

IPO Report

Choice

“Subscribe for Long-Term” to Fractal Analytics Ltd.

Enterprise AI platform with strong growth potential but premium valuation



Salient features of the IPO:

- **Fractal Analytics Ltd. (FAL):** Founded in 2000, it is a globally recognized enterprise artificial intelligence (AI) company focused on enabling data-driven decision-making for large global enterprises. Leveraging over 25 years of technical, domain, and functional expertise, the company delivers end-to-end AI solutions that generate actionable insights for clients across industries such as BFSI, consumer goods, retail, healthcare, and technology.
- Its offerings are organized into two segments – (i) Fractal.ai, which includes AI services and products primarily hosted on Cogentiq, and (ii) Fractal Alpha, which houses AI-led businesses allowing the company to address diverse business requirements across functions and sectors.
- This issue is a combination of fresh issue (Rs. 1,810.4cr) & OFS (Rs. 2,833.9cr). The company will not receive any proceeds of the OFS. From the fresh issue net proceeds and net pre-IPO proceeds, the company will be utilizing Rs. 264.9cr for investment in one of the subsidiaries, Fractal USA, for scheduled repayment of its borrowings; Rs. 57.1cr for purchase of laptops; Rs. 121.1cr for setting-up new office premises in India; and Rs. 355.1cr for investment in (a) R&D; and (b) sales & marketing under Fractal Alpha. Residual proceeds will be used for funding inorganic growth through unidentified acquisitions & other strategic initiatives, & general corporate purposes.

Key competitive strengths:

- Leading player in a large and growing AI market
- Long-standing & growing relationships with marquee, global clients contributing to a diversified revenue base
- Deep and integrated technical, domain and functional expertise
- Track record of inventing and investing to benefit clients
- Culture of trust, transparency & freedom to nurture talent
- Experienced founders-led management team focused on building Fractal for the long term

Business strategy:

- Acquire and grow “Must Win Clients” (MWCs)
- Expand capabilities by investing in AI research and product innovation
- Continue to build a great place to work
- Partner with leading technology companies
- Accelerate capabilities through acquisitions

Risk and concerns:

- High client concentration risk (top10 clients contribute ~54% of revenues)
- Geographical and industry concentration risk
- Enterprise analytics budgets are discretionary & sensitive to macro conditions.
- Slower uptake of proprietary platforms like Cogentiq may impact growth trajectory.
- Evolving global AI regulations may increase compliance costs & restrictions.
- Competition

Issue details

Price band	Rs. 857 - 900 per share
Face value	Rs. 1
Shares for fresh issue	1.137 - 1.194cr shares
Shares for OFS	2.012 - 2.112cr shares
Fresh issue size	Rs. 1,023.5Cr
OFS issue size	Rs. 1,810.4Cr
Total issue size	3.149 - 3.307cr shares (Rs. 2,833.9cr)
Employee reservation portion	0.067 - 0.070cr shares (Rs. 60.0cr)
Net issue size	3.082 - 3.237cr shares (Rs. 2,773.9cr)
Bidding date	9th Feb. - 11th Feb. 2026
Implied MCAP at higher price band	Rs. 15,473.6cr
Implied enterprise value at higher price band	Rs. 15,011.2cr
Book running lead manager	Kotak Mahindra Capital Company Ltd., Axis Capital Ltd.
Registrar	MUFG Intime India Pvt. Ltd.
Sector	Artificial Intelligence
Promoters	Srikanth Velamakanni, Pranay Agrawal, Chetana Kumar, Narendra Kumar Agrawal, and Rupa Krishnan Agrawal

Category	Percent of issue (%)	Number of shares
QIB portion	75%	2.312 - 2.428cr shares
Non institutional portion (Big)	10%	0.308 - 0.324cr shares
Non institutional portion (Small)	5%	0.154 - 0.162cr shares
Retail portion	10%	0.308 - 0.324cr shares

