FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark one)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For Quarterly Period Ended March 31, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to ________

Commission File Number 1-8462

GRAHAM CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	16-1194720
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
20 FLORENCE AVENUE, BATAVIA, NEW YORK	14020
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including Area Code - 716-343-2216

(Former name, former address and former fiscal year, if changed since last report.)

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 requirements for the past 90 days.

YES X NO

As of May 14, 1996, there were outstanding 1,056,772 shares of common stock, $.10 par value.

GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

MARCH 31, 1996

PART I - FINANCIAL INFORMATION

Unaudited consolidated financial statements of Graham Corporation (the company) and its subsidiaries as of March 31, 1996 and for the three month period then ended are presented on the following pages. The financial statements have been prepared in accordance with the company's usual accounting policies, are based in part on approximations and reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of the interim periods.

This part also includes management's discussion and analysis of the company's financial condition as of March 31, 1996 and its results of operations for the three month period then ended.

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	March 31, 1996 <C>	December 31, 1995 <C>
Assets		
Current Assets:		
Cash and equivalents.	$ 551,000	$ 411,000
Trade accounts receivable	9,201,000	10,611,000
Inventories	6,319,000	6,621,000
Deferred tax asset.	698,000	698,000
Prepaid expenses and other current assets.	296,000	589,000
	17,065,000	18,930,000
Property, plant and equipment, net.	8,780,000	8,918,000
Deferred tax asset.	1,600,000	1,600,000
Other assets.	37,000	32,000
	$27,482,000	$29,480,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (concluded)

<TABLE>
<CAPTION>

<S>	March 31, 1996 <C>	December 31, 1995 <C>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term debt due banks	$ 341,000	$ 206,000
Current portion of long-term debt	519,000	355,000
Accounts payable.	2,976,000	4,066,000
Accrued compensation.	3,659,000	4,305,000
Accrued expenses and other liabilities	986,000	1,367,000
Customer deposits	532,000	966,000
Domestic and foreign income taxes payable	362,000	240,000
Estimated liabilities of discontinued operations	343,000	351,000
	9,718,000	11,856,000
Long-term debt.	3,076,000	3,303,000
Deferred compensation	1,026,000	1,017,000
Deferred tax liability.	109,000	111,000
Other long-term liabilities	246,000	373,000
Deferred pension liability.	1,335,000	1,252,000
Accrued postretirement benefits	3,135,000	3,161,000
Total liabilities	18,645,000	21,073,000
Shareholders' equity:		
Preferred Stock, $1 par value - Authorized, 500,000 shares		
Common stock, $.10 par value - Authorized, 6,000,000 shares Issued and outstanding, 1,056,772 shares in 1996 and 1,053,999 in 1995.	106,000	106,000
Capital in excess of par value.	3,249,000	3,219,000
Cumulative foreign currency translation adjustment.	(1,905,000)	(1,891,000)
Retained earnings	8,218,000	7,854,000
	9,668,000	9,288,000
Less:		
Treasury Stock, 442 shares.	(6,000)	(6,000)
Employee Stock Ownership Plan Loan Payable	(825,000)	(875,000)
Total shareholders' equity	8,837,000	8,407,000
	$27,482,000	$29,480,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<TABLE>
<CAPTION>

<S>	THREE MONTHS ended March 31, 1996 <C>	1995 <C>
Net Sales	$11,671,000	$ 9,305,000
Cost and expenses:		
Cost of products sold	8,424,000	6,805,000
Selling, general and administrative . . .	2,550,000	2,228,000
Interest expense.	126,000	167,000
Litigation provision.		78,000
	11,100,000	9,278,000

Income before income taxes	571,000	27,000
Provision for income taxes	207,000	8,000
Net income	364,000	19,000
Retained earnings at beginning of period	7,854,000	6,720,000
Retained earnings at end of period	$ 8,218,000	$ 6,739,000
Per Share Data:		
Net income	$.34	$.02
Average number of shares outstanding	1,060,000	1,052,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASHFLOWS

<TABLE>
<CAPTION>

<S>	Three Months Ended March 31, 1996 <C>	1995 <C>
Operating activities:		
Net income	$ 364,000	$ 19,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	226,000	241,000
Gain on sale of property, plant and equipment	(4,000)	
(Increase) Decrease in operating assets:		
Accounts receivable	1,399,000	2,677,000
Inventory, net of customer deposits	(146,000)	(1,613,000)
Prepaid expenses and other current and non-current assets	281,000	202,000
Increase (Decrease) in operating liabilities:		
Accounts payable, accrued compensation, accrued expenses and other liabilities	(2,019,000)	(1,565,000)
Litigation reserve		(86,000)
Estimated liabilities of discontinued operations	(4,000)	(175,000)
Deferred compensation, deferred pension liability, and accrued postretirement benefits	(140,000)	(166,000)
Domestic and foreign income taxes	123,000	(216,000)
Total adjustments	(284,000)	(701,000)
Net cash provided (used) by operating activities	80,000	(682,000)
Investing activities:		
Purchase of property, plant and equipment	(109,000)	(46,000)
Proceeds from sale of property, plant and equipment	15,000	
Net cash used by investing activities	(94,000)	(46,000)
Financing activities:		
Increase in short-term debt	138,000	20,000
Proceeds from issuance of long-term debt	2,065,000	1,375,000
Principal repayments on long-term debt	(2,073,000)	(1,043,000)

