

When No-Code Became No-Truth: The Rise and Fall of Builder.ai

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By Jessica Huang



The collapse of Builder.ai, a London-based startup once heralded as a \$1.5 billion pioneer in no-code software development, serves as a stark reminder of the perils of unchecked ambition in the tech industry. Founded in 2016 by Sachin Dev Duggal, the company promised to revolutionize app creation with an AI-driven platform that allowed users to build software “as easily as ordering pizza” using an AI assistant named Natasha. Backed by heavyweight investors like Microsoft and the Qatar Investment Authority, Builder.ai raised over \$445 million and positioned itself as a leader in the AI boom. Yet, by May 2025, the company had filed for bankruptcy, its operations crippled by creditor seizures, allegations of fraud, and the revelation that its much-touted AI was largely powered by human engineers.

Builder.ai’s rise was meteoric, fueled by a compelling narrative that resonated in an era obsessed with artificial intelligence. The company marketed itself as a no-code platform where businesses, regardless of technical expertise, could create apps effortlessly. Its AI assistant, Natasha, was pitched as the linchpin, automating complex coding tasks and delivering bespoke software at unprecedented speed. This vision attracted significant capital, including a \$250 million funding round led by the Qatar Investment Authority, which propelled Builder.ai’s valuation to \$1.3 billion, with some estimates reaching \$1.5 billion. Microsoft’s strategic partnership further burnished its credentials, lending the startup an aura of inevitability. *“The biggest loser in this scandal is Qatar Investment Fund who recently gave \$250M in funding to BuilderAi,”* noted Zero Hash Investigators, drawing attention to the scale of investor confidence.

However, beneath the glossy facade, cracks were forming. By May 2025, Builder.ai’s financial health had deteriorated to the point of insolvency. A major lender, Viola Credit, seized \$37 million from the company’s accounts, leaving just \$5 million in restricted funds.

This seizure, reported by Bloomberg, *“effectively paralyz[ed] operations across five countries.”* The company’s cash reserves, once bolstered by hundreds of millions in investment, had dwindled alarmingly. Reports suggest that Builder.ai’s aggressive expansion—spanning offices in London, Los Angeles, Dubai, and Gurugram—contributed to its cash burn. The startup’s decision to maintain a workforce of over 700 engineers, primarily in India, further strained its finances. While such a workforce is not inherently problematic, the company’s reliance on these engineers to deliver what was marketed as AI-driven automation raised questions about its operational integrity.

The most damaging blow came with allegations that Builder.ai’s AI was a mirage. Multiple sources, including Business Standard and The Financial Express, reported that the company’s platform was not powered by advanced AI but by *“700 Indian engineers, pretending to be AI bots.”* This revelation, which surfaced in May 2025, shattered the company’s core value proposition. For eight years, Builder.ai had allegedly passed off human-written code as AI-generated, a practice that misled investors, clients, and partners. *“Financial investigators say company’s Indian founders posted fake revenues to secure fundings,”* stated a post from SouthAsiaIndex, highlighting additional claims of financial misrepresentation. The exposure of these practices triggered a cascade of consequences: global layoffs, regulatory scrutiny in multiple jurisdictions, and a loss of trust that proved fatal.

Builder.ai’s misrepresentation of its technology was not an isolated incident but part of a broader pattern of embellishment. Reports from The Indian Express detailed allegations of *“sham deals”* between Builder.ai and Verse Innovation, the parent company of DailyHunt. These transactions, described as attempts to *“artificially inflate their respective valuations,”* involved Verse claiming Builder.ai owed it \$150 million, while Builder.ai countered that Verse owed it \$250 million. Such maneuvers, whether substantiated or not, painted a picture of a company desperate to maintain its unicorn status. The Financial Times noted that Builder.ai’s collapse was *“the largest AI company to collapse since ChatGPT’s launch started a global investment frenzy,”* bringing into sharp focus the stakes in an industry where valuations often outpace fundamentals.

