

# Several Brazilian Corporate And Infrastructure Entities Upgraded On Global Scale On Sovereign's Upgrade, Outlook Stable

December 20, 2023

- On Dec. 19, 2023, S&P Global Ratings raised its global scale long-term sovereign rating on Brazil to 'BB' from 'BB-' and affirmed the 'brAAA' national scale ratings.
- We also revised upward our transfer and convertibility (T&C) assessment of Brazil to 'BBB-' from 'BB+'.
- As a result, S&P Global Ratings raised the global scale ratings on several corporate and infrastructure entities, the credit quality of which are directly or indirectly limited by that of the sovereign. The outlook on these entities is now stable.

SAO PAULO (S&P Global Ratings) Dec. 20, 2023--We raised our global scale long-term sovereign rating on Brazil to 'BB' from 'BB-', following the recent approval of a tax reform. While it will be implemented gradually, the reform is a significant overhaul of the tax system and will likely translate into productivity gains over the long term.

## Issuers Capped At The Sovereign Level

As a consequence of the sovereign action, we upgraded the issuers listed below to 'BB', the global scale ratings on which are capped by our rating on Brazil. These entities may have intrinsic credit qualities (or stand-alone credit profiles [SACPs]) equal or stronger than 'bb', but the final ratings are limited at the sovereign level. Important to highlight that we didn't revise their respective SACPs, which are up to date. These issuers include mostly regulated utilities and transportation companies, given their inherent exposure to the country's regulatory framework and one federal government-related entity (Petrobras). Also in this group are companies that we believe are more likely to experience a liquidity crunch in a hypothetical sovereign distress scenario.

- BRF S.A. ;
- CESP-Companhia Energetica de Sao Paulo;
- Companhia de Eletricidade do Estado da Bahia;
- Companhia de Saneamento Basico do Estado de Sao Paulo;
- Companhia Energetica de Pernambuco (CELPE);
- Companhia Energetica do Rio Grande do Norte;

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- Cosan S.A.;
- Cosan Lubrificantes e Especialidades S.A. ;
- EDP Espirito Santo Distribuicao de Energia S.A.;
- Energisa Paraiba-Distribuidora de Energia S.A.;
- Energisa S.A.;
- Energisa Sergipe-Distribuidora de Energia S.A.;
- MRS Logistica S.A.;
- Neoenergia S.A.;
- Petroleo Brasileiro S.A. - Petrobras; and
- Rumo S.A.

Our ratings on BRF are now one notch above its 'bb-' SACP because we add one notch of support from its parent, Marfrig Global Foods S.A. (BB+/Stable/--).

## **Issuers With Ratings Limited To One-To-Four Notches Above Those Sovereign**

In general, we upgraded by one notch Brazilian issuers with ratings above that on the sovereign. These entities are, in our opinion, more insulated from domestic issues either because they have a global footprint or are export-oriented, and demand for their products doesn't correlate with Brazil's economy or because they have very low leverage and sound liquidity, despite their exposure to the domestic economy.

Most of the companies listed below have stronger SACPs than the sovereign rating, but the ratings on them are limited at a maximum of one to four notches above the sovereign rating and at the T&C assessment (currently at 'BBB-') or up to two notches above that, depending on our view of each company's exposure and T&C risks amid a sovereign default.

- Ambev S.A. ;
- Localiza Rent a Car S.A.;
- MV24 Capital B.V.;
- Nexa Resources S.A.;
- Raizen S.A.;
- Ultrapar Participacoes S.A.;
- Votorantim S.A.; and
- Votorantim Cimentos S.A.

The upgrade of Votorantim triggers the same action on its subsidiaries, Votorantim Cimentos and Nexa Resources, because of our view of a strong likelihood of group support in a stress scenario given their respective subsidiary status.

The rating on MV24's notes remains one notch above the rating on the weakest of the revenue counterparties, Petrobras. Because the project's asset was tailor made to operate in the Tupi field's conditions, so replacing it would be difficult. In addition, the vessel produces oil that

generates cash flow to the oilfield owners. Therefore, we consider that there are economic incentives for revenue counterparties to continue to operate in a cost-efficient pre-salt field even if they fall into financial distress.

## **Withdrawal Of Some Issue-Level Recovery Ratings**

We're withdrawing the recovery ratings on the issue-level ratings on the entities listed below. From now on, we are determining our issue-level ratings on these entities based on the Reflecting Subordination Risk methodology, which is reflective of the improved credit quality on these entities:

- Ultrapar International S.A.
- Localiza;
- Companhia de Locacao das Americas S.A.;
- Locamerica Rent A Car S.A.; and
- Multiplan Empreendimentos Imobiliarios S.A.

