

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 June 29, 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
incorporation or organization)

(I.R.S. Employer
Identification No.)

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 No

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The number of shares of common Stock, \$1.00 par value, of the Registrant outstanding as of August 6, 1997 was 7,963,955.

FORM 10-Q

CROWN CRAFTS, INC. AND SUBSIDIARIES

PART 1 - FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
JUNE 29, 1997 (UNAUDITED) AND MARCH 30, 1997

<TABLE>
<CAPTION>

(in thousands)	June 29, 1997	March 30, 1997

<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash	\$ 355	\$ 602
Accounts receivable, net:		
Due from factor	19,995	30,866
Other	7,134	7,496
Inventories	74,838	56,860
Deferred income taxes	2,318	2,392
Other current assets	4,887	3,307
	-----	-----
Total Current Assets	109,527	101,523
	-----	-----
PROPERTY, PLANT AND EQUIPMENT - at cost:		
Land, buildings and improvements	46,195	44,903
Machinery and equipment	68,423	68,435
Furniture and fixtures	1,635	1,487
	-----	-----
	116,253	114,825
Less accumulated depreciation	44,129	41,809
	-----	-----
Property, Plant and Equipment - net	72,124	73,016
	-----	-----
OTHER ASSETS		
Goodwill	17,651	13,192
Other	2,202	1,825
	-----	-----
Total Other Assets	19,853	15,017
	-----	-----
TOTAL	\$201,504	\$189,556
	=====	=====

</TABLE>

See notes to interim consolidated financial statements.

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FORM 10-Q

CROWN CRAFTS, INC. AND SUBSIDIARIES

FINANCIAL STATEMENTS (continued)

CONSOLIDATED BALANCE SHEETS
JUNE 29, 1997 (UNAUDITED) AND MARCH 30, 1997

<TABLE>
<CAPTION>

(dollars in thousands, except par value per share)	June 29, 1997	March 30, 1997

<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 1,150	

Accounts payable	17,831	\$ 13,212
Income taxes payable	901	1,336
Accrued wages and benefits	4,176	4,312
Accrued royalties	975	1,369
Other accrued liabilities	3,395	3,429
Current maturities of long-term debt	100	100
	-----	-----
Total Current Liabilities	28,528	23,758
	-----	-----
NON-CURRENT LIABILITIES		
Long-term debt	79,200	71,200
Deferred income taxes	7,752	7,877
Other	745	1,026
	-----	-----
Total Current Liabilities	87,697	80,103
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock - par value \$1.00 per share; 50,000,000 shares authorized; 9,057,912 and 9,050,636 shares issued	9,058	9,051
Additional paid-in capital	34,504	34,438
Retained earnings	56,573	57,005
Less: 1,111,435 and 1,106,435 shares of common stock held in treasury	(14,856)	(14,799)
	-----	-----
Total Shareholders' Equity	85,279	85,695
	-----	-----
TOTAL	\$ 201,504	\$ 189,556
	=====	=====

</TABLE>

See notes to interim consolidated financial statements.

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FORM 10-Q
CROWN CRAFTS, INC. AND SUBSIDIARIES
FINANCIAL STATEMENTS (Continued)
CONSOLIDATED STATEMENTS OF EARNINGS
JUNE 29, 1997 AND JUNE 30, 1996
(UNAUDITED)

<TABLE>
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	June 29,	June 30,
(in thousands, except per share data)	1997	1996
	-----	-----
NET SALES	\$ 52,644	\$ 44,400
COST OF PRODUCTS SOLD	42,079	37,488
	-----	-----
GROSS PROFIT	10,565	6,912
MARKETING AND ADMINISTRATIVE EXPENSES	9,650	8,214
	-----	-----
EARNINGS (LOSS) FROM OPERATIONS	915	(1,302)

OTHER INCOME (EXPENSE):		
Interest expense	(1,304)	(1,258)
Other - net	78	193
	-----	-----
(LOSS) BEFORE INCOME TAXES	(311)	(2,367)
PROVISIONS (CREDITS) FOR INCOME TAXES		
	(117)	(1,024)
	-----	-----
NET (LOSS)	\$ (194)	\$ (1,343)
	=====	=====
NET (LOSS) PER SHARE	\$ (0.02)	\$ (0.17)
	=====	=====
AVERAGE SHARES OUTSTANDING	7,946,340	7,944,201
	=====	=====
DIVIDENDS DECLARED PER SHARE	\$ 0.03	\$ 0.03
	=====	=====

</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 JUNE 29, 1997 AND
JUNE 30, 1996
(UNAUDITED)

