

MORGAN STANLEY DEAN WITTER INDIA INVESTMENT

Form N-30B-2

December 06, 2001

THIRD QUARTER REPORT

[MORGAN STANLEY LOGO]

Morgan Stanley India Investment Fund, Inc.

SEPTEMBER 30, 2001

MORGAN STANLEY  
INVESTMENT MANAGEMENT INC.  
INVESTMENT ADVISER

MORGAN STANLEY INDIA INVESTMENT FUND, INC.

DIRECTORS AND OFFICERS

Barton M. Biggs  
CHAIRMAN OF THE BOARD OF DIRECTORS

Fergus Reid  
DIRECTOR

Ronald E. Robison  
PRESIDENT AND DIRECTOR

Stefanie V. Chang  
VICE PRESIDENT

Gaetan Bouic II  
DIRECTOR

Lorraine Truten  
VICE PRESIDENT

John S.Y. Chu  
DIRECTOR

Joseph P. Stadler  
VICE PRESIDENT AND TREASURER

Clifford D'Souza  
DIRECTOR

Mary E. Mullin  
SECRETARY

Gerard E. Jones  
DIRECTOR

Belinda A. Brady  
ASSISTANT TREASURER

Nilesh Joshi  
DIRECTOR

Marie Joseph Raymond Lamussee  
DIRECTOR

INVESTMENT ADVISER  
Morgan Stanley Investment Management Inc.  
1221 Avenue of the Americas  
New York, New York 10020

ADMINISTRATOR  
JPMorgan Chase Bank  
73 Tremont Street  
Boston, Massachusetts 02108

CUSTODIAN  
JPMorgan Chase Bank  
3 Chase MetroTech Center  
Brooklyn, New York 11245

SHAREHOLDER SERVICING AGENT  
American Stock Transfer & Trust Company  
40 Wall Street

## Edgar Filing: MORGAN STANLEY DEAN WITTER INDIA INVESTMENT - Form N-30B-2

New York, New York 10005  
(800) 278-4353

LEGAL COUNSEL  
Clifford Chance Rogers & Wells LLP  
200 Park Avenue  
New York, New York 10166

INDEPENDENT AUDITORS  
Ernst & Young LLP  
200 Clarendon Street  
Boston, Massachusetts 02116

For additional Fund information, including the Fund's net asset value per share and information regarding the investments comprising the Fund's portfolio, please call 1-800-221-6726 or visit our website at [www.morganstanley.com/im](http://www.morganstanley.com/im).

### MORGAN STANLEY INDIA INVESTMENT FUND, INC. OVERVIEW

#### LETTER TO SHAREHOLDERS

For the nine months ended September 30, 2001, the Morgan Stanley India Investment Fund, Inc. (the "Fund") had a total return, based on net asset value per share, of -26.67% compared to -36.99% for the U.S. dollar adjusted Bombay Stock Exchange (BSE) National Index (the "Index"). For the period from the Fund's commencement of operations on February 25, 1994 through September 30, 2001, the Fund's cumulative total return, based on net asset value per share, was -16.13% compared to -57.46% for the Index. On September 30, 2001, the closing price of the Fund's shares on the New York Stock Exchange was \$7.40, representing a 19.8% discount to the Fund's net asset value per share.

#### MARKET OVERVIEW

For the three months ended September 30, 2001, the Fund had a total return of -11.76% compared to -20.85% for the Index. Capital preservation has been the winning investment theme over the past year, and the events of the third quarter once again re-emphasized the need for preserving capital as the global bear market in equities intensified. The Indian market continued to key off global (declining) trends. Given the severity of the falls, negative return for any equity fund has generally been the norm over the past eighteen months. In such an environment, our focus has generally been on outperforming the market, as represented by the benchmarks, and thereby preserving some capital. In this regard, the third quarter was significant given the degree of outperformance for the Fund relative to its benchmark.

The outperformance was largely generated by a disciplined stock selection strategy that assigns a major weight to management quality and sector dynamics. Bear markets are about a flight to quality and in emerging markets quality often means companies with high standards of corporate governance. Our investment framework involves taking an active sector view and then restricting our sector bets to companies that fit the strict quality criteria. The sector view in turn is derived from both frequent company visits and global or country-specific macroeconomic insights.

