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 September 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 November 7, 1997, there were outstanding 1,686,632 shares of common stock, $.10 par value.

GRAHAM CORPORATION AND SUBSIDIARIES

FORM 10-Q

SEPTEMBER 30, 1997

PART I - FINANCIAL INFORMATION

Unaudited consolidated financial statements of Graham Corporation (the company) and its subsidiaries as of September 30, 1997 and for the three month and six month periods 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 September 30, 1997 and its results of operations for the three month and six month periods then ended.

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	September 30, 1997	March 31, 1997
<S>	<C>	<C>
Assets		
Current Assets:		
Cash and equivalents	$ 1,295,000	$ 854,000
Marketable securities	2,246,000	548,000
Trade accounts receivable	8,802,000	10,388,000
Inventories	5,473,000	6,609,000
Deferred tax asset	438,000	841,000
Prepaid expenses and other current assets	840,000	507,000
	19,094,000	19,747,000
Property, plant and equipment, net	9,346,000	9,490,000
Deferred tax asset	1,894,000	1,894,000
Other assets	48,000	65,000
	$30,382,000	$31,196,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (concluded)

<TABLE>
<CAPTION>

	September 30, 1997	March 31, 1997
<S>	<C>	<C>
Liabilities and Shareholders' Equity		

Current liabilities:		
Short-term debt due banks	$ 143,000	
Current portion of long-term debt	397,000	$ 479,000
Accounts payable	2,293,000	3,887,000
Accrued compensation	3,251,000	3,100,000
Accrued expenses and other liabilities	854,000	1,056,000
Customer deposits	460,000	509,000
Domestic and foreign income taxes payable	227,000	212,000
Estimated liabilities of discontinued operations	105,000	232,000
	7,730,000	9,475,000
Long-term debt	1,126,000	2,764,000
Deferred compensation	1,242,000	1,170,000
Deferred tax liability	31,000	31,000
Other long-term liabilities	234,000	302,000
Deferred pension liability	1,920,000	1,765,000
Accrued postretirement benefits	3,228,000	3,179,000
Total liabilities	15,511,000	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 1,675,895 shares on September 30, 1997 and 1,587,655 on March 31, 1997	168,000	159,000
Capital in excess of par value	4,078,000	3,226,000
Cumulative foreign currency translation adjustment	(1,831,000)	(1,812,000)
Retained earnings	12,987,000	11,568,000
	15,402,000	13,141,000
Less:		
Treasury Stock	(6,000)	(6,000)
Employee Stock Ownership Plan Loan Payable	(525,000)	(625,000)
Total shareholders' equity	14,871,000	12,510,000
	$30,382,000	$31,196,000

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

<TABLE>
<CAPTION>

	THREE MONTHS ended September 30, 1997	THREE MONTHS ended September 30, 1996	SIX MONTHS ended September 30, 1997	SIX MONTHS ended September 30, 1996
<S>	<C>	<C>	<C>	<C>
Net Sales	$14,615,000	$12,705,000	$26,687,000	$26,114,000
Cost and expenses:				
Cost of products sold	9,679,000	8,860,000	17,979,000	18,432,000
Selling, general and administrative	3,471,000	2,869,000	6,407,000	5,807,000
Interest expense	61,000	68,000	140,000	181,000
	13,211,000	11,797,000	24,526,000	24,420,000
Income before income taxes	1,404,000	908,000	2,161,000	1,694,000
Provision for income taxes	477,000	351,000	742,000	665,000
Net income	927,000	557,000	1,419,000	1,029,000
Retained earnings at beginning of period	12,060,000	8,690,000	11,568,000	8,218,000
Retained earnings at end of period	$12,987,000	$ 9,247,000	$12,987,000	$ 9,247,000
Per Share Data:				
Net income	$.55	$.35	$.85	$.64
Average number of common				

and common equivalent shares outstanding	1,698,000	1,613,000	1,676,000	1,611,000
	=========	=========	=========	=========

