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: 09/30/97 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.

8,781,899 shares of Common Stock $.01 par value, as of October 24, 1997.

THE HAIN FOOD GROUP, INC.
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PART I - ITEM 1. - FINANCIAL INFORMATION

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Sept. 30 1997 (Unaudited)	June 30 1997 (Note)
ASSETS		
Current assets:		
Cash	$ 184,000	$ 219,000
Trade accounts receivable - net	8,151,000	8,447,000
Inventories	7,425,000	6,635,000
Receivables from sale of equipment - current portion	379,000	408,000
Other current assets	990,000	818,000
Total current assets	17,129,000	16,527,000
Property and equipment, net of accumulated depreciation of $625,000 and $577,000	732,000	743,000
Receivables from sale of equipment - non-current portion	150,000	150,000
Goodwill and other intangible assets, net of accumulated amortization of $2,284,000 and $2,074,000	28,998,000	29,188,000
Deferred financing costs, net of accumulated amortization of $1,135,000 and $1,049,000	1,140,000	975,000
Other assets	1,282,000	1,312,000
Total assets	$49,431,000	$48,895,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	$ 6,097,000	$ 7,568,000
Current portion of long-term debt	5,354,000	4,178,000
Income taxes payable	592,000	299,000
Total current liabilities	12,043,000	12,045,000
Long-term debt, less current portion	9,605,000	10,756,000
Other liabilities	403,000	483,000
Deferred income taxes	552,000	552,000
Total liabilities	22,603,000	23,836,000
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	21,547,000	20,804,000
Retained earnings	5,467,000	4,991,000
Total stockholders' equity	27,103,000	25,884,000
Less: 100,000 and 300,000 shares of treasury stock, at cost	275,000	825,000
	26,828,000	25,059,000
Total liabilities and stockholders' equity	$49,431,000	$48,895,000

Note - The Balance sheet at June 30, 1997 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 September 30, 1997	Three Months Ended September 30, 1996
Net sales	$16,336,000	$15,437,000
Cost of sales	9,862,000	9,708,000
Gross profit	6,474,000	5,729,000
Selling, general and administrative expenses	4,837,000	4,333,000
Depreciation of property and equipment	48,000	41,000
Amortization of goodwill and other intangible assets	210,000	185,000
	5,095,000	4,559,000
Operating income	1,379,000	1,170,000
Interest expense, net	420,000	458,000
Amortization of deferred financing costs	131,000	123,000
	551,000	581,000
Income before income taxes	828,000	589,000
Provision for income taxes	352,000	253,000
Net income	$476,000	$336,000
Net income per common share and common share equivalents	$0.05	$0.04
Weighted average number of common shares and common share equivalents	9,965,000	8,939,000

See notes to consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended September 30 1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 476,000	$ 336,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	48,000	41,000
Amortization of goodwill and other intangible assets	210,000	185,000
Amortization of deferred financing costs	131,000	123,000
Provision for doubtful accounts		30,000
Increase (decrease) in cash attributable to changes in assets and liabilities,		
Accounts receivable	296,000	988,000
Inventories	(790,000)	(1,548,000)
Other current assets	(172,000)	(368,000)
Other assets	30,000	(41,000)
Accounts payable and accrued expenses	(1,471,000)	173,000
Income taxes payable	293,000	(47,000)
Net cash provided by (used in) operating activities	(949,000)	(128,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(37,000)	(65,000)
Other	(20,000)	
Net cash used in investing activities	(57,000)	(65,000)

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank revolving credit facility	1,550,000	250,000
Payment of senior term loan	(1,509,000	(218,000)
Costs in connection with bank financing	(251,000)	
Proceeds from exercise of warrant, net of related expenses	1,293,000	
Collections of receivables from equipment sales	29,000	204,000
Payment of other long-term debt	(61,000)	(29,000)
Other - net	(80,000)	
Net cash provided by financing activities	971,000	207,000
Net increase (decrease) in cash	(35,000)	14,000
Cash at beginning of year	219,000	306,000
Cash at end of year	$184,000	$320,000

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1997

	Common Stock		Additional	Retained	Treasury Stock		
	Shares	Amount at $.01	Paid-in Capital	Earnings (Deficit)	Shares	Amount	Total
Balance at June 30, 1997	8,881,899	$89,000	$20,804,000	$4,991,000	300,000	$(825,000)	$25,059,000
Proceeds from exercise of Common Stock warrants net of related expenses			743,000		(200,000)	550,000	1,293,000
Net income for the period				476,000			2,365,000
Balance at September 30, 1997	8,881,899	$89,000	$21,547,000	$5,467,000	$100,000	$(275,000)	$26,828,000

See notes to consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL:

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), Hollywood Foods (principally healthy cooking oils), Estee (sugar-free, medically directed snacks), Featherweight (low sodium food products), Kineret Foods (frozen kosher foods), Weight Watchers (dry and refrigerated products), and Boston Popcorn (snacks).

