



**PL Capital**  
PRABHUDAS LILLADHER

## Fractal Analytics (FRACTAL IN)

Rating: BUY | CMP: Rs900 | TP: Rs1,260



***Scaling AI-Led analytics, improving unit economics***

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## Company Initiation

### Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	27,654	33,947	41,582	51,341
EBITDA (Rs. bn)	3,499	5,092	6,695	8,728
Margin (%)	12.7	15.0	16.1	17.0
PAT (Rs. bn)	1,960	2,385	3,794	4,978
EPS (Rs.)	12.7	13.9	22.1	28.9
Gr. (%)	-566.7	21.7	59.1	31.2
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	12.4	10.0	11.9	13.7
RoCE (%)	12.4	11.7	12.2	14.1
EV/Sales (x)	4.8	4.2	3.3	2.6
EV/EBITDA (x)	37.9	28.0	20.8	15.4
PE (x)	70.7	64.9	40.8	31.1
P/BV (x)	7.9	5.2	4.6	4.0

### Shareholding Pattern (%)

Promoter's	17.00
Foreign	-
Domestic Institution	-
Public & Others	83.00
Promoter Pledge (Rs bn)	-

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## Scaling AI-Led analytics, improving unit economics

We initiate coverage on Fractal with 'BUY' rating and TP of Rs1,260, valuing at 22x EV/EBITDA FY28E, with potential upside of 40%. Fractal operates in the analytics space that powers decision making process for large enterprises by leveraging AI tools and services. Fractal has demonstrated consistent and steady revenue performance over the past decade (~27% CAGR USD growth) along with robust client retention (~98%), a strong sales engine and R&D-led innovations. The cross-sell and up-selling efforts are clearly visible in net revenue retention (NRR) of 120%+, clients graduating to USD20mn+ bucket, and 20%+ USD revenue CAGR (FY23-H1FY26) for top accounts. Fractal is now focusing on EBITDAM expansion from ~13% in FY25 to 20%+. We believe the decoupling of revenue and headcount growth, narrowing of ESOP costs, and improvement in high-margin SaaS-based revenue (Fractal Alpha) would help increase EBITDAM going forward. However, as more products get commercialized (under Alpha), R&D and S&M activities could weigh on margins beyond certain threshold. We estimate USD revenue/INR EBITDA/INR PAT CAGR at 19.3%/30.9%/44.5% over FY26E-28E. Valuation remains inexpensive (~15.1x EV/EBITDA FY28E).

- **Robust mining and new logo hunting activities:** Fractal derives ~80% of its revenue from existing accounts, with ~98% annuity-led revenue and a strong NPS of ~77, underscoring deep client engagement and recurring mandates. Backed by a robust sales engine (~150 members), the company continues to scale wallet share, evidenced by multiple clients moving into higher revenue buckets and the doubling of the USD5–10mn cohort over the past 2 years.
- **Top accounts growing steadily, lower new logo dependency:** Fractal is systematically graduating accounts across tiers while broadening its base, implying structured account mining. Execution strength comes from the leadership pedigree; founders and senior executives have deep AI, analytics, and enterprise transformation expertise, enabling perpetual engagement, rather than project-level selling.
- **Well-positioned in AI, RGM & high-growth verticals:** Fractal's engagements are centered on upstream AI architecture combining data engineering, enterprise-grade customized reasoning models, and agentic AI. With ~40% revenue coming from RGM and optimization practices and over 50% exposure to HLS and CPG, the company's vertical and functional mix is well aligned to high-growth industry segments and AI functions.
- **Fractal.ai to sustain growth momentum:** Ex-Neal Analytics, Fractal reported revenue growth of ~20% YoY (INR terms) in FY24. Despite the drag, Fractal.ai reported USD revenue CAGR of ~16% over FY23-25, where HLS and TMT contributed notably and delivered above-consol-level growth.
- **Fractal Alpha turnaround to enhance consol business:** Fractal Alpha, which has historically been a drag on consol profitability, is expected to break even in FY27E (our assumption). With continued monetization and scaling of its higher margin SaaS businesses, though a relatively small contributor to overall margins, it is expected to provide incremental support to consol margins and enhance overall profitability over time.



DAAI market to clock 16.7% CAGR in FY25-30P with GenAI-led services growing at ~52% CAGR

## Global data analytics industry – Overview

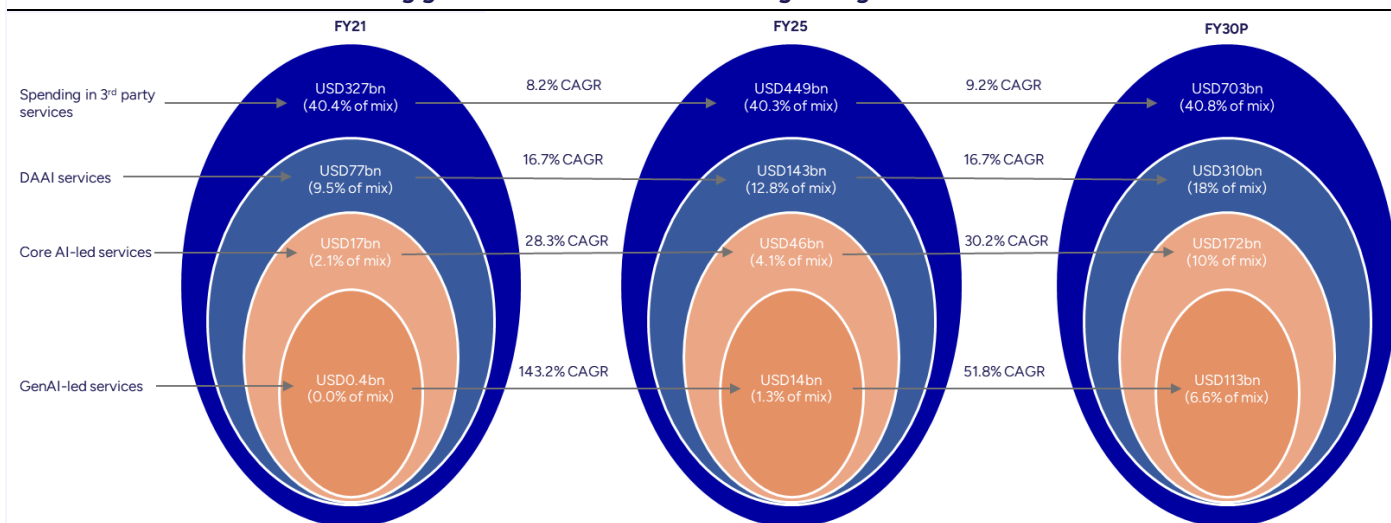
### DAAI market poised for rapid growth

The post-pandemic world has seen a sustained wave of technology adoption, with AI and, more recently, GenAI at the forefront. These technologies are enabling more intuitive business–technology interactions through conversational interfaces and are delivering measurable outcomes such as workflow automation, faster turnaround, enriched data pipelines, content generation, and AI-driven decision-making.

To unlock greater value from data and enable enterprise-wide transformation, organizations are investing across the full spectrum of DAAI capabilities. This spans data collection, storage and modernization, advanced analytics, AI/ML model development, and large-scale deployment. Thus, the DAAI market is poised for significant growth underpinned by the following structural drivers:

- **Data explosion and rapid digitalization**, creating unprecedented demand for advanced data management
- **Shift toward data-driven decision-making**, as enterprises seek to embed analytics into core business processes
- **Cloud adoption and data modernization**, enabling scalability, cost efficiency, and seamless integration
- **Creation of industry-specific use cases**, accelerating adoption across verticals such as BFSI, healthcare, retail/CPG and manufacturing
- **Advances in AI and GenAI**, powering automation, personalization and adaptive intelligence.

**Exhibit 1: DAAI market set for strong growth with GenAI-led services growing fastest**



Source: Fractal DRHP, Everest Group, PL

Global spending on DAAI is expected to double from **USD143bn** in **FY25** to **USD310bn** by **FY30P**, at a healthy **16.7% CAGR**. **GenAI-led services** are projected to grow even faster, at **~52% CAGR** and expand nearly eightfold—from **USD14bn** to **USD113bn**.

The rapid scale-up in GenAI adoption is being driven by following key factors:

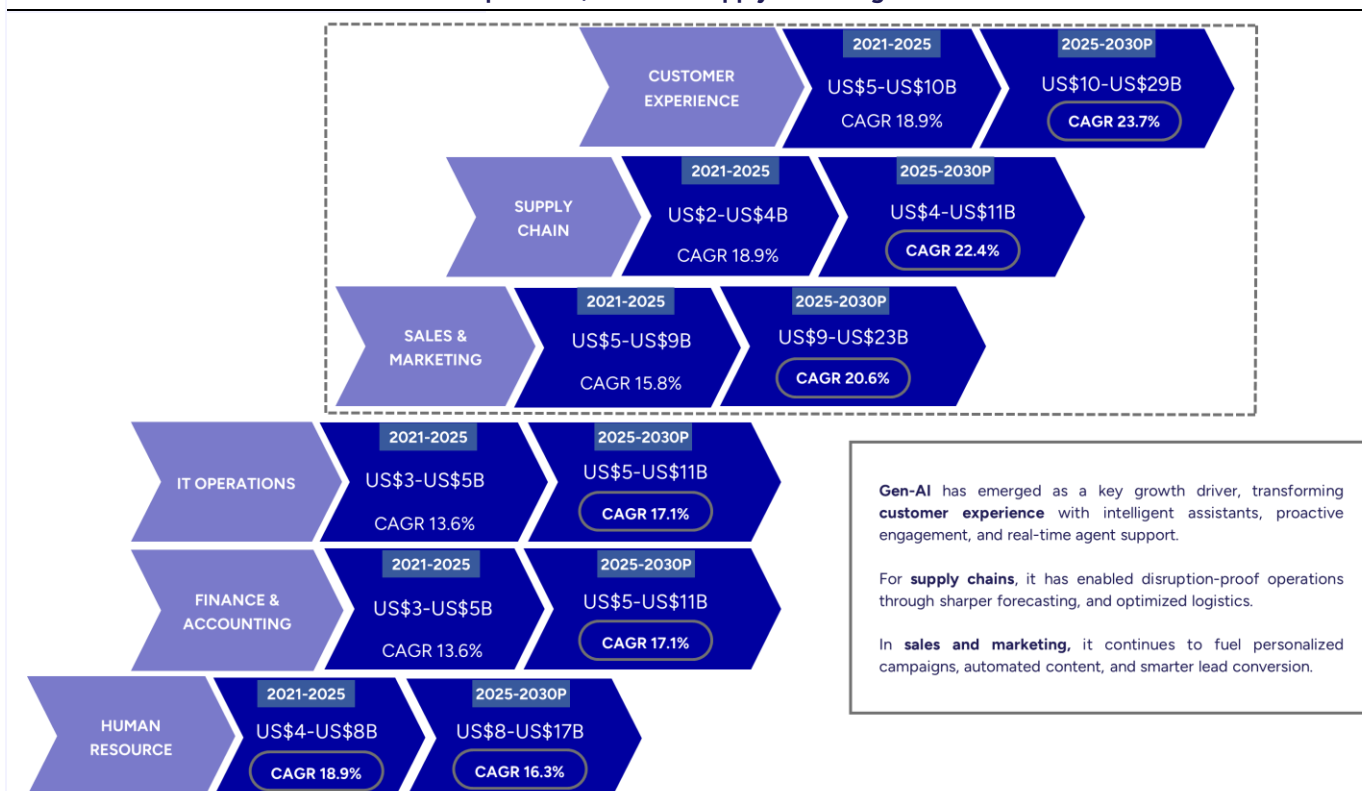
- **Advancements in foundation models**, enabling more powerful and versatile applications
- **Synthetic data generation**, addressing data scarcity, privacy and compliance challenges
- **Rising demand for personalization and enhanced customer experience**
- **Business simulation and scenario planning**, improving decision-making and risk management
- **Ecosystem push by hyperscalers and ISVs**, accelerating enterprise-grade adoption

Reflecting this value proposition, the GenAI-led services market mix is expected to increase from 1.3% of global digital services spending in FY25 to 6.6% by FY30P.

### Data analytics adoption strong across all business functions

Adoption of data analytics accelerated across business functions during FY21–25, and the momentum is expected to strengthen further during FY25–30P, with most functions projected to sustain strong double-digit growth. Among these, customer experience, supply chain, and S&M analytics are set to lead, each growing at over 20% CAGR.

