

The Indian Carpet Industry: Past and Future

Amrit Jolly

IB Diploma Programme, The Shri Ram School, Mouslari,
Gurugram, India

amritjolly2009@gmail.com

DOI: 10.26821/ijsrc.14.10.2026.141002

ABSTRACT

This paper examines the transformation of the Indian carpet industry from a wholesaler-dominated export trade into a more direct, technology-enabled, and diversified manufacturing sector. It traces the successive effects of direct sourcing by large retailers, specialist luxury and custom retailing, and e-commerce on distribution channels, pricing, and production. The discussion considers how price pressure has influenced knot density and manufacturing choices, while changing labor preferences and ethical certification have encouraged a shift from household weaving toward organized factories. It also examines developments in computer-aided design, automated weaving, robotic tufting, digital printing, contract manufacturing, and broadloom production. The paper then considers the disruption associated with the 2025 United States tariff increase and the risks of dependence on a single export market. Drawing on these trends, it outlines a qualitative forecast through the mid-2040s, emphasizing export-market diversification, domestic demand, automation, sustainability requirements, and growth in commercial and custom segments. It concludes that the industry's future will depend on adapting its market mix and production systems while retaining skills that distinguish premium handmade carpets.

Keywords: Indian carpet industry, disintermediation, e-commerce, automation, export diversification, domestic demand

1. INTRODUCTION

India's Carpet industry is sitting at an unusual crossroad. While being one of the country's oldest artisanal trades, rooted in traditional weaving centres like Bhadohi, Mirzapur, Panipat, and Srinagar, and being one of the most globally exposed export sectors with almost 85 to 90% of the total carpet production being exported abroad [1], over the past four decades, the Carpet industry has reshaped not because of changes happening within the industry, but because of how the Overseas world buys floor coverings. In the past, an industry which was entirely dependent upon wholesalers and intermediaries, who would buy the Rugs from India and then sell to the business, now due to technology lets buyers contact factories directly causing price pressure that forces the manufacturers to keep back tracking in quality with respect to knot counts while making forays into advanced machinery. This paper studies the transformation that has happened from a wholesaler dominated export business in the 1980s to how

technology-based sourcing and E-Commerce revolutions, coupled with the industry's current crisis following the 2025 United States tariff increase are re-shaping the industry. Using this background, this Paper aims to project what the next 20 years may hold for the Indian carpet manufacturing in both export and domestic markets.

2. WEAVING FOR THE WORLD: THE WHOLESALE-DRIVEN 1990S

When the Carpet Export Promotion Council (CEPC) was established in 1982 and the Export Promotion Council for Handicrafts (EPCH) followed in 1986-87, India's post-liberalization export institutions were built around a simple structure: Indian manufacturers sold in bulk to large overseas wholesalers, based mainly in Germany, the United Kingdom, and the United States, who then acted like distribution centres to independent retailers, department stores, and to the big-box chains. These wholesalers existed because of information and logistics gaps: American

and European retailers had no reliable way to vet a Bhadohi or Panipat factory directly, no easy means of tracking shipments, and no infrastructure for coordination of production or design changes across a twelve-hour time difference. Wholesalers absorbed this risk and complexity themselves; “Nourison”, for instance, was founded in New York in 1980 by the Peykar brothers specifically as an importer and wholesaler of hand-knotted carpets. For Indian exporters, the wholesale model meant large, standardized orders and relatively little direct contact with the end retailer or the consumer, since quality standards, colours, and sizes were largely set by wholesaler catalogues. This period cemented India's reputation as the world's leading hand-knotted carpet producer, a position it has not relinquished since.

3. CUTTING OUT THE MIDDLEMAN: BIG-BOX RETAILERS AND THE FALL OF THE WHOLESALER

The late 1990s brought the first real disruption to this arrangement. As large American retailers, discount and home-improvement chains among them, scaled up their sourcing, they began bypassing wholesalers to negotiate directly with Indian manufacturers. Buying in containerloads secured lower per-unit prices than a wholesaler-intermediated purchase would allow, while giving retailers direct control over specification and private-label branding. Improvements in telecommunications technology like fax and email, through the 1990s and 2000s accelerated the shift, and later digital photography of samples, let a retail buyer review a factory's designs and place an order without a wholesaler as intermediary. Wholesalers had built their business on being India's sole connection to Western retail found their margins getting compressed from both directions, by retailers who no longer needed them and by Indian manufacturers who started travelling and making contacts with such buyers directly. Some historic wholesale houses folded or were absorbed while others, including Nourison [15] and Surya, restructured into vertically integrated import-and-distribution companies that could still add value through design, warehousing, and retailer relationships rather than pure trade intermediation. This is a recurring pattern in the industry's history, as mediators decrease, it forces surviving wholesalers to reposition themselves further up the value chain, toward design, financing, or logistics, rather than simple resale.

