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Statutory reports

Management discussion and analysis

Fractal is a globally recognized pure-play enterprise AI company trusted by 100+ Fortune 500®-sized enterprises to power decision-making through AI services, solutions, and products, anchored by Cogentiq, our flagship agentic AI platform. Fractal designs, builds and delivers end-to-end AI solutions for our clients across industries leveraging our technical, domain and functional capabilities and expertise built over our operating history of over 26 years. Our domain expertise spans across our focus industries of consumer-packaged goods ("CPG") & retail (together with CPG, "CPGR"), technology, media and telecom ("TMT"), healthcare and life sciences ("HLS"), banking, financial services and insurance ("BFSI") and Others (Industrials, Energy, Travel and others).

Industry structure and developments

The Data, Analytics and AI (DAAI) services market remains a strategic priority for enterprise digital transformation. The market accounted for an estimated 31.9% (US$143 billion or ₹12 trillion) of total third-party digital services spend in Fiscal 2025 and is expected to reach 44.1% (US$310 billion or ₹26 trillion) by Fiscal 2030. Within DAAI, the core AI-led services segment accounted for 32.1% (US$46 billion or ₹4 trillion) in Fiscal 2025 and is projected to reach 55.4% (US$172 billion or ₹14 trillion) by Fiscal 2030. Generative AI is driving outsized growth, with Gen AI-led services estimated at US$14 billion (₹1 trillion) in Fiscal 2025, expected to grow at approximately 53% CAGR through Fiscal 2030.

Business Overview

Founded in 2000, we are a globally recognized enterprise artificial intelligence ("AI") company (source: Everest Report), with a vision to power human decisions in our clients' enterprises by leveraging AI. We support large global enterprises with data-driven insights and assist them in their decision making through our end-to-end AI solutions. We build our AI solutions by leveraging our technical, domain and functional capabilities built over our operating history of over 26 years. As of March 31, 2026, our 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, we cater to the diverse business needs of our clients across industries and business functions.

We work 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. We aim to become a trusted partner to our clients. We focus on our "Must Win Clients" ("MWC"s), who we define as our clients (i.e. we recognised 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 March 31, 2026, we served 104 MWCs.

Our domain expertise spans across our 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, 2026, we worked with nine of the top 20 CPG companies, six of the top 20 TMT companies, three of the top 20 BFSI companies, eight of the top 20 HLS companies and five of the top 20 retail companies based on Fiscal 2025 revenue.

We are a client-centric company, which focuses on prioritizing our clients' success and creating long-term value for them. Our "client first" value is reflected in the tenure of our relationship with our top clients and our Net Promoter Score ("NPS") based on client surveys. We have served our top ten clients by revenue in the year ended March 31, 2026 (who contributed 52.5% to our revenue from operations in our Fractal.ai segment) for an average of more than eight years. Our NPS for our Fractal.ai segment was 78 and 77 in FY26 and FY25 respectively.

Fractal.ai

For our Fractal.ai offerings, we typically enter into master service agreements ("MSAs") that govern the overall relationship and terms of arrangement with the client. For each engagement under the MSA, we enter a separate statement of work ("SOW") with the client. These SOWs define the scope, timing, pricing terms and performance criteria for each individual engagement under the respective MSA. Our MSAs have three principal types of pricing models: (i) time and material; (ii) fixed price, and (iii) output based, depending largely on a client's preference and internal specifications. The fees we charge our clients depend on the type of contracts, the type of engagement, the AI offering provided to a client, the mix, and locations of personnel involved.

Fractal Alpha

For our AI products, we enter contracts based on different pricing models, such as licensing fees, subscription fees, fixed price, time and material contracts, or a combination of these pricing models. For example, for some of our AI products we charge an implementation fee and a post- implementation fee for installations, training and maintenance and support services. For many of our AI products services, the contracts typically have a term of two to three years.

Our Strengths

- Globally recognized pure-play enterprise AI company
- Strategic long-term partnerships with marquee clients across industries
- Strong vertical and functional expertise across CPGR, TMT, HLS and BFSI
- Deep AI R&D powering solutions, products and platform

- Culture of trust, transparency and freedom to nurture great talent
- Founders-led management team focused on building Fractal for the long-term

Outlook

As we begin FY27, we are building on a solid foundation that enhances our ability to drive revenue synergies.

Unified GTM: We sharpened this into three pillars, one platform, one go-to-market: AI-led Transformation (AIT), AI Foundations (AIF), and AI Work & Workforce (AIW) - addressing the three dimensions every enterprise must get right to scale AI: reimagining business processes, modernizing technology foundations, and enabling workforce transformation.

Each pillar is delivered through integrated teams of AI, engineering, design, and domain specialists, with Cogentiq, our flagship agentic AI platform, powering solutions across all three. One go-to-market through a common commercial office brings them to clients as a single, integrated capability – rather than three separate practices – enabling enterprises to scale AI adoption, accelerate value creation, and drive sustainable business transformation.

Pillar 1 - AI-led Transformation (AIT)

The process dimension: helping clients reimagine business workflows with AI to drive measurable outcomes.

Pillar 2 - AI Foundations (AIF)

The technology dimension: driving higher performance of AI models with enterprise data, including governance, responsible AI, and technology modernization.

