

Retail Research	IPO Note
Sector: IT	Price Band (Rs): 857 – 900
05 <sup>th</sup> February 2026	Recommendation: NEUTRAL

## Fractal Analytics Ltd.

### Company Overview:

**Fractal Analytics Ltd. (Fractal)** is a globally recognized artificial intelligence (AI) company, supporting large enterprises with data-driven insights and assisting them in decision making through end-to-end AI solutions. The company's full suite of AI solutions is organized under 2 segments, **(a) Fractal.ai**, and **(b) Fractal Alpha**, catering to the diverse business needs of clients across industries and business functions.

### Key Highlights:

**1. Leading player in the DAAI market:** Fractal is India's leading pure-play enterprise Data, Analytics and AI (DAAI) company, recognized globally, with capabilities in the DAAI value chain. Fractal's domain expertise spans across the focus industries of: **(a) Consumer Packaged Goods & Retail (CPGR)**, **(b) Technology, Media & Telecom (TMT)**, **(c) Healthcare & Life Sciences (HLS)**, and **(d) BFSI**. Further, the company holds a strong international presence, with 92.4%/91.6% of its 1HFY26/FY25 revenue being generated from international markets.

**2. Healthy business relations with marquee clients:** The company works with marquee clients such as Citibank, Costco, Franklin Templeton, Mars, Mondelez, Nationwide, Nestle, Phillips, etc., ensuring participation across its focus industries of CPGR, TMT, HLS, and BFSI. As of Sep'25, the company served 122 Must Win Clients (MWCs)\* and served its top 10 clients by revenue in 1HFY26 for an average of more than eight years. **\*Must Win Clients are enterprises that meet one of three internal criteria: (a) over USD 10 billion in annual revenue, (2) over USD 20 billion in market capitalization, or (3) over 30 million end-customers.**

**3. Strong technical, domain and functional capabilities:** The company leverages its technical, domain and functional capabilities to build AI solutions for its clients while operating under 2 segments, namely Fractal.ai and Fractal Alpha. Fractal.ai consists of AI services and AI products that are primarily hosted on Cogentiq – the company's flagship agentic AI platform designed to help product owners & enterprises accelerate building and upgrading products through a pre-built suite of agents, tools, etc., whereas Fractal Alpha consists of independent AI businesses that target Fractal.ai's core MWCs, broader markets & new geographies, with each business under separate management. Owing to its strong capabilities, the company has been selected by the GoI under the IndiaAI Mission to build India's 1st large reasoning model. As part of this initiative, Fractal will build sovereign reasoning models from small to large scale, spanning up to 70 billion parameters and develop specialized medical reasoning models aimed at advancing healthcare in India.

**Valuation:** Fractal Analytics operates in a niche segment of Data Analytics leveraging AI developed through in-house R&D and resources as well as on external models. It has a healthy presence across its 4 focus industries with top MNCs as its clients and an average tenure of 8+ years across the top 10 clients. At the upper price band of Rs 900, the issue is valued at FY25 P/E multiple of 78.9x based on post-issue capital. This looks elevated given the relatively modest revenue growth (18% revenue CAGR between FY23-25 and 20% YoY growth in 1HFY26). Attrition rate for the company continues to be elevated (16.3% in FY25/15.7% in 1HFY26). Risks such as insourcing by clients especially with the advent of AI tools could lead to loss of clients and impact the company's business model. Considering the elevated valuation, we assign a NEUTRAL rating to the issue and would like to track the performance of the company for a few quarters post listing.

Issue Details	
Date of Opening	09 <sup>th</sup> February 2026
Date of Closing	11 <sup>th</sup> February 2026
Price Band (Rs)	857 – 900
Issue Size (Rs cr)	2,833.9
Fresh Issue (Rs cr)	1,023.5
Offer for sale (Rs cr)	1,810.4
Total issue size	3,14,87,778 shares @ UB
Face Value (Rs)	1.0
Post Issue Market Cap (Rs cr)	15,474 @UB
BRLMs	Kotak Mahindra Capital Company Ltd, Axis Capital Ltd
Registrar	MUFG Intime India Pvt Ltd
Bid Lot	16 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NII shares	15%

Objects of Issue	
Particulars	Estimated utilization (Rs cr)
Investment in Subsidiary, Fractal USA, for pre-payment and/ or scheduled repayment, in full or in part, of its borrowings	264.9
Purchase of laptops	57.1
Setting-up new office premises in India	121.1
Investment in R&D and sales & marketing under Fractal Alpha	355.1
Funding inorganic growth through unidentified acquisitions and other strategic initiatives, and general corporate purposes*	225.3
<b>Gross proceeds from the issue</b>	<b>1,023.5</b>

