TEXTILE INDUSTRY

India's Towel Import-Export Market and Its Significance in the International Market

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Abstract

India exports terry towels almost always second or third in value among world suppliers and towels are a major category within India's home-textile industry. The industry, which is based on domestically produced yarn and cotton and vertically integrated producers, has established long-term links with retailers in Western markets. But the bulk of India's home-textile exports-60 to 75 per cent-are delivered to one country: the United States.

Report on case study of towel import-export industry of India and how it is critical in the world. The report covers history of towel industry in India, India as one of the main countries exporting terry-towels and the history of India's exports and imports as well as impact of US's changing tariffs on the Indian exporters.

Our analysis was carried out using secondary data gathered from trade statistics, industry reports, commentaries by rating agencies and media coverage. It focuses on the industry's strengths, the size of its customer concentration and trade-policy risk, and the approaches that exporters have been taking to expanding their customers - by geographically diversifying and increasing value addition.

Keywords: Terry towels; home textiles; India; textile exports; US; tariffs; trade policy; diversification of markets; HS 6302

1 Introduction

India is really one of the main countries exporting terry towels today, often the second or third biggest exporter in the world. Which means that towel is a really important product for their home-textile industry, with everything from the supply of cotton, which is grown domestically in India, throughout the entire supply chain from yarn spinning to finishing, and long-term retail relationships in the west. And this is also to a point a downside, because so much of it, maybe too much of it, rests on one large customer, the United States.

What happened over the last couple years is a real world example of this. For example, the duties on Indian goods in the US increased to 50 percent for 2025. Then, after an agreement, duties came back down to 18 percent in February 2026. Things then turned again when a new 10 percent duty was reinstated in July 2026. So it's an interesting case to use as an example as far as issues like concentration risk and why some countries are more globally competitive than others, and the ongoing desire to go find some new markets, some new places where they can sell their wares.

Product scope. Towels are classed under HS 6302 (bed, table, toilet and kitchen linen). The bulk (HS 630260) consists of cotton terry towels. Other towels consist of a) flat woven and honeycomb (huckaback); b) kitchen towels and c) hospitality towels. There are also a number of other all-

encompassing classification terms – e.g. "hotel sheets" or "hotel terry" – which may conceal a number of smaller product types.

Market players. Organised capacity is dominated by a small number of large, vertically-integrated players, such as Welspun Living and Trident. Welspun had an estimated 19% of the US towel market in 2019 (terr capacity over 80,000 tonnes) Trident is listed as one of the world's top five terry-towel producers. There are a handful of smaller to mid-sized exporters (many rated by ICRA), mostly selling value-added products with jacquard or embroidery designs, or demonstrating heavier, premium-weight bath towels to international brands and value retailers. Production is heavily concentrated in clusters in Gujarat, Punjab, Haryana, Tamil Nadu and Maharashtra.

Why India is competitive.

- Provide a domestic cotton and yarn base, so spinning, weaving, dyeing and finishing are all done in one country
- Large, capable labour force at moderate labour costs.
- The capacity to provide private-label programmes and to comply with retailers' social and environmental standards
- Reducing capacity in lower value, non-branded and unsustainable items, for example towels with high water content

2 Problem statement

Terry-Towels India's export champions in the towel sector are the terry-towels exporters, whose fortunes are largely determined by one market. Between 2025 and 2026 US levies on Indian products increased to 50 percent, then declined to 18 percent following a trade agreement in February 2026 and jumped again by 10 percent in July 2026.

Such variations highlight the degree of vulnerability a thriving exports industry faces from a single market's trade policy. The core problem addressed by this case study concerns how the towel trade of India can sustain its international standing while detaching itself from the US market.

3 Objectives of the study

1. Understanding the nature of india's towel industry. The aim of this objective is to examine India product scope, major producers and the sources of india competitive advantage.
2. To study the position of India in the global terry-towels trade To study the position of India as compared to other countries like China, Pakistan, Türkiye and Vietnam.
3. This objective investigates where Indian exports go and what inputs India is importing.
4. To analyze the effect of the US tariffs' changes during 2025-2026 on Indian exporters. This objective looks at the impact of the tariffs on trade volumes, shares, and company's outcomes.
5. To identify the strategies that exporters can follow. This aims to address the issues of market diversification, diversification of output value, the growth of brands and of the internal market, and policies.

