FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the Quarterly period ended October 31, 1996

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 0-18183

G-III APPAREL GROUP, LTD.
(Exact name of registrant as specified in its character)

Delaware
(State or other jurisdiction of incorporation or organization)

41-1590959
(I.R.S. Employer Identification No.)

345 West 37th Street, New York, New York
(Address of Principal Executive Office)

10018
(Zip Code)

(212) 629-8830
(Registrant's telephone number, including area code)

(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 XX No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of December 1, 1996.

Common Stock, $.01 par value per share: 6,472,856 shares.

* The Balance Sheet at January 31, 1996 has been taken from the audited financial statements at that date. All other financial statements are unaudited.

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

ASSETS	JANUARY 31, 1996	OCTOBER 31, 1996 (unaudited)
Current Assets:		
Cash and Cash Equivalents	$ 7,617	$ 1,244
Accounts Receivable - Net	8,995	44,293
Inventories - Net	14,207	20,147
Prepaid and Refundable Income Taxes	502	
Prepaid Expense and Other Current Assets	968	1,692
Total Current Assets	32,289	67,376
Property and Equipment at Cost - Net	6,324	5,365
Deferred Income Taxes	1,717	1,717
Other Assets	927	1,048
	$ 41,257	$75,506
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes Payable	$ 2,980	$23,477

Current Maturities of Obligations Under Capital Leases	571	571
Accounts Payable	2,469	7,998
Accrued Expenses	1,751	3,800
Federal and Foreign Income Taxes Payable		2,676
Accrued Nonrecurring Charges	2,294	2,126
Total Current Liabilities	10,065	40,648
Obligations Under Capital Leases	919	464
Nonrecurring Charges - Long Term	557	557
Stockholders' Equity:		
Preferred Stock, 1,000,000 shares authorized; no shares issued and outstanding		
Common Stock, $.01 par value: authorized, 20,000,000 shares; issued and outstanding, 6,465,836 shares on January 31, 1996 and 6,472,856 shares on October 31, 1996	65	65
Additional Paid-in Capital	23,615	23,630
Retained Earnings	6,036	10,142
	29,716	33,837
	$ 41,257	$75,506

See Accompanying Notes to Financial Statements

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

	THREE MONTHS ENDED OCTOBER 31, 1995	THREE MONTHS ENDED OCTOBER 31, 1996
	(Unaudited)	
Net Sales	$ 57,695	$ 65,348
Cost of Goods Sold	45,458	48,999
Gross Profit	12,237	16,349
Selling, General and Administrative Expenses	5,794	6,173
Operating Profit	6,443	10,176
Interest and Financing Charges, Net	853	919
Income Before Taxes	5,590	9,257
Income Taxes	2,237	3,705
Net Income	$ 3,353	$ 5,552
Income per common share:		
Primary:		
Net Income per common share	$ .50	$ .83
Weighted average number of shares outstanding	6,771,737	6,680,481

Fully Diluted:		
Net Income per common share	$ .50	$ .83
Weighted average number of shares outstanding	6,771,737	6,680,481

See Accompanying Notes to Financial Statements

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

	NINE MONTHS ENDED OCTOBER 31,	
	1995	1996
	(Unaudited)	
Net Sales	$ 103,002	$ 96,620
Cost of Goods Sold	80,508	70,915
Gross Profit	22,494	25,705
Selling, General and Administrative Expenses	16,590	17,234
Operating Profit	5,904	8,471
Interest and Financing Charges, Net	2,251	1,624
Income Before Taxes	3,653	6,847
Income Taxes	1,617	2,741
Net Income	$ 2,036	$ 4,106
Income per common share:		
Primary:		
Net Income per common share	$ .31	.61
Weighted average number of shares outstanding	6,571,398	6,697,984
Fully Diluted:		
Net Income per common share	$ .31	.61
Weighted average number of shares shares outstanding	6,652,744	6,697,984