*\*The cumulative amount to be utilized towards funding inorganic growth through unidentified acquisitions and other strategic initiatives and general corporate purposes shall not exceed 35% of the Gross Proceeds. Further, the amount to be utilised for each of: (a) funding inorganic growth through unidentified acquisitions; and (b) general corporate purposes, shall not exceed 25% of the Gross Proceeds.*

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	2,91,85,195	18.2
Public & Others	13,13,71,523	81.8
<b>Total</b>	<b>16,05,56,718</b>	<b>100.0</b>

Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	2,91,85,195	17.0
Public & Others	14,27,43,745	83.0
<b>Total</b>	<b>17,19,28,940</b>	<b>100.0</b>

Selling shareholder via OFS	Classification	Rs cr
Quinag Bidco Ltd	Public	880.9
TPG Fett Holdings Pte. Ltd.	Public	450.0
GLM Family Trust	Public	450.0
Satya Kumari Remala & Rao Venkateswara Remala	Public	29.5
<b>Total</b>	<b>-</b>	<b>1,810.4</b>

Source: RHP, SBICAP Securities Research

## Key Financials & KPIs

Particulars (Rs cr)	FY23	FY24	FY25	1HFY26
Revenue from operations	1,985.4	2,196.3	2,765.4	1,559.0
EBITDA	(116.4)	73.4	349.9	199.6
Adj. EBITDA*	134.3	232.1	482.1	233.2
PAT	(320.9)	(42.0)	196.0	76.6
EBITDA Margin (%)	(5.9)	3.3	12.7	12.8
Adj. EBITDA Margin (%)	6.8	10.6	17.4	15.0
PAT Margin (%)	(16.2)	(1.9)	7.1	4.9
RoE (%)	(23.9)	(3.0)	11.2	-
RoCE (%)	(8.2)	2.2	14.8	-
P/E (x)**	-	-	73.7	-
Total No. of Employees	4,221	4,639	5,254	5,722
Total No. of Must Win Clients (MWCs)	107	110	113	122
Employee Attrition Rate (%)	23.7	15.8	16.3	15.7

\*Adjusted EBITDA is calculated as EBITDA plus (i) employee stock option expense; (ii) ESOP cash bonus; (iii) retention bonus pursuant to acquisition; less (iv) other income; (v) exceptional items gain / (loss); (vi) share of (loss) of an associate.