</TABLE>

GRAHAM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Six Months Ended September 30, 1997	Six Months Ended September 30, 1996
<S>	<C>	<C>
Operating activities:		
Net income	$1,419,000	$1,029,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	513,000	456,000
(Gain) Loss on sale of property, plant and equipment	(22,000)	1,000
(Increase) Decrease in operating assets:		
Accounts receivable	1,573,000	1,373,000
Inventory, net of customer deposits	1,074,000	2,137,000
Prepaid expenses and other current and non-current assets	67,000	(105,000)
Increase (Decrease) in operating liabilities:		
Accounts payable, accrued compensation, accrued expenses and other liabilities	(1,635,000)	(317,000)
Estimated liabilities of discontinued operations	(119,000)	49,000
Deferred compensation, deferred pension liability, and accrued postemployment benefits	280,000	205,000
Domestic and foreign income taxes	15,000	(43,000)
Other long-term liabilities	(73,000)	83,000
Total adjustments	1,673,000	3,839,000
Net cash provided by operating activities	3,092,000	4,868,000

</TABLE>

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

<TABLE>

<CAPTION>

<S>	Six Months Ended September 30, 1997 <C>	1996 <C>
Investing activities:		
Purchase of property, plant and equipment	(336,000)	(316,000)
Proceeds from sale of property, plant and equipment		7,000
Purchase of marketable securities	(2,851,000)	(2,170,000)
Proceeds from maturity of marketable securities	1,156,000	1,081,000
Net cash used by investing activities	(2,031,000)	(1,398,000)
Financing activities:		
Increase in short-term debt	144,000	209,000
Proceeds from issuance of long-term debt	5,441,000	200,000
Principal repayments on long-term debt	(7,066,000)	(2,507,000)
Issuance of common stock	861,000	7,000
Net cash used by financing activities	(620,000)	(2,091,000)
Effect of exchange rate on cash		11,000
Net increase (decrease) in cash and equivalents	441,000	1,390,000
Cash and equivalents at beginning of period	854,000	551,000
Cash and equivalents at end of period	$1,295,000	$1,941,000

</TABLE>

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

NOTE 1 - INVENTORIES:

Major classifications of inventories are as follows:

<TABLE>
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<S>	9/30/97 <C>	3/31/97 <C>
Raw materials and supplies	$ 2,694,000	$ 2,450,000
Work in process	2,670,000	3,985,000
Finished products	1,305,000	1,163,000
	6,669,000	7,598,000
Less - progress payments	1,196,000	989,000
	$ 5,473,000	$ 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:

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Actual interest paid was $141,000 and $171,000 for the six months ended September 30, 1997 and 1996, respectively. In addition, actual income taxes paid were $709,000 for each of the six months ended September 30, 1997 and 1996.

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NOTE 4 - RECENTLY ISSUED ACCOUNTING STANDARDS

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In March 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings 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 diluted 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.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 130 establishes standards for reporting and disclosure of comprehensive income and its components in financial statement format. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. SFAS No. 130 is effective for fiscal years beginning after December 31, 1997 and is not expected to have a material effect on the Company's financial statements.

SFAS No. 131 establishes standards for reporting information about operating segments by public companies in their financial statements. It also establishes related disclosures about products and services, geographic areas and major customers. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. The Company is currently evaluating what impact this standard will have on its disclosures.

GRAHAM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
SEPTEMBER 30, 1997

Results of Operations

Sales increased 15% in the second quarter 1997 compared to 1996. Sales for the second quarter increased 22% in the United States and decreased 47% in the United Kingdom compared to 1996. Sales for the six months ended September 30, 1997 exceeded sales for the same period last year by 2%. Sales in the United States increased 4% while sales in the United Kingdom declined 17% from the same period last year. The increased sales in the United States is attributable to production efficiencies which resulted in certain projects being completed ahead of schedule. The decrease in the United Kingdom sales is reflective of a decline in orders during the first and second quarters due to the strength of Pound Sterling.

Cost of sales as a percent of sales for the second quarter 1997 was 66% compared to 70% a year ago. Cost of sales as a percent of sales for the three month period was 67% in the United States compared to 71% last year and 45% in the United Kingdom compared to 62% last year. For the six months, cost of sales as a percent of sales was 67% compared to 71% a year ago. In the United States, the cost of sales percentage was 68% compared to 71% last year and in the United Kingdom it was 61% compared to 66% for the same period last year. The favorable percentages for the United States subsidiary is attributable to a reduction in material costs. In the United Kingdom the improvement is due primarilly to product mix and lower production overhead expenses.