**Exhibit 2: Functions related to customer experience, S&M and supply chain to grow fastest till FY30P**



Source: Fractal DRHP, Everest Group, PL

### Exhibit 3: Function-wise growth drivers

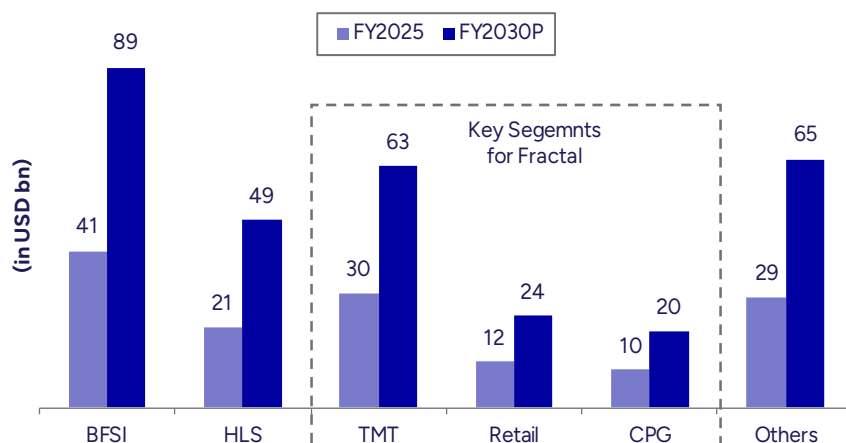
Function	Drivers
Customer experience	AI-enabled personalization, conversational platforms, and advanced experience orchestration
S&M analytics	AI-powered customer segmentation, campaign optimization, and demand forecasting
Supply chain analytics	Cost optimization, end-to-end visibility, inventory management
IT operations	Predictive maintenance, remote monitoring, increased cybersecurity
Finance & accounting	Regulatory spending, financial forecasting & planning
HR	Workforce management, training & development, screening & database management

Source: Industry, PL

### All segments to double their spending on DAAI Services

In FY25, BFSI, HLS, retail, CPG and TMT segments collectively accounted for ~80% of the global DAAI services market. These verticals are expected to remain the dominant demand drivers through FY30P, supported by accelerated digital transformation, data modernization, and AI-led innovation. BFSI is expected to accelerate at a faster rate of ~17% CAGR over FY25-30E, attributed to rising digital transaction and tightening norms around fraud detection and compliance.

### Exhibit 4: All segments to double their market size by FY30P



Source: Fractal DRHP, Everest Group, PL

TMT demand will be supported by explosive data growth, greater use of AI-driven personalization and content intelligence, and increased adoption of AIOps and network automation as 5G deployments scale. Retail growth will be driven by rising investments in omnichannel personalization, dynamic pricing, and AI-led demand forecasting to improve margins and supply chain efficiency. CPG demand will accelerate as companies adopt analytics for revenue growth management, trade promotion optimization, and consumer insights amid heightened competition and the shift toward data-driven marketing and innovation cycles.

### Exhibit 5: Segment-wise growth drivers

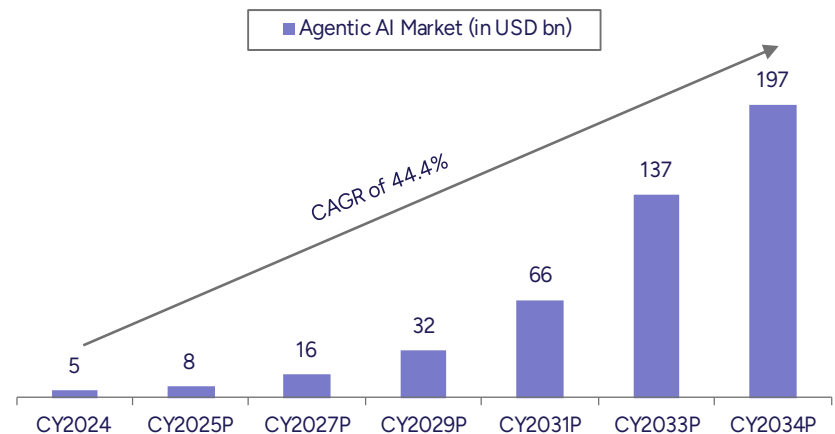
Segment	Drivers
BFSI	Regulatory compliance, advanced risk management, and personalized digital experiences
HLS	Innovations in patient care, clinical analytics, and AI-driven drug discovery
TMT	Explosive data generation, personalization & customer experience, network optimization, and 5G rollout
Retail	Customer analytics, GenAI-powered personalization, and omnichannel engagement
CPG	Demand forecasting, supply chain optimization, and automation at scale

Source: Industry, PL

## Rise of agentic AI & impact on DAAI market

Agentic AI is progressing at a remarkable pace, moving beyond static automation to embrace autonomous, adaptive systems that think, decide, and respond in real time – reshaping the future of industry. In 2025, 45% of Fortune 500 companies were piloting agentic AI, which has proven to be capable of cutting human task time by up to 86% in multi-step workflows. By leveraging dynamic feedback loops and autonomous decision-making, these systems can execute tasks up to 12 times more complex than conventional LLMs.

**Exhibit 6: Global agentic AI market to reach USD197bn by CY34P**



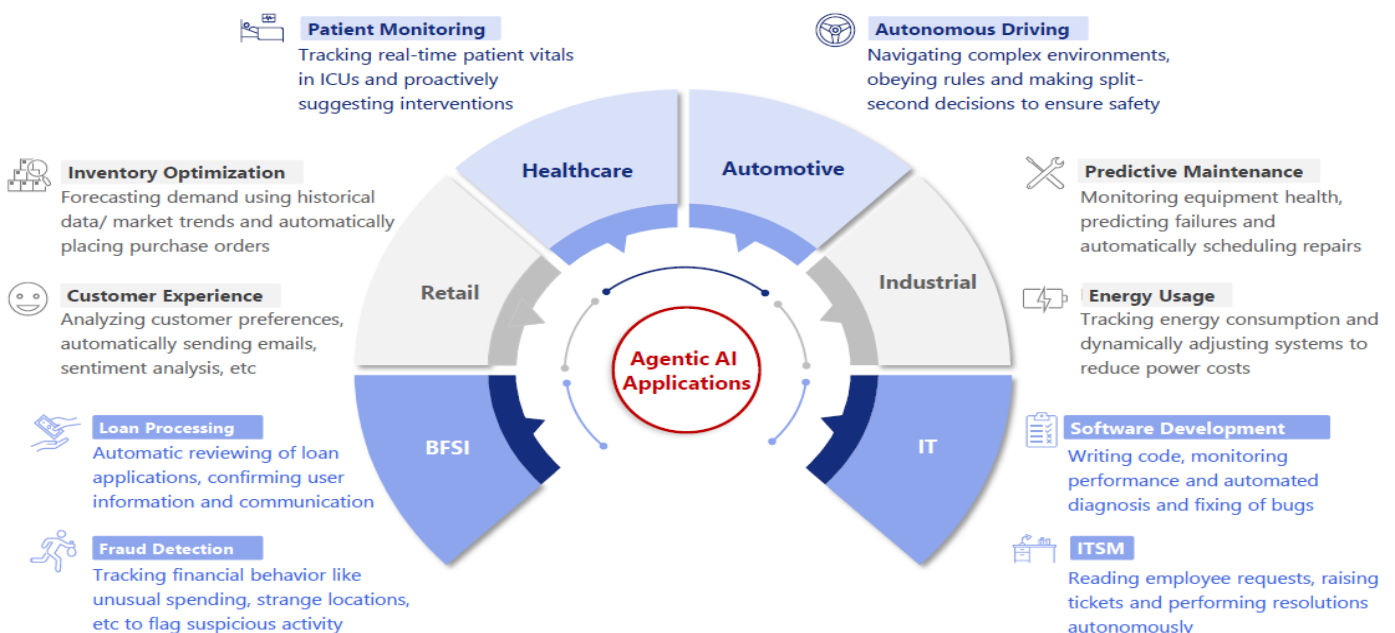
Source: Market.us, PL

Agentic AI market is at a nascent stage but growing at a rapid pace

Global agentic AI market is on a steep growth trajectory and is expected to expand from **USD5.2bn in CY24** to **~USD196.6bn by CY34**, at a strong **43.8% CAGR**. Growth will be driven by industry-wide implementation of across business functions.

**Exhibit 7: Agentic AI uses across industries**

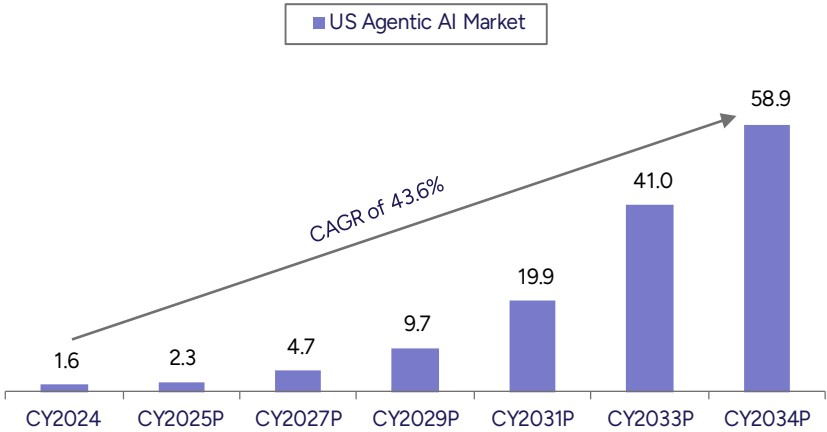
The use of agentic AI cuts across several industries and largely focuses on automating manual tasks, which are not only time consuming but also prone to human error



Source: Market.us, PL

In CY24, the US agentic AI market stood at USD1.58bn and is projected to grow at a CAGR of 43.6% over CY24-34P. Heavy investment by leading technology companies is accelerating both innovation and large-scale adoption of agentic AI.

Exhibit 8: US agentic AI market to reach ~USD59bn by CY34P (USD bn)



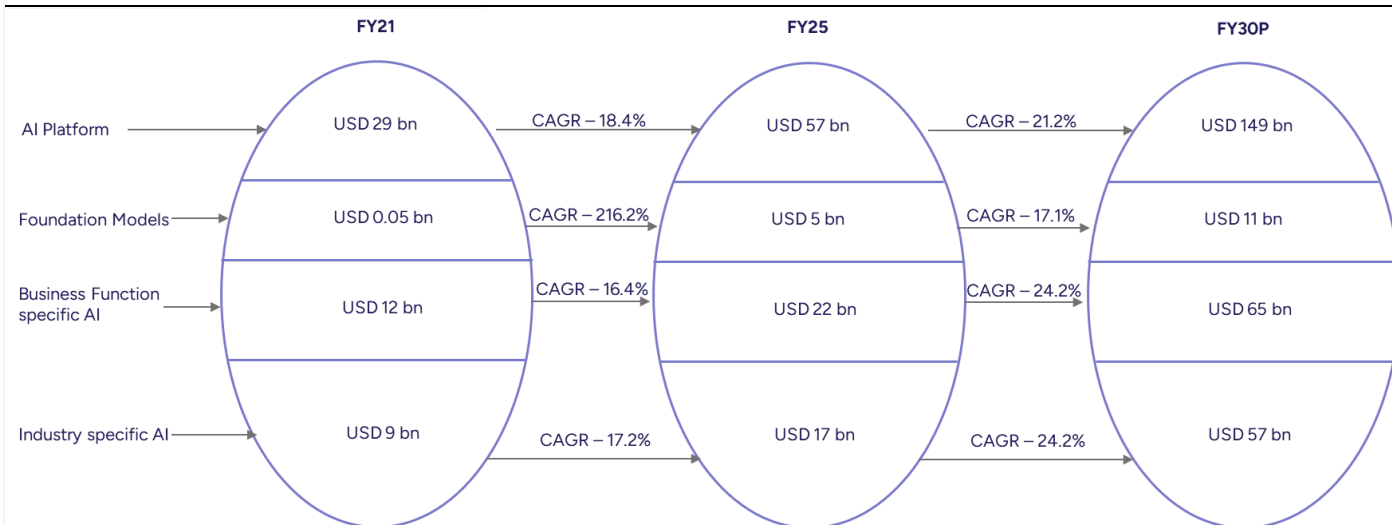
Source: Market.us, PL



## AI software market poised for broad-based expansion

The AI software market is poised for strong multi-year expansion, underpinned by accelerating enterprise adoption of AI platforms, domain-tuned foundation models, and vertically oriented AI applications. The market is expected to scale meaningfully across all 4 layers of the AI software stack between FY25 and FY30, with the fastest growth concentrated in application-layer solutions.

