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: 12/31/96   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 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.

8,566,899 shares of Common Stock $.01 par value, as of February 14, 1997.

THE HAIN FOOD GROUP, INC.
INDEX

PART I - ITEM 1. - FINANCIAL INFORMATION

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Dec. 31 1996 (Unaudited)	June 30 1996 (Note)
ASSETS		
Current assets:		
Cash	$ 334,000	$ 306,000
Trade accounts receivable - net	8,238,000	8,069,000
Inventories	6,770,000	7,346,000
Receivables from sale of equipment - current portion	313,000	632,000
Other current assets	902,000	639,000
Total current assets	16,557,000	16,992,000
Property and equipment, net of accumulated depreciation of $482,000 and $399,000	772,000	685,000
Receivables from sale of equipment - non-current portion	220,000	310,000
Goodwill and other intangible assets, net of accumulated amortization of $1,706,000 and $1,334,000	26,943,000	27,140,000
Deferred financing costs, net of accumulated amortization of $877,000 and $706,000	1,141,000	1,312,000
Other assets	1,057,000	1,003,000
Total assets	$46,690,000	$47,442,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	$ 4,439,000	$ 5,560,000
Current portion of long-term debt	5,721,000	4,619,000
Income taxes payable	228,000	273,000
Total current liabilities	10,388,000	10,452,000
Long-term debt, less current portion	11,478,000	12,105,000
Deferred income taxes	461,000	461,000
Total liabilities	22,327,000	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 8,866,899 shares	89,000	89,000
Additional paid-in capital	20,413,000	20,413,000
Retained earnings	4,686,000	3,922,000
	25,188,000	24,424,000
Less: 300 shares of treasury stock, at cost	825,000	
Total stockholders' equity	24,363,000	24,424,000
Total liabilities and stockholders' equity	$46,690,000	$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 December 31		Six Months Ended December 31,	
	1996	1995	1996	1995
Net sales	$17,117,000	$18,122,000	$32,554,000	$31,649,000
Cost of sales	10,539,000	10,767,000	20,247,000	18,930,000
Gross profit	6,578,000	7,355,000	12,307,000	12,719,000
Selling, general and administrative expenses	5,103,000	5,357,000	9,436,000	9,462,000
Depreciation of property and equipment	42,000	47,000	83,000	91,000
Amortization of goodwill and other intangible assets	187,000	155,000	372,000	276,000
	5,332,000	5,559,000	9,891,000	9,829,000
Operating income	1,246,000	1,796,000	2,416.000	2,890,000

Interest expense, net	367,000	470,000	825,000	717,000
Amortization of deferred financing costs	127,000	116,000	250,000	227,000
	494,000	586,000	1,075,000	944,000
Income before income taxes	752,000	1,210,000	1,341,000	1,946,000
Provision for income taxes	324,000	509,000	577,000	819,000
Net income	$428,000	$701,000	$764,000	$1,127,000
Net income per common share and common share equivalents	$0.05	$0.08	$0.09	$0.l3
Weighted average number of common shares and common share equivalents	8,831,000	8,897,000	8,885,000	8,971,000

See notes to consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended December 31 1996	Six Months Ended December 31 1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 764,000	$1,127,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	83,000	91,000
Amortization of goodwill and other intangible assets	372,000	276,000
Amortization of deferred financing costs	250,000	227,000
Provision for doubtful accounts	78,000	(56,000)
Increase (decrease) in cash attributable to changes in assets and liabilities,		
Accounts receivable	(247,000)	(1,432,000)
Inventories	576,000	(3,018,000)
Other current assets	(438,000)	(251,000)
Other assets	(54,000)	(43,000)
Accounts payable and accrued expenses	(1,121,000)	2,532,000
Income taxes payable	(45,000)	(995,000)
Net cash provided by (used in) operating activities	218,000	(1,542,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of business, net of long-term debt issued to seller		(10,001,000)
Acquisition of property and equipment	(80,000)	(126,000)
Net cash used in investing activities	(80,000)	(10,127,000)

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank revolving credit facility	950,000	2,500,000
Payment of senior term loan	(577,000)	9,000,000
Purchase of treasury stock	(825,000)	
Collections of receivables from equipment sales	409,000	271,000
Payment of other long-term debt	(67,000)	(60,000)
Costs in connection with bank financing		(228,000)
Net cash provided by financing activities	(110,000)	11,483,000
Net increase (decrease) in cash	28,000	(186,000)
Cash at beginning of year	306,000	187,000
Cash at end of year	$334,000	$ 1,000

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) and Farm Foods (frozen natural foods). Estee was acquired 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-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. INVENTORIES:

	Dec. 31 1996	June 30 1996
Finished goods	$5,539,000	$6,641,000
Raw materials and packaging	1,231,000	705,000
	$6,770,000	$7,346,000

4. LONG-TERM DEBT:

Long-term debt consists of the following:

	Dec. 31 1996	June 30 1996
Senior Term Loan	$ 5,504,000	$ 6,081,000
Revolving Credit	2,350,000	1,400,000
12.5% Subordinated Debentures, net of unamortized original issue discount of $1,282,000 and $1,361,000	7,218,000	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	377,000	354,000
	17,199,000	16,724,000
Current portion	5,721,000	4,619,000
	$11,478,000	$12,105,000

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.

