

MORGAN STANLEY INDIA INVESTMENT FUND, INC.
Form N-CSRS
September 08, 2011

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, New York
(Address of principal executive offices)

10036
(Zip code)

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

Registrant's telephone number, including area code: 212-296-6990

Date of fiscal year end: December 31, 2011

Date of reporting period: June 30, 2011

Item 1 - Report to Shareholders

Morgan Stanley India Investment Fund, Inc.

Directors

Mamode Izam Nathadkhan

M.J. Marcel Vivian
Descroizilles

Joseph J. Kearns

Ravindranath Santosh
Kumar Hazareesing

Fergus Reid

Arthur Lev

*Director, President and
Principal Executive Officer*

Officers

Stefanie V. Chang Yu

Vice President

Francis J. Smith

*Treasurer and Principal
Financial Officer*

Mary Ann Picciotto

Chief Compliance Officer

Mary E. Mullin

Secretary

Investment Adviser and Administrator

Morgan Stanley Investment Management Inc.

522 Fifth Avenue

New York, New York 10036

Custodian

State Street Bank and Trust Company

One Lincoln Street

Boston, Massachusetts 02111

Stockholder Servicing Agent

Computershare Trust Company, N.A.

250 Royall Street

Canton, Massachusetts 02021

Legal Counsel

Dechert LLP

1095 Avenue of the Americas

New York, New York 10036

Independent Registered Public Accounting Firm

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 toll free 1(800) 231-2608 or visit our website at www.morganstanley.com/im. All investments involve risks, including the possible loss of principal.

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INVESTMENT MANAGEMENT

Morgan Stanley

India Investment Fund, Inc.

(IIF)

Morgan Stanley

Investment Management Inc.

Investment Adviser

**Semi-Annual
Report**

June 30, 2011

Morgan Stanley India Investment Fund, Inc.

Overview (unaudited)

Letter to Stockholders

Performance

For the six months ended June 30, 2011, the Morgan Stanley India Investment Fund, Inc. (the "Fund") had total returns of -10.99%, based on net asset value, and -9.89% based on market value per share (including reinvestment of distributions), compared to its benchmark, the U.S. dollar adjusted Bombay Stock Exchange (BSE) 100 Index, which returned -8.13%. On June 30, 2011, the closing price of the Fund's shares on the New York Stock Exchange was \$21.94, representing a 5.4% discount to the Fund's net asset value per share. Past performance is no guarantee of future results.

Factors Affecting Performance

- The Fund underperformed the Index over the six months ended June 30, 2011. Overall, sector allocation had a neutral effect on performance, while stock selection was the primary detractor from performance.
- From a top-down angle, the Fund's underweight exposure to the energy, utilities, and materials sectors, and overweight exposure to the health care sector were positive contributors to performance. However, this was neutralized by the Fund's overweight positions in the industrials and consumer discretionary sectors combined with underweight exposures to financials, telecommunication services and consumer staples sectors, which detracted from performance over this period.
- At the stock level, positions in financials, materials and information technology stocks contributed to performance but this was offset by positions in industrials, consumer discretionary and health care stocks, which hurt performance.

Management Strategies

- The Indian market (as represented by the MSCI India Index) underperformed the broader MSCI Emerging Markets Index for the first six months of 2011 by about 8 percentage points. The year started with a spate of corruption scandals which resulted in a political logjam and bureaucratic standstill. This was further compounded by headline inflation that remained persistently above the central bank's comfort zone and translated into relatively aggressive monetary tightening. Both of these issues seem to be affecting growth expectations, with downgrades to GDP numbers for the fiscal year ending March 2012.
- In the near term, we expect inflation to remain elevated and the central bank to continue tightening; however, some softening in global commodity prices and a good harvest domestically are expected to cool the inflation worries in the second half of the year. On the policy side, we are beginning to see some positive activity but it still remains short of expectations.

Morgan Stanley India Investment Fund, Inc.