4 Research methodology

4.1 Research design

This paper is based on a descriptive and analytical case-study approach. The descriptive approach, which describes the product, the industry, trade flows and the Indian situation, is supplemented by the analytical approach, which discusses the effects of US tariff changes and the strategic responses to the new conditions of Indian exporters.

4.2 Nature of the study and sources of data

This report makes use of secondary data only. No primary data has been gathered. Data sources include international trade statistics (ITC/TDAP data are published in industry bulletins, and Trendeconomy), industry publications and news sources (Fibre2Fashion, Apparel Resources, Business Standard, Reuters), rating agency commentary (Crisil and ICRA) and a single commercial market-size estimate. The complete list is given in References.

4.3 Scope and limitations

This note covers products within the group of terry towels (HS 630260) and the broader home-textiles group (HS 6302), mainly for 2022 to 2026. US trade policy has changed markedly in recent years, so this schedule of tariffs should be checked if making decisions based on these figures. The figure for the home-textiles domestic market-size is from a commercial estimate.

5 Analysis and discussion

In this section we analyse the state of India's terry-towels sector, its trade flows, the US tariff shock of 2025-2026, the sector's role in international markets, and the sector's more pressing challenges.

5.1 Market snapshot

Table 1. Top terry-towel exporters (HS 630260), 2022 and 2023.

Exporter	2022 (US$ m)	2023 (US$ m)
China	2,313	2,149
India	1,472	1,076
Pakistan	1,241	1,006
Türkiye	n/a	561
Vietnam	n/a	288

Source: ITC/TDAP data as published in Towel Manufacturers Association of Pakistan (TMA) bulletins.

India’s 2023 figure was about 27% below 2022, which fits with Western retailers working down their post-pandemic stock. In 2022 India’s unit value was about US$9.71/kg, against US$10.52/kg for China and US$6.13/kg for Pakistan, putting India in a higher-value tier than Pakistan.

India’s 2023 exports were about a fifth of what the five largest suppliers shipped together.

5.2 Wider context

- In 2023, India's exports from the all-product HS chapter 6302 – linen – amounted to around US$ 5.4 billion, so that all terry towels account for approximately one fifth of the linen group.
- Textile and apparel exports from India stood at US$ 36.6 billion in FY25 (up 6.3%), of which the US imported around 28% (roughly US$ 11 billion).
- Home textiles drive the exports: between 70 and 75% of the sales of the sector are exports.
- Almost the entire market is overseas. According to one research estimate, India's home towel business was worth USD 1.34 billion in 2025, accounting for approximately 6.9% of the worldwide market, and it grew at a rate of 4.4% annually.

5.3 Trade flows

5.3.1 Exports

The US is, by far, the biggest destination. Terry towels dominate towel sales in Western markets, with Welspun and Trident, the leading Indian suppliers, among the top brands to be spotted on retail shelves in the US. Less lucrative but sizable destinations are the UK, the EU, Australia, the Middle East and Canada, representing, according to one Crisil estimate, close to 13% of home-textile exports in FY25. Rival suppliers are China (on scale and speed), Pakistan (at lower prices, with towels as the key item in its home-textiles exports) and Türkiye (by virtue of its proximity to Europe).

5.3.2 Imports

India's imports of finished towels are very low. The import side of the market is primarily for inputs:

- Raw cotton. Imports grew by more than two folds in FY25 and the government waived customs duties on a temporary basis to reduce the input costs of exporters.
- Machinery; Dyes and chemicals for weaving, processing and finishing.
- Premium yarns and fibres (such as extra-long-staple cotton).

That makes the sector a net foreign exchange earner, with the ratio of export value to import content being high relative to many other manufacturing sectors.

5.4 Case in focus: the US tariff shock, 2025–2026

Table 2. Timeline of the US tariff shock, 2025–2026.

Date	Event
Aug 2025	US applies a 25% tariff 25% penalty on Indian exports, there are overall 50% (effective from 27 Aug). Bangladesh and Vietnam tariff around 20%. US retailers reported to halt orders.
Sep 2025	Crisil sees 5-10% revenue growth for Indian home-textile firms. ICRA cites lacklustre H2 FY26 sales due to front-loaded shipments.
Oct 2025	US imports of Indian cotton sheets declined by approximately 47% on a year-over-year basis.
2 Feb 2026	Textile equity prices jump by as much as 20% in early trades on an India-US trade agreement reducing duties on textile imports.
Jul 2026	Additional 10% Section 301 tariffs are levied on products from dozens of partners, such as India, beyond the standard rates. India is not granted tariff-rate quotas that benefit Bangladesh, Cambodia, Indonesia and Malaysia when they buy US cotton.

