MORGAN STANLEY INDIA INVESTMENT FUND, INC.
Form N-CSR
March 10, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-08238

Morgan Stanley India Investment Fund, Inc.
(Exact name of registrant as specified in charter)

522 Fifth Avenue New York, NY	10036
(Address of principal executive offices)	(Zip code)

Ronald E. Robison

522 Fifth Avenue New York, New York 10036
(Name and address of agent for service)

Registrant s telephone number, including area code: 1-800-221-6726

Date of fiscal year end: 12/31

Date of reporting period: 12/31/07

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. Section 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Fund s annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is as follows:

2007 Annual Report

December 31, 2007

Morgan Stanley

India Investment Fund, Inc.

Morgan Stanley

Investment Management Inc.

Investment Adviser

Letter to Stockholders

Performance

For the year ended December 31, 2007, the Morgan Stanley India Investment Fund, Inc. (the Fund) had total returns, based on net asset value and market price per share (including reinvestment of distributions), of 65.09%, net of fees and 45.29%, respectively, compared to its benchmark, the U.S. dollar adjusted Bombay Stock Exchange (BSE) National Index (the Index) which returned 79.38%. On December 31, 2007, the closing price of the Fund s shares on the New York Stock Exchange was $54.89, representing a 3.4% discount to the Fund s net asset value per share. Past performance is no guarantee of future results.

Factors Affecting Performance

- 2007 turned out to be another banner year for Emerging Markets, including India. The benchmark, the Bombay Stock Exchange (BSE) National Index (in USD), was up 79.38%. The inflection point for the Indian market was the Federal Reserve s 50 basis point rate cut in mid-September, with the BSE National Index (in USD) rallying more than 40% from that point to year-end. The Fed-induced liquidity flocked to growth destinations such as emerging markets, and India s strong growth credentials made its market a main beneficiary.

- However, the markets disproportionately rewarded future growth without focusing on current earnings. Moreover, in our opinion, valuations have seemed almost irrelevant, and instead, growth and price momentum have been the key performance drivers for the period. In our view, financial markets have been in that later stage of the cycle when overall earnings growth is weakening globally but has remained relatively strong in many emerging markets, including India. As a result, it appears that investors are willing to pay a premium for assets related to the growth story in developing countries.

- We believe this regime may continue until the next major downturn arrives, which may then be precipitated by monetary policy tightening to contain high inflation. Inflation trends in both emerging markets and the U.S. will be watched closely. The preemptive monetary tightening by the Indian Central Bank during the period meant that headline inflation was within the Central Bank s comfort zone for most of the year. However, an increase in the inflation level may require the Central Bank to act on the monetary side, which would result in lower economic growth.

Management Strategies

- Positive contributors to performance included overweight exposure to the industrials and telecommunications sectors. The industrials sector continued to benefit from strong capital expenditure and infrastructure development. Robust subscriber growth helped the telecom sector continue along the path of growth it has followed over the past several years. Further, given that telecom is a domestic-demand driven business, the sector remained relatively insulated from global economic worries. A relative underweight in the information technology sector and stock selection within the materials sector also aided performance.

- Relative detractors included underweight positions in the financials and energy sectors. We remained underweight in financials due to the monetary tightening from the Central Bank through most of last year. The underweight in the energy sector was driven by our uncertainty regarding a subsidy sharing mechanism between oil marketing companies and upstream producers. Other detractors from performance included an overweight in the consumer discretionary sector and stock selection within the industrials and telecommunication sectors (despite the positive contribution of our overweight allocations in industrials and telecommunications).

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Morgan Stanley India Investment Fund, Inc.

Overview (unaudited)

Letter to Stockholders (cont d)

Management Strategies (cont d)

- We continue to prefer the domestic consumption and capital expenditure theme in India and accordingly the portfolio is positioned with an overweight in consumer discretionary and industrials sector. In 2007, we have been wary of asset creators being disproportionately rewarded for growth promises and we continue to have a bias towards stocks and sectors exhibiting strong core earnings growth characteristics.

Sincerely,

Ronald E. Robison
President and Director

February 2008

Morgan Stanley India Investment Fund, Inc.