Indicative IPO process timeline

Finalization of basis of allotment	12th Feb. 2026
Unblocking of ASBA account	13th Feb. 2026
Credit to demat accounts	13th Feb. 2026
Commencement of trading	16th Feb. 2026

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	18.18%	16.98%
Public	81.82%	83.02%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	16
Employee discount	Rs. 85 per share
Application money	Rs. 14,400 per lot

Valuation Overview and IPO Rating

Fractal Analytics Ltd. is well positioned to benefit from the structural growth in enterprise AI and analytics, supported by its deep domain expertise, proprietary platforms such as Cogentiq, strong relationships with global “Must Win Clients,” and rising adoption of generative and agentic AI solutions. At the upper band, the company is valued at 70.8x P/E and 5.0x EV/Sales, reflecting near-term investments in R&D, platform development, and front-end capability that are aimed at building a scalable product-led franchise. While margins are currently moderated by growth investments, these initiatives are expected to strengthen competitive positioning and drive operating leverage over the medium to long term. The gradual shift toward platform and subscription revenues, deeper wallet share with marquee clients, and expansion across high-growth verticals provide visibility to sustainable earnings compounding. With enterprise AI adoption still at an early stage and Fractal possessing differentiated IP and delivery capabilities, the current valuation captures its long-term growth potential. Thus, we recommend a “Subscribe for Long-Term” rating.

Key Highlights of the Industry and the Company:

- FAL is a globally recognized enterprise AI company with a vision to power human decision-making through AI. The company partners with large global enterprises to deliver data-driven insights and supports them across the entire AI transformation lifecycle from strategy and ideation to deployment and adoption.
- The business operates through two segments.
 - Fractal.ai comprises AI services and AI products, primarily delivered through Cogentiq, its flagship agentic AI platform.
 - Fractal Alpha consists of independent AI businesses addressing core clients as well as new markets and geographies. This structure enables FAL to cater to diverse client requirements across industries and business functions.
- As of Sept. 2025, FAL works with 122 “Must Win Clients,” which include large enterprises such as Citi, Costco, Nestlé, Mondelez, Philips, and Franklin Templeton. The company has strong domain expertise across consumer-packaged goods and retail (CPGR), technology-media-telecom (TMT), banking and financial services (BFSI), and healthcare & life sciences (HLS), serving many of the top global companies within these sectors.
- Its solutions help clients enhance customer experience, improve operational efficiency, accelerate product innovation, support sustainability initiatives, and strengthen executive decision-making. FAL integrates AI, engineering, and design to address complex business problems and create measurable value for enterprises.
- It has made sustained investments in AI research and innovation, developing proprietary foundation models and advanced reasoning capabilities. Key initiatives include **Kalaido.ai**, a diffusion-based text-to-image model, and **Vaidya.ai**, a medical multi-modal AI ecosystem comprising LLMs, vision models, and clinical reasoning systems. Under **Project Ramanujan**, the company built a mathematical reasoning model that won the inaugural Meta HackerCup at NeurIPS 2024, with findings presented at ICLR 2025. FAL has also open-sourced Fathom-R1-14B and the Fathom Deep-Research suite, including Fathom-Search-4B and Fathom-Synthesizer-4B, strengthening its position in agentic and enterprise-grade AI.
- FAL maintains a strong client-centric culture reflected in long-tenured relationships and industry-leading Net Promoter Scores. The company has received multiple global workplace recognitions and is consistently rated highly for culture and values.
- FAL aims to become the most respected enterprise AI company worldwide. Its strategic focus remains on driving responsible AI adoption, deepening client partnerships, and delivering transformative outcomes at scale.
- The company has consistently invested in R&D to strengthen its AI capabilities and drive innovation. R&D investments stood at Rs. 95.6cr H1FY26, representing 6.1% of revenue, compared with 5.2% in FY25 and 6.5% in FY24, reflecting the company’s continued focus on building proprietary AI solutions.
- As of January 19, 2026, FAL held 28 registered patents with 38 additional applications, underscoring its commitment to developing differentiated intellectual property.