## **Related Criteria**

- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Criteria | Infrastructure | General: General Project Finance Rating Methodology, Dec. 14, 2022
- Criteria | Infrastructure | General: Sector-Specific Project Finance Rating Methodology, Dec. 14, 2022
- 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 | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- 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

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- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Brazil Long-Term Ratings Upgraded To 'BB' From 'BB-' Following Tax Reform Approval; Outlook Stable, Dec. 19, 2023

## Ratings List

### Upgraded; Outlook Action

	To	From
<b>Ambev S.A.</b>		
Issuer Credit Rating	BBB+/Stable/--	BBB/Positive/--

### Upgraded; Outlook Action

	To	From
<b>BRF S.A.</b>		
Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
Senior Unsecured	BB	BB-

### BRF GmbH

Senior Unsecured	BB	BB-
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### Upgraded; Outlook Action

	To	From
<b>CESP-Companhia Energetica de Sao Paulo</b>		
Issuer Credit Rating	BB/Stable/--	BB-/Positive/--

### Upgraded; Outlook Action

	To	From
<b>Companhia de Saneamento Basico do Estado de Sao Paulo</b>		
Issuer Credit Rating	BB/Stable/--	BB-/Positive/--

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**Upgraded; Outlook Action**

	To	From
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**Cosan S.A.**

Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
Senior Unsecured	BB	BB-

**Cosan Lubrificantes e Especialidades S.A.**

Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
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**Cosan Luxembourg S.A.**

**Cosan Overseas Ltd.**

Senior Unsecured	BB	BB-
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**Upgraded; Outlook Action; Ratings Affirmed**

	To	From
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**Rumo S.A.**

Issuer Credit Rating	BB/Stable/B	BB-/Positive/B
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**Rumo Luxembourg S.a.r.l.**

Senior Unsecured	BB	BB-
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**Upgraded; Outlook Action**

	To	From
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**EDP Espirito Santo Distribuicao de Energia S.A.**

Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
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**Upgraded; Outlook Action**

	To	From
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**Energisa S.A.**

Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
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**Energisa Paraiba-Distribuidora de Energia S.A.**

Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
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**Energisa Sergipe-Distribuidora de Energia S.A.**

Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
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**Upgraded; Outlook Action**

	To	From
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**Localiza Rent a Car S.A.**

Issuer Credit Rating	BBB-/Stable/--	BB+/Positive/--
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**Ratings Affirmed**

**Localiza Rent a Car S.A.**

**Companhia de Locacao das Americas S.A.**

**Locamerica Rent A Car S.A.**

Senior Unsecured	brAAA	
Recovery Rating	NR	3(65%)

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**Upgraded; Outlook Action**

	To	From
<b>MRS Logistica S.A.</b>		
Issuer Credit Rating	BB/Stable/--	BB-/Positive/--

**Upgraded**

	To	From
<b>MV24 Capital B.V.</b>		
Senior Secured	BB+	BB

**Ratings Affirmed**

<b>Multipan Empreendimentos Imobiliarios S.A.</b>		
Senior Unsecured	brAAA	
Recovery Rating	NR	3(65%)

**Upgraded; Outlook Action**

	To	From
<b>Neoenergia S.A.</b>		
Issuer Credit Rating	BB/Stable/--	BB-/Positive/--

**Companhia Energetica de Pernambuco (CELPE)**

Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
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**Companhia Energetica do Rio Grande do Norte**

Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
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**Companhia de Eletricidade do Estado da Bahia**

Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
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**Upgraded; Outlook Action**

	To	From
<b>Petroleo Brasileiro S.A. - Petrobras</b>		
Issuer Credit Rating	BB/Stable/--	BB-/Positive/--

**Petrobras Global Finance B.V.**

<b>Petrobras International Finance Co.</b>		
Senior Unsecured	BB	BB-

**Upgraded; Outlook Action**

	To	From
<b>Raizen S.A.</b>		
Issuer Credit Rating	BBB/Stable/--	BBB-/Positive/--

**Upgraded; Outlook Action**

	To	From
<b>Ultrapar Participacoes S.A.</b>		
Issuer Credit Rating	BBB-/Stable/--	BB+/Positive/--

## Several Brazilian Corporate And Infrastructure Entities Upgraded On Global Scale On Sovereign's Upgrade, Outlook Stable

### Upgraded

	To	From
<b>Ultrapar International S/A</b>		
Senior Unsecured	BBB-	BB+
Recovery Rating	NR	3(55%)

### Upgraded; Outlook Action

	To	From
<b>Votorantim S.A.</b>		
Issuer Credit Rating	BBB/Stable/--	BBB-/Positive/--

### Votorantim Cimentos S.A.

Issuer Credit Rating	BBB/Stable/--	BBB-/Positive/--
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### Votorantim Cimentos International S.A.

### St. Marys Cement Inc. (Canada)

Senior Unsecured	BBB	BBB-
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### Nexa Resources S.A.

Issuer Credit Rating	BBB-/Stable/A-3	BB+/Positive/B
Senior Unsecured	BBB-	BB+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.spglobal.com/ratings](http://www.spglobal.com/ratings) for further information. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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