# Builder.ai faces bankruptcy amid fraud allegations and fake AI claims



The global start-up sector is once again engulfed in controversy, with Builder.ai, a UK-based firm previously celebrated for its AI-driven app development services, facing grave allegations of financial misconduct. Once viewed as a beacon of innovation in the no-code AI space, the company now stands accused of engaging in fake financial transactions and adopting dubious business practices that threaten its long-term viability. With over $450 million raised in funding, Builder.ai's alleged financial irregularities have raised alarm bells among investors and regulators alike.

The controversy came to light following an investigative report by The Economic Times, which indicated that Builder.ai was embroiled in suspicious billing practices with Indian tech unicorn VerSe Innovation, the parent of popular platforms like Dailyhunt and Josh. Between 2021 and 2024, documents revealed that both companies participated in a cycle of artificially inflating their revenue figures through a practice known as “round-tripping.” This involves transferring funds between two companies to create a facade of growth, consequently misleading investors about actual business activity. If substantiated, such practices could be construed as deliberate fraud, aimed at deceiving investors during critical funding rounds.

VerSe Innovation's co-founder, Umang Bedi, dismissed the accusations as baseless. However, a serious audit from Deloitte, VerSe's own auditors, indicated material weaknesses in internal financial controls that could result in inaccurate reporting. Among these flagged issues was a supplier claim worth ₹35 crore that lacked proper documentation. The absence of clarity from Builder.ai's leadership adds to the scrutiny, as the company has not issued any public commentary regarding these claims, raising concerns over its transparency amid a climate of increasing regulatory oversight and governance challenges in the startup sector.

The scrutiny surrounding Builder.ai coincides with the broader struggles of India’s startup ecosystem, which is grappling with funding shortages, mass layoffs, and heightened regulatory challenges. A venture capital analyst, speaking on the condition of anonymity, observed that the use of round-tripping by well-funded enterprises serves as a stark reminder of the inadequacy of due diligence processes, particularly when such companies are pushing for high valuations.

Beyond financial irregularities, Builder.ai faces accusations of misrepresentation regarding its technological capabilities. The company has marketed its platform as a no-code solution powered by AI, with its assistant "Natasha" touted as an innovative tool enabling users to build apps effortlessly. However, revelations indicate that Natasha was merely a façade, with a team of approximately 700 Indian software engineers manually executing tasks attributed to AI. Bernhard Engelbrecht, founder of Ebern Finance, described the often subpar quality of the apps delivered, undermining Builder.ai's image as a cutting-edge tech leader.

The repercussions of this misrepresentation have been significant. Builder.ai, once valued near $1 billion, is now facing bankruptcy proceedings across multiple jurisdictions, including India and the UK. The company's financial trajectory took a drastic turn when Viola Credit, one of its main creditors, withdrew $37 million, leaving only $5 million in its accounts. Regulatory constraints on international monetary transactions have hamstrung the company's ability to meet its obligations, leading to widespread layoffs and near-total operational standstill.

Established in 2012 by Sachin Dev Duggal, Builder.ai aimed to simplify software development by leveraging automation. Over the years, the company attracted extensive investment from notable entities, even amidst past controversies surrounding Duggal's legal challenges and financial conduct within previous ventures. Despite its achievements, Builder.ai's narrative has shifted profoundly, presenting a cautionary tale for a startup landscape where transparency and ethical governance often seem secondary to rapid growth and inflated valuations.

The implications of the Builder.ai and VerSe Innovation case resonate throughout the entire startup community, highlighting systemic issues that may be present beneath the surface of many high-growth firms. With the ongoing regulatory scrutiny, there remains uncertainty surrounding potential investigations by authorities such as India’s Ministry of Corporate Affairs and the UK’s Financial Conduct Authority, especially given the cross-border nature of the alleged transactions. If found guilty, both Builder.ai and VerSe could face severe penalties, alongside the possibility of criminal charges against executives.

As the situation continues to unfold, the lessons learned from Builder.ai's dramatic rise and fall serve as a stark reminder of the perils of prioritising growth over governance and the essential need for integrity in financial practices. This case underscores a broader call for rigorous oversight and transparency within the fast-evolving tech ecosystem.