<TABLE>

<CAPTION>

(in thousands)	June 29, 1997	June 30, 1996	
	<C>	<C>	
OPERATING ACTIVITIES:			
Net loss	\$ (194)	\$ (1,343)	
Adjustments to reconcile net earnings to net cash provided by (used for) operating activities:			
Depreciation and amortization of property, plant and equipment	2,396	2,437	
Amortization of goodwill	224	143	
Deferred income taxes	(51)	24	
Gain on disposal of property, plant and equipment	(21)	(112)	
Changes in assets and liabilities:			
Accounts receivable	12,622	14,645	
Inventories	(15,951)	(8,950)	
Other current assets	(1,510)	(169)	
Other assets	(658)	(330)	
Accounts payable	4,566	775	
Income taxes payable	(435)	48	
Accrued liabilities	(808)	68	
Other liabilities		13	
	-----	-----	
Net Cash Provided by Operating Activities	180	7,249	
	-----	-----	

INVESTING ACTIVITIES:

Capital expenditures	(1,313)	(1,647)
Acquisitions, net of cash acquired	(7,383)	
Proceeds from sale of property, plant and equipment	36	331
	-----	-----
Net Cash Used For Investing Activities	(8,660)	(1,316)
	-----	-----

FINANCING ACTIVITIES:

Payment of long-term debt	(2,500)	
Increase (decrease) in bank revolving credit	8,000	(19,000)
Increase in notes payable	455	15,570
Exercise of stock options	16	
Cash dividends	(238)	(239)
	-----	-----
Net Cash Provided By (Used For) Financing Activities	8,233	(6,169)
	-----	-----

NET DECREASE IN CASH

(carried forward)	\$ (247)	\$ (236)
	=====	=====

</TABLE>

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CROWN CRAFTS, INC. AND SUBSIDIARIES

FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED JUNE 29, 1997 AND
JUNE 30, 1996
(UNAUDITED)

<TABLE>

<CAPTION>

	June 29,	June 30,
(dollars in thousands)	1997	1996
	-----	-----

<S>	<C>	<C>
NET DECREASE IN CASH		
(brought forward)	\$ (247)	\$ (236)
CASH, beginning of period	602	517
	-----	-----
CASH, end of period	\$ 355	\$ 281
	=====	=====

Supplemental Cash Flow Information:

Income taxes paid	\$ 369	\$ 68
	=====	=====

Interest paid net of amounts capitalized	\$ 1,336	\$ 1,220
	=====	=====

</TABLE>

See notes to interim consolidated financial statements.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

- 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 June 29, 1997 and the results of its operations and its cash flows for the periods ended June 29, 1997 and June 30, 1996. Such adjustments include normal recurring accruals and a pro rata portion of certain estimated annual expenses.
- 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. This acquisition has been accounted for using the purchase method of accounting based on the estimated fair value of assets acquired and liabilities assumed resulting in the recording of approximately \$4.7 million in goodwill. Operating results of Hamco, Inc. from the date of acquisition are included in the accompanying Consolidated Statement of Earnings for the period ending June 29, 1997.
- The computation of net loss per share for the periods ended June 29, 1997 and June 30, 1996 was computed using the weighted average number of common shares outstanding.
- Major classes of inventory were as follows (in thousands):

<TABLE>
<CAPTION>

	June 29, 1997	March 30, 1997
<S>	<C>	<C>
Raw materials	\$31,740	\$27,415
Work in process	4,909	1,961
Finished goods	38,189	27,484
	-----	-----
	\$74,838	\$56,860
	=====	=====

</TABLE>

- Operating results of interim periods are not necessarily indicative of results to be expected for the year.

CROWN CRAFTS, INC. AND SUBSIDIARIES

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 29, 1997 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 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. The impact of the Hamco acquisition on the Company's consolidated results of operations for the quarter ended June 29, 1997 included net sales of \$2.3 million and earnings before income taxes of \$0.2 million.

Excluding Hamco, consolidated net sales increased \$5.9 million or 13.3% in the current year quarter. The increase was attributable to increased net sales of adult bedcoverings and infant/juvenile products partially offset by a decline in net sales of adult throws.

Gross profit as a percentage of net sales increased to 20.1% for the quarter ended June 29, 1997 from 15.6% for the quarter ended June 30, 1996 primarily due to increased sales of higher margin products.

Excluding Hamco, marketing and administrative expenses increased \$1.0 million or 12.2% in the current year quarter. The increase is primarily due to increased employee costs, professional fees, bad debt expenses and promotional costs.

The effective income tax rate decreased to 37.6% for the quarter ended June 29, 1997 from 43.3% for the quarter ended June 30, 1996. The decrease was due to lower effective state income tax rates as a result of various state 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 June 29, 1997, borrowings of \$29.0 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. The Company also maintains uncommitted lines of credit totaling \$40 million with two commercial banks at floating interest rates. At June 29, 1997, borrowings of \$1.2 million were outstanding under these lines. 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 June 29, 1997, retained earnings of approximately \$9.0 million were available for dividend payments. Other covenants place restrictions on the amounts the Company may expend on acquisitions and purchases of treasury stock.

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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. This acquisition is consistent with the Company's strategy of growing infant and juvenile products to about one-third of its total business. The acquisition 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. Although the Company cannot predict when, or if, further acquisitions will occur, the Company's various credit facilities or other forms of debt will likely continue to provide the funds necessary to finance its growth by this method.

