

# Raizen S.A. Downgraded To 'CCC-' From 'CCC+' On Heightened Restructuring Risk; Outlook Negative

March 5, 2026

## Rating Action Overview

- Raizen S.A. announced yesterday that it's evaluating the overhaul of its capital structure, which would likely include the conversion of part of its debt into equity.
- Depending on the proposed terms, we could view the latter as a distressed exchange under our criteria, or tantamount to a default.
- On March 5, 2026, S&P Global Ratings lowered its issuer credit rating on Raizen to 'CCC-' from 'CCC+'. We also lowered our issue-level rating on [Raizen Fuels Finance S.A.](#)'s senior unsecured notes to 'CCC-' from 'CCC+' and kept the recovery rating of '3', with a rounded estimate recovery expectation of 65%, unchanged.
- The negative outlook reflects the possibility of another downgrade within the next few months if Raizen announces debt restructuring terms that we would consider to be equivalent to a default.

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## Rating Action Rationale

**A debt conversion, which we might view as a distressed exchange, seems very likely.** In order to address its heavy capital structure, Raizen just announced that it's evaluating an overhaul that would include:

- A capital injection of R\$4 billion, consisting of R\$3.5 billion from Shell PLC and R\$500 million from the holding company Aguassanta Investimentos S.A. (not rated), controlled by Rubens Ometto;
- Further asset sales and the streamlining of its businesses; and
- The conversion of part of its debt in equity and the extension of the remaining maturities.

The shareholders have yet to agree on Raizen's capital structure, the discussion of which is lasting for more than a year. However, contrary to the company's previous statements, the final structure could involve a debt conversion, debt repurchase at a discount, or a renegotiation of terms that we could consider as equivalent to a default. We now view the company's governance as negative, due to the significant shift in the shareholders' approach to Raizen's leverage.

As of the end of 2025, Raizen had a solid cash balance of R\$17 billion and the full availability of its revolving credit facility of \$1 billion (or R\$5.4 billion). However, we expect cash flow deficits will persist in the next few quarters amid the struggling performance of the company's sugar and ethanol units, recurrent capital expenditure, and a substantial interest burden. This will continue to drain Raizen's liquidity amid its narrower access to capital markets, the stoppage of asset sales previously on track, and the lack of a substantial capital injection, increasing the urgency of a solution in the very near term.

We will assess the potential impact of the restructuring on Raizen's credit profile, including any changes to its ownership structure, once anything formal is announced.

## Outlook

The negative outlook reflects the possibility of a downgrade within the next months if Raizen announces debt restructuring that we would consider to be equivalent to a default.

### Downside scenario

We could lower our ratings on Raizen if it announces debt restructuring that we consider as equivalent to a default or if it misses any principal or interest payments.

### Upside scenario

A positive rating action is possible if we no longer believe a default or distressed exchange will occur in the next few months. This might be the result of the company reducing its cash burn, or a significant capital infusion from shareholders.

## Company Description

Raizen operates in Brazil's sugar and ethanol and fuel distribution industries. It is the country's largest player in the sugar and ethanol industry, with 24 operational crushing mills (already excluding announced divestments), and the capacity to process more than 75 million tons of sugarcane per year. However, it has operated below capacity because of lower agricultural yields.

Raizen has also diversified into energy cogeneration and is investing in second generation ethanol (E2G) and biogas and biomethane. The company is Brazil's second-largest fuel distributor, with close to 7,000 gas stations and consolidated sales volumes of nearly 28 million cubic meters per year. Raizen also operates Shell's fuel distribution business in Argentina, where it's the second-largest player in the country. Its operations in Argentina include the use of Shell's brand, the commercialization of other oil products, the retail operation of more than 800 stations, and an oil refinery in Buenos Aires. In addition, Raizen owns Shell's lubricant business in Brazil.

Raizen is controlled by Shell PLC (A+/Stable/A-1) and Cosan S.A. (BB/Stable/--), and 12% of its shares were sold through an equity IPO in August 2021.

## Environmental, Social, And Governance

Environmental factors are a negative factor in our analysis of Raizen, considering its operations in the sugarcane and ethanol and the fuel distribution industries. Apart from intense water use, we think climate-related risk could lead to significant crop losses and generate profit volatility in the sugar and ethanol segment.

On the other hand, Raizen could benefit from the transition to a low-carbon economy, given that it produces ethanol--which is replacing fossil fuels--and the company produces renewable energy from sugarcane bagasse. The company also develops and applies new technologies, such as second-generation ethanol (E2G), biogas, and biomethane. We also incorporate risks related to the potential long-term impact of the transition away from fossil fuels.

Governance factors are now a negative factor in our analysis due to a significant shift in the approach to solving leverage at the JV, with delays in both shareholders reaching an agreement and allowing the situation at the subsidiary to continue to deteriorate, enhancing risks for creditors and other stakeholders. This reflects the recent risk management approach, different from track record and previous signals of a more material support, which fail to happen as previously signaled.

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

- Governance structure

## Issue Ratings--Recovery Analysis

### Key analytical factors

We kept unchanged the '3' recovery rating on Raizen Fuels Finance's senior unsecured notes, indicating our expectation for meaningful recovery (50%-70%; rounded estimate: 65%) in a simulated default scenario. In such a scenario, Raizen's S&E operations would suffer from sugar and ethanol price drops, limited access to credit, and high cost of debt, while a deterioration of Brazil's economy would likely impair the operations of the fuel distribution unit.

In this scenario, we assume a 23% EBITDA decline from our forecast for fiscal 2026 would already prevent the company from covering maintenance capex and interest expenses, in a scenario of higher leverage. We have valued the company on a going concern basis, using a 5.0x multiple applied to our projected emergence-level EBITDA, consistent with industry peers for both sugar & ethanol and fuel distribution.

### Simulated default assumptions

- Simulated year of default: 2026
- EBITDA at emergence: R\$10.1 billion
- Implied enterprise value multiple: 5x
- Estimated gross enterprise value at emergence: R\$50.4 billion

### Simplified waterfall

- Net enterprise value after 5% administrative costs: R\$47.9 billion
- Senior secured debt: R\$558 million
- Senior unsecured debt: R\$72.8 billion
- Recovery expectations: 50%-70% (rounded estimate: 65%)

\* All debt amounts during default include six months of prepetition interest

## 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: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings](#), Oct. 1, 2012
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Ratings List

### Ratings List

#### Downgraded; Outlook Action

	To	From
<b>Raizen S.A.</b>		
Issuer Credit Rating	CCC-/Negative/--	CCC+/Watch Neg/--
Foreign Currency	CCC-/Negative/--	CCC+/Watch Neg/--

#### Downgraded; Outlook Action; Recovery Ratings Unchanged

	To	From
<b>Raizen Fuels Finance S.A.</b>		
Senior Unsecured	CCC-	CCC+/Watch Neg
Recovery Rating	3(65%)	3(65%)

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