UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark one)

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended January 31, 2004.

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 0-6050

POWELL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

NEVADA	88-0106100
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8550 Mosley Drive, Houston, Texas	77075-1180
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (713) 944-6900

Indicate by **"X"** 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_____

Indicate by **"X"** whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes__X__ No_____

Common Stock, par value $.01 per share; 10,669,359 shares outstanding as of February 23, 2004.

Powell Industries, Inc. and Subsidiaries

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Powell Industries, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (unaudited)
(In thousands, except share and per share data)

	January 31, 2004	October 31, 2003
Assets		
Current Assets:		
Cash and cash equivalents	$ 37,307	$ 36,788
Marketable securities	5,701	5,528
Accounts receivable, less allowance for doubtful accounts of $1,280 and $1,283, respectively	50,552	45,265
Costs and estimated earnings in excess of billings	23,904	32,174
Inventories	16,899	18,060
Income taxes receivable	--	1,045
Deferred income taxes	1,438	--
Prepaid expenses and other current assets	4,594	2,453
Total Current Assets	140,395	141,313
Property, plant and equipment, net	44,453	43,998
Other assets	5,167	5,029
Total Assets	$ 190,015	$ 190,340
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of long-term debt and capital lease obligations	$ 458	$ 468
Income taxes payable	3,177	1,999
Accounts payable	11,607	14,342
Accrued salaries, bonuses and commissions	5,302	6,396
Billings in excess of costs and estimated earnings	15,323	13,216
Accrued product warranty	1,833	1,929
Other accrued expenses	4,990	6,074
Total Current Liabilities	42,690	44,424
Long-term debt and capital lease obligations, net of current maturities	6,864	6,891
Deferred compensation expense	1,584	1,608
Other liabilities	947	813
Total Liabilities	52,085	53,736
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, par value $.01; 5,000,000 shares authorized; none issued		
Common stock, par value $.01; 30,000,000 shares authorized; 11,000,000 and 10,994,000 shares issued, respectively; 10,668,000 and 10,641,000 shares outstanding, respectively	110	110
Additional paid-in capital	9,123	8,961
Retained earnings	133,737	132,990
Treasury stock, 331,000 shares and 352,000 shares respectively, at cost	(3,111)	(3,312)
Accumulated other comprehensive income (loss): fair value of interest rate swap and marketable securities, net of tax	11	(118)
Deferred compensation	(1,940)	(2,027)
Total Stockholders' Equity	137,930	136,604
Total Liabilities and Stockholders' Equity	$ 190,015	$ 190,340

The accompanying notes are an integral part of these condensed consolidated financial statements.

Powell Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (unaudited)
(In thousands, except per share data)

	Three Months Ended January 31, 2004	2003
Revenues	$ 53,227	$ 71,580
Cost of goods sold	43,672	57,348
Gross profit	9,555	14,232
Selling, general and administrative expenses	8,540	9,409
Income before interest and income taxes	1,015	4,823
Interest expense	27	86
Interest income	(192)	(92)
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	1,180	4,829
Income tax provision	433	1,795
Income from continuing operations before cumulative effect of change in accounting principle	747	3,034
Cumulative effect of change in accounting principle, net of $285 tax	--	(510)
Net income	$ 747	$ 2,524
Net earnings per common share:		
Basic:		
Earnings from continuing operations	$ 0.07	$ 0.29
Cumulative effect of change in accounting principle	--	(0.05)
Net earnings	$ 0.07	$ 0.24
Diluted:		
Earnings from continuing operations	$ 0.07	$ 0.28
Cumulative effect of change in accounting principle	--	(0.04)
Net earnings	$ 0.07	$ 0.24
Weighted average number of common shares outstanding	10,653	10,574
Weighted average number of common and common equivalent shares outstanding	10,758	10,676

The accompanying notes are an integral part of these condensed consolidated financial statements.

