INTRODUCTION
The Kalach family controls Grupo Kaltex SA de CV (B/B+), a Mexican textile manufacturer and distributor with subsidiaries in the US and Colombia. The business has its origins in a textile warehouse founded by six Kalach siblings in the 1920s after immigrating from Syria. Since the 1980s, the group has been led by second-generation chairman and CEO Rafael Kalach Mizrahi, and seven of nine board seats are held by second-generation family members. Rafael's eldest son, Moises Kalach Balas, represents Mexico's private sector in trade talks as head of international negotiations for the country's main business lobby (Consejo Coordinador Empresarial). Kaltex's key segments are textile manufacturer Kaltex Textiles, Kaltex Internacional (which manufactures and distributes textiles outside Mexico) and Kaltex Comercial (a clothing and bedding retail chain whose main subsidiary is Grupo Milano SA de CV). The group's main acquisitions have been Coltejer SA, a Colombian-listed textile maker acquired in 2008, and apparel retailer Grupo Milano, bought in 2012. The family also controls Comercializadora Círculo CCK SA de CV, whose Circle K brand is Mexico's third-largest convenience-store chain. Most of the stores were acquired via the 2014 purchase of Grupo Modelo's Tiendas Extra. Rafael Kalach Mizrahi is chairman and CEO, and the family holds five of 11 board seats.

Kaltex had 2017 net revenue of MXN 17.2bn (USD 960m) and EBITDA of MXN 1.2bn. The company returned to the international bond market in April 2017 after a hiatus of over a decade, with USD 320m 8.875% senior secured notes due 2022. Kaltex's results deteriorated after the issuance, with the company citing rising input costs among other factors. At end-2017, Kaltex's total debt was MXN 7.6bn. In Q417, 37.7% of revenue was from exports, with the US accounting for 28%. After making its second coupon payment this month, Kaltex's cash balance was USD 19m, raising concerns about its ability to pay the USD 14.2m coupon in October, Debtwire reported. Family support will likely be vital. In Q417, the family provided a MXN 1.03bn loan to non-guarantor subsidiary Coltejer. The family has allowed Kaltex, whose stores lease space from the family's other companies, to delay rent payments without interest, and has provided one real estate assets, valued at USD 20-USD 25m, for sale. Deloitte issued a qualified opinion on Kaltex's 2017 results, noting that although Kaltex received waivers for breached covenants on loans from BNP Paribas and Santander, the debt should have been reclassified as current because the waivers were obtained after the balance sheet date. The covenants limit gross leverage to 4.5x; Kaltex's gross leverage at end-2017 was 6.1x. The audited earnings also showed a drop in cash balance to MXN 431m, from MXN 545m in the unaudited 4Q17 financials. Kaltex attributed this to adjustments in payments to suppliers, Debtwire reported. The 2022 notes last traded at 87.
TIMELINE

1920s Moisés Kalach Alfie and his five brothers, Syrian-Jewish immigrants whose family arrived in Mexico in the early 20th century, begin selling textiles in Mexico City. The business expands into distribution with the establishment of Textiles America SA.

1939 Textiles America establishes its first textile mill, which produces linings and satin from rayon and acetate fibers.

1956 The group opens its first textile finishing plant.

1980 Kaltex Fibers SA de CV is established to produce synthetic fibers, and begins operations in 1985 in Tamaulipas state.

1986 Textile home products manufacturer Kaltex Home SA de CV is founded.

1987 Kaltex America Inc is established to distribute textiles in the US. The group begins exporting textiles to the US, Central and South America and Europe.

1994 Kaltex Apparel SA de CV (now Manufacturas Kaltex SA de CV) is established, and begins operations the following year in San Juan del Río, Querétaro state.

1997 The family’s business is renamed Grupo Kaltex SA de CV (Kaltex).

2005 The Kalach family establishes Comercializadora Círculo CCK SA de CV to acquire the Mexican subsidiaries of US-based convenience store chain Circle K Stores Inc, which at the time has 14 outlets in Mexico.

2008 Kaltex acquires a 55% stake in Coltejer SA, a Colombian textile manufacturer then under debt restructuring, for USD 118m from Organización Ardila Lulle SA. At the time, Coltejer has operations in Colombia, Mexico, Ecuador, Venezuela, Argentina and the United States.

