

WINSOME DIAMONDS AND JEWELLERY LTD

(Formerly Known as Su-Raj Diamonds and Jewellery Ltd.)

**Administrative Office:**

906/907/908, 9th Floor, The Plaza,
Near Dharam Palace, 55, Gamdevi,
Grant Road, Mumbai – 400 007.

Phone : (91-22) 4920 0300

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11th February, 2014

The Manager
Listing Department
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, C-1, Block – G
Bandra-Kurla Complex
Bandra (East)
Mumbai – 400 051

Dear Sir,

SYMBOL : WINSOMEDJ
SERIES : EQ

Sub: Information in connection with notice served against defamatory article published by International Diamond Exchange on www.idexonline.com authored by Mr. Edahn Golan

Under the captioned subject, please find enclosed herewith the notice served for remedial actions by our Lawyers, Economic Law Practice (ELP) on behalf of the Company against defamatory article titled WINSOME, LOSE SOME appeared on website www.idexonline.com on January 16, 2014 authored by Mr. Edahn Golan.

This is for the information of Shareholders. Kindly acknowledge the receipt.

Thanking you.

Yours faithfully,

For **WINSOME DIAMONDS AND JEWELLERY LIMITED**



ASISH NARAYAN
COMPANY SECRETARY

Encl: 1. Notice served by the Company against the defamatory article;
2. Defamatory Article appeared on www.idexonline.com

ELP/VSN/RM/470/2014

6th February, 2014

To,

1. Edahn Golan

eg@edahngolan.comEdahn.golan@idexonline.com<http://edahn.com/>

2. International Diamond Exchange

EC 2, Ground Floor, Tower E, Centre Core,
G Block, Bharat Diamond Bourse, Bandra Kurla Complex,
Bandra (E), Mumbai - 400051, Maharashtra, India
magazine@idexonline.com

Sirs,

Re: Defamatory article titled "WINSOME, LOSE SOME" ('Article') authored by Mr. Edahn Golan and published by International Diamond Exchange on www.idexonline.com

We are concerned for our clients, Winsome Diamonds & Jewellery Limited ('Winsome') of Mumbai, India and are instructed to write to you, Mr. Edahn Golan ("Golan"), as the author of the article as stated and also this letter is addressed to International Diamond Exchange ('IDEX'), which assisted Golan with the defamatory publication of the article as set out in this letter.

Brief Factual Background

1. Winsome was incorporated in India on 10th September 1985 as a public limited company under the name of 'Su-raj Diamond (India) Limited'. On 31st October 2001 the company changed its name to Su-raj Diamonds and Jewellery Limited. Further the name of the company was changed to Winsome. The Company offered shares to the public in the year 1986 and was the first company in the diamond industry in India to do so.
2. Winsome has been a distinguished entity in the industry in India and has been an industry leader in terms of its professional approach.

The Article

3. Winsome has come across the captioned article dated 16th January 2014, as recent as 20th January, 2014, as the same was brought to its notice by one of its well wishers in the trade that the same was published over the internet on the website www.idexonline.com. The said article title 'Winsome Lose Some' is grossly and maliciously defamatory for the reasons set out below.

4. It is evidently clear that Golan as the author of the article and Idex as the publisher of the article are jointly and severally liable to our client for the defamatory statements and accordingly liable for prosecution as well as for damages.
5. In addition to civil liability for damages we consider that Golan and Idex (its individual owners/directors/managers) are liable for criminal defamation under Section 500 and 501 of the Indian Penal Code, 1860 for defamation and printing defamatory material with the intent to injure and cause loss and damage to our clients. It is also pertinent to note that as the article was published online, the same was viewed all over the world by the persons in the diamond industry, Our clients reserve their rights to take such other action as they as may be advised in respective jurisdictions.
6. Our clients state that the said article is false and published with malicious intentions to injure our client's reputation without just cause or excuse as is evident from the following parts of the said article, which without being exhaustive, are defamatory in nature when read either individually or collectively:
 - (a) The heading of the said article "*Winsome Lose Some*" read in the context of the contents of the said article is defamatory;
 - (b) The reference in the said article to our clients having "*...successfully rubbed many people in the diamond industry up the wrong way...*" is wholly false and malicious as it suggests that our clients have offended other parties through its alleged fraudulent and deceptive business practice in the diamond industry, which has been written without due and proper verification of the truth;
 - (c) The reference in the said article to the formation of a Florida based company called Gemesis formed by the "*family*" and said to be a standout maker of lab grown diamonds is not only false but also mischievous and misleading;
 - (d) Our clients have nothing to do with Gemesis. Our clients do not make or deal or trade in lab grown diamonds. Without verifying these facts, you have with malicious intent, unwantedly drawn us into the controversy about whether lab made (grown) diamonds are like earth mined diamonds or what are popularly known in the market as natural diamonds. By dragging our client's name into this controversy, you have, without justification, caused serious prejudice to our client's ability to conduct its business and trade.
 - (e) The reference to an article by Chaim Even Zohar in July 2012 and connecting our clients with the same in January 2014 is again misleading with a view to disparage and degrade our clients inasmuch our clients have nothing to do with lab made diamonds and therefore, the question of selling a parcel of more than 600 lab made diamonds as natural diamonds does not arise at all. Although our clients were not aware of the article written by Chaim until our clients read your

