

Fractal Analytics

06 March 2026

Operator: Good morning. Participants will remain in listen-only mode and there will be an opportunity for you to ask questions after the management's remarks. Please note that this call is being recorded. I will now hand over the call to Swatlana Joshi from Fractal Analytics Ltd.'s Investor Relations team. Thank you, and over to you, Swatlana.

Management: Thank you. Good morning, everyone, and thank you for joining us today for Fractal Analytics Ltd.'s first earnings call since our public listing last month. We will be discussing our performance for the third quarter and nine months ended December 31, 2025. Our results, shareholder letter, investor presentation, and fact sheet have been published on the exchanges and are available on our investor relations website.

Joining me on the call today are Srikanth Velamakanni, Co-Founder and Group CEO; Pranay Agrawal, Co-Founder and CEO; Ashwath Bhat, Chief Financial Officer; and Satish Raman, Chief Strategy Officer.

Before we begin, please note that certain statements made during this call may be forward-looking in nature. These statements are based on our current expectations and are subject to risks and uncertainties that could cause actual results to differ materially. Such statements or comments are not guarantees of future performance, and Fractal Analytics Ltd. undertakes no obligation to update them. Please refer to the cautionary statements in our investor presentation and regulatory filings. We will start with a business update from Srikanth, followed by a review of the financial performance by Ashwath, after which we will open the call for questions. With that, let me hand over the call to Srikanth.

Management: Thank you, Swatlana. Hi everyone, and welcome to our first earnings call. Thank you for extending your trust to Fractal Analytics Ltd. through our IPO process. We are honored and grateful. It has taken us 26 years of powering decisions with AI in enterprises to reach this milestone. And yet, it marks a deeper commitment to earning the trust of public shareholders, serving our clients with even greater impact, shaping the future of intelligence, and building an institution that will endure for the next 100 years.

Let me start with a quick introduction to Fractal Analytics Ltd. Our vision is to empower every human decision in the enterprise. We are a pure-play AI company that provides large global enterprises with AI solutions. Large organizations make thousands of decisions every day across pricing, supply chains, inventory, logistics, product strategy, and customer experience. Most of these decisions happen in a complex environment where data is fragmented, processes are manual, and the cost of error is high. We build AI that connects directly to enterprise data and workflows, helping companies make better decisions through automation and augmentation.

Take revenue growth management as an example. We help companies understand demand, optimize pricing and promotions, and grow their categories using AI. These are decisions that happen daily across hundreds of SKUs in markets that move constantly. Getting them right is worth billions of dollars.

Next, I would like to highlight some of the impactful work we are doing with PepsiCo, one of our key clients. We are collaborating with PepsiCo to bring AI into manufacturing, specifically focusing on

Report is AI-generated and may contain inaccuracies.

Fractal Analytics

06 March 2026

smart packaging. This system addresses the challenge of manually adjusting over 300 parameters on a manufacturing line, which is extremely challenging for a human operator to achieve optimized output. The AI self-adjusts and adjusts the packs per minute automatically, contributing to better quality of product and continuous optimization. This initiative has delivered significant improvements in packaging efficiency, leading to increased throughput, reduced waste, and optimized costs.

Our ability to solve our clients' most important problems originates from our consistent investment of 6-8% of revenue in R&D. Our AI research and development has helped us build foundation models and B2C AI products such as Fathom-14B. It is a large reasoning foundation model that we have open-sourced on Hugging Face. Second is WhizAI, a free healthcare companion powered by our own medical multimodal reasoning system. And third is Pi Evolve, a multi-agent digital organization to help solve machine learning problems at scale.

We serve a specific set of large enterprises that we call "must-win clients." They meet one of these three criteria: they are either over \$10 billion in annual revenue, over \$20 billion in market capitalization, or serve more than 30 million end customers. As of December 31, 2025, we serve 127 must-win clients. Our strategic intent is to generate at least \$1 billion of impact for each of our clients.

Over the years, we have steadily grown, achieving significant milestones and establishing ourselves as a leader in the enterprise AI space. We are uniquely positioned to grow alongside the expanding AI industry. Under the leadership of Pranay and our executive team, we are hoping to build the company for the next 100 years. That said, I would now like to hand over to Ashwath to talk about financial performance.

Management: Thank you, Srikanth, and good morning, everyone. We delivered a strong quarter of profitable growth. Our current quarter revenue grew by 21% year-over-year and 5% quarter-over-quarter to 8,544 crores. On a constant currency basis, growth was 14% year-over-year and 5% quarter-over-quarter. For the first 9 months of FY26, growth was 20% year-over-year and 15% on a constant currency basis. This growth was entirely organic.