4. THE CUSTOM AND LUXURY TURN: SPECIALIST DIRECT RETAILERS

A parallel development, concentrated at the top of the market, was the emergence of specialist retailers who sourced directly from India to serve interior designers and high-end residential and hospitality clients. Firms such as The Rug Company in the United Kingdom and Stark in the United States built businesses around custom sizing, bespoke colourways, and designer collaborations, getting hand knotted and hand tufted rugs manufactured directly from Indian workshops rather than buying from wholesale stock. This made to order segment behaved differently from the mass trade where order volumes were smaller, lead times longer, and margins considerably higher, because the customer was paying for exclusivity rather than a commodity floor covering. For manufacturers capable of meeting design led, low volume specifications, this created a valuable counterweight to commoditized big box business, and it is one reason why the luxury and custom segment in India's carpet industry is growing alongside machine production rather than being crowded out by it. [2].

5. THE ECOMMERCE DISRUPTION

The rise of Ecommerce from the mid-2000s onward was, by most industry accounts, a bigger structural shock than the earlier move to direct retail sourcing, because it altered not just who bought from India but how the end consumer bought a rug at all. Online marketplaces and rug-specific e-tailers gave consumers access to thousands of listings with no physical showroom, undermining the traditional independent specialty rug retailer, whose value proposition, a curated in-person selection, stopped being scarce. Industry reporting on the U.S. area rug market notes that independent and department-store-based retail, once dominant, has been largely displaced, and that more than 90 percent of what now sells through e-commerce sits at the low end of the price range [3]. Not every legacy wholesaler survived this transition equally well. Companies that invested early in digital catalogues and fast fulfilment like Nourison and Rugs USA, converted existing India based sourcing relationships into Ecommerce strength, while firms still dependent on showrooms and department stores lost ground. For Indian manufacturers, Ecommerce further shortened

the distance to the end market: platforms such as Etsy or Amazon's global selling program now let smaller Indian exporters reach individual overseas households directly, a channel credited with helping more than two million India based weavers and micro exporters reach global demand [2]. At the same time, Ecommerce entrenched the downward price pressure that had already begun with big box sourcing, since online price comparison made it harder for any single seller to hold a premium.

6. FLAT PRICES, FALLING KNOT COUNTS: THE QUALITY TRADE-OFF

A consistent pattern across these shifts, wholesaler to big box and big box to Ecommerce, has been that the average price an overseas buyer is willing to pay for a rug has stayed remarkably stable even as production costs have risen. Because manufacturers could not simply raise prices to match rising labour, wool, and transportation costs, the primary lever available to preserve margins was to reduce the material and labour embedded in each carpet. The clearest evidence of this is the knot count. In the 1990s, high end hand knotted rugs commonly carried knot counts such as 14/14, or roughly 196 knots per square inch while today, a density around 8/8, or about 64 knots per square inch, is often marketed as a premium product. This roughly two thirds reduction in knot density over three decades reflects both a real fall in achievable retail prices at the high end and a shift in consumer expectation, as buyers who once treated a rug as an heirloom purchase increasingly treat it as a short-lived furnishing item, a change the flooring industry has explicitly noted in recent trade coverage [3]. The same price compression pushed manufacturers towards machine assisted finishing, printing, and tufting techniques described below, since these methods replicate a hand knotted look at a fraction of the labour cost, trading visual similarity for durability, density, and craft value.