Portfolio of Investments

December 31, 2007

	Shares		Value (000)
COMMON STOCKS (99.6%)			
(Unless Otherwise Noted)			
Auto Components (1.0%)			
Apollo Tyres Ltd.	18,750		$ 25
Balkrishna Industries Ltd.	574,008		10,816
Patheja Forgings & Auto Parts Manufacturers Ltd.	(a)(b)(c)450,000		
		10,841	
Automobiles (2.9%)			
Hero Honda Motors Ltd.	1,185	21	
Maruti Suzuki India Ltd.	1,284,494	32,209	
		32,230	
Biotechnology (1.1%)			
Biocon Ltd.	834,593	12,106	
Chemicals (1.2%)			
Gujarat Fluorochemicals	761,063	13,373	
ICI (India) Ltd.	25,000	361	
		13,734	
Commercial Banks (10.2%)			
Axis Bank Ltd.	1,577,300	38,764	
HDFC Bank Ltd.	1,563,269	68,184	
HDFC Bank Ltd. ADR	48,000	6,262	
		113,210	
Construction & Engineering (5.3%)			
Larsen & Toubro Ltd.	433,600	45,623	
Jaiprakash Associates Ltd.	1,157,500	12,492	
		58,115	
Construction Materials (1.6%)			
India Cements Ltd.	1,109,184	8,701	
Shree Cement Ltd.	280,370	9,519	
		18,220	
Containers & Packaging (1.7%)			
Ess Dee Aluminum Ltd.	(b)(c)288,382	5,349	
Ess Dee Aluminum Ltd. (Pre-preferential)	(b)(c)775,000	13,254	
		18,603	
Diversified Financial Services (1.3%)			
Infrastructure Development Finance Co., Ltd.	2,493,500	14,406	
Electric Utilities (2.7%)			
Tata Power Co., Ltd.	806,400	29,892	
Electrical Equipment (12.9%)			
ABB Ltd.	1,783,455	68,230	
Bharat Heavy Electricals Ltd.	833,228	54,418	
Jyoti Structures Ltd.	2,861,887	20,222	
		142,870	
Energy Equipment & Services (5.0%)			
Aban Offshore Ltd.	437,335	$ 54,847	
Food Products (1.8%)			
Nestle India Ltd.	532,400	20,243	
Information Technology Services (4.6%)			
HCL Technologies Ltd.	1,376,690	11,478	
Infosys Technologies Ltd.	880,800	39,332	
		50,810	

Machinery (2.0%)		
Praj Industries Ltd.	3,715,300	22,600
Media (7.3%)		
Deccan Chronicle Holdings Ltd.	5,414,230	29,832
New Delhi Television Ltd.	833,250	9,762
Television Eighteen India Ltd.	(b)1,262,636	17,731
Zee Entertainment Enterprises Ltd.	2,873,000	23,785
		81,110
Metals & Mining (7.5%)		
Hindustan Zinc Ltd.	387,000	8,067
Sesa Goa Ltd.	(b)211,000	21,181
Steel Authority of India Ltd.	3,912,100	28,074
Welspun-Gujarat Stahl Ltd.	2,208,500	25,482
		82,804
Multiline Retail (5.1%)		
Pantaloon Retail India Ltd.	(b)1,584,699	40,062
Phoenix Mills Ltd.	278,998	16,652
		56,714
Oil & Gas Exploration & Production (1.6%)		
Cairn India Ltd.	(a)2,656,800	17,297
Oil & Gas Refining & Marketing (8.7%)		
Bharat Petroleum Corp., Ltd.	889,000	11,753
Reliance Industries Ltd.	1,158,000	84,615
		96,368
Personal Products (1.5%)		
Marico Ltd.	9,439,528	16,398
Pharmaceuticals (2.4%)		
Glenmark Pharmaceuticals Ltd.	1,785,615	26,957
Road & Rail (0.6%)		
Container Corp. of India	139,751	6,798
Software (1.8%)		
Geodesic Information Systems Ltd.	3,413,659	19,925

 The accompanying notes are an integral part of the financial statements.

