FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For Quarterly Period Ended
OR

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

For the transition period from January 1, 1997 to March 31, 1997
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 12, 1997, there were outstanding 1,595,405 shares of common stock, $.10 par value.

GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

MARCH 31, 1997

PART I - FINANCIAL INFORMATION

Unaudited consolidated financial statements of Graham Corporation (the Company) and its subsidiaries as of March 31, 1997 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, 1997 and its results of operations for the three month period then ended.

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	March 31, 1997 <C>	December 31, 1996 <C>
Assets		
Current Assets:		
Cash and equivalents.	$ 854,000	$ 1,263,000
Marketable securities	548,000	745,000
Trade accounts receivable	10,388,000	9,235,000
Inventories	6,609,000	6,343,000
Deferred tax asset.	841,000	820,000
Prepaid expenses and other current assets	507,000	530,000
	19,747,000	18,936,000
Property, plant and equipment, net. . . .	9,490,000	9,572,000
Deferred tax asset.	1,894,000	1,852,000
Other assets.	65,000	74,000
	$31,196,000	$30,434,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (concluded)

<TABLE>
<CAPTION>

<S>	March 31, 1997 <C>	December 31, 1996 <C>
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt . . .	$ 479,000	$ 487,000

Accounts payable	3,887,000	3,923,000
Accrued compensation	3,100,000	4,081,000
Accrued expenses and other liabilities	1,056,000	1,091,000
Customer deposits	509,000	382,000
Domestic and foreign income taxes payable	212,000	468,000
Estimated liabilities of discontinued operations	232,000	325,000
	9,475,000	10,757,000
Long-term debt	2,764,000	1,442,000
Deferred compensation	1,170,000	1,067,000
Deferred tax liability	31,000	33,000
Other long-term liabilities	302,000	339,000
Deferred pension liability	1,765,000	1,729,000
Accrued postretirement benefits	3,179,000	3,212,000
Total liabilities	18,686,000	18,579,000
Shareholders' equity:		
Preferred Stock, $1 par value - Authorized, 500,000 shares		
Common stock, $.10 par value - Authorized, 6,000,000 shares Issued, 1,587,655 shares in 1997 and 1,586,155 shares in 1996	159,000	159,000
Capital in excess of par value	3,226,000	3,210,000
Cumulative foreign currency translation adjustment	(1,812,000)	(1,748,000)
Retained earnings	11,568,000	10,915,000
	13,141,000	12,536,000
Less:		
Treasury Stock	(6,000)	(6,000)
Employee Stock Ownership Plan Loan Payable	(625,000)	(675,000)
Total shareholders' equity	12,510,000	11,855,000
	$31,196,000	$30,434,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<TABLE>
<CAPTION>

	THREE MONTHS ended March 31, 1997	1996
<S>	<C>	<C>
Net Sales	$14,328,000	$11,671,000
Cost and expenses:		
Cost of products sold	10,202,000	8,424,000
Selling, general and administrative	3,071,000	2,550,000
Interest expense	65,000	126,000
	13,338,000	11,100,000
Income before income taxes	990,000	571,000
Provision for income taxes	337,000	207,000
Net income	653,000	364,000
Retained earnings at beginning of period	10,915,000	7,854,000
Retained earnings at end of period	$11,568,000	$ 8,218,000
Per Share Data:		
Net income	$.40	$.23
Average number of shares outstanding	1,619,000	1,606,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1997	Three Months Ended March 31, 1996
<S>	<C>	<C>
Operating activities:		
Net income	$ 653,000	$ 364,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	253,000	226,000
Gain on sale of property, plant and equipment	(7,000)	(4,000)
(Increase) Decrease in operating assets:		
Accounts receivable.	(1,197,000)	1,399,000
Inventory, net of customer deposits.	(197,000)	(146,000)
Prepaid expenses and other current and non-current assets	18,000	281,000
Increase (Decrease) in operating liabilities:		
Accounts payable, accrued compensation, accrued expenses and other liabilities . .	(1,007,000)	(2,019,000)
Estimated liabilities of discontinued operations	(79,000)	(4,000)
Deferred compensation, deferred pension liability, and accrued postretirement benefits	118,000	(140,000)
Domestic and foreign income taxes.	(251,000)	123,000
Other long-term liabilities.	(35,000)	
Deferred income taxes.	(65,000)	
Total adjustments.	(2,449,000)	(284,000)
Net cash provided (used) by operating activities.	(1,796,000)	80,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (concluded)