7. FROM COTTAGE TO FACTORY: THE CHANGING WORKFORCE

The industry's labour base has changed as significantly as its distribution channels. Hand knotted carpet weaving was traditionally a home-based, piece rate craft. A family or small group of weavers working a loom in their own house would be paid per square foot of finished carpet. Over the past two decades this model has come under pressure

from two directions. First, organized manufacturing, factories with fixed shifts and fixed monthly wages, has drawn workers who increasingly view salaried factory work as more prestigious and predictable than home based weaving, even when piece rate income is comparable. Kashmir's carpet belt captures this starkly where master weavers earning roughly five dollars a day have watched younger workers leave for other blue collar and service jobs, shrinking the region's carpet workforce to an estimated 30,000 [4]. Second, ethical sourcing certification, most notably GoodWeave, which grew out of the RugMark initiative founded in 1994, has formalized the industry's labour practices, reducing estimated child labour in South Asia's carpet trade from roughly a million children to about a quarter of that figure, while raising the compliance costs of running a traditional, difficult to audit home based workshop network [5]. The net effect has been to push production toward audited, centralized factories that can demonstrate compliance with certifications such as GoodWeave, GOTS, RWS, and SA8000 [6]. Cottage industry weaving persists, particularly for high-end hand knotted product, but the industry's centre of gravity has moved toward organized, factory-based, capital intensive production.

8. LOOMS, PRINTERS, AND ROBOTS: THE TECHNOLOGY SHIFT

Technology has reshaped nearly every stage of Indian carpet production apart from the actual knotting of a genuinely hand knotted rug, which remains manual by definition. Computer aided design (CAD) software has largely replaced the hand painted graph paper pattern, once produced by trained design artists, letting manufacturers generate and modify patterns instantly. On the production side, hubs such as Panipat have shifted decisively from hand production toward machine made output. European equipment manufacturers, particularly the Belgium based Van de Wiele group, through its Van de Wiele, Bonas, and Cobble brands, and Switzerland's Stäubli, now supply much of the high-speed weaving and tufting machinery used across Indian carpet clusters, with Indian buyers reportedly increasing purchases of European weaving equipment substantially over the past decade and a half [7]. Within tufting specifically, technology has advanced from manual tufting guns to semi-automated machines and, most recently, to robotic or "robo-tufting" systems capable of reproducing complex, hand-tufted style patterns at industrial

speed. Finishing and surface design technology has moved just as fast. Chromojet carpet printing machines, along with sublimation and direct to rug digital printers, let manufacturers apply intricate, photorealistic patterns to a machine made base without any hand knotting at all, closing much of the visual, though not the durability or knot density, gap with handmade product. The practical result is that an increasing share of what sells as a rug, in Western markets and increasingly in urban India, is produced through some combination of automated weaving, robo-tufting, and digital surface printing, with human labour concentrated in finishing, quality control, and the bespoke top tier of the market.

9. DIVERSIFICATION: CONTRACT MANUFACTURING AND BROADLOOM

As the traditional retail rug business became more price competitive, many Indian manufacturers diversified into adjacent categories with steadier margins. Contract manufacturing for hospitality and commercial real estate, custom carpeting for hotel chains, corporate offices, and large developments in India and abroad, has become a meaningful revenue stream as India's own construction pipeline has expanded [8]. This segment is driven by architects and project specifications rather than end consumer taste, giving manufacturers longer sales cycles but larger, more predictable order volumes. A related shift has been the move by several traditional handmade rug producers into broadloom, continuous rolls of carpet cut to size on-site, which serves wall-to-wall needs far more efficiently than individually finished rugs can. Both moves reflect the same strategy: rather than compete purely on price in the commoditized area-rug market, manufacturers have sought contract and specification driven business where design credentials, certification, and delivery reliability matter more than unit cost, a segment the industry's own trend data show growing faster than the traditional residential rug segment [2].

10. THE PRESENT CRISIS: TARIFFS AND A RECKONING, 2025-26

Any assessment of the industry's trajectory has to reckon with the disruption of 2025-26, which may

