FORM 10-QSB

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities and Exchange Act of 1934

For the quarter ended: 03/31/96   Commission File No.: 0-22818

THE HAIN FOOD GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	22 -3240619
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

50 Charles Lindbergh Boulevard, Uniondale, New York 11553

(Address of principal executive offices)

Registrant's telephone number, including area code: (516)237-6200

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 123 months (or for such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirement for the past 90 days.

Yes   X   No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

8,866,899 shares of Common Stock $.01 par value, as of May 10, 1996.

THE HAIN FOOD GROUP, INC.
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Signatures

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31 1996 (Unaudited)	June 30 1995
ASSETS		
Current assets:		
Cash	$92,000	$187,000
Trade accounts receivable - net	8,230,000	6,763,000
Inventories	7,879,000	6,029,000
Receivables from sale of equipment - current portion	629,000	521,000
Other current assets, including amounts due from seller of The Estee Company	2,775,000	312,000
Total current assets	19,605,000	13,812,000
Property and equipment, net of accumulated depreciation of $355,000 and $215,000	693,000	654,000
Receivables from sale of equipment - non-current portion	406,000	357,000
Goodwill and other intangible assets, net of accumulated amortization of $1,143,000 and $683,000	26,411,000	17,626,000
Deferred financing costs, net of accumulated amortization of $621,000 and $374,000	1,390,000	1,388,000
Other assets	1,289,000	1,084,000
Total assets	$49,794,000	$34,921,000

	March 31 1996 (Unaudited)	June 30 1995
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$7,109,000	$3,206,000
Current portion of long-term debt	2,981,000	427,000
Income taxes payable	277,000	1,296,000
Total current liabilities	10,367,000	4,929,000
Long-term debt, less current portion	15,081,000	7,277,000
Deferred income taxes	425,000	425,000
Total liabilities	25,873,000	12,631,000
Stockholders' equity:		
Preferred stock - $.01 par value; authorized 5,000,000 shares, no shares issued		
Common stock - $.01 par value, authorized 40,000,000 shares, issued and outstanding 8,866,899 shares	89,000	89,000
Additional paid-in capital	20,413,000	20,413,000
Retained earnings	3,419,000	1,788,000
Total stockholders' equity	23,921,000	22,290,000
Total liabilities and stockholders' equity	$49,794,000	$34,921,000

Note - The balance sheet at June 30, 1995 has been derived from the audited financial statements at that date.

See notes to condensed consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31		Nine Months Ended March 31	
	1996	1995	1996	1995
Net sales	$17,218,000	$14,281,000	$48,867,000	$42,646,000
Cost of sales	10,406,000	8,889,000	29,336,000	26,530,000
Gross profit	6,812,000	5,392,000	19,531,000	16,116,000
Selling, general and administrative expenses	5,090,000	3,998,000	14,552,000	10,867,000
Depreciation of property and equipment	49,000	29,000	140,000	116,000
Amortization of goodwill and other intangible assets	184,000	117,000	460,000	356,000
	5,323,000	4,144,000	15,152,000	11,339,000
Operating income	1,489,000	1,248,000	4,379,000	4,777,000
Interest expense-net	514,000	256,000	1,231,000	1,086,000
Amortization of deferred financing costs	120,000	89,000	347,000	326,000
	634,000	345,000	1,578,000	1,412,000
Income before income taxes	855,000	903,000	2,801,000	3,365,000
Provision for income taxes	351,000	374,000	1,170,000	1,430,000
Net income	$504,000	$529,000	$1,631,000	$1,935,000
Net income per common share and common share equivalents	$0.06	$0.06	$0.18	$0.23
Weighted average number of common shares and common share equivalents	8,889,000	9,278,000	8,943,000	8,457,000

See notes to condensed consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended March 31 1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$1,631,000	$1,935,000
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation of property and equipment	140,000	116,000
Amortization of goodwill and other intangible assets	460,000	356,000
Amortization of deferred financing costs	347,000	326,000
Provision for doubtful accounts	(83,000)	59,000
Increase (decrease) in cash attributable to changes in assets and liabilities, excluding amounts applicable to acquisition:		
Accounts receivable	(235,000)	2,642,000)
Inventories	392,000	(1,553,000)
Other current assets	(2,302,000)	(101,000)
Other assets	(205,000)	(185,000)
Accounts payable and accrued expenses	173,000	(1,324,000)
Income taxes payable	(1,019,000)	1,006,000
Net cash used in operating activities	(701,000)	(2,007,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of business, net of long-term debt issued to seller	(9,338,000)	
Acquisition of property and equipment	(179,000)	(398,000)
Other - net		(206,000)
Net cash used in investing activities	(9,517,000)	(604,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from senior term loan	9,000,000	
Proceeds from bank revolving credit	1,250,000	1,100,000
Payment of senior bank term loan	(1,700,000)	(7,915,000)
Collections of receivables from equipment sales	1,918,000	606,000
Proceeds from exercise of warrants, net of related expenses	8,474,000	
Payment of other long-term debt	(99,000)	(93,000)
Costs in connection with bank financing	(246,000)	
Net cash provided by financing activities	10,123,000	2,172,000
Net (decrease) in cash	(95,000)	(439,000)
Cash at beginning of period	187,000	672,000
Cash at end of period	$92,000	$233,000

See notes to condensed consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL:

The Company was incorporated in the State of Delaware on May 19, 1993. The Company and its subsidiaries operate as one business segment: the sale of specialty food products which are manufactured by various co-packers.