Pillar 3 - AI Work & Workforce (AIW)

The people dimension building enterprise-wide AI fluency and proving its business value.

Each business unit is accountable for client impact and orchestrates the AIT-Functional, AIT-Customer, AIF and AIW teams behind the scenes to deliver software driven, industry contextualized solutions to the clients.

Cogentiq Platform: With Cogentiq, platform revenue is expected to accelerate, driving margin expansion further in FY27.

Fractal Alpha Momentum: Product businesses growing 40%+ represent high-margin, scalable revenue streams expected to contribute meaningfully to portfolio margin expansion in FY27.

Capital Deployment: Strong cash position (₹20.5 billion) enables disciplined inorganic growth through M&A while maintaining financial flexibility for organic investments in R&D, talent, and infrastructure.

Looking back on our accomplishments and forward to the future, we are confident that the insights gained and strategies implemented will enable us to execute more effectively in FY27. We are eager to embrace upcoming opportunities and remain committed to maximizing every chance that comes our way.

Opportunities

1. Enterprise AI Transformation Acceleration: Despite macrœconomic uncertainty, enterprises prioritize AI-led transformation to drive competitive advantage, margin expansion, and operational agility. The stickiness of revenue represented in Must-win-client count, long average tenure of top clients, net revenue retention and NPS demonstrates enterprises' commitment to long-term AI partnerships.
2. Platform Monetization: Cogentiq adoption is transitioning from POC to production deployment, creating recurring, high-margin revenue streams across AIT, AIF, and AIW pillars.
3. Vertical Expansion: Healthcare & Life Sciences growth (13.8% to 19.3% of revenue) and European market acceleration (17.7% to 19.9% of revenue) signal successful vertical and geographic expansion.
4. Fractal Alpha Scaling: Fractal Alpha's adjusted segment losses have narrowed consistently: ₹ 539 million (FY23) → ₹ 443 million (FY24) → ₹ 257 million (FY25) → ₹ 146 million (FY26), a 43% reduction year-on-year in FY26, even as investments in sales and R&D continued. The segment is on a clear path toward profitability with a structurally improving margin profile.
5. M&A Optionality: Strong cash position (₹20.5 billion) enables disciplined inorganic growth to acquire complementary capabilities, verticals, or geographies.

Threats and Risk Mitigation

1. Enterprise Budget Constraints: Macrœconomic headwinds and cost pressures may slow AI spending. Mitigation: Long-term client relationships (8+ years avg.), outcomes-based pricing, and portfolio diversification across verticals and geographies.
2. Talent Scarcity: AI engineering and domain expertise remain constrained. Mitigation: Strong culture (GPTW), competitive compensation, ESOP participation, and continuous R&D investment (6.4% of revenue).
3. Technology Disruption: Rapid evolution of AI models and platforms. Mitigation: Active R&D investments, platform-first strategy with Cogentiq, and functional/domain expertise that compounds technology value.
4. Competitive Intensity: Traditional IT services and new AI entrants. Mitigation: Pure-play AI company, deep vertical expertise, proven outcomes, and founder-led culture.

Financial Performance Overview

We have achieved consistent revenue growth. Our revenue from operations increased by 19.3% to ₹32,997 million in the year ended March 31, 2026 from ₹27,654 million in the year ended March 31, 2025. Our PAT Margin was 8.7% and 8.0% in the year ended March 31, 2026 and March 31, 2025 respectively.

Our Adjusted PAT Margin was 13.2% and 12.6% in the year ended March 31, 2026 and March 31, 2025, respectively. Our EBITDA Margin was 14.8% and 14.4% in the year ended March 31, 2026 and March 31, 2025, respectively. Our Adjusted EBITDA Margin was 17.6% and 17.4% in the year ended March 31, 2026 and March 31, 2025, respectively.

The following table provides a snapshot of our performance over the years and as at the dates indicated.