As we were less sanguine than the consensus on global economic growth prospects, the Fund remained underweight sectors more dependent on global growth (e.g. information technology and commodities). Financials have been one of our largest sector over-weights, as interest rates continued to decline and, on a more structural basis, we think the representation of financials in the Indian market is too low in comparison with other emerging markets and so only set to grow.

Edgar Filing: MORGAN STANLEY DEAN WITTER INDIA INVESTMENT - Form N-30B-2

MARKET OUTLOOK

In early 2000, extreme bullish sentiment towards equities in general, and sectors like technology in particular, provided us a good warning of too much optimism being built into stock prices. Similarly, we are now on the lookout for signs that sentiment towards equities may be reaching a point of excessive pessimism. While news-flow shows little signs of turning for the better, it is important to remember that the equity market typically begins to rally well before the economic and the earnings cycle turns. We are accordingly prepared to look at opportunities keeping in mind this historical perspective.

OTHER DEVELOPMENTS

On September 15, 1998, the Fund commenced a share repurchase program for purposes of enhancing shareholder value and reducing the discount at which the Fund's shares traded from their net asset value. For the nine months ended September 30, 2001, there were no repurchases of Fund shares. From the inception of the program through September 30, 2001, the Fund has repurchased 7,682,800 of its shares at an average discount of 31.03% from net asset value per share. The Fund expects to continue to repurchase its outstanding shares at such time and in such amounts as it believes will further the accomplishment of the foregoing objectives, subject to review by the Board of Directors.

Sincerely,

/s/ Ronald E. Robison

Ronald E. Robison  
PRESIDENT AND DIRECTOR

October 2001

-----  
ON OCTOBER 18, 2001, THE FUND'S BY-LAWS WERE AMENDED TO CHANGE THE RETIREMENT AGE FOR DIRECTORS TO 72 FROM 73. THE FUND ALSO ADOPTED A NON-FUNDAMENTAL POLICY THAT, UNDER NORMAL CIRCUMSTANCES, AT LEAST 80% OF ITS ASSETS WILL BE INVESTED IN EQUITY SECURITIES OF INDIAN ISSUERS.

2

MORGAN STANLEY INDIA INVESTMENT FUND, INC.  
SEPTEMBER 30, 2001 (UNAUDITED)

INVESTMENT SUMMARY  
HISTORICAL INFORMATION

	TOTAL RETURN (%)			
	MARKET VALUE (1)		NET ASSET VALUE (2)	
	CUMULATIVE	AVERAGE ANNUAL	CUMULATIVE	AVERAGE ANNUAL
Year to Date	-26.02%	--	-26.67%	
One Year	-9.98	-9.98%	-24.01	-24.01%
Five Year	6.74	1.31	30.89	5.98%
Since Inception*	-32.76	-5.09	-16.13	-2.88%

# Edgar Filing: MORGAN STANLEY DEAN WITTER INDIA INVESTMENT - Form N-30B-2

Past performance is not predictive of future performance.

[CHART]

## RETURNS AND PER SHARE INFORMATION

	YEAR ENDED DECEMBER 31,					
	1994*	1995	1996	1997	1998	1999
Net Asset Value Per Share	\$13.99	\$8.91	\$8.81	\$8.83	\$9.19	\$22.59
Market Value Per Share	\$11.25	\$9.13	\$9.50	\$8.38	\$6.75	\$16.50
Premium/(Discount)	-19.6%	2.5%	7.8%	-5.1%	-26.6%	-27.0%
Capital Gains Distributions	\$0.17	--	--	--	--	--
Fund Total Return(2)	0.72%	-36.31%	-1.12%	0.23%	4.08%	145.81%
Index Total Return(3)	-7.88%	-31.53%	-6.49%	6.43%	-20.98%	88.41%

(1) Assumes dividends and distributions, if any, were reinvested.

(2) Total investment return based on net asset value per share reflects the effects of changes in net asset value on the performance of the Fund during each period, and assumes dividends and distributions, if any, were reinvested. These percentages are not an indication of the performance of a shareholder's investment in the Fund based on market value due to differences between the market price of the stock and the net asset value per share of the Fund.

(3) The Bombay Stock Exchange (BSE) National Index is a market capitalization weighted index including the equity shares of 100 companies from the "Specified" and the "Non-specified" list of the 5 major stock exchanges, namely, Bombay, Calcutta, Delhi, Ahmedabad and Madras, expressed in U.S. dollar terms.

\* The Fund commenced operations on February 25, 1994.

