FORM-10-Q

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: 03/31/97   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 12 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.

8,556,899 shares of Common Stock $.01 par value, as of May 14, 1997.

THE HAIN FOOD GROUP, INC.
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Signatures

PART I - ITEM 1. - FINANCIAL INFORMATION

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31 1997	June 30 1996
	(Unaudited)	(Note)
ASSETS		
Current assets:		
Cash	$ 305,000	$ 306,000
Trade accounts receivable - net	7,099,000	8,069,000
Inventories	7,344,000	7,346,000
Receivables from sale of equipment - current portion	271,000	632,000
Other current assets	809,000	639,000
Total current assets	15,828,000	16,992,000
Property and equipment, net of accumulated depreciation of $530,000 and $399,000	737,000	685,000
Receivables from sale of equipment - non-current portion	220,000	310,000
Goodwill and other intangible assets, net of accumulated amortization of $1,892,000 and $1,334,000	26,757,000	27,140,000
Deferred financing costs, net of accumulated amortization of $962,000 and $706,000	1,056,000	1,312,000
Other assets	1,128,000	1,003,000
Total assets	$45,726,000	$47,442,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	$ 4,435,000	$ 5,560,000
Current portion of long-term debt	5,209,000	4,619,000
Income taxes payable	226,000	273,000
Total current liabilities	9,870,000	10,452,000
Long-term debt, less current portion	11,016,000	12,105,000
Deferred income taxes	461,000	461,000
Total liabilities	21,347,000	23,018,000
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 8,881,899 shares	89,000	89,000
Additional paid-in capital	20,465,000	20,413,000
Retained earnings	4,719,000	3,922,000
	25,273,000	24,424,000
Less: 325,000 shares of treasury stock, at cost	894,000	
Total stockholders' equity	24,379,000	24,424,000
Total liabilities and stockholders' equity	$45,726,000	$47,442,000

Note - The Balance sheet at June 30, 1996 has been derived from the audited financial statements at that date.

See notes to 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,	
	1997	1996	1997	1996
Net sales	$13,623,000	$17,218,000	$46,177,000	$48,867,000
Cost of sales	8,593,000	10,406,000	28,840,000	29,336,000
Gross profit	5,030,000	6,812,000	17,337,000	19,531,000
Selling, general and administrative expenses	4,196,000	5,090,000	13,632,000	14,552,000
Depreciation of property and equipment	48,000	49,000	131,000	140,000
Amortization of goodwill and other intangible assets	186,000	184,000	558,000	460,000
	4,430,000	5,323,000	14,321,000	15,152,000
Operating income	600,000	1,489,000	3,016.000	4,379,000
Interest expense, net	415,000	513,000	1,240,000	1,230,000
Amortization of deferred financing costs	128,000	121,000	378,000	348,000
	543,000	634,000	1,618,000	1,578,000
Income before income taxes	57,000	855,000	1,398,000	2,801,000
Provision for income taxes	24,000	351,000	601,000	1,170,000
Net income	$ 33,000	$504,000	$797,000	$1,631,000
Net income per common share and common share equivalents	$0.00	$0.06	$0.09	$0.l8
Weighted average number of common shares and common share equivalents	9,061,000	8,897,000	8,961,000	8,943,000

See notes to consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended March 31 1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 797,000	$1,631,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	131,000	140,000
Amortization of goodwill and other intangible assets	558,000	460,000
Amortization of deferred financing costs	378,000	347,000
Provision for doubtful accounts	107,000	(83,000)
Increase (decrease) in cash attributable to changes in assets and liabilities,		
Accounts receivable	863,000	(235,000)
Inventories	2,000	392,000
Other current assets	(345,000)	(2,302,000)
Other assets	(125,000)	(205,000)
Accounts payable and accrued expenses	(1,125,000)	173,000
Income taxes payable	(47,000)	(1,019,000)
Net cash provided by (used in) operating activities	1,194,000	(701,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of business, net of long-term debt issued to seller		(9,338,000)
Acquisition of property and equipment	(93,000)	(179,000)
Net cash used in investing activities	(93,000)	(9,517,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from senior term loan		9,000,000
Proceeds from bank revolving credit facility	300,000	1,250,000
Payment of senior term loan	(905,000)	(1,700,000)
Purchase of treasury stock	(894,000)	
Proceeds from exercise of options	52,000	
Collections of receivables from equipment sales	451,000	1,918,000
Payment of other long-term debt	(106,000)	(99,000)
Costs in connection with bank financing		(246,000)
Net cash provided by financing activities	(1,102,000)	10,123,000
Net (decrease) in cash	(1,000)	(95,000)
Cash at beginning of year	306,000	187,000
Cash at end of year	$305,000	$ 92,000

See notes to 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 (natural foods), Estee (sugar-free products), Hollywood Foods (principally healthy cooking oils), Kineret Foods (frozen kosher foods), Farm Foods (frozen natural foods) and Weight Watchers (refrigerated products - grated cheese, mayonnaise and margarine and dry products - cookies, snacks, canned soups). Estee was acquired on November 3, 1995 and an agreement was entered into with Weight Watchers on March 31, 1997 (see Note 3).