Issuance of common stock	30,000	
Net cash provided by financing activities	160,000	352,000
Effect of exchange rate on cash	(6,000)	5,000
Net increase (decrease) in cash and equivalents	140,000	(371,000)
Cash and equivalents at beginning of period	411,000	454,000
Cash and equivalents at end of period	$ 551,000	$ 83,000

</TABLE>

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1996

NOTE 1 - INVENTORIES:

Major classifications of inventories are as follows:
<TABLE>
<CAPTION>

<S>	3/31/96 <C>	12/31/95 <C>
Raw materials and supplies	$ 2,537,000	$ 2,579,000
Work in process	3,508,000	3,286,000
Finished products	1,177,000	1,100,000
	7,222,000	6,965,000
Less - progress payments	903,000	344,000
	$ 6,319,000	$ 6,621,000

</TABLE>

NOTE 2 - EARNINGS PER SHARE:

Earnings per share is computed by dividing net income by the weighted average number of common shares and, when applicable, common equivalent shares outstanding during the period.

NOTE 3 - CASH FLOW STATEMENT:

Actual interest paid was $160,000 and $217,000 for the three months ended March 31, 1996 and 1995, respectively. In addition, actual income taxes paid were $84,000 and $224,000 for the three months ended March 31, 1996 and 1995, respectively.

NOTE 4 - RECENTLY ISSUED ACCOUNTING STANDARD:

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," which requires adoption no later than fiscal years beginning after December 15, 1995. The new standard defines a fair value method of accounting for stock options and similar equity instruments. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period.

Pursuant to the new standard, companies are encouraged, but not required, to adopt the fair value method of accounting for employee stock-based transactions. Companies are also permitted to continue to account for such transactions under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," (APB 25) but would be required to disclose in a note to the financial statements pro forma net income and, if presented, earnings per share as if the company had applied the new method of accounting.

The accounting requirements of the new method are effective for all employee awards granted after the beginning of the fiscal year of adoption. The company has elected to continue to account for employee stock-based transactions under APB 25, however, it has not disclosed pro forma net income and earnings per share as if the company had applied the new method of accounting as these amounts have not yet been determined.

GRAHAM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
March 31, 1996

Results of Operations

Sales increased 25% in the first quarter 1996 compared to 1995. Sales increased 27% and 15% in the United States and United Kingdom operations, respectively. This increase in sales in the United States is reflective of the company's strong backlog entering 1996 and the ability to ship the orders in the first quarter. The increased sales in the U.K. reflects shorter processing time for orders received in the first quarter.

Cost of products sold was 72% of sales for the first quarter of 1996 compared to 73% for the same period in 1995. The percentages reflect management's conserted effort to maintain overhead costs at a relatively constant level while increasing sales volume and selling prices. Cost of products sold in the United States was 73% of sales compared to 74% in the first quarter of 1995. In the United Kingdom cost of products sold was 60% of sales compared to 64% for the same period in 1995.

Selling, general and administrative expenses increased 14% from the first quarter of 1995. This increase is due to salary increases granted in 1996 and additional selling expenses incurred due to the rise in sales levels. Selling, general and administrative expenses represented 22% and 24% of sales for the three-month periods ended March 31, 1996 and 1995, respectively.

Interest expense decreased 25% from $167,000 for the first quarter of 1995 to $126,000 for the current period. This decline resulted solely from lower levels of borrowing on the United States revolving credit facility as working capital needs have been financed primarily by cash flows from operating activities.

The income tax provision for the first quarter of 1996 was 36% of pretax income as compared to a 30% effective tax rate for the same period in 1995.

Financial Condition

There were no significant changes in the financial condition of the company during the first quarter of 1996.

Working capital of $7,347,000 at March 31, 1996 compares to $7,074,000 at December 31, 1995. The working capital increase reflects a decrease in current assets of $1,865,000 related mainly to accounts receivable and a decrease in current liabilities of $2,138,000 which related primarily to accounts payable and accrued compensation. The decrease in accounts receivable was attributable to collections from customers on the significant sales in the fourth quarter of 1995 as well as first quarter sales being substantially lower than 1995 fourth quarter sales. The working capital ratio was 1.76 at March 31, 1996 and 1.60 at December 31, 1995.

