UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

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

For the transition period from ______________ to ____________

Commission File number 1-15583

DELTA APPAREL, INC.

(Exact name of registrant as specified in its charter)

GEORGIA	58-2508794
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

2750 Premiere Parkway, Suite 100
Duluth, Georgia 30097

(Address of principal executive offices) (Zip Code)

(678) 775-6900

(Registrant's telephone number, including area code)

(Not Applicable)

(Former name, former address and former fiscal year, if changed since last report.)

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 [ ].

As of April 12, 2001, there were outstanding 2,411,743 shares of the registrant's common stock, par value of $0.01, which is the only class of the outstanding common or voting stock of the registrant.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

DELTA APPAREL, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(in thousands, except shares and per share amounts)
(Unaudited)

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	March 31, 2001	July 1, 2000
Assets		
Current assets:		
Cash	$ 25	415
Accounts receivable, net	19,373	22,115
Inventories	48,277	28,207
Prepaid expenses and other current assets	1,583	1,186
Deferred income taxes	1,108	-
Income tax receivable	70	-
Total current assets	70,436	51,923
Property, plant and equipment, net	24,036	26,871
Other assets	165	313
Total assets	$ 94,637	79,107

Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 14,132	15,116
Current portion of long-term debt	2,000	2,000
Total current liabilities	16,132	17,116
Long-term debt	16,945	7,667
Other liabilities	703	522
Noncurrent deferred income taxes	145	-
Total liabilities	33,925	25,305
Stockholders' equity:		
Preferred stock, 2,000,000 shares authorized; none issued and outstanding	-	-
Common stock, par value $0.01 a share, 7,500,000 shares authorized, 2,411,743 and 2,399,863 issued and outstanding at March 31, 2001 and July 1, 2000, respectively.	24	24
Additional paid-in capital	53,889	53,778
Retained earnings	7,096	-
	61,009	53,802
Less treasury stock, at cost (16,000 shares)	(297)	-
Total stockholders' equity	60,712	53,802
Total liabilities and stockholders' equity	$ 94,637	79,107

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See accompanying notes to condensed consolidated financial statements.

DELTA APPAREL, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations
(in thousands, except shares and per share amounts)
(Unaudited)

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	Three Months Ended	Nine Months Ended

	March 31, 2001	April 1, 2000	March 31, 2001	April 1, 2000
<S>	<C>	<C>	<C>	<C>
Net sales	$ 27,975	27,292	$ 84,994	77,513
Cost of goods sold	22,185	22,336	67,247	65,847
Gross profit	5,790	4,956	17,747	11,666
Selling, general and administrative expenses	2,582	1,986	7,371	5,549
Provision for bad debts	163	35	796	151
Other (income)/expense	(3)	9	(17)	21
Operating income	3,048	2,926	9,597	5,945
Interest expense, net	386	2,145	942	6,431
Income (loss) before income taxes	2,662	781	8,655	(486)
Provision (benefit) for income taxes	479	46	1,558	(13)
Net income (loss)	$ 2,183	735	$ 7,097	(473)
Weighted average shares outstanding (2000 Proforma):				
Basic	2,411,743	2,351,400	2,410,453	2,372,700
Diluted	2,479,729	2,351,400	2,478,439	2,372,700
Net income (loss) per common share (2000 Proforma):				
Basic	$ 0.91	$ 0.31	$ 2.94	$ (0.20)
Diluted	$ 0.88	$ 0.31	$ 2.86	$ (0.20)

</TABLE>

See accompanying notes to condensed consolidated financial statements.

