

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: 09/30/96

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 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 November 12, 1996.

THE HAIN FOOD GROUP, INC.
INDEX

Part I Financial Information

Item 1. Financial Statements

Consolidated Balance Sheets - September 30, 1996
(unaudited) and June 30, 1996

Consolidated Statements of Income - Three
months ended September 30, 1996 and 1995 (unaudited)

Consolidated Statements of Cash Flows - Three
months ended September 30, 1996 and 1995 (unaudited)

Notes to Consolidated Financial Statements

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

Part II Other Information

Items 1 to 5 are not applicable

Item 6 - Exhibits and Reports on Form 8-K

Signatures

PART I - ITEM 1. - FINANCIAL INFORMATION

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Sept. 30 1996 (Unaudited) -----	June 30 1996 (Note) -----
ASSETS		
Current assets:		
Cash	\$ 320,000	\$ 306,000
Trade accounts receivable - net	7,051,000	8,069,000
Inventories	8,894,000	7,346,000
Receivables from sale of equipment - current portion	423,000	632,000
Other current assets	1,007,000	639,000
	-----	-----
Total current assets	17,695,000	16,992,000
Property and equipment, net of accumulated depreciation of \$440,000 and \$399,000		
	709,000	685,000
Receivables from sale of equipment - non-current portion	315,000	310,000
Goodwill and other intangible assets, net of accumulated amortization of \$1,519,000 and \$1,334,000	26,955,000	27,140,000
Deferred financing costs, net of accumulated amortization of \$791,000 and \$706,000	1,227,000	1,312,000
Other assets	1,044,000	1,003,000
	-----	-----
Total assets	\$47,945,000 =====	\$47,442,000 =====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 5,733,000	\$ 5,560,000
Current portion of long-term debt	4,872,000	4,619,000
Income taxes payable	226,000	273,000
	-----	-----
Total current liabilities	10,831,000	10,452,000
Long-term debt, less current portion		
Deferred income taxes	11,893,000	12,105,000
	461,000	461,000
	-----	-----
Total liabilities	23,185,000	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 and outstanding 8,866,899 shares	89,000	89,000
Additional paid-in capital	20,413,000	20,413,000
Retained earnings	4,258,000	3,922,000
	-----	-----
Total stockholders' equity	24,760,000	24,424,000
	-----	-----
Total liabilities and stockholders' equity	\$47,945,000	\$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 September 30,	
	1996	1995
	-----	-----
Net sales	\$15,437,000	\$13,527,000
Cost of sales	9,708,000	8,163,000
Gross profit	5,729,000	5,364,000
	-----	-----
Selling, general and administrative expenses	4,333,000	4,105,000
Depreciation of property and equipment	41,000	44,000
Amortization of goodwill and other intangible assets	185,000	121,000
	-----	-----
	4,559,000	4,270,000
	-----	-----
Operating income	1,170,000	1,094,000
	-----	-----
Interest expense, net	457,000	247,000
Amortization of deferred financing costs	124,000	111,000
	-----	-----
	581,000	358,000
	-----	-----
Income before income taxes	589,000	736,000
Provision for income taxes	253,000	310,000
	-----	-----
Net income	\$336,000	\$426,000
	=====	=====
Net income per common share and common share equivalents	\$0.04	\$0.05
	=====	=====
Weighted average number of common shares and common share equivalents	8,939,000	9,045,000
	=====	=====

See notes to consolidated financial statements.

THE HAIN FOOD GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended	
	September 30	
	1996	1995
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 336,000	\$ 426,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	41,000	44,000
Amortization of goodwill and other intangible assets	185,000	121,000
Amortization of deferred financing costs	123,000	111,000
Provision for doubtful accounts	30,000	(60,000)
Increase (decrease) in cash attributable to changes in assets and liabilities,		
Accounts receivable	988,000	427,000
Inventories	(1,548,000)	(822,000)
Other current assets	(368,000)	(146,000)
Other assets	(41,000)	(137,000)
Accounts payable and accrued expenses	173,000	895,000
Income taxes payable	(47,000)	(971,000)
	-----	-----
Net cash provided by (used in) operating activities	(128,000)	(112,000)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(65,000)	(64,000)
	-----	-----
Net cash used in investing activities	(65,000)	(64,000)
	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank revolving credit facility	250,000	
Payment of senior term loan	(218,000)	
Collections of receivables from equipment sales	204,000	157,000
Payment of other long-term debt	(29,000)	(32,000)
	-----	-----
Net cash provided by financing activities	207,000	115,000
	-----	-----
Net increase (decrease) in cash	14,000	(61,000)
Cash at beginning of year	306,000	187,000
	-----	-----
Cash at end of year	\$320,000	\$126,000
	=====	=====

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).