Short-term debt increased from $206,000 at year-end to $341,000 at March 31, 1996 and represents solely borrowings by the United Kingdom operation for working capital requirements. Total long-term debt decreased $63,000 due substantially to the the scheduled paydown on the Employee Stock Ownership Plan Loan Payable. The long-term debt to equity ratio is 41% compared to 44% at year-end 1995 and the total liabilities to assets ratio is 68% compared to 71% at year-end 1995. These ratios reflect management's success in its efforts to reduce debt.

Capital expenditures for the three month period were $109,000 compared to $46,000 for the same period in 1995. There were no major commitments for capital expenditures as of March 31, 1996. In 1996, the company expects to spend approximately $750,000 in capital additions primarily for upgrade of computer equipment and machinery.

Management expects that the cash flow from operations and lines of credit will be sufficient to fund the 1996 cash requirements.

New Orders and Backlog

New orders were $11,431,000 compared to $13,167,000 in the first quarter of 1995 and backlog of unfilled orders of $21,588,000 currently compares to $21,837,000 at December 31, 1995. New orders in the United States were $10,114,000 as compared to $12,189,000 in the first quarter 1995. New orders in the United Kingdom were $1,317,000 compared to $978,000 in the first quarter 1995. Backlog at March 31, 1996 in the United States is $20,665,000 compared to $21,136,000 at year-end 1995. Backlog at March 31, 1996 in the United Kingdom is $923,000 compared to $701,000 at year end 1995. The current backlog is scheduled to be shipped during the next twelve months and represents orders from traditional markets in the company's established product lines.

GRAHAM CORPORATION

FORM 10-Q

MARCH 31, 1996

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a. See index to exhibits.

b. No reports on Form 8-K were filed during the quarter ended March 31, 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.

Graham Corporation

s\J. R. Hansen

J. R. Hansen
Vice President Finance and
Administration / CFO

Date 05/14/96

INDEX TO EXHIBITS

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession.

Not applicable.

(4) Instruments defining the rights of security holders, including indentures.

(a) Equity securities

The instruments defining the rights of the holders of Registrant's equity securities are as follows:

Certificate of Incorporation, as amended, of Registrant (filed as Exhibit 3(a) to the Registrant's annual report on Form 10-K for the fiscal year ended December 31, 1989, and incorporated herein by reference.)

By-laws of registrant, as amended (filed as Exhibit 3(ii) to the Registrant's annual report on Form 10-K for the fiscal year ended December 31, 1995, and is incorporated herein by reference.)

Shareholder Rights Plan of Graham Corporation (filed as Exhibit (4) to Registrant's current report filed on Form 8-K on February 26, 1991, as amended by Registrant's Amendment No. 1 on Form 8 dated June 8, 1991, and incorporated herein by reference.)

(b) Debt securities

Not applicable.

(10) Material Contracts

1989 Stock Option and Appreciation Rights Plan of Graham Corporation (filed on the Registrant's Proxy Statement for its 1991 Annual Meeting of Shareholders and incorporated herein by reference.)

1995 Graham Corporation Incentive Plan to Increase Shareholder Value (filed on the Registrant's Proxy Statement for its 1996 Annual Meeting of Shareholders and incorporated herein by reference.)

(11) Statement re-computation of per share earnings

Computation of per share earnings is included herein as Exhibit 11 of this report.

(15) Letter re-unaudited interim financial information.

Not applicable.

(18) Letter re-change in accounting principles.

Not applicable.

(19) Report furnished to security holders.

None

(22) Published report regarding matters submitted to vote of security holders.

None

(23) Consents of experts and counsel.

Not applicable.

(24) Power of Attorney

Not applicable.

(27) Financial Data Schedule

Financial Data Schedule is included herein as Exhibit 27 of this report.

(99) Additional exhibits.

None

EXHIBIT 11

COMPUTATION OF EARNINGS PER SHARE

<TABLE>
<CAPTION>

<S>	Three months ended March 31, 1996 <C>	Three months ended March 31, 1995 <C>
Calculation of common and common equivalent shares:		
Shares outstanding at beginning of the period	1,054,000	1,051,000
Weighted average number of shares issued during the period:		
Issuance of shares	1,000	
Weighted average shares outstanding	1,055,000	1,051,000
Common equivalent shares if stock options were exercised	5,000	1,000
Average number of common and common equivalent shares outstanding	1,060,000	1,052,000
Calculation of earnings per share:		
Net income	$364,000	$19,000
Average number of common and common equivalent shares outstanding	1,060,000	1,052,000
Net income per common and common equivalent share	$.34	$.02

<FN>
Fully diluted earnings per share is equivalent to primary earnings per share as the period-end market price of common stock does not result in greater dilution.
</TABLE>

<TABLE> <S> <C>

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The schedule contains summary financial information extracted from the Graham Corporation consolidated balance sheet and consolidated statement of operations and retained earnings and is qualified in its entirety by reference to such financial statements.
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