DELTA APPAREL, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

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	Nine Months Ended	
	March 31, 2001	April 1, 2000
Cash flows from operating activities:		
Net income (loss)	$ 7,097	(473)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,765	4,922
Deferred income taxes	(963)	-
Loss on sale of property and equipment	4	1
Other	-	40
Changes in operating assets and liabilities:		
Accounts receivable	2,742	6,817
Inventories	(20,070)	(4,183)
Prepaid expenses and other current assets	(438)	(160)
Income taxes receivable	(70)	-
Other noncurrent assets	148	69
Accounts payable and accrued expenses	(874)	1,422
Other liabilities	181	-
Income taxes payable		358
Net cash (used in) provided by operating activities	(7,478)	8,813
Cash flows used in investing activities:		
Purchases of property, plant and equipment	(1,934)	(1,261)
Proceeds from sale of property, plant and equipment	43	-
Net cash used in investing activities	(1,891)	(1,261)
Cash flows provided by (used in) financing activities:		
Proceeds from/(repayment of) long-term financing	9,278	(339)
Change in due to related parties, net	-	(7,499)
Dividends paid	(2)	-
Repurchase common stock	(297)	-

Net cash provided by (used in) financing activities	8,979	(7,838)
Net decrease in cash	(390)	(286)
Cash balance at beginning of period	415	402
Cash balance at end of period	$ 25	116
Supplemental cash flow information:		
Cash paid during the period for interest	$ 883	27
Cash paid during the period for income taxes	$ 2,592	-
Noncash financing activity--issuance of common stock	$ 110	-

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See accompanying notes to condensed consolidated financial statements.

DELTA APPAREL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note A--Basis of Presentation

Prior to June 30, 2000, Delta Apparel, Inc. (together with its predecessors, the "Company") was a wholly owned subsidiary of Delta Woodside Industries, Inc. ("Delta Woodside" or the "Parent"). In connection with a plan to separate its two apparel businesses, Delta Woodside transferred to the Company the assets, liabilities, and operations of its apparel business previously conducted by the following divisions or subsidiaries of Delta Woodside: Delta Apparel Company and the Edgefield yarn plant. Effective June 30, 2000, Delta Woodside distributed all the common stock of the Company to the Delta Woodside stockholders (the "Distribution"). In connection with the Distribution, Delta Woodside contributed, as contributions to capital, all net debt amounts owed to it by the Company, with certain exceptions. Borrowings related to the Company under Delta Woodside's credit agreement were repaid with the proceeds from borrowings under the Company's new credit agreement.

The interim condensed consolidated financial statements for the three months and nine months ended March 31, 2001 and April 1, 2000, included herein, have been prepared in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months and nine months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending June 30, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended July 1, 2000, filed with the Securities and Exchange Commission.

Note B--Inventories

Inventories consist of the following:

	March 31, 2001	July 1, 2000
Raw materials	$ 3,184	2,785
Work in process	19,032	11,903
Finished goods	26,061	13,519
	$ 48,277	28,207

Note C--Income Taxes

The effective income tax rate on pretax income for the nine months ended March 31, 2001 was 18.0%, compared to 1.3% for the fiscal year ended July 1, 2000. Based on results to date and projections for the remainder of fiscal year 2001, the Company expects to use its remaining federal net operating loss carryforwards and be subject to income taxes on a portion of its income. Based on these projections, management estimates that the valuation allowances on the tax benefit resulting from net operating loss carryforwards will be reduced or eliminated, resulting in an annualized forecasted effective income tax rate of 18.0%.

Note D--Cotton Procurements

The Company has entered into agreements, and has fixed prices, to purchase cotton for use in its manufacturing operations. At March 31, 2001, minimum payments under these contracts with non-cancelable contract terms were $22,124.

Note E--Computation of Basic and Diluted Net Earnings per Share (EPS) and Proforma EPS

Basic net earnings per share is calculated by dividing the net earnings by the weighted average common shares outstanding of Delta Apparel, Inc. For the purposes of diluted earnings per share, the diluted weighted average common shares outstanding includes the shares covered by options or awards granted under the Company's Stock Option Plan and the Company's Incentive Stock Award Plan.

Proforma net earnings per share is calculated by dividing the net earnings by the weighted average common shares outstanding of Delta Woodside Industries, Inc., adjusted for the distribution ratio assuming that shares distributed in the Distribution were outstanding for the three and nine months ended April 1, 2000.

The weighted average shares do not include securities that would be anti-dilutive for each of the periods presented.