## Reference Map:

* Paragraph 1 – [[1]](https://techstory.in/everything-you-need-to-know-about-builder-ais-fake-ai-claims-and-manual-operations/), [[4]](https://www.ft.com/content/11afc46c-b435-489d-a9f1-134ad0c00d25)
* Paragraph 2 – [[1]](https://techstory.in/everything-you-need-to-know-about-builder-ais-fake-ai-claims-and-manual-operations/), [[2]](https://www.ft.com/content/926f4969-fda7-4e78-b106-4888c8704bda), [[5]](https://www.investing.com/news/stock-market-news/builderai-revises-sales-figures-and-initiates-audit--bloomberg-93CH-3958536)
* Paragraph 3 – [[3]](https://www.ft.com/content/f7b5c14f-bdb0-4ce2-8353-44710ac4536d), [[6]](https://www.ft.com/content/26c98590-e8f9-4cd9-83d6-db0d25ad215c)
* Paragraph 4 – [[1]](https://techstory.in/everything-you-need-to-know-about-builder-ais-fake-ai-claims-and-manual-operations/), [[2]](https://www.ft.com/content/926f4969-fda7-4e78-b106-4888c8704bda), [[5]](https://www.investing.com/news/stock-market-news/builderai-revises-sales-figures-and-initiates-audit--bloomberg-93CH-3958536)
* Paragraph 5 – [[1]](https://techstory.in/everything-you-need-to-know-about-builder-ais-fake-ai-claims-and-manual-operations/), [[2]](https://www.ft.com/content/926f4969-fda7-4e78-b106-4888c8704bda), [[3]](https://www.ft.com/content/f7b5c14f-bdb0-4ce2-8353-44710ac4536d)
* Paragraph 6 – [[1]](https://techstory.in/everything-you-need-to-know-about-builder-ais-fake-ai-claims-and-manual-operations/), [[4]](https://www.ft.com/content/11afc46c-b435-489d-a9f1-134ad0c00d25)
* Paragraph 7 – [[1]](https://techstory.in/everything-you-need-to-know-about-builder-ais-fake-ai-claims-and-manual-operations/),
* Paragraph 8 – [[1]](https://techstory.in/everything-you-need-to-know-about-builder-ais-fake-ai-claims-and-manual-operations/), [[6]](https://www.ft.com/content/26c98590-e8f9-4cd9-83d6-db0d25ad215c)