**Exhibit 9: Global spending on AI platforms & software to increase rapidly**



Source: Fractal DRHP, Everest Group, PL

**Exhibit 10: AI Software Segment Themes & Drivers**

AI software segment	Theme	Drivers
AI platforms	Consolidation of enterprise AI tooling into unified platforms supporting end-to-end AI lifecycle management	<ol style="list-style-type: none"> <li>1. Consolidation of fragmented AI tools into unified agentic platforms</li> <li>2. Shift from experimentation to production-grade deployment</li> <li>3. Need to operationalize AI at scale across functions</li> </ol>
Foundation models	Rapid evolution of LLMs and multimodal models enabling reusable intelligence layers for enterprise applications	<ol style="list-style-type: none"> <li>1. Advances in multimodal and reasoning-focused LLMs</li> <li>2. Growth of enterprise-tuned GenAI stacks</li> <li>3. Rise of specialized foundation models for verticals &amp; functions</li> </ol>
Business function specific AI	Embedding AI into high-impact horizontal workflows to drive measurable productivity, revenue, and decision improvements	<ol style="list-style-type: none"> <li>1. Adoption of AI copilots across enterprise functions</li> <li>2. Growth of experimentation, forecasting, dynamic pricing, and personalization engines</li> <li>3. Increased availability of workflow-specific accelerators</li> </ol>
Industry specific AI	Verticalized AI solutions transforming industry workflows through domain-specific models and decision systems	<ol style="list-style-type: none"> <li>1. CFO/CXO mandate to automate high-cost manual processes</li> <li>2. Increased availability of industry-specific accelerators</li> </ol>

Source: Fractal DRHP, Everest Group, Company, PL

Together, these trends indicate a structural shift toward platform-centric, model-centric, and vertically specialized AI software, with application-layer AI capturing disproportionate growth. This backdrop provides a significant TAM expansion opportunity for players with end-to-end capabilities across platforms, foundation models, and vertical AI products.

## Peer comparison

**Exhibit 11: Revenue of Peer Companies**

Revenue (USD mn)	FY2023	FY2024	FY2025	H1FY26
Fractal Analytics	246	265	327	181
Latent View	67	77	100	57
Mu Sigma	116	103	97	
Palantir Technologies*	2,225	2,866	4,475	
Coforge	1,002	1,099	1,445	905
Persistent Systems	1,036	1,186	1,409	796

Source: Company, PL; \*CY

**Exhibit 12: EBITDA Margin trend of peer companies**

EBITDA margin (%)	FY2023	FY2024	FY2025	H1FY26
Fractal Analytics	-5.9%	3.3%	12.7%	12.8%
Latent View	26.9%	21.2%	23.8%	22.4%
Mu Sigma	80.2%	64.3%	65.4%	
Palantir Technologies*	8.8%	13.3%	32.2%	
Coforge	17.5%	16.8%	16.6%	17.7%
Persistent Systems	18.2%	17.6%	17.2%	18.7%

Source: Company, PL; \*CY

**Exhibit 13: Segment mix for H1FY26 of peer companies**

	Tech	CPG & Retail	FS	HLS	Others
Fractal Analytics	27.2%	37.5%	12.2%	17.0%	6.1%
Latent View	63.3%	16.7%	14.0%	0.0%	6.0%
Coforge	0.0%	0.0%	42.7%	10.5%	46.8%
Persistent Systems	40.1%	0.0%	34.6%	25.3%	0.0%

Source: Company, PL

**Exhibit 14: Geography mix of peer companies for H1FY26**

	Fractal Analytics	Latent View	Palantir Technologies*	Coforge	Persistent Systems
North America/US	65.8%	87.3%	66.3%	57.1%	80.4%
Europe	21.2%	2.7%	10.6%	29.1%	8.9%
RoW	13.0%	10.0%	23.1%	13.8%	10.7%

Source: Company, PL; \*CY

**Exhibit 15: Revenue per employees for peer companies for H1FY26**

	No. of employees	Revenue/employee
Fractal Analytics	5,722	63,142
Latent View	1,727	66,242
Palantir Technologies	4,414	10,13,910
Coforge	26,899	67,252
Persistent Systems	24,594	64,723

Source: Company, PL; \*CY

**Exhibit 16: RoE & RoCE (%) comparison**

	RoE			RoCE		
	FY2023	FY2024	FY2025	FY2023	FY2024	FY2025
Fractal Analytics	-47.8	-3.1	12.4	-36.5	-1.2	12.4
Latent View	13.9	12.3	12.7	10.0	7.9	9.1
Mu Sigma	58.5	38.6	32.8	67.2	48.8	45.5
Palantir Technologies	7.0	10.9	26.2	3.3	6.5	31.4
Coforge	27.9	25.5	20.1	28.2	26.4	21.3
Persistent Systems	25.9	25.6	24.8	22.4	22.9	23.8

Source: Company, PL

**Exhibit 17: EV/EBITDA peer comparison**

	FY2025	FY2026E	FY2027E	FY2028E
Fractal	37.9	28.0	20.8	15.4
Latent View	37.1	29.2	22.5	17.1
Coforge	23.5	16.3	13.6	11.2
Persistent	40.4	30.1	25.2	20.1
Mphasis	16.8	14.8	12.8	10.7
Average	31.1	23.7	19.0	14.9

Source: Company, PL

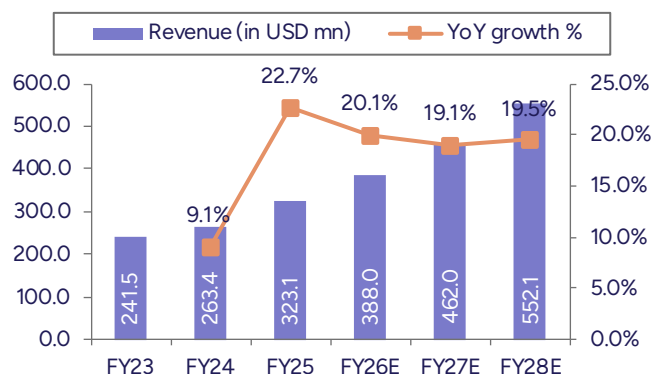
**Exhibit 18: PE valuation peer comparison**

PE	2025	2026E	2027E	2028E
Fractal	70.7	64.9	40.8	31.1
Latent View	43.3	38.1	31.5	25.1
Coforge	46.6	31.0	25.8	21.2
Persistent	60.4	43.7	36.9	29.6
Mphasis	27.5	24.8	21.4	18.4
Average	49.7	40.5	31.3	25.1

Source: Company, PL

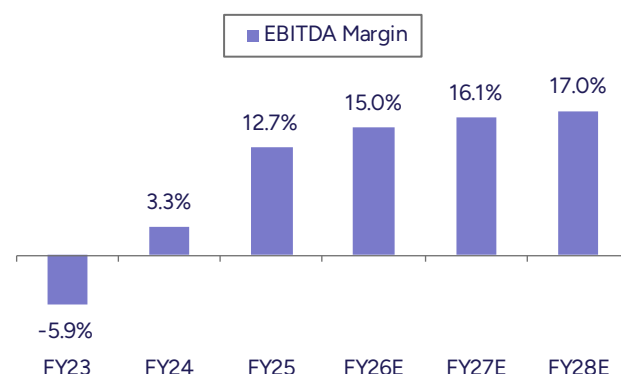
## Story in Charts

**Exhibit 19: Revenue momentum to sustain**



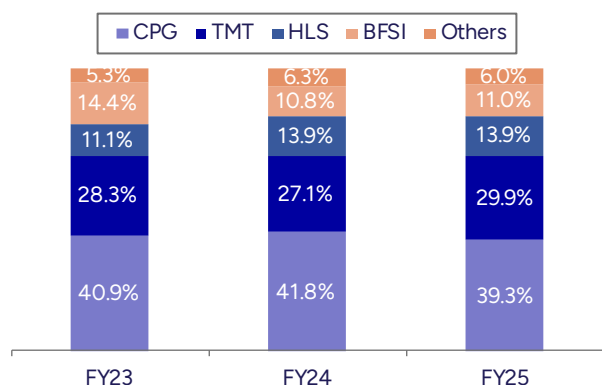
Source: Company, PL

**Exhibit 20: EBITDA margin improvement to continue**



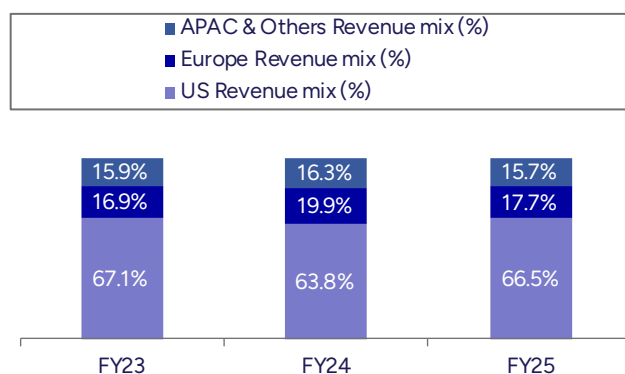
Source: Company, PL

**Exhibit 21: Segment mix of Fractal**



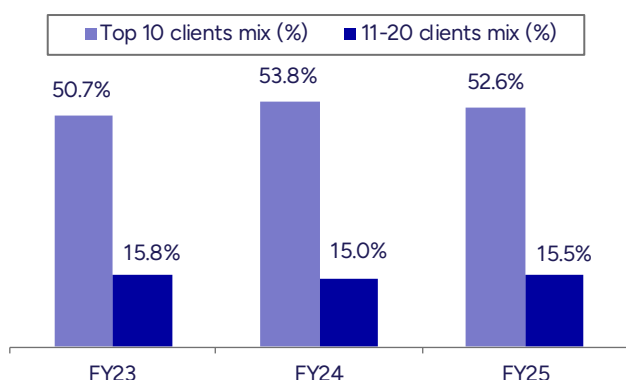
Source: Company, PL

**Exhibit 22: High US region concentration**



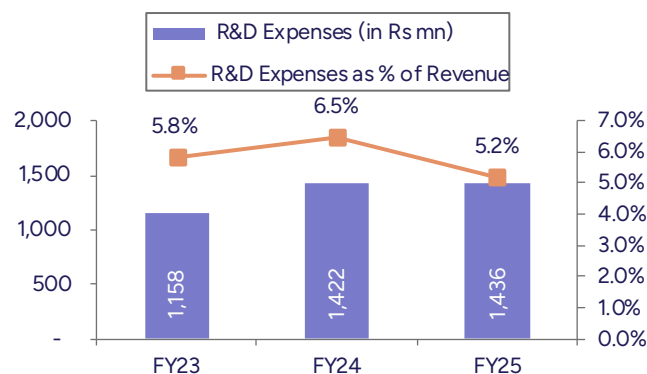
Source: Company, PL

**Exhibit 23: Top 20 clients contribute to majority of revenue**



Source: Company, PL

**Exhibit 24: R&D expenses to remain steady**



Source: Company, PL

## Company Overview

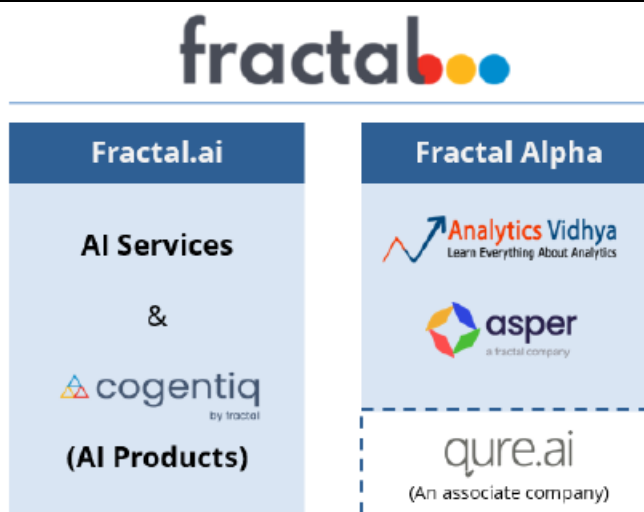
### Fractal: Leading pure-play DAAI transformation partner

Fractal Analytics (Fractal) is one of the largest pure-play DAAI service providers globally, with a 2-decade track record of delivering AI-led digital transformation to Fortune 500 enterprises. Founded in 2000 and headquartered in Mumbai, Fractal operates through a global network of delivery centers across India, the US, UK, EU and Australia.

Fractal differentiates itself from traditional IT services through its deep specialization in AI engineering, decision sciences, cloud data platforms, and industry-specific AI products. The company's service portfolio spans data engineering, data modernization, advanced analytics, GenAI, agentic AI, and decision intelligence, **complemented by proprietary platforms** including Qure.ai, Asper.ai, Iqigai, Samya.ai, and Senseforth.ai.

Fractal has built domain expertise across the segments of consumer-packaged goods & retail, technology, media and telecom, healthcare and life sciences, and BFSI. Fractal operates under 2 segments: Fractal.ai and Fractal Alpha.