Note F--Stockholders' Equity

On November 1, 2000, the Board of Directors authorized the repurchase by the Company in open market transactions of up to $3.0 million of Delta Apparel common stock ("Stock Repurchase Program"). All purchases are made at the discretion of management in accordance with IRS guidelines for share repurchases after a spin-off. In connection with the Stock Repurchase Program, during the three months ended March 31, 2001, the Company purchased 12,700 shares of Delta Apparel common stock for an aggregate of $0.2 million. Since the inception of the Stock Repurchase Program, the Company has purchased 16,000 shares of Delta Apparel common stock for an aggregate of $0.3 million.

The Company also issued a $2,412 dividend on November 30, 2000 in connection with the redemption of all of its outstanding rights under the Shareholder Rights Agreement dated January 27, 2000. The Redemption occurred pursuant to resolutions adopted by the Company's Board of Directors on November 1, 2000, which set the record date for the Redemption at November 16, 2000. Pursuant to the provisions of the Rights Agreement, the redemption price was $0.001 per Right. The effect of the Redemption is that the Rights are no longer outstanding or exercisable.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains various "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. Examples are statements that concern future revenues, future costs, future capital expenditures, business strategy, competitive strengths, competitive weaknesses, goals, plans, references to future success or difficulties and other similar information. The words "estimate", "project", "forecast", "anticipate", "expect", "intend", "believe" and similar expressions, and discussions of strategy or intentions, are intended to identify forward-looking statements.

The forward-looking statements in this Quarterly Report are based on the Company's expectations and are necessarily dependent upon assumptions, estimates and data that the Company believes are reasonable and accurate but may be incorrect, incomplete or imprecise. Forward-looking statements are also subject to a number of business risks and uncertainties, any of which could cause actual results to differ materially from those set forth in or implied by the forward-looking statements. The risks and uncertainties include, among others, changes in the retail demand for apparel products, the cost of raw materials, competitive conditions in the apparel and textile industries, the relative strength of the United States dollar as against other currencies, changes in United States trade regulations and the discovery of unknown conditions (such as with respect to environmental matters and similar items). Accordingly, any forward-looking statements do not purport to be predictions of future events or circumstances and may not be realized.

The Company does not undertake publicly to update or revise the forward-looking statements even if it becomes clear that any projected results will not be realized.

RESULTS OF OPERATIONS

Net sales in the third quarter of fiscal year 2001 were $28.0 million, an increase of $0.7 million from the third quarter of the prior fiscal year. The increase in net sales was due to increased unit sales (up 9.9%, accounting for $2.7 million) offset by lower prices (down 6.8%, accounting for $2.0 million). The price decrease was the result of various price promotions in the activewear market. For the nine months ended March 31, 2001, net sales increased 9.7% to $85.0 million from the nine months ended April 1, 2000. The increase in net sales for the nine month period is the result of increased unit sales (up 12.8%, accounting for $9.9 million) offset by slightly lower prices (down 2.8%, accounting for $2.4 million). For fiscal year 2001, the Company currently projects sales growth at an annualized rate of approximately 10% and an operating profit growth of approximately 20% over the prior fiscal year. It is uncertain to what extent, if any, the challenging retail conditions and current price promotions will affect our fourth quarter results.

Gross profit increased to $5.8 million, or 20.7% of sales, in the three months ended March 31, 2001 from $5.0 million, or 18.2% of sales, in the same period of fiscal 2000. For the first nine months of fiscal year 2001, gross profit was $17.7 million, or 20.9% of sales, an increase of $6.1 million from the first nine months of fiscal year 2000. The increased gross profit in the three and nine months ended March 31, 2001 was the result of increased volume, improved sales mix and lower manufacturing costs, offset slightly by the lower pricing. The lower manufacturing costs were driven by higher efficiencies and overhead utilization compared to the prior year. The impact of the U.S. Caribbean Trade Partnership Act also contributed to the lower manufacturing costs due to the elimination of duties.