Morgan Stanley India Investment Fund, Inc.

Portfolio of Investments (Cont d)

December 31, 2007

	Shares		Value (000)
Transportation Infrastructure (2.4%)			
GVK Power & Infrastructure Ltd.	(a)563,480	$	11,409
Mundra Port and Special Economic Zone Ltd.	(a)483,805		15,574
			26,983
Wireless Telecommunication Services (5.4%)			
Bharti Airtel Ltd.	(a)1,702,000		42,779
Reliance Communications Ltd.	906,100		17,092
			59,871
TOTAL COMMON STOCKS			
(Cost $570,290)			1,103,952
SHORT-TERM INVESTMENT (16.2%)			
Investment Company (16.2%)			
Morgan Stanley Institutional Liquidity Money MarketPortfolio Institutional Class			
(Cost $179,495)	(d)179,494,810		179,495
TOTAL INVESTMENTS (115.8%)			
(Cost $749,785)		(e)1,283,447	
LIABILITIES IN EXCESS OF OTHER ASSETS (-15.8%)			(175,028)
NET ASSETS (100%)		$	1,108,419

(a) Non-income producing security.

(b) Security was valued at fair value At December 31, 2007, the Fund held $97,577,000 of fair valued securities, representing 8.8% of net assets.

(c) Security has been deemed illiquid at December 31, 2007.

(d) See Note H within the Notes to Financial Statements regarding investment in Morgan Stanley Institutional Liquidity Money Market Portfolio Institutional Class.

(e) The approximate market value and percentage of the investments, $1,097,691,000 and 85.5%, respectively, represent the securities that have been fair valued under the fair valuation policy for international investments as described in Note A within the Notes to Financial Statements.

@ Value is less than $500.

ADR American Depositary Receipt

Graphic Presentation of Portfolio Holdings

The following graph depicts the Fund s holdings by industry and/or security type, as a percentage of total investments.

* Industries which do not appear in the above graph, as well as those which represent less than 5% of total investments, if applicable, are included in the category labeled Other .

Morgan Stanley India Investment Fund, Inc.

Financial Statements

Statement of Assets and Liabilities

	December 31, 2007 (000)
Assets:	
Investments in Securities of Unaffiliated Issuers, at Value (Cost $570,290)	$ 1,103,952
Investment in Security of Affiliated Issuer, at Value (Cost $179,495)	179,495
Total Investments in Securities, at Value (Cost $749,785)	1,283,447
Cash	36,537
Foreign Currency, at Value (Cost $13,407)	13,551
Receivable for Investments Sold	8,574
Tax Reclaim Receivable	290
Interest Receivable	227
Dividend Receivable	17
Receivable from Affiliate	5
Other Assets	16
Total Assets	1,342,664
Liabilities:	
Payable For:	
Dividends Declared	232,244
Investment Advisory Fees	1,125
Custodian Fees	545
Directors Fees and Expenses	161
Administration Fees	32
Other Liabilities	138
Total Liabilities	234,245
Net Assets	
Applicable to 19,511,564, Issued and Outstanding $0.01 Par Value Shares (100,000,000 Shares Authorized)	$ 1,108,419
Net Asset Value Per Share	$ 56.81
Net Assets Consist of:	
Common Stock	$ 195
Paid-in Capital	412,644
Undistributed (Distributions in Excess of) Net Investment Income	(1,661)
Accumulated Net Realized Gain (Loss)	163,811
Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Translations	533,430
Net Assets	$ 1,108,419

 The accompanying notes are an integral part of the financial statements.

Morgan Stanley India Investment Fund, Inc.