	Key Performance Indicators	Unit	FY23	FY24	FY25	FY26
	Financial Measures					
S. No.	**Our Group**					
1.	Revenue from operations	INR million	19,854	21,963	27,654	32,997
2.	Growth in revenue from operations from previous Fiscal	%	NA	10.6%	25.9%	19.3%
3.	Cash flow from operations	INR million	-306	1,595	3,970	4,090
4.	Profit/ (Loss) for the year	INR million	1,944	-547	2,206	2,868
5.	PAT Margin	%	9.8%	-2.5%	8.0%	8.7%
6.	Adjusted PAT	INR million	540	-45	3,478	4,356
7.	Adjusted PAT Margin	%	2.7%	-0.2%	12.6%	13.2%
8.	EBITDA	INR million	4,368	972	3,980	4,899
9.	EBITDA Margin	%	22.0%	4.4%	14.4%	14.8%
10.	Adjusted EBITDA	INR million	1,343	2,321	4,821	5,812
11.	Adjusted EBITDA Margin	%	6.8%	10.6%	17.4%	17.6%
	Fractal.ai segment					
12.	Revenue from operations	INR million	19,691	21,615	27,037	32,190
13.	Growth in revenue from operations from previous Fiscal	%	NA	9.8%	25.1%	19.1%
14.	Revenue in Fractal.ai segment by industry					
	CPGR (Consumer Packaged Goods and Retail)	INR million	8,047	9,038	10,615	11,924
	TMT (Technology, Media, & Telecom)	INR million	5,563	5,867	8,087	8,035
	HLS (Healthcare and Life Sciences)	INR million	2,188	3,013	3,745	6,215
	BFSI (Banking, Financial Services and Insurance)	INR million	2,842	2,325	2,980	3,924
	Others	INR million	1,051	1,372	1,610	2,092
15.	Revenue in Fractal.ai by industry, as a % of revenue					
	CPGR (Consumer Packaged Goods and Retail)	%	40.9%	41.9%	39.3%	37.0%
	TMT (Technology, Media, & Telecom)	%	28.3%	27.1%	29.9%	25.0%
	HLS (Healthcare and Life Sciences)	%	11.1%	13.9%	13.8%	19.3%
	BFSI (Banking, Financial Services and Insurance)	%	14.4%	10.8%	11.0%	12.2%
	Others	%	5.3%	6.3%	6.0%	6.5%
16.	Revenue in Fractal.ai segment by geography					
	Americas	INR million	13,221	13,791	17,988	21,665
	Europe	INR million	3,333	4,291	4,792	6,412
	APAC and others	INR million	3,137	3,533	4,257	4,113
17.	Revenue in Fractal.ai by geography, as a % of revenue					
	Americas	%	67.2%	63.8%	66.5%	67.3%
	Europe	%	16.9%	19.9%	17.7%	19.9%
	APAC and others	%	15.9%	16.3%	15.8%	12.8%

S. No.	Key Performance Indicators	Unit	FY23	FY24	FY25	FY26
	Financial Measures					
	Our Group					
18.	Segment results – Fractal.ai segment	INR million	-315	1,233	3,788	5,409
19.	Segment results – Fractal.ai segment, as a % of revenue from operations - Fractal.ai segment	%	-1.6%	5.7%	14.0%	16.8%
20.	Adjusted segment results – Fractal.ai segment	INR million	2,115	2,769	5,084	6,114
21.	Adjusted segment results Margin – Fractal.ai segment	%	10.7%	12.8%	18.8%	19.0%
	Fractal Alpha segment					
22.	Revenue from operations	INR million	190	365	644	908
23.	Growth in revenue from operations from previous Fiscal	%	NA	92.1%	76.4%	41.0%
24.	Segment results – Fractal Alpha segment	INR million	-616	-494	-283	-170
25.	Segment results – Fractal Alpha segment, as a % of revenue from operations - Fractal Alpha segment	%	-324.2%	-135.3%	-43.9%	-18.7%
26.	Adjusted segment results – Fractal Alpha segment	INR million	-539	-443	-257	-146
27.	Adjusted segment results Margin – Fractal Alpha segment	%	-283.7%	-121.4%	-39.9%	-16.1%
	Operational KPI					
	Our Group					
28.	Total Employees	Number	4,221	4,639	5,254	5,868
	Fractal.ai segment					
29.	Net Revenue Retention	%	151.0%	110.2%	121.3%	117.4%
30.	Clients by annual revenue contribution					
	>US$20 million	Number	1	2	5	6
	>US$10 million	Number	5	5	6	9
	>US$5 million	Number	10	11	15	19
	>US$1 million	Number	45	48	53	59
31.	Client concentration					
	Top 10	INR million	10,064	11,809	14,537	16,885
	Top 10	%	51.1%	54.6%	53.8%	52.5%
	Top 20	INR million	13,194	15,114	18,831	22,678
	Top 20	%	67.0%	69.9%	69.6%	70.5%
32.	Net Promoter Score	Score	73	77	77	78

FY26 has witnessed 19.3% revenue growth and EBITDA growth of 23.1% and 0.5pts increase YoY. Fractal.ai revenue contributed to the majority of the growth with scaled client relationships, new client's acquisitions and large deals contribution. The increase is primarily attributable to growth in revenue from existing clients (demonstrated by our Net Revenue Retention of 117.4% in FY26), increase in the number of clients and our ability to charge a higher price for AI services and AI products.

Year	FY26	FY25	Growth (%)
Revenue	32,997	27,654	19.3%

Net Revenue Retention in our Fractal.ai segment measures how effectively we retain and expand revenue from our existing clients over a defined period and is calculated by comparing the current period's revenue from the same set of clients who existed at the start of the period, with their revenue in the previous period- including the effects of upsells, cross-sells and contractions. The table below sets out our Net Revenue Retention for FY25 and FY26 indicated.

Year	FY26	FY25
NRR	117.4%	121.3%

We have sustained a superior Net Promoter Score in FY26 which is a key testimony to our client success and increases our ability to acquire, retain and expand client relationships significantly.

Year	FY26	FY25
NPS	78	77

Fractal.ai segment grew by 19% in FY26 with INR 32,190m vs INR 27,037m in FY25. Fractal Alpha has experienced higher growth of 41.0% with INR 908m in FY26 vs INR 644m in FY25. Fractal Group thereby grew by 19.3% in FY26 with INR 32,997m vs INR 27,654m in FY25.