5. EARNINGS PER SHARE:

Earnings per common and common equivalent share for the quarter and six months ended December 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.

6. STOCKHOLDERS' EQUITY:

On November 29, 1996, the Company repurchased 300,000 shares of its Common Stock to be held in treasury for $825,000.

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 six months ended December 31, 1996 and 1995 is set forth below (in thousands).

	Quarter Ended December 31			
	1996		1995	
Net sales	$17,117	100.0%	$18,122	100.0%
Gross profit	6,578	38.4%	7,355	40.6%
Selling, general and administrative expenses, depreciation and amortization	5,332	31.1%	5,559	30.7%
Operating income	1,246	7.3%	1,796	9.9%
Interest and financing costs	494	2.9%	586	3.2%
Income before income taxes	752	4.4%	1,210	6.7%
Income taxes	324	1.9%	509	2.8%
Net income	$ 428	2.5%	$ 701	3.9%

	Six Months Ended December 31			
	1996		1995	
Net sales	$32,554	100.0%	$31,649	100.0%
Gross profit	12,307	37.8%	12,719	40.2%
Selling, general and administrative expenses, depreciation and amortization	9,891	30.4%	9,829	31.1%
Operating income	2,416	7.4%	2,890	9.1%
Interest and financing costs	1,075	3.3%	944	3.0%
Income before income taxes	1,341	4.1%	1,946	6.1%
Income taxes	577	1.8%	819	2.6%
Net income	$ 764	2.3%	$1,127	3.6%

Sales for the current quarter decreased by approximately $1 million as compared to the 1995 quarter. The sales decrease was principally attributable to a decrease in sales of rice cake products, offset in part by sales of the Estee division, which was acquired in November 1995. Sales for the six months increased by $.9 million as compared to the prior year. 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. 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.

Gross margin percentage decreased by 2.2% in the current quarter and 2.4% for the six months, as compared to the 1995 quarter and six months, principally because of the change in product mix referred to above and an increase in warehousing and delivery costs.

Selling, general and administrative expenses, as a percentage of net sales, were at approximately the same levels, as a percentage of sales, for the current quarter and six months as compared to the 1995 quarter and six months.

The increase in interest and financing costs for the six months, as compared to 1995 six months, was principally attributable to interest on debt incurred in connection with the Estee acquisition.

Income before income taxes, as a percentage of net sales for the current quarter and six months as compared to the 1995 quarter and six months, decreased by approximately 2% principally as a result of the aforementioned decrease in gross margin.

Income taxes as a percentage of pre-tax income amounted to approximately 43% in the current quarter and six months as compared to 42% for the prior 1995 quarter and six 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. Subsequent thereto, the Company repaid approximately $4.5 million of such borrowings from the proceeds of sales of equipment acquired in the Estee acquisition and operating cash flow.

Of the $9 million available under the Company's revolving credit line, $2.35 million was outstanding at December 31, 1996. From time to time, principally because of inventory requirements, the Company may utilize a portion of the revolving credit line. In addition, in November 1996, the Company used $825,000 under the revolving credit line to repurchase 300,000 shares of its common stock.

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 December 31, 1996 amounted to approximately $6.2 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 Company's restated revolving 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 aggregate long-term debt service requirements for the 12 month period ending December 31, 1997 are approximately $5.7 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 presently intends to redeem the Estee Note on April 30, 1997 at 75% of the principal amount in accordance with its terms. The Company anticipates that cash flow from operations 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 4. - Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders was held on December 3, 1996. The Company submitted the following matters to a vote of security holders:

(i) To elect a Board of nine directors to serve until the next Annual Meeting of Stockholders; and

(ii) To approve the 1996 Directors Stock Option Plan; and

(iii) To ratify the appointment of Ernst & Young LLP as independent auditors for the fiscal year ending June 30, 1997 (Ernst & Young LLP were the independent auditors for the fiscal year ended June 30, 1996).

The stockholders elected the persons named below, the Company's nominees for directors, as directors of the Company, casting approximately 7,143,000 votes in favor of each nominee and withholding approximately 4,000 votes for each nominee:

Andrew R. Heyer
Irwin D. Simon
Beth L. Bronner
Barry Gordon
Steven S. Schwartzreich
John Gildea
William P. Carmichael
William J. Fox
Jack Futterman

The stockholders approved the 1996 Directors Stock Option Plan casting approximately 6,961,000 votes in favor, 14,000 against and withholding or not voting 171,000.

The stockholders ratified the appointment of Ernst & Young LLP casting approximately 7,130,000 votes in favor, 1,000 against and withholding 15,000.

On December 9, 1996, John Gildea resigned as a director of the Company after the sale of substantially all of his direct equity interest and the equity interest owned by Network Company II Limited, one of his affiliates. To date, the vacancy has not been filled.

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

(a) Exhibits

Financial Data Schedule (Exhibit 27)

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the three months ended December 31, 1996.

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: February 14, 1997

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

Date: February 14, 1997

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

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Jun-30-1997
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