

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 28, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 1-7604

CROWN CRAFTS, INC.

(Exact name of registrant as specified in its charter)

Georgia

58-0678148

(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

1600 RiverEdge Parkway, Suite 200, Atlanta, Georgia 30328

(Address of principal executive offices)

(770) 644-6400

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

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The number of shares of common Stock, \$1.00 par value, of the Registrant outstanding as of November 7, 1997 was 8,091,315.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

PART 1 - FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 28, 1997 (UNAUDITED) AND MARCH 30, 1997

<TABLE>
<CAPTION>

(in thousands)	September 28, 1997	March 30, 1997
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 749	\$ 602
Accounts receivable, net:		
Due from factor	37,040	30,866
Other	12,738	7,496
Inventories	87,294	56,860
Deferred income taxes	2,377	2,392
Other current assets	6,107	3,307
	-----	-----
Total Current Assets	146,305	101,523
	-----	-----
PROPERTY, PLANT AND EQUIPMENT - at cost:		
Land, buildings and improvements	45,465	44,903
Machinery and equipment	71,466	68,435
Furniture and fixtures	1,907	1,487
	-----	-----
	118,838	114,825
Less accumulated depreciation	46,522	41,809
	-----	-----
Property, Plant and Equipment - net	72,316	73,016
	-----	-----
OTHER ASSETS:		
Goodwill	25,440	13,192
Other	2,390	1,825
	-----	-----
Total Other Assets	27,830	15,017
	-----	-----
TOTAL	\$246,451	\$189,556
	=====	=====

</TABLE>

See notes to interim consolidated financial statements.

<TABLE>
<CAPTION>

September 28, March 30,
(dollars in thousands, except par value per share) 1997 1997

	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 31,582	
Accounts payable	21,043	\$ 13,212
Income taxes payable	3,011	1,336
Accrued wages and benefits	5,844	4,312
Accrued royalties	2,050	1,369
Other accrued liabilities	3,968	3,429
Current maturities of long-term debt	30,206	100
	-----	-----
Total Current Liabilities	97,704	23,758
	-----	-----
NON-CURRENT LIABILITIES:		
Long-term debt	50,257	71,200
Deferred income taxes	7,752	7,877
Other	745	1,026
	-----	-----
Total Non-Current Liabilities	58,754	80,103
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock - par value \$1.00 per share; 50,000,000 shares authorized; 9,185,839 and 9,050,636 shares issued	9,186	9,051
Additional paid-in capital	35,924	34,438
Retained earnings	59,771	57,005
Less: 1,114,111 and 1,106,435 shares of common stock held in treasury	(14,888)	(14,799)
	-----	-----
Total Shareholders' Equity	89,993	85,695
	-----	-----
TOTAL	\$246,451	\$189,556
	=====	=====

</TABLE>

See notes to interim consolidated financial statements.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENTS OF EARNINGS
SEPTEMBER 28, 1997 AND SEPTEMBER 29, 1996
(UNAUDITED)

<TABLE>
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	THREE MONTHS ENDED		SIX MONTHS ENDED	
(in thousands, except per share data)	Sept. 28, 1997	Sept. 29, 1996	Sept. 28, 1997	Sept. 29, 1996

<S>	<C>	<C>	<C>	<C>	<C>
NET SALES	\$ 86,334	\$ 74,848	\$ 138,978	\$ 119,248	
COST OF PRODUCTS SOLD		65,478	59,469	107,557	96,957
GROSS PROFIT	20,856	15,379	31,421	22,291	
MARKETING AND ADMINISTRATIVE EXPENSES		13,764	10,760	23,414	18,974
EARNINGS FROM OPERATIONS		7,092	4,619	8,007	3,317
OTHER INCOME (EXPENSE):					
Interest expense	(1,646)	(1,308)	(2,950)	(2,567)	
Other - net	72	98	150	292	
EARNINGS BEFORE INCOME TAXES		5,518	3,409	5,207	1,042
PROVISIONS FOR INCOME TAXES	2,078	1,488	1,961	464	
NET EARNINGS	\$ 3,440	\$ 1,921	\$ 3,246	\$ 578	
NET EARNINGS PER SHARE					
PRIMARY	\$ 0.41	\$ 0.24	\$ 0.40	\$ 0.07	
FULLY DILUTED	\$ 0.40	\$ 0.24	\$ 0.39	\$ 0.07	
AVERAGE SHARES OUTSTANDING					
PRIMARY	8,357,950	7,944,201	8,152,145	7,944,201	
FULLY DILUTED	8,613,545	7,944,201	8,279,943	7,944,201	
DIVIDENDS DECLARED PER SHARE	\$ 0.03	\$ 0.03	\$ 0.06	\$ 0.06	