\*\*Pre-issue P/E based on upper price band

Source: RHP, SBICAP Securities Research

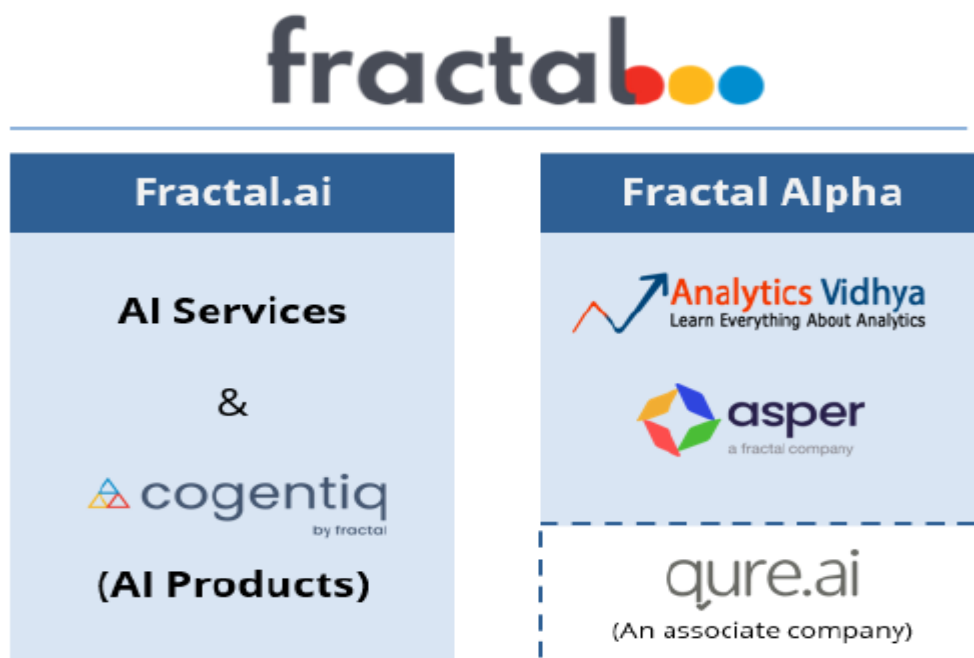
## Risk Factors

- A. Customer concentration:** As of 1HFY26/FY25, the company's top 10 clients contributed 54.2%/53.8% to the total revenue from the Fractal.ai business segment. Thus, failure to maintain and expand relationships with its existing client base or add new clients, may impact the company's business and financial performance.
- B. Geographical concentration:** As of 1HFY26/FY25, the company derived 64.9%/65.2% of its revenue from the USA. Such large scale and concentration of global operations subjects the business to risks inherent in these geographies. Thus, any changes in the legal and regulatory environment relating to data protection and/or privacy protection requirements, decrease in AI demand, etc. may impact the company's business.
- C. Failure to attract/retain talent:** The company's success depends on its ability to attract/retain highly skilled employees, including those specializing in AI and Gen AI. As of 1HFY26/FY25, the company's attrition rate stood at 15.7%/16.3% respectively.

## Growth Strategies

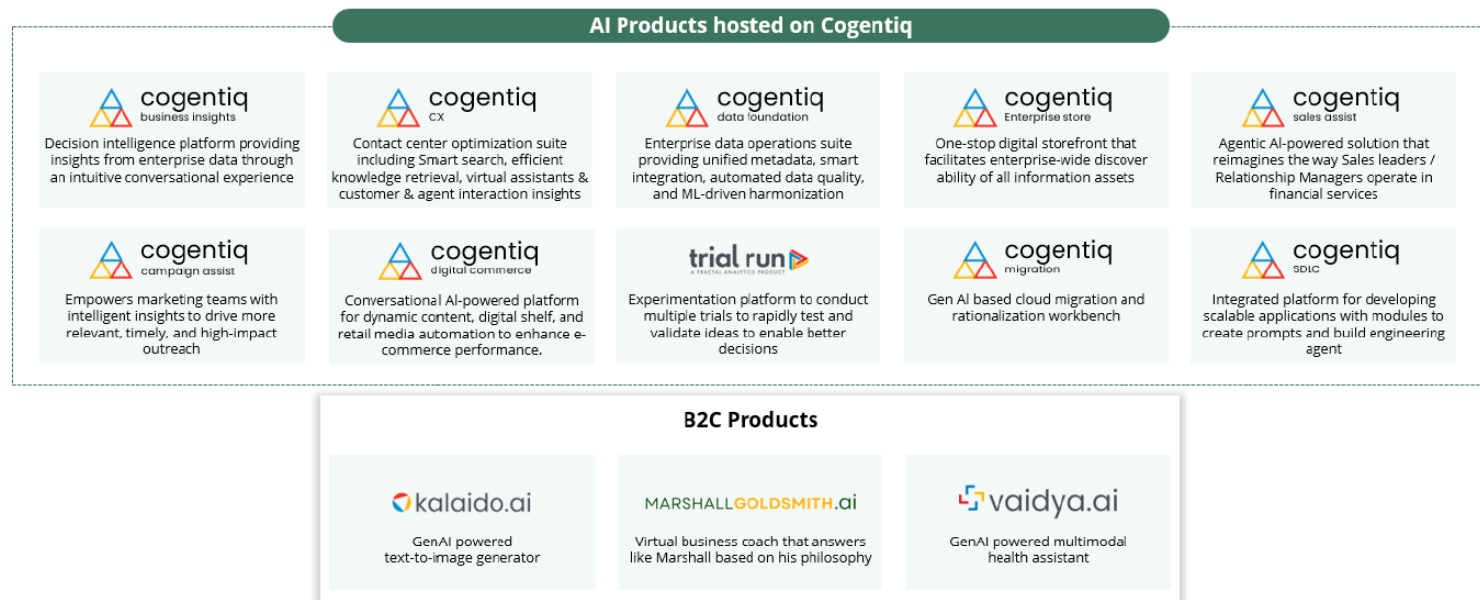
- Acquire and grow Must Win Clients (MWCs).
- Expand capabilities by investing in AI research and product innovation.
- Partner with leading technology companies and accelerate capabilities through acquisitions.

