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 June 30, 1997

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 August 8, 1997, there were outstanding 1,631,182 shares of common stock, $.10 par value.

GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

JUNE 30, 1997

PART I - FINANCIAL INFORMATION

Unaudited consolidated financial statements of Graham Corporation (the company) and its subsidiaries as of June 30, 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 normal and recurring adjustments which are, in the opinion of management, necessary to a fair presentation of the results of the interim periods.

This part also includes management's discussion and analysis of the company's financial condition as of June 30, 1997 and its results of operations for the three month period then ended.

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	June 30, 1997	March 31, 1997
<S>	<C>	<C>
Assets		
Current Assets:		
Cash and equivalents	$ 14,000	$ 854,000
Marketable securities.	548,000	548,000
Trade accounts receivable.	9,674,000	10,388,000
Inventories.	5,986,000	6,609,000
Deferred tax asset	841,000	841,000
Prepaid expenses and other current assets	488,000	507,000
	17,551,000	19,747,000
Property, plant and equipment, net.	9,463,000	9,490,000
Deferred tax asset	1,894,000	1,894,000
Other assets	57,000	65,000
	$28,965,000	$31,196,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (concluded)

<TABLE>
<CAPTION>

	June 30, 1997	March 31, 1997
<S>	<C>	<C>

Liabilities and Shareholders' Equity

Current liabilities:		
Current portion of long-term debt.	$ 435,000	$ 479,000
Accounts payable	2,684,000	3,887,000
Accrued compensation	2,708,000	3,100,000
Accrued expenses and other liabilities	851,000	1,056,000
Customer deposits.	741,000	509,000
Domestic and foreign income taxes payable	402,000	212,000
Estimated liabilities of discontinued operations	168,000	232,000
	7,989,000	9,475,000
Long-term debt.	1,226,000	2,764,000
Deferred compensation	1,218,000	1,170,000
Deferred tax liability.	31,000	31,000
Other long-term liabilities	260,000	302,000
Deferred pension liability.	1,848,000	1,765,000
Accrued postretirement benefits	3,192,000	3,179,000
Total liabilities	15,764,000	18,686,000
Shareholders' equity:		
Preferred Stock, $1 par value - Authorized, 500,000 shares		
Common stock, $.10 par value- Authorized, 6,000,000 shares Issued 1,604,355 shares on June 30, 1997 and 1,587,655 on March 31, 1997	160,000	159,000
Capital in excess of par value	3,355,000	3,226,000
Cumulative foreign currency translation adjustment.	(1,793,000)	(1,812,000)
Retained earnings.	12,060,000	11,568,000
	13,782,000	13,141,000
Less:		
Treasury Stock.	(6,000)	(6,000)
Employee Stock Ownership Plan Loan Payable	(575,000)	(625,000)
Total shareholders' equity	13,201,000	12,510,000
	$28,965,000	$31,196,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<TABLE>
<CAPTION>

	THREE MONTHS ended June 30, 1997	1996
<S>	<C>	<C>
Net Sales	$12,073,000	$13,409,000
Cost and expenses:		
Cost of products sold.	8,300,000	9,572,000
Selling, general and administrative. . . .	2,936,000	2,938,000
Interest expense	79,000	113,000
	11,315,000	12,623,000
Income before income taxes.	758,000	786,000
Provision for income taxes.	266,000	314,000
Net income.	492,000	472,000
Retained earnings at beginning of period	11,568,000	8,218,000
Retained earnings at end of period	$12,060,000	$ 8,690,000
Per Share Data:		
Net income.	$.30	$.29
Average number of shares outstanding.	1,654,000	1,609,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

<S>	Three Months Ended June 30, 1997 <C>	1996 <C>
Operating activities:		
Net income	$ 492,000	$ 472,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.	258,000	227,000
(Gain) Loss on sale of property, plant and equipment	(22,000)	1,000
(Increase) Decrease in operating assets:		
Accounts receivable	729,000	1,503,000
Inventory, net of customer deposits	865,000	233,000
Prepaid expenses and other current and non-current assets	20,000	(116,000)
Increase (Decrease) in operating liabilities:		
Accounts payable, accrued compensation, accrued expenses and other liabilities	(1,810,000)	105,000
Estimated liabilities of discontinued operations	(66,000)	(97,000)
Deferred compensation, deferred pension liability, and accrued postemployment benefits	140,000	113,000
Domestic and foreign income taxes	190,000	125,000
Other long-term liabilities	(42,000)	
Total adjustments	262,000	2,094,000
Net cash provided by operating activities	754,000	2,566,000

