IPO REVIEW

Fractal Analytics IPO

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- The company is a recognized global enterprise providing solutions with insight based on AI technology.
- Though it is serving to marque global clients, it marked inconsistency in its bottom lines despite growing top lines.
- It will be the first AI solution driven company going public.
- Based on its recent financial data, the issue appears aggressively priced.
- Well-informed investors may park funds for medium to long term.

About the Company

Fractal Analytics Ltd. (FAL) is a globally recognized enterprise artificial intelligence (“AI”) company (source: Everest Report), with a vision to power human decisions in clients’ enterprises by leveraging AI. It supports large global enterprises with data-driven insights and assist them in their decision making through its end-to-end AI solutions. The company builds its AI solutions by leveraging technical, domain and functional capabilities built over its operating history of over 25 years. As of September 30, 2025, FAL’s full suite of AI solutions is organized under two segments: Fractal.ai (comprising AI services and AI products primarily hosted on Cogentiq) and Fractal Alpha (comprising AI businesses). Through these two segments, it caters to the diverse business needs of clients across industries and business functions.

The company works with large global enterprise clients to help them navigate the entire life cycle of AI transformation from ideation to adoption to drive decisions in the enterprise. The company aims to become a trusted partner to its clients. FAL focuses on its “Must Win Clients” (“MWC” s), who it defines as clients (i.e. it recognized revenue from them in the trailing 12 months) who are enterprises that meet one of three criteria: (1) over US$10 billion in annual revenue, (2) over US$20 billion in market capitalization, or (3) over 30 million end-customers. As of September 30, 2025, it served 122 MWCs; its clients include Citibank, N.A (“Citi”), Costco, Franklin Templeton, Mars, Mondelez, Nationwide, Nestle, Philips, among others. As of March 31, 2025, we served a majority of the

“Magnificent seven” companies35 (source Everest Report).

Its domain expertise spans across its focus industries of consumer-packaged goods (“CPG”) & retail (together with CPG, “CPGR”), technology, media and telecom (“TMT”), healthcare and life sciences (“HLS”) and banking, financial services, and insurance (“BFSI”). As of March 31, 2025, it worked with 10 of the top 20 CPG companies, eight of the top 20 TMT companies, three of the top 20 BFSI

companies, 10 of the top 20 HLS companies and five of the top 20 retail companies based on Fiscal 2025 revenue (source: Everest Report). Its ability to address clients' problems across industries is driven by deep technical, domain and functional expertise. FAL integrate AI, engineering and design ("AED") to power decisions in clients' enterprises and strategic intent is to create outsized value for every client it works with. In this process, the company aspires to become the most respected enterprise AI company globally.

FAL is a client-centric company, which focuses on prioritizing clients' success and creating long-term value for them. Its "client first" value is reflected in the tenure of relationship with top clients and its Net Promoter Score ("NPS") based on client surveys. It has served top ten clients by revenue in the six months ended September 30, 2025 (who contributed 54.2% to its revenue from operations in Fractal.ai segment) for an average of more than eight years. Its NPS for Fractal.ai segment was 76, 78, 77, 77 and 73 in the six months ended September 30, 2025, the six months ended September 30, 2024, Fiscal 2025, Fiscal 2024, and Fiscal 2023 respectively (source: 1Lattice Report).

FAL is India's leading pure-play enterprise data, analytics and AI company, recognized globally, with capabilities across the data, analytics, and AI ("DAAI") value chain (source: Everest Report). The company is uniquely placed among other industry players, with active investments in expanding its AI and Gen AI software portfolio and research and development ("R&D") capabilities (source: Everest Report). Forrester categorized FAL as a "Leader" in five Forrester WavesTM for Customer Analytics Service Providers in 2025, 2023, 2021, 2019 and 2017, and Everest Group recognized it as a "Leader" in the Everest Group Data and AI Services Specialists PEAK Matrix Assessment (and its predecessor Analytics and AI Services Specialists PEAK Matrix Assessment) in 2021 through 2025.

Additionally, it is advancing multi-agentic systems such as Pioneer to streamline and enhance the software development lifecycle and for autonomous data science problem solving. Several of its products are publicly accessible, such as Kalaido.ai, MarshallGoldsmith.ai and Vaidya.ai.

