# Builder.ai collapses into insolvency after revenue slashed amid fraud allegations



Builder.ai, once heralded as a cutting-edge technology start-up backed by Microsoft and Qatar’s sovereign wealth fund, has succumbed to insolvency following allegations of financial misconduct and significant mismanagement. Originally touted for its promise to simplify app and website development using artificial intelligence, the company’s aspirations have now been overshadowed by an internal investigation that exposed potentially fraudulent sales practices.

Recent revelations indicated a dramatic revision of financial estimates that would leave Builder.ai's revenues unrecognisable. Provisional accounts showed that the forecast for 2024 revenue plummeted from $220 million to a mere $55 million. Similarly, the reported sales figure for 2023, once pegged at $180 million, descended to approximately $45 million. These drastic cuts prompted the company's lenders to declare a default, ultimately leading to the initiation of insolvency proceedings.

Under the watch of founder Sachin Dev Duggal, who vacated his position as CEO earlier this year but retained a seat on the board, concerns about the company’s financial integrity had begun to mount. Uncollected sales dating back several months raised red flags, prompting Builder.ai’s board to commission a law firm to investigate claims of inflated revenues. Reports suggest an organised effort may have taken place to misrepresent sales figures, particularly involving 'resellers' in the Middle East whose legitimacy has come under scrutiny.

Amid this unfolding crisis, Builder.ai's governance faced considerable instability. The departure of Duggal and Chief Revenue Officer Varghese Cherian, along with escalating financial issues, paved the way for new CEO Manpreet Ratia. Upon taking office, Ratia acknowledged a cascade of existing debts—estimated at $85 million owed to Amazon and $30 million to Microsoft—while confirming that the company’s accounts had been frozen, crippling its ability to meet payroll obligations.

The diminished financial outlook had been coupled with ongoing restructuring efforts, including a notable reduction in workforce, which saw 270 jobs cut. Ratia has emphasised hopes for a turnaround and an orderly wind-down process. Nonetheless, the slashed revenue figures represent a substantial blow not just to Builder.ai’s reputation but also to its stakeholders, many of whom had previously viewed the firm as a high-potential player in the AI landscape.

The implications of Builder.ai’s downfall extend beyond mere financial numbers. Its collapse raises important questions about governance and operational practices within start-ups, particularly those operating in the fast-paced technology sector. Although the company boasted significant backing—over $500 million in funding—it serves as a sobering reminder that financial viability must go hand in hand with ethical practices and accountability.

Compounding the situation is the legal jeopardy surrounding Duggal and other co-founders, who are reportedly entwined in separate criminal cases connected to alleged financial misconduct prior to Builder.ai's turbulence. While Duggal has denied wrongdoing and claimed to be only a witness in investigations involving other ventures, the spectre of legal ramifications could further tarnish the image of a brand once celebrated for its potential to revolutionise app development.

As Builder.ai aims to navigate the complexities of its insolvency, the focus will likely shift toward preserving value for employees and stakeholders, notwithstanding the daunting task ahead. This chapter serves not only as an epitaph for a once-promising venture but also as a crucial lesson within the tech industry about the importance of rigorous oversight and transparency.

### Reference Map

1. Paragraphs 1, 2: Sources [[1]](https://www.ft.com/content/926f4969-fda7-4e78-b106-4888c8704bda), [[2]](https://www.ft.com/content/926f4969-fda7-4e78-b106-4888c8704bda), [[3]](https://www.ft.com/content/9fdb4e2b-93ea-436d-92e5-fa76ee786caa)
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4. Paragraph 5: Sources [[3]](https://www.ft.com/content/9fdb4e2b-93ea-436d-92e5-fa76ee786caa), [[5]](https://inc42.com/buzz/microsoft-backed-builder-ai-cofounders-booked-in-two-separate-criminal-cases/)
5. Paragraph 6: Sources [[5]](https://inc42.com/buzz/microsoft-backed-builder-ai-cofounders-booked-in-two-separate-criminal-cases/), [[7]](https://tech.eu/2025/03/03/builderai-founder-steps-down-as-ceo-but-remains-chief-wizard/)
6. Paragraph 7: Sources [[5]](https://inc42.com/buzz/microsoft-backed-builder-ai-cofounders-booked-in-two-separate-criminal-cases/), [[6]](https://www.builder.ai/newsroom/press/builder-ai-announces-collaboration-with-microsoft-to-democratize-software-development)

