

CAPITALISING ON THE AI TRANSFORMATION CYCLE

Fractal Analytics (Fractal) is a data analytics and end-to-end AI solutions provider to assist enterprises globally in decision making. The company was founded in 2000 and has emerged to power human decisions by integrating AI, Engineering, and Design across the entire AI transformation cycle. Fractal operates under two business segments, Fractal.ai – providing comprehensive AI services and AI products hosted on its Cogentiq platform, and Fractal Alpha – with minimal revenue contribution currently (~3%), the focus is to expand geographically with independent AI businesses. Fractal has established a marquee client base globally which includes Fortune 500 companies such as Citibank, Costco, Franklin Templeton, Mondelez, Nationwide.

Strategic positioning across the DAAI value chain

As per Everest Group estimates, the data, analytics and AI (DAAI) industry is experiencing rapid growth on the back of Gen AI adoption and is estimated to register 16.7% CAGR to reach USD310bn by FY30 from USD143bn as at FY25. Fractal holds a leadership position in the pure-play enterprise AI space in India (as recognized by the Everest group) with capabilities across the DAAI value chain. It has outperformed the DAAI industry (11% CAGR) with a revenue CAGR of 18% over FY23-25. Fractal has established global footprint (~92% international revenue majorly contributed by the US with ~65% revenue in H1FY26) across industries - Consumer packaged goods & retail (CPGR), Technology, Media & Telecom (TMT), Healthcare & Life Sciences (HLS), and BFSI with revenue contribution of 37.5%, 27.2%, 17%, and 12.2%, respectively in H1FY26.

Healthy client relationship builds focus on MWCs and wallet share expansion

Fractal's primary growth strategy revolves around acquiring and growing its MWCs (must win clients defined as >USD10bn revenue or >USD20bn market capitalization or >30mn end-customers) and believes it to be its key success factor (~80% of fractal.ai revenue contribution from MWCs). The company intends to become a strategic partner for clients to integrate and power human decisions across the entire enterprise, thus driving long-term value. Fractal has a total of 122 MWCs as at H1FY26 and holds a relationship of over 8 years on average with its top 10 clients (~54% of fractal.ai revenue contribution). This is also reflected in its healthy net revenue retention trend over the last 3 years, in line with company's strategy of expanding gaining wallet share from existing customers by expanding the scope of operations.

Leveraging the R&D investments to bolster product innovations

Fractal has demonstrated a consistent financial commitment (5-6% of revenue) to innovation to enhance its DAAI capabilities particularly developing AI products. Currently, Fractal holds 28 registered patents and has applied for 38 more patents. Management intends to significantly increase its R&D spends in the coming years majorly in reasoning and agentic models. Fractal has heavily invested in its flagship agentic AI platform Cogentiq to help enterprises accelerate business transformation through a pre-built suite of autonomous agents, tools, and connectors. The management believes this platform to be the key growth driver for the company. Under Fractal Alpha, it has also developed its own Gen AI stack and models to reduce dependence on third-party providers. Fractal has been selected by the GoI to build India's first large reasoning model which involves building thus opening future opportunities for public sector AI initiatives.

Risks- 1) An increase in insourcing by clients and competition could impact company's ability to retain MWCs and maintain pricing power. 2) High concentration of top 10 clients and the US with revenue contribution of 54.2% and 64.9% respectively in H1FY26. 3) Inability to attract or retain talent (high attrition of 15.7% in H1FY26) in a people-intensive business could affect operations.

Opinion- The IPO is a mix of OFS (Rs10.2bn) & fresh issue (Rs18.1bn). The proceeds are to be utilised for debt repayment in US subsidiary, setting India office, R&D and marketing investment and inorganic opportunities. **At the upper price-band, the issue is valued at 70x FY25 P/E (pre), implying a significant premium to listed IT services peers.** Fractal is uniquely positioned to continue the growth momentum on the back of increasing AI adoption across industries, by leveraging its leadership position, heavy R&D investments and talent muscle to drive product innovations. However, the valuations command high scarcity premium thus, limiting the listing gains and upside potential in the near term. Hence, we assign "**NEUTRAL**" to the issue.