As of September 30, 2025, it had 5722 employees on its payroll and additional 149 out sourced manpower.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of 31487778 equity shares of Re. 1 each (worth Rs. 2833.90 cr. at the upper cap). The IPO consists of fresh equity issue worth Rs. 1023.50 cr. (approx. 11372222 equity shares at the upper cap), and an Offer for Sale (OFS) worth Rs. 1810.40 cr. (approx. 20115556 equity shares (at the upper cap). The company has announced a price band of Rs. 857 – Rs. 900 per equity shares of Re. 1 each. The issue opens for subscription on February 09, 2026, and will close on February 11, 2026. The minimum application to be made is for 16 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 18.31% of the post-IPO paid-up equity capital. From the net proceeds of the fresh equity issue, the company will utilize Rs. 264.90 cr. for investment in

subsidiaries, Rs. 57.10 cr. for purchase of laptops, Rs. 121.10 cr. for setting up of new office premises in India, Rs. 355.10 cr. For investment in R & D, sales and marketing etc., and the rest for funding inorganic growth and general corporate purposes.

The company has reserved equity shares worth Rs. 60.00 cr. (approx. 666667 shares for its eligible employees and offering them a discount of Rs. 85 per share. From the rest, it has allocated not less than 75% for QIBs, not more than 15% for HNIs and not more than 10% for Retail investors.

The four Book Running Lead Managers (BRLMs) to this issue are Kotak Mahindra Capital Co. Ltd., Morgan Stanley India Co. Pvt. Ltd., Axis Capital Ltd., and Goldman Sachs (India) Securities Pvt. Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue.

After issuing initial equity shares at par, the company has issued/converted further equity shares in the price range of Rs. 5.57 – Rs. 3234.83 per share (based on FV of Re. 1), between September 2000, and January 2026. It has also issued bonus shares in the ratio of 1 for 3.4818 in October 2000, 17 for 1.061378 in February 2007, 1 for 4 in July 2025. The average cost of acquisition of shares by the promoters/selling shareholders is Rs. NIL, Rs. 0.40, Rs. 1.00. Rs. 2.00, Rs. 3.00, Rs. 65.00. Rs. 75.00, Rs. 173.00, and Rs. 642.00 per share.

Post-IPO, its current paid-up equity capital of Rs. 16.06 cr. will stand enhanced to Rs. 17.19 cr. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 15473.60 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit/ -(loss), of Rs. 2043.70 cr. / Rs. 194.40 cr. (FY23), Rs. 2241.90 cr. / Rs. – (54.70) cr. (FY24), and Rs. 2816.20 cr. / Rs. 220.60 cr. (FY25). For H1 of FY26 ended on September 30, 2025, it earned a net profit of Rs. 70.90 cr. on a total income of Rs. 1594.30 cr. Thus, it marked inconsistency in its bottom lines despite growing top lines.

For the last three fiscals, the company has posted an average EPS of Rs. 8.44 (basic) and an average RoNW of 7.4 %. The issue is priced at a P/BV of 7.76 based on its NAV of Rs. 116 as of September 30, 2025, and at a P/BV of 5.49 based on its post-IPO NAV of Rs. 164 per share (at the upper cap).

If we attribute FY26 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at negative P/E of 109.09. Based on FY25 earnings, the P/E stands at 70.15. Thus, the issue appears aggressively priced. The only attraction is that the company is the first mover in the AI segment, and perhaps for this reason, it is asking fancy price.

For the reported periods, the company has posted PAT Margins of 9.8% (FY23), - (2.50) % (FY24), 8% (FY25), 4.5% (H1-FY26), but RoCE margins data is missing from the offer documents.

Dividend Policy

The company has not declared any dividends for the referred periods of the offer document. It has already adopted a dividend policy in August 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has no listed peers to compare with.

Merchant Banker's Track Record

The four BRLMs associated with this offer have handled 88 public issues in the past three years, out of which 17 issues closed below the issue price on listing date.

Conclusion / Investment Strategy

FAL is a recognized global enterprise providing solutions with insight based on AI technology. Though it is serving to marque global clients, it marked inconsistency in its bottom lines despite growing top lines. It will be the first AI solution driven company going public. Based on its recent financial data, the issue appears aggressively priced. It may attract first mover fancy post listing. Well-informed investors may park funds for medium to long term.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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