FOREIGN INVESTING INVOLVES CERTAIN RISKS, INCLUDING CURRENCY FLUCTUATIONS AND CONTROLS, RESTRICTIONS ON FOREIGN INVESTMENTS, LESS GOVERNMENTAL SUPERVISION AND REGULATION, LESS LIQUIDITY AND THE POTENTIAL FOR MARKET VOLATILITY AND POLITICAL INSTABILITY.

3

## PORTFOLIO SUMMARY

[CHART]

## ALLOCATION OF TOTAL INVESTMENTS

Equity Securities	90.7%
Short-Term Investments	9.3

[CHART]

INDUSTRIES

Pharmaceuticals	10.9%
Automobiles	10.0
IT Consulting & Services	9.4
Banks	9.2
Diversified Financials	5.5
Food Products	4.7
Household Products	4.6
Road & Rail	4.3
Oil & Gas	4.0
Chemicals	3.6
Other	33.8

TEN LARGEST HOLDINGS\*

	PERCENT OF NET ASSETS
-----	
1. Hero Honda Motors Ltd.	7.9%
2. Housing Development Finance Corp., Ltd.	5.5
3. HDFC Bank Ltd.	5.0
4. Infosys Technologies Ltd.	4.8
5. Container Corp. of India Ltd.	4.3
6. State Bank of India Ltd.	4.2
7. Wipro Ltd.	3.9
8. Cipla Ltd.	3.6
9. Mahanagar Telephone Nigam Ltd.	3.5
10. Gujarat Ambuja Cements Ltd.	2.9
	-----
	45.6%
	=====

\* Excludes short-term investments.

MORGAN STANLEY INDIA INVESTMENT FUND, INC.  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2001 (UNAUDITED)

STATEMENT OF NET ASSETS

	SHARES	VALUE (000)
-----		
COMMON STOCKS (91.6%)		

Edgar Filing: MORGAN STANLEY DEAN WITTER INDIA INVESTMENT - Form N-30B-2

(Unless otherwise noted)

=====		
AUTO COMPONENTS (2.0%)		
Apollo Tyres Ltd.	2,075	\$ 2
Motor Industries Co., Ltd.	24,204	834
MRF Ltd.	138,230	1,387
Rane (Madras) Ltd.	95,700	44
Sundaram Fasteners Ltd.	421,280	1,409
		-----
		3,676
=====		
AUTOMOBILES (10.0%)		
Hero Honda Motors Ltd.	3,691,740	14,369
Patheja Forgings & Auto Parts Ltd.	450,000	--@
Tata Engineering & Locomotive Co., Ltd.	2,597,772	3,749
Tata Engineering & Locomotive Co., Ltd.	1,621,464	--@
		-----
		18,118
=====		
BANKS (9.2%)		
HDFC Bank Ltd.	1,497,624	6,814
HDFC Bank Ltd. ADR	168,700	2,328
State Bank of India Ltd.	2,198,603	7,593
		-----
		16,735
=====		
CHEMICALS (3.6%)		
Asian Paints (India) Ltd.	463,584	2,625
Aventis Cropscience India Ltd.	441,867	788
ICI (India) Ltd.	25,000	30
Indo Gulf Corp., Ltd.	1,829,545	1,153
Reliance Industries Ltd.	340,000	1,889
		-----
		6,485
=====		
COMMERCIAL SERVICES & SUPPLIES (0.4%)		
Modi Xerox Ltd.	718,225	751
-----		
COMMUNICATION EQUIPMENT (0.0%)		
MRO-TEK Ltd.	179,625	46
-----		
CONSTRUCTION MATERIALS (2.9%)		
Gujarat Ambuja Cements Ltd.	1,313,062	4,094
Gujarat Ambuja Cements Ltd. GDR	355,000	1,074
		-----
		5,168
=====		
DIVERSIFIED FINANCIALS (5.5%)		
Housing Development Finance Corp., Ltd.	760,476	9,933
UTI Mastergain	1,600	--@
		-----
		9,933
=====		
DIVERSIFIED TELECOMMUNICATION SERVICES (3.5%)		
Mahanagar Telephone Nigam Ltd.	2,132,831	5,730
Mahanagar Telephone Nigam Ltd., GDR	105,000	577
		-----
		6,307

