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CM RATING 44 /100

Fractal Analyst

AI play

Pure-play enterprise data, analytics and AI company

Fractal Analytics (Fractal) is an enterprise artificial intelligence (AI) company, with a vision to power human decisions in its clients' enterprises by leveraging AI. The company supports large global enterprises with data-driven insights and assist them in their decision making through its end-to-end AI solutions. Fractal builds its AI solutions by leveraging its technical, domain and functional capabilities built over its operating history of over 25 years.

The business of the company is structured into two key segments. One is known as Fractal.ai and this unit offers AI services and products through its agentic AI platform, Cogentiq. This can simplify product development with built-in tools low-code features and security. The other part is called Fractal Alpha, the standalone AI businesses targeted at growth markets which can help firms in innovation across industries and regions.

Through these two segments, Fractal caters to the diverse business needs of its clients across industries and business functions including enabling clients to understand, predict and shape their customer behaviour, improving operational efficiency, building better products faster, enabling sustainability and resilience and driving better executive decision.

Fractal's domain expertise spans across its focus industries of consumer-packaged goods (CPG) and retail (togetherwith CPG, CPGR), technology, media and telecom (TMT), healthcare and life sciences (HLS) andbanking, financial services and insurance (BFSI). Fractal has worked with 10 of the top 20 CPGcompanies, eight of the top 20 TMT companies, three of the top 20 BFSI companies, 10 of the top 20 HLScompanies and five of the top 20 retail companies based on FY 2025 revenue.

Customers include Citibank, N.A, Costco, Franklin Templeton, Mars, Mondelez, Nationwide, Nestle, and Philips.

Object of the offer

The Rs 2833.9 crore IPO comprises a fresh issue of 1,13,72,222 equity shares to raise Rs 1,023.5 crore and an offer for sale (OFS) of up to 2,01,15,556 equity shares worth up to Rs 1810.4 crore at higher price band of Rs 900. Investors Quinag Bidco Ltd, TPG Fett Holdings Pte. Ltd, GLM Family Trust and Satya Kumari Remala and Rao Venkateswara Remala will offload a part of their stake in the OFS.

Fractal will utilise Rs 264.9 crore from the net fresh issue proceeds to invest in its unit, Fractal USA, for repayment of its borrowings, Rs 57.1 crore for purchase of laptops, Rs 121.1 crore will be utilised for setting up of new office premises in India, Rs 355.1 crore for investment in R&D and sales and marketing under Fractal Alpha. The remaining funds will be utilised for general corporate purposes.

Strengths

Fractal has a leadership position in the fast-growing AI market.AI and data analytics adoption is accelerating globally across BFSI, FMCG, retail, healthcare, and manufacturing. Fractal operates in a large and expanding market where enterprises are increasingly outsourcing AI implementation and data intelligence functions.

Fractal has strong client relationship with multiyear engagements with marquee global clients. These long-term contracts reduce revenue volatility and enhance customer stickiness.

Fractal combines AI engineering with industry-specific domain knowledge, enabling it to deliver customized enterprise-grade solutions rather than generic software products.

Continuous investments in platforms like Cogentiq and Fractal Alpha demonstrate a focus on long-term technology leadership.

Fractal, co-founded by Srikanth Velamakanni and Pranay Agrawal are well experienced, with a long-term vision.

Weaknesses

Fractal faces customer concentration risk as the company derived 54.2% of its revenue from operations in its Fractal.ai segment from its Top10 clients, of which one client contributed 8.2% of its revenue, in the six months ended September 30, 2025.

Decline in demand for AI solutions in the company's key focus industries including areas including consumer packaged goods and retail (CPGR), technology, media and telecom (TMT), healthcare and life sciences (HLS), and banking, financial services and insurance could adversely affect the operations of the company.

Has incurred losses in the past. Also, had negative cash flows in the past. If unable to generate adequate revenue growth and manage its expenses than the financial condition will be affected.

Business and revenue from operations are highly concentrated in the United States, and any adverse changes in the geopolitical, economic or regulatory environment of the United States could adversely affect business.

Fractal's business depends on the quality and successful implementation of its AI solutions and any delays or failure in meeting contractual timelines or the expectation of its clients may result in cost overrun, loss of business and disputes which in turn could adversely impact business.