#### Exhibit 25: Business segments of Fractal Analytics

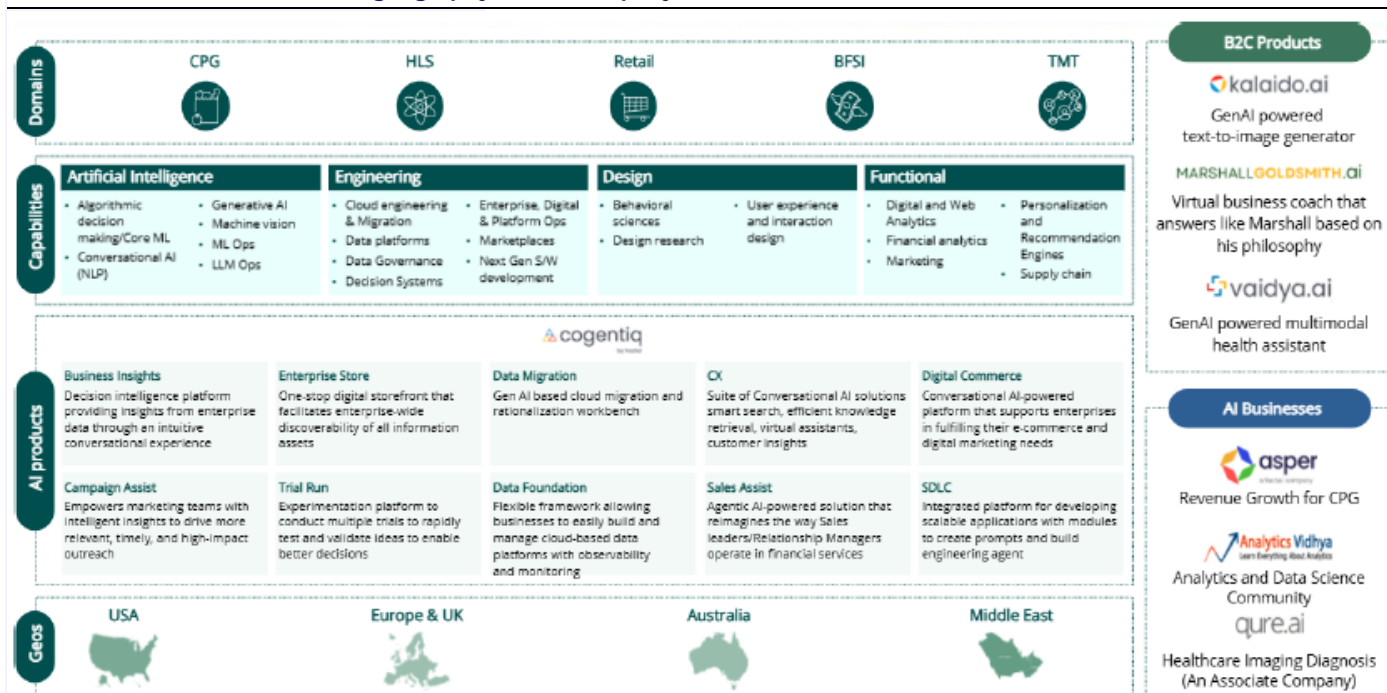


Source: Company, PL

Fractal has built long-standing relationships with several Fortune 500 enterprises and is deeply embedded across customer analytics, revenue growth management, supply chain optimization, medical imaging AI, and enterprise conversational intelligence. Fractal's combination of domain depth, IP-led solutions, cloud/AI engineering scale, and early leadership in GenAI/agentic AI places it among structurally well-positioned analytics firms globally.



## Exhibit 26: Horizontal, vertical & geography mix of company



Source: Company, PL

## AED framework: Enabling scalable, human-centric AI

Fractal's core differentiation lies in its integrated AI, engineering and design (AED) capabilities, which together form the backbone of its end-to-end AI transformation model for large enterprises. Unlike traditional analytics or technology providers that focus on siloed skill sets, Fractal brings AI scientists, cloud and data engineers, and behavioral/design specialists together into unified problem-solving teams-enabling solutions that are not only technically robust but also scalable, intuitive and aligned to real business decision-making.

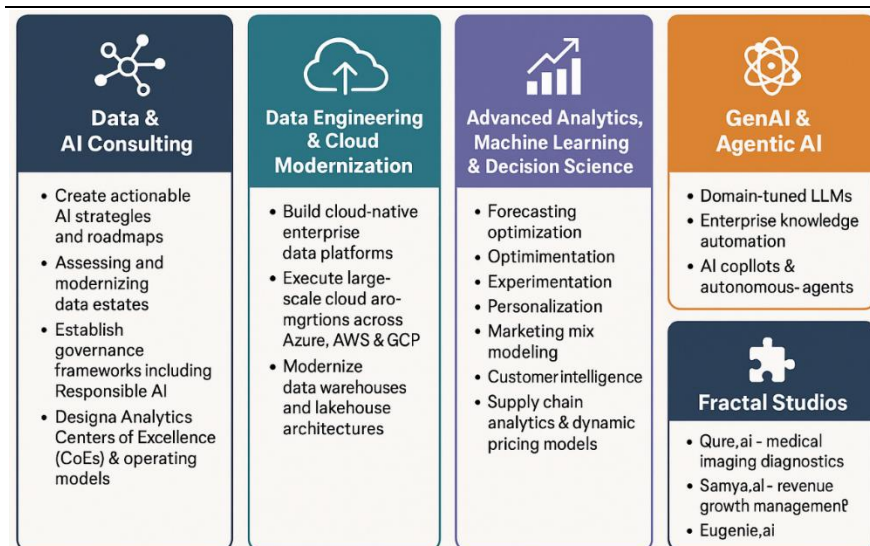
Its **AI** capability spans advanced analytics, ML/GenAI development, foundational model research, multi-agentic systems, and domain-specific algorithmic frameworks. The **Engineering** layer strengthens this with cloud-native data platforms, MLOps, lakehouse modernization, systems integration, and scalable software product development, ensuring Fractal's models and platforms can be operationalized reliably at enterprise scale.

Complementing these is **Design**, driven by behavioral science and human-centered design principles inherited from the acquisition of Final Mile, allowing Fractal to build solutions that improve user adoption, decision quality, and experience orchestration. The tight integration of these 3 disciplines enables Fractal to deliver high-impact AI solutions – moving from experimentation to enterprise-wide deployment – and remains a key pillar of its positioning as a high-end, full-stack AI transformation partner.

## Service lines

Fractal offers a comprehensive, full-stack suite of data and AI services that span the entire enterprise analytics lifecycle, positioning it as a strategic partner for end-to-end digital and AI transformation.

**Exhibit 27: Services across different business lines**



Source: Company, PL

## R&D investments

Fractal is uniquely placed among industry players, with active investments in expanding its AI and GenAI software portfolio and R&D capabilities. Its R&D investments are based on 2 key factors: (i) breadth of the problem to be solved, and (ii) revenue generating visibility.











Fractal's R&D strategy is central to its long-term value creation goal, reflected in sustained annual investments of 5-7% of revenue (Exhibit 24) and a deliberate focus on frontier AI research across GenAI, agentic systems, multimodal reasoning, and computational neuroscience.

By institutionalizing innovation through dedicated structures such as Fractal Sciences, Cerebral, and Fractal Alpha, the company is advancing beyond services into foundational technologies – developing LLMs, diffusion models, reasoning engines, and domain-specific AI products that deepen enterprise adoption and expand non-linear monetization potential. These investments have already yielded commercially validated assets such as Qure.ai, Asper.ai, Senseforth/Cogentiq, and a growing patent portfolio, underscoring Fractal's ability to translate research into differentiated client value.

Cogentiq is Fractal's flagship agentic AI platform, designed to accelerate the development, deployment and scaling of enterprise AI products through a pre-built suite of autonomous agents, tools, connectors, and low-code capabilities. The platform embeds security, governance, auditability and interoperability by design, enabling enterprises to rapidly build and operate GenAI and agentic AI use cases with production-grade reliability. By porting existing AI products, such as

Crux Intelligence, Customer Genomics modules, and Senseforth's conversational AI, onto Cogentiq, Fractal aims to create a unified, enterprise-ready architecture that reduces time-to-value and drives consistent, repeatable outcomes across industries.

**Exhibit 28: AI products hosted on Cogentiq platform**

 <b>cogentiq</b> business insights Decision intelligence platform providing insights from enterprise data through an intuitive conversational experience	 <b>cogentiq</b> CX Contact center optimization suite including Smart search, efficient knowledge retrieval, virtual assistants & customer & agent interaction insights	 <b>cogentiq</b> data foundation Enterprise data operations suite providing unified metadata, smart integration, automated data quality, and ML-driven harmonization	 <b>cogentiq</b> Enterprise store One-stop digital storefront that facilitates enterprise-wide discover ability of all information assets	 <b>cogentiq</b> sales assist Agentic AI-powered solution that reimagines the way Sales leaders / Relationship Managers operate in financial services
 <b>cogentiq</b> campaign assist Empowers marketing teams with intelligent insights to drive more relevant, timely, and high-impact outreach	 <b>cogentiq</b> digital commerce Conversational AI-powered platform for dynamic content, digital shelf, and retail media automation to enhance e-commerce performance.	 <b>trial run</b> A FRACAL ANALYTICS PRODUCT Experimentation platform to conduct multiple trials to rapidly test and validate ideas to enable better decisions	 <b>cogentiq</b> migration Gen AI based cloud migration and rationalization workbench	 <b>cogentiq</b> SDLC Integrated platform for developing scalable applications with modules to create prompts and build engineering agent

Source: Company, PL

## High-conviction, capability-led acquisitions to scale growth

Fractal has pursued a highly strategic and disciplined acquisition agenda over the past decade, targeting niche specialist companies that strengthen their AI, engineering, and domain capabilities while accelerating the development of its product ecosystem. Its acquisitions reflect a consistent pattern: acquiring **deep IP**, **domain expertise**, or **platform capabilities** that can be scaled across Fractal's enterprise client base and integrated into its unified agentic AI platform, **Cogentiq**.

**Exhibit 29: Acquisitions to expand services lines, solutions & offerings**

Acquired company	Year	Acquisition cost (Rs mn)	Rationale
Analytics Vidhya	2025 & 2021	539 (2025) & 408 (2021)	Helps Fractal to deliver industry-focused training programs to individuals and corporations, and enriches talent pipeline in AI, engineering, data science & analytics, which can also be extended to Fractal's clients. Enhances Fractal's capability to deploy and scale AI across leading hyperscalers' multi-cloud environments for Fortune 500 enterprises and supports deeper expansion in North America
Samya.AI (now known as Asper. AI Inc.)	2021	418	Strengthens Fractal's revenue-growth management capabilities while broadening its coverage across industries and extending penetration beyond its traditional MWC set acquisition. Helps Fractal to deliver industry-focused training programs to individuals and corporations, and enriches talent pipeline in AI, engineering, data science & analytics, which can also be extended to Fractal's clients
Neal Analytics (now merged into Fractal USA)	2021	2,984	Enhances Fractal's capability to deploy and scale AI across leading hyperscalers' multi-cloud environments for Fortune 500 enterprises and supports deeper expansion in North America
Senseforth	2021	478	Enhances Fractal's ability to offer industry-aligned training for both individuals and corporates, deepening its talent pool in AI, engineering, data science, and analytics, and creating a scalable capability that can be leveraged for client engagements
Final Mile	2018	259	Brings in specialized behavioral science and design-thinking capabilities, enabling Fractal to better understand customer behavior and decision-making across commercial and non-profit domains, thereby elevating its advisory offerings and improving solution effectiveness
4i Consulting (now merged into Fractal USA)	2017	234	Broadens Fractal's advisory capabilities and strengthens its competitive position in the CPG sector, enhancing industry-specific domain depth

Source: Fractal DRHP, PL

Collectively, these acquisitions have expanded Fractal's TAM beyond services into high-value AI platforms and SaaS businesses, strengthened its competitive moat in DAAI, and enabled the company to accelerate productization of acquired IP under Fractal Alpha while embedding re-engineered components into Fractal.ai for enterprise-scale deployments.

## Strategic partnerships

Fractal has built a strong network of strategic partnerships across the AI and cloud ecosystem to accelerate adoption of its solutions and deepen enterprise relevance. These alliances enable Fractal to remain aligned with emerging technology standards, tap into co-innovation programs, access early stage product roadmaps from hyperscalers, and extend its GTM reach across Fortune 500 clients. Through these partnerships, Fractal enhances both the scalability and enterprise readiness of its AI products, reinforcing its position as an end-to-end transformation partner in the global DAAI landscape. Fractal works closely with modern data and AI ecosystem players such as **Microsoft Azure, AWS, Google Cloud, Databricks, Snowflake, and NVIDIA**, leveraging their platforms to deliver cloud-native data modernization, high-performance AI engineering, and scalable GenAI and agentic AI deployments.