Selling, general and administrative expenses increased 21% from the second quarter of 1996, and represent 24% of sales as compared to 23% in 1996. For the six months ended September 30, 1997, selling, general and administrative expenses are up 10% as compared to the same period in 1996 and were 24% of sales compared to 22% in 1996. These increases are primarily attributable to the hiring of additional sales personnel and higher selling expenses which are directly related to the increase in sales.

Interest expense for the second quarter and six month period decreased 10% and 23%, respectively, as compared to the same periods in 1996. These decreases reflect lower interest rates and minimal borrowing on the United States revolving credit facility due to strong cash flow experienced throughout the year.

The effective income tax rate for the second quarter and six month period in 1997 was 34% which is relatively consistent with the 1996 effective tax rate of 39% for the same periods.

Financial Condition

The financial condition of the Company has improved during fiscal year 1997. Working capital of $11,364,000 at September 30, 1997 compares to $10,272,000 at March 31, 1997. This working capital increase reflects a decrease in current assets of $653,000 and a decrease in current liabilities of $1,745,000. The decrease in current assets related primarily to a decrease in accounts receivable due to timing of collections from customers and a decline in inventory due to the significant sales volume in the second quarter. This decrease was offset by an increase in cash and equivalents and marketable securities. The decrease in current liabilities reflects the decline in accounts payable which is attributable to timing of purchases. The current ratio at September 30, 1997 is 2.47 compared to 2.08 at March 31, 1997.

Capital expenditures for the six month period were $336,000 compared to $316,000 for the same period in 1996. Commitments for capital expenditures as of September 30, 1997 were approximately $100,000.

Short term debt increased $143,000 from March 31, 1997 which relates to borrowings by the United Kingdom for working capital needs. Total long-term debt decreased $1,720,000 due to paydowns on the United States revolving line of credit. The long-term debt to equity ratio is 10% compared to 26% at March 31, 1997 and the total liabilities to assets ratio is 51% compared to 60% at March 31, 1997. These ratios reflect management's success in its efforts 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 $16,472,000 compared to $10,269,000 for the same period last year. New orders in the United States were $15,792,000 compared to $9,282,000 for the same period in 1996. New orders in the United Kingdom were $680,000 compared to $987,000 for the same quarter last year.

For the first half of the fiscal year new orders were $37,260,000 compared to $27,529,000 for the comparable six month period of 1996. New orders in the United States were $35,438,000 for the six month period compared to $25,056,000 for the same period last year and new orders in the United Kingdom were $1,822,000 compared to $2,473,000 in 1996. The substantial increase in new orders in the United States is mainly attributable to large contracts for export while the decline in the United Kingdom is due to the high value of the Pound Sterling.

Backlog of unfilled orders at September 30, 1997 is $31,489,000 compared to $23,026,000 at this time a year ago and $22,348,000 at March 31, 1997. Current backlog in the United States of $30,377,000 compares to $21,011,000 at March 31, 1997 and $22,066,000 at September 30, 1996. Current backlog in the United Kingdom of $1,112,000 compares to $1,337,000 at March 31, 1997 and $960,000 at September 30, 1996. 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.

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 September 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 &
Administration / CFO

Date 11/7/97

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

	Three months ended September 30 1997	Three months ended September 30 1996	Six months ended September 30 1997	Six months ended September 30 1996
Calculation of common and common equivalent shares:				
Shares and share equivalent units outstanding at beginning of the period	1,607,000	1,586,000	1,590,000	1,585,000
Weighted average number of shares issued during the period:				
Issuance of shares	37,000		32,000	1,000
Weighted average shares outstanding	1,644,000	1,586,000	1,622,000	1,586,000
Common equivalent shares if stock options were exercised	51,000	27,000	53,000	25,000
Contingently issuable share equivalent units		3,000		1,000
Average number of common and common equivalent shares outstanding	1,698,000	1,613,000	1,676,000	1,611,000
Calculation of earnings per share:				
Net income	$927,000	$557,000	$1,419,000	$1,029,000
Average number of common and common equivalent shares outstanding	1,698,000	1,613,000	1,676,000	1,611,000
Earnings per common and common equivalent share	$.55	$.35	$.85	$.64

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>

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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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