Financial Statements

Statement of Operations

	Year Ended December 31, 2007 (000)
Investment Income	
Dividends from Securities of Unaffiliated Issuers	$ 8,491
Dividends from Security of Affiliated Issuer	1,326
Interest from Securities of Unaffiliated Issuers	673
Total Investment Income	10,490
Expenses	
Investment Advisory Fees (Note B)	11,537
Custodian Fees (Note D)	1,637
Administration Fees (Note C)	868
Professional Fees	187
Directors Fees and Expenses (Note E)	125
Stockholder Reporting Expenses	56
Stockholder Servicing Agent Fees	23
Other Expenses	159
Total Expenses	14,592
Waiver of Administration Fees (Note C)	(560)
Rebate from Morgan Stanley Affiliated Cash Sweep (Note H)	(27)
Expense Offset (Note D)	(11)
Net Expenses	13,994
Net Investment Income (Loss)	(3,504)
Net Realized Gain (Loss) on:	
Investments	398,620
Foreign Currency Transactions	250
Net Realized Gain (Loss)	398,870
Change in Unrealized Appreciation (Depreciation) on:	
Investments	139,743
Foreign Currency Translations	116
Change in Unrealized Appreciation (Depreciation)	139,859
Total Net Realized Gain (Loss) and Change in Unrealized Appreciation (Depreciation)	538,729
Net Increase (Decrease) in Net Assets Resulting from Operations	$535,225

The accompanying notes are an integral part of the financial statements. 7

Morgan Stanley India Investment Fund, Inc.

Financial Statements

Statements of Changes in Net Assets

	Year Ended December 31, 2007 (000)	Year Ended December 31, 2006 (000)
Increase (Decrease) in Net Assets		
Operations:		
Net Investment Income (Loss)	$ (3,504)	$ (1,110)
Net Realized Gain (Loss)	398,870	202,597
Change in Unrealized Appreciation (Depreciation)	139,859	82,013
Net Increase (Decrease) in Net Assets Resulting from Operations	535,225	283,500
Distributions from and/or in Excess of:		
Net Investment Income	(3,206)	
Net Realized Gain	(326,633)	(105,431)
Total Distributions	(329,839)	(105,431)
Capital Share Transactions:		
Reinvestment of Distributions (104,859 and 72,491 shares, respectively)	4,942	2,890
Repurchase of Shares (489,201 shares in 2007)	(22,835)	
Additional Expenses Incurred from the 2005 Rights Offering		(83)
Net Increase (Decrease) in Net Assets Resulting from Capital Share Transactions	(17,893)	2,807
Total Increase (Decrease)	187,493	180,876
Net Assets:		
Beginning of Period	920,926	740,050
End of Period (Including Undistributed (Distributions in Excess of) Net Investment Income of $(1,661) and $(81), respectively)	$ 1,108,419	$ 920,926

 The accompanying notes are an integral part of the financial statements.

Morgan Stanley India Investment Fund, Inc.

Selected Per Share Data and Ratios

Financial Highlights

	Year Ended December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Net Asset Value, Beginning of Period	$ 46.29	$ 37.33	$ 29.09	$ 22.95	$ 11.98
Net Investment Income (Loss)	(0.18)	(0.06)	0.06	0.11	0.16
Net Realized and Unrealized Gain (Loss) on Investments	27.38	14.32	12.18	6.12	11.01
Total from Investment Operations	27.20	14.26	12.24	6.23	11.17
Distributions from and/or in Excess of:					
Net Investment Income	(0.16)		(0.28)	(0.09)	(0.20)
Net Realized Gain	(16.64)	(5.30)	(3.60)		
Total Distributions	(16.80)	(5.30)	(3.88)	(0.09)	(0.20)
Dilutive Effect of Shares issued through Rights Offering and Offering Costs			(0.12)		
Anti-Dilutive Effect of Share Repurchase Program	0.12				0.00#
Net Asset Value, End of Period	$ 56.81	$ 46.29	$ 37.33	$ 29.09	$ 22.95
Per Share Market Value, End of Period	$ 54.89	$ 50.82	$ 37.35	$ 30.96	$ 26.55
TOTAL INVESTMENT RETURN:					
Market Value	45.29%	51.73%	32.57%	17.03%	169.33%
Net Asset Value (1)	65.09%	38.28%	41.02%	27.21%	93.15%
RATIOS, SUPPLEMENTAL DATA:					
Net Assets, End of Period (Thousands)	$ 1,108,419	$ 920,926	$ 740,050	$ 465,448	$ 366,984
Ratio of Expenses to Average Net Assets(2)	1.33%+	1.35%	1.38%	1.40%	1.56%
Ratio of Net Investment Income (Loss) to Average Net Assets(2)	(0.33)%+	(0.13)%	0.17%	0.57%	1.10%
Portfolio Turnover Rate	60%	34%	32%	52%	36%
(2) Supplemental Information on the Ratios to Average Net Assets:					
Ratios Before Expenses Waived by Administrator:					
Ratio of Expenses to Average Net Assets	1.39%+	1.40%	1.43%	1.41%	N/A
Ratio of Net Investment Income (Loss) to Average Net Assets	(0.39)%+	(0.18)%	0.12%	0.56%	N/A

