over 1,000 companies and discussed their strategies, performance and prospects in great detail.

HOW THE INVESTOR WILL BENEFIT FROM GLOBAL SKILLS AND RESOURCES

Morgan Stanley believes that a global perspective will be the key to successful stock selection in India in the coming years because, as regulation of the economy liberalises, the competitive advantages of Indian companies will no longer be defined by Indian borders; rather, Indian companies will need to be viewed in a global context. Morgan Stanley further expects that there will be strong sectoral polarisation in industrial performance in coming years, as a number of sectors will undergo shrinkage and other will expand explosively. Consequently, it is Morgan Stanley's belief that an in-depth understanding of the liberalised economic policies will be key to successful stock picking. For example, to fully analyse the long-term prospects of the Indian steel industry, Morgan Stanley believes it will be critical to understand the workings of efficient producers of steel, particularly those in neighbouring and developing countries, the global demand-supply situation, the magnitude of steel scrap dumping, the impact of new technologies, as well as the worldwide economic climate. Morgan Stanley believes that a fund manager with access to both global and local research and an experienced and professional staff – like MSAM India - therefore will be well equipped to identify suitable investment opportunities in India.

TERMS OF THE ISSUE

SUMMARY OF TERMS

Targeted Amount : Rs. 300 crores.

Issue Price : Rs. 10 per MSGF unit at par.

Minimum Subscription : Rs. 1000 (100 units) and

multiples of Rs. 1000 (100 units) thereafter.

Marketable Lot : 100 MSGF units

Date of Opening : 6th January, 1994

Date of Closure : The issue will be kept open for a minimum of three working days and a maximum of twelve working days. The Board will proceed to close the issue by giving one day's notice of the date of closure through advertisements in the major national daily news papers when approximately 75% of the targeted amount is collected. Only those subscriptions which are received before the expiry of the notice period will be retained.

If subscriptions for at least 18 crore Units have not been received by the closure date of the issue, the offering will terminate and the Board will return the entire amount received within 78 days from such closure date.

OFFERING OF UNITS

MSMF has engaged Enam Financial Consultants Pvt. Ltd. and DSP Financial Consultants Limited (collectively, the "Lead Managers") to act as the Lead Managers for the offering of the Units of the Scheme. The address of each Lead Manager is set forth at the end of this Offering Circular. The Lead Managers have appointed bankers to the Offer and will be responsible for the allotments and placing of the Units. The Lead Managers are not acting as underwriters or dealers, however, and have no obligation to purchase or make a market for the Units. For their services, the Lead Managers will receive a fee based upon the amount of subscriptions accepted. For an estimate of this fee, see "Fees and Expenses".

BASIS OF ALLOTMENT AND DESPATCH OF UNIT CERTIFICATES

The arrangements for closure of the issue and allotment have been designed with the objective of making allotments on a "first come first served" basis. It is hoped, however, that all applicants will receive their full allotment. Accordingly, MSMF reserves the right to accept or reject any subscription, including accepting subscriptions in excess of the targeted amount. Allotment of MSGF Units and despatch of certificates will be made within ten weeks after the closure of date of the issue.

APPLICATIONS FOR UNITS

Who can apply

The following persons are eligible to apply for the purchase of Units :

- Adult individuals, either singly or jointly (not exceeding three), resident in India.
- Parents/lawful guardians on behalf of Minors.
- Companies, corporate bodies, trusts, associations of persons or bodies of individuals and societies registered under Societies Registration Act, 1860 (so long as the purchase of Units is permitted under their respective constitutions).
- Hindu Undivided Families.

How to Apply

Application forms complete in all respects, accompanied by the total subscription amount in cash or cheque/draft drawn locally are to be submitted to any of the bankers to the issue or their respective designated branches. The investors are requested to preserve the acknowledgement slip initialled by the collecting bank.

All cheques/drafts should be made out in favour of **Bank Name - A/c. MSGF** (for e.g. “**Bank of Baroda A/c. MSGF**”) and crossed **A/c Payee. Please note that Stockinvests and outstation cheques/drafts would not be accepted.** For additional instructions please follow the application form carefully.

AVAILABILITY OF APPLICATION FORMS AND OFFERING CIRCULAR

Application forms and copies of Offering Circular may be obtained from the Registered Office of MSMF, lead managers, members of recognised Stock Exchanges and the collection branches of Bankers to the Offer.