<TABLE>

<CAPTION>

<S>	Three Months Ended March 31, 1997 <C>	1996 <C>
Investing activities:		
Purchase of property, plant and equipment. . .	(237,000)	(109,000)
Proceeds from sale of property, plant and equipment	8,000	15,000
Purchase of marketable securities.	(1,171,000)	
Proceeds from maturity of marketable securities	1,372,000	
Net cash used by investing activities.	(28,000)	(94,000)
Financing activities:		
Increase in short-term debt.		138,000
Proceeds from issuance of long-term debt . . .	2,730,000	2,065,000
Principal repayments on long-term debt	(1,321,000)	(2,073,000)
Issuance of common stock	12,000	30,000
Net cash provided by financing activities. . .	1,421,000	160,000
Effect of exchange rate on cash.	(6,000)	(6,000)
Net increase (decrease) in cash and equivalents	(409,000)	140,000
Cash and equivalents at beginning of period. .	1,263,000	411,000
Cash and equivalents at end of period.	$ 854,000	$ 551,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1997

NOTE 1 - INVENTORIES:

Major classifications of inventories are as follows:

<TABLE>
<CAPTION>

<S>	3/31/97 <C>	12/31/96 <C>
Raw materials and supplies.	$ 2,450,000	$ 2,411,000
Work in process	3,985,000	4,538,000
Finished products	1,163,000	1,168,000
	7,598,000	8,117,000
Less - progress payments.	989,000	1,774,000
	$ 6,609,000	$ 6,343,000

</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 $65,000 and $160,000 for the three months ended March 31, 1997 and 1996, respectively. In addition, actual income taxes paid were $627,000 and $84,000 for the three months ended March 31, 1997 and 1996, respectively.

- ---
NOTE 4 - RECENTLY ISSUED ACCOUNTING STANDARD:
- ---

In March 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earning Per Share," which is effective for financial statements for both interim and annual periods ending after December 15, 1997. This new standard requires dual presentation of basic and diluted earnings per share (EPS) on the face of the earnings statement and requires a reconciliation of the numerators and denominators of basic and diluted EPS calculations. The Company's current EPS calculation conforms to basic EPS. Diluted EPS will not be materially different from basic EPS since potential common shares in the form of stock options are not materially dilutive.

GRAHAM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
March 31, 1997

Results of Operations
- ---------------------

Sales increased 23% in the first quarter 1997 compared to 1996. Sales increased 25% in the United States while sales in the United Kingdom remained flat. The product lines that attributed substantially to the sales increase were surface condensers, ejectors and vacuum pumps.

Cost of products sold was 71% of sales for the first quarter of 1997 compared to 72% for the same period in 1996. The percentages reflect a decline in direct costs as a percentage of selling prices offset by a slight increase in production overheads due to increased sales levels. Cost of products sold in the United States was 73% of sales in both the first quarter of 1997 and 1996, and cost of products sold in the United Kingdom also remained the same for both periods at 60% of sales.

Selling, general and administrative expenses increased 20% from the first quarter of 1996. This increase is due to salary increases granted in 1997, incentive wage programs based on profit levels, and the allocation of additional resources to the sales force. Selling, general and administrative expenses represented 21% and 22% of sales for the three-month periods ended March 31, 1997 and 1996, respectively.

Interest expense decreased 48% from $126,000 for the first quarter of 1996 to $65,000 for the current period. This decline resulted from lower interest rates and 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 1997 was 34% of pretax income as compared to a 36% effective tax rate for the same period in 1996.

Financial Condition
- -------------------

There were no significant changes in the financial condition of the Company during the first quarter of 1997.

Working capital of $10,272,000 at March 31, 1997 compares to $8,179,000 at December 31, 1996. The working capital increase reflects an increase in current assets of $811,000 related mainly to accounts receivable and a decrease in current liabilities of $1,282,000 which related primarily to accrued compensation. The increase in accounts receivable was attributable to the significant sales in the first quarter of 1997 which exceeded 1996 fourth quarter sales by 5%. The decrease in accrued compensation is due to the timing of payment of certain benefits. The working capital ratio was 2.08 at March 31, 1997 and 1.76 at December 31, 1996.