2010 Kaltex acquires a controlling stake in Nicaragua-based finished garments producer Grupo Argus (renamed Kaltex Argus SA).

2012 Kaltex acquires a controlling stake in apparel retailer Grupo Milano SA de CV, which includes the brands Milano, Melody and Home & Fashion and over 400 retail stores, from private equity firm Advent International Corp.

2014 Comercializadora Círculo CCK acquires Comercio y Distribución Modelo S de RL de CV, which operates the convenience store brand Tiendas Extra, from Anheuser Busch Mexico Holdings S de RL de CV for USD 350m, according to El Financiero. The acquisition includes 872 branches, which brings CCK’s total number of locations to 1,096. The acquisition is partly financed with a MXN 675m amortizing loan from Anheuser Busch Mexico Holdings due June 2018. Kaltex builds a 36-megawatt power plant to supply energy to its textile mills.

2016 Kaltex Comercial SA de CV acquires an additional 20% stake in Grupo Milano from privately-owned Kalach family holding companies Vigoris SA de CV and Mosjak SA de CV for USD 37.2m, partly financed by a USD 28.5m loan from the two companies.

2017 Kaltex issues USD 320m 8.875% senior secured notes due 2022. It acquires the remaining 49% stake in Kaltex Argus SA for MXN 63m. In May, its bonds fall from roughly 98 to 82 after 1Q17 results reveal a 65% year-over-year decline in consolidated EBITDA, attributed to an increase in raw-material prices. In November, after 3Q17 results show another decline in EBITDA of 54%, the bonds fall from 92 to 75.

Sources: Company filings and websites, press reports.
Note: This chart is based on public information and is not intended to be comprehensive. It includes only individuals relevant to the family business.
Note: This chart is based on public information. It contains key companies but is not intended to be comprehensive. USD bonds and market capitalization are included where relevant. Family shareholdings are italicized. Companies are domiciled in Mexico unless otherwise noted.
SHAREHOLDINGS: PRIVATELY-OWNED COMPANIES

Holding Companies

Grupo MCM SA de CV
Owned by the Kalach family

Grupo MCM Colombia SAS

Grupo MCM SA de CV

Comercializadora Círculo CCK SA de CV

Telcom

Telecomunicaciones CCK SA de CV

Comercializadora Círculo CCK SA de CV

CCK bond 2018

Impulsa Círculo CCK SA de CV

Comercializadora Círculo CCK SA de CV

CCK bond 2018

Ready Made Meals

Soluciones Financieras CCK SA de CV

Comercializadora Círculo CCK SA de CV

CCK bond 2018

Fuel Retail

Comercio y Distribución Modelo S de RL de CV

Comercializadora Círculo CCK SA de CV

CCK bond 2018

Tiendas Extra SA de CV

Comercio y Distribución Modelo S de RL de CV

Comercializadora Círculo CCK SA de CV

CCK bond 2018

Extraser SA de CV

Comercio y Distribución Modelo S de RL de CV

Comercializadora Círculo CCK SA de CV

CCK bond 2018

Real Estate

Inmobiliaria Los Mejía SA de CV

Owned by the Kalach family

Inmobiliaria Emilio Castelar SA de CV

Owned by the Kalach family

Inmobiliaria Mago SA de CV

Owned by the Kalach family

Inmobiliaria Exmod SA de CV

Owned by the Kalach family

Administrative Services

Comercializadora Círculo CCK SA de CV

Operadora Círculo CCK SA de CV

EK Conveniencia SA de CV

Administrative Services

CCK 2018 prospectus

Administración Corporativa ADFCORP SA de CV

Owned by the Kalach family

Grupo Administración Corporativa SC

Owned by the Kalach family

Note: This chart is based on public information. It contains key companies but is not intended to be comprehensive. USD bonds and market capitalization are included where relevant. Family shareholdings are italicized. Companies are domiciled in Mexico unless otherwise noted.
Moisés Kalach Balas: International Negotiations Councils and Industry Chambers