Year	Fractal.ai	Fractal Alpha	Intersegment elimination	Total (Group)
FY26	32,190	908	(101)	32,997
FY25	27,037	644	(27)	27,654

Geographical revenue basis location of the customer with majority from America with 67.3% of the revenue in FY26 vs 66.5% revenue in FY25 with growth of 20.4% in revenue from Americas in FY26 vs FY25. APAC and other regions contributed to 12.8% in FY26 vs 15.8% in FY25. Europe and UK contributed to 19.9% in FY26 vs 17.7% in FY25 with growth of 33.8% in FY26 revenue vs FY25.

Geography	FY26	FY25	FY26 %	FY25 %
America	21,665	17,988	67.3%	66.5%
APAC & Others	4,113	4,257	12.8%	15.8%
Europe & UK	6,412	4,792	19.9%	17.7%
Revenue	32,190	27,037	100.0%	100.0%

Consumer packaged goods and retail continue to be the highest contribution vertical with 37.0% of the revenue in FY26 vs 39.3% in FY25. Owing to client specific issues in FY26, the contribution of Tech, Media and Telecommunication declined to 25.0% in FY26 vs 29.9% in FY25. Healthcare and life sciences industry vertically contributed to 19.3% of revenue in FY26 vs 13.8% in FY25.

Industry	FY26	FY25
CPGR (Consumer products goods and retail)	37.0%	39.3%
BFSI (Banking, financial services and Insurance)	12.2%	11.0%
HLS (Healthcare and life sciences)	19.3%	13.8%
TMT (Technology, Media & Telecom)	25.0%	29.9%
Others	6.5%	6.0%
Total	**100.0%**	**100.0%**

We have consistently worked on programs with clients to derive measurable value for them across verticals and functional areas. We have expanded our client count across annual revenue contribution scale.

Clients by annual revenue contribution	FY26	FY25
>US$20 million	6	5
>US$10 million	9	6
>US$5 million	19	15
>US$1 million	59	53

We continue to invent and invest on behalf of our clients, research and development investments remain a critical priority for the company with 6.4% of the revenue being invested in it in FY26 and 5.2% in FY25. This investment goes towards AI solutions and accelerator development in Fractal.ai as well as product development in Fractal Alpha.

	FY26	FY25
R&D %	6.4%	5.2%

	Year ended				
	March 31, 2026		March 31, 2025		
Particulars	Amount	% Revenue	Amount	% Revenue	YoY %
Income					
Revenue from operations	32,997	100.0%	27,654	100.0%	19.3%
Other Income	629	1.9%	508	1.8%	23.8%

Particulars	Year ended March 31, 2026 Amount	March 31, 2026 % Revenue	March 31, 2025 Amount	March 31, 2025 % Revenue	YoY %
Total Income	**33,626**	**101.9%**	**28,162**	**101.8%**	**19.4%**
Expenses					
Employee benefit expense	22,914	69.4%	20,048	72.5%	14.3%
Employee stock option expense	634	1.9%	798	2.9%	-20.6%
Finance costs	474	1.4%	577	2.1%	-17.9%
Depreciation and amortisation expense	1,358	4.1%	1,023	3.7%	32.7%
Other expenses	4,366	13.2%	3,309	12.0%	31.9%
Total Expenses	**29,746**	**90.1%**	**25,755**	**93.1%**	**15.5%**
Profit before share of loss of an associate, exceptional items and tax expense	**3,880**	**11.8%**	**2,407**	**8.7%**	**61.2%**
Share of (loss) of an associate	(703)	-2.1%	(297)	-1.1%	136.7%
Profit before exceptional items and tax expense	**3,177**	**9.6%**	**2,110**	**7.6%**	**50.6%**
Exceptional items (net)	(110)	-0.3%	270	1.0%	-140.7%
Profit before tax expense	**3,067**	**9.3%**	**2,380**	**8.6%**	**28.9%**
Tax expense	199	0.6%	174	0.6%	14.4%
Profit for the year	**2,868**	**8.7%**	**2,206**	**8.0%**	**30.0%**

Employee Benefits Expense

Our employee benefits expense is our largest expense. It includes salaries, incentives and bonus, commissions, employee benefits such as gratuity, 401K and provident fund, employee insurance expense, that we pay to our permanent employees. Our primary employee benefits expenses include expenses relating to our Consulting and Capability teams who are involved in deploying the AI offerings, sales and marketing teams who are selling our AI offerings to clients, and other teams who provide general and administrative support for the organisation. Our employee benefits expense increased by 14.3% to ₹ 22,914 million in the year ended March 31, 2026 from ₹ 20,048 million in the year ended March 31, 2025, primarily due to salary increments offered to our employees and increase in our employee headcount to 5,868 as of March 31, 2026 from 5,254 as of March 31, 2025.

Employee Stock Option Expense

Employee stock option expense decreased by 20.6% to ₹ 634 million in the year ended March 31, 2026 from ₹ 798 million in the year ended March 31, 2025, primarily due to graded vesting of a majority of the employee stock options, which were granted towards the end of Fiscal 2022 and offset by options granted in the month of June 2025.