### Exhibit 30: Strategic partnerships with leading data & AI ecosystem partners



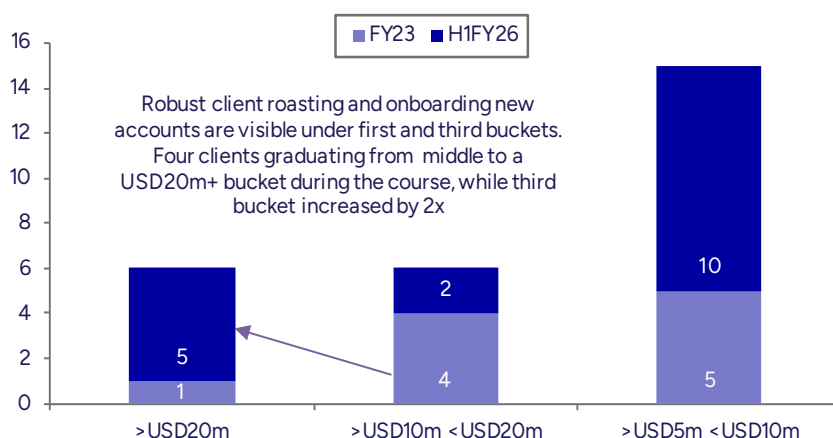
Source: Company, PL

## Investment Rationale

### Robust mining and new logo hunting activities

Fractal generates 80% of its revenue from existing accounts and the rest % from new logo acquisitions. Around 98% of its revenue is annuity-led from existing accounts and having an NPS of ~77. The company has built a robust sales engine with ~150 employees (out of 5,722), which includes Logo Acquisition, Partnership & Alliance and Industry Practice teams. The strong GTM strategy is reflected in scaling the wallet share from the existing accounts, which is validated through 4 clients graduating from the USD10-20mn bucket to USD20mn+ bucket, while the USD5-10mn bucket has increased by 2x over the last 2 years.

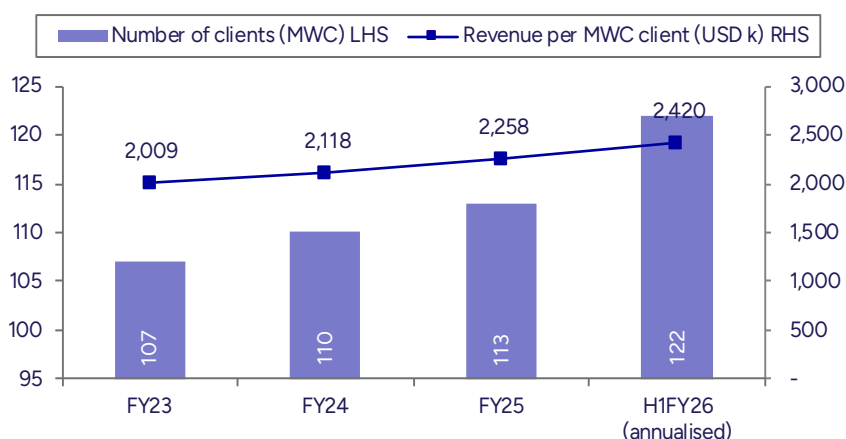
**Exhibit 31: Number of clients in each bucket**



Source: Company, PL

Generally, the company initiates client onboarding with a trade promotion program (or SoW) on a pilot basis, since S&M is a well-known activity that falls under RGM practice. The company operates under multiple business functions and processes like: S&M, supply chain, finance & accounting, and HR. As programs find success or achieve a certain benchmark, the Industry Practice team takes a follow up and scales the high potential accounts to multiple functions and geographies. The number of must-win clients (MWCs) grew at a CAGR of 5.4%, while revenue per client grew by 7.7% CAGR over FY23-H1FY26 (annualized), which indicates strong client mining activities for matured accounts.

**Exhibit 32: Revenue per client growing faster than client additions**



Source: Company, PL



Unlike IT services companies, Fractal's client relationships are anchored around CXOs of individual business functions or processes, who are directly involved in decision making or budget approval processes. The Client Acquisition and Industry Practice teams (Exhibit 33) have built strong business relations with stakeholders to understand the problem statement more deeply and derive relevant solutions around AED capabilities. More importantly, the company's offerings around RGM (~40% of revenue) and predictive analytics (~30% of revenue) are notable and support both revenue growth and margin optimization.

### Exhibit 33: Strong leadership team for business scaling

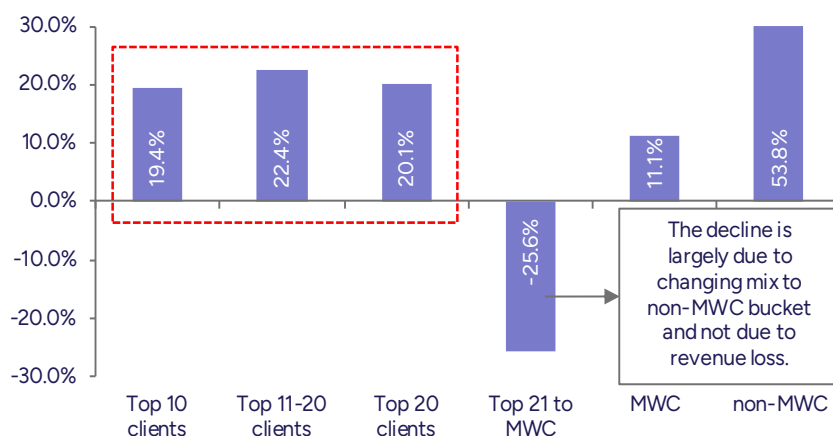
<b>Senior Leadership Team</b>	Shubendra.R.Kanade
	Head Marketing
	Natwar Mall
	Chief Transformation Officer/Chief Practice Officer
	Satish.A.Raman
	Chief Strategy Officer
	Sankaranarayan Balasubramanian
	Chief Practice Officer TMT
	Matthew J Gennone
	Chief Practice Officer HLS
	Mrunali N Majumdar
	Chief Practice Officer CPGR
	Ajoy Singh
	Chief AI Officer
	Shailendra Pratap Singh
	Chief Growth Officer

Source: Company, PL

### Top accounts growth lowers new logo dependency

Fractal's top-account mining strategy is clearly visible in the client mix shift. Revenue concentration among top 20 clients has increased from 67% to 72%, while top 10 and top 11–20 cohorts both expanded, indicating deeper wallet share and lower new logo dependence. Fractal is systematically graduating accounts across tiers while broadening its base, implying structured account mining. At the same time, the decline in top 21 to MWC bucket is largely attributed to mix reclassification, instead of losing any potential clients or revenues.

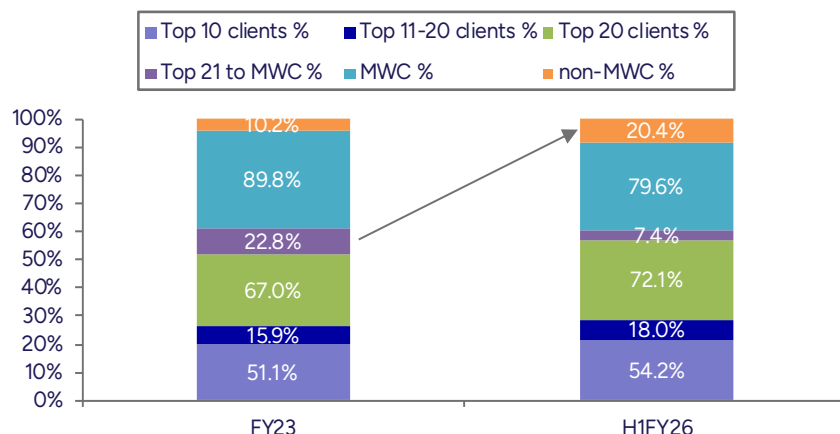
### Exhibit 34: Revenue CAGR across client buckets for Fractal.ai – FY23-H1FY26



Source: Company, PL

The strategy centers on MWCs to mine large, AI-mature enterprises selected based on scale, data richness, and long-term scaling potential. These clients support multi-year programs and cross-functional AI deployments, enabling Fractal to expand from pilots into embedded decision-intelligence platforms, which drives higher NRR.

**Exhibit 35: Change in client mix % (Fractal.ai)**



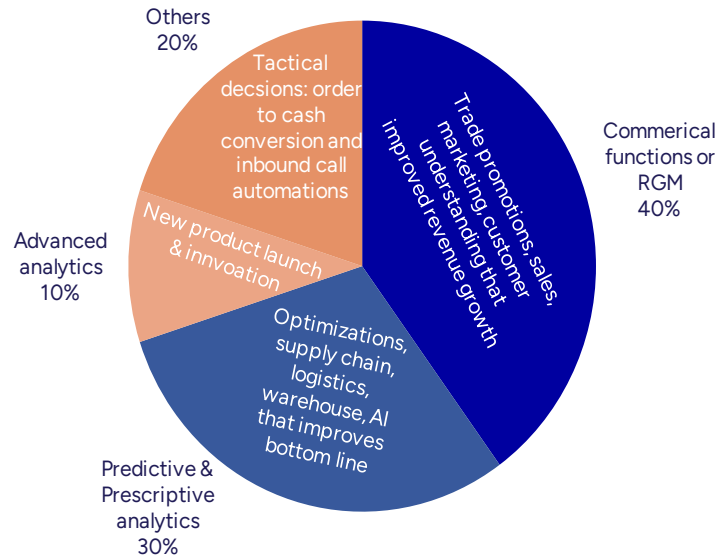
Source: Company, PL

Execution strength comes from the leadership pedigree, founders and senior executives with deep AI, analytics, and enterprise transformation experience, allowing perpetual engagement rather than project-level selling. We believe Fractal's client mix shows increasing concentration in scaled strategic accounts, disciplined MWC targeting, and structured cross-sell, supporting durable growth, stronger client stickiness, and improving revenue quality over time.

## Well-positioned in AI, RGM & high-growth verticals

Fractal's engagement is largely anchored around upstream AI architecture of applying data engineering & AI, building customized reasoning models, and then building agentic workflows on top. For a few instances, it uses large-scale foundation models (GPT-4, LLaMA) to inherit some of the functions, instead of re-creating it from scratch, which reduces time-to-market and costs. The customized reasoning models are the core foundation that is developed at an enterprise firewall, to derive actionable insights, building recommendation engines and reading behavioral patterns of consumers. The company also has its proprietary, open-sourced large reasoning model, Fathom R1-14B, which is being used to develop customized reasoning models at the enterprise level.

**Exhibit 36: Service orientation**

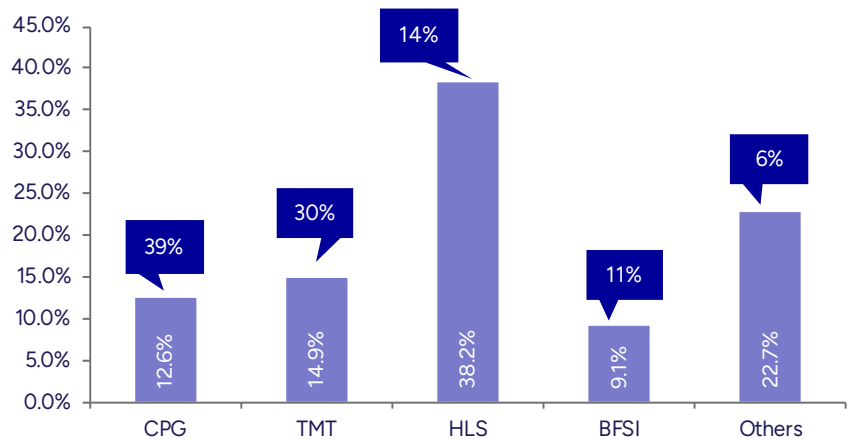


Source: Company, PL

Per industry report, overall DAAI service revenue by function is expected to grow at 19.8% CAGR (FY25-30E), where customer exp, S&M, and supply chain are expected to grow at 23.4%, 19.5% and 16.4% CAGR, respectively. Fractal derives majority of its through RGM (customer exp, S&M, others) and optimization (supply chain, distribution, others) practices; together they contribute 70% to overall revenue. HLS and CPG contribute more than 50% of overall revenue, which share a common function of supply chain & distribution. Hence, the company's vertical and horizontal mix is fairly aligned to potentially high-growth areas of industry, and it will continue to gain higher wallet share over peers.

The BFSI segment stayed relatively weak and grew ~9% CAGR (FY23-H1FY26). This was largely on account of growth weakness in FY24 (due to Neal Analytics), when the segment reported 19% YoY decline. Otherwise, the segment witnessed substantial near-term pick up in FY25 and H1FY26, of ~25% YoY and ~26% YoY, respectively.

