

## **RAILWAY COMPANIES ACT, 1895**

**10 of 1895**

**[7th March, 1895]**

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STATEMENT OF OBJECTS AND REASONS "The restriction against treating any part of the subscribed capital of a Company as income during the time when it is necessarily unproductive, which applies under English law to every Company registered under the English Joint Stock Companies Acts, would probably be held by the Courts in this country to apply to a company domiciled in India and registered under the Indian Companies Act (VI of 1882). The restriction has been removed so far as Companies domiciled in England, but formed for construction of railways in India, are concerned, by the Statutes 57 and 58 Vict., c. 12 passed by Parliament in the middle of last year. The object of this Bill is to place Railway Companies domiciled in India and registered under Companies Act, 1882, in the same position in this respect as Companies registered in Eng- land." -Gaz. of Ind., 1895, Pt.V, page 25.

### **1. Title and extent :-**

(1) This Act may be called The Indian Railway Companies Act, 1895.

(2) It extends to the whole of India except '[the territories which, immediately before the 1<sup>st</sup> November, 1956, were comprised in Part B States]'. <sup>1</sup> [\*\*\*\*\*]

1. The word "and" at the end of sub-section (2) and sub-section (3) were omitted by the Repealing and Amending Act, 1914 (10 of 1914), S. 3 and Sch. II.

## **2. Definitions :-**

In this Act, unless there is something repugnant in the subject or context,-

( 1 ) "railway" means a railway as defined in S.3, clause (4), of the Indian Railways Act, 1890;

(2) "the railway" means the railway in relation to the construction of which interest out of capital is permitted to be paid as hereinafter provided; and

(3) "Railway Company" means a Company registered under Companies Act, 1882, and formed for the purpose of making and working, or making or working, a railway in India, whether alone or in conjunction with other purposes.

## **3. Payment of interest out of capital :-**

A Railway Company may pay interest on its paid-up share capital out of capital, for the period, and subject to the conditions and restrictions, in this section mentioned, and may charge the same to capital as part of the cost of construction of the railway :-

(1) Such interest shall be paid only for such period as shall be determined by the '[Central Govern- ment]; and such period shall in no case extend beyond the close of the half year next after the half-year during which the railway shall be actually completed and opened for traffic.

(2) No such payment shall be made unless the same is authorised by the Company's memorandum of association or .by a special resolution of the Company.

(3) No such payment, whether authorised by the Company's memorandum of associaton or by special resolution as aforesaid, shall be made without the previous sanction of the '[Central Government].

(4) The amount so paid out of capital by way of interest, in respect of any period, shall in no case exceed a sum which shall, together

with the net earnings of the railway during such period, make up the rate of four per cent. per annum.

(5) No such payment of interest shall be made until such Railway Company has satisfied the <sup>1</sup> [Central Government] that two-thirds at least of its share capital, in respect whereof interest is to be so paid, has been actually issued and accepted, and is held by shareholders who, or whose representatives, are legally liable for the same.

(6) No such interest shall accrue in favour of any shareholder for any time during which any call on any of his shares is in arrear.

(7) The payment of such interest shall not operate as a reduction of the amount paid up on the shares in respect of which it is paid.

1. Substituted for the words 'Governor-General in Council' by A.O., 1937.

#### **4. Provisions of section 3 applicable to additional share capital for extensions :-**

A railway in course of construction and intended to be made or worked by a Railway Company in addition to or by way of extension of any railway owned or worked by such Company shall be deemed to be the railway of such Company for the purposes of this Act, and all the provisions of the last preceding section shall apply to such railway and to the share capital issued for the purpose of its construction.

#### **5. Notice in prospectus and other documents :-**

When a Railway Company has power to pay interest under this Act, notice to that effect shall be given in every prospectus, advertisement or other document inviting subscriptions for shares therein, and in every certificate of such shares.

#### **6. Accounts :-**

When any interest has been paid by a Railway Company under this Act, the annual or other accounts of such company shall show the amount on which, and the rate at which, interest has been so paid.

#### **7. Constitution of borrowing powers :-**

If by any memorandum of association, articles of association or other document any power of borrowing money is conferred on a Railway Company, or on its Directors, with or without the sanction of any meeting, and if such power of borrowing is limited to an amount bearing any proportion to the capital of such Company, the

amount of capital applied or to be applied in payment of interest under this Act shall, for the purpose of ascertaining the extent of such power of borrowing, be deducted from the capital of such Company.