9th February 2026

Rating	Neutral	
Issue Details		
Issue Opens	9-Feb-25	
Issue Closes	11-Feb-25	
Face Value (₹)	1	
Price Band (₹)	857-900	
Bid Lot	16	
Issue Size at higher price band (₹ Cr)	2,834	
Market cap. @ upper price band (₹ cr)	15,474	
Listing	NSE/BSE	
BRLMs	Kotak, Stanley, Capital	Morgan Axis
Registrar	Goldman Sachs, MUFG	
Shareholding Pattern (%)		
	Pre-Issue	Post Issue
Promoter	18.2	17.0
Others	81.8	83.0
Issue Structure (In cr. no. of shares)		
Issue size	3.15	
Break-up of net issue to public (%):		
QIB's portion	75%	
Non-Institutional portion	15%	
Retail Portion	10%	

Research Team: -

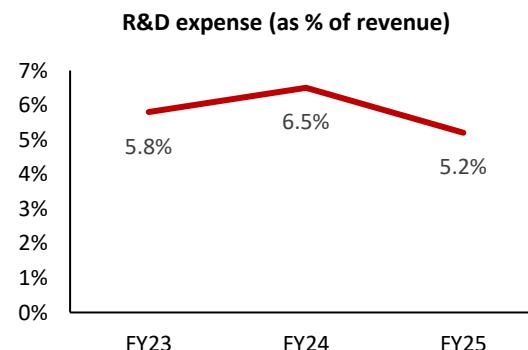
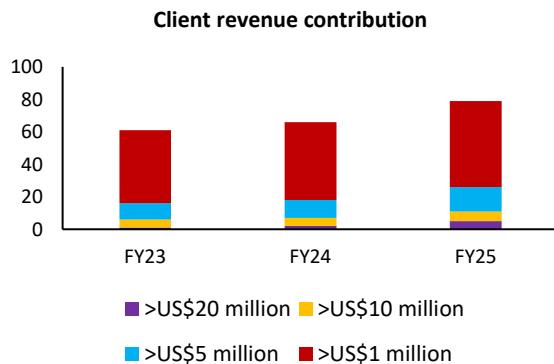
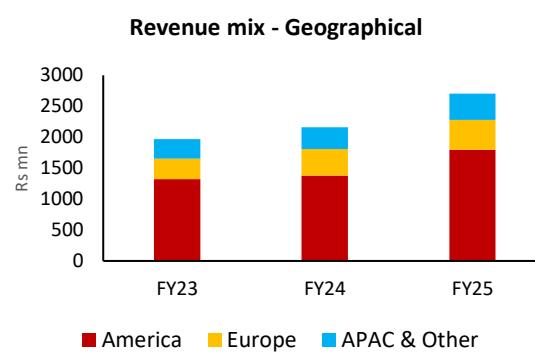
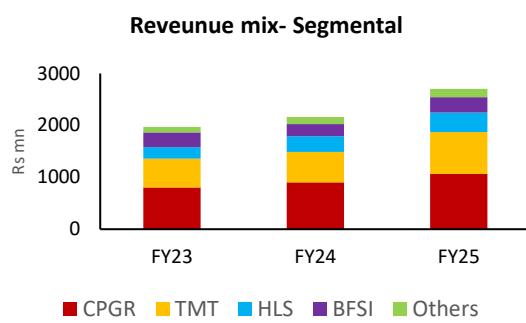
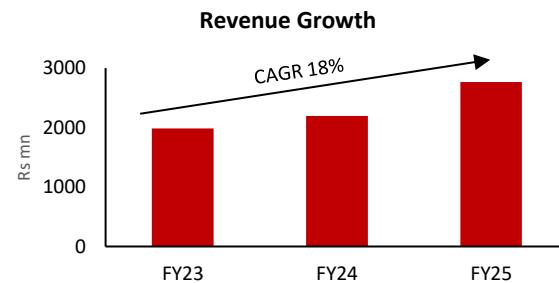
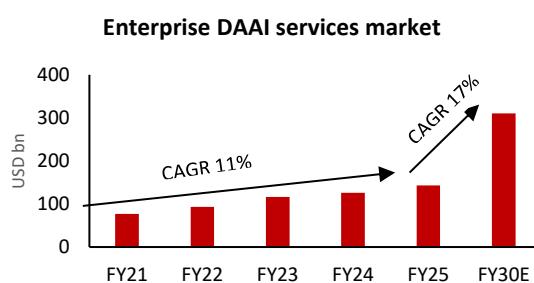
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Financials

Particulars	FY23	FY24	FY25	H1FY26
Operating Revenue	1,985	2,196	2,765	1,559
EBITDA	437	97	398	186
EBITDA Margins	22.0%	4.4%	14.4%	11.9%
Net Profit/ (Loss)	194	(55)	221	71
Net Worth	1,363	1,420	1,764	1,980
Debt	322	250	258	264
Cash & Bank	220	88	288	111
Net Debt	102	162	(30)	153
Net Debt/ Equity	0.2	0.2	0.1	0.1
ROE	14%	-	13%	4%



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