Overview (unaudited)

Letter to Stockholders (cont'd)

- From a portfolio standpoint, we have had an export-oriented bias with overweight positions in information technology and health care. We began the year with overweight positions in industrials and consumer names and these have suffered because of the macro conditions. Although we have trimmed our holdings here, we think longer term these are logical positions to take, given India's underpenetrated consumer and need for a capacity build out. Once the macro cycle turns, we expect these sectors to be well positioned.

Sincerely,

Arthur Lev
President and Principal Executive Officer July 2011

Morgan Stanley India Investment Fund, Inc.

June 30, 2011 (unaudited)

Investment Advisory Agreement Approval

Nature, Extent and Quality of Services

The Board reviewed and considered the nature and extent of the investment advisory services provided by the Adviser (as defined herein) under the advisory agreement, including portfolio management, investment research and equity and fixed income securities trading. The Board reviewed similar information and factors regarding the Sub-Adviser (as defined herein), to the extent applicable. The Board also reviewed and considered the nature and extent of the non-advisory, administrative services provided by the Fund's Adviser under the administration agreement, including accounting, clerical, bookkeeping, compliance, business management and planning, and the provision of supplies, office space and utilities at the Adviser's expense. (The Adviser and Sub-Adviser together are referred to as the "Adviser" and the advisory, sub-advisory and administration agreements together are referred to as the "Management Agreement.") The Board also compared the nature of the services provided by the Adviser with similar services provided by non-affiliated advisers as reported to the Board by Lipper, Inc. ("Lipper").

The Board reviewed and considered the qualifications of the portfolio managers, the senior administrative managers and other key personnel of the Adviser who provide the administrative and advisory services to the Fund. The Board determined that the Adviser's portfolio managers and key personnel are well qualified by education and/or training and experience to perform the services in an efficient and professional manner. The Board concluded that the nature and extent of the advisory and administrative services provided were necessary and appropriate for the conduct of the business and investment activities of the Fund and supported its decision to approve the Management Agreement.

Performance, Fees and Expenses of the Fund

The Board reviewed the performance, fees and expenses of the Fund compared to its peers, as determined by Lipper, and to appropriate benchmarks where applicable. The Board discussed with the Adviser the performance goals and the actual results achieved in managing the Fund. When considering a fund's performance, the Board and the Adviser place emphasis on trends and longer-term returns (focusing on one-year, three-year and five-year performance, as of December 31, 2010, or since inception, as applicable). When a fund underperforms its benchmark and/or its peer group average, the Board and the Adviser discuss the causes of such underperformance and, where necessary, they discuss specific changes to investment strategy or investment personnel. The Board noted that the Fund's performance was better than its peer group average for the one- and five-year periods but below its peer group average for the three-year period. The Board discussed with the Adviser the level of the advisory and administration fees (together, the "management fee") for this Fund relative to comparable funds and/or other accounts advised by the Adviser and/or compared to its peers as determined by Lipper. In addition to the management fee, the Board also reviewed the Fund's total expense ratio. The Board noted that the Fund's management fee and total expense ratio were higher but close to its peer group average. After discussion, the Board concluded that (i) the Fund's performance was acceptable, and (ii) the management fee and total expense ratio were competitive with its peer group average.

Morgan Stanley India Investment Fund, Inc.

June 30, 2011 (unaudited)

Investment Advisory Agreement Approval (cont'd)

Economies of Scale

The Board considered the size and growth prospects of the Fund and how that relates to the Fund's total expense ratio and particularly the Fund's management fee rate, which does not include breakpoints. In conjunction with its review of the Adviser's profitability, the Board discussed with the Adviser how a change in assets can affect the efficiency or effectiveness of managing the Fund and whether the management fee level is appropriate relative to current and projected asset levels and/or whether the management fee structure reflects economies of scale as asset levels change. The Board considered that, with respect to closed-end funds, the assets are not likely to grow with new sales or grow significantly as a result of capital appreciation. The Board concluded that economies of scale for the Fund were not a factor that needed to be considered at the present time.