(1) 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. This percentage is not an indication of the performance of a stockholder 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.

Per share amounts are based on average shares outstanding.

\# Amount is less than $0.005 per share.

\+ Reflects rebate of certain Fund expenses in connection with the investments in Morgan Stanley Institutional Liquidity Money Market Portfolio Institutional Class during the period. As a result of such rebate, the expenses as a percentage of its net assets were effected by less than 0.005%.

The Morgan Stanley India Investment Fund, Inc. (the Fund) was incorporated in Maryland on December 22, 1993, and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund s investment objective is long-term capital appreciation through investments primarily in equity securities of Indian Issuers.

A. Accounting Policies: The following significant accounting policies are in conformity with U.S. generally accepted accounting principles. Such policies are consistently followed by the Fund in the preparation of its financial statements. U.S. generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

1. Security Valuation: Securities listed on a foreign exchange are valued at their closing price. Unlisted securities and listed securities not traded on the valuation date for which market quotations are readily available are valued at the mean between the current bid and asked prices obtained from reputable brokers. Equity securities listed on a U.S. exchange are valued at the latest quoted sales price on the valuation date. Equity securities listed or traded on NASDAQ, for which market quotations are available, are valued at the NASDAQ Official Closing Price. Debt securities purchased with remaining maturities of 60 days or less are valued at amortized cost, if it approximates value.

All other securities and investments for which market values are not readily available, including restricted securities, and those securities for which it is inappropriate to determine prices in accordance with the aforementioned procedures, are valued at fair value as determined in good faith under procedures adopted by the Board of Directors (the Directors), although the actual calculations may be done by others. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer s financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances.

Most foreign markets close before the New York Stock Exchange (NYSE). Occasionally, developments that could affect the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business on the NYSE. If these developments are expected to materially affect the value of the securities, the valuations may be adjusted to reflect the estimated fair value as of the close of the NYSE, as determined in good faith under procedures established by the Directors.

2. Repurchase Agreements: The Fund may enter into repurchase agreements under which the Fund lends excess cash and takes possession of securities with an agreement that the counterparty will repurchase such securities. In connection with transactions in repurchase agreements, a bank as custodian for the Fund takes possession of the underlying securities (collateral), with a market value at least equal to the amount of the repurchase transaction, including principal and accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to determine the adequacy of the collateral. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the counterparty to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

The Fund, along with other affiliated investment companies, may utilize a joint trading account for the purpose of entering into one or more repurchase agreements. At December 31, 2007, the Fund did not have any outstanding repurchase agreements.

3. **Foreign Currency Translation:** The books and records of the Fund are maintained in U.S. dollars. Amounts denominated in Indian rupees are translated into U.S. dollars at the mean of the bid and asked prices of such currency against U.S. dollars last quoted by a major bank as follows:

- investments, other assets and liabilities at the prevailing rate of exchange on the valuation date;

- investment transactions and investment income at the prevailing rate of exchange on the dates of such transactions.

Although the net assets of the Fund are presented at the foreign exchange rate and market values at the close of the period, the Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rate from the fluctuations arising from changes in

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Morgan Stanley India Investment Fund, Inc.