Failure to comply with the existing, and changes to, laws and regulations applicable to the business could subject the company to enforcement actions and penalties and otherwise harm its business.

If the company fails to develop or monetize new products and technologies, or if they do not become widely adopted by the clients than the financial condition of the company will be impacted.

Legal claims against the company stood at Rs 88.1 crore and against the directors at Rs 915.8 crore.

Valuation

Consolidated sales were up 19.86% to Rs 1559.0 crore in H1FY2026 over a year ago period. Operating profit margin (OPM) expanded from 10.26% to 12.80%, leading to a 49.51% increase in operating profit to Rs 199.60 crore. Other income (OI) inclined 61.19% to Rs 35.30 crore, while interest cost declined 36.51% to Rs 23.30 crore. Depreciation cost inclined by 43.67% to Rs 63.50 crore. PBT was Rs 98.8 crore up by 97.21% as against PBT of Rs 50.01 crore in the corresponding period of previous year. PAT stood at Rs 70.90 crore, down 2.74%.

Consolidated sales were up by 25.9% to Rs 2765.40 crore in FY2025. Growth in revenues is primarily attributable to growth in revenue from existing clients, increase in the number of clients and its ability to charge a higher price for AI services and AI products. OPM expanded from 3.34% to 12.65%, leading to a 376.7% increase in operating profit to Rs 349.90 crore. OI inclined 11.4% to Rs 50.80 crore. Interest cost inclined 29.7% to Rs 57.7 crore and depreciation cost inclined by 23% to Rs 102.3 crore. PBT before EO stood at Rs 211 crore as against loss before EO of Rs 25 crore. PAT after EO stood at Rs 238 crore as against loss after EO of Rs 30.50 crore. The company reported PAT of Rs 213.15 crore when compared with loss after tax of Rs 54.70 crore in FY2024.

At the higher price band of Rs 900, the offer is made at a P/E of 80.35 times TTMEPS (of Rs 11.2)

There are no comparable listed peers in India.

Fractal Analytics: Issue Highlights	
Fresh issue (in Rs crore)	1023.5
Offer for sale (in Rs crore)	1810.4
Offer for sale (in number of shares)	
- in Upper price band	20115556
- in Lower price band	21124854
Price Band (Rs)	857-900
For Fresh Issue Offer size (in no of shares)	
- in Upper price band	11372222
- in Lower price band	11942824
Post issue capital (Rs crore)	
- in Upper price band	17.19
- in Lower price band	17.25
Post issue Promoter and Promoter Group shareholding	
-On higher price band (%)	17.0%
-On lower price band (%)	16.9%
Bid Size (in No. of shares)	16
Issue open date	9/02/2026
Issue close date	11/02/2026
Listing	BSE, NSE
Rating	44/100

Fractal Analytics: Consolidated Financial					
	2303 (12)	2403 (12)	2503 (12)	2409 (6)	2509 (6)
Sales	1985.40	2196.30	2765.40	1300.70	1559.00
OPM (%)	-5.86	3.34	12.65	10.26	12.80
OP	-116.40	73.40	349.90	133.50	199.60
Other inc.	58.30	45.60	50.80	21.90	35.30
PBIDT	-58.10	119.00	400.70	155.40	234.90
Interest	45.30	44.50	57.70	36.70	23.30
PBDT	-103.40	74.50	343.00	118.70	211.60
Dep.	78.10	83.20	102.30	44.20	63.50
PBT	-181.50	-8.70	240.70	74.50	148.10
Share of profit/loss from JV	-29.00	-16.30	-29.70	-21.50	-44.50
PBT Before EO	-210.50	-25.00	211.00	53.00	103.60
Exceptional items	523.90	-5.50	27.00	-2.90	-4.80
PBT After EO	313.40	-30.50	238.00	50.10	98.80
Total Tax	119.00	24.20	24.85	-22.80	27.90
PAT	194.40	-54.70	213.15	72.90	70.90
Minority Interest	-	-	-	-	-
Net Profit	194.40	-54.70	213.15	72.90	70.90

EPS (Rs)*	-7.59	-2.61	11	#	#
EPS is on post issue equity capital of Rs 17.19 crore of face value of Rs 1 each					
Figures in Rs crore					
Source:Fractal Analytics Issue Prospectus					