

Company Overview

Fractal Analytics Limited (FAL), founded in 2000, is a globally recognized enterprise artificial intelligence company that partners with large global enterprises to deliver data-driven insights and enable better decision-making through end-to-end AI solutions. The company offers its full suite of AI capabilities across two segments. Firstly, Fractal.ai comprises AI services and products, primarily hosted on Cogentiq, its flagship agentic AI platform, which enables enterprises to accelerate product development and upgrades through a prebuilt suite of agents, tools, and connectors, supported by low-code capabilities and robust security, governance, auditability, and interoperability features. The second segment, Fractal Alpha, houses the company's AI businesses. FAL works closely with clients across the entire AI transformation lifecycle, from ideation and development to enterprise-wide adoption. As of September 30, 2025, the company served 122 MWCs (Must Win Clients), with a client roster that includes Citibank, Costco, Franklin Templeton, Mars, Mondelez, Nationwide, Nestle and Philips, among others, and had worked with a majority of the Magnificent Seven companies as of March 31, 2025. The company has deep domain expertise across consumer-packaged goods and retail (CPGR), technology, media and telecom (TMT), healthcare and life sciences (HLS), and BFSI. By FY25 revenue rankings, FAL has engaged with 10 of the top 20 CPG companies, 8 of the top 20 TMT companies, 3 of the top 20 BFSI companies, 10 of the top 20 HLS companies and 5 of the top 20 retail companies. Notably, the company has maintained long standing relationships with its top ten clients, with an average association exceeding eight years.

Objects of the issue

Out of the total issue size of Rs. 2,834 crores, Rs. 1,810 crores comprise OFS.

The company proposes to utilize net proceeds (Rs. 1,024 crores) from the issue towards the following objects:

- ⇒ Investment in one of its subsidiaries, Fractal USA, for pre-payment and/ or scheduled repayment, in full or in part, of its borrowings;
- ⇒ Purchase of laptops;
- ⇒ Setting-up new office premises in India;
- ⇒ Investment in (a) research and development; and (b) sales and marketing under Fractal Alpha; and
- ⇒ Funding inorganic growth through unidentified acquisitions and other strategic initiatives, and general corporate purposes.

Investment Rationale

Well-positioned to benefit from a rapidly expanding AI landscape and capitalize on emerging growth tailwinds

The company is well-positioned to capitalize on strong structural tailwinds in the global data, analytics, and AI (DAAI) market, which is witnessing rapid adoption as enterprises increasingly embed AI into core decision-making and operational processes. As enterprises face challenges in navigating a fast-evolving technology landscape and accessing specialized talent, demand is shifting toward third-party providers with end-to-end DAAI capabilities. With offerings spanning consulting, technology services, software solutions, and AI products across the entire DAAI value chain, the company addresses a large and expanding total addressable market, estimated at USD 143 billion (Rs. 12 trillion) in FY25 and expected to grow at a CAGR of 16.7% through FY30. The increasing preference of large enterprises to consolidate AI engagements with a single, integrated partner further strengthens the company's competitive positioning. This favorable demand environment is complemented by a sustained strategy of investing in AI research and product innovation to stay ahead of technology cycles. The company continues to identify emerging AI trends and undertake fundamental research in areas such as generative AI, quantum computing, and computational neuroscience, translating these efforts into scalable, enterprise-ready solutions. Its focus on building agentic systems across knowledge, reasoning, and action layers, along with the development of proprietary foundation and reasoning models, enhances differentiation and supports long-term relevance as AI use cases become more complex and mission-critical.