The Company's principal product lines consist of Hain Pure Foods (naturalfoods), Estee (sugar-free products), Hollywood Foods (principally healthy cooking oils), Kineret Foods (frozen kosher foods) and Farm Foods (frozen natural foods). See Note 3 regarding the acquisition of Estee on November 3, 1995.

2. BASIS OF PRESENTATION:

All amounts in the financial statements have been rounded to the nearest thousand dollars, except shares and per share amounts.

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Reference is made to the footnotes to the audited consolidated financial statements of the Company and subsidiaries as at June 30, 1995 and for the year then ended included in the Company's Annual Report on Form 10-KSB for information not included in these condensed footnotes.

3. ACQUISITION:

On November 3, 1995, the Company purchased substantially all of the assets and business, subject to certain liabilities of The Estee Corporation. Estee is a manufacturer and marketer of sugar-free and low sodium products targeted towards diabetic and health-conscious consumers.

(Continued)

3. ACQUISITION (continued):

The purchase price (which is subject to adjustment as defined in the Agreement) amounted to approximately $11.75 million of which $10 million was paid in cash and $1.75 million by the issuance of a junior subordinated note, with a maturity date in 2005.

The acquisition of Estee has been accounted for as a purchase and, therefore operating results of Estee have been included in the consolidated results of operations from date of acquisition. Unaudited pro forma results of operations assuming that the acquisition had occurred on July 1, 1994 are as follows:

	Nine Months Ended March 31	
	1996	1995
Net sales	$56,010,000	$61,011,000
Net income	1,813,000	2,420,000
Net income per share	$ .20	$ .29

The pro forma operating results shown above are not necessarily indicative of operations in the period following acquisition.

In connection with the acquisition of Estee, the Company acquired certain food manufacturing equipment. In January and February 1996, the Company sold such equipment to co-packers for selling prices equal to the fair value recorded at date of acquisition. A portion of the selling prices was received in January and February 1996, and the balance is receivable over various periods through June 2001. Accordingly, such equipment has been classified as "Receivables from sale of equipment," with the portion receivable within one year classified as a current asset. The proceeds of sale are to be utilized to pay the bank debt referred to in Note 5.

(Continued)

4. INVENTORIES:

	March 31 1996	June 30 1995
Finished goods	$6,865,000	$5,772,000
Raw materials and packaging	1,014,000	257,000
	$7,879,000	$6,029,000

5. LONG-TERM DEBT:

Long-term debt consists of the following:

	March 31 1996	June 30 1995
Senior Term Loan	$ 7,300,000	
Revolving Credit	1,550,000	$ 300,000
12.5% Subordinated Debentures, net of unamortized original issue discount of $1,399,000 and $1,502,000	7,101,000	6,998,000
10% Junior Subordinated Note	1,750,000	
Notes payable to sellers in connection with acquisition of companies	361,000	406,000
	18,062,000	7,704,000
Current portion	2,981,000	427,000
	$15,081,000	$7,277,000

In connection with the acquisition of Estee, the Company and its bank entered into a $18 million Amended and Restated Credit Facility ("Facility") providing for a $9 million senior term loan and a $9 million revolving credit line. The Facility replaced the Company's existing $6 million revolving credit line with the same bank. Borrowings under the Facility bear interest at 1% over the bank's base rate. The senior term loan is repayable in quarterly principal installments, commencing March 31, 1996 through maturity of the Facility on June 30, 2000. Pursuant to the revolving credit line, the Company

(Continued)

5. LONG-TERM DEBT (continued):

may borrow up to 85% of eligible trade receivables and 60% of eligible inventories. Amounts outstanding under the Facility are collateralized by principally all of the Company's assets. The Facility also contains certain financial and other restrictive covenants.

The Company borrowed the full $9 million senior term loan and $2 million under the revolving credit line to fund the cash purchase price and related closing costs of the acquisition.

The 10% junior subordinated note provides for the payment ofinterest semi-annually in arrears and matures in November 2005.

See "management's discussion and analysis of financial condition and results of operations" for additional information with respect to the Company's $18 million Restated Credit Facility.

6. EARNINGS PER SHARE:

Earnings per common and common equivalent share for the quarter and nine months ended March 31, 1996 and 1995 are computed on the basis of the weighted average shares of common stock outstanding plus common equivalent shares arising from the effect of dilutive stock options and warrants using the treasury stock method.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

A summary and comparison of the results of operations for the quarter and nine months ended March 31, 1996 and 1995 is set forth below (in thousands).