Working capital increased to \$81.0 million at June 29, 1997 from \$77.8 million at March 30, 1997. Total debt outstanding increased to \$80.5 million at June 29, 1997 from \$71.3 million at March 30, 1997. The ratio of debt to equity was 0.94:1 at June 29, 1997 compared to 0.83:1 at March 30, 1997. The increase in this ratio was primarily attributable to the increase in debt resulting from the acquisition of Hamco, Inc. and growth in inventories partially offset by a decrease in accounts receivable and an increase in accounts payable.

Total inventories increased to \$74.8 million at June 29, 1997 from \$56.8 million at March 30, 1997. The Hamco acquisition accounted for \$1.7 million of the increase. The remainder of the increase is a seasonal pattern to build inventories to meet heavier shipping demands in the second and third quarters of the fiscal year. The increase in the current year first quarter is larger than in prior years due to increased demand for some of the Company's imported products which have a longer lead time for delivery than domestically produced products.

OTHER MATTERS

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. The computations required by this Statement would have had no impact on the loss per share reported for the quarters ended June 29, 1997 and June 30, 1996.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

In order to resolve certain disputes which have arisen between them, the Company and its Israeli supplier of Royal Sateen(R) fabric and products, Kitan Consolidated Ltd. ("Kitan"), have entered into binding arbitration before a three-person panel in Israel. In connection with the arbitration, the Company and Kitan exchanged claims documents on June 9 and 10, 1997. The Company's claims include a request for payment of \$9.9 million in damages stemming primarily from Kitan's failure to make timely deliveries over a three-year period. Kitan's claims include a request for payment of \$8.5 million for damages allegedly suffered primarily as a result of differences between the Company's forecasts of demand and its actual orders for Kitan's fabric and products. Each party's claims also request reimbursement of attorneys' fees and payment of interest from the respective date on which its claim was filed. The Company believes Kitan's claims are without merit, and the Company intends to vigorously pursue its claims and its defenses. Normal commerce between the companies is continuing during the arbitration process.

Item 2 - Changes in Securities

None

Item 3 - Defaults Upon Senior Securities

None

Item 4 - Submission of Matters to Vote of Security Holders

None

Item 5 - Other Information

None

Item 6 - Exhibits and Reports on Form 8-K

<TABLE>

<CAPTION>

EXHIBIT
NUMBER

DESCRIPTION OF EXHIBITS

<S>

<C>

10(e)iii

Letter Agreement dated July 29, 1997 with The Prudential Insurance Company of America

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Financial Data Schedule (for SEC use only)

</TABLE>

There were no reports on Form 8-K during the quarter ended June 29, 1997.

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CROWN CRAFTS, INC. AND SUBSIDIARIES

JUNE 29, 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: August 12, 1997

/s/ Robert E. Schnelle

ROBERT E. SCHNELLE
Treasurer
(Chief Accounting Officer)

EXHIBIT 10(e)iii

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
c/o Prudential Capital Group
One Gateway Center, 11th Floor
Newark, New Jersey 07102-5311

July 29, 1997

Crown Crafts, Inc.
1600 Riveredge Parkway
Suite 200
Atlanta, GA 30328
Attention: Paul A. Criscillis, Jr.
Vice President

Ladies and Gentlemen:

Reference is made to that certain Note Agreement dated as of October 12, 1995 between Crown Crafts, Inc. (the "Company") and The Prudential Insurance Company of America ("Prudential"), as heretofore amended (the "Note Agreement"). Terms not otherwise defined herein have the meanings given such terms in the Note Agreement.

Pursuant to paragraph 11C of the Note Agreement and as holder of all of the Notes, Prudential hereby agrees with the Company as follows:

1. For the purposes of calculating the Financial Ratios described in paragraph 6A of the Note Agreement, the Company may disregard the following non-recurring charges:
 - (a) the actual costs associated with the product recall by the Company's subsidiary, Hans Benjamin, in an amount not to exceed \$780,000;
 - (b) the actual expenses associated with Hans Benjamin's exit from the furniture business and the Company's decision to cease providing it with financial support, in an amount not to exceed \$370,000; and
 - (c) the actual costs related to closing down another subsidiary, Benn Corporation, in an amount not to exceed \$450,000.
2. Prudential further agrees that the December 18, 1990 note agreement by and between Prudential and the Company is hereby amended to the same extent as the Note Agreement is amended in paragraph 1 above.
3. Except to the extent amended by the provisions hereof, all of the terms, conditions and obligations of the Note Agreement shall remain in full force and effect.

If you agree to the foregoing, please sign each copy of this letter enclosed and return two of them to Prudential, at which time this letter shall become a binding agreement between us as of the date first above written.

Very truly yours,

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By: /s/ ROBERT R. DERRICK

Name: Robert R. Derrick
Title: Vice President

Agreed to and accepted
as of July 29, 1997

CROWN CRAFTS, INC.

By: /s/ ROBERT E. SCHNELLE

Name: Robert E. Schnelle
Title: Treasurer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF CROWN CRAFTS FOR THE THREE MONTHS ENDED JUNE 29, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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