Three components drove our growth: first, growth from existing clients as reflected in Net Revenue Retention (NRR); second, growth from new clients; and third, client churn. All three components are calculated on a trailing 12-month basis. NRR reflects the growth with existing clients, similar to same-store sales growth in the retail industry. In our revenue growth of 21% for Q3 FY26, 14% was from existing clients as reflected in an NRR of 114%. New clients contributed 8 percentage points of growth, and we had 5% churn. Adding 10, 20, or 30 clients is also a key growth strategy for Fractal Analytics Ltd. As of December 2025, we are working on 127 must-win clients, up from 113 in March 2025. The revenue share from these clients has increased to 83% in Q3 FY26, compared to 81% for FY25.

For the first 9 months of FY26, Europe has grown by 37% as we scaled our business with existing clients. To conclude, our revenue per billable headcount increased to \$85,000, representing an increase of 6% in rupee terms and 2% in dollar terms as measured on a trailing 12-month basis.

Report is AI-generated and may contain inaccuracies.

Fractal Analytics

06 March 2026

Now moving over to profitability. I will start with gross margins. Our Q3 FY26 gross margin expanded by 17 bps year-over-year to 47.2%. This comprises a 115 bps benefit arising from the change in mix of engagement type moving towards output-based contracts, pricing increases, and productivity improvements. The benefit was partially offset by the net impact of annual merit increases and a weaker rupee. Gross margin for the first 9 months of FY26 expanded by 110 bps year-over-year to 46.3%. The increase in the mix of output-based contracts along with strong growth in Fractal Alpha contributed to this gross margin increase.

Now moving to adjusted EBITDA. Our Q3 FY26 adjusted EBITDA was at 18.5%, representing an increase of 43 bps year-over-year. This was driven by SG&A coming down by 30 bps to 25.3% of revenue along with gross margin expansion. Adjusted EBITDA for the first 9 months of FY26 was at 16% versus 16.4% in the same period last year. While our gross margin expanded by 110 bps, growth in rental relationship management for key clients and the opening of new offices led to a 110 bps uptick in SG&A as a percentage of revenue versus last year. Excluding the impact of R&D spend, which we expensed in our P&L, our adjusted EBITDA would have been 22% for Q3 FY26 and 20% for the first 9 months of FY26. Our current margin takes into account necessary investments to benefit from the massive AI opportunities which lie ahead of us.

Moving to Fractal Alpha, I would like to highlight our journey of rapid growth and profitability improvement. Fractal Alpha has grown by 51% year-over-year in the first 9 months of FY26, with revenue growing at 43% and Analytics Vidhya at 69%. Gross margin for Fractal Alpha has expanded by 276 basis points year-over-year. The losses in the segment for the same period have come down by 51% while investments into R&D and sales and marketing have continued. The losses in Fractal Alpha have been coming down since FY23. Our segment loss was at 54 crores in FY23, which reduced to 44 crores in FY24, further reducing to 26 crores in FY25, and it currently stands at 10 crores for the first 9 months of FY26.

Now I would like to move over to Profit After Tax (PAT). PAT for Q3 FY26 was at 100 crores or 11.7% versus 92 crores or 13% for the corresponding period last year. PAT of 100 crores in Q3 FY26 increased by 10% year-on-year despite increased losses from an associate company and lower other income on account of forex losses. In addition to this, because of higher forex losses, other income went down from 24 crores or 3.4% of revenue in Q3 FY25 to 2 crores or 0.2% of revenue in Q3 FY26.

Qure.ai is an associate company where Fractal Analytics Ltd. owns 31.5%, and as per accounting standards, we account for our share of profit or losses in our consolidated P&L proportionately. Qure.ai has been facing headwinds with cuts to US Aid, which has led to higher losses versus the previous year. Our share of losses from Qure.ai stood at 19 crores or 2.2% of revenue for Q3 FY26 versus 3 crores or 0.4% of revenue for the same period last year. Excluding the increase in losses from Qure.ai and reduction in other income on account of forex losses, our PAT would have been 138 crores versus 92 crores for the same period last year.

EOSS charges, including stock-linked cash bonuses and retention bonuses, declined to 2.8% of revenue versus 4.9% of revenue for the same period last year. These charges have come down from 9.9% of revenue in FY23 to 2.3% of revenue in the first 9 months of the current fiscal. In summary, we had a great quarter where we delivered 21% revenue growth, 47% gross margin, 18.5% adjusted

Report is AI-generated and may contain inaccuracies.