	Quarter Ended March 31			
	1996		1995	
Net sales	$17,218	100.0%	$14,281	100.0%
Gross profit	6,812	39.6%	5,392	37.8%
Selling, general and administrative expenses, depreciation and amortization	5,323	30.9%	4,144	29.0%
Operating income	1,489	8.6%	1,248	8.7%
Interest and financing costs	634	3.7%	345	2.4%
Income before income taxes	855	5.0%	903	6.3%
Income taxes	351	2.0%	374	2.6%
Net income	$ 504	2.9%	$ 529	3.7%

	Nine Months Ended March 31			
	1996		1995	
Net sales	$48,867	100.0%	$42,646	100.0%
Gross profit	19,531	40.0%	16,116	37.8%
Selling, general and administrative expenses, depreciation and amortization	15,152	31.0%	11,339	26.6%
Operating income	4,379	9.0%	4,777	11.2%
Interest and financing costs	1,578	3.2%	1,412	3.3%
Income before income taxes	2,801	5.7%	3,365	7.9%
Income taxes	1,170	2.4%	1,430	3.4%
Net income	$1,631	3.3%	$1,935	4.5%

The increase in the net sales for the current quarter and nine months were essentially all attributable to the acquisition of Estee. Gross margin percentage increased by approximately 2.2% in the current quarter and nine months compared with the 1995 quarter and nine months, principally because of sales price increases in July 1995 and more efficient production by co-packers.

Operating expenses (as a percentage of net sales) during the current quarter and nine months were approximately 2% and 4% higher, respectively, than the 1995 quarter and nine months, principally due to increased promotional activity in connection with the introduction of new products, offset, in part, by the integration of Estee without any significant increases in the Company's general and administrative expenses.

Interest and financing costs for the current quarter and nine months were $289 and $166 higher, respectively, than the 1995 quarter and nine months, principally because of debt incurred in connection with the acquisition of Estee in November 1995. The increase for the nine months was offset, in part, by the early retirement of a term loan in November 1994 and lower interest rates.

Income before income taxes, as a percentage of net sales for the current quarter and nine months decreased by approximately 1.3% and 2.2%, respectively, as compared to the 1995 quarter and nine months as a result of the aforementioned increases in operating expenses and interest and financing costs, offset to some extent by increases in gross margin.

Income taxes as a percentage of pre-tax income amounted to approximately 41% in the current quarter and 42% in nine months as compared to 42% for the prior 1995 quarter and nine months. This current percentage is deemed representative of the Company's ongoing effective income tax rate.

LIQUIDITY AND CAPITAL RESOURCES

In November 1995, the Company purchased substantially all of the business of The Estee Corporation. In connection with the acquisition, the Company and its bank entered into a $18 million Amended and Restated Credit Facility ("Facility") providing for a $9 million senior term loan and a $9 million revolving credit line. The Facility replaced the Company's existing $6 million revolving credit line with the same bank. Borrowings under the Facility bear interest at 1% over the bank's base rate. The senior term loan is repayable in quarterly principal installments, commencing March 31, 1996 through maturity of the Facility on June 30, 2000. Pursuant to the revolving credit line, the Company may borrow up to 85% of eligible trade receivables and 60% of eligible inventories. Amounts outstanding under the Facility are collateralized by principally all of the Company's assets. The Facility also contains certain financial and other restrictive covenants.

The Company borrowed the full $9 million senior term loan and $2 million under the revolving credit line to fund the cash purchase price of the acquisition.

The Company's 12.5% Subordinated Debentures ("Debentures") mature on April 14, 2004 and require principal payments of $1,943,000 on October 14, 2000, and of $2,307,000, $2,125,000, and $2,125,000, respectively on April 14 of 2002, 2003 and 2004.

Working capital at March 31, 1996 amounted to approximately $9.2 million, which is adequate to meet the Company's operational needs. The Company purchases its products from independent co-packers and does not intend to invest in plant or equipment relating to the manufacture of products for sale. Consequently, additions to property and equipment are not expected to be material in future periods. The Facility and Debentures impose limitations on the incurrance of additional indebtedness and require that the Company comply with certain financial tests and restrictive covenants.

As a result of the acquisition of Estee referred to above, the aggregate long-term debt service requirements for the 12 month period ending March 31, 1997 are approximately $3.0 million. The Company anticipates that cash flow from operations, including that attributable to the acquired business, will be sufficient to meet all of its debt service and operating requirements.

INFLATION

The Company does not believe that inflation had a significant impact on the Company's results of operations for the periods presented.

PART II - OTHER INFORMATION

Item 6. - Exhibits and Reports on Form 8-K

In November 1995, the Company filed its Report on Form 8-K reporting on the acquisition of substantially all of the assets of The Estee Corporation and the related financing thereof. In January 1996, the Company filed a Report on Form 8-K/A which included the requisite financial statements and pro forma financial information relating to the acquisition.

PART II - OTHER INFORMATION

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.

THE HAIN FOOD GROUP, INC.

Date: May 10, 1996

/s/Irwin D. Simon
Irwin D. Simon,
President and Chief
Executive Officer

Date: May 10, 1996

/s/Jack Kaufman
Jack Kaufman,
Vice President-Finance and
Chief Financial Officer