

MSM sued by Ranhill over termination of effluent treatment plant project in Johor

By Anis Hazim / theedgemalaysia.com

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KUALA LUMPUR (April 10): MSM Malaysia Holdings Bhd (KL:MSM ) said the group has been sued by a subsidiary of Ranhill Utilities Bhd (KL:RANHILL ) over a failed industrial effluent treatment project in Tanjung Langsat, Johor.

Ranhill Water Technologies Sdn Bhd (RWT) had initiated the lawsuit against MSM's wholly-owned unit, MSM Sugar Refinery Johor Sdn Bhd (MSM Johor), following the termination of a RM6.1 million contract for a plant upgrade, said MSM in an exchange filing on Thursday.

MSM Johor had in June 2022 appointed RWT to undertake the commissioning of the plant, but the contract was terminated two years later due to RWT's alleged failure to complete the work.

"The project failed and RWT refused to rectify nor replace the failed equipment and system which resulted in the termination of its contract on July 2, 2024 by MSM Johor," said MSM.

The contract termination as well as the filing of the lawsuit took place last year, but are only now being disclosed by the country's largest refined sugar producer to Bursa Malaysia. The court has scheduled a case management on Friday.

RWT is seeking RM2.79 million in outstanding payments, RM669,362 for variation works, general damages and several declarations, including that the termination was wrongful.

"RWT asserts amongst others that the termination by MSM Johor is wrongful, void, bad in law, and not in accordance with the contract procedure. Therefore, it is a repudiation of the contract by MSM Johor," said MSM.

"RWT also alleges that it had completed the upgrading and rectification works as required under the contract, and accordingly, claims for the balance contract sum and for variations," said MSM.

The group, however, added that it had filed a counterclaim against RWT on September 3 last year, seeking up to RM4.4 million for replacement and remedial costs, as well as RM27.63 million per month in estimated losses from the termination date.

"MSM Johor contends that the project has failed since RWT did not complete the works under the contract, and therefore is claiming all related losses and/or damages incurred as a result," it noted.

MSM Johor has also laid out claims for specific damages, including RM3.61 million for rectification works and RM400,000 for testing and commissioning, among others, subject to final determination.

MSM said the pending legal claims are expected to materially impact the group's financials but will be recognised only when a positive outcome is virtually assured.

"Both the company and RWT are actively working towards an amicable resolution and settlement of the legal suit," it added.

MSM's shares closed up 9.5 sen or 10.67% to 98.5 sen on Thursday for a market capitalisation of RM692.44 million

Ranhill Utilities, meanwhile, closed two sen or 1.72% higher at RM1.18, valuing the group at RM1.53 billion

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