Profitability of the Adviser and Affiliates

The Board considered information concerning the costs incurred and profits realized by the Adviser and its affiliates during the last year from their relationship with the Fund and during the last two years from their relationship with the Morgan Stanley Fund Complex and reviewed with the Adviser the cost allocation methodology used to determine the profitability of the Adviser and affiliates. The Board has determined that its review of the analysis of the Adviser's expenses and profitability supports its decision to approve the Management Agreement.

Other Benefits of the Relationship

The Board considered other benefits to the Adviser and its affiliates derived from their relationship with the Fund and other funds advised by the Adviser. These benefits may include, among other things, "float" benefits derived from handling of checks for purchases and sales, research received by the Adviser generated from commission dollars spent on funds' portfolio trading and fees for distribution and/or shareholder servicing. The Board reviewed with the Adviser each of these arrangements and the reasonableness of the Adviser's costs relative to the services performed. The Board has determined that its review of the other benefits received by the Adviser or its affiliates supports its decision to approve the Management Agreement.

Resources of the Adviser and Historical Relationship Between the Fund and the Adviser

The Board considered whether the Adviser is financially sound and has the resources necessary to perform its obligations under the Management Agreement. The Board also reviewed and considered the historical relationship between the Fund and the Adviser, including the organizational structure of the Adviser, the policies and procedures formulated and adopted by the Adviser for managing the Fund's operations and the Board's confidence in the competence and integrity of the senior managers and key personnel of the Adviser. The Board concluded that the Adviser has the financial resources necessary to fulfill its obligations under the Management Agreement and that it is beneficial for the Fund to continue its relationship with the Adviser.

Other Factors and Current Trends

The Board considered the controls and procedures adopted and implemented by the Adviser and monitored by the Fund's Chief Compliance Officer and concluded that the conduct of business by the Adviser indicates a good faith

effort on its part to adhere to high ethical standards in the conduct of the Fund's business.

Morgan Stanley India Investment Fund, Inc.

June 30, 2011 (unaudited)

Investment Advisory Agreement Approval (cont'd)

General Conclusion

After considering and weighing all of the above factors, the Board concluded that it would be in the best interest of the Fund and its shareholders to approve renewal of the Management Agreement for another year. In reaching this conclusion the Board did not give particular weight to any single factor referenced above. The Board considered these factors over the course of numerous meetings, some of which were in executive session with only the independent Board members and their counsel present. It is possible that individual Board members may have weighed these factors differently in reaching their individual decisions to approve the Management Agreement.

Morgan Stanley India Investment Fund, Inc.

June 30, 2011 (unaudited)

Portfolio of Investments

	Shares	Value (000)
COMMON STOCKS (96.6%)		
Airlines (0.8%)		
SpiceJet Ltd. (a)	5,691,091	\$ 4,213
Auto Components (1.5%)		
Apollo Tyres Ltd.	18,750	33
Motherson Sumi Systems Ltd.	1,530,055	7,729
		7,762
Automobiles (3.4%)		
Hero Honda Motors Ltd.	1,185	50
Mahindra & Mahindra Ltd.	1,097,691	17,306
Patheja Forgings & Auto Parts Manufactures Ltd. (a)(b)(c)	450,000	
		17,356
Chemicals (3.0%)		
Akzo Nobel India Ltd.	25,000	499
Asian Paints Ltd.	98,903	7,073
Coromandel International Ltd.	1,040,200	8,186
		15,758
Commercial Banks (22.7%)		
Bank of Baroda	265,893	5,313
HDFC Bank Ltd.	807,569	45,474
ICICI Bank Ltd.	1,562,600	38,301
IndusInd Bank Ltd.	3,190,791	19,774
State Bank of India	164,902	8,875
		117,737
Construction & Engineering (5.7%)		
Gammon India Ltd.	1,942,800	4,006
Larsen & Toubro Ltd.	622,040	25,459
		29,465
Containers & Packaging (0.8%)		
Ess Dee Aluminium Ltd.	549,519	4,382
Diversified Financial Services (0.5%)		
Manappuram General Finance & Leasing Ltd.	2,097,910	2,645
Electric Utilities (1.4%)		
KSK Energy Ventures Ltd. (a)	2,948,000	7,298
Electronic Equipment, Instruments & Components (1.1%)		
Redington India Ltd.	2,877,000	5,579
Food Products (0.8%)		
Nestle India Ltd.	45,091	4,149