</TABLE>

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

<TABLE>

<CAPTION>

<S>	Three Months Ended June 30, 1997 <C>	1996 <C>
Investing activities:		
Purchase of property, plant and equipment.	(179,000)	(127,000)
Proceeds from sale of property, plant and equipment.		6,000
Purchase of marketable securities.	(365,000)	
Proceeds from maturity of marketable securities. .	365,000	
Net cash used by investing activities.	(179,000)	(121,000)
Financing activities:		
Increase in short-term debt.		92,000
Proceeds from issuance of long-term debt	5,090,000	200,000
Principal repayments on long-term debt	(6,635,000)	(1,416,000)
Issuance of common stock	130,000	8,000
Net cash used by financing activities.	(1,415,000)	(1,116,000)
Effect of exchange rate on cash.		6,000
Net increase (decrease) in cash and equivalents. .	(840,000)	1,335,000
Cash and equivalents at beginning of period. . . .	854,000	551,000
Cash and equivalents at end of period.	$ 14,000	$1,886,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL INFORMATION
JUNE 30, 1997

NOTE 1 - INVENTORIES

Major classifications of inventories are as follows:

<TABLE>
<CAPTION>

<S>	6/30/97 <C>	3/31/97 <C>
Raw materials and supplies.	$ 2,451,000	$ 2,450,000
Work in process	4,163,000	3,985,000
Finished products	1,147,000	1,163,000
	7,761,000	7,598,000
Less - progress payments.	1,775,000	989,000
	$ 5,986,000	$ 6,609,000

</TABLE>

NOTE 2 - EARNINGS PER SHARE:

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

NOTE 3 - CASH FLOW STATEMENT

Actual interest paid was $79,000 and $113,000 for the three months ended June 30, 1997 and 1996, respectively. In addition, actual income taxes paid were $76,000 and $190,000 for the three months ended June 30, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
June 30, 1997

Results of Operations

Sales decreased 10% in the first quarter of fiscal year 1998 compared to the same period (April, May, June) in 1996. Sales for the first quarter decreased 12% in the United States and increased 16% in the United Kingdom compared to 1996. The decrease in the United States sales is due to the change in the fiscal year effective April 1, 1997. From an operational perspective, all Graham first quarters are similar in the sense that we go into each of them with very few, if any, jobs that are anywhere near completion. Each accounting year, an all-out effort is made to complete and take revenue recognition for as much work-in-process inventory as possible. We recognize sales under the completed contract method, and Graham's product manufacturing time from engineering to shipment on major jobs exceeds ninety days. So, typically any Graham first quarter is less robust than any other quarter of the year. Sales in the second quarter are expected to exceed the sales levels attained in the first quarter. The increase in the United Kingdom sales is attributable to increased sales volume of certain standard products and spare parts.

Cost of sales as a percent of sales for the first quarter of fiscal year 1998 was 69% compared to 71% a year ago. Cost of sales as a percent of sales for the three month period was 69% for the United States operations compared to 72% last year and 69% for the United Kingdom operations compared to 70% last year. The favorable percentage for the United States reflects direct material cost savings while the decrease in the United Kingdom is attributable to a reduction of overhead expenses.

Selling, general and administrative expenses for the three months ended June 30, 1997 were comparable to selling, general and administrative expenses for the same period in 1996 and represented 24% of sales as compared to 22% in 1996. Selling, general and administrative expenses remained flat despite increases in salaries and employee levels due to management's concerted effort to contain overhead costs.

Interest expense for the first quarter is down 30% from the same period in 1996. The decrease resulted primarily from a decline in interest rates and lower levels of borrowing on the United States revolving credit facility due to strong cash flow.

The effective income tax rate for the first quarter was 35% compared to 40% for the comparable three months of 1996.

Financial Condition

There were no significant changes in the financial condition of the company for the first quarter of fiscal year 1998. Working capital of $9,562,000 at June 30, 1997 compares to $10,272,000 at March 31, 1997. The working capital decrease reflects a decrease in current assets of $2,196,000 and a decrease in current liabilities of $1,486,000. The decrease in current assets related primarily to a significant decrease in cash due to paydown of debt and a decrease in accounts receivable due to a decline in sales in the first quarter as compared to the first three months of 1997. The decrease in current liabilities reflects primarily a reduction in accounts payable which is attributable to timing of purchases.