Finance Costs

Our finance costs primarily include interest expense on borrowing, and interest on lease liabilities towards office premises taken on lease. Finance cost decreased by 17.9% to ₹ 474 million in the year ended March 31, 2026 from ₹ 577 million in the year ended March 31, 2025, primarily due to decrease in other borrowing cost to ₹ 27 million in the year ended March 31, 2026 from ₹ 146 million in the year ended March 31, 2025 which primarily related to an arrangement fee for a loan refinancing.

Depreciation and Amortization

Our depreciation and amortisation expenses primarily include expenses associated with depreciation of our physical assets such as computers, furniture and fixtures and leasehold improvements and amortisation of intangible assets such as software, intellectual property and internally generated intangible assets. Depreciation and amortization expense increased by 32.7% to ₹ 1,358 million in the year ended March 31, 2026 from ₹ 1,023 million in year ended March 31, 2025, primarily due to an increase in depreciation on right-of use assets by ₹ 90 million due to additional office premises taken on lease, increase in depreciation on property, plant and equipment by ₹ 88 million primarily towards leasehold improvements and computer and accessories and an increase in amortization of intangible assets by ₹ 157 million relating to software acquired in the year ended March 31, 2025, which was accounted for the full year in the year ended March 31, 2026, as compared to a shorter period in the year ended March 31, 2025.

Other Expenses

Other expenses have increased by 31.9% to ₹ 4,366 million in the year ended March 31, 2026 from ₹ 3,309 million in the year ended March 31, 2025, primarily due to:

- Sub-contracting expenses increased by 457% to ₹ 256 million in the year ended March 31, 2026 compared to ₹ 46 million in the year ended March 31, 2025, primarily due to contractors hired for delivery of projects on few clients;
- Fair value loss (net) on derivative contracts carried at fair value through profit or loss: increased by 140% to ₹ 156

million in the year ended March 31, 2026 compared to ₹65 million in the year ended March 31, 2025, primarily due to currency exchange movements of USD and EUR.

- Legal and professional fees: increased by 41% to ₹738 million in the year ended March 31, 2026 compared to ₹523 million in the year ended March 31, 2025, primarily due to an increase in fees paid to consultants and/or professionals for various compliance requirements, higher costs for increased business and technical support as well as various corporate activities.

- Cloud and communication expense: increased by 38% to ₹584 million in the year ended March 31, 2026 compared to ₹423 million in the year ended March 31, 2025, as we incurred additional cloud and communication expense primarily attributable to increased R&D investments and adoption of developed B2C applications.

Taxes

Total tax expense has increased to ₹ 199 million in the year ended March 31, 2026 from ₹ 174 million in the year ended March 31, 2025. Current tax increased by ₹ 176 million on Y^Y basis primarily on account of increase in profits in certain geographies resulting into increase in tax charge thereof. Deferred tax credit increased by ₹ 151 million primarily on account of deferred tax asset of ₹534 million recognised in the year ended March 31, 2026 in respect of certain foreign subsidiaries on unutilised tax losses against deferred tax liability reversed of ₹ 383 million on deemed gain on fair valuation of investment in associate in the year ended March 31, 2025 primarily on account of reduced tax rate on long term capital gain.

Liquidity

Fractal's principal source of liquidity is cash and cash equivalents and cash flow that we generate from operations. The Company had outstanding borrowing of ₹2,860 million as at March 31, 2026 which has been subsequently repaid in April 2026 out of IPO proceeds. Our growth in the year ended March 31, 2026 has been largely financed through cash generated from operations.

Our operating cash flows have increased in the year ended March 31, 2026 as compared to the year ended March 31, 2025 mainly on account of increase in net profit adjusted for non-cash items and better working capital management. Consolidated cash and cash equivalents including investments in mutual funds and bank deposits is as follows:

Particulars	March 31, 2026	March 31, 2025
Investments in mutual funds	8,741	5,614
Deposits with banks*	9,712	243
Cash and bank balances	2,067	2,649
Total	**20,520**	**8,506**

**Deposits with banks as at March 31, 2026 consits of funds invested out of IPO proceeds of ₹9,568 million.*

Refer to the Standalone and Consolidated financial statements in this Annual Report for detailed schedules and notes.

Material developments in human resources and industrial relations

Workforce Composition and Growth

As of March 31, 2026, Fractal employed a skilled workforce across AI engineering, consulting, sales, and support functions, with presence in India, USA, UK, and APAC. The company maintained disciplined headcount growth aligned with revenue scaling and margin expansion objectives.

Industrial Relations

The company maintains positive industrial relations and compliance with applicable labor laws across all jurisdictions. No material labor disputes or significant HR-related developments occurred during FY26.

Significant Changes in Key Financial Ratios

In accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is required to give details of significant changes (change of 25% or more) as compared to the immediately previous financial year in key sector-specific financial ratios:

The Company has identified the following ratios as key financial ratios:

	Standalone		Consolidated	
Particulars	**FY26**	**FY25**	**FY26**	**FY25**
Days Sales Outstanding (DSO)(1)	-	-	72	75
Current Ratio (times)	6.7	5.8	3.0	2.8
Debt equity ratio (times)(2)	-	-	0.1	0.2
Return on capital employed (%)(3)	8.1%	9.6%	10.3%	14.7%
EBITDA Margin (%)	17.9%	16.7%	14.8%	14.4%
Net Profit Margin (%)	9.9%	9.2%	8.7%	8.0%
Return on Net Worth (%)(3)	5.7%	6.7%	9.1%	12.6%
Revenue growth (%)	30%	24%	19.3%	25.9%
Basic EPS (Rs)(4)	11.62	8.58	18.20	14.49

(1) The Company dœs not track DSO at a standalone level.