Selling, general and administrative expenses for the quarter ended March 31, 2001 were $2.7 million, or 9.8% of sales, an increase of $0.7 million from the $2.0 million, or 7.4% of sales, in the same quarter of last year. The shift of sales from distributors to direct customers has resulted in smaller average orders. This caused an increase in distribution expenses of $0.2 million for the three months ended March 31, 2001. The Company also incurred increased expenses during the quarter of $0.3 million related to the Incentive Stock Program, $0.1 million in public reporting expenses and $0.1 million in bad debt expense. For the nine months ended March 31, 2001, selling, general and administrative expenses were 9.6% of sales, an increase from 7.4% of sales for the nine months ended April 1, 2000. The increase was primarily due to the move of the corporate headquarters, the proxy contest, higher commission expense resulting from the increased sales of higher margin products, public reporting expenses, an increase in distribution expense and increased bad debt expense.

The Company's operating income was $3.0 million for the third quarter of fiscal year 2001, an increase of 4.2% from the same quarter of fiscal year 2000. For the nine months ended March 31, 2001, operating income increased 61.4% to $9.6 million from the nine months ended April 1, 2000. Improved gross profit, offset by slightly higher selling, general and administrative costs contributed to the improvement in operating income.

For the three months ended March 31, 2001, net interest expense was $0.4 million, as compared to $2.1 million for the three months ended April 1, 2000. Net interest expense for the nine months ended March 31, 2001 was $0.9 million, a decrease of $5.5 million from the same period of fiscal year 2000. This reduction was a result of the contribution to equity of intercompany debt in connection with the spin-off from Delta Woodside Industries, Inc. on June 30, 2000.

The effective income tax rate on pretax income for the three months and nine months ended March 31, 2001 was 18.0% compared to 1.3% for the fiscal year ended July 1, 2000. Based on results to date and projections for the remainder of fiscal year 2001, the Company expects to use its remaining federal net operating loss carryforwards and be subject to income taxes on a portion of its income. Based on these projections, management estimates that the valuation allowances on the tax benefit resulting from net operating loss carryforwards will be reduced or eliminated, resulting in an annualized forecasted effective income tax rate of 18.0%.

Net income for the third quarter of fiscal year 2001 was $2.2 million, or 7.8% of sales, compared to $0.7 million for the third quarter of fiscal year 2001. For the nine months ended March 31, 2001, net income increased $7.6 million to $7.1 million from the loss in the nine months ended April 1, 2000. The improved net income was due to the factors described above.

Delta Apparel's order backlog at March 31, 2001 was $13.2 million, a $5.1 million decrease from the $18.3 million order backlog at April 1, 2000. The decrease in backlog is due to the reduction of forward purchase commitments given by distributors and the increase in short notice orders from catalog customers. This is the result of the decrease in sales to distributors from approximately 38% of sales in the first nine months of fiscal 2000 to 22% of sales in the first nine months of fiscal 2001. As a growing percentage of the Company's goods are sold on an immediate shipment basis, Delta Apparel believes that backlog order levels may no longer give a general indication of future sales.

Inventories at March 31, 2001 totaled $48.3 million, compared to $28.2 million at July 1, 2000. The increased inventory at March 31, 2001 is mainly due to the additional inventory required to meet the fourth quarter sales demand, resulting from the seasonality of the business. In addition, the Company increased its manufacturing capacity in order to build additional inventory in anticipation of the projected sales growth over the prior fiscal year.

Capital expenditures in the three months ended March 31, 2001 were $0.8 million as compared to $0.2 million in the three months ended April 1, 2000. For the first nine months of fiscal year 2001, capital expenditures were $1.9 million, an increase of $0.6 million from the $1.3 million in the first nine months of fiscal year 2000. The expenditures in fiscal year 2001 were primarily related to the new internet site which integrates customer service, inventory and shipping and offers our customers the ability to check the status of their orders, view inventory availability and place new orders. The expenditures also related to the Company's expansion into Mexico.

LIQUIDITY AND CAPITAL RESOURCES

Delta Apparel's operating activities used cash of $7.5 million in the first nine months of fiscal year 2001. The cash used was primarily the result of an increase in inventory, offset by net income, depreciation and a reduction in receivables.