</TABLE>

See notes to interim consolidated financial statements.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED SEPTEMBER 28, 1997 AND
SEPTEMBER 29, 1996
(UNAUDITED)

<TABLE>

<CAPTION>

(in thousands)	September 28, 1997	September 29, 1996
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net earnings	\$ 3,246	\$ 578

Adjustments to reconcile net earnings to net cash provided by (used for) operating activities:			
Depreciation and amortization of property, plant and equipment	4,906	4,927	
Amortization of goodwill	481	286	
Deferred income taxes	(50)	24	
Gain on disposal of property, plant and equipment		(51)	(118)
Changes in assets and liabilities:			
Accounts receivable	(7,249)	(150)	
Inventories	(23,866)	(10,577)	
Other current assets	(2,463)	307	
Other assets	(846)	(365)	
Accounts payable	5,540	6,891	
Income taxes payable	1,678	805	
Accrued liabilities	1,610	2,542	
Other liabilities	26		
	-----	-----	
Net Cash Provided by (Used For) Operating Activities		(17,064)	5,176
	-----	-----	
INVESTING ACTIVITIES:			
Capital expenditures	(3,464)	(2,908)	
Acquisitions, net of cash acquired	(15,415)		
Proceeds from sale of property, plant and equipment	80	336	
	-----	-----	
Net Cash Used For Investing Activities		(18,799)	(2,572)
	-----	-----	
FINANCING ACTIVITIES:			
Increase in notes payable	27,005	2,270	
Increase (decrease) in bank revolving credit		9,000	(2,000)
Payment of long-term debt	(46)	(2,500)	
Exercise of stock options	531		
Cash dividends	(480)	(477)	
	-----	-----	
Net Cash Provided By (Used For) Financing Activities		36,010	(2,707)
	-----	-----	
NET INCREASE (DECREASE) IN CASH			
(carried forward)	\$ 147	\$ (103)	
	=====	=====	

</TABLE>

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CROWN CRAFTS, INC. AND SUBSIDIARIES

FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED SEPTEMBER 28, 1997 AND
SEPTEMBER 29, 1996
(UNAUDITED)

<TABLE>

<CAPTION>

(dollars in thousands)	September 28, 1997	September 29, 1996
	-----	-----
<S>	<C>	<C>
NET INCREASE (DECREASE) IN CASH		
(brought forward)	\$ 147	\$ (103)
CASH, beginning of period	602	517

CASH, end of period	\$ 749	\$ 414
Supplemental Cash Flow Information:		
Income taxes paid	\$ 24	\$ 79
Interest paid net of amounts capitalized	\$ 1,416	\$ 1,187

</TABLE>

See notes to interim consolidated financial statements.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to interim financial information and the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, such interim consolidated financial statements contain all adjustments necessary to present fairly the Company's financial position as of September 28, 1997 and the results of its operations and its cash flows for the periods ended September 28, 1997 and September 29, 1996. Such adjustments include normal recurring accruals and a pro rata portion of certain estimated annual expenses.
2. On March 31, 1997, the Company acquired all of the outstanding stock of Hamco, Inc. ("Hamco"), a manufacturer and marketer of infant soft goods, for a total purchase price of \$7.5 million. On August 18, 1997, the Company acquired all of the outstanding stock of Noel Joanna, Inc. ("NoJo"), a manufacturer and marketer of infant goods, for a total purchase price of \$9.2 million, consisting of \$8.2 million in cash and \$1.0 million in common stock of the Company. Operating results for Hamco and NoJo from their respective dates of acquisition are included in the accompanying Consolidated Statements of Earnings for the three and six month periods ending September 28, 1997.

Both of these acquisitions were accounted for as purchases.