Revenue Bifurcation (Rs. Cr)					
Particulars	FY23	FY24	FY25	H1FY25	H1FY26
CPGR	804.7	903.8	1,061.5	507.6	569.2
TMT	556.3	586.7	808.7	373.0	413.4
HLS	218.8	301.3	374.5	172.8	258.1
BFSI	284.2	232.5	298.0	143.5	185.6
Others	105.1	137.2	161.0	77.2	92.1
Revenue from Fractal AI segment	1,969.1	2,161.5	2,703.7	1,274.1	1,518.4
EBITDA Fractal AI segment	(31.5)	123.3	378.8	152.6	217.7
Revenue from Fractal Alpha segment	19.0	36.5	64.4	27.5	45.1
EBITDA Fractal Alpha segment	(61.6)	(49.4)	(28.3)	(19.7)	(6.6)

Revenue Bifurcation (Rs. Cr)					
Particulars	FY23	FY24	FY25	H1FY25	H1FY26
USA	1,309.4	1,357.8	1,802.2	833.3	1,012.5
Other American countries	20.5	42.2	33.3	18.7	11.7
Europe	333.3	430.3	484.1	225.2	327.0
India	156.3	189.9	231.8	115.2	118.5
Other APAC countries	165.9	176.1	214.0	108.3	89.3
Total	1,985.4	2,196.3	2,765.4	1,300.7	1,559.0

Financial statements:

Restated consolidated profit and loss statement (Rs. cr)							
	FY23	FY24	FY25	H1FY25	H1FY26	TTM	CAGR over FY23-25
Revenue from operations	1,985.4	2,196.3	2,765.4	1,300.7	1,559.0	3,023.7	18.0%
Employee benefits expenses	(1,608.5)	(1,737.0)	(2,004.8)	(971.7)	(1,125.2)	(2,158.3)	11.6%
ESOP	(158.7)	(96.3)	(79.8)	(41.8)	(27.0)	(65.0)	-29.1%
Other expenses	(334.6)	(289.6)	(330.9)	(153.7)	(207.2)	(384.4)	-0.6%
EBITDA	(116.4)	73.4	349.9	133.5	199.6	416.0	
Depreciation & amortization expenses	(78.1)	(83.2)	(102.3)	(44.2)	(63.5)	(121.6)	14.4%
EBIT	(194.5)	(9.8)	247.6	89.3	136.1	294.4	
Finance costs	(45.3)	(44.5)	(57.7)	(36.7)	(23.3)	(44.3)	12.9%
Other income	58.3	45.6	50.8	21.9	35.3	64.2	-6.7%
PBT before share of loss of an associate & exceptional items	(181.5)	(8.7)	240.7	74.5	148.1	314.3	
Share of loss of an associate	(29.0)	(16.3)	(29.7)	(21.5)	(44.5)	(52.7)	1.2%
Exceptional items	523.9	(5.5)	27.0	(2.9)	(4.8)	25.1	-77.3%
PBT	313.4	(30.5)	238.0	50.1	98.8	286.7	-12.9%
Tax expenses	(119.0)	(24.2)	(17.4)	22.8	(27.9)	(68.1)	-61.8%
Reported PAT	194.4	(54.7)	220.6	72.9	70.9	218.6	6.5%