article, we must however, record a relevant fact that Mr. Jatin Mehta as the Non-executive Director on Board of our clients had in July 2012 indicated that certain lobby of diamond businessmen had falsely prosecuted him in connection with lab grown diamonds and therefore, he desired to step down so as not to affect our client's business, which did not and does not deal with lab grown diamonds. Having made his intentions clear in July 2012, Mr. Jatin Mehta, finally and formally resigned from the Board of Directors of our client's company in November, 2012. You were duty bound to verify all these facts before making reckless statements in the captioned article.

- (f) The assertion in the said article *"...innocent traders might have been inadvertently involved in fraud – selling one product as another, misleading their clients against their better intentions"* and the further assertion that *"Retailers must have wondered about the product they sold"* is an innuendo loaded with malice and malafides seeking to create a doubt in our client's customers about the bonafides of their business without just cause or excuse and without ascertaining the true facts from our clients and otherwise. So also the assertion to the effect *"Were there any retailers which bought diamond-set jewellery from the company's jewellery firm and wondered if they were set with low cost lab-made goods instead of full priced natural diamonds? It would not surprise me at all. The legal implications of selling consumers mislabeled jewellery are horrendous"* in the captioned article is false and misleading for the same reasons as aforesaid, which has shaken the confidence of people desirous of doing business with our clients. As a matter of fact, for the sake of good record, in the last more than three decades, no complaint has at all been made by any customer regarding *"mislabeled jewellery"* sold by our clients. It would also be pertinent to note that there have been no claims ever against our clients or its erstwhile subsidiaries in New York or in Antwerp for misrepresentation of any sort.
7. The second part of the said article, referred to as the *"next stage of this saga"* deals with the defaults made by our client's foreign buyers in making payments against exports of gold jewellery by our clients to them. Our client's default is consequential to the defaults by the foreign buyers. By calling our client's defaults *"a shameful act"* and by using the word *"Bullshit"* against our client's claim that they have been victims of the circumstances, you have degraded, ridiculed and disparaged our client's fair name and reputation without ascertaining and/or verifying the true and correct facts. Besides, this case is under investigation and by the said article, you have attempted to influence the investigation causing serious prejudice to our client. Our client states that you have deliberately and mischievously painted a case of genuine business loss as *"fraud"*. Although our clients do not owe any explanation to you, to bring out the falsity of your said article, please note that our clients have effectively defended themselves by replying to the notice of willful defaulter issued by the banks. Our clients at all times kept all the banks fully informed about all the transactions. Our clients have been dealing with the customers for several years and have been totally transparent with its dealings with the banks. The banks are holding Dunn and Bradstreet Reports given by our client. The representatives of the banks have also met with the buyers in May 2013, the buyers have been making payments from time to time. All these and many other facts which you ought to have verified before embarking on a vilification campaign against our clients

show that there is no truth whatsoever in the entire said article and therefore, you have by the defamatory statements made in the said article rendered yourself liable for payment of damages to our clients.