See Accompanying Notes to Financial Statements

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	NINE MONTHS ENDED OCTOBER 31, 1995	NINE MONTHS ENDED OCTOBER 31, 1996
	(Unaudited)	(Unaudited)
Cash Flows from Operating Activities:		
Net Income	$ 2,036	$ 4,106
Adjustments to Reconcile Net Income:		
Depreciation and Amortization	1,158	1,153
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(13,632)	(35,298)
Inventory	5,051	(5,940)
Federal and Foreign Income Taxes	3,939	3,178
Prepaid Expenses	(474)	(724)
Other Assets	(457)	(121)
Accounts Payable and Accrued Expenses	(704)	7,578
Accrued Nonrecurring Charge		(168)
Deferred Income Taxes	1,461	
Net Cash (Used in) Operating Activities	(1,622)	(26,236)
Cash Flows for Investing Activities:		
Capital Expenditures	(688)	(314)
Capital Dispositions		120
Net Cash (Used in) Investing Activities:	(688)	(194)
Cash Flows from Financing Activities:		
Increase in Notes Payable, net	3,253	20,497
Payment of Capital Lease Obligations	(419)	(455)
Proceeds from exercise of stock options		15
Net Cash Provided by Financing Activities	2,834	20,057
Net Increase (Decrease) in Cash	524	(6,373)
Cash at Beginning of Period	1,421	7,617
Cash at End of Period	$ 1,945	$ 1,244

Supplemental Disclosures of Cash Flow Information

Cash Paid During the Period for:		
Interest	$ 2,251	$ 1,442
Income Taxes	$ 157	$ 68

See Accompanying Notes to Financial Statements

G-III APPAREL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - General Discussion

The results for the three and nine month periods ended October 31, 1996 are not necessarily indicative of the results expected for the entire fiscal year. The accompanying financial statements included herein are unaudited. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented have been reflected.

Certain reclassifications have been made to conform to the 1996 presentation.

The accompanying financial statements should be read in conjunction with the financial statements and notes included in the Company's Form 10K filed with the Securities and Exchange Commission for the year ended January 31, 1996.

Note 2 - Inventories

Inventories consist of:	January 31, 1996	October 31, 1996
	(in thousands)	
Finished products......................	$ 12,112	$ 16,149
Work-in-process........................	49	604
Raw materials..........................	2,046	3,394
	$ 14,207	$ 20,147

Note 3 - Net Income Per Common Share

Net Income per common share is based on the weighted average number of common shares outstanding during each of the periods, adjusted for the dilutive effect of common stock equivalents, when applicable.

Note 4 - Notes Payable

The Company has a loan agreement with three banks for $48,000,000 through October 30, 1996 and $40,000,000 through May 31, 1997, of which $40,000,000 through October 30, 1996 and $30,000,000 through May 31, 1997 is available for direct borrowings and the unused balance for letters of credit. All amounts available for borrowings are subject to borrowing base formulas and overadvances specified in the agreement.

Note 5 - Nonrecurring Charges

As of the year ended January 31, 1996, the Company had a remaining reserve of approximately $2.9 million related to a cost reduction program. The status of the components of the provision at the end of the period was:

	Balance January 31, 1996	1996 Activity	Balance October 31, 1996
		(in thousands)	
Closure of Domestic and Foreign Facilities	$ 2,690	$ (48)	$ 2,642
Severance and related costs	161	(120)	41
	$ 2,851	$ (168)	$ 2,683

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

Results of Operations

Net sales for the three months ended October 31, 1996 were $65.3 million compared to $57.7 million for the same period last year. For the nine months ended October 31, 1996, net sales were $96.6 million compared to $103.0 million for the same period in the prior year. The increase in net sales during the three month period was primarily due to sales of Kenneth Cole licensed product ($5.0 million), increased volume in the Sports Licensing division ($5.8 million) and Men's division ($6.1 million) offset in part by reduced sales of moderately priced women's outerwear ($9.5 million). The decrease in net sales during the nine month period was primarily due to a reduction in sales of moderately priced women's outerwear offset in part by increases in sales of Kenneth Cole, Sports Licensing and Men's product.