Notes to Financial Statements (cont d)

December 31, 2007

the market prices of the securities held at period end. Similarly, the Fund does not isolate the effect of changes in the foreign exchange rate from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) due to securities transactions are included in the reported net realized and unrealized gains (losses) on investment transactions and balances.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from sales and maturities of foreign currency exchange contracts, disposition of foreign currency, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Fund s books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) on investments and foreign currency translations in the Statement of Assets and Liabilities. The change in unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

A significant portion of the Fund s net assets consist of Indian securities which involve certain considerations and risks not typically associated with investments in the United States. In addition to its smaller size, less liquidity and greater volatility, the Indian securities market is less developed than the U.S. securities market and there is often substantially less publicly available information about Indian issuers than there is about U.S. issuers. Settlement mechanisms are also less developed and are accomplished, in certain cases, only through physical delivery, which may cause the Fund to experience delays or other difficulties in effecting transactions.

4. **Derivatives:** The Fund may use derivatives to achieve its investment objectives. The Fund may engage in transactions in futures contracts on foreign currencies, stock indices, as well as in options, swaps and structured products. Consistent with the Fund s investment objectives and policies, the Fund may use derivatives for non-hedging as well as hedging purposes.

Following is a description of derivative instruments that the Fund has utilized and their associated risks:

Foreign Currency Exchange Contracts: The Fund may enter into foreign currency exchange contracts generally to attempt to protect securities and related receivables and payables against changes in future foreign exchange rates and, in certain situations, to gain exposure to a foreign currency. A foreign currency exchange contract is an agreement between two parties to buy or sell currency at a set price on a future date. The market value of the contract will fluctuate with changes in currency exchange rates. The contract is marked-to-market daily and the change in market value is recorded by the Fund as unrealized gain or loss. The Fund records realized gains or losses when the contract is closed equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Risk may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and is generally limited to the amount of unrealized gain on the contracts, if any, at the date of default. Risks may also arise from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. At December 31, 2007, the Fund did not have any outstanding foreign currecny exchange contracts.

Futures: The Fund may purchase and sell futures contracts. Futures contracts provide for the sale by one party and purchase by another party of a specified amount of a specified security, index, instrument or basket of instruments. Futures contracts (secured by cash, government or other liquid securities deposited with brokers or custodians as initial margin) are valued based upon their quoted daily settlement prices; changes in initial settlement value (represented by cash paid to or received from brokers as variation margin) are accounted for as unrealized appreciation (depreciation). When futures contracts are closed, the difference between the opening value at the date of purchase and the value at closing is recorded as realized gains or losses in the Statement of Operations.

The Fund may use futures contracts in order to manage its exposure to the stock and bond markets, to hedge against unfavorable changes in the value of securities or to remain fully invested and to reduce transaction costs. Futures contracts involve market risk in excess of the amounts recognized in the Statement of Assets and Liabilities. Risks arise from the possible movements in security values underlying these instruments. The change in value of futures contracts primarily corresponds with the value of

Morgan Stanley India Investment Fund, Inc.

Notes to Financial Statements (cont d)

December 31, 2007

their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. At December 31, 2007, the Fund did not have any outstanding futures contracts.

Purchased & Written Options: The Fund may write covered call and put options on portfolio securities and other financial instruments. Premiums are received and are recorded as liabilities. The liabilities are subsequently adjusted to reflect the current value of the options written. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or are closed are added to or offset against the proceeds or amount paid on the transaction to determine the net realized gain or loss. By writing a covered call option, the Fund, in exchange for the premium, foregoes the opportunity for capital appreciation above the exercise price should the market price of the underlying security increase. By writing a put option, the Fund, in exchange for the premium, accepts the risk of having to purchase a security at an exercise price that is above the current market price.

The Fund may purchase call and put options on its securities or other financial instruments. The Fund may purchase call options to protect against an increase in the price of the security or financial instrument it anticipates purchasing. The Fund may purchase put options on securities which it holds or other financial instruments to protect against a decline in the value of the security or financial instrument or to close out covered written put positions. Risks may arise from an imperfect correlation between the change in market value of the securities purchased or sold by the Fund and from the possible lack of a liquid secondary market for an option. The maximum exposure to loss for any purchased option is limited to the premium initially paid for the option.

At December 31, 2007, the Fund did not have any outstanding purchased or written options.

