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Pandawa Sakti Acquires Sabah Forest Industries (SFI) for \$500 Million

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According to a report published earlier this week by *The Malaysian Reserve*, Kuala Lumpur, Malaysia, Pandawa Sakti Sdn Bhd, an associate of delisted property developer Gula Perak Bhd, appears to be positioning itself as a top Malaysian paper manufacturer with the \$500 million (RM 2.2 billion) purchase of a controlling stake in Sabah Forest Industries Sdn Bhd (SFI) from Ballarpur Industries Ltd, the largest pulp and paper mill in the country.

SFI manages a forest estate of 288,138 ha and pulp and paper manufacturing facilities, along with an integrated timber complex consisting of a saw mill and a veneer and plywood factory.

The mill is able to produce 240,000 metric tons of pulp a year, half of which is manufactured into printing and writing paper for domestic and international markets, while the other half is exported as market pulp.

Pandawa Sakti's purchase of SFI comes less than a year following a three-year \$2.66 billion deal with China CEC Engineering Corp to construct a wood pulp factory in Sipitang, Sabah.

The factory is expected to employ a thousand workers and produce 1 million metric tpy of wood pulp, and will be funded by the Industrial and Commercial Bank of China Ltd, ExportImport Bank of China, and China Construction Bank Corp.

Ballarpur is India's largest manufacturer of printing and paper and is owned by mega corporation Avantha Group. It purchased SFI in 2007 for RM 945 million cash from the debt-laden Lion Group. Ballarpur made the divestment seeking to reduce its \$1.55 billion debt and said the sale was in line with the company's objectives.

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