Capital expenditures for the three month period were $179,000 compared to $127,000 for the same period in 1996. There were no major commitments for capital expenditures as of June 30, 1997. Management anticipates spending approximately $1,000,000 in fiscal year 1998 for capital additions to upgrade computer equipment and machinery.

Total long-term debt decreased $1,582,000 from March 31, 1997 due to paydowns on the United States revolving credit line which is classified as long-term in accordance with the terms of the loan agreement. The long-term debt to equity ratio is 13% compared to 26% at March 31, 1997 and the total liabilities to assets ratio is 54% compared to 60% at March 31, 1997. These ratios are reflective of management's continual effort to reduce debt.

Management expects that the cash flow from operations and lines of credit will provide sufficient resources to fund the fiscal year 1998 cash requirements.

New Orders and Backlog
- ----------------------

New orders for the second quarter were $20,788,000 compared to $17,260,000 for the same period last year. New orders in the United States were $19,646,000 compared to $15,774,000 for the same period in 1996. New orders in the United Kingdom were $1,142,000 compared to $1,486,000 for the same quarter last year. New orders in the United States are at an historically high level which is attributable to three large export orders acquired during the quarter and orders for the refinery industry. The decline in new orders in the United Kingdom is related to the strength of the Pound Sterling which has caused customers to request significant price discounts.

Backlog of unfilled orders at June 30, 1997 is at an historic high point at $31,076,000. This compares to $25,455,000 at this time a year ago and $22,348,000 at March 31, 1997. Current backlog in the United States of $29,928,000 compares to $21,011,000 at March 31, 1997 and $24,191,000 at June 30, 1996. Current backlog in the United Kingdom of $1,148,000 compares to $1,337,000 at March 31, 1997 and $1,264,000 at June 30, 1996. The current backlog is reflective of the recent order activity. 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 AND SUBSIDIARIES
FORM 10-Q
JUNE 30, 1997
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 June 30, 1997.

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 08/08/97

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.

Index to Exhibits (cont.)

(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

	Three months ended June 30, 1997	Three months ended June 30, 1996
Calculation of common and common equivalent shares:		
Shares and share equivalent units outstanding at beginning of the period	1,590,000	1,585,000
Weighted average number of shares issued during the period:		
Issuance of shares	9,000	
Weighted average shares outstanding	1,599,000	1,585,000
Common equivalent shares if stock options were exercised	55,000	24,000
Average number of common and common equivalent shares outstanding	1,654,000	1,609,000
Calculation of earnings per share:		
Net income	$492,000	$472,000
Average number of common and common equivalent shares outstanding	1,654,000	1,609,000
Net income per common and common equivalent share	$.30	$.29

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> <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-31-1998
<PERIOD-END>                               JUN-30-1997
<CASH>                                              14
<SECURITIES>                                       548
<RECEIVABLES>                                    9,682
<ALLOWANCES>                                         8
<INVENTORY>                                      5,986
<CURRENT-ASSETS>                                17,551
<PP&E>                                          24,950
<DEPRECIATION>                                  15,487
<TOTAL-ASSETS>                                  28,965
<CURRENT-LIABILITIES>                            7,989
<BONDS>                                          1,226
<PREFERRED-MANDATORY>                                0
<PREFERRED>                                          0
<COMMON>                                           160
<OTHER-SE>                                      13,041
<TOTAL-LIABILITY-AND-EQUITY>                    28,965
<SALES>                                         12,073
<TOTAL-REVENUES>                                12,073
<CGS>                                            8,300
<TOTAL-COSTS>                                    8,300
<OTHER-EXPENSES>                                     0
<LOSS-PROVISION>                                     0
<INTEREST-EXPENSE>                                  79
<INCOME-PRETAX>                                    758
<INCOME-TAX>                                       266
<INCOME-CONTINUING>                                492
<DISCONTINUED>                                       0
<EXTRAORDINARY>                                      0
<CHANGES>                                            0
<NET-INCOME>                                       492
<EPS-PRIMARY>                                     0.30
<EPS-DILUTED>                                     0.29


</TABLE>
```