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, 1997 and for the year then ended included in the Company's Annual Report on Form 10-K for information not included in these condensed footnotes.

3. ACQUISITION:

On October 14, 1997, the Company completed a tender offer for all of the shares of Westbrae Natural, Inc. ("Westbrae), a publicly-owned company, for $3.625 per share of common stock in cash. The aggregate purchase price for all of the outstanding shares of Westbrae and shares under option was approximately $23.5 million. In connection therewith, the Company and a bank entered into a $40 million Amended and Restated Credit Facility ("Facility") providing for a $30 million senior term loan and a $10 million revolving credit line. See Note 5 below.

Westbrae (formerly known as Vestro Natural Foods, Inc.), headquartered in Carson, California, is a leading formulator and marketer of high quality natural and organic foods sold under the brand names Westbrae Natural, Westsoy, Little Bear and Bearitos, encompassing 300 food items such as non-dairy beverages, chips, snacks, beans and soups. For its fiscal year ended December 31, 1996, Westbrae reported net sales of $32,583,000 and net income of $1,203,000. For the three months ended September 30, 1997, Westbrae reported net sales of $9,728,000 (unaudited) and net income of $519,000 (unaudited).

Unaudited pro forma results of operations for the three months ended September 30, 1997, assuming that the acquisition had occurred as of July 1, 1997 are as follows:

Net sales	$26,064,000
Net income	696,000
Net income per share	$ .07

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

4. INVENTORIES:

	Sept. 30 1997	June 30 1997
Finished goods	$5,713,000	$5,418,000
Raw materials and packaging	1,712,000	1,217,000
	$7,425,000	$6,635,000

5. LONG-TERM DEBT:

Long-term debt consists of the following:

	Sept. 30 1997	June 30 1997
Senior Term Loan	$ 3,338,000	$ 4,847,000
Revolving Credit	3,800,000	2,250,000
12.5% Subordinated Debentures, net of unamortized original issue discount of $1,240,000 and $1,361,000	7,350,000	7,305,000
Notes payable to sellers in connection with acquisition of companies and other long-term debt	471,000	532,000
	14,959,000	14,934,000
Current portion	5,354,000	4,178,000
	$ 9,605,000	$10,756,000

In October 1997, in connection with the acquisition of Westbrae, the Company and its bank entered into a $40 million Amended and Restated Credit Facility ("Facility") providing for a $30 million senior term loan and a $10 million revolving credit line.

The Facility replaced the Company's existing $18 million facility with the same bank which provided for a $9 million senior term loan and a $9 million revolving credit line. Borrowings under the facility bear interest at rates equal to, at the Company's option, either (i) 0.75% over the bank's base rate or (ii) 2.75% over the Eurodollar Rate. The senior term loan is repayable in quarterly principal installments, commencing December 31, 1997 through maturity of the Facility on September 30, 2003. 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 Company borrowed the full $30 million senior term loan to fund the cash purchase price and related closing costs of the acquisition and to repay certain existing debt of the Company and Westbrae.

The Facility contains certain financial and other restrictive covenants which, among other matters, restrict the payment of dividends and the incurrence of additional indebtedness. The Company is also required to maintain various financial ratios, including minimum working capital ratios, the achievement of certain earnings levels, and interest and fixed charge coverage ratios.

Reference is made to the footnotes to the audited consolidated financial statements of the Company and subsidiaries as at June 30, 1997 and for the year then ended included in the Company's Annual Report on Form 10-K 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.

6. EARNINGS PER COMMON SHARE:

Net income per share is based on the weighted average number of common shares and dilutive common equivalent shares.

In February 1997, the FASB issued Statement No. 128, "Earnings Per Share" ("FAS 128"), which is effective for both interim and annual financial statements for periods ending after December 15, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and restate all periods. Under the new requirements for calculating basic earnings per share, the dilutive effect of stock options and warrants will be excluded. The impact of adopting FAS 128 is not expected to be material.

7. STOCKHOLDERS' EQUITY:

In connection with the acquisition of Estee, the Company issued a warrant to the seller to purchase 200,000 shares of the Company's common stock at an exercise price of $6.50 per share. In August and September 1997, the seller exercised all of the warrants and the Company issued 200,000 shares of Common Stock out of treasury for aggregate proceeds of $1,300,000.