prove as significant as the shift to Ecommerce two decades earlier. After a series of escalating measures through the spring of 2025, the United States imposed a 50 percent tariff on a range of Indian goods, including carpets, textiles, and handicrafts, effective from late August 2025 [9], [10]. Because the United States is by a wide margin India's largest carpet export market, accounting for roughly 59 percent of total Indian carpet exports in fiscal year 2024-25, or about \$921 million, the tariff had an almost immediate effect [1]. Exporters in Bhadohi reported that shipments to the U.S. nearly stopped within weeks, and CEPC representatives estimated that the livelihoods of some 1.3 million people connected to the carpet trade across Uttar Pradesh, Bihar, West Bengal, and Jammu and Kashmir were directly affected [9], [11]. Analysts at Crisil Ratings flagged carpets, alongside home textiles, diamonds, and shrimp, as among the categories most exposed, given that 60 to 75 percent of industry revenue is tied to foreign sales [10]. By mid 2026, U.S. trade data confirmed the damage, rug imports and consumption both fell, and the overall U.S. area rug market contracted roughly 8 percent for the year, with importers citing tariff driven caution [3]. Competing exporters in Turkey and Pakistan, facing comparatively lower U.S. tariff rates, were positioned to absorb some of the lost American demand, a threat industry veterans described as unprecedented in decades [3], [12]. Even major U.S. importers with longstanding India ties, such as Nourison, described actively diversifying sourcing away from single country dependence [3]. This episode has forced a debate the previous three decades of disintermediation never quite provoked - whether continued dependence on the U.S. as a single dominant export market is itself a structural risk the industry needs to design around.

11. EXPORT TREND AT A GLANCE

The following figures, compiled from IBEF [16] and government linked trade sources, illustrate the volatility of the export led hand knotted segment over the past several years, and the scale of the disruption the 2025 tariff represents relative to prior projections.

Table 1. Indian handmade carpet export trend

Fiscal Year	Handmade Carpet Exports (US\$ Billion)	Note
FY 2019	1.766	Pre-pandemic baseline
FY 2020	1.666	COVID-19 disruption
FY 2021	1.869	Post-pandemic rebound
FY 2022	2.233	Record growth; USA ~59% of total
FY 2023	1.366	Oversupply in FY22 caused a fall
FY 2024	1.395	Getting stable
FY 2025	1.541	Moderate growth
FY 2026	1.459	Tariff Disruption

Note: figures track carpet exports as reported by IBEF [16]; this includes the broader HS code category of all carpets and textile floor coverings (including machine made product).

12. THE NEXT TWENTY YEARS: A FORECAST

Extending these trends forward, several developments seem likely to define the Indian carpet industry through the mid-2040s.

First, export markets will diversify, deliberately and by necessity. With the U.S. share of Indian carpet exports newly exposed as a vulnerability, CEPC and individual exporters are already pursuing buyer relationships in the European Union, the Middle East, and East Asia, and establishing warehousing in markets such as China to shorten the distance to alternative buyers [12]. A 50 percent U.S. tariff, even if renegotiated downward over time, will likely leave a lasting institutional memory that pushes the industry toward a more balanced set of export markets, rather than a return to the pre-2025 concentration on the U.S.

Second, the domestic Indian market will become a materially larger share of total industry output than ever before. India's own carpets and rugs market is projected by multiple analysts to grow at high single digit to double digit compound annual rates through the early 2030s, driven by urbanization, a rising middle class, and the growing role of professional interior design [13], [2]. For manufacturers who have spent three decades building an export first business, this is a genuine strategic pivot, and possibly a hedge

against the kind of shock the industry experienced in 2025-26.

Third, automation will keep compressing the labour share of production cost, even as India's comparative advantage in hand knotted and hand tufted work is preserved at the premium end. Robo-tufting, digital printing, and increasingly capable weaving machinery will keep expanding what a machine made product can convincingly imitate, further squeezing the mid-market where most of the historical erosion in knot density has occurred. The workforce implication is a continued shift toward a smaller, more skilled, factory based population, a transition that, if unmanaged, risks the generational attrition already visible in Kashmir [4].

Fourth, sustainability and ethical certification requirements, GoodWeave, GOTS, RWS, GRS, and their successors, will likely move from a competitive differentiator to close to a baseline requirement for export, particularly to the European Union, which has been tightening supply chain compliance rules across textile categories. Manufacturers already invested in vertically integrated, auditable operations will be better positioned than smaller, harder to certify workshops.

Fifth, commercial and contract segments, hospitality, real estate, and institutional projects, both within India and via project exports abroad, will likely grow faster than the traditional area rug trade. Combined with growth in custom, design-led product, this

suggests an industry bifurcating further into a high volume, automated commodity tier and a smaller, craft intensive premium tier, echoing what has already happened across the broader global rug and flooring trade [3], [14].