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## Bibliography

1. <https://techstory.in/everything-you-need-to-know-about-builder-ais-fake-ai-claims-and-manual-operations/> - 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 sovereign wealth fund, is facing collapse after an internal investigation uncovered potentially fraudulent sales and massively 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/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.
4. <https://www.ft.com/content/11afc46c-b435-489d-a9f1-134ad0c00d25> - Builder.ai, a UK-based tech start-up, has been making waves with its use of artificial intelligence in app development, securing significant investments from major firms like Microsoft and the Qatar Investment Authority. Founded by Sachin Dev Duggal, the company was recently valued at over $1 billion. However, Duggal's career has been marred by legal disputes and challenges, including charges from Indian authorities related to past business dealings and other allegations of financial misconduct during his time at Nivio, a prior venture. Despite these issues, Builder.ai has continued to attract investment and partners by positioning itself as a leader in AI-driven software development. The company's success is tempered by internal criticisms, such as high staff turnover and disputes over its service quality. Moving forward, Duggal and Builder.ai aim to convert their innovative promise into tangible and reliable business solutions amidst their ongoing legal and operational challenges.
5. <https://www.investing.com/news/stock-market-news/builderai-revises-sales-figures-and-initiates-audit--bloomberg-93CH-3958536> - Builder.ai, a London-based artificial intelligence startup backed by Microsoft Corp and the Qatar Investment Authority, has revised its sales figures downward and has initiated an audit of its accounts from the past two years, according to Bloomberg, citing the company's CEO. This move follows concerns raised by former employees that the company had inflated its sales figures. The company, which has secured over $450 million in funding, reduced its revenue forecasts for the second half of 2024 by approximately 25%. This adjustment was made after certain sales channels failed to materialize, according to the newly appointed CEO, Manpreet Ratia. The company confirmed this adjustment in response to inquiries from Bloomberg News regarding the sales correction. In his first interview as CEO, Ratia stated it was time for the company to reassess its situation and ensure its operations were in order. Builder.ai, which has been in operation for nine years, assists businesses in developing customized apps with minimal or no coding. The company's recent actions highlight the potential risks involved in investing in promising AI startups. Builder.ai had previously garnered investor enthusiasm in the wake of the success of companies like OpenAI and Anthropic. This led to significant funding, including a $250 million financing round in 2023 led by Microsoft and the Qatar Investment Authority. Several former employees, who wished to remain anonymous, claimed that Builder.ai had inflated its sales figures by more than 20% compared to actual bookings on multiple occasions. Ratia suggested that these discrepancies could be due to the discounts offered to customers by Builder.ai. The CEO stated that he was not in a position to declare these figures inaccurate and that the upcoming audit report would provide clarity. The audit is expected to be completed by this summer. When questioned about potential fraud, a company spokesperson stated that Builder.ai has enhanced its internal policies and governance processes to ensure transparency and best practices. The company emphasized that addressing challenges is of utmost importance.
6. <https://www.ft.com/content/26c98590-e8f9-4cd9-83d6-db0d25ad215c> - Builder.ai, a prominent UK technology start-up backed by Microsoft, faces scrutiny over its accounting practices. Notably, it has used auditors with prior links to its founder, Sachin Dev Duggal, raising concerns about potential conflicts of interest. Duggal recently stepped down as CEO but remains on the board. Builder.ai, which specializes in AI-driven app development, has secured about $450 million from investors such as Microsoft and SoftBank. Questions arise from the frequent auditor changes in its subsidiaries and the employment of small audit firms, with connections to previously dubious entities, raising doubts about the robustness of its financial governance. Despite this, the company claims to have adhered to due diligence and stated an ongoing search for a new CFO and improved financial governance structures, including engagement with major audit firms.
7. <https://www.builder.ai/blog/setting-the-record-straight> - In response to the recent article published by the Financial Times, which attempts to cast a shadow on the integrity of our Founder and Chief Wizard Sachin Dev Duggal, it is imperative to address and debunk the narrative presented. As General Counsel, it is not only my responsibility but also my duty to set the record straight, shed light on our preemptive efforts to engage with the Financial Times to correct these inaccuracies prior to publication, and maintain transparency with you, our customers, partners and investors. Firstly, I want to emphatically state that the article is false and defamatory and should never have been published. The article’s insinuation that Sachin is a central figure in a criminal investigation in India, is dangerously misleading. The “criminal probe” described in the article is centered on Videocon (a large and well-known company in India), with Sachin’s involvement being solely in his capacity as a witness, as clearly stated in public documents. The allegations are not just unsubstantiated; they are a gross mischaracterization of the facts. Contrary to the article's implications, neither Sachin nor Builder.ai have been involved in any of the alleged misconduct. Furthermore, Saurabh Dhoot’s affiliation with our company started in late 2018 and ceased in December 2022, long before the period in question, negating any current commercial or financial ties to Saurabh, his family, or their ventures, including Videocon. Post his departure, Saurabh had no role, advisory or otherwise, in the strategic directions we pursued, especially in financial matters such as fundraising activities, including but not limited to the Series D funding availed by Builder.ai. This distinction was highlighted to the Financial Times before the article's publication, yet, disappointingly, not properly reflected. Additionally, the article’s portrayal of Sachin as embroiled in a criminal probe is a distortion of the legal reality. Sachin is not named as a ‘suspect’ in any of the filings or hearings related to the Indian authorities' investigation of the alleged misconducts. Sachin has diligently complied with all requests from the Indian authorities and has followed the guidance of his legal counsel throughout this process. Despite being informed that proper procedure to summon a British National was not followed, the Financial Times misrepresented this fact. While Sachin is ‘named’ in the legal filings, it is imperative to clarify that these filings relate solely to the summons issued for him to appear as a witness in India. Our transparency regarding the historical affiliations and transitions within Builder.ai, especially concerning Saurabh Dhoot, has been absolute. Assertions of covertly altering our website in response to journalistic inquiries are not only baseless but a deliberate misinterpretation of the truth. Our ongoing updates to our digital platforms are part of our commitment to transparency, a fact that was explicitly shared with the Financial Times. Specifically, the Financial Times was informed that changes were made in July 2023, but appear to have conveniently omitted this information. The support from our board, investors, and the Builder.ai community remains strong. This support underscores the confidence in our leadership, Sachin, and our collective vision for Builder.ai's future. We remain committed to our mission, values, and principles of integrity and transparency. For further inquiries or clarifications regarding this matter, please feel free to contact me at legal@builder.ai. Adi Vinyarsh General Counsel, Builder.ai