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## Bibliography

1. <https://www.ft.com/content/926f4969-fda7-4e78-b106-4888c8704bda> - Please view link - unable to able to access data
2. <https://www.ft.com/content/926f4969-fda7-4e78-b106-4888c8704bda> - Builder.ai, a UK-based tech start-up backed by Microsoft and the Qatar Investment Authority, has collapsed after an internal investigation uncovered potentially fraudulent sales and significantly overstated revenues. Provisional accounts revealed that 2024 revenues were revised down from $220 million to $55 million, and 2023 revenues dropped from $180 million to $45 million. The company's lenders declared a default after these revisions, prompting insolvency proceedings. Founder Sachin Dev Duggal and Chief Revenue Officer Varghese Cherian had already stepped down earlier, though Duggal retained a board seat. The investigation, conducted by a law firm, highlighted questionable revenue recognition practices, including uncollected sales and concerns about the legitimacy of Middle Eastern resellers. It suggested a possible deliberate inflation of revenues. Builder.ai promoted itself as offering AI-powered app development simplicity but was ultimately brought down by financial irregularities and a $50 million loan from tech-focused lenders, who later seized the firm’s cash. The company is now focused on an orderly wind-down process to preserve employee value. Major stakeholders, including Microsoft and various investors, have not commented on the collapse.
3. <https://www.ft.com/content/9fdb4e2b-93ea-436d-92e5-fa76ee786caa> - Builder.ai, a UK-based tech startup backed by Microsoft and Qatar's sovereign wealth fund, has entered insolvency proceedings following financial mismanagement and leadership issues. The company, which once claimed it could simplify app and website development through AI, informed employees of the bankruptcy filing during a company-wide call. The main unit, Engineer.ai Corporation, will appoint an administrator. Problems surfaced when revenues were restated and financial issues linked to previous leadership emerged. Founder Sachin Dev Duggal had stepped down as CEO but retained a role on the board. His past was marred by legal controversies, including an Indian investigation where he claimed to be merely a witness. New CEO Manpreet Ratia revealed that the company defaulted on debts and had its accounts frozen, rendering it unable to meet payroll obligations. Builder.ai had raised funds to stabilize finances but was overwhelmed by debts—$85 million to Amazon and $30 million to Microsoft. A recent internal investigation scrutinized past financial conduct, including questionable accounting practices. Revenue for 2023 was adjusted down to $140 million, and forecasts for late 2024 were reduced by 25%. The collapse impacts prominent investors and signifies the dramatic downfall of a once-promising AI venture.
4. <https://www.ft.com/content/f7b5c14f-bdb0-4ce2-8353-44710ac4536d> - Builder.ai, a Microsoft-backed app-creating tech start-up, has revealed it had to restate its 2023 revenues to $140 million due to issues with resellers in the Middle East not meeting their promises. The company also lowered its forecasted revenue for the second half of 2024 by 25%. New CEO Manpreet Ratia acknowledged past problems under the leadership of founder Sachin Dev Duggal, who stepped down but retains a role on the board. Ratia appointed BDO for the company's first group-level audit for 2023-2027, following scrutiny over previously unverified accounts. Despite reducing its global workforce by 270 people, Ratia remains optimistic about the company's future, focusing on restructuring and enhancing successful ventures.
5. <https://inc42.com/buzz/microsoft-backed-builder-ai-cofounders-booked-in-two-separate-criminal-cases/> - The cofounders of AI-focused startup Builder.ai have reportedly been booked by the Enforcement Directorate in connection with two separate criminal cases. According to Financial Times, cofounder Sachin Dev Duggal has been named as a suspect in an alleged money laundering case, while another cofounder, Saurabh Dhoot, is in the dock in connection with an alleged loan fraud case. At the heart of the fracas involving Duggal is the ED’s money laundering probe into the now bankrupt electronics giant Videocon. In 2022, the agency is said to have issued summons to Duggal to appear before it as a witness in the probe into alleged “unexplained transactions” between his company (not Builder.ai) and Videocon. Court documents accessed by FT revealed that the ED is scrutinizing transactions between 2008 and 2012, suggesting funds transferred from Videocon to a company founded by Duggal in India, which were then allegedly redirected to Videocon’s overseas entities. Builder.ai and CEO Sachin Dev Duggal completely denied the allegations. Duggal has not been named in any FIR, ECIR or Chargesheet and he is not an accused in any criminal proceedings, the company said in a statement.
6. <https://www.builder.ai/newsroom/press/builder-ai-announces-collaboration-with-microsoft-to-democratize-software-development> - Builder.ai, the AI-powered next-generation composable software development platform, announced a strategic collaboration with Microsoft, which includes an equity investment in Builder.ai. The collaboration aims to create AI-powered solutions that empower businesses to develop applications and become digitally native without the need for any technical expertise. The partnership includes integrations across Azure OpenAI Service and other Azure Cognitive Services with Builder.ai’s software assembly line and adoption of the Microsoft Cloud and AI. Native integration of Builder.ai’s Natasha, an AI product manager, within the Microsoft Teams store will enable Microsoft customers to build a prototype of their business applications seamlessly, unlocking access and reach to new customers for Builder.ai.
7. <https://tech.eu/2025/03/03/builderai-founder-steps-down-as-ceo-but-remains-chief-wizard/> - Sachin Dev Duggal, the founder of one of the UK’s highest-valued AI startups backed by Microsoft, has stepped down as CEO of Builder.ai. Duggal, who founded Builder.ai in 2016, will remain on the startup’s board and in his role as chief wizard. He is being replaced as CEO by Manpreet Ratia, a long-standing e-commerce and financial services executive. Builder.ai’s customers include JP Morgan Chase and it has received around $450 million in investment, including funds from Qatar Investment Fund, which led its £200 million Series D in 2023, and Microsoft and SoftBank. The London-based startup has been valued at $1 billion. The startup, which launched in 2016, was founded by Duggal, a colourful character in the startup scene. Builder.ai announced the changes last Thursday but have not been widely reported until now. The Financial Times has previously reported that Duggal's leadership style had led to the high turnover of staff at the startup. In response, lawyers for the startup said that work at Builder.ai was “fast-paced” with employees “encouraged to respond to that environment”. Duggal said: "This evolution marks an exciting new chapter for Builder.ai. After eight years of growth, bringing in fresh perspective and operational excellence is crucial for our next phase. Manpreet's background expertise will help us achieve the perfect balance between innovation and operational efficiency."