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-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. 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, 1996 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 March 31, 1997, the Company entered into a license agreement with Weight Watchers Gourmet Food Company ("WWGF" - a wholly owned subsidiary of H. J. Heinz Company). Under the agreement, the Company will manufacture, market and sell approximately 60 Weight Watcher dry and refrigerated products. Sales of these products were approximately $17 million for the 12 months ended March 31, 1997. The agreement is for five years, and is renewable under certain circumstances. The agreement provides, among other matters, for a royalty payment to WWGF based on sales of Weight Watchers products and payment of a share of the pre-tax profits (as defined) from sale of the such products. In connection with the license agreement, the Company purchased approximately $600,000 of inventory, using borrowings under the Company's revolving credit facility.

4. INVENTORIES:

	March 31 1997	June 30 1996
Finished goods	$6,356,000	$6,641,000
Raw materials and packaging	988,000	705,000
	$7,344,000	$7,346,000

5. LONG-TERM DEBT:

Long-term debt consists of the following:

	March 31 1997	June 30 1996
Senior Term Loan	$ 5,176,000	$ 6,081,000
Revolving Credit	1,700,000	1,400,000
12.5% Subordinated Debentures, net of unamortized original issue discount of $1,240,000 and $1,361,000	7,260,000	7,139,000
10% Junior Subordinated Note	1,750,000	1,750,000
Notes payable to sellers in connection with acquisition of companies and other long-term debt	339,000	354,000
	16,225,000	16,724,000
Current portion	5,209,000	4,619,000
	$11,016,000	$12,105,000

The 10% Junior Subordinated Note (which was issued to the seller in connection with the acquisition of Estee in 1995) contains a provision for the optional redemption of such Note on April 30, 1997 at a 25% discount. The Company elected to prepay the Note on April 28, 1997.

Reference is made to the footnotes to the audited consolidated financial statements of the Company and subsidiaries as at June 30, 1996 and for the year then ended included in the Company's Annual Report on Form 10-KSB for additional information on the aforementioned long-term debt, including interest rates, eligible borrowings under the revolving credit facility, required payments of principal, maturities, and restrictive covenants contained therein.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

6. EARNINGS PER SHARE:

Earnings per common and common equivalent share for the quarter and nine months ended March 31, 1997 and 1996 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.

7. STOCKHOLDERS' EQUITY:

On November 29, 1996, the Company repurchased 325,000 shares of its Common Stock to be held in treasury for $894,000.

In March 1997, the Company issued 15,000 shares of Common Stock in connection with the exercise of a stock option.

In connection with the WWGF agreement referred to in Note 3, the Company has issued warrants to acquire 250,000 shares of the Company's Common Stock at prices ranging from $7.00 to $9.00 per share.

8. POTENTIAL ACQUISITION:

In February 1997, the Company executed a Letter of Intent to acquire a regional snack food business that has annual sales of approximately $7 million. The Company would acquire substantially all of the assets and business, subject to substantially all of the liabilities for a cash purchase price of $485,000. In addition, the acquisition would require approximately $1 million to be funded by the Company for working capital purposes. The Company intends to use its revolving credit line to fund the purchase price and working capital requirements. As of May 12, 1997, documentation with respect to this transaction is substantially completed. The closing of this transaction is subject to the Seller's ability to meet certain conditions.

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, 1997 and 1996 is set forth below (in thousands).