Taken together, these forces point toward an industry smaller in traditional cottage based employment but more diversified in market and product mix, more automated in production, and increasingly dependent on India's own consumers rather than any single foreign buyer, a meaningful departure from the export and wholesaler centred model with which this history began.

13. CONCLUSION

The story of the Indian carpet industry since 1990 is, in miniature, the story of global trade disintermediation. Control has moved steadily away from intermediaries, first overseas wholesalers, then physical retailers, and toward whichever party in the chain could most directly reach the end customer, whether that was a big box buyer, a design-led specialist retailer, or an Ecommerce platform. Each shift compressed margins and, indirectly, product quality, while pushing manufacturers toward automation, certification, and diversification to survive. The 2025 U.S. tariff shock is the latest and most severe test of that adaptability, and it is likely to accelerate trends, market diversification, domestic demand growth, and further automation, that were already visible before the tariff was imposed. How well Bhadohi, Panipat, Jaipur, and Kashmir's manufacturers navigate this next transition will determine whether India's centuries old carpet trade remains the world's largest handmade carpet exporter, or cedes ground to lower tariff, lower cost competitors.

REFERENCES

- [1] "Total carpet production being exported" https://www.indiainnewyork.gov.in/pdf/menu/Report_on_Promotion_of_Carpet_Exports.pdf
- [2] "India Carpets And Rugs Market Size & Share Analysis." Mordor Intelligence, www.mordorintelligence.com/industry-reports/india-carpets-and-rugs-market
- [3] Chevalier, Jessica. "U.S. Area Rug Market: Largely Imported, the Area Rug Market Was Highly Stressed by Tariffs in 2025." Floor Focus, FloorDaily.net, 9 July 2026, www.floordaily.net/floorfocus/u-s-area-rug-market-largely-imported-the-area-rug-market-was-highly-stressed-by-tariffs-in-2025-may-2026/
- [4] "Kashmir's \$20,000 Carpets Face a Fading Future as Young Weavers Walk Away." India Weekly, www.indiaweekly.biz/kashmir-carpet-industry-young-weavers-decline/
- [5] "GoodWeave's Market-Based Solution to End Child Labour in India's Carpet-Weaving Industry." YourStory, 2012, yourstory.com/2012/10/goodweaves-market-based-solution-to-end-child-labour-in-indias-carpet-weaving-industry
- [6] "Top 25 Carpet Manufacturers based in India (2026)." <https://revenuebase.ai/companies/carpet-manufacturers/india>
- [7] "Van de Wiele: A Leader in Carpet Weaving Machines." Indian Textile Journal, indiantextilejournal.com/van-de-wiele-a-leader-in-carpet-weaving-machines/
- [8] "India - Carpets and Other Textile Floor Coverings - Market Analysis, Forecast, Size, Trends and Insights." Indexbox, www.indexbox.io/store/india-carpets-and-other-textile-floor-coverings-market-analysis-forecast-size-trends-and-insights/
- [9] "U.S. Tariffs Set to Threaten India's Traditional Craft Revival." Mongabay India, india.mongabay.com/2025/09/us-tariffs-set-to-threaten-indias-traditional-craft-revival/
- [10] "How US Tariffs Will Hurt Indian Diamond, Garment, Carpet Exporters." The Tribune, www.tribuneindia.com/news/business/how-us-tariffs-will-hurt-indian-diamond-garment-carpet-exporters
- [11] "'No Consignments' to the US as Tariffs Hit India's Carpet Industry." Al Jazeera, 11 Sept. 2025, www.aljazeera.com/economy/2025/9/11/no-consignments-to-the-us-as-tariffs-hit-indias-carpet-industry
- [12] "US Tariffs Cripple India's Carpet Industry." MENA Covering, menacovering.com/india-carpet-industry-faces-collapse-us-tariffs-halt-exports/
- [13] "India Carpets and Rugs Market Size & Industry Report, 2033." IMARC Group, www.imarcgroup.com/india-carpets-and-rugs-market.
- [14] "Carpet and Rug Market Size, Trends & Forecast 2035." Global Market Insights, www.gminsights.com/industry-analysis/carpet-and-rug-market
- [15] "Nourison" – www.nourison.com/about-us
- [16] "Handmade Carpet Industry in India: A Global Carpet Export Leader." India Brand Equity Foundation, www.ibef.org/exports/carpet-industry-in-india