**Exhibit 37: Fractal's vertical USD growth CAGR – FY23-H1FY26 (annualized)**

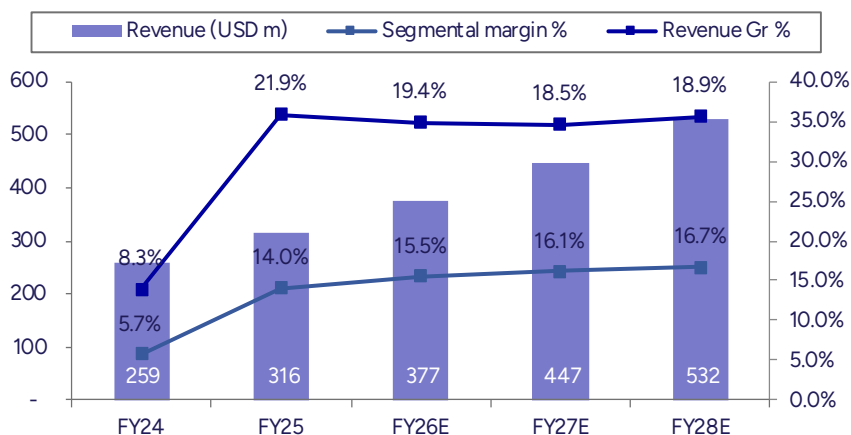


Source: Company, PL

## Fractal.ai to sustain growth momentum

Fractal.ai generates substantial portion of revenue through service delivery by leveraging AED capabilities. Although Cogentiq has been instrumental in replacing some of the low-end manual workflows into agentic solutions, the breakthrough into high-end complex workflows and multi-agent architecture is nascent. The company has deployed Cogentiq tools into the workspace of a few accounts, which have switched to the subscription-based model (very marginal). However, for majority of its clients, Fractal applies a fee-based model, while some clients are on the output-based model.

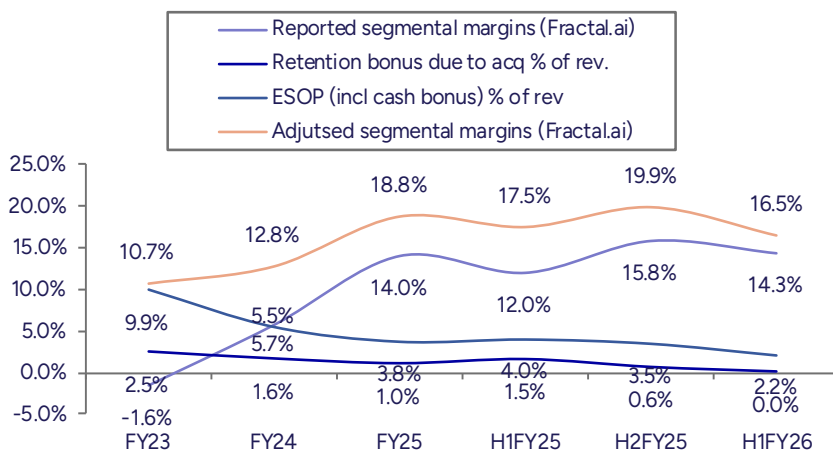
**Exhibit 38: Fractal.ai remains the core growth engine**



Source: Company, PL

The weakness in FY24 growth was led by Neal Analytics (acquired in FY22), which strengthened Fractal's capability in the multi-cloud ecosystem, acquired for 2x (EV/sales) at USD50mn. In FY24, revenue from Neal Analytics reduced to ~USD12mn from USD25mn at the time of acquisition. Ex-Neal Analytics, Fractal reported (INR terms) revenue growth of ~20% YoY in FY24. Additionally, the company pruned low-margin service lines of Neal Analytics during the period, which also contributed to the drag. Despite the drag, Fractal.ai grew at a USD revenue CAGR of ~16% over FY23-25, where HLS and TMT contributed notably and delivered above-consol-level growth.

**Exhibit 39: Adjusted segmental margins look attractive**

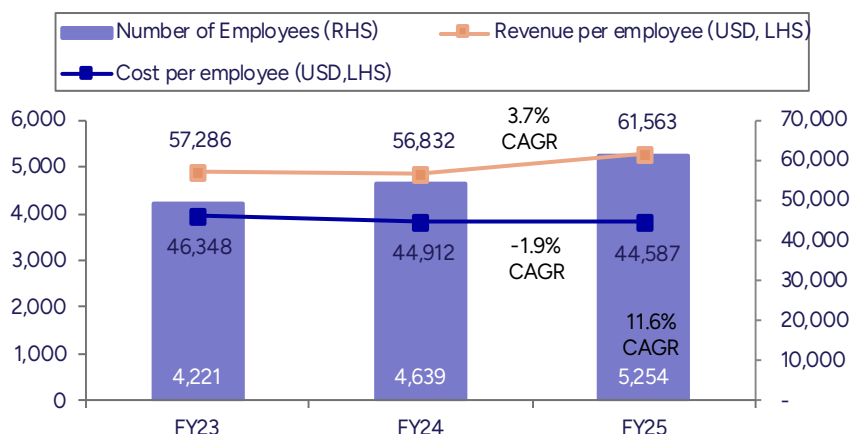


Source: Company, PL

ESOP costs and retention bonus have been diluting the segmental margin for Fractal. ESOP costs have reduced to 2.2% in H1FY26 from 9.9% in FY23. Going forward, the management indicated that ESOP costs would largely be stable due to limited options grants, which would further narrow the gap between reported and adjusted margin bridge.

Considering the employee cost (including R&D), the unit economics is at the core of its operations, which is evident from the decoupling of CAGR between revenue per employee and cost per employee. We believe, as the operating model evolves with change in revenue mix, attributed to outcome- or SaaS-based deliveries, the decoupling of these 2 parameters will be more pronounced going forward. Additionally, the company's proprietary products (iqigai.ai, Analytics Vidhya) are also contributing to margin improvement in terms of assisting in recruitment process and talent re-skilling in high-end technical (NLP, MLOps) and domain (data science, behavioral science) areas of internal operations.

#### Exhibit 40: Robust unit economics



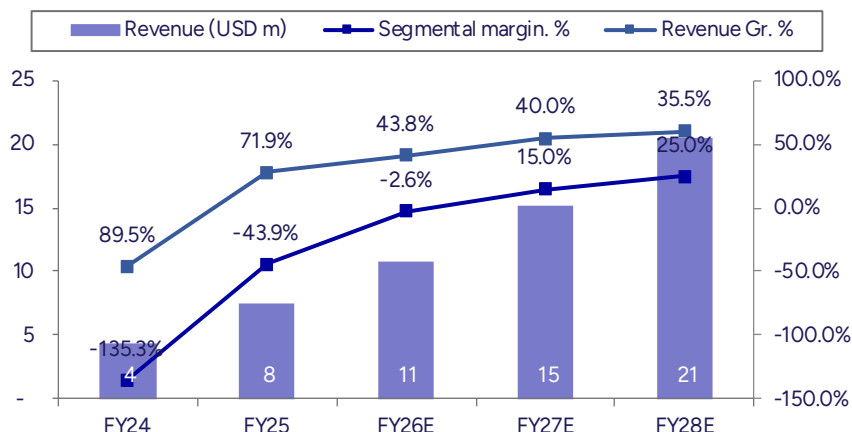
Source: Company, PL

#### Fractal Alpha turnaround to enhance consol business

Fractal Alpha is a combination of incubators (qure.ai) and product businesses (Asper, Analytics Vidhya, Kalaido.ai and others). The segment is loss making at the current level; however, the loss at segmental EBITDA has reduced substantially and probably end up at a low negative single-digit margin in FY26 vs. -135% reported in FY24. The improving segmental margin is attributed to improving SaaS-based revenue, reaping benefits on earlier investments in R&D, and having a high-margin business of ~80% at the gross level.



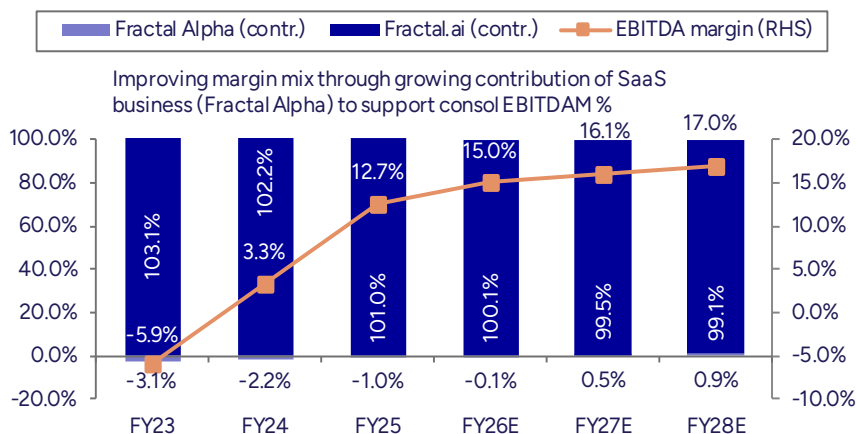
**Exhibit 41: Fractal Alpha to break even in FY27E**



Source: Company, PL

Currently, the company is monetizing Asper.ai (SaaS-based revenue) and has secured some enterprise customers. The solution has been instrumental to the RGM offerings within Fractal.ai business. It provides solutions around demand planning, pricing, inventory optimizations and others. Going forward, both Cogentiq (under Fractal.ai) and Asper.ai would contribute to SaaS revenue and equally contribute to margin improvement. The SaaS products aren't meant for end-to-end business workflows; instead, they predict and prescribe the relevant and critical KPIs that have direct influence on revenue growth and margins.

**Exhibit 42: Consol EBITDA margin to improve gradually**



Source: Company, PL

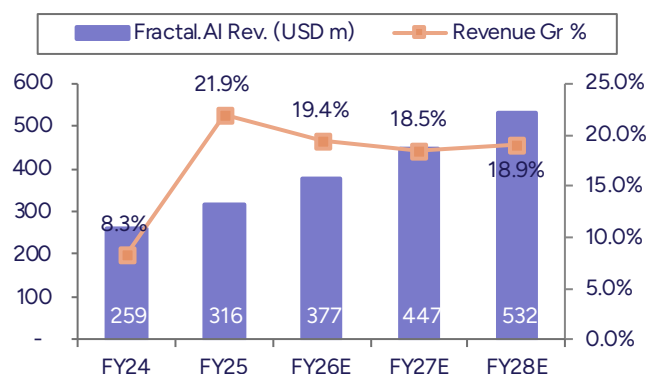
Fractal has 122 MWCs and it supplements these products along with the services that it offers to these customers. Although some products have gone into the subscription mode, the idea is to derive value propositions from these products and then commercially anchor them around enterprise clients to generate annuity-based revenue. Some products like Analytics Vidhya, Kalaido.ai and MarshallGoldsmith.ai are available on the public domain and have not been monetized yet.

## Financials & Valuations

Fractal.ai's revenue growth (Exhibit 43) is expected to be driven by sustained enterprise demand for data engineering, GenAI, agentic AI, MLOps, governance, and managed AI services, as clients transition from experimentation to production-grade AI deployments embedded across core business workflows. This 'build and manage AI' demand creates multi-year, recurring engagement opportunities, supporting durable revenue visibility. In addition, Fractal.ai has meaningful headroom for growth in HLS and BFSI, which currently contribute a relatively smaller share of revenue, but are among the fastest-growing verticals globally, driven by regulatory complexity, fraud and risk analytics, personalization, and automation-led productivity initiatives.

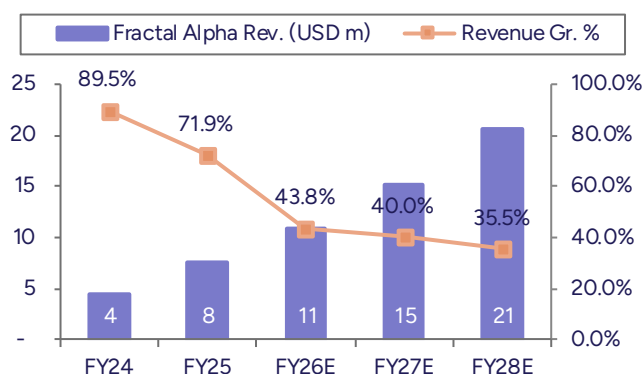
Fractal's strong NRR (~121% in FY25) reflects deep client embedment and supports sustained revenue momentum, with its MWC strategy (113 in FY25 and 122 in H1FY26) providing a clear pathway for account-level upscaling through cross-selling of platforms, accelerators, and GenAI-led solutions. Further, Fractal's strong RGM exposure (~40% of revenue), which is one of the fastest growing segments globally, positions the company to benefit disproportionately.