	Quarter Ended March 31 1997		1996	
Net sales	$13,623	100.0%	$17,218	100.0%
Gross profit	5,030	36.9%	6,812	39.6%
Selling, general and administrative expenses, depreciation and amortization	4,430	32.5%	5,323	30.9%
Operating income	600	4.4%	1,489	8.6%
Interest and financing costs	543	4.0%	634	3.7%
Income before income taxes	57	.4%	855	5.0%
Income taxes	24	.2%	351	2.0%
Net income	$ 33	.2%	$ 504	2.9%

	Nine Months Ended March 31 1997		1996	
Net sales	$46,177	100.0%	$48,867	100.0%
Gross profit	17,337	37.5%	19,531	40.0%
Selling, general and administrative expenses, depreciation and amortization	14,321	31.0%	15,152	31.0%
Operating income	3,016	6.5%	4,379	9.0%
Interest and financing costs	1,618	3.5%	1,578	3.2%
Income before income taxes	1,398	3.0%	2,801	5.7%
Income taxes	601	1.3%	1,170	2.4%
Net income	$ 797	1.7%	$ 1,631	3.3%

Sales for the current quarter decreased by approximately $3.6 million as compared to the 1996 quarter. Sales for the nine months decreased by approximately $2.7 million as compared to the prior year. The sales decreases were principally attributable to a decrease in sales of rice cake products, offset in part for the nine months by sales of the Estee division, which was acquired in November 1995. The rice cake product category for the Company, as well as other sellers of the product, has been under recent pressure from the growing market acceptance of other snack products and from increased competition. The Company is reacting by continuing to introduce new products in a variety of categories, with a goal of reducing reliance on rice cakes and generating a more diversified product sales mix. In addition, the Company believes that its recent acquisition of the Weight Watchers dry and refrigerated product line (see note 3 of the Notes to Consolidated Financial Statements) will ultimately more than offset reduced rice cake sales. Sales (including sales from the Weight Watchers product line) for the month of April 1997 (the first month of the fourth quarter) exceeded sales for January 1997 (the first month of the third quarter) by approximately $2.1 million.

Gross margin percentage decreased by 2.7% in the current quarter and by 2.5% for the nine months, as compared to the 1996 quarter and nine months. The decreases were principally due to the change in product mix referred to above and an increase in warehousing and delivery costs.

Selling, general and administrative expenses decreased by approximately $900,000 and $800,000, respectively for the three month and nine month periods, principally as a result of lower sales promotion costs on lower sales levels. Such expenses, as a percentage of net sales, increased by 1.8% for the current quarter as compared to the 1996 quarter and was at the same level, as a percentage of sales, for the nine months as compared to the 1996 nine months.

The Company's level of debt was not significantly different during the quarter and nine month periods, compared to the prior year. Consequently, interest and financing costs were not significantly different during such periods.

Income before income taxes, as a percentage of net sales for the current quarter and nine months as compared to the 1996 quarter and nine months, decreased by approximately 4.6% and 2.7%, respectively, principally as a result of the aforementioned decrease in gross margin in the current quarter and nine months and the increase in selling, general and administrative expenses in the current quarter.

Income taxes as a percentage of pre-tax income amounted to approximately 43% in the current quarter and nine months as compared to 42% for the prior 1996 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 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 1/2% to 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. As at March 31, 1997, the Company had reduced its borrowing under the Facility to approximately $6.9 million, principally from the proceeds of sales of equipment acquired in the Estee acquisition and operating cash flow, offset by a borrowing of $900,000 to fund its acquisition of Treasury Stock and $600,000 to fund the purchase of the inventory in the Weight Watchers transaction.

Of the $9 million available under the Company's revolving credit line, $1.7 million was outstanding at March 31, 1997. From time to time, principally because of inventory requirements, the Company may utilize a portion of the revolving credit line.

The Company's 12.5% Subordinated 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, 1997 amounted to approximately $6.0 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 the Debentures impose limitations on the incurrance of additional indebtedness and require that the Company comply with certain financial tests and restrictive covenants.

The aggregate long-term debt service requirements for the 12 month period ending March 31, 1997 are approximately $5.2 million, which includes the optional redemption of a $1.75 million subordinated note issued to the seller (the "Estee Note") in connection with the acquisition of Estee and proceeds from collections of certain receivables from the sale of equipment, which are required to be utilized for pre-payments of the senior term loan. The Company redeemed the Estee Note on April 28, 1997 for $1,269,000. The Company anticipates that cash flow from operations will be sufficient to meet all of its debt service and operating requirements. See Note 8 of the Notes to Consolidated Financial Statements with respect to potential acquisition of a snack food business.

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

(a) Exhibits

Financial Data Schedule (Exhibit 27)

(b) Reports on Form 8-K

In March 1997, the Company filed its Report on Form 8-K reporting on the agreement between the Company and Weight Watchers Gourmet Food Company, a wholly owned subsidiary of H.J. Heinz Company, pursuant to which the Company will manufacture, market, distribute and sell certain Weight Watcher dry and refrigerated food products.

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 14, 1997

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

Date: May 14, 1997

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

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