## Business segments



Source: RHP, SBICAP Securities Research

## Product Offerings via Fractal.ai



Source: RHP, SBICAP Securities Research

## Revenue Split - Segmental

Segment	FY23		FY24		FY25		1HFY26	
	Rs cr	% of TR	Rs cr	% of TR	Rs cr	% of TR	Rs cr	% of TR
Fractal.ai	1,969	99.2%	2,162	98.4%	2,704	97.8%	1,518	97.4%
Fractal Alpha	19	1.0%	36.5	1.7%	64.4	2.3%	45.1	2.9%
Less: Others	(3)	(0.1%)	(2)	(0.1%)	(3)	(0.1%)	(5)	(0.3%)
<b>Total Revenue (TR)</b>	<b>1,985</b>	<b>100.0%</b>	<b>2,196</b>	<b>100.0%</b>	<b>2,765</b>	<b>100.0%</b>	<b>1,559</b>	<b>100.0%</b>

Source: RHP, SBICAP Securities Research

## Revenue Split – Fractal.ai Segment

Segment	FY23		FY24		FY25		1HFY26	
	Rs cr	% of TR	Rs cr	% of TR	Rs cr	% of TR	Rs cr	% of TR
CPGR	805	40.9%	904	41.8%	1,062	39.3%	569	37.5%
TMT	556	28.3%	587	27.1%	809	29.9%	413	27.2%
HLS	219	11.1%	301	13.9%	375	13.9%	258	17.0%
BFSI	284	14.4%	233	10.8%	298	11.0%	186	12.2%
Others*	105	5.3%	137	6.3%	161	6.0%	92	6.1%
<b>Total</b>	<b>1,969</b>	<b>100.0%</b>	<b>2,162</b>	<b>100.0%</b>	<b>2,704</b>	<b>100.0%</b>	<b>1,518</b>	<b>100.0%</b>

\*Others comprise primarily energy, travel and industrials

Source: RHP, SBICAP Securities Research

## Fractal.ai Revenue Split – Geographical

Segment	FY23		FY24		FY25		1HFY26	
	Rs cr	% of TR	Rs cr	% of TR	Rs cr	% of TR	Rs cr	% of TR
Americas	1,322	67.1%	1,379	63.8%	1,799	66.5%	999	65.8%
Europe	333	16.9%	429	19.9%	479	17.7%	322	21.2%
APAC and others	314	16.0%	353	16.3%	426	15.8%	197	13.0%
<b>Total</b>	<b>1,969</b>	<b>100.0%</b>	<b>2,162</b>	<b>100.0%</b>	<b>2,704</b>	<b>100.0%</b>	<b>1,518</b>	<b>100.0%</b>