REGISTRAR OF THE OFFERING

Karvy has been appointed as registrar of the offering of the Units. In this capacity, Karvy will process and verify the application received by the Bankers to the Issue and advise MSMF as to the amounts during the offering period. Karvy will also handle communications with investors, perform data entry services and will distribute Unit certificates after the allotment is finalised. In addition, Karvy will provide certain administrative services in connection with the

offering with respect to the Unit Certificates for three months following despatch of Unit Certificates to the Unitholders. For these services, Karvy will receive a fee of approximately Rs. 5.30 per allottee and approximately Rs. 3.70 per non-allottee. Other costs such as stationery printing and binding, postage and similar costs will be reimbursed by the scheme on an as incurred basis. An estimate of Karvy’s fees is set forth in the table under “Fees and Expenses”.

The Board and MSMF has satisfied themselves that Karvy has adequate capacity to discharge its responsibilities with regard to procuring of applications and despatch of Unit Certificates to Unitholders within the stipulated time period, and also has sufficient capacity to handle investor complaints.

The investor grievance compliance officer for MSMF will be:

MR. K.N. VAIDYANATHAN

Morgan Stanley Asset Management India Pvt. Ltd.
86, Maker Chambers VI, Nariman Point, Bombay
400 021. Telephone : 022-2830200

In addition, MSMF has appointed Karvy in its role as the transfer agent to act as investor grievance compliance centers in the following locations.

MR. V.K. MOONDRA

V.K. Moondra & Co.
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DESCRIPTION OF UNITS**The Units**

The Scheme is proposed to be divided into 30 crore Units having a face value of Rs. 10 each, issued for cash at par and will be represented by Unit Certificates. All Units are equal as to assets, earnings and the receipt of dividends or distributions, if any, as may be declared by the Board. In the event of liquidation or winding up of the Scheme, each Unit is entitled to receive its proportion of the Scheme's assets remaining after payment of all debts and expenses. Holders of Units are entitled to one vote per Unit held on all matters to be voted upon by Unitholders.

MSMF does not presently intend to offer additional Units of the scheme. However, the Board may decide to make further offerings at a future date if it deems advisable.

DURATION OF THE SCHEME

The duration of the Scheme is 15 years from the date of allotment. However, the scheme may be liquidated any time prior to the expiration of the 15 years under the following circumstances :

- Changes in capital market, fiscal laws, legal system or on the happening of any event which, in the opinion of the Board, requires the Scheme to be wound up.
- If seventy five percent of the Unitholders pass a resolution that the Scheme be wound up.
- If SEBI so directs in the interest of the Unitholders.

LISTING AND TRANSFER OF UNITS

Applications have been made to list and trade MSGF Units on the Bombay, Calcutta, Delhi, Madras and Ahmedabad Stock Exchanges, which is expected to commence not later than 10 weeks from the closure date of the offering. Units will be transferable in marketable lots of 100. The procedure for sale/transfer is similar to that for Equity Shares. The Scheme's Units, however, will trade in the open market on such exchanges at a price which will be a function of several factors, including their NAV. Thus, the Units may trade at a premium or a discount from their NAV. See "Risk Factors and Special Considerations".

DISTRIBUTION POLICY

It is MSMF's current intention to reinvest the Scheme's permitted investments, and not to distribute to the Scheme's Unitholders, the net investment income recognised and the capital gains realised from the Scheme's operations. However, subject to applicable SEBI and Government of India regulation, the Board is entitled to declare dividends and distributions of profits and reserves in cash or in Units of the Scheme.

SCHEME TO BE BINDING

The terms of the Scheme, including any amendments thereto approved by the Board in its discretion from

time to time in accordance with the SEBI Regulations, shall be binding on the Unitholders and any person/persons claiming through or under any such Unitholder as if the Unitholder and such person/persons had expressly agreed that they should be so binding.

MEETINGS OF UNITHOLDERS

The Board shall call for a meeting of the Unitholders of the Scheme whenever the Board is required to do so in the interest of the Unitholders, upon the request of three-fourths of the Unitholders of the Scheme or of all the schemes under MSMF, or if the Board determines to wind up the Scheme.

INVESTOR RIGHTS AND SERVICES

PLEDGE OF UNITS

MSGF Units can be pledged by Unitholders as security for raising loans. MSMF will take note of such pledge/charge in its records. A standard form has been drafted for this purpose and is available on request.

INSPECTION OF DOCUMENTS

The following documents will be available for inspection to the Unitholders at the Registered Office of MSAM India :-

1. Deed of Trust
2. Memorandum and Articles of Association of Morgan Stanley Group Inc.
3. Memorandum and Articles of Association of Morgan Stanley Asset Management India Pvt. Ltd.
4. Investment Management and Advisory Agreement.
5. Custodian Agreement
6. Registrar and Transfer Agent Agreement
7. Register of Unitholders
8. Securities and Exchange Board of India (Mutual Funds) Regulations 1993
9. Indian Trust Act, 1982

Copies of these documents may be made by the Unitholders upon the payment of fees set by MSMF from time to time.

