# Builder.ai collapses under false AI claims and financial mismanagement



Builder.ai, a London-based startup once hailed as a pioneering force in the artificial intelligence landscape, has recently succumbed to insolvency, a fallout that starkly contrasts with its ambitious claims of revolutionising software development. Although the company positioned itself as a leader in no-code solutions, its so-called innovative AI assistant, "Natasha," has been exposed as functionality largely reliant on a substantial team of human engineers based in India. Allegations emerged from Bernhard Engelbrecht, founder of Ebern Finance, asserting that Builder.ai effectively outsourced its programming tasks, routing customer requests to approximately 700 engineers who manually coded applications. Engelbrecht characterised this setup as an elaborate façade, stating, “The entire setup looked like real AI… except it wasn’t.”

The misrepresentation of technology, alongside a series of questionable financial decisions, precipitated Builder.ai's rapid downfall. At its peak, the company had raised around $445 million from high-profile investors, including Microsoft and the Qatar Sovereign Wealth Fund, promising to simplify app development through automation. Yet, as various internal investigations surfaced issues of financial mismanagement, it became clear that the lofty projections—originally touting revenues of $220 million for 2024—were not grounded in reality. Following revisions, projections were slashed drastically, reflecting a revenue adjustment from $180 million to merely $45 million for the last year.

This financial turmoil was exacerbated by a substantial default on a $50 million loan from Viola Credit, which led to the seizure of $37 million from Builder.ai’s accounts. In the wake of this crisis, the company's new CEO, Manpreet Ratia, revealed that not only were debts piling up—$85 million owed to Amazon and $30 million to Microsoft—but also that past leadership had created a troubling backdrop, marked by controversies surrounding founder Sachin Dev Duggal. Although Duggal stepped down as CEO, he retained a position on the board, and his previous legal troubles raised questions about the company's governance.

Moreover, the ramifications of this collapse extend beyond Builder.ai's immediate financial struggles. Phil Brunkard of Info-Tech Research Group remarked on the broader implications for the AI startup ecosystem, suggesting that many ventures in this space have been buoyed by investor confidence that far exceeds the underlying technological capabilities. He emphasised the necessity for proper oversight, stating how the uncritical acceptance of polished marketing often concealed deeper operational weaknesses.

In exploring the reasons behind Builder.ai's decline, it becomes clear that while the promise of “AI-powered” solutions captured the interest of investors, the reality proved to be much less sophisticated. Internal audits indicated not just lax revenue recognition practices but potentially deliberate inflation of sales figures. Cumulatively, these factors have significantly undermined confidence in the company, culminating in its current insolvency proceedings in the UK. As a court-appointed administrator investigates the possibility of recovering assets, the startup's once-promising future now serves as a cautionary tale within the tech industry, highlighting the risks associated with glamourising the allure of AI without validating its substance.

In a communication to its employees, Builder.ai recognised that past decisions had irrevocably hampered its viability, marking a poignant moment for a company that once strived to redefine software development. The broader AI landscape must now grapple with the lessons drawn from this misadventure, urging future firms to balance innovation with integrity and transparency.

## Reference Map:

* Paragraph 1 – [[1]](https://www.cnbctv18.com/technology/how-a-london-based-startups-artificial-ai-gambit-backfired-ws-l-19613692.htm), [[4]](https://www.ft.com/content/926f4969-fda7-4e78-b106-4888c8704bda)
* Paragraph 2 – [[1]](https://www.cnbctv18.com/technology/how-a-london-based-startups-artificial-ai-gambit-backfired-ws-l-19613692.htm), [[2]](https://www.ft.com/content/9fdb4e2b-93ea-436d-92e5-fa76ee786caa), [[3]](https://www.ft.com/content/728ce0ba-9c14-4208-8430-85d033e3b816)
* Paragraph 3 – [[3]](https://www.ft.com/content/728ce0ba-9c14-4208-8430-85d033e3b816), [[6]](https://www.ctol.digital/news/builderai-cuts-2024-revenue-forecast-launches-audit/)
* Paragraph 4 – [[2]](https://www.ft.com/content/9fdb4e2b-93ea-436d-92e5-fa76ee786caa), [[5]](https://www.prnewswire.com/news-releases/builderai-introduces-natasha--the-worlds-first-ai-software-expert-designed-to-help-businesses-order-tailor-made-software-301375504.html)
* Paragraph 5 – [[6]](https://www.ctol.digital/news/builderai-cuts-2024-revenue-forecast-launches-audit/), [[7]](https://www.ctol.digital/news/builder-ai-ceo-steps-down-new-leadership-takes-over/)
* Paragraph 6 – [[1]](https://www.cnbctv18.com/technology/how-a-london-based-startups-artificial-ai-gambit-backfired-ws-l-19613692.htm), [[4]](https://www.ft.com/content/926f4969-fda7-4e78-b106-4888c8704bda)
* Paragraph 7 – [[4]](https://www.ft.com/content/926f4969-fda7-4e78-b106-4888c8704bda), [[6]](https://www.ctol.digital/news/builderai-cuts-2024-revenue-forecast-launches-audit/)