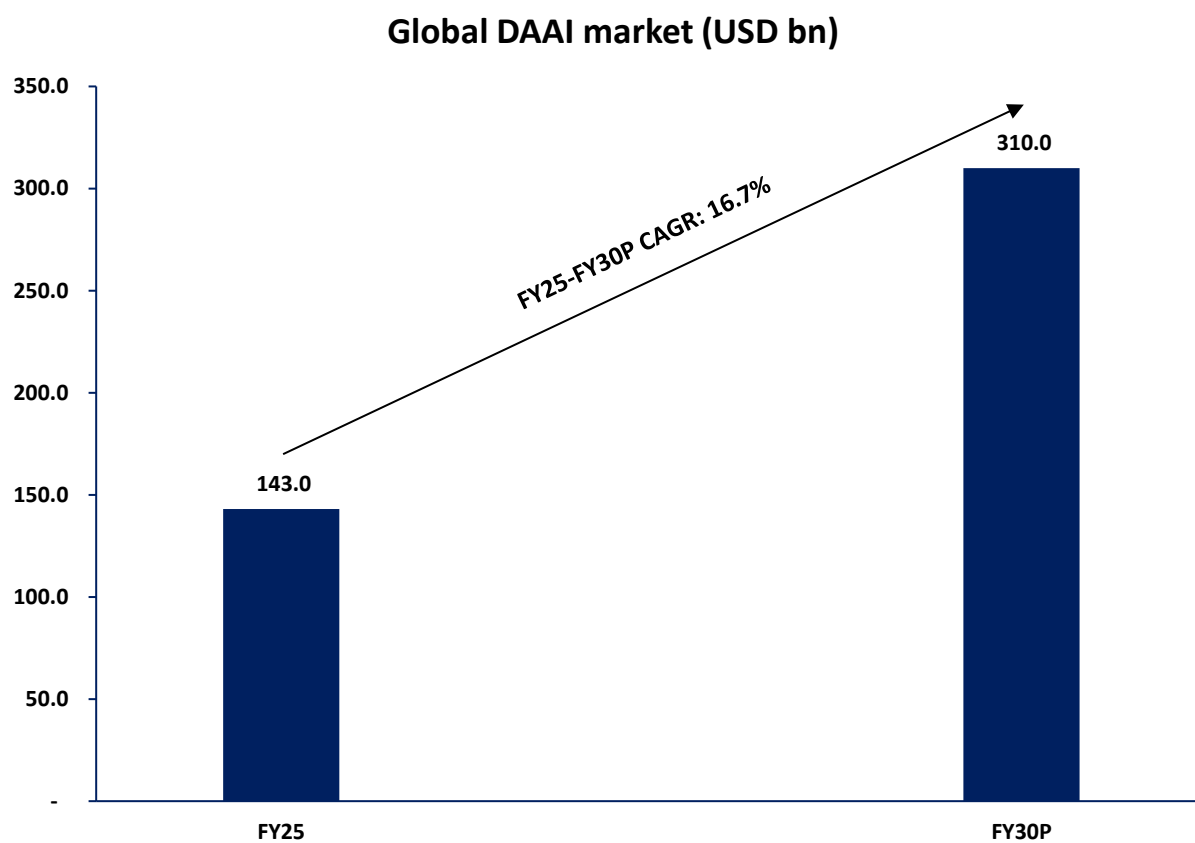
Source: RHP, SBICAP Securities Research

## KPIs – Fractal.ai Segment

Particulars	FY23	FY24	FY25	1HFY26
<b>Clients by annual revenue contribution</b>				
>USD 20 million	1	2	5	4
>USD 10 million	5	5	6	7
>USD 5 million	10	11	15	17
>USD 1 million	45	48	53	52
<b>Total</b>	<b>61</b>	<b>66</b>	<b>79</b>	<b>80</b>
<b>Client concentration - Revenue</b>				
Top 10	51.1%	54.6%	53.8%	54.2%
Top 20	67.0%	69.9%	69.6%	72.2%

Source: RHP, SBICAP Securities Research

## Industry Overview



Source: RHP, SBICAP Securities Research

## Financial Snapshot

INCOME STATEMENT				
Particulars (Rs cr)	FY23	FY24	FY25	1HFY26
<b>Revenue from Operations</b>	<b>1,985</b>	<b>2,196</b>	<b>2,765</b>	<b>1,559</b>
<i>YoY growth (%)</i>	-	10.6%	25.9%	-
Employee benefit expenses	1,609	1,737	2,005	1,125
Employee stock option expense	159	96	80	27
<b>Total Employee Cost</b>	<b>1,767</b>	<b>1,833</b>	<b>2,085</b>	<b>1,152</b>
<i>as % of sales</i>	89.0%	83.5%	75.4%	73.9%
Other Operating Expenses	335	290	331	207
<b>EBITDA</b>	<b>(116)</b>	<b>73</b>	<b>350</b>	<b>200</b>
<b>EBITDA margins (%)</b>	<b>(5.9%)</b>	<b>3.3%</b>	<b>12.7%</b>	<b>12.8%</b>
<b>Adj. EBITDA</b>	<b>134</b>	<b>232</b>	<b>482</b>	<b>233</b>
<b>Adj. EBITDA margins (%)</b>	<b>6.8%</b>	<b>10.6%</b>	<b>17.4%</b>	<b>15.0%</b>
Other Income	58	46	51	35
Interest Exp.	45	45	58	23
Depreciation	78	83	102	64
<b>PBT</b>	<b>(182)</b>	<b>(9)</b>	<b>241</b>	<b>148</b>
Exceptional Gain/(Loss)	524	(6)	27	(5)
Tax	119	24	17	28
Share of profit of associates and JVs	(29)	(16)	(30)	(45)
Minority Interest	(9)	(7)	(2)	(1)
<b>PAT</b>	<b>203</b>	<b>(47)</b>	<b>223</b>	<b>72</b>
<b>PAT margin (%)</b>	<b>10.2%</b>	<b>(2.2%)</b>	<b>8.1%</b>	<b>4.6%</b>
<b>EPS (Rs)</b>	<b>12.6</b>	<b>(3.0)</b>	<b>13.9</b>	<b>4.5</b>
<b>Adj. PAT</b>	<b>(321)</b>	<b>(42)</b>	<b>196</b>	<b>77</b>
<b>Adj. PAT margin (%)</b>	<b>(16.2%)</b>	<b>(1.9%)</b>	<b>7.1%</b>	<b>4.9%</b>
<b>Adj. EPS</b>	<b>(20.0)</b>	<b>(2.6)</b>	<b>12.2</b>	<b>4.8</b>