**Exhibit 43: CAGR of 18.7% between FY26E-28E for Fractal.ai**



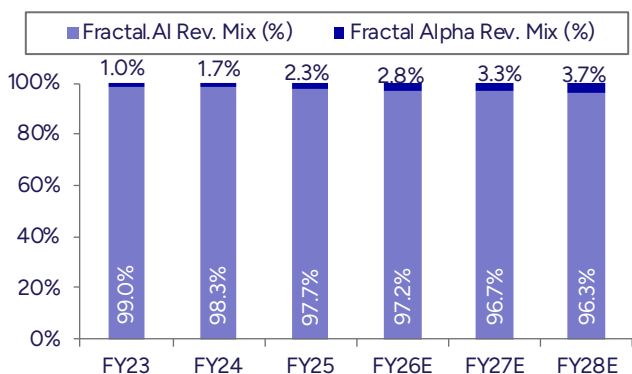
Source: Company, PL

**Exhibit 44: CAGR of 37.7% between FY26E-28E for Alpha**



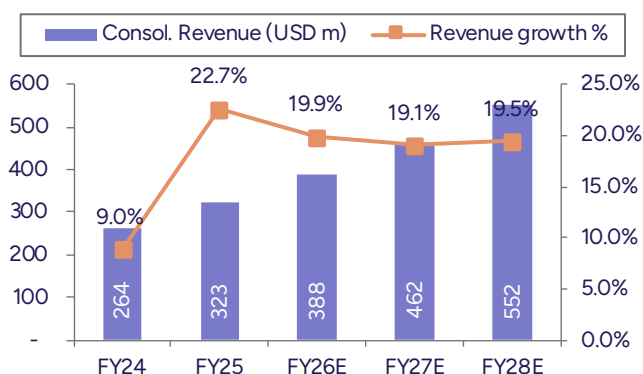
Source: Company, PL

**Exhibit 45: Alpha revenue mix to increase gradually**



Source: Company, PL

**Exhibit 46: Consol. Revenue momentum to sustain**



Source: Company, PL

Fractal Alpha's growth is expected to be driven by the commercial scaling of its IP-led AI platforms. Increasing enterprise preference for productized, subscription-based AI solutions should support faster customer adoption and non-linear revenue growth. As these platforms mature, Fractal Alpha's revenue contribution is projected to rise from ~1% in FY23 to ~3.7% by FY28 (Exhibit 44), progressively increasing the share of higher margin, IP-driven revenue within the overall mix.

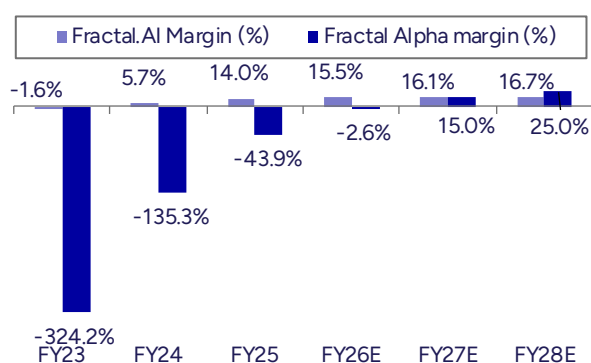
With robust growth expected across both business segments, Fractal.ai is projected to deliver 18.7% CAGR over FY26E–28E, driven by sustained enterprise demand for data engineering, GenAI, and managed AI services. In parallel, Fractal Alpha is expected to scale at a faster pace, with 37.7% CAGR over the period, supported by increasing adoption of its IP-led productized AI platforms. Consequently, we estimate the consolidated business to grow at 19.3% CAGR during FY26E–28E, underpinned by strong momentum in the core services business and incremental contribution from higher growth, IP-driven offerings.

### Margins to improve gradually

Reported margin for both segments and at consolidated levels has improved in the last 3 years. The improvement is attributed to declining losses in Fractal Alpha segment and improving margin in Fractal.AI segment. We expect Fractal.AI segment **margins to expand gradually from mid-teens in FY25 to ~17% by FY28E**, supported by sustained revenue growth, lower ESOP costs, operating leverage & AI led efficiencies. In the Fractal Alpha segment, **margins**, which were significantly negative in the early phase, are expected to turn positive from FY27E and scale sharply to **~25% by FY28E**, as IP-led products mature and revenues scale faster than costs.

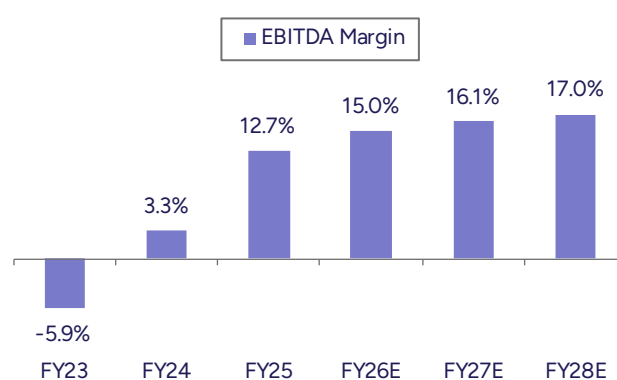
At the consolidated level, despite elevated investments in the S&M engine, **margins are expected to expand meaningfully from low single digits in FY24 to ~17% by FY28E**, reflecting a combination of segmental margin improvement and benefits from higher margin Alpha business revenue.

**Exhibit 47: Alpha EBITDA margin will be positive from FY27E**



Source: Company, PL

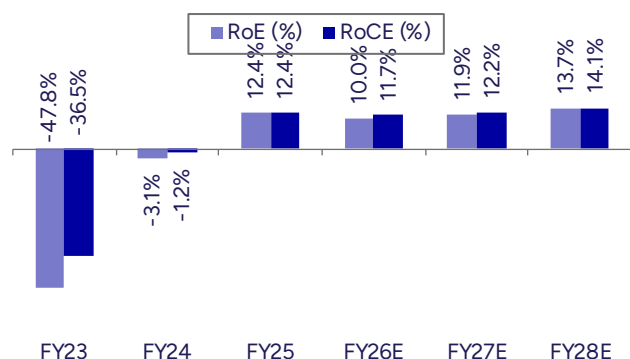
**Exhibit 48: Consol. margin to improve gradually**



Source: Company, PL

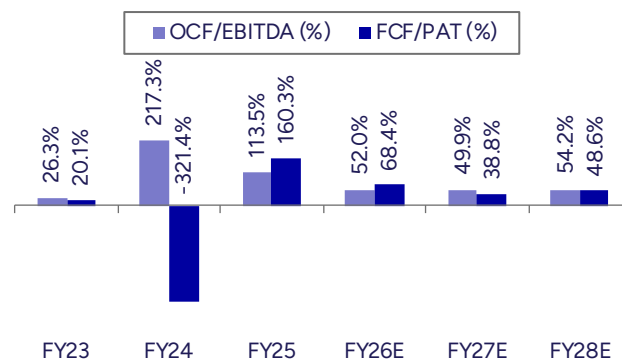
Overall, these factors underpin a structurally improving margin trajectory as Fractal scales both its core services and IP-led businesses.

**Exhibit 49: RoE & RoCE to steadily improve from FY26E**



Source: Company, PL

**Exhibit 50: OCF & FCF to be stable from FY26E**



Source: Company, PL

Fractal's return ratios were negative prior to FY25 due to losses and margin compression. However, with gradual improvement in operating and net profitability, both RoE and RoCE are expected to improve gradually after stabilizing in FY26E. We estimate RoE to improve to ~13.7% by FY28E from 12.4% in FY25, while RoCE is projected to expand to ~14.1% from 12.4%, driven by margin expansion and improved capital efficiency.

With strengthening profitability, Fractal's cash flow profile is also expected to stabilize and improve after the volatility seen prior to FY25. We expect OCF/EBITDA and FCF/PAT conversion to remain in the 50–80% range, supported by growing mix of profitable business and capitalizing earlier spends on R&D. As Fractal Alpha transitions toward sustained profitability and investments moderates, consolidated free cash flow generation is expected to become more stable and structurally stronger.

## Valuation and Outlook

Part of the IPO proceeds will be utilized for repayment of borrowings (~INR 2,649m) of its subsidiary (Fractal USA), we are assuming the full repayment of long-term obligations, which as a result would improve net other income going forward. However, Fractal holds ~31.5% of Qure.ai (associate company), which is currently a loss making at the PAT level and creates volatility at consol PAT. Hence, we are valuing the company at EV/EBITDA of 22x FY28 for an INR EBITDA CAGR growth of 31% (FY26E-FY28E), to come up at a target price of 1,260, implies target PE multiple of 44x at FY28E earnings.

### Exhibit 51: EV/EBITDA peer comparison

	FY2025	FY2026E	FY2027E	FY2028E
Fractal	37.9	28.0	20.8	15.4
Latent View	37.1	29.2	22.5	17.1
Coforge	23.5	16.3	13.6	11.2
Persistent	40.4	30.1	25.2	20.1
Mphasis	16.8	14.8	12.8	10.7
Average	31.0	23.2	18.7	14.8

Source: Company, PL

### Exhibit 52: Use of IPO Proceeds

Objects of IPO	In Rs. Mn
Repay Debt	2,649
Laptops purchase	571
New Office premises	1,211
R&D and S&M under Fractal Alpha	3,551
Acquisitions & general corporate purposes	2,253
<b>Total</b>	<b>10,235</b>

Source: Company, PL



## Key Risks

- Fractal generates significant revenue from its top clients. Consequently, reduction in spending by major clients due to economic downturn in the home country or shift to alternative service providers could lead to a significant loss of revenue for the company.
- Fractal generates significant revenue from the US region. Consequently, any downturn in the geography could impact the business.
- While AI spend is structurally growing, portions of Fractal's revenue, especially advanced analytics and transformation programs, remain linked to discretionary enterprise budgets. A prolonged macro slowdown could lead to deferral or downsizing of AI initiatives, impacting near-term revenue growth.
- Fractal Alpha's contribution is expected to increase meaningfully over time. However, slower product adoption, longer sales cycles, or competitive pressure in SaaS and vertical AI markets could limit its revenue mix expansion and margin improvement.
- Margin expansion assumptions depend on operating leverage, normalization of ESOP costs, and efficiency gains. Any sustained increase in investments, particularly in R&D, GTM for Fractal Alpha, or talent costs could delay margin improvement.
- Rapid evolution in AI models, platforms, and open-source alternatives could reduce the relevance of existing solutions or require continuous reinvestment to stay competitive, impacting returns on R&D and IP development.
- High attrition and limited availability of talent with the right skill sets, particularly in AI/ML, remain key risks. Heightened competition for skilled professionals may also drive up employee costs, exerting pressure on profitability.
- Fractal competes with global IT services firms, consulting companies, hyperscalers, and specialist AI product vendors. Increased competition could lead to pricing pressure, longer deal cycles, or higher sales costs to maintain growth.