Issue Details

Offer Period	09th Feb. 2026 - 11th Feb. 2026
Price Band	Rs. 857 to Rs. 900
Bid Lot	16
Listing	BSE & NSE
Issue Size (no. of shares in Cr.)	3.1
Issue Size (Rs. in Cr.)	2,834
Face Value (Rs.)	1

Issue Structure

QIB	75%
NIB	15%
Retail	10%

BRLM	Kotak Mahindra Capital Company Ltd., Axis Capital Ltd., Morgan Stanley India Company Pvt. Ltd., Goldman Sachs (India)
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Registrar	MUFG Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	18.2%	5.3%
Public	81.8%	94.7%
Total	100.0%	100.0%

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Fractal Analytics Limited

Long-standing client relationships supported by deep, integrated capabilities drive revenue visibility and resilience

The company has established long-standing relationships with large global clients across CPGR, TMT, HLS, and BFSI, resulting in a diversified revenue base across industries. Its presence among top-tier enterprises, along with steady revenue growth from focus sectors, highlights its ability to grow in line with increasing AI adoption at clients. While revenues are concentrated among large enterprises, this is partly offset by long client tenures, relatively high net revenue retention, and an increasing number of clients generating over US\$1 million in annual revenues, which together provide a degree of revenue visibility. Engagements typically span multiple functions and geographies, suggesting a broader scope of work beyond single use cases. These client relationships are supported by integrated technical, domain, and functional capabilities developed over more than 25 years. The company's combination of AI, engineering, and design enables the delivery of end-to-end AI solutions across industries. Domain expertise allows it to address industry-specific requirements, while functional capabilities across sales and marketing, supply chain, finance, and data and AI facilitate expansion within existing client accounts. Execution is further supported by an understanding of client data environments, technology stacks, and governance needs. Partnerships with participants in the cloud, data, and AI ecosystems expand the range of solutions that can be delivered and support scalability and implementation efficiency over time.

Valuation

Fractal Analytics is India's leading pure-play enterprise data analytics and AI company, with capabilities across the DAAI value chain. The company is uniquely placed among other industry players, with active investments in expanding its AI and Gen-AI software portfolio and R&D capabilities. The company's strength lies in its strong integrated end-to-end AI capabilities, long-standing relationships with large global enterprises, and a clear strategic focus on MWC, which drives high revenue concentration from large, sticky accounts with long tenures. A strong emphasis on research and development, reflected in sustained investments, proprietary platforms, and foundational AI models, position the company to stay ahead of technology cycles, particularly in generative and agentic AI. On the economic front, the overall DAAI market, valued at an estimated USD 143 billion (Rs. 12 trillion) in FY25, is expected to grow at 16.7% CAGR to USD 310 billion (Rs. 23 trillion) by FY30. Increased Gen AI adoption is likely to drive CAGRs for BFSI (16.7%), HLS (18.2%), retail and distribution (15.2%), CPG (15.0%) and TMT (15.7%) over FY25-30. Given such strong macro tailwinds, FAL is well-positioned to capitalize on these emerging tailwinds, given its strong position in the DAAI market. On the financial front, the company has reported a revenue CAGR of 18.0% between FY23-25. Operational profitability has shown steady recovery, with a loss of Rs. 116 crores in FY23, followed by a profit of Rs. 73 crores (3.3% of revenue), Rs. 350 crores (12.7% of revenue), and Rs. 200 crores (12.8% of revenue) in FY24, FY25, and 6MFY26, respectively. While operating cash flow moderated in Q1FY26, the overall trend suggests improving cash generation alongside profitability. Although reported PAT has remained volatile due to one-off remeasurement adjustments, the underlying operating and cash flow trajectory points to a business with strengthening fundamentals. **At the upper end of the price band of Rs. 900 per share, the company is trading at a P/E of 110.0x based on its FY26 annualized earnings. Given the company's positioning within a rapidly expanding AI market and its improving profitability profile, we recommend a "SUBSCRIBE" rating to the issue from a medium-to long-term perspective.**

Key Risks

- ⇒ Security breaches, cyber-attacks, computer viruses, and hacking activities could have a material adverse effect on the business, financial performance, and results of operations, and may expose the company to potential liabilities, which could adversely impact its operations and reputation.
- ⇒ The business is dependent on the quality and successful implementation of its AI solutions. Any delays in execution or failure to meet contractual timelines or client expectations could result in cost overruns, loss of business, and disputes, which may adversely affect the business, financial condition, and results of operations.
- ⇒ The company derived 64.9%, 64.1%, 65.2%, 61.9%, and 66.0% of its revenue from operations from the US during the six months ended September 30, 2025, the six months ended September 30, 2024, FY25, FY24, and FY23, respectively. Its global operations involve inherent challenges and risks that could increase expenses, adversely affect results of operations, and require increased time and attention from management.