Edgar Filing: MORGAN STANLEY DEAN WITTER INDIA INVESTMENT - Form N-30B-2

=====		
ELECTRIC UTILITIES (2.8%)		
BSES Ltd.	556,203	2,183
Tata Power Co., Ltd.	1,408,040	2,952
		-----
		5,135
=====		
ELECTRICAL EQUIPMENT (3.0%)		
Asea Brown Boveri, Ltd.	197,735	816
Bharat Heavy Electricals Ltd.	1,682,226	4,203
Siemens India Ltd.	80,996	338
		-----
		5,357
=====		
FOOD PRODUCTS (4.7%)		
Britannia Industries Ltd.	207,236	2,204
Nestle India Ltd.	141,824	1,585
SmithKline Beecham Consumer Healthcare Ltd.	465,292	3,831
Tata Tea Ltd.	323,290	879
		-----
		8,499
=====		
HEALTH CARE (0.9%)		
Shantha Biotechnics Pvt. Ltd.	500,000	1,567
-----		
HOTELS RESTAURANTS & LEISURE (0.4%)		
Indian Hotels Co., Ltd.	271,487	720
-----		
HOUSEHOLD DURABLES (0.1%)		
Samtel Colour Ltd.	559,300	184
-----		
HOUSEHOLD PRODUCTS (4.6%)		
Colgate-Palmolive (India) Ltd.	1,016,386	3,339
Hindustan Lever Ltd.	724,842	3,151
Reckitt Benckiser (India) Ltd.	446,971	1,823
		-----
		8,313
=====		
INTERNET SOFTWARE & SERVICES (0.1%)		
India-Info.com PCL	532,875	125
-----		
IT CONSULTING & SERVICES (9.4%)		
Aztec Software and Technology Services Ltd.	218,794	156
HCL Technologies Ltd.	406,554	1,103
Infosys Technologies Ltd.	173,645	8,631
Subex Systems Ltd.	297,732	166
Wipro Ltd.	188,197	4,150
Wipro Ltd. ADR	137,310	2,911
		-----
		17,117
=====		

SHARES VALUE  
(000)

Edgar Filing: MORGAN STANLEY DEAN WITTER INDIA INVESTMENT - Form N-30B-2

MACHINERY (2.6%)		
Cummins India Ltd.	2,841,773	\$ 2,970
Lakshmi Synthetic Machinery Manufacturers Ltd.	137,700	14
Punjab Tractors Ltd.	264,862	744
Revathi-CP Equipment Ltd.	272,850	912
		4,640
=====		
MEDIA (1.3%)		
New Dehli Television Ltd.	333,300	705
Zee Telefilms Ltd.	938,419	1,713
		2,418
=====		
METALS & MINING (2.3%)		
Hindalco Industries Ltd.	134,135	1,428
National Aluminum Co., Ltd.	460,310	440
Steel Authority of India Ltd.	10,044,058	871
Tata Iron & Steel Co., Ltd.	996,000	1,448
		4,187
=====		
OIL & GAS (4.0%)		
Bharat Petroleum Corp., Ltd.	581,286	1,947
Castrol (India) Ltd.	444,434	2,376
Hindustan Petroleum Corp., Ltd.	1,159,211	3,013
		7,336
=====		
PHARMACEUTICALS (10.9%)		
Cipla Ltd.	274,058	6,436
Dabur (India) Ltd.	3,035,101	3,679
Dr. Reddy's Laboratories Ltd.	93,400	3,485
Dr. Reddy's Laboratories Ltd. ADR	41,100	914
E. Merck (India) Ltd.	182,599	1,008
Glenmark Pharmaceutical Ltd.	19,780	46
Hoechst Marion Roussel Ltd.	150,425	1,260
Lupin Ltd.	299,449	403
Novartis India Ltd.	206,068	868
Parke Davis (India) Ltd.	14,887	40
Ranbaxy Laboratories Ltd.	66,000	897
Strides Arcolab Ltd.	585,000	685
		19,721
=====		
ROAD & RAIL (4.3%)		
Container Corp. of India Ltd.	2,860,978	7,773
=====		
SPECIALTY RETAIL (0.6%)		
Titan Industries Ltd.	1,702,296	1,046
=====		
TOBACCO (2.5%)		
ITC Ltd.	345,741	\$ 4,172
ITC Ltd. GDR	27,500	363
		4,535
=====		
TOTAL COMMON STOCKS		
(Cost \$242,750)		165,892

FACE