BALANCE SHEET				
Particulars (Rs cr)	FY23	FY24	FY25	1HFY26
<b>Assets</b>				
Net Block	41	23	32	65
Right of use assets	47	117	160	141
Intangible Assets	123	136	137	159
Goodwill	348	351	358	369
Other Non-current Assets	536	520	532	510
<b>Current Assets</b>				
Current Investment	291	446	561	672
Trade receivables	501	533	585	620
Cash and Bank Balances	220	88	288	111
Short-term loans and advances	27	28	30	32
Other Current Assets	115	146	160	252
<b>Total Current Assets</b>	<b>1,154</b>	<b>1,240</b>	<b>1,625</b>	<b>1,686</b>
<b>Current Liabilities &amp; Provisions</b>				
Trade payables	57	51	62	83
Other current liabilities	313	392	462	342
Short-term provisions	11	15	6	5
<b>Total Current Liabilities</b>	<b>381</b>	<b>458</b>	<b>531</b>	<b>430</b>
<b>Net Current Assets</b>	<b>773</b>	<b>783</b>	<b>1,094</b>	<b>1,256</b>
<b>Total Assets</b>	<b>1,868</b>	<b>1,934</b>	<b>2,327</b>	<b>2,535</b>
<b>Liabilities</b>				
Share Capital	3	3	3	14
Reserves and Surplus	1,340	1,403	1,750	1,958
<b>Total Shareholders Funds</b>	<b>1,343</b>	<b>1,406</b>	<b>1,753</b>	<b>1,973</b>
Minority Interest	20	14	12	7
<b>Total Debt</b>	<b>326</b>	<b>250</b>	<b>266</b>	<b>275</b>
Long Term Provisions	12	19	19	19
Lease Liabilities	52	113	163	148
Other Long Term Liabilities	14	31	45	45
Net Deferred Tax Liability	102	102	69	69
<b>Total Liabilities</b>	<b>1,868</b>	<b>1,934</b>	<b>2,327</b>	<b>2,535</b>

Cash Flow Statement (Rs cr)	FY23	FY24	FY25	1HFY26
Cash flow from Operating Activities	(31)	160	397	(21)
Cash flow from Investing Activities	125	(150)	(181)	(202)
Cash flow from Financing Activities	(57)	(145)	(22)	59
Free Cash Flow	(65)	135	314	(146)

RATIOS			
Particulars	FY23	FY24	FY25
<b>Profitability</b>			
Return on Capital Employed	(8.2%)	2.2%	14.8%
Return on Equity	(23.9%)	(3.0%)	11.2%
<b>Margin Analysis</b>			
EBITDA Margin	(5.9%)	3.3%	12.7%
Net Profit Margin	(16.2%)	(1.9%)	7.1%
<b>Short-Term Liquidity</b>			
Current Ratio (x)	3.0	2.7	3.0
Quick Ratio (x)	3.0	2.7	3.0
Avg. Days Sales Outstanding	92	89	77
Debt-service coverage (x)	(0.4)	0.1	0.9
<b>Long-Term Solvency</b>			
Total Debt / Equity (x)	0.2	0.2	0.2
Interest Coverage Ratio (x)	(3.0)	0.8	5.2
<b>Valuation Ratios*</b>			
EV/EBITDA (x)	-	199.1	41.2
P/E (x)	-	-	73.7
P/B (x)	10.8	10.3	8.2
EV/Sales (x)	7.3	6.7	5.2
P/Sales (x)	7.3	6.6	5.2
RoU & Intangible Assets / Net Block (x)	12.6	26.8	21.2

\*Adjusted EBITDA is calculated as EBITDA plus (i) employee stock option expense; (ii) ESOP cash bonus; (iii) retention bonus pursuant to acquisition; less (iv) other income; (v) exceptional items gain / (loss); (vi) share of (loss) of an associate.

\*\*Valuation ratios are based on pre-issue capital at the upper price band

Source: RHP, SBICAP Securities Research

## Peer Comparison – FY25

Fractal Analytics Ltd. does not have any listed peers in India or Globally.

**SBICAP Securities Limited**

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IRDA/RW/IR2/2015/081 | IRDA/RW/IR1/2016/041 | IRDA: CA0103

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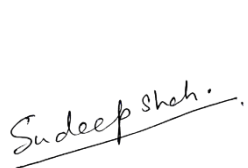
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