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:

	Sept. 30 1996	June 30 1996
Finished goods	\$8,056,000	\$6,641,000
Raw materials and packaging	838,000	705,000
	----- \$8,894,000 =====	----- \$7,346,000 =====

4. LONG-TERM DEBT:

Long-term debt consists of the following:

	Sept. 30 1996	June 30 1996
	-----	-----
Senior Term Loan	\$ 5,863,000	\$ 6,081,000
Revolving Credit	1,650,000	1,400,000
12.5% Subordinated Debentures, net of unamortized original issue discount of \$1,323,000 and \$1,361,000	7,177,000	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	325,000	354,000
	-----	-----
Current portion	16,765,000	16,724,000
	4,872,000	4,619,000
	-----	-----
	\$11,893,000	\$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 quarters ended September 30, 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 ended September 30, 1996 and 1995 is set forth below (in thousands).

	Quarter Ended September 30			
	1996		1995	
Net sales	\$15,437	100.0%	\$13,527	100.0%
Gross profit	5,729	37.1%	5,364	39.7%
Selling, general and administrative expenses, depreciation and amortization	4,559	29.5%	4,270	31.6%
Operating income	1,170	7.6%	1,094	8.1%
Interest and financing costs	581	3.8%	358	2.6%
Income before income taxes	589	3.8%	736	5.4%
Income taxes	253	1.6%	310	2.3%
Net income	\$ 336	2.2%	\$ 426	3.1%

Sales for the current quarter increased by approximately \$2 million as compared to the comparable quarter of the prior year. The sales increase was principally attributable to the Estee division, which was acquired in November 1995, offset, in part, by a decrease in sales of rice cake products. The rice cake category has been under pressure from other snack products. Other sellers of rice cakes have been similarly impacted. 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 sales mix.

Gross margin percentage decreased by 2.6% in the current quarter principally because of the change in product mix referred to above and an increase in warehousing and delivery costs. The impact of the reduced gross margin was largely offset by reduced promotional spending because of reduced sales of rice cake products.

Selling, general and administrative expenses, as a percentage of net sales, decreased by 2.1% in the current quarter as compared to the 1995 quarter. Rice cake products traditionally carry larger promotional costs than the Company's other product lines. Although, the Company did not lower promotional levels for rice cake products, the reduced sales of this category had the impact of reducing overall promotional costs. In addition, Estee sales have lower associated promotional costs. General and administrative expenses, as a percentage of net sales, were at the same level during the current quarter as the 1995 quarter.

In November 1995, the Company acquired substantially all of the business of The Estee Corporation. The increase in interest and financing costs 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, decreased by approximately 1.6% as compared to the 1995 quarter as a result of the aforementioned decrease in gross margin, decrease in operating expenses, as a percentage of sales, and increase in interest and financing costs.

Income taxes as a percentage of pre-tax income amounted to approximately 43% in the current quarter as compared to 42% for the prior 1995 quarter. 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 million of such borrowings, principally from the proceeds of sale of equipment acquired in the Estee acquisition and operating cash flow.

Of the \$9 million available under the Company's revolving credit line, \$1.65 million was outstanding at September 30, 1996. 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 September 30, 1996 amounted to approximately \$6.9 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 incurrence 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 September 30, 1997 are approximately \$4.9 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. 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 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 September 30, 1996.

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: November 12, 1996

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

Date: November 12, 1996

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

3-MOS
Jun-30-1997
Jul-01-1996
Sep-30-1996

		320
	0	
	7139	
	88	
	8894	
	17695	1149
	440	
	47945	
10831		11893
		89
0		
	0	
	24760	
47945		
		15437
	15437	
		9708
	9708	
	0	
	0	
	458	
	589	
		253
	336	
	0	
	0	
		0
		336
		.04
		.04