## Annexures

### Board of Directors & KMP

#### Exhibit 53: Board of Directors

Name	Designation
Rohan Haldea	Chairman & Non-Executive Director
Gavin Patterson	Non-Executive Director
Vivek Mohan	Non-Executive Director
Sasha Mirchandani	Non-Executive Director
Neelam Dhawan	Independent Director
Karen Terrell	Independent Director
Janaki Akella	Independent Director
Srikanth Velamakanni	WTD & Group CEO
Pranay Agrawal	Non-Executive Director & CEO - Fractal USA

Source: Company, PL

#### Exhibit 54: KMP & SMP

Name	Designation
Srikanth Velamakanni	WTD & Group CEO
Pranay Agrawal	Non-Executive Director & CEO - Fractal USA
Ashwath Bhat	CFO
Ajoy Singh	Chief AI Officer
Biju J Dominic	Chief Evangelist Officer
Chetana Kumar	Chief Sustainability Officer
Dylan Neal Dias	Chief Alliance Officer
Manish Tiwari	Chief Information Officer
Matthew Gennone	Chief Practice Officer – HLS
Mrunali N Majumdar	Chief Practice Officer - CPGR
Natwar Mall	Chief Transformation Officer & Chief Practice Officer -BFSI
Raja Rajeswari Aradhyula	Chief Design Officer
Rasesh Dharendra Shah	Chief Practice Officer – Edtech & FAA
Rohini Adity Singh	Chief People Officer
Sandeep Dutta	Chief Practice Officer – APAC & ME
Sankaranarayan Balasubramanian	Chief Practice Officer -TMT
Satish A Raman	Chief Strategy Officer
Shailendra P Singh	Chief Growth Officer
Shubhendra R Kanade	Head – Marketing
Somya Agarwal	CS & Compliance Officer

Source: Company, PL

**Exhibit 55: Operating metrics**

	FY23	FY24	FY25	H1FY25	H1FY25
<b>Segment Mix (in %)</b>					
CPGR	40.9	41.8	39.3	39.8	37.5
TMT	28.3	27.1	29.9	29.3	27.2
HLS	11.1	13.9	13.9	13.6	17.0
BFSI	14.4	10.8	11.0	11.3	12.2
Others	5.3	6.3	6.0	6.1	6.1
<b>Geography Mix (in %)</b>					
Americas	67.1	63.8	66.5	65.8	65.8
Europe	16.9	19.9	17.7	17.6	21.2
APAC and others	15.9	16.3	15.7	16.7	13.0
<b>Client Metrics</b>					
>USD20mn	1	2	5	4	5
>USD10mn	5	5	6	6	7
>USD5mn	10	11	15	15	17
>USD1mn	45	48	53	47	52
<b>NRR (%)</b>					
	151.0	110.2	121.3	119.1	114.0
<b>Top Clients</b>					
Top 10 revenue mix (%)	51.1	54.6	53.8	55.2	54.2
Top 20 revenue mix (%)	67.0	69.9	69.6	71.9	72.1
<b>No. of MWCs</b>					
	107	110	113	120	122
<b>MWC revenue mix (%)</b>					
	89.8	89.8	80.8	81.8	79.6
<b>Employee Metrics</b>					
No. of employees	4,221	4,639	5,254	4,755	5,722
Attrition (%)	23.7	15.8	16.3	16.1	15.7

Source: Company, PL

**Exhibit 56: Historical financials**

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	H1FY25	H1FY26
Revenue (USD mn)	30.2	35.5	41.0	62.2	86.3	108.1	117.9	173.8	246.6	265.2	326.6	155.5	179.5
YoY growth (%)		17.8%	15.4%	51.8%	38.8%	25.2%	9.1%	47.4%	41.9%	7.6%	23.1%		15.4%
Revenue (Rs mn)	1,847.1	2,331.9	2,750.2	4,011.3	6,044.5	7,683.0	8,731.0	12,953.0	19,854.0	21,963.0	27,654.0	13,007.0	15,590.0
YoY growth (%)		26.2%	17.9%	45.9%	50.7%	27.1%	13.6%	48.4%	53.3%	10.6%	25.9%		19.9%
EBITDA (Rs mn)	-169.0	86.0	-182.1	-160.8	-251.8	-142.0	995.0	-835.0	-1,164.0	734.0	3,499.0	1,335.0	1,996.0
YoY growth (%)		-150.9%	-311.8%	-11.7%	56.6%	-43.6%	-800.7%	-183.9%	39.4%	-163.1%	376.7%		49.5%
EBITDA margin (%)	-9.1%	3.7%	-6.6%	-4.0%	-4.2%	-1.8%	11.4%	-6.4%	-5.9%	3.3%	12.7%	10.3%	12.8%
EBIT (Rs mn)	-244.4	-4.8	-267.6	-261.2	-358.6	-613.0	477.0	-1,523.0	-1,945.0	-98.0	2,476.0	893.0	1,361.0
YoY growth (%)		-98.0%	5509.5%	-2.4%	37.3%	70.9%	-177.8%	-419.3%	27.7%	-95.0%	-2626.5%		52.4%
EBIT margin (%)	-13.2%	-0.2%	-9.7%	-6.5%	-5.9%	-8.0%	5.5%	-11.8%	-9.8%	-0.4%	9.0%	6.9%	8.7%
PAT (Rs mn)	-46.9	80.3	-54.2	-327.8	-298.0	-758.0	369.0	-1,467.0	2,030.0	-475.0	2,230.0	783.0	766.0
YoY growth (%)		-271.2%	-167.5%	504.8%	-9.1%	154.4%	-148.7%	-497.6%	-238.4%	-123.4%	-569.5%		-2.2%
PAT margin (%)	-2.5%	3.4%	-2.0%	-8.2%	-4.9%	-9.9%	4.2%	-11.3%	10.2%	-2.2%	8.1%	6.0%	4.9%

Source: ACE Equity, Company, PL

Note: USD revenue based on USD/INR assumption for respective years

**Exhibit 57: Select Case studies**

Industry	Problem	Solution
TMT	Client wanted to simplify operations by having analytical tools to measure the success of its product launches and growth campaigns	Fractal supported the client in building analytics foundations for its payments application, including enterprise data warehouse tables and real-time dashboards to track product lifecycle and marketing performance. The solution enabled data-driven decision-making by monitoring product updates, campaign effectiveness, adoption, and market share.
HLS	Client was looking to design a business-to-business sales strategy to increase its market share by cross-selling or up-selling to existing customers	Fractal with its AED capabilities to build a customer segmentation program aimed to generate incremental revenue through new opportunities from both existing as well as new customers.
Retail	Client was looking to improve its customer base by enabling targeted interactions	Fractal leveraged its customer analytics capabilities to develop AI-driven marketing solutions, including a purchase cadence model to predict repeat buying behavior, a personalized product recommendation engine based on purchase history and seasonality, and real-time models to identify and score high-value leads. These solutions enabled targeted follow-ups, improved conversion efficiency, and enhanced customer lifetime value through data-driven marketing interventions.
BFSI	Client wanted to improve their efficiency in approaching leads to improve conversion.	Fractal developed Advisor Genomics and an AI-powered Sales Assistant for the client, enabling prioritized, personalized advisor engagement and delivering a 26% sales uplift, while integrating Customer Genomics for targeted product recommendations and optimized lead conversion. Additionally, it built a GenAI-driven "Operation Assist" platform to automate front-, middle-, and back-office workflows and deployed a goal optimization engine to enhance portfolio recommendations and investment decision support.

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
<b>Net Revenues</b>	<b>27,654</b>	<b>33,947</b>	<b>41,582</b>	<b>51,341</b>
YoY gr. (%)	25.9	22.8	22.5	23.5
Employee Cost	20,048	23,932	29,108	35,528
Gross Profit	7,606	10,014	12,475	15,813
Margin (%)	27.5	29.5	30.0	30.8
Employee Cost	798	509	499	513
Other Expenses	3,309	4,413	5,281	6,572
<b>EBITDA</b>	<b>3,499</b>	<b>5,092</b>	<b>6,695</b>	<b>8,728</b>
YoY gr. (%)	376.7	45.5	31.5	30.4
Margin (%)	12.7	15.0	16.1	17.0
Depreciation and Amortization	1,023	1,161	1,490	1,908
<b>EBIT</b>	<b>2,476</b>	<b>3,931</b>	<b>5,205</b>	<b>6,820</b>
Margin (%)	9.0	11.6	12.5	13.3
Net Interest	-	-	-	-
Other Income	-366	-783	-179	-215
<b>Profit Before Tax</b>	<b>2,110</b>	<b>3,147</b>	<b>5,026</b>	<b>6,605</b>
Margin (%)	7.6	9.3	12.1	12.9
Total Tax	174	787	1,257	1,651
Effective tax rate (%)	8.2	25.0	25.0	25.0
<b>Profit after tax</b>	<b>1,936</b>	<b>2,361</b>	<b>3,770</b>	<b>4,954</b>
Minority interest	-24	-24	-24	-24
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,960</b>	<b>2,385</b>	<b>3,794</b>	<b>4,978</b>
YoY gr. (%)	-566.7	21.7	59.1	31.2
Margin (%)	-	-	-	-
Extra Ord. Income / (Exp)	-270	-	-	-
<b>Reported PAT</b>	<b>2,230</b>	<b>2,385</b>	<b>3,794</b>	<b>4,978</b>
YoY gr. (%)	8.1	7.0	9.1	9.7
Margin (%)	-569.5	6.9	59.1	31.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
<b>Equity Shares O/s (bn)</b>	<b>154</b>	<b>172</b>	<b>172</b>	<b>172</b>
<b>EPS (Rs)</b>	<b>12.7</b>	<b>13.9</b>	<b>22.1</b>	<b>28.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
<b>Non-Current Assets</b>				
<b>Gross Block</b>				
Tangibles	3,709	4,727	6,599	8,909
Intangibles	3,013	3,013	3,013	3,013
<b>Acc: Dep / Amortization</b>				
Tangibles	1,791	2,952	4,442	6,349
Intangibles	1,643	1,643	1,643	1,643
<b>Net fixed assets</b>				
Tangibles	1,918	1,775	2,157	2,560
Intangibles	1,370	1,370	1,370	1,370
Capital Work In Progress	137	137	137	137
Goodwill	3,582	3,582	3,582	3,582
Non-Current Investments	4,322	4,322	4,322	4,322
Net Deferred tax assets	561	561	561	561
Other Non-Current Assets	440	440	440	440
<b>Current Assets</b>				
Investments	5,614	11,614	11,614	11,614
Inventories	-	-	-	-
Trade receivables	5,848	6,329	7,760	9,547
Cash & Bank Balance	2,649	5,755	7,770	10,696
Other Current Assets	2,135	2,690	3,384	4,167
<b>Total Assets</b>	<b>28,576</b>	<b>38,575</b>	<b>43,097</b>	<b>48,995</b>
<b>Equity</b>				
Equity Share Capital	31	153	153	153
Other Equity	17,623	29,921	33,738	38,740
<b>Total Networth</b>	<b>17,654</b>	<b>30,074</b>	<b>33,891</b>	<b>38,893</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	2,577	-	-	-
Provisions	188	188	188	188
Other non current liabilities	2,410	2,410	2,410	2,410
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	85	85	85	85
Trade payables	620	591	621	636
Other current liabilities	5,042	5,228	5,902	6,783
<b>Total Equity &amp; Liabilities</b>	<b>28,576</b>	<b>38,575</b>	<b>43,097</b>	<b>48,995</b>

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	2,380	3,171	5,050	6,629
Add. Depreciation	1,023	1,161	1,490	1,908
Add. Interest	572	-	-	-
Less Financial Other Income				
Add. Other	456	-17	-521	-485
Op. profit before WC changes	4,431	4,316	6,019	8,052
Net Changes-WC	96	-879	-1,421	-1,673
Direct tax	-557	-787	-1,257	-1,651
<b>Net cash from Op. activities</b>	<b>3,970</b>	<b>2,650</b>	<b>3,341</b>	<b>4,727</b>
Capital expenditures	-828	-1,018	-1,871	-2,310
Interest / Dividend Income	-	-	-	-
Others	-982	-5,983	521	485
<b>Net Cash from Invt. activities</b>	<b>-1,810</b>	<b>-7,002</b>	<b>-1,350</b>	<b>-1,826</b>
Issue of share cap. / premium	501	10,035	24	24
Debt changes	-411	-2,577	-	-
Dividend paid	-	-	-	-
Interest paid	-314	-	-	-
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>-224</b>	<b>7,458</b>	<b>24</b>	<b>24</b>
<b>Net change in cash</b>	<b>1,936</b>	<b>3,106</b>	<b>2,015</b>	<b>2,926</b>
Free Cash Flow	3,142	1,631	1,470	2,417

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
<b>Per Share(Rs)</b>				
EPS	12.7	13.9	22.1	28.9
CEPS	19.4	20.6	30.7	40.0
BVPS	113.9	174.0	196.1	225.0
FCF	20.4	9.5	8.5	14.1
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	12.4	11.7	12.2	14.1
ROIC	10.4	9.3	10.8	12.1
RoE	12.4	10.0	11.9	13.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	-0.3	-0.4	-0.5	-0.5
Net Working Capital (Days)	74.1	65.8	62.6	63.5
<b>Valuation(x)</b>				
PER	70.7	64.9	40.8	31.1
P/B	7.9	5.2	4.6	4.0
P/CEPS	46.4	43.7	29.3	22.5
EV/EBITDA	37.9	28.0	20.8	15.4
EV/Sales	4.8	4.2	3.3	2.6
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research



### Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Coforge	BUY	2,150	1,636
2	Cyient	Hold	1,070	1,109
3	HCL Technologies	BUY	1,910	1,667
4	Infosys	BUY	1,900	1,600
5	KPIT Technologies	Hold	1,090	1,047
6	L&T Technology Services	Hold	4,070	4,244
7	Latent View Analytics	BUY	630	457
8	LTIMindtree	Hold	6,000	6,407
9	Mphasis	BUY	3,480	2,800
10	Persistent Systems	BUY	7,360	6,343
11	Tata Consultancy Services	BUY	4,040	3,240
12	Tata Elxsi	Hold	5,500	5,793
13	Tata Technologies	Hold	660	651
14	Tech Mahindra	Accumulate	1,860	1,671
15	Wipro	Hold	260	267

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<b>Buy</b>	: >15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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