Restated consolidated balance sheet statement (Rs. cr)							
	FY23	FY24	FY25	H1FY25	H1FY26	TTM	CAGR over FY23-25
Equity share capital	3.1	3.1	3.1	3.1	14.2	14.2	0.0%
Other Equity	1,340.0	1,402.6	1,750.1	1,541.5	1,958.4	1,958.4	14.3%
Non controlling interest	20.3	14.2	12.2	11.3	6.9	6.9	-22.5%
Non-current borrowings	322.1	250.1	257.7	256.3	263.9	263.9	-10.6%
Non-current lease liabilities	24.3	91.3	127.2	86.5	110.2	110.2	128.8%
Other non-current financial liabilities	14.0	31.0	45.0	41.0	45.2	45.2	79.3%
Provisions	11.8	18.7	18.8	27.2	18.5	18.5	26.2%
Deferred tax liabilities	101.6	101.6	68.8	64.6	68.8	68.8	-17.7%
Trade payables	57.1	51.2	62.0	73.1	82.9	82.9	4.2%
Current borrowings	3.5	0.0	8.5	5.9	10.7	10.7	55.8%
Current lease liabilities	27.3	21.8	35.6	22.0	38.2	38.2	14.2%
Other current financial liabilities	186.6	245.4	291.3	162.8	203.4	203.4	24.9%
Other current liabilities	124.2	140.8	164.7	124.8	124.2	124.2	15.2%
Current provisions	11.0	14.8	6.4	9.2	5.3	5.3	-23.7%
Current tax liabilities (net)	1.8	5.4	6.2	13.8	14.6	14.6	85.6%
Total liabilities	2,248.7	2,392.0	2,857.6	2,443.1	2,965.4	2,965.4	12.7%
PP&E	41.2	22.7	31.6	24.1	64.9	64.9	-12.4%
Right-of-use assets	46.8	116.6	160.2	109.0	141.1	141.1	85.0%
Goodwill	347.5	351.3	358.2	352.5	369.0	369.0	1.5%
Other intangible assets	122.9	135.6	137.0	123.0	158.7	158.7	5.6%
Intangible assets under development	0.7	5.9	13.7	4.6	35.4	35.4	342.4%
Investments accounted for using equity	447.9	425.9	425.8	406.5	382.0	382.0	-2.5%
Non current investments	1.2	7.9	6.4	9.5	6.6	6.6	130.9%
Other non current financial assets (bank deposits)	8.0	0.9	0.9	5.0	12.5	12.5	-66.5%
Other non current financial assets (others)	18.7	16.4	18.1	17.4	18.6	18.6	-1.6%
Deferred tax assets (net)	39.9	47.9	56.1	57.5	62.1	62.1	18.6%
Income tax assets (net)	16.2	19.3	18.8	23.4	27.5	27.5	7.7%
Other non-current assets	4.0	1.2	6.2	0.7	1.0	1.0	24.5%
Current Investments	290.6	445.5	561.4	335.6	671.7	671.7	39.0%
Current Trade receivables	500.9	533.3	584.8	581.8	620.0	620.0	8.1%
Cash & cash equivalents	213.2	81.2	264.9	140.2	110.2	110.2	11.5%
Bank balances other than cash	7.1	6.6	23.4	11.3	0.3	0.3	81.5%
Current loans	26.9	28.2	30.3	29.0	32.3	32.3	6.1%
Other current financial assets	-	6.5	3.9	4.6	2.0	2.0	
Other current assets	115.0	139.1	155.9	207.4	249.5	249.5	16.4%
Total assets	2,248.7	2,392.0	2,857.6	2,443.1	2,965.4	2,965.4	12.7%