Effects of the defamatory article

8. Following the publication of the article, Winsome has received numerous calls and enquiries from clients, customers, trade associates and other third parties expressing serious concerns about the allegations in the article and enquiring as to their basis and truthfulness. This has adversely affected our client's brand and trading reputation and its commercial dealings. The said article is widely accessible online and therefore caused huge damage to our clients's reputation and trading interests worldwide.
9. In the circumstances, Golan as author and Idex as the online publisher are jointly and severally liable to our client for damages for defamation.
10. Our client hereby calls upon both Golan and Idex, jointly and severally, to:
 - a. Tender an immediate full and unconditional apology in writing to our client for the defamatory content of the article, with such apology to be in a form to be approved by our client;
 - b. Immediately remove the article from the webpage and other online sources in which it appears;
 - c. Publish at the earliest juncture an article by way of remedial clarification of the defamatory publication in a similar and prominent manner on the Idex website;
 - d. Cease and desist from publishing any further false and defamatory material concerning Winsome.
11. Our client considers that Golan and Idex, jointly and severally are liable to Winsome in damages for defamation in the sum of Indian Rupees Four Hundred Crores together with criminal consequences flowing from publication of the article. If the remedial steps referred to in paragraph 9 above are instituted forthwith our client will take this into account in deciding whether to sue for damages and in fixing the amount of its claim.
12. In any event, our client reserves the right to initiate proper action, civil and/or criminal as our client may be advised against your client for the defamatory article referred to above.

Yours truly,
Economic Laws Practice

Partner

memo

< THURSDAY, JANUARY 16TH, 2014, EDHNN GOLAN >



Winsome, Lose Some

Winsome Diamonds has successfully rubbed many people in the diamond industry up the wrong way. That is no easy accomplishment; however in some circles, namely the rough trading, manufacturing and wholesale sections of the diamond pipeline, meeting some basic ground rules are so important that it is very rare that someone breaches them. When these rules are breached, the response is harsh. Winsome, formerly known as Su-Raj, was considered for many years to be a very

innovative company. A leading company. One of the first companies in India's diamond industry to go public, the firm was a large diamond polisher and jewelry manufacturer. A few years ago, the family that formed the company bought in stages Florida-based Gemesis, a standout maker of lab-grown diamonds. It is not clear to anyone where and how it started, but the years of prosperity hit a snag.

In July 2012, Chaim Even Zohar named Winsome as the company allegedly behind selling a parcel of more than 600 lab-made diamonds as natural diamonds. The case raised a storm in the industry and serious concerns that some goods traded as natural may have actually been lab-made diamonds.

This was source of concern, the point when folks in the industry started to get extremely annoyed. One of the issues this created was that innocent traders might have been inadvertently involved in fraud – selling one product as another, misleading their clients against their better intentions. Retailers must have wondered about the product they sold.

Were there any retailers which bought diamond-set jewelry from the company's jewelry firm and wondered if they were set with low-cost lab-made goods instead of full priced natural diamonds? It would not surprise me at all. The legal implications of selling consumers mislabeled jewelry are horrendous.

The next stage of this saga was defaulting on more than \$1 billion of bank financing. A number of banks which are owed money turned to the Gem & Jewellery Promotion Council (GJEPC), the umbrella organization of India's diamond industry, seeking advice, if not outright help. According to a source at the GJEPC, they pressured the banks to pursue legal steps against the company and its principal, Jatin Mehta. The source called these defaults "a shameful act."

The banks want Winsome and its sister company Forever Precious Jewellery to be declared "wilful defaulters," defined as a borrower that is able but unwilling to pay, according to the Indian press. The banks, according to this, have information that the money was not lost by Winsome. They believe that the company has the money and simply refuses to pay back its debts. That is a very serious accusation.

Many in the diamond industry call the company's owners 'frauds' for allegedly taking the billion dollars and leaving India for Singapore. Were they fleeing justice? The company claimed that they fell victim to clients not paying them. To this, an insider responded with a single word: "Bullshit." It is a harsh word, especially uttered by this otherwise very calm and polite gentleman.

Everyone Stands to Lose

Several banks lost a lot of money and naturally the bankers who feel duped are likely very unhappy. Their reputation is also on the line. It will cost them and in turn will cost the diamond industry, which has now lost some more of the dwindling trust banks have in the diamond industry. The lost money, the resulting shrinking credit to the industry, the constant concerns over the possibility that undisclosed lab-made goods are mixed with natural diamonds, the worries that jewelry coming from India may contain lab-made diamonds, investors that bought Su-Raj/Winsome shares played, the good faith, suspicious consumers, even tax payer money – together, all this amounts to colossal harm.

There are two additional aspects to this story. Many in the diamond industry are wondering why anyone is continuing to do business with this group of companies. They view this as a form of tacit support if not actual encouragement, which many feel should not be provided.

The other point is pure cynicism: The Gemesis website calls their lab-made goods "conflict free." As opposed to naturals? Are they implying that natural diamonds are conflict riddled? There are plenty of issues associated with mining diamonds, but a blanket allegation against everyone is obnoxious and patently inaccurate. Attacking natural diamonds, on a moral basis, by a company whose very integrity is being called into question is low. And less than credible.

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