Structured Notes: Structured notes are derivatives on which the amount of principal repayment and/or interest payments is based upon the movement of one or more factors. These factors include, but are not limited to, currency exchange rates, interest rates (such as the prime lending rate and LIBOR) and stock indices such as the S&P 500 Index. In some cases, the impact of the movements of these factors may increase or decrease through the use of multipliers or deflators. The use of structured notes allows a Fund to tailor its investments to the specific risks and returns the Adviser wishes to accept while avoiding or reducing certain other risks.

Over-the-Counter Trading: Securities and other derivative instruments that may be purchased or sold by the Fund are expected to regularly consist of instruments not traded on an exchange. The risk of non-performance by the obligor on such an instrument may be greater, and the ease with which the Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between bid and ask prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

5. Restricted Securities: The Fund may invest in unregistered or otherwise restricted securities. The term restricted securities refers to securities that are unregistered or are held by control persons of the issuer and securities that are subject to contractual restrictions on their resale. As a result, restricted securities may be more difficult to value and the Fund may have difficulty disposing of such assets either in a timely manner or for a reasonable price. In order to dispose of an unregistered security, the Fund, where it has contractual rights to do so, may have to cause such security to be registered. A considerable period may elapse between the time the decision is made to sell the security and the time the security is registered so that the Fund could sell it. Contractual restrictions on the resale of securities vary in length and scope and are generally the result of a negotiation between the issuer and acquiror of the securities. The Fund would, in either case, bear market risks during that period.

6. New Accounting Pronouncement: In September 2006, Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. As of December 31, 2007, the Adviser does not believe the adoption of SFAS 157 will

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Notes to Financial Statements (cont d)

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impact the amounts reported in the financial statements, however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain measurements reported in the Statement of Operations for a fiscal period.

7. **Other:** Security transactions are accounted for on the date the securities are purchased or sold. Investments in new Indian securities are made by making applications in the public offerings. The issue price, or a portion thereof, is paid at the time of application and reflected as share application money on the Statement of Assets and Liabilities. Upon allotment of the securities, this amount plus any remaining amount of issue price is recorded as cost of investments. Realized gains and losses on the sale of investment securities are determined on the specific identified cost basis. Interest income is recognized on an accrual basis. Dividend income and distributions are recorded on the ex-dividend date (except certain dividends which may be recorded as soon as the Fund is informed of such dividends) net of applicable withholding taxes, if any.

B. **Investment Advisory Fees:** Morgan Stanley Investment Management Inc. (the Adviser or MS Investment Management) provides investment advisory services to the Fund under the terms of an Investment Advisory and Management Agreement (the Agreement). Under the Agreement, the Adviser is paid a fee computed weekly and payable monthly at an annual rate of 1.10% of the Fund s average weekly net assets.

C. **Administration Fees:** MS Investment Management also serves as Administrator to the Fund pursuant to an Administration Agreement. Effective July 1, 2007 the Administration Agreement has been amended to 0.08% of the Fund s average weekly net Assets. Prior to July 1, 2007, under the Administration Agreement, the administration fee was 0.08% of the Fund s average daily net assets. MS Investment Management has agreed to limit the administration fee so that it will be no greater than the previous administration fee of 0.02435% of the Fund s average weekly net assets plus $24,000 per annum. This waiver is voluntary and may be terminated at any time. For the year ended December 31, 2007, approximately $560,000 of administration fees were waived pursuant to this arrangement. Under a sub-administration agreement between the Administrator and JPMorgan Investor Services Co. (JPMIS), a corporate affiliate of JPMorgan Chase Bank, N.A., JPMIS provides certain administrative services to the Fund. For such services, the Administrator pays JPMIS a portion of the fee the Administrator receives from the Fund. Administration costs (including out-of-pocket expenses) incurred in the ordinary course of providing services under the administration agreement, except pricing services and extraordinary expenses, are covered under the administration fee.

Multiconsult, Ltd., whose registered office is in Mauritius, provides sub-administrative services to the Fund, including maintaining certain Fund records and preparing certain periodic filings, under an agreement whereby Multiconsult is paid a fee of $22,000 per annum.