Fractal Analytics

06 March 2026

EBITDA, and 100 crores of profit after tax.

Operator: With that, we can now move over to your questions. Our first question is from Manish. Please go ahead.

Manish: Hi, good morning. Thank you for taking my questions and congratulations to the entire team for the listing. Since this is your first earnings call, would you be able to give an indicative range of guidance for revenue growth aspirations over the next one to two years? Also, where do you see your adjusted EBITDA margins for the Fractal AI segment heading in the next couple of years, and what will the building blocks look like?

Management: Manish, thank you for highlighting that. Regarding the longer-term perspective on revenue growth, we see significant AI-related expansion as enterprise adoption takes off. Today, enterprise adoption of AI is somewhat moderate because the accuracy of AI systems doesn't consistently match or exceed human performance in every area. This is changing daily. As more AI solutions become feasible and inexpensive for large enterprises, adoption will accelerate. Historically, we have grown at 30% year-over-year for the last 10 years, and even over the last 5 years, our CAGR has been 29%. We see an amazing opportunity to continue that historical growth rate.

In terms of margins, as a public company, we want to ensure we expand our net income and EBITDA margins. While our gross margins are best-in-class at 47%, we want to continue expanding them as an indicator of business quality. This will translate into both EBITDA and PAT percentage expansion. Furthermore, we expect EOSS charges to decline as a percentage of revenue.

Regarding the difference between our 47% gross margin and 18.5% EBITDA margin, that 28-29% gap is largely driven by SG&A and R&D expenses. The 43 bps increase in EBITDA margin we reported today results from operational leverage. In Q3 FY26, SG&A was 25.3% of revenue, down from almost 26% in the previous year. We are investing in sales, marketing, and new offices, but the operating leverage from revenue growth will continue to drive profitability. Growth in our Fractal Alpha product business, which is growing at 50% plus, will also shift the revenue mix favorably. We believe the 4% of revenue invested in R&D is essential for long-term sustained growth.

Manish: Thank you for clarifying that. My other question was on the client issues called out in your EMT vertical in Australia and the US. Could you provide more color on these issues and whether they are business as usual or one-off surprises?

Management: Our business is dependent on client success; if a client faces challenges, it reflects on us. One of the clients mentioned has been undergoing internal restructuring, which impacted us. This client was not a typical Fractal must-win client in terms of scale, and that contributed to the volatility. Typically, our must-win clients are very large and stable. The situation in APAC involved a client decreasing their business with us. These occurrences happen from time to time and are reflected in our overall churn number, which is roughly 1% of revenue in any given year.

Operator: Thank you. We will now move to our next question from Gaurav Rateria of Morgan Stanley.

Report is AI-generated and may contain inaccuracies.

Fractal Analytics

06 March 2026

Gaurav Rateria – Morgan Stanley: Congratulations, Srikanth and team, for the listing. I have a couple of questions. First, in light of the changing technology landscape, has the perception of Fractal changed among clients? Are clients looking for strategic AI partners that might differ from their incumbent vendors? Second, on engagement models, could you elaborate on the outcome-based models you are underwriting? Finally, where do you expect R&D investments to stabilize in the medium term?

Management: On client perception, Gaurav, we have been a pure-play AI firm for a long time. Clients now need much more specialized, high-quality vendors. Generic competition tends to struggle because they lack dedicated AI R&D and capabilities. Fractal's perception has actually accelerated because clients see our research outputs and AI products as best-in-class. Every business workflow can be reimaged with AI, which requires deep expertise and an understanding of enterprise landscapes. We hold a special place as a pure-play AI vendor.

Regarding R&D, we expect to continue and potentially expand these investments. In a field that changes weekly, R&D signals our capability to clients. We view this as a cycle: as we expand revenue and gross margins, we plow some of that margin back into AI R&D to build the company for the future.

On output-based and outcome-based models, we are confident these will expand our gross margins. We are actively converting existing relationships into outcome-based or license-driven models because they are margin-accretive.

Operator: Thank you. We will now move to our next question from Kamaljit Saluja of Kotak Securities.

Kamaljit Saluja – Kotak Securities: Congratulations on the listing. Srikanth, you mentioned growing 30% in the past, yet current growth is lower. What do you attribute this gap to, and how will you bridge it? Second, could you flesh out where incremental R&D spend will be allocated and how you assess the efficacy of that spend?