Total long-term debt increased $1,314,000 due substantially to additional borrowings on the United States revolving credit facility for working capital needs. This debt is classified as long term as the agreement allows the Company to convert borrowings greater than $2,000,000 and up to $9,000,000 into a two-year term loan at any time. The long-term debt to equity ratio is 26% compared to 16% at year-end 1996 and the total liabilities to assets ratio is 60% compared to 61% at year-end 1996.

Capital expenditures for the three month period were $237,000 compared to $109,000 for the same period in 1996. There were no major commitments for capital expenditures as of March 31, 1997. In fiscal year 1998, the Company anticipates capital expenditures of approximately $1,000,000 primarily for machinery and computer equipment.

Management expects that the cash flow from operations and lines of credit will be sufficient to fund the 1997 cash requirements.

New Orders and Backlog

New orders were $11,150,000 compared to $11,431,000 in the first quarter of 1996 and backlog of unfilled orders of $22,348,000 currently compares to $25,578,000 at December 31, 1996. New orders in the United States were $9,739,000 as compared to $10,114,000 in the first quarter 1996. New orders in the United Kingdom were $1,411,000 compared to $1,317,000 in the first quarter 1996. Backlog at March 31, 1997 in the United States is $21,011,000 compared to $24,514,000 at year-end 1996. Backlog at March 31, 1997 in the United Kingdom is $1,337,000 compared to $1,064,000 at year end 1996. Although backlog and new orders are down in the United States, prospects for new orders in the refinery, chemical and fertilizer industries are good. Currently, contract negotiations on a major order for a geothermal project are being finalized. In the United Kingdom, maintaining order levels has been difficult due to competition and the strength of the Pound Sterling. However, a major order was received during the quarter causing an increase in the backlog and growth is anticipated in the package and standard pump product lines. 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.

Accounting Changes and Change in Fiscal Year

In March 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share," which is effective for interim and annual periods ending after December 15, 1997. Early adoption of the statement is not permitted. SFAS No. 128 will require the Company to restate all previously reported earnings per share information to conform with the new pronouncement's requirements.

Effective April 1, 1997, the Company changed its year end from December 31 to March 31. Management anticipates that this change will be beneficial to the operations of the business.

GRAHAM CORPORATION

FORM 10-Q

MARCH 31, 1997

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a. See index to exhibits.

b. A Form 8-K was filed on March 25, 1997 which reported under Item 8 a change in the fiscal year.

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 05/12/97

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, 1997 <C>	Three months ended March 31, 1996 <C>
Calculation of common and common equivalent shares:		
Shares outstanding at beginning of the period	1,585,000	1,581,000
Weighted average number of shares issued during the period:		
Issuance of shares	1,000	2,000
Weighted average shares outstanding	1,586,000	1,583,000
Common equivalent shares if stock options were exercised	33,000	23,000
Average number of common and common equivalent shares outstanding	1,619,000	1,606,000
Calculation of earnings per share:		
Net income	$653,000	$364,000
Average number of common and common equivalent shares outstanding	1,619,000	1,606,000
Net income per common and common equivalent share	$.40	$.23

<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>

<ARTICLE> 5
<LEGEND>
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.
</LEGEND>
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	MAR-31-1997
<PERIOD-END>	MAR-31-1997
<CASH>	854
<SECURITIES>	548
<RECEIVABLES>	10,388
<ALLOWANCES>	8
<INVENTORY>	6,609
<CURRENT-ASSETS>	19,747
<PP&E>	24,849
<DEPRECIATION>	15,359
<TOTAL-ASSETS>	31,196
<CURRENT-LIABILITIES>	9,475
<BONDS>	2,764
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	159
<OTHER-SE>	12,351
<TOTAL-LIABILITY-AND-EQUITY>	31,196
<SALES>	14,328
<TOTAL-REVENUES>	14,328
<CGS>	10,202
<TOTAL-COSTS>	10,202
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	65
<INCOME-PRETAX>	990
<INCOME-TAX>	337
<INCOME-CONTINUING>	653
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	653
<EPS-PRIMARY>	0.40
<EPS-DILUTED>	0.40

</TABLE>