Gross profit was $16.3 million for the three months ended October 31, 1996, compared to $12.2 million in the same period last year. Gross profit as a percentage of net sales was 25.0% for the three months ended October 31, 1996, compared to 21.2% for the same period last year. For the nine month period ended October 31, 1996, gross profit was $25.7 million, or 26.6% of net sales, compared to $22.5 million, or 21.8% of net sales for the same period last year. The increase in the gross profit percentage was a result of improved margins in several product lines and an increase in sales of branded product and sports licensing product which have higher margins.

Selling, general and administrative expenses of $6.2 million for the three months ended October 31, 1996 were approximately $400,000 more than in the same period last year. As a percentage of net sales, selling, general and administrative expenses were 9.4% in this period compared to 10.0% last year. For the nine month period ended October 31, 1996, selling, general and administrative expenses were $17.2 million, or 17.8% of net sales, compared to $16.6 million, or 16.1% of net sales for the same period last year.

Selling, general and administrative expenses increased compared to last year primarily as the result of start-up costs relating to new product development in branded merchandise, which includes licensed product under the Kenneth Cole label, as well as development of new distribution channels which more than offset reductions in selling, general and administrative expenses resulting from the consolidation of the Company's two distribution centers into one location in January 1996 and certain personnel reductions. The Company continues to monitor and seeks to reduce expense levels whenever appropriate.

Interest expense of $919,000 was $66,000 higher in the quarter ended October 31, 1996, compared to $853,000 in the same period last year. For the nine months ended October 31, 1996, interest expense was $1,624,000, a decrease of $627,000 from the prior year. Due to lower inventory levels, the Company was debt-free on its domestic borrowing agreement from December 22, 1995 until May 9, 1996. This resulted in lower interest costs for the nine month period than in the prior year when the Company was continuously in a domestic borrowing position.

Income taxes of $3.7 million reflect an effective tax rate of 40.0% for the three months ended October 31, 1996, compared to income taxes of $2.2 million (effective tax rate of 40.0%) in the comparable period in the prior year. For the nine months ended October 31, 1996, the income tax of $2.7 million reflects an effective tax rate of 40.0%, compared to income taxes of $1.6 million in the same period last year.

As a result of the foregoing, for the three month period ended October 31, 1996, the Company had net income of $5.6 million, or $.83 per share, compared to a net income of $3.4 million, or $.50 per share, for the comparable period in the prior year. For the nine month period ended October 31, 1996, the Company had a net income of $4.1 million, or $.61 per share, compared to a net income of $2.0 million, or $.31 per share, for the same period in the prior year.

Liquidity and Capital Resources

The Company has a loan agreement, which expires May 31, 1997, providing for a collateralized working capital line of credit for a maximum amount of $48 million through October 30, 1996 (reduced to $40 million commencing October 31, 1996), of which a maximum of $40 million (reduced to $30 million commencing October 31, 1996) is available for direct borrowings and the unused balance for letters of credit. All amounts available for borrowings are subject to borrowing base formulas and overadvances specified in the agreement.

Direct borrowings bear interest at the agent's prime rate (8.25% as of December 1, 1996) plus 1.75%. All borrowings are collateralized by the assets of the Company. The loan agreement requires the Company, among other covenants, to maintain certain earnings and tangible net worth levels, and prohibits the payments of cash dividends. As of October 31, 1996, there was $20.6 million of borrowings outstanding and approximately $9.0 million of contingent liability under open letters of credit. The amount borrowed under the line of credit varies based on the Company's seasonal requirements.

The Company's wholly-owned Indonesian subsidiary has a line of credit with a bank for approximately $3.5 million which is supported by a $2.0 million stand-by letter of credit issued under the Company's loan agreement. As of October 31, 1996, the borrowing by the Indonesian subsidiary under its line of credit approximated $2.9 million.

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.

G-III APPAREL GROUP, LTD.
(Registrant)

Date: December 13, 1996

By: /s/ Morris Goldfarb

Morris Goldfarb
President and Chief
Executive Officer

Date: December 13, 1996

By: /s/ Alan Feller

Alan Feller
Chief Financial Officer,
Treasurer, and Secretary

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