	Shares	Value (000)
Gas Utilities (1.8%)		
GAIL India Ltd.	853,000	\$ 8,425
Indraprastha Gas Ltd.	82,579	705
		9,130
Household Products (0.6%)		
Hindustan Unilever Ltd.	387,000	2,977
Independent Power Producers & Energy Traders (0.5%)		
Jaiprakash Power Ventures Ltd. (a)	2,624,000	2,818
Information Technology Services (14.7%)		
Infosys Ltd.	756,221	49,299
Infosys Technologies Ltd. (a)	6,400	209
Tata Consultancy Services Ltd.	1,004,761	26,715
		76,223
Machinery (5.7%)		
AIA Engineering Ltd.	1,007,252	8,405
Cummins India Ltd.	570,900	8,666
Tata Motors Ltd.	269,622	6,039
Thermax Ltd.	499,376	6,658
		29,768
Media (2.2%)		
DB Corp. Ltd.	504,168	2,617
Deccan Chronicle Holdings Ltd. (a)	922,324	1,438
IBN18 Broadcast Ltd. (a)	3,254,560	5,628
Network 18 Media & Investments Ltd. (a)	542,226	1,615
		11,298
Metals & Mining (5.1%)		
Hindalco Industries Ltd.	1,367,450	5,540
Hindustan Zinc Ltd.	1,086,600	3,321
Jindal Steel & Power Ltd.	815,700	11,951
Usha Martin Ltd.	4,463,700	5,409
		26,221
Multiline Retail (1.0%)		
Pantaloon Retail India Ltd.	656,119	5,417
Oil, Gas & Consumable Fuels (7.9%)		
Petronet LNG Ltd.	425,100	1,292
Reliance Industries Ltd.	1,954,020	39,395
		40,687

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

Morgan Stanley India Investment Fund, Inc.

June 30, 2011 (unaudited)

Portfolio of Investments (cont'd)

	Shares	Value (000)
Pharmaceuticals (7.7%)		
Aurobindo Pharma Ltd.	890,919	\$ 3,434
Dr. Reddy's Laboratories Ltd.	548,907	18,825
Glenmark Pharmaceuticals Ltd.	2,499,500	17,754
		40,013
Real Estate Management & Development (1.5%)		
Oberoi Realty Ltd.	1,099,379	5,915
Phoenix Mills Ltd.	420,007	1,782
		7,697
Tobacco (6.2%)		
ITC Ltd.	7,029,400	31,942
TOTAL COMMON STOCKS (Cost \$442,494)		500,535
SHORT-TERM INVESTMENT (0.5%)		
Investment Company (0.5%)		
Morgan Stanley Institutional Liquidity Funds Money Market Portfolio Institutional Class (See Note G) (Cost \$2,356)	2,356,113	2,356
TOTAL INVESTMENTS (97.1%) (Cost \$444,850) (d)		502,891
OTHER ASSETS IN EXCESS OF LIABILITIES (2.9%)		15,248
NET ASSETS (100.0%)		\$ 518,139

(a) Non-income producing security.

(b) At June 30, 2011, the Fund held a fair valued security valued at \$0, representing 0.0% of net assets. This security has been fair valued as determined in good faith under procedures established by and under the general supervision of the Fund's Directors.

(c) Security has been deemed illiquid at June 30, 2011.

(d) The approximate market value and percentage of net assets, \$469,789,000 and 90.7%, respectively, represent the securities that have been fair valued under the fair valuation policy for international investments as described in Note A-1 within the Notes to the Financial Statements.

Fair Value Measurement Information:

The following is a summary of the inputs used to value the Fund's net assets as of June 30, 2011. (See Note A-3 to the financial statements for further information regarding fair value measurement.)

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets:				
Common Stocks				
Airlines	\$	\$ 4,213	\$	\$ 4,213
Auto				
Components		7,762		7,762
Automobiles		17,356	†	17,356
Chemicals		15,758		15,758
Commercial				
Banks		117,737		