The Coordinating Business Council (Consejo Coordinador Empresarial, or CCE) is a lobbying organization representing Mexico’s private sector. Moisés Kalach Balas, the son of Kaltex CEO Rafael Kalach Mizrahi, is a director of the CCE and head of its International Negotiations Strategic Consulting Council (CCeni), through which he is involved in North American Free Trade Agreement (NAFTA) renegotiations, according to press reports. He is also a member of a group of 150 Mexican business leaders who have been called on to participate in NAFTA-related discussions with President Enrique Peña Nieto and Secretary of Economy Ildefonso Guajardo. Kalach Balas has criticized President Donald Trump’s rhetoric against NAFTA, as well as recent steel tariffs, and called for US business leaders to support the agreement. Kalach Balas has said the negotiations are expected to conclude before Mexico’s presidential elections in July, El Economista reported in April. In 4Q17, exports to the US accounted for 28% of Kaltex’s revenue. Kalach Balas is also a director of the Confederation of Industrial Chambers (Concamin), a member of the APEC Business Advisory Council (to which he was appointed by Peña Nieto in 2013) and a member of the Mexico-China High-Level Coordination and Cooperation Committee. He was president of the National Textile Industry Chamber (Canaintex) from 2012 to 2015, and is the former chairman of the Mexican Business Coalition for the Trans Pacific Partnership (TPP).

In November 2009, Kaltex and two other Mexican textile companies requested that the Secretariat of Economy investigate alleged unfair trade practices by China. Canaintex argued in favor of tariffs on Chinese textile imports, but the official in charge of the investigation concluded in October 2011 with no tariffs imposed.

Jaime Cuauhtémoc Morales Vázquez

Jaime Cuauhtémoc Morales Vázquez has been a director and CFO of Kaltex since 2010. He was previously director of corporate development at Mexichem SAB de CV (click here for Debtwire’s profile on the Del Valle family, which controls Mexichem) and an executive in the financial division of Dow Chemical Co (1986-2007). According to the Paradise Papers, leaked documents on offshore companies, he is also a director at Bermuda-based General Administration Partners and Risk Management Ltd, of which Rafael Kalach Mizrahi is president.

Rafael Kalach Mizrahi is a director of numerous companies controlled by Carlos Slim, and Slim’s Banco Inbursa SA is a creditor of Kaltex. Rafael Kalach Mizrahi has been a director and executive of Grupo Carso SAB de CV and Teléfonos de México SAB de CV since 1995, and is a director of América Móvil SAB de CV, Grupo Sanborns SAB de CV, Sears Operadora de México SA and Sears Roebuck SA de CV, which are controlled by Carlos Slim.

At the end of 2015, Kaltex had MXN 254m outstanding on a syndicated loan from Inbursa, Banco Nacional de Mexico SA and Banco Santander SA, and MXN 240m outstanding on two loans from Inbursa. By end-2016, Kaltex’s debt to Inbursa had decreased to MXN 101m outstanding on a single loan. At end-2015, debt to Banco Inbursa represented approximately 4% of Kaltex’s total. The figure fell to 1.7% in 2016, and Kaltex had no loans from Inbursa at end-2017.

Carlos Slim (Grupo Carso)
After an October 2010 fire at Kaltex’s Tepeji del Río plant, Mexico’s Protección Civil emergency-services agency reportedly found irregularities related to the incident, including a three-hour delay in reporting it, according to local news website El Independiente de Hidalgo. A Protección Civil employee cited in the report as saying that the building had already collapsed by the time authorities arrived. Employees also told to El Independiente de Hidalgo that the fire might have been avoided if the company had not laid off five factory employees earlier that year. According to the same report, the fire was only contained four days later and caused MXN 300m in damage. El Independiente de Hidalgo reported that Labor and Social Welfare Secretariat Director Daniel Ludlow Kuri said Kaltex had always shown a “difficult and reluctant” attitude towards labor inspections, and had not shown willingness to improve conditions to comply with requirements. In March 2018, one person died in another fire in the Tepeji del Río plant. The matter will be investigated by prosecutors, La Jornada reported.

Employees of Kaltex’s San Juan del Río plant held a strike for two weeks in May 2015, on the grounds that the company had not distributed a profit-based bonus for 2014, to which they claimed they were entitled. According to El Universal, employees disputed the company’s claim that it did not make a profit in 2014, and filed a complaint with the Labor and Social Welfare Secretariat. According to local news website AM de Querétaro, employees also accused the company of not paying for overtime and paid holidays, and demanded better contract terms. The employees were represented by the national textile workers union and the Confederation of Mexican Workers. The company denied violating labor laws. According to El Universal, Kaltex and its employees signed an agreement weeks later regarding payment for overtime and holidays, but the agreement did not address the bonus.