Accordingly, the net purchase price was allocated based upon the respective acquisition date fair market values of assets acquired and liabilities assumed as follows:

<TABLE>
<CAPTION>

(in thousands)

<S>	<C>
Assets acquired, other than cash	\$11,903
Goodwill	12,729

Total assets acquired, other than cash	24,632
Less liabilities assumed	8,217

Purchase price, net of cash acquired	16,415
Less stock issued in acquisition	1,000

Net cash paid for acquisitions	\$15,415
=====	

</TABLE>

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3. The computations of net earnings per share for the three month and six month periods ended September 28, 1997 include the dilutive effect of stock options outstanding. Net earnings per share for the corresponding periods ended September 29, 1996 are based on the weighted average of actual shares outstanding as stock options outstanding did not have a material dilutive effect during these periods.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share which changes the method of reporting earnings per share by requiring a computation of basic and diluted earnings per share. This statement will become effective for the Company's fiscal 1998 third quarter. Had the computations required by this Statement been applied for the three and six month periods ended September 28, 1997 and September 29, 1996, the Company would have reported net earnings per share as follows:

<TABLE>
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Net Earnings Per Share	THREE MONTHS ENDED		SIX MONTHS ENDED	
	Sept. 28, 1997	Sept. 29, 1996	Sept. 28, 1997	Sept. 29, 1996
<S>	<C>	<C>	<C>	<C>
Basic	\$0.43	\$0.24	\$0.41	\$0.07
Diluted	\$0.41	\$0.24	\$0.40	\$0.07

</TABLE>

4. Major classes of inventory were as follows (in thousands):

<TABLE>
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	September 28, 1997	March 30, 1997
<S>	<C>	<C>
Raw materials	\$33,824	\$27,415
Work in process	6,649	1,961
Finished goods	46,821	27,484
-----		-----
	\$87,294	\$56,860
=====		=====

</TABLE>

5. Operating results of interim periods are not necessarily indicative of

results to be expected for the full fiscal year.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 28, 1997 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 29, 1996

On March 31, 1997, the Company acquired all of the outstanding stock of Hamco, Inc. ("Hamco"), a manufacturer and marketer of infant soft goods. On August 18, 1997, the Company acquired all of the outstanding stock of Noel Joanna, Inc. ("NoJo"), a manufacturer and marketer of infant goods. The impact of the Hamco and NoJo acquisitions on the Company's consolidated results of operations for the quarter ended September 28, 1997 included net sales of \$5.3 million and income before income taxes of \$0.5 million.

Excluding NoJo and Hamco, consolidated net sales increased \$6.2 million or 8.3% in the current year quarter. The increase was attributable to increased net sales of infant/juvenile products and adult bedcoverings, partially offset by a decline in net sales of adult throws.

Gross profit as a percentage of net sales increased to 24.2% for the quarter ended September 28, 1997 from 20.5% for the quarter ended September 29, 1996 primarily due to increased sales of higher margin products. During the quarter, the addition of Hamco and NoJo sales caused total sales of infant and juvenile products to comprise approximately 29% of total net sales, whereas sales of this product category represented 17% of total net sales in the year-earlier quarter. Infant and juvenile products typically earn a higher gross margin than the Company's adult products, but the Company's infant product subsidiaries also typically have a higher ratio of operating expenses to net sales.

Excluding NoJo and Hamco, operating expenses increased \$2.0 million or 18.8% in the current year quarter. The increase is primarily due to increased employee costs, professional fees and bad debt expenses, partially offset by a decrease in promotional costs.

Interest expense for the quarter ended September 28, 1997 increased \$0.3 million or 25.8% from the prior year quarter due to increased debt levels partially offset by a decrease in interest rates.

The effective income tax rate decreased to 37.7% for the quarter ended September 28, 1997 from 43.6% for the quarter ended September 29, 1996. The decrease was due to lower effective state income tax rates as a result of various state employment and investment tax credits earned.

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SIX MONTHS ENDED SEPTEMBER 28, 1997 COMPARED TO THE SIX MONTHS ENDED SEPTEMBER 29, 1996

The impact of the Hamco and NoJo acquisitions on the Company's consolidated results of operations for the six month period ended September 28, 1997 included net sales of \$7.6 million and income before income taxes of \$0.8 million.

Excluding NoJo and Hamco, consolidated net sales increased \$12.2 million or 10.2% in the six month period ending September 28, 1997. The increase was attributable to increased net sales of infant/juvenile products and adult bedcoverings, partially offset by a decline in net sales of adult throws.

Gross profit as a percentage of net sales increased to 22.6% for the six months ended September 28, 1997 from 18.7% for the same six months last year primarily due to increased sales of higher margin products. During the current year six month period, the addition of Hamco and NoJo sales caused total sales of infant and juvenile products to comprise approximately 29% of total net sales, whereas sales of this product category represented 19% of total net sales in the year-earlier corresponding period. Infant and juvenile products typically earn a higher gross margin than the Company's adult products, but the Company's infant product subsidiaries also typically have a higher ratio of operating expenses to net sales.

Excluding NoJo and Hamco, operating expenses increased \$3.1 million or 16.2% in the current six month period. The increase is primarily due to increased employee costs, professional fees and bad debt expenses partially offset by a decrease in promotional costs.