Source: Choice Equity Broking

Restated consolidated cash flow statement (Rs. cr)							
	FY23	FY24	FY25	H1FY25	H1FY26	TTM	CAGR over FY23-25
Cash flow before working capital changes	94.5	186.5	443.1	179.7	238.0	501.4	116.5%
Working capital changes	(103.9)	5.3	9.6	(154.3)	(229.2)	(65.3)	0.0%
Cash flow from operating activities	(30.6)	159.5	397.0	7.9	(21.4)	367.7	0.0%
Purchase of fixed assets & CWIP	(33.9)	(24.5)	(82.8)	(50.7)	(124.2)	(156.3)	56.3%
Cash flow from investing activities	124.9	(150.1)	(181.0)	64.6	(202.1)	(447.7)	0.0%
Cash flow from financing activities	(57.4)	(145.0)	(22.4)	(14.6)	59.3	51.5	-37.5%
Net cash flow	36.9	(135.6)	193.6	57.9	(164.2)	(28.5)	129.1%
Opening balance of cash	183.2	213.2	81.2	81.2	264.9	140.2	-33.4%
Derecognition of cash and cash equivalents of subsidiary	(15.9)						
Effects of exchange rate changes on cash	9.0	3.6	(9.9)	1.1	9.5	(1.5)	0.0%
Closing balance of cash from continuing operations	213.2	81.2	264.9	140.2	110.2	110.2	11.5%

Financial ratios						
Particulars	FY23	FY24	FY25	H1FY25	H1FY26	TTM
Profitability ratios						
Revenue growth rate	-	10.6%	25.9%	-	19.9%	-
EBITDA growth rate	-	-163.1%	376.7%	-	49.5%	-
EBITDA margin	-5.9%	3.3%	12.7%	10.3%	12.8%	13.8%
EBIT growth rate	-	-95.0%	-2626.5%	-	52.4%	-
EBIT margin	-9.8%	-0.4%	9.0%	6.9%	8.7%	9.7%
Restated PAT growth rate	-	-128.1%	-503.3%	-	-2.7%	-
Restated PAT margin	9.8%	-2.5%	8.0%	5.6%	4.5%	7.2%
Cash Conversion						
Trade receivables days	92.1	85.9	73.8	80.5	71.6	74.8
Trade payables days	(10.5)	(9.0)	(7.5)	(10.1)	(9.6)	(10.0)
Cash conversion cycle	81.6	76.9	66.3	70.4	62.0	64.8
Turnover ratios						
Trade receivable turnover ratio	4.0	4.2	4.9	2.2	2.6	4.9
Accounts payable turnover ratio	34.8	40.6	48.9	17.8	20.0	36.5
Fixed asset turnover ratio	3.6	3.5	3.9	2.1	2.0	3.9
Total asset turnover ratio	0.9	0.9	1.0	0.5	0.5	1.0
Liquidity ratios						
Current ratio	2.8	2.6	2.8	3.2	3.5	3.5
Quick ratio	2.8	2.6	2.8	3.2	3.5	3.5
Total debt	577.8	639.6	765.3	574.5	671.6	671.6
Net debt	364.6	558.4	500.4	434.3	561.4	561.4
Debt to equity	0.4	0.5	0.4	0.4	0.3	0.3
Net debt to EBITDA	(3.1)	7.6	1.4	3.3	2.8	1.3
Cash flow ratios						
CFO to PAT	(0.2)	(2.9)	1.8	0.1	(0.3)	1.7
CFO to Capex	(0.9)	6.5	4.8	0.2	(0.2)	2.4
CFO to total debt	(0.1)	0.2	0.5	0.0	(0.0)	0.5
CFO to current liabilities	(0.1)	0.3	0.7	0.0	(0.0)	0.8
Return ratios						
RoIC (%)	-9.3%	-3.6%	13.1%	3.2%	4.9%	11.4%
RoE (%)	14.3%	-3.9%	12.5%	4.7%	3.6%	11.0%
RoA (%)	8.6%	-2.3%	7.7%	3.0%	2.4%	7.4%
RoCE (%)	-12.5%	-0.6%	13.8%	5.1%	7.0%	15.0%
Per share data						
Restated EPS (Rs.)	11.3	(3.2)	12.8	4.2	4.1	12.7
BVPS (Rs.)	79.3	82.6	102.7	90.5	115.1	115.1
Operating cash flow per share (Rs.)	(1.8)	9.3	23.1	0.5	(1.2)	21.4
Free cash flow per share (Rs.)		(0.6)	(2.3)		(15.8)	

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe for Long Term: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

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