(2) Debt equity ratio is not applicable at standalone level as the Company dœs not have outstanding debt.

Debt to Equity Ratio

Debt to equity ratio has improved primarily due to the Company's expanded equity basis on successful completion of the IPO during the year. The equity enhancement has strengthened the Company's financial position, reduced financial risk, and provided enhanced capacity for future growth investments while maintaining operational efficiency.

Return on Capital Employed and Return on Net Worth:(3)

The Company's profit has increased by 30% on Y^Y basis however, return on capital employed and return on net worth have decreased due to the Company's expanded equity basis on successful completion of the IPO during the year. The equity enhancement has strengthened the Company's financial position, reduced financial risk, and provided enhanced capacity for future growth investments while maintaining operational efficiency.

EPS increase is in line with increase in net profits for the year. (4)

Risk assessment

ENTERPRISE RISK MANAGEMENT

Fractal has established an Enterprise Risk Management (ERM) framework that evolves continuously to match the pace of change in the AI and digital transformation space. The framework is aligned with globally recognized practices under COSO and ISO 31000:2018 and is designed to strengthen resilience while supporting long-term growth. It is guided by the Risk Management Policy approved by the Board and covers risk identification, assessment, mitigation planning, monitoring, and governance.

Key risk indicators and control indicators are tracked to provide early signals and measure the effectiveness of actions taken. Fractal's risk profile spans strategic, operational, compliance, financial, and technology domains, with emphasis on areas most relevant to a pure-play AI company such as rapid technology shifts, talent availability, client concentration, and competitive intensity. This collaborative approach ensures that risk management is integrated with business priorities and supports Fractal's commitment to sustainable value creation.

Risk Category	Key Risk Points	Mitigation Strategies
Cyber Security Risk	Fractal faces cybersecurity risks from data breaches across its own environment, client environments, and connected third parties. The growing use of hybrid and remote work, combined with extensive reliance on third-party cloud and SaaS platforms, significantly widens the potential attack surface. Despite having ISO 27001- and SOC 2-aligned security frameworks in place, no control environment can guarantee protection against every emerging threat.	Fractal's senior management periodically reviews the Company's risk register to confirm that cybersecurity risks are being managed effectively and that appropriate countermeasures are in place to reduce residual risk. The Company follows a systematic approach to establishing and maintaining enterprise security policies and standards aligned with ISO 27001:2022 and SOC 2 Type 2 frameworks, with security controls across prevention, detection, response and recovery aligned with the NIST framework. Fractal maintains a layered network security architecture that includes perimeter firewalls enforcing a 'Default Deny' policy, content filtering solutions to manage and control network traffic, and web application and intrusion-prevention controls.
Technology (AI) Disruption Risk	The pace of innovation in artificial intelligence and generative AI is accelerating rapidly. Failure to continually refresh Fractal's solutions in line with evolving client needs and industry standards could erode its competitive differentiation and win rates. The growing adoption of GenAI and software-development agents may enable clients to build capabilities in-house, reducing third-party spend on outsourced AI services. New solutions may not achieve the intended market adoption, potentially leading to write-downs and earnings volatility. The increasing automation of routine and basic development tasks through AI may reduce the person-hours required for certain projects, affecting revenue from those engagements.	Fractal pursues a targeted acquisition strategy to acquire AI and other critical technical capabilities that strengthen its competitive position. The Company continuously monitors client technology landscapes and adoption trends to anticipate the changes required to its own offerings and stay ahead of market demands. Fractal follows a defined investment and research strategy specifically focused on AI solutions development with a tiered approach of today, tomorrow and day after ensuring it is prepared for long term changes that might come at expedited pace as well. Additionally, the Company tracks market developments in AI adoption across industries and geographies to inform its strategic direction and ensure offerings remain aligned with emerging client needs.
Responsible AI Risk	Fractal is committed to ensuring that the AI systems it develops and deploys operate with appropriate ethical safeguards to maximize positive outcomes for users and clients. The Company's operations involve the use of artificial intelligence and machine learning, including AI developed by third parties, and the processing of clients' proprietary data which may include personal or identifying information. This use carries inherent social, ethical and operational risks. AI algorithms and technologies that inform or augment decisions for Fractal's clients could, if flawed, produce biased outputs or unintended discriminatory outcomes that harm end users or create legal exposure for clients.	Fractal continuously monitors and tests model outputs for group disparities using fairness metrics to identify potential bias in AI systems. The Company enforces bias-correction standards during model training to ensure that AI models operate fairly across different demographic groups and use cases. This proactive approach to responsible AI governance helps mitigate the risk of discriminatory outcomes and ensures alignment with evolving regulatory and client expectations around ethical AI deployment.