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## Bibliography

1. <https://www.cnbctv18.com/technology/how-a-london-based-startups-artificial-ai-gambit-backfired-ws-l-19613692.htm> - Please view link - unable to able to access data
2. <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 his board role. 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.
3. <https://www.ft.com/content/728ce0ba-9c14-4208-8430-85d033e3b816> - Builder.ai, a once-prominent AI software startup backed by Microsoft and valued at over $1 billion, is undergoing insolvency proceedings due to past decisions and financial mismanagement. Its founder, Sachin Dev Duggal, who recently stepped down as CEO but remains on the board, is exploring options to repurchase the company or its key assets through a pre-packaged insolvency deal requiring an estimated initial $10 million in funding and an additional $25 million to sustain operations. The company, with operations in the UK, US, India, and Singapore, faces complications in any acquisition effort as its intellectual property was pledged to lenders, who recently declared a default on a $50 million loan. An internal investigation uncovered possibly fraudulent sales figures and inflated revenues, undermining previous financial reports. Despite raising over $500 million from major investors like Insight Partners and SoftBank, and receiving a $75 million cash infusion earlier this year, Builder.ai failed to stay afloat. Duggal claims investors were recently prepared to fund the company at a $1.8 billion valuation before its financial collapse. Neither Duggal nor Builder.ai has provided comments on the situation.
4. <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 collapsing 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.
5. <https://www.prnewswire.com/news-releases/builderai-introduces-natasha--the-worlds-first-ai-software-expert-designed-to-help-businesses-order-tailor-made-software-301375504.html> - Builder.ai has launched Natasha, the world's first AI-powered product manager, as part of its Builder Studio 3.0 platform. Natasha aims to simplify the software development process by interacting with customers to translate their ideas into applications, reducing human variability and project timelines. The AI assistant can manage projects in real time, compressing weeks of work into hours and minutes. Natasha utilizes deep learning to recommend features, generate prototypes, and automate coding, aiming to make app development as easy as ordering pizza. The company believes Natasha will revolutionize the software development process by providing a more efficient and predictable approach.
6. <https://www.ctol.digital/news/builderai-cuts-2024-revenue-forecast-launches-audit/> - Builder.ai, a London-based startup, has revised its 2024 revenue forecast down by 25% and initiated an audit following investor concerns. The company attributed the revision to underperformance in certain sales channels. This adjustment has raised red flags among investors, prompting the company to bring in third-party auditors to review financials from the past two years. The timing of this correction is particularly inconvenient, coming just months after a December 2024 data breach that exposed both client and internal records. The reputational damage is already simmering, and this revenue misstep has intensified the scrutiny. The new CEO, Manpreet Ratia, described the adjustment as a sign of transparency, but behind the scenes, Builder.ai is racing to contain the financial, operational, and reputational fallout before its $450 million funding narrative turns into another overhyped AI flameout.
7. <https://www.ctol.digital/news/builder-ai-ceo-steps-down-new-leadership-takes-over/> - Builder.ai, a rising star in the low-code/no-code development market, has entered a new phase of leadership transition. Founder Sachin Dev Duggal has stepped down as Chief Executive, though he will remain on the board under the title 'Chief Wizard.' The company has appointed Manpreet Ratia—a seasoned executive with experience at Amazon and Flipkart—as the new CEO. The leadership change comes amid rapid growth and significant investment for the UK-based startup. Backed by major investors including Microsoft, SoftBank, Qatar Investment Authority, and Insight Partners, Builder.ai has raised $450 million in funding to date. However, challenges such as high staff turnover, service complaints, and operational inefficiencies have also been noted in previous reports. The company’s new leadership strategy aims to improve execution and position itself as a dominant force in the expanding low-code development market.