Fractal Analytics Limited

Income Statement (Rs. in crores)

Particulars	FY23	FY24	FY25	H1FY26
Revenue from operations:	1,985	2,196	2,765	1,559
Total revenue from operations	1,985	2,196	2,765	1,559
Expenses				
Cost of Material Consumed	1,609	1,737	2,005	1,125
(Increase)/decrease in Inventories of Finished Goods and Work-in-Progress	159	96	80	27
Purchase of stock in trade	335	290	331	207
Total operating expenses	2,102	2,123	2,416	1,359
EBITDA	-116	73	350	200
Depreciation & amortization	78	83	102	64
EBIT	-195	-10	248	136
Finance costs	45	45	58	23
Other Income	58	46	51	35
PBT Before EI	-182	-9	241	148
Share of (loss) of an associate	-29	-16	-30	-45
Exceptional items (loss) /gain	524	-6	27	-5
PBT	313	-30	238	99
Current tax	18	33	56	28
Deferred tax	101	-8	-38	-1
Total tax	119	24	17	28
Net Profit	194	-55	221	71
Diluted EPS	12.4	-3.1	13.4	4.1

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in crores)

Particulars	FY23	FY24	FY25	H1FY26
Cash Flow from operating activities	-31	160	397	-21
Cash flow from/(used in) investing activities	125	-150	-181	-202
Net cash flows (used in) / from financing activities	-57	-145	-22	59
Net increase/(decrease) in cash and cash equivalents	37	-136	194	-164
Cash and cash equivalents at the beginning of the period	176	217	71	274
Cash and cash equivalents at the end of the period	213	81	265	110

Source: RHP, BP Equities Research

Fractal Analytics Limited

Balance Sheet (Rs. in crores)

Particulars	FY23	FY24	FY25	H1FY26
Assets				
Non-Current Assets				
Property Plant & Equipment	41	23	32	65
Right of use Assets	47	117	160	141
Goodwill	348	351	358	369
Other tangible assets	123	136	137	159
Intangible assets under development	1	6	14	35
Investment accounted for using the equity method	448	426	426	382
Financial Assets				
(i) Investments	1	8	6	7
(ii) Other Financial Assets	27	17	19	31
Deferred tax assets (net)	40	48	56	62
Income tax assets (net)	16	19	19	28
Other non-current assets	4	1	6	1
Total Non-Current Assets	1,095	1,152	1,233	1,279
Current Assets				
Financial Assets				
(i) Investments	291	446	561	672
(ii) Trade Receivables	501	533	585	620
(iii) Cash & Cash Equivalents	213	81	265	110
(iv) Other Bank Balances	7	7	23	0
(v) Loans	27	28	30	32
(vi) Other Financial Assets	0	7	4	2
Other Current Assets	115	139	156	250
Total current assets	1,154	1,240	1,625	1,686
Total Assets	2,249	2,392	2,858	2,965
Equity and Liabilities				
Equity Share Capital	3	3	3	14
Other Equity	1,340	1,403	1,750	1,958
Equity attributable to owners of Parent	1,343	1,406	1,753	1,973
Non-Controlling Interest	20	14	12	7
Total Equity	1,363	1,420	1,765	1,980
Liabilities				
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	322	250	258	264
(ii) Lease liabilities	24	91	127	110
(iii) Other financial liabilities	14	31	45	45
Provisions	12	19	19	19
Deferred Tax Liability	102	102	69	69
Total Non-Current Liabilities	474	493	518	507
Current Liabilities				
Financial Liabilities				
(a) Current Borrowings	4	0	9	11
(b) Lease Liabilities	27	22	36	38
(c) Trade Payables	57	51	62	83
(d) Other Current Financial Liabilities	187	245	291	203
Other Current Liabilities	124	141	165	124
Current Provisions	11	15	6	5
Current Tax Liabilities (Net)	2	5	6	15
Total Current Liabilities	412	479	575	479
Total Liabilities	885	972	1,092	986
Total Equity and Liabilities	2,249	2,392	2,858	2,965

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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