INFORMATION REGARDING THE SCHEME

MSMF will publish and distribute annually to every Unitholder of the Scheme an audited annual report setting forth the financial condition of the Scheme as on 31 March. The first audited annual report will be for the period ending on March 31, 1995. This report will disclose the Scheme's entire portfolio in detail. Unitholders also will be provided with unaudited quarterly financial reports of the Scheme as on 30th June, 30th September and 31st December. In addition, MSMF shall publish, by means of an advertisement in one English language national daily newspaper and in a Hindi language newspaper published in Bombay, the Scheme's unaudited financial results for the six-month periods ending 30th September and 31st March within two months of such fiscal period ends. The Board shall also make such periodic disclosures to the Unitholders as are essential to keep them informed about any information, which may have an adverse bearing on the Scheme.

COMPUTATION OF NET ASSET VALUE

Net Asset Value ("NAV") of the Units will be determined as of the close of business on the last business day of each week on which the Bombay Stock Exchange is open for trading. The NAV shall be calculated in accordance with the following formula :-

$$\text{Net Asset Value} = \frac{\text{Market Value of Scheme's Investments + Receivables} + \text{Accrued Income + Other Assets} - \text{Accrued Expenses} - \text{Payables} - \text{Other Liabilities}}{\text{Number of Units Outstanding}}$$

VALUATION OF ASSETS

In valuing the Scheme's investments, all listed equity securities for which market quotations are readily available are valued at the last sale on the date of determination or, if there was no sale on such date, at the mean of highest current bid and the lowest current asked prices. Unlisted equity securities are valued at the mean between the current bid and asked prices, if any, of two reputable brokers. Short-term investments having a remaining maturity of 60 days or less are valued at amortised cost, which approximates market value. Other securities as to which market quotations are readily available are valued at their market value. All other securities and assets are taken at fair value as determined in good faith in accordance with regulations adopted by the Board. In instances where price cannot be determined in accordance with the above procedures, or in instances in which the Board determines it is impractical or inappropriate to determine price in accordance with the above procedures, the price is determined in such manner as the Board may prescribe.

PUBLICATION OF NAV AND UNIT PRICES

The NAV per Unit of the Scheme will be published weekly every Tuesday, or the next business day in case Tuesday is a holiday, in at least two national newspapers. In the event NAV cannot be calculated or published, such as because of the suspension of trading on the Bombay Stock Exchange, during the existence of a state of emergency or a breakdown in communications, the Board may suspend determination or publication of the NAV of the Units. MSMF will endeavour to notify Unitholders of any such suspension.

ACCOUNTS AND AUDIT

MSMF will maintain the books and records for the Scheme. The Board shall arrange for the financial statements of the Scheme to be audited as of every 31st March. The first such audit will be conducted on or March 31, 1995. The Board shall have the financial statements for the Scheme be audited by such Chartered Accountant(s) as it may appoint for that purpose. Price Waterhouse has been appointed in such capacity.

TAXATION

Certain tax benefits are described below that are believed to be available, under present taxation laws, to the Unitholders and to MSMF. THE INFORMATION SET FORTH BELOW IS INCLUDED FOR GENERAL INFORMATION PURPOSES ONLY. IN VIEW OF THE INDIVIDUAL NATURE OF TAX CONSEQUENCES, EACH INVESTOR IS ADVISED TO CONSULT HIS OR HER OWN TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES TO HIM OR HER OF PARTICIPATION IN THE SCHEME.

UNITHOLDERS

Income Tax

Under Section 80L of the Income Tax Act, 1961 in case of an individual or other specified assessee income from Units issued under this Scheme, together with other income on specified securities/deposits will qualify for a deduction of upto Rs. 10,000.

NB: The foregoing tax benefits under this Scheme shall be available only to the first/sole Unitholder.

Capital Gains

Units held under the Scheme for a continuous period of over three years would be treated as long-term capital assets. Under Section 112 of the Tax Act, capital gains chargeable on transfer of long-term capital assets is subject to tax @ 20% for individuals and Hindu Undivided Families, 40% for corporate entities and 30% in all other cases. The amount of income tax as computed in accordance with Section 112 will be increased by surcharge, where applicable, calculated at the rate specified for the assessee. The long-term capital gains is computed by deducting the following amount from the sale consideration :-

- i) Expenditures incurred wholly and exclusively in connection with such transfer and
- ii) Costs of acquisition as adjusted by Cost Inflation Index notified by the Central Board of Direct Taxes.