Management: Thank you, Kamaljit. Our aspiration remains high. Over the last 10 years, we haven't grown exactly 30% every single year; there is always some volatility, but the average remains at 30%. This year specifically saw headwinds in the CPG vertical, which is one of our largest. Massive uncertainty in April led to delayed spending. Excluding that, the rest of the business grew around 26%. Our growth in the US was 26% and in Europe was 37% for the nine-month period, which shows the potential is there.

Regarding R&D efficacy, the ultimate indicator is revenue acceleration and gross margin expansion. In the short term, we look for benchmark results. We apportion R&D into three areas:

1. **Productivity Tools:** Like the Pi Evolve machine learning agent, which solves internal problems faster and expands margins.
2. **Product Platforms:** Building agentic AI platforms like Cogentic and Aspen to help companies reimagine workflows.

Report is AI-generated and may contain inaccuracies.

Fractal Analytics

06 March 2026

3. **Frontier Research:** Projects like our healthcare research and our work on the India AI mission to build a national-level model. This feedback loop helps us achieve frontier AI capabilities.

Kamaljit Saluja – Kotak Securities: Just a final question on the Cogentic AI platform. What underlying models are you using, and what is the pricing model? Is it an all-in price including token costs? Also, how do you handle compounding errors or "agent drift" in a client environment?

Management: We are not competing at the model layer with OpenAI or Anthropic. Cogentic is an ontological and agentic layer on top of those models. When underlying models like GPT-5 or Claude improve, Cogentic automatically gets better. We do not charge for underlying model usage; clients pay those token costs directly to the providers. We charge for the Cogentic platform on a license or output basis.

Regarding errors and drift, this is exactly why enterprise AI adoption is still early. While 40% hallucination might be okay for consumers, enterprises require accuracy that exceeds human performance. We build "human-in-the-loop" systems rather than 100% autonomous ones to handle drift. As AI trust grows and models improve, the need for human input decreases.

Operator: Thank you. We will take the next question from Presh Thacker of ICICI Securities.

Presh Thacker – ICICI Securities: Congratulations on the listing. I noticed a sequential decline in Fractal Alpha in Q3. Is this cyclical? Also, when is your usual compensation revision, and what are the leading indicators for visibility into next year?

Management: Our usual compensation and merit increases happen on April 1. You see higher profitability in the second half of the year because margins pick up as we scale after the Q1 merit increases.

Regarding leading indicators, we focus on our must-win clients, which grew to 127 in December. We have 58 clients contributing over \$1 million in revenue. Net Revenue Retention is another key indicator. We generally enter the year with about two-thirds visibility from our order book, renewals, and weighted pipeline. We don't report TCV or order book specifically, but focusing on NRR and new client growth gives us high visibility.

Operator: Thank you. We will take the next question from Abhishek.

Abhishek: Congratulations on the listing. What is your long-term defensive moat for vertical-specific models to avoid cannibalization? Second, could you face competition from the frontier models themselves? Lastly, for the India AI mission, how are you handling compute requirements?

Management: For the India AI mission, we use compute from approved vendors at preferential rates with government subsidies. Regarding competition from frontier models, while they are ambitious, they realize they need partners to build on their generic capabilities. We build the ontological layers that reimagine workflows, which is challenging for generic models to do directly. Similar to the Palantir model, we see this as a collaborative ecosystem where we take powerful underlying models and build high-margin platforms on top.

Report is AI-generated and may contain inaccuracies.

Fractal Analytics

06 March 2026

Operator: Thank you. That was our last question. I will now hand the call over to Srikanth for final remarks.

Management: Thank you. We had a great December quarter with improvements across almost every metric. Revenue growth of 21% was driven by strong growth in life sciences, healthcare, and BFS verticals. Our strong client relationships are evident in our NRR of 114%. We reported a best-in-class 47.2% gross margin, and our PAT crossed the 100 crore milestone. We continue to invest heavily in R&D to solve pressing business challenges. We are very excited by the AI revolution and are well-placed as a pure-play AI native company to create tremendous value for our shareholders. Over to you, Anjali.

Management: Thank you, Srikanth. Thank you, everyone, for joining us on our first earnings call as a public company. If you have any further questions, please reach out to us at investorrelations@fractal.ai. We look forward to seeing you again next quarter.

Operator: Thank you, everyone. You may now disconnect. Goodbye.

Report is AI-generated and may contain inaccuracies.