According to the Paradise Papers, offshore financial documents leaked in 2017, Rafael Kalach Mizrahi is the president of Bermuda-based General Administration Partners and Risk Management Ltd, established in 2013. Other directors include Kaltex legal representative Carlos Avelar Guerrero, former Kaltex legal executive Luis Roberto Gonzalez Castro and Kaltex CFO Jaime Cuauhtemoc Morales Vasquez. Kalach family company Administración Corporativa ADCORP SA de CV is named in Paradise Papers documents as a shareholder of General Administration Partners and Risk Management. Mexican tax authority Servicio de Administración Tributaria announced in November 2017 that it was investigating all 87 Mexican nationals named in the Paradise Papers for potential tax fraud and failure to declare offshore company ownership, according to Forbes.

Kaltex has substantial transactions with Kalach family companies. Kaltex reported a total of MXN 62.5m in related-party revenue and MXN 154m in related-party expenses in the five years from 2013 to 2017. In May 2016, Kaltex increased its stake in Grupo Milano by acquiring an additional 20% stake from Kalach family holding companies Mosjak SA de CV and Vigoris SA de CV for USD 37.2m, of which it still owes USD 28.9m. In 2017, Kaltex received USD 4.4m in loans from the two companies. Also in 2017, Kaltex subsidiary Coltejer received a MXN 1.03bn loan with 16.25% interest from family company Grupo MCM Colombia SAS to fulfill working capital requirements. The 16.25% rate is in line with interest on Kaltex’s main third-party loans, which ranged from 11.91% to 16.8% at end-2017. Other payables to Kalach family companies include MXN 157m in rents to Kaltex Inmobiliaria SA de CV for store leases. The Grupo MCM Colombia loan was disclosed in Kaltex’s audited 2017 financials, but not in its unaudited 4Q17 results. The family also plans to provide cash to Kaltex through the sale of property, Debtwire reported. The company’s accounts receivable and payable with related parties increased substantially at year-end 2017 compared to the previous year, to MXN 42m in receivables and MXN 1.19bn in payables. At end-2016, total accounts receivable and payable from related parties were MXN 20m and MXN 196m, respectively.

In a 2012 report titled “Toxic Threads: Under Wraps” Greenpeace claimed that Kaltex’s plant in San Juan del Río discharged a “wide range of hazardous substances” in wastewater analysis, including chemicals used in textile dyes and resin production. According to the report, only one inspection of the plant’s discharge process took place between 2007 and 2011. The chemicals identified in the samples are not regulated in Mexico, according to the report. Greenpeace claimed there had been “numerous complaints from local inhabitants about pollution of the river and of bad management of hazardous materials”. It cited to a 2004 study by Comisión Nacional del Agua (Conagua, associated with the Environment and Natural Resources Secretariat) and the UN meteorological agency, which found that the Kaltex plant discharged 18m litres of waste per day. In December 2012, Greenpeace activists partly blocked the plant’s discharge pipe. Kaltex responded that its discharge controls exceed Mexican regulations.

According to the same Greenpeace report, Conagua and Kaltex were involved in a legal dispute in 2003 in relation to water pollution from the San Juan del Río plant. The dispute was reported to have been resolved. There were proposals by members of Congress to investigate water pollution by Kaltex and another company in 2007 and 2009, but the proposals were rejected by the Environment and Natural Resources Congressional Commission, according to the Greenpeace report and congressional documents. Federal prosecutors and the Sustainable Development Secretariat (Sedesu) told El Universal that Kaltex complies with water-treatment regulations.

After the Greenpeace report was published, Senator Carlos Alberto Puente Salas called in December 2012 for Conagua and the Environment and Natural Resources Secretariat to investigate water pollution by the San Juan del Río plant. The Senate approved the proposal in April 2013. However, there do not appear to have been consequences for Kaltex.

In 2001, Kaltex was fined roughly MXN 300,000 by Mexican anti-trust authority Comisión Federal de Competencia Económica (Cofece) for failing to provide timely notification of the incorporation of subsidiary Grupo K-Canelo SA de CV. According to Cofece documents, Kaltex had also been fined by the agency prior to 2001.
### DEBTWIRE COVERAGE

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