Interest expense for the six months ended September 28, 1997 increased \$0.4 million or 14.9% from the prior year due to increased debt levels partially offset by a decrease in interest rates.

The effective income tax rate decreased to 37.7% for the six month period ended September 28, 1997 from 44.5% for the six month period ended September 29, 1996. The decrease was due to lower effective state income tax rates as a result of various state employment and investment tax credits earned.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

The Company maintains unsecured committed revolving credit facilities totaling \$30 million with two commercial banks at interest rates based on the London Interbank Offered Rate (LIBOR). At September 28, 1997, borrowings of \$30.0 million were outstanding under these facilities at a weighted average interest rate of 6.1 percent. The Company pays facility fees on the unused portions of these committed credit lines. These credit lines are scheduled to expire on August 25, 1998; accordingly, such borrowings are included with other current maturities of long-term debt in the September 28, 1997 balance sheet. The Company also maintains uncommitted lines of credit totaling \$40 million with two commercial banks at floating interest rates. At September 28, 1997, borrowings of \$31.5 million were outstanding under these lines at a weighted average interest rate of 6.1 percent. Among other covenants, these bank facilities contain a requirement that the Company maintain minimum levels of shareholders' equity, one effect of which is to restrict the payment of cash dividends. At September 28, 1997, retained earnings of approximately \$12.2 million were available for dividend payments. Other covenants place restrictions on the amounts the Company may expend on acquisitions and purchases of treasury stock.

On March 31, 1997, the Company acquired all of the outstanding stock of Hamco, Inc., a manufacturer and marketer of infant soft goods, for a total purchase price of \$7.5 million in cash. On August 18, 1997, the Company acquired all of the outstanding stock of Noel Joanna, Inc., a manufacturer and marketer of infant goods, for a total purchase price of \$9.2 million, consisting of \$8.2 million in cash and \$1.0 million in common stock of the Company. These acquisitions are consistent with the Company's strategy of growing infant and juvenile products to about one-third of its total business. The cash portion of the purchase price for these acquisitions was financed by borrowings under the Company's revolving credit facilities. The Company continues to review appropriate acquisition opportunities as a significant part of its growth strategy.

Total debt outstanding increased to \$112.0 million at September 28, 1997 from \$71.3 million at March 30, 1997. This increase was primarily attributable to the Hamco and NoJo acquisitions, purchases of capital assets and growth in inventories and accounts receivable, partially offset by an increase in accounts payable. The ratio of debt to equity was 1.25:1 at September 28, 1997 compared to 0.83:1 at March 30, 1997. Working capital decreased to \$48.6 million at September 28, 1997 from \$77.8 million at March 30, 1997. The decrease in working capital was attributable to the change in classification (from long-term debt to current maturities of long-term debt) for the \$30.0 million outstanding under the Company's committed revolving credit facilities. The Company presently intends to negotiate new long-term committed facilities prior to the August 25, 1998 expiration date of the currently effective arrangements.

Total inventories increased to \$87.3 million at September 28, 1997 from \$56.8 million at March 30, 1997. The NoJo and Hamco acquisitions accounted for \$6.6 million of the increase. Inventories for Red Calliope, an infant products subsidiary, increased \$3.7 million from March 30, 1997 in preparation for anticipated heavy shipping demands in October 1997. The remainder of the increase is a seasonal pattern to build inventories to meet heavier shipping demands for adult products in the third quarter of the fiscal year. The increase in the current year second quarter is also due to increased demand for some of the Company's imported products which have a longer lead time for delivery than domestically produced products. Accordingly, Crown Crafts is warehousing more of these products to enable it to meet expected demand.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

None

Item 2 - Changes in Securities

None

Item 3 - Defaults Upon Senior Securities

None

Item 4 - Submission of Matters to Vote of Security Holders

The following directors of the registrant were elected for a three year term:

E. Randall Chestnut
Roger D. Chittum
Marvin A. Davis
Alfred M. Swiren

Item 5 - Other Information

None

Item 6 - Exhibits and Reports on Form 8-K

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
27	Financial Data Schedule (for SEC use only)

There were no reports on Form 8-K during the quarter ended September 28, 1997.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

SEPTEMBER 28, 1997

SIGNATURES

Pursuant to the requirements of the securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CROWN CRAFTS, INC

Date: November 12, 1997 /s/ Robert E. Schnelle

ROBERT E. SCHNELLE
Treasurer
(Chief Accounting Officer)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF CROWN CRAFTS, INC. FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 28, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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