In mid-May 2000, Delta Apparel entered into a credit agreement with a lending institution, under which the lender provided Delta Apparel with a $10 million term loan and a 3-year $25 million revolving credit facility. All loans under the credit agreement bear interest at rates based on an adjusted LIBOR rate plus an applicable margin or a bank's prime rate plus an applicable margin. Delta Apparel granted the lender a first mortgage lien on or security interest in substantially all of its assets. Delta Apparel has the option to increase the revolving credit facility from $25 million to $30 million, provided that no event of default exists under the facility.

Delta Apparel's peak borrowing needs were in the three months ended March 31, 2001. During the fourth fiscal quarter, Delta Apparel expects that its borrowings for working capital purposes and letters of credit under its revolving credit facility will decrease. At March 31, 2001, the Company had $10.8 million outstanding under the revolving credit facility at an average interest rate of 7.33%. The interest rate at March 31, 2001 on the term loan was 7.4%.

Based on these expectations, Delta Apparel believes that its $25 million revolving credit facility should be sufficient to satisfy its foreseeable working capital needs, and that the cash flow generated by its operations and funds available under its revolving credit line should be sufficient to service its debt payment requirements, to satisfy its day-to-day working capital needs and to fund its planned capital expenditures. Any material deterioration in Delta Apparel's results of operations, however, may result in Delta Apparel losing its ability to borrow under its revolving credit facility and to issue letters of credit to suppliers or may cause the borrowing availability under that facility to be insufficient for Delta Apparel's needs.

On November 1, 2000, the Board of Directors authorized the repurchase by the Company in open market transactions of up to $3.0 million of Delta Apparel common stock ("Stock Repurchase Program"). All purchases are made at the discretion of management in accordance with IRS guidelines for share repurchases after a spin-off. In connection with the Stock Repurchase Program, during the three months ended March 31, 2001, the Company purchased 12,700 shares of Delta Apparel common stock for an aggregate of $0.2 million. Since the inception of the Stock Repurchase Program, the Company has purchased 16,000 shares of Delta Apparel common stock for an aggregate of $0.3 million.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

COMMODITY RISK SENSITIVITY

The Company purchases cotton from approximately seven established merchants with whom it has long standing relationships. The majority of the Company's purchases are executed using "on-call" contracts. These on-call arrangements are used to insure that an adequate supply of cotton is available for the Company's requirements. Under on-call contracts, the Company agrees to purchase specific quantities for delivery on specific dates, with pricing to be determined at a later time. Prices are set according to prevailing prices, as reported by the New York Cotton Exchange, at the time of the Company's election to fix specific contracts.

Cotton on-call with a fixed price at March 31, 2001 was valued at $22.1 million, and is scheduled for delivery between April, 2001 and March, 2002. At March 31, 2001, the Company had unpriced contracts for deliveries between January, 2002 and March, 2002. Based on the prevailing price at March 31, 2001, the value of these unpriced commitments is approximately $0.8 million. Daily price fluctuations are minimal, yet long-term trends in price movement can result in unfavorable pricing of cotton for Delta Apparel. Delta Apparel does not use financial instruments to hedge commodity price risk. At March 31, 2001, a 10% decline in the market price of the cotton covered by Delta Apparel's fixed price contracts would have had a negative impact of approximately $2.2 million on the value of the contracts.

INTEREST RATE SENSITIVITY

Delta Apparel's credit agreement provides that the interest rate on outstanding amounts owed shall bear interest at variable rates. If the amount of outstanding indebtedness at March 31, 2001 under the revolver and term loan had been the amount outstanding during the entire three months ended March 31, 2001 and the interest rate on this outstanding indebtedness had been increased by 1%, Delta Apparel's expense would have been approximately $47,000, or 12.3%, higher during the quarter. The actual increase in interest expense resulting from a change in interest rates would depend on the magnitude of the increase in rates and the average principal balance outstanding.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(b) No reports on Form 8-K were filed by the Company during the fiscal quarter ended March 31, 2001.

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.

Delta Apparel, Inc.

(Registrant)

April 26, 2001

/s/ Herbert M. Mueller

By: Herbert M. Mueller
Vice President, Chief Financial Officer
and Treasurer