Date	Event
Sep 2026	The Confederation of Indian Textile Industry (CITI) has warned that the new US sanctions law can result in additional tariffs.
Apr–Aug 2026	India's exports of textile, apparel and home-furnishing products to US decreased by 9.8% to US$4.0 billion. However, exports to other markets increased by 3.7% to US$15.2 billion (GTRI).
Q2 FY27	Home textiles arm drag Trident's revenue down 10.4% year-on-year, primarily led by the Bath linen category, while on the flip side, Welspun results were decent.

Note: US trade policy has been changing frequently. Readers should verify the current tariff schedule before relying on the table above.

What happened to the numbers. US market share of Indian exports declined to 25.4% as at end-Aug 2026 compared to 28.3% in 2022. Some apparel exporters have lost significant US market share (one said it declined from 84% to less than 10%). Tariffs, rising freight rates, margin pressure caused by buyer discount expectations are some factors.

Why India still holds on in towels. The category in which India is most competitive is cotton home textiles, where competitors have little flexibility and the sector has taken a significant share of US imports in areas such as bed and table linen. This provides the industry with bargaining power not available to garment producers.

6 Significance in the international market

1. India is among top two or three supplying countries for the world's largest and second-largest category of towel, which retailers depend on for demand diversification away from China.
2. Supply-chain diversification winner. Buyers looking for a non-China option to the dominant supplier has used India and Pakistan for years.
3. Along the value chain from cotton to consumer Few large exporters manage the entire chain, from fibre to finished product, while India's integrated companies get the margin at all points in between and provide the traceability that big retailers want.
4. Since the sector provides employment for cotton farmers, spinning and weaving units, and a large labour force, its health has disproportionate domestic economic impacts.
5. Price and quality positioning. In the mid-to-premium range, India straddles Pakistan's low unit values and China's scale and just-in-time working model.
6. Trade-policy risk benchmark. The sector's outcomes serve as a bellwether for emerging-market producers' reaction to tariffs, given their US focus.

7 Challenges and risks

- US customer concentration puts earnings at risk from shifts in tariffs or demand.
- Policy leniency: asymmetric treatment for competitors, such as Bangladesh and Pakistan; India excluded from the US-cotton quota scheme.
- Volatility of input costs: price of cotton and yarn; cost of shipping and energy.
- Discretionary demand: there is a lower demand for home textiles when people have less money to spend, as we saw in the post-pandemic destocking.
- The compliance and sustainability challenge: water consumption, chemical management and traceability legislations in the EU and US.

- Lower-cost entrants and scale in China.

8 Key findings

The study of India's towel import-export market highlights the following key findings:

1. By value, India is the second largest country after China (US$2.15 bn) before Pakistan (US$1.01bn). The total exports of India of all terry towel products (HS 630260) stood at US$1.08bn.
2. Basically, towels is an export business - we don't import many finished products into India, only inputs - raw cotton, machinery.
3. Depending on the data / source / year 60-75% of India's home-textile exports go into the US, so whatever policies the US bring out will be extremely significant for income of the sector.
4. Our exporters are already looking onto the UK, the EU, the UAE and India with their additional trade agreements already in hand.

9 Recommendations

1. Market diversification: Early 2026 saw the signing of an India-UK trade pact and announcement of an India-EU pact. As exporters establish positions in the UAE and elsewhere, some market diversification is underway. However, industry groups maintain that markets other than the US are poor alternatives.
2. Value add: More embroidery, jacquard, towels made of organic and recycled fibers; development of hospitality and private-label programs.
3. Branded and domestic expansion: Large exporters are developing India’s branded towel line, and increasing e-commerce.
4. Capacity and product mix: Shifts to bed linens and pillows to mitigate fall in bath linens.
5. Lobbying: Equal tariff treatment and quota access for US cotton is the focus of industry groups.

10 Conclusion

India has a well-developed and integrated towel industry. Companies within it can respond to consumer demand. Cotton is widely used within the industry as both a material and in terms of consumer demand. Companies will need to quickly adapt to new tariff rates (for example in 2025/26). Future success will depend upon businesses’ ability to grow and continue to be profitable through successfully modifying their cost and quality competitiveness.

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