The role of investors in Builder.ai’s saga cannot be overlooked. The startup’s ability to raise over \$445 million suggests a willingness among venture capitalists to bet on hype rather than substance. The Next Web described this as *“FOMO investing,”* where fear of missing out on the next big thing drove irrational exuberance. *“Builder.ai expressed gratitude to its team and stakeholders in the statement, but acknowledged that past missteps had pushed the company beyond recovery,”* reported Yahoo Finance, hinting at internal recognition of these missteps. Yet, investors like Microsoft and the Qatar Investment Authority, while undoubtedly diligent, appeared swayed by Builder.ai’s polished pitch. The promise of a no-code AI platform was seductive in a market clamoring for accessible software solutions, but the failure to scrutinize the technology’s authenticity proved costly.

The human cost of Builder.ai's collapse is equally sobering. The company's 700-strong engineering team, predominantly based in India, bore the brunt of its downfall. These engineers, hired to perform tasks marketed as AI-driven, were not the architects of the deception but its unwitting enablers. Their expertise, while misrepresented, was critical to delivering the platform's functionality. The revelation that their work was passed off as AI-generated likely stung, compounding the uncertainty of layoffs. *"This practice, which went on for eight years, came to light in May 2025, triggering a rapid collapse of the company,"* noted The Express Tribune, emphasizing the speed with which the scandal unraveled lives and livelihoods.

Builder.ai's story also raises uncomfortable questions about cultural biases in the tech industry. Several X posts, including one from Breitbart News, framed the company as *"just another Indian scam company,"* a characterization that risks oversimplifying a complex failure. While allegations of fraud and misrepresentation are serious, reducing Builder.ai's collapse to a stereotype ignores the global context of its operations and the complicity of international investors. The startup's Indian engineers were not the problem; rather, it was the company's leadership that chose to misrepresent their contributions. Such narratives, if unchecked, could unfairly taint the reputation of India's tech workforce, which remains a global powerhouse.

The regulatory fallout from Builder.ai's collapse is still unfolding. Investigations in multiple jurisdictions are probing the company's claims of AI automation, overstated revenues, and unpaid debts. These inquiries will likely shape how AI startups are vetted in the future, particularly those claiming to democratize technology. The Register reported that Builder.ai's insolvency proceedings began as early as May 21, 2025, signaling the depth of its financial distress. For regulators, the challenge lies in balancing innovation with accountability, ensuring that startups can experiment without resorting to deception.

What lessons can be drawn from Builder.ai's implosion? First, it refocuses attention on the importance of transparency in AI development. Companies must clearly delineate between human and machine contributions, especially when marketing to non-technical audiences. Second, it highlights the need for rigorous due diligence by investors. The allure of AI should not override the necessity of verifying claims, particularly when billions are at stake. Third, it serves as a warning to startups about the dangers of overexpansion. Builder.ai's global footprint, while ambitious, outstripped its financial capacity, leaving it vulnerable to creditor actions.

For the tech industry, Builder.ai's collapse is a moment of reckoning. The AI boom, sparked by tools like ChatGPT, has created a gold-rush mentality, where valuations soar on promises rather than products. Yet, as The Financial Express observed, *"By May 2025, it has gone bankrupt,"* a blunt reminder that hype is no substitute for substance. Builder.ai's vision of democratizing software development was noble, but its execution was fatally flawed. The

company's statement, as quoted by Yahoo Finance, acknowledged "*past missteps*" but offered little solace to those affected by its failure.

Once the controversy fades, Builder.ai's legacy will probably stand as a lesson in caution rather than a beacon of innovation. Its collapse is not an indictment of AI or no-code platforms but a call to build and develop with integrity. The tech industry thrives on bold ideas, but those ideas must be grounded in reality. For entrepreneurs, investors, and regulators alike, Builder.ai's fall is a sobering lesson: in the race to innovate, truth must not be left behind.

With reporting by The Financial Times, The Indian Express and Yahoo Finance.

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