

Rating: Subscribe

Issue Offer

Total issue size: INR 28,339 Mn (31.49 Mn shares) - OFS of INR 18,104 Mn (20.11 Mn shares) and a Fresh Issue of INR 10,235 Mn (11.37 Mn shares).

Issue Summary

Price Band INR	857-900
Face Value INR	1
Implied Market Cap INR Mn.	154,736
Market Lot	16
Issue Opens on	Feb 09, 2026
Issue Close on	Feb 11, 2026
No. of share pre-issue	160,556,718
No. of share post issue	171,928,940
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≥ 75
Retail Portion	≤ 10
NII Portion	≤ 15

Registrar

MUFG Intime India Private Limited

Book Running Lead Managers

Axis Capital Limited		
Kotak Mahindra Capital Company Limited		
	Pre-Issue	Post-Issue
Promoters	18.18%	5.28%
Public & Others	81.82%	94.72%

Object of the issue

Exp Amt (INR Mn)

➤ Investment in subsidiaries to repay its borrowings	2,649
➤ Purchase of laptops and setting up new office premises	1,782
➤ Investment in R&D and sales & marketing under Fractal Alpha	3,551
➤ Funding inorganic growth and general corporate purposes	-

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Founded in 2000, Fractal Analytics is an India-based AI company that helps large global enterprises improve decision-making through advanced artificial intelligence solutions. It operates through two segments: Fractal.ai, which delivers AI services and products primarily via its Cogentiq platform, and Fractal Alpha, which incubates smaller, independent AI businesses. The company operates across 4 key industries: consumer goods and retail, technology and telecom, healthcare and life sciences, and financial services with the majority of revenue coming from consumer goods and retail, and ~92% of revenue derived from overseas markets, led by the Americas. Fractal maintains deep, long-standing client relationships, with its top 10 clients averaging over eight years of engagement and contributing just over 50% of revenue, supported by consistently high customer feedback scores.

Investment Rationale:

Long-term relationships with large global clients: The company serves marquee global clients such as Citi, Costco, Nestle, Mondelez and Mars, and works with 10 of the top 20 CPG companies, 8 of the top 20 TMT companies, and 10 of the top 20 healthcare and life sciences companies globally. These are not short-term projects. As of Sep 30, 2025, Fractal's top 10 clients have an average relationship tenure of over 8 years, with some clients being served for more than 19 years. Revenue visibility is further supported by strong net revenue retention, which stood at 121.3% in FY25 and 114.0% in H1FY26. Additionally, 58.5% of revenue in H1FY26 came from clients served for more than 5 years. This level of client stickiness provides confidence in long-term cash flows.

Heavy investment in R&D and strong IP creation: The company spent INR 1,436 Mn on R&D in FY25, which is 5.2% of revenue, and INR 956 Mn in H1 FY26, or 6.1% of revenue. These investments have resulted in 28 granted patents and 38 patent applications as of January 2026. Fractal has also built several proprietary AI platforms such as Cogentiq, Kalaido.ai, and Vaidya.ai, and has developed advanced reasoning models like Fathom-R1-14B, which have been recognized at global forums like NeurIPS and ICLR. These investments improve pricing power, reduce dependence on pure services revenue, and create long-term entry barriers.

Highly diversified revenue across industries: The company revenue base is well diversified across multiple large industries, which reduces the risk of a slowdown in any one sector impacting overall performance. In FY25, the Fractal.ai segment derived 39.3% of revenue from CPGR, 29.9% from TMT, 13.8% from Healthcare & Life Sciences (HLS) and 11.0% from BFSI, with the balance coming from other sectors such as energy and travel. This diversification has remained stable over the last 3 years. Additionally, these industries are expected to see strong AI adoption going forward, with estimated AI spending CAGRs of 18.2% in HLS, 16.7% in BFSI, 15.7% in TMT, and 15.0% in CPGR between FY25 and FY30.

Valuation and View:

The global AI software market is expected to grow from around USD 101 Bn in FY25 to USD 283 Bn by FY30, at a strong 22.9% CAGR, driven by enterprises increasingly preferring ready-made AI software over in-house development, higher cloud adoption, and rapid progress in GenAI and foundation models. Fractal operates in both AI platforms and applied AI solutions, which are expected to grow faster than the broader market. Its Cogentiq platform is well placed in the AI platforms segment, which is projected to expand from USD 57 Bn to USD 149 Bn by FY30, while applied AI solutions, particularly in BFSI, healthcare, retail/CPG and manufacturing, are expected to grow at an even faster 27.1% CAGR. With long-standing relationships with global clients, strong net revenue retention above 110%, steady investments in R&D and a growing portfolio of proprietary AI products, the company is well positioned to scale both revenues and wallet share with existing clients. **At the upper band of INR 900, the issue is valued at a P/E ratio of 70.14x, based on a FY25 EPS of INR 12.83. We are recommending a "Subscribe" rating for this issue.**

Exhibit: Financial Performance

Particulars (IN R Mn)	FY23	FY24	FY25
Revenue	19,854	21,963	27,654
Growth (%) YoY	-	10.62	25.91
EBITDA	4,368	972	3,980
Margins (%)	22.00	4.42	14.39
PAT/(Loss)	1,944	(547)	2,206
Margins (%)	9.79	(2.49)	7.98
Debt	3,256	2,501	2,662

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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