

Cosan S.A. Downgraded To 'BB-' From 'BB' And Placed On CreditWatch Negative On Weaker Financial Flexibility

March 6, 2026

Rating Action Overview

- An agreement between [Cosan S.A.](#) and [Shell plc](#) on how to address debt woes at their joint venture [Raizen S.A.](#) has taken longer than expected to materialize.
- The current proposal, as disclosed by Raizen, excludes any direct cash support from Cosan. However, the final terms are uncertain and risks, stemming from cash outflow to support the joint venture or its potential debt restructuring, have weakened Cosan's market risk perception and its financial flexibility, in our view.
- On March 6, 2026, S&P Global Ratings lowered the ratings on Cosan and on the perpetual notes issued by [Cosan Overseas Ltd.](#) to 'BB-' from 'BB'. We also placed the ratings on CreditWatch with negative implications.
- The CreditWatch negative placement reflects substantial uncertainties over Raizen's situation and how it will affect Cosan, especially in terms of market risk perception and confidence, including risks for its subsidiaries in accessing capital markets to fund investments and for refinancing.

Rating Action Rationale

If Raizen's financial and operating challenges won't ease, risks for Cosan will rise. Cosan and Shell have failed to reach an agreement on how to help Raizen. The joint venture announced this week that it's evaluating an overhaul of its heavy capital structure, including a capital injection from Shell (R\$3.5 billion) and R\$500 million from the holding company Aguassanta Investimentos S.A. Although Cosan's controlling entity would participate in the capitalization, the group itself would not, signaling a change from Cosan's previous public statements, given that following the December 2025 follow-on, Cosan announced that it could use part of the proceeds to support Raizen.

The immediate spillover effect on Cosan seems limited, in terms of cross default among debts or guarantees, or immediate refinancing needs. However, longer-term reputational risks could rise, which could impair Cosan's and its subsidiaries' financial flexibility. Also, we believe the shift in

Primary Contact

Matheus H Cortes
Sao Paulo
55-11-3039-9775
matheus.cortes
@spglobal.com

Secondary Contact

Flavia M Bedran
Sao Paulo
55-11-3039-9758
flavia.bedran
@spglobal.com

the approach to Raizen's challenges could dent market confidence in the group and create a weak precedent for risk management in its other subsidiaries. This has led us to reassess our score of Cosan's management and governance to negative from moderately negative, with a one notch impact on the rating.

Cosan's liquidity is currently at comfortable levels, but spillover effects are uncertain. With a consolidated cash position of R\$16.1 billion as of September 2025, the proceeds from the follow-on (R\$10.75 billion), and the projected cash generation off for 2026, Cosan has more than enough financial resources to fund its investments, working capital needs, dividends, and debt repayments, including the R\$9 billion debt reduction through the repurchase of the 2029, 2030, and 2031 bonds and other local debt. Additionally, the potential IPO of Compass could further contribute to liquidity and deleveraging, although timing and amounts are currently uncertain.

We estimate Cosan will have about R\$7.5 billion in cash in 2026 at the holding level, no significant maturities until 2028, and debt close to R\$15 billion following recent debt payments. As a result, interest burden should decline to close to R\$1 billion in 2026. On a consolidated basis, we forecast debt to EBITDA of 2.5x-3.0x, despite capital expenditure (capex) of R\$8.5 billion and dividends of R\$1.2 billion this year. Our base-case scenario excludes R\$1.5 billion that Cosan publicly commented it could inject in Raizen through the follow-on proceeds. If that were to occur, debt to EBITDA would be closer to 3.0x.

Also, in a scenario of any potential cash outflow to support Raizen, Cosan's liquidity cushion could tighten, and its credit profile could weaken.

CreditWatch

The CreditWatch negative placement reflects substantial uncertainties over Raizen's financial and operating difficulties and how they could spill over to Cosan, especially in terms of market perception and confidence, including risks for its subsidiaries to continue accessing capital markets to fund investments and for refinancing.

Company Description

Cosan is a conglomerate operating in the fuel and natural gas distribution, agribusiness, lubricants, and transportation segments. The group generated R\$41 billion of revenue and adjusted EBITDA of R\$14 billion in the 12 months ended Sept. 30, 2025.

Cosan's portfolio consists of:

- An 88% stake in Compass (the largest natural gas distribution company in Brazil);
- A 70% stake in Moove (a lubricant producer and distributor operating in Brazil and the U.S.);
- A 30% stake in Radar (agricultural land management in Brazil); and
- A 30% stake in [Rumo S.A.](#) (a transportation and logistics company that operates the largest railroad network in Brazil).

In addition, Cosan has a 44% stake in Raizen, accounted for as an equity investment. Raizen produces sugar and ethanol, energy cogeneration, and fuel distribution. Cosan also maintains a 0.1% stake in Vale S.A., the world's largest iron ore producer.

Cosan is controlled by the Ometto family through the holding company Aguassanta (not rated), with a 21.3% stake (and 50.01% of the controlling voting rights), followed by BTG Pactual Holding

and Asset Management (not rated) and Perfin Infra Administração de Recursos Ltda. (not rated), which together hold a 32.3% stake at Cosan. The remainder is free float.

Liquidity

We forecast Cosan's sources of cash to exceed uses by around 1.6x in the next 12 months from September 2025, and sources of cash minus uses will remain positive even if forecasted EBITDA were to decline 15%. At the holding company level, we believe Cosan has sufficient liquidity sources to meet with its interest and dividend payments for the next 12 months, with no maturities coming due until 2028.

The group has historically enjoyed good access to domestic and foreign credit markets. However, we believe Raizen's woes could narrow Cosan's access, impairing its and its subsidiaries' ability to continue financing debt at attractive funding costs. Also, from a group perspective, we don't believe Cosan can withstand a high-impact low-probability event without refinancing.