Where the taxable income as reduced by long-term capital gains is below the basic exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long-term capital gains balance will be subjected to the flat rate of tax.

Wealth Tax

No Wealth Tax is payable on the holding of units under the Scheme.

Tax Deduction at Source

Under Section 196A of the Tax Act, there will be no tax deduction at source from payment to the Unitholders who are resident in India, irrespective of amount.

MSMF

MSMF will apply, under Section 10(23D) of the Tax Act, to have its entire income be exempt from Income Tax. Similarly, MSMF will receive all income without any deduction of tax at source.

OTHER RIGHTS

For this purpose, the investors are further advised to refer to the relevant provisions of the Indian Trust Act, 1882.

FEES AND EXPENSES

ISSUE EXPENSES

The total issue costs of the Scheme, based upon the targeted amount of Rs. 300 crores, are estimated to be as follows :

	<u>Rs. In Crores</u>	<u>% of Targeted Amount</u>
Lead Managers' Fee	1.80	0.60
Brokerage Fees	8.25	2.75
Advertising and Marketing	1.80	0.60
Listing and Stamp Duty	0.09	0.03
Registrar's Fees and Expenses	2.49	0.83
Professional Fees and Expenses	0.03	0.01
Printing and Despatch	1.20	0.40
Bankers' Fees	0.30	0.09
Administrative Expenses	<u>0.10</u>	<u>0.03</u>
TOTAL	<u>16.06</u>	<u>5.34%</u>

While this estimate has been made in good faith, on the basis of information known to MSMF, there can be no assurance, given the nature of offerings of Mutual Funds, that actual expenses will not be more or less than such estimate. In any event, estimated expenses of the offering of the Units shall not exceed 6% of the total amount collected under the offering. All offering expenses will be charged to the capital of the Scheme upon its commencement of operations.

BROKERAGE/ COMMISSION

The commission payable to members of the Stock Exchange will consist of brokerage and incentive as follows :

- Brokerage – 1.5% of amount collected
- Incentive – See below

<u>Amount procured and allotted (Rs. Lakhs)</u>	<u>Percentage of Incentive</u>
10 – 100	0.20
101 – 500	0.30
501 – 1000	0.50
1001 – 1500	0.75
1501 – 2500	1.00
<u>2501 and above</u>	<u>1.25</u>

In addition, a further amount of Rs. 150 lakhs will be shared proportionately by brokers procuring more than Rs.1500 lakhs each. It is estimated that the total amount of brokerage/commission including the incentives will not exceed Rs. 8.25 crores.

MANAGEMENT FEES

MSMF will pay MSAM India an investment management fee pursuant to the Investment Management and Advisory Agreement as set forth below:

- (a) 1.25% of the average weekly net assets of the Scheme for the first Rs. 100 crores, and
- (b) 1.00% of the average weekly net assets of the Scheme in excess of Rs. 100 crores.

This fee will be payable monthly in arrears.

OTHER EXPENSES

For a discussion of the Custodian's and the Registrar and Transfer Agent's fees, see "Management and Administration – Custodian" and "Registrar and Transfer Agent." MSMF will pay all its own other expenses, including among others, the following: organisational expenses of MSMF; fees and expenses of MSMF's administration service providers; freight, insurance and transport charges in connection with the shipment of MSMF's investment securities; brokerage commissions, stamp duties and other costs associated with the maintenance of a register of Unitholders; expenses of applying for and maintaining listings of the Units on the stock exchanges; annual registration and other fees that may be required by SEBI; expenses of preparing reports, notices and other communications to the Board, Unitholders, regulatory authorities and others; expenses of dividends and distributions (if any) to the Unitholders; litigation expenses; legal fees and expenses of counsel to MSMF; and fees and expenses of auditors of MSMF.

The annual total of all charges and expenses of MSMF, except for brokerage commissions, stamp duties and other expenses associated with the purchase, sale and registration of transfer of MSMF's investment securities, and except for expenses associated with the initial issue of Units of the Scheme, shall not exceed 3% of the average weekly net assets of the Scheme for any year.

GENERAL MATTERS

The information contained in this Offering Circular regarding taxation has been included in reliance upon advice provided to MSMF by Price Waterhouse, Auditors of MSMF. In addition, legal matters described herein have been passed on by Little & Co., counsel to MSMF. The Lead Managers also have assisted MSMF in preparing this Offering Circular. Accordingly, the consent in writing of Price Waterhouse, Little & Co., Enam Financial Consultants Pvt. Ltd. and DSP Financial Consultants Ltd. have been obtained. This Offering Circular has been filed with SEBI.

LEAD MANAGERS

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REGISTRAR & TRANSFER AGENT

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