Risk Category	Key Risk Points	Mitigation Strategies
Data Protection & Privacy Risk	Non-compliance with data privacy laws, including Fractal's responsibilities as a data controller or processor, and the leakage or misuse of confidential and proprietary information could expose the Company to significant regulatory and contractual risk. Fractal's operations involve the collection, use, storage, sharing, retention, safeguarding and transmission of clients' proprietary data, which may include personal or identifying information. The Company is subject to data privacy regulations across multiple jurisdictions, including the United States, United Kingdom, European Union and India. A breach of data privacy regulations could result in reputational damage, loss of key accounts, regulatory penalties and contractual liabilities.	Fractal maintains a standard data privacy policy applicable to all stakeholders and affiliates, giving data subjects a clear understanding of its data privacy practices and their rights. A designated Data Protection Officer oversees data privacy compliance at the organizational level and reports to the CFO and the Board, ensuring executive-level accountability for privacy governance. This structure ensures that privacy considerations are integrated into all operational decisions and that the Company maintains compliance with complex, multi-jurisdictional regulatory requirements.
Macro-Economic Environment Risk	Changes in political or economic conditions in the countries where Fractal operates, including political instability, trade tensions, changes in government, and unpredictable policy shifts, could adversely affect the Company's business. Fractal's high dependency on the United States increases its vulnerability to segment-specific disruptions, such as regulatory change or reduced outsourcing demand due to rising costs, which could directly impact revenue, scalability and operations. Anti-outsourcing regulations in the United States, such as the proposed HIRE Act which aims to discourage offshoring by imposing taxes or restrictions on companies that move jobs overseas, could materially affect Fractal's business and financial performance. Immigration policy changes, as countries shift from globalization toward localization, could affect the Company's operating model and talent deployment strategies. New tariffs on technology exports, together with reciprocal tariffs imposed by trading partners, could reduce demand for Fractal's services as clients face tighter budgets and broader economic pressure. Similar localization trends are emerging across the global technology sector, with countries increasingly promoting domestic software development and data hosting and reducing reliance on foreign technology providers.	Fractal monitors political and legislative developments in the United States and other material regions of operation, including initiatives such as the HIRE Act, through dedicated legal and compliance teams and external advisors. The Company develops response strategies for any high-impact legislative changes to ensure business continuity and compliance with evolving regulations. Fractal actively engages with industry bodies, trade associations and policymakers to stay ahead of upcoming legislative developments and contribute to policy discussions that could affect the outsourcing and technology services sectors.
Revenue Concentration Risk	Fractal's revenue is concentrated among certain clients, geographies and industry sectors, which creates significant business risk. A significant volume of business is concentrated among a limited number of clients, with a significant portion of revenue derived from the Company's top accounts. The Company derives a majority of its revenue from the Americas region, creating geographic concentration risk. Additionally, consumer goods and retail represents a significant contributing industry vertical to the Company's revenue, creating sector-specific exposure. Loss of any major client or sector contraction could significantly impact overall revenue and profitability.	Fractal is proactively expanding its client base through targeted marketing, strategic partnerships and entry into new industry sectors, thereby reducing dependency on a limited number of major clients and industry verticals. The Company is executing growth strategies focused on regions outside the Americas to balance its geographic revenue mix and reduce regional concentration risk. These initiatives aim to create a more diversified revenue base that is resilient to sector-specific downturns or geographic disruptions.
Succession Planning Risk	The absence of a prepared successor for a key leadership role, or inadequate succession planning generally, could disrupt the Company's operations and strategy execution. The loss or unavailability of key managerial personnel or senior leaders could disrupt strategy execution, client relationships and growth initiatives. Leadership transitions typically require a long lead time, and competition for niche AI, GenAI, data and cloud talent can make backfilling critical roles significantly more difficult, increasing transition risk. Mergers, consolidations, dissolutions and entry into new markets require timely succession planning within subsidiaries and integration leadership to avoid capability gaps and operational disruption.	Fractal has identified potential successors for its Key Managerial Personnel, as disclosed in its regulatory filings, ensuring continuity planning at the senior leadership level. This proactive succession planning approach ensures that the Company has identified individuals with the necessary skills and experience to step into critical roles and maintain operational continuity during leadership transitions.