We do not assume any cash outflow to support Raizen or cash inflow from the potential IPO of Compass, as both scenarios are uncertain. If the group injects R\$1.5 billion into Raizen, Cosan's liquidity cushion would remain close to 1.5x. Once and if any transaction is disclosed, we would incorporate it into our assessment of Cosan.

As of September 2025, Cosan's cash position was about R\$3.5 billion.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> Consolidated cash and cash equivalents of R\$16.1 billion as of Sept. 30, 2025 Cash FFO of R\$11.0 billion in the next 12 months from September 2025 Proceeds from the December 2025 follow-on amounting to R\$10.5 billion 	<ul style="list-style-type: none"> Short-term debt of R\$3.9 billion as of Sept. 30, 2025, plus R\$9 billion in debt pre-payment Working capital outflows of about R\$800 million in the next 12 months Capex of R\$8.5 billion in 2026 Dividends payment of R\$1.2 billion in 2026

Covenants

Cosan is subject to a financial covenant under its perpetual notes of pro forma net debt to EBITDA of a maximum of 3.5x, which includes Raizen's proportional results (EBITDA and net debt). This is an incurrence covenant, limiting the ability to raise additional debt. We expect the group to continue to comply with its covenant, with a headroom above 35%.

Environmental, Social, And Governance

Environmental and social factors have an overall neutral influence on our credit rating analysis of Cosan. It is exposed to environmental risks in the sugar and ethanol sector through Raizen, whose dividends have represented around 10% of Cosan's consolidated EBITDA before the joint venture cut dividends payout. The bulk of Cosan's operations consist of the railroad operator Rumo and the regulated utility Comgas. We have a positive view of the regulatory framework for the latter, given the record of transparency in rate-setting, despite risks of delays in rate hikes

due to political intervention. Although rail operations are more fuel efficient than truck transportation, economics remain the key driver for customers.

We now see governance factors as a negative factor in our analysis of Cosan. This reflects the current situation at Raizen and how Cosan has approached the situation, including market expectations and risk perception. Although we believe direct contagion risks are limited for Cosan at this point, longer-term reputational risks could rise, which could impair Cosan's and its subsidiaries' ability to continue financing its debt needs at attractive funding costs, and follow with its debt reduction strategy. Also, we believe the change in the speech around Raizen's situation could also impact market confidence in the group, and create a precedent for risk management in other subsidiaries of the group, coming from a more complex ownership structure.

Environmental, social, and governance (ESG) credit factors for this change in credit rating/outlook and/or CreditWatch status:

- Governance structure
- Risk management, culture and oversight

Issue Ratings--Recovery Analysis

Key analytical factors

The recovery rating on the senior unsecured notes issued by Cosan's financial arm, Cosan Overseas Limited, is '3' (65%). With the recent debt payments, we currently rate only the perpetual notes.

Our hypothetical scenario assumes a default occurs in 2030 after persistently weak economic conditions in Brazil, which would erode the group's ability to meet its financial obligations. This scenario would reduce dividends from subsidiaries. As a result, Cosan would be unable to service its debt and access capital markets to refinance debt maturities. We assume Cosan would likely sell its stakes in public companies, Compass, and Vale in a default scenario.

Simulated default assumptions

- Simulated year of default: 2031
- Because it's a listed company, we value Raizen's close to current market capitalization and no haircut, as believe the value already reflects a more stressed scenario.
- For both Comgas and Vale, also listed companies, we use the average stock price of the past two years and apply a 50% haircut.
- We think Moove's value would be about R\$2.6 billion, based on a 50% haircut to its expected 2026 EBITDA and using a 5x multiple. We also assume the company could use around 30% of cash to pay down debt. Therefore, we expect a residual value to Cosan of about R\$1.3 billion, considering its 70% stake.
- We expect a recovery below 100% at Rumo's level, and we don't account for any post default recourse from Cosan in the event of restructuring because the latter doesn't guarantee any of its debt.
- Estimated gross enterprise value at emergence: R\$11.2 billion.

Simplified waterfall

- Net enterprise value after 5% administrative costs: R\$18.9 billion
- Senior unsecured debt: R\$22.2 billion
- Recovery expectations for the unsecured debt: 50%-70% (rounded estimate: 65%)

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BB-/Watch Neg/--
Local currency issuer credit rating	BB-/Watch Neg/--
Business risk	Satisfactory
Country risk	Moderately high risk
Industry risk	Low risk
Competitive position	Satisfactory
Financial risk	Aggressive
Cash flow/leverage	Aggressive
Anchor	bb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Negative
Comparable rating analysis	Neutral
Stand-alone credit profile	bb-

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers](#), Dec. 7, 2016
- [Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments](#), Jan. 20, 2016

- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Raizen S.A. Downgraded To 'CCC-' From 'CCC+' On Heightened Restructuring Risk; Outlook Negative](#), March 5, 2026
- [Cosan Outlook Revised To Negative On Adverse Effects Of Joint Venture's Potential Debt Restructuring; Ratings Affirmed](#), Feb. 12, 2026

Ratings List

Ratings List

Downgraded; CreditWatch Action

	To	From
Cosan S.A.		
Issuer Credit Rating	BB-/Watch Neg/--	BB/Negative/--
Foreign Currency	BB-/Watch Neg/--	BB/Negative/--

Downgraded; CreditWatch Action; Recovery Ratings Unchanged

	To	From
Cosan Overseas Ltd.		
Cosan S.A.		
Senior Unsecured	BB-/Watch Neg	BB
Recovery Rating	3(65%)	3(65%)

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