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

RESULTS OF OPERATIONS

Sales for the current quarter increased by $.9 million as compared to the prior year quarter. The sales increase was largely attributable to sales of the Company's Weight Watchers and Boston Popcorn product lines, offset by a decrease in rice cakes sales, as discussed below. The Weight Watchers line of dry and refrigerated products is operated pursuant to a license obtained from HJ Heinz Company in March 1997. The Boston Popcorn Company was acquired in May 1997. During the current quarter, the Company continued to experience softness in its rice cake product line. Sales of rice cake products amounted to $2.4 million (14.6% of total sales) in the current quarter compared with $3.8 million (24.6% of total sales) in the comparable quarter of the prior year. The Company believes that the acquisition of such product lines as Weight Watchers and Boston Popcorn, and the acquisition of Westbrae in October 1997, reduces its reliance on rice cakes, and provides for a more stable and diversified sales mix.

Gross margin percentage increased by 2.5% compared to the prior year. The increase was attributable to a change in product mix and a reduction in warehousing and delivery expenses as a percentage of sales. The Company has recently adopted F.O.B. pricing for substantially all sales, thereby reducing delivery expenses. This pricing policy also reduced net sales to a minor degree because F.O.B. sales prices are lower than those for delivered items.

Selling, general and administrative expenses, as a percentage of sales, increased by 1.5% compared to the prior year. A portion of the increase was attributable to license fees associated with the Weight Watchers license referred to above, which are included in selling expenses. The balance was attributable to other increased selling expenses and a relatively minor increase in general and administrative expenses.

Depreciation expense and amortization of intangible as a percentage of sales increased to 1.6% from 1.5% as a result of amortization of goodwill associated with the acquisition of Boston Popcorn in May 1997.

Interest costs were approximately the same in both periods. The modest decrease in interest costs, as a percentage of sales was attributable to the higher sales volume in the current quarter.

Income tax expense as a percentage of pretax income was 42.5%, compared with 43.0% in the prior year. A large portion of the Company's goodwill amortization is not deductible for financial and tax reporting book purposes. Consequently, as pretax income increases, the effective income tax rate declines because goodwill amortization becomes a proportionately less significant element of expense.

Net income for the quarter increased by $140,000 as compared to the prior year quarter, principally as a result of the aforementioned increase in sales and gross margin, offset by the increase in selling, general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

In October 1997, in connection with the acquisition of Westbrae, the Company and its bank entered into the New Credit Facility ("New Facility") providing for a $30 million senior term loan and a $10 million revolving credit line. The New Facility replaced the Company's existing $18 million facility with the same bank which provided for a $9 million senior term loan and a $9 million revolving credit line. Borrowings under the New Facility bear interest at rates equal to, at the Company's option, either (I) 0.75% over the bank's base rate or (ii) 2.75% over the Eurodollar Rate. The senior term loan is repayable in quarterly principal installments, commencing December 31, 1997 through maturity of the New Credit Facility on September 30, 2003. 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 New Facility are collateralized by principally all of the Company's assets. The Facility also contains certain financial and other restrictive covenants. Of the $10 million available under the Companies revolving credit line, $2 million was outstanding as of October 24, 1997. From time to time, principally because of inventory requirements, the Company may utilize a portion of the revolving credit line. The proceeds of the $30 million term loan were used to fund the cash purchase price and related closing costs of the acquisition and to repay certain existing debt of the Company and Westbrae.

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.

The aggregate long-term debt service requirements for the 12 month period September 30, 1998 (restated for the New Credit Facility) are approximately $7.2 million, which includes the 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.

Working capital at September 30, 1997 amounted to approximately $5.1 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 Company's New Credit Facility and Debentures impose limitations on the incurrance of additional indebtedness and require that the Company comply with certain financial tests and restrictive covenants. The financial covenants were restructured in October 1997 upon closing of the New Credit Facility in connection with the acquisition of Westbrae.

Notwithstanding the significant cash demands created by the acquisition of Westbrae, the Company believes that cash provided by operations and amounts available under the New Credit Facility will be sufficient for the foreseeable future to finance its operations, service interest payments on its debt and fund capital expenditures.

SEASONALITY

Sales of food products consumed in the home generally decline to some degree during the summer vacation months. However, the Company believes that such seasonality has a limited effect on operations.

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 its Report on 8-K dated September 8, 1997 (earliest event reported) the Company reported that it had executed a non-binding letter of intent to acquire Westbrae Natural, Inc. for cash in a tender offer and merger transaction.

In its Report on 8-K dated September 12, 1997 (earliest event reported) the Company reported on the following matters.

(a) Executing a definitive merger agreement with Westbrae on September 12, 1997.

(b) Receiving a formal financing commitment for the acquisition from its lender.

(c) Commencing a tender offer for all of Westbrae's shares.

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: October 28, 1997

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

Date: October 28, 1997

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

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