Risk Category	Key Risk Points	Mitigation Strategies
Environmental, Social & Governance (ESG) Risk	Ineffective ESG risk management could impact the creation and management of long-term value for stakeholders and the Company's reputation. Fractal's clients increasingly expect strong ESG performance, including demonstrated commitment to recognized ratings such as CDP, EcoVadis and the Science Based Targets initiative (SBTi). An inability to meet publicly stated climate change or net-zero targets, whether near-term or long-term commitments, could affect the Company's reputation and stakeholder trust, potentially impacting client relationships and investor confidence.	A Board-level CSR and ESG Committee monitors ESG performance in conjunction with the Risk Management Committee, focusing on client-mandated and Fractal-material ESG risks and commitments, including climate and workplace health and safety. Fractal maintains a detailed roadmap to achieve its decarbonization and net-zero targets, providing a clear pathway for achieving these commitments. The Company conducts ESG training to build awareness across the organization and its vendors regarding ESG practices and expectations. Additionally, Fractal participates in recognized ESG ratings and disclosure frameworks, including CDP, EcoVadis and SBTi, and monitors progress against its net-zero and other decarbonization commitments on an ongoing basis.
Talent Risk	Attrition of experienced and talented employees can affect organizational knowledge and client relationships, while delays in deploying, or the unavailability of, talent with relevant skills including GenAI and analytics can affect service delivery and operational performance. Elevated attrition puts revenue at risk and can affect the Company's ability to meet growth commitments, given the disruption to service and the extended learning curve associated with onboarding new hires. Years of accumulated client context, stakeholder relationships and organizational knowledge are difficult to replicate when experienced employees leave. An increase in people costs could meaningfully affect the Company's margin profile and financial performance.	Fractal leverages AI-based hiring tools to improve recruitment efficiency and outcomes, enabling the Company to identify and attract top talent more effectively. The Company has implemented mechanisms to identify attrition risk among high-potential and high-performing employees, allowing for proactive retention strategies and career development initiatives. Fractal invests in ongoing training and certification programs in AI, GenAI, data engineering and cloud technologies to close skill gaps, enhance employee capabilities and improve retention by providing clear career development pathways.
Delivery & Contractual Risk	Fractal faces delivery risk relating to the timeliness and quality of its work, the risk of non-compliance with client contractual terms, and pressure from clients for more favorable terms, including onerous liability provisions. Delivery failures could lead to client dissatisfaction, contract termination, financial penalties and a significant negative impact on business growth and market reputation. Non-compliance with client contractual terms including obligations relating to background verification, data privacy, information security, and non-compete and non-solicitation provisions could result in financial obligations, penalties, loss of contracts and reputational damage. Defects, delays or missed milestones may trigger client recourse, including indemnity claims, required rework or contract termination. Many of the Company's key client contracts run for multi-year terms with renewal options, making consistent delivery critical to revenue continuity.	Fractal maintains an operational risk register across all projects to systematically identify and document risks, including those related to data breaches and control gaps, enabling early identification and mitigation of potential issues. Fractal conducts thorough background verification for all employees, covering identity, criminal history, employment experience and educational qualifications, to mitigate insider risk and ensure compliance with client contract requirements. The Company closely monitors third-party service levels to mitigate disruption from external providers and ensure that outsourced services meet contractual obligations and quality standards.
Business Continuity Planning Risk	Natural calamities, disasters, pandemics or unexpected events such as cyber-attacks could impact the continuity of Fractal's business operations and financial performance. Fractal's global footprint of leased and co-working facilities, together with significant export exposure including to the United States, increases its sensitivity to natural disasters, pandemics and geopolitical developments in the regions where it operates.	Fractal maintains a comprehensive Business Continuity Plan, aligned with ISO 27001 standards, comprising a resilience framework, strategic planning, defined organizational roles and responsibilities, regular testing and training, and a phased recovery strategy. This comprehensive approach ensures that the Company can respond effectively to unexpected disruptions and maintain critical operations while recovering from adverse events.

We aim to foster a culture of effective risk management by encouraging appropriate and monitored risk-taking to achieve our strategic priorities. We analyse internal and external factors that could impact our operations, finances, reputation, and other areas of the business. The goal of our risk management policies is to develop strategies. It plans to mitigate or avoid risks and to ensure that the company can continue to operate effectively and achieve its goals, even in the face of uncertainty or adverse events.

Cautionary Statement

Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve several risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT business, including those factors, that may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to complete and integrate potential acquisitions, liability for damages on our service contracts, withdrawal of Governmental fiscal incentives, political instability, and unauthorized use of our intellectual property and general economic conditions affecting our industry. Fractal.AI, from time to time, makes additional written and oral forward-looking statements, including statements contained in our reports to shareholders. The Company dœs not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

Internal Financial Control Systems and their Adequacy

Fractal has aligned its current systems of internal financial control with the requirement of Companies Act, 2013, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Internal Control – Integrated Framework (the 2013 framework) is intended to increase transparency and accountability in an organization's process of designing and implementing a system of internal control. The framework requires a company to identify and analyze risks and manage appropriate responses.

Fractal's internal controls are commensurate with its size and the nature of its operations. Internal financial control systems include the design, implementation and maintenance of adequate internal financial controls that are operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act. Fractal has continued its efforts to align all its processes and controls with global best practices.

B S R & Co. LLP, the statutory auditors of Fractal, have audited the financial statements included in this Annual Report and have issued an attestation report on the Company's internal control over financial reporting (as defined in Section 143 of the Companies Act, 2013).

Fractal has appointed PricewaterhouseCoopers Services LLP to oversee and carry out an internal audit of its activities. The audit is based on an internal audit plan, which is reviewed each year in consultation with the statutory auditors and approved by the Audit Committee. In line with international practice, the conduct of internal audit is oriented towards the review of internal controls and risks in the Company's operations such as software delivery, accounting and finance, procurement, employee engagement, travel, insurance, IT processes.

Fractal also undergœs periodic audit by specialized third party consultants and professionals for business specific compliances such as quality management, service management, information security, etc. The Audit Committee reviews reports submitted by the management and audit reports submitted by internal auditors and statutory auditors. Suggestions for improvement are considered, and the Audit Committee follows corrective action. The Audit Committee also meets the statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems and keeps the Board of Directors informed of its major observations periodically.