D. Custodian Fees: JPMorgan Chase Bank, N.A. (the Custodian) serves as Custodian for the Fund. The Custodian holds cash, securities, and other assets of the Fund as required by the 1940 Act. Custody fees are payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

The Fund has entered into an arrangement with its Custodian whereby credits realized on uninvested cash balances were used to offset a portion of the Fund s expenses. These custodian credits are shown as Expense Offset on the Statement of Operations.

E. Directors Fees and Expenses: The Fund pays each of its Mauritian Independent Directors an annual fee of $10,000 and all other Independent Directors an annual fee of $7,500. Additionally, each Mauritian Independent Director is paid a fee of $750 for each Board Meeting attended.

F. Federal Income Taxes: It is the Fund s intention to continue to qualify as a regulated investment company and distribute all its taxable income. Accordingly, no provision for Federal income taxes is required in the financial statements. The Fund files tax returns with the U.S. Internal Revenue Service and various states. Generally, the tax authorities can examine all tax returns filed for the last three years.

Effective October 1, 2004 there is no capital gains tax in India for long-term investments and the rate of capital gains tax for short-term investments is 10.455% for transactions conducted through a recognized stock exchange (the capital gains rates were 10.455% for long-term investments and 31.365% for short-term investments for the financial year April 1, 2004 to March 31, 2005). The Fund invests in India through a registered branch office established in Mauritius and, as a result, obtains the benefits under the double taxation treaty between Mauritius and India (Treaty). To obtain benefits under the Treaty, the Fund must meet certain tests and conditions, including the establishment of Mauritius tax residence and related

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Notes to Financial Statements (cont d)

December 31, 2007

requirements. The Fund has obtained a tax residence certification from the Mauritian authorities and believes such certification is determinative of its resident status for Treaty purposes. A fund which is a tax resident in Mauritius under the Treaty but has no branch or permanent establishment in India will not be subject to capital gains tax in India on the sale of securities, but is subject to a 15% (under Article 10 of the India-Mauritius tax treaty) withholding tax on dividends declared, distributed or paid by an Indian company prior to June 1, 1997 and for the period from April 1, 2002 through March 31, 2003. During the period June 1, 1997 through March 31, 2002 and after April 1, 2003, dividend income from Indian companies was exempt from Indian income tax. The Fund currently is subject to and accrues Indian withholding tax on interest earned on Indian securities at 20.91%. The Treaty benefits accorded to foreign investors were challenged by a non-governmental organization and the matter was litigated before India s Supreme Court (the highest court in India). In October 2003, India s Supreme Court upheld the validity of Treaty benefits accorded to foreign investors on the basis of a certificate of residence issued by Mauritian authorities (such as the one obtained by the Fund).

The Fund adopted the provisions of the Financial Accounting Standards Board s (FASB) Interpretation number 48 *Accounting for Uncertainty in Income Taxes (the Interpretation)*, on June 30, 2007. The Interpretation is to be applied to all open tax years as of the date of effectiveness. As of December 31, 2007, this did not result in an impact to the Fund s financial statements.

The tax character of distributions paid may differ from the character of distributions shown on the Statements of Changes in Net Assets due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during 2007 and 2007 were as follows:

2007 Distributions Paid From: (000)		2006 Distributions Paid From: (000)	
Ordinary Income	**Long-term Capital Gain**	**Ordinary Income**	**Long-term Capital Gain**
$12,411	$317,428	$ 3,436	$101,995

The amount and character of income and capital gain distributions to be paid by the Fund are determined in accordance with Federal income tax regulations, which may differ from U.S. generally accepted accounting principles. These book/tax differences are considered either temporary or permanent in nature.

Temporary differences are generally due to differing book and tax treatments for the timing of the recognition of gains (losses) on certain investment transactions and the timing of the deductibility of certain expenses.

Permanent differences, primarily due to differing treatments of gains (losses) related to foreign currency transactions and certain equity securities designated as issued by passive foreign investment companies, resulted in the following reclassifications among the components of net assets at December 31, 2007:

	Increase (Decrease)
Accumulated Undistributed (Distributions in Excess of) Net Investment	Accumulated Net Realized