Powell Industries, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (unaudited)
(In thousands)

	Three Months Ended January 31, 2004	2003

Operating Activities:		
Net income	$ 747	$ 2,524
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Cumulative effect of change in accounting principle, net of tax	--	510
Depreciation and amortization	1,142	1,267
Deferred income tax provision	(2,059)	820
Other	(4)	--
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,287)	(1,461)
Costs and estimated earnings in excess of billings	8,270	2,778
Inventories	1,161	(4,209)
Prepaid expenses and other current assets	(2,141)	(2,020)
Other assets	(155)	(99)
Accounts payable and income taxes payable	(511)	3,219
Accrued liabilities	(1,652)	(5,419)
Billings in excess of costs and estimated earnings	2,107	1,859
Deferred compensation expense	122	159
Other liabilities	64	(12)
Net cash provided by (used in) operating activities	1,804	(84)
Investing Activities:		
Purchases of property, plant and equipment	(1,535)	(1,840)
Net cash used in investing activities	(1,535)	(1,840)
Financing Activities:		
Repayments of debt	(37)	(357)
Proceeds from exercise of stock options	287	10
Net cash provided by (used in) financing activities	250	(347)
Net increase in cash and cash equivalents	519	(2,271)
Cash and cash equivalents at beginning of period	36,788	14,362
Cash and cash equivalents at end of period	$ 37,307	$ 12,091
Supplemental disclosures of cash flow information (in thousands):		
Cash paid during the period for:		
Interest	$ 27	$ 96
Income taxes	$ 268	$ 952
Non-cash investing and financing activities:		
Change in fair value of interest rate swap during the period, net of $0 and 11 income taxes, respectively	$ --	$ 21
Change in fair value of marketable securities during the period, net of $69 and $0 income taxes, respectively	$ 129	$ --
Issuance of common stock for deferred directors' fees	$ 75	$ --

The accompanying notes are an integral part of these condensed consolidated financial statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

A. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to these rules and regulations. In the opinion of management, these condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which are necessary for a fair presentation of the Company's financial position, results of operations, and cash flows. These financial statements should be read in conjunction with the financial statements and related footnotes included in the Company's annual report on Form 10-K for the year ended October 31, 2003. The interim period results are not necessarily indicative of the results to be expected for the full fiscal year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). A variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that does not have equity investors with voting rights, or has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires the consolidation of any variable interest entities in which a company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns, or both. In December 2003, the FASB issued Interpretation No. 46R, a revision of Interpretation No. 46. The provisions of FIN 46 and FIN 46R related to special-purpose entities were effective for reporting periods ending after December 15, 2003. The adoption of these provisions did not have a material impact on our consolidated financial position, results of operations or cash flows. The remaining provisions of these Interpretations are effective for the first reporting period ending after March 15, 2004. We are currently assessing the impact the adoption of these Interpretations will have on our consolidated financial position, results of operations and cash flows.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149, which amends and clarifies existing accounting pronouncements, addresses financial accounting and reporting for derivative or other hybrid instruments to require similar accounting treatment for contracts with comparable characteristics. This statement was effective for contracts entered into or modified after June 30, 2003 and for hedging activities designated after June 30, 2003. This statement did not have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement addresses financial accounting and reporting for certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument within its scope as a liability, or asset as appropriate, to represent obligations of the issuer. Many of the instruments covered by this statement have previously been classified as equity. SFAS No. 150 was effective for all financial instruments created or modified after May 31, 2003, and to other instruments as of September 1, 2003. This statement did not have a material impact on our consolidated financial position, results of operations or cash flows.

In November 2003, the Emerging Issues Task Force (EITF) reached a consensus opinion on EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments". EITF 03-1 provides guidance on the new requirements for other-than-temporary impairment and its application to debt and marketable equity investments that are accounted for under SFAS No. 115. The new requirements are effective for fiscal years ending after December 15, 2003. The implementation of EITF 03-1 did not have a material impact on our consolidated financial position, results of operations or cash flows.

B. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended January 31,	
	2004	2003
Numerator:		
Income from continuing operations available to common stockholders	$ 747	$ 3,034
Cumulative effect of change in accounting principle, net of tax	--	(510)
Net income available to common stockholders	$ 747	$ 2,524
Denominator:		
Denominator for basic earnings per share-weighted average shares	10,653	10,574
Dilutive effect of stock options	105	102
Denominator for diluted earnings per share-adjusted weighted average shares with assumed conversions	10,758	10,676
Basic earnings per share:		
Earnings from continuing operations	$ 0.07	$ 0.29
Cumulative effect of change in accounting principle	--	(0.05)
Net earnings	$ 0.07	$ 0.24

Diluted earnings per share:		
Earnings from continuing operations	$ 0.07	$ 0.28
Cumulative effect of change in accounting principle	--	(0.04)
Net earnings	$ 0.07	$ 0.24

For the three months ended January 31, 2004 and 2003, options to purchase a total of 357 thousand and 381 thousand shares of common stock, respectively, were excluded from the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of our common stock.

C. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Activity in our allowance for doubtful accounts receivable consists of the following (in thousands):

	Three Months Ended January 31,	
	2004	2003
Balance at beginning of period	$ 1,283	$ 1,209
Adjustments to the reserve	6	(42)
Deductions for uncollectible accounts written off, net of recoveries	(9)	(2)
Balance at end of period	$ 1,280	$ 1,165

Activity in our accrued product warranty account consists of the following (in thousands):

	Three Months Ended January 31,	
	2004	2003
Balance at beginning of period	$ 1,929	$ 2,123
Adjustments to the reserve	351	524
Deductions for warranty charges	(447)	(533)
Balance at end of period	$ 1,833	$ 2,114

The components of inventories are summarized below (in thousands):

	January 31, 2004	October 31, 2003
Raw materials, parts and subassemblies	$ 11,600	$ 12,122
Work-in-progress	5,299	5,938
Total inventories	$ 16,899	$ 18,060

Property, plant and equipment are summarized below (in thousands):

	January 31, 2004	October 31, 2003
Land	$ 5,075	$ 5,075
Buildings and improvements	40,181	36,881
Machinery and equipment	33,014	33,392
Furniture and fixtures	2,964	2,964
Construction in process	5,289	7,128
	86,523	85,440
Less-accumulated depreciation	(42,070)	(41,442)
Total property, plant and equipment, net	$ 44,453	$ 43,998

The components of costs and estimated earnings in excess of billings (in thousands):

	January 31, 2004	October 31, 2003
Costs and estimated earnings	$ 161,998	$ 136,744
Progress billings	(138,094)	(104,570)
Total costs and estimated earnings in excess of billings	$ 23,904	$ 32,174

The components of billings in excess of costs and estimated earnings (in thousands):

	January 31, 2004	October 31, 2003
Costs and estimated earnings	$ 180,069	$ 209,898
Progress billings	(164,746)	(196,682)
Total billings in excess of costs and estimated earnings	$ 15,323	$ 13,216

D. COMPREHENSIVE INCOME

Our comprehensive income consists of net income and the change in fair value of marketable securities. At January 31, 2004, marketable securities consisted of investment-grade corporate bonds that we have classified as available-for-sale. The maturity dates of these bonds vary from 5-9 years. These investments are carried at fair value, with unrealized gains and losses, net of related tax effects, included in other comprehensive income. At January 31, 2003, we had an interest rate swap agreement which was used as a cash flow hedge in the management of interest rate exposure. The interest rate swap agreement was settled in September 2003. Comprehensive income for the three month period ended January 31, 2004 and 2003 is as follows (in thousands):

	Three Months Ended January 31, 2004	2003
Net income	$ 747	$ 2,524
Change in fair value of hedge instrument	--	21
Change in fair value of marketable securities	129	--
Comprehensive income	$ 876	$ 2,545

E. STOCK-BASED COMPENSATION

In accordance with the provisions of SFAS No. 123, “Accounting for Stock-Based Compensation,” we have elected to account for our stock-based employee compensation plans under the intrinsic value method established by Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees.” Under APB No. 25, no compensation expense is recorded when the exercise price of the employee stock option is greater than or equal to the market price of the common stock on the grant date.

If compensation expense for our stock option plans had been determined based on the fair value at the grant date for awards through January 31, 2004 consistent with the provisions of SFAS No. 123, our net income and earnings per share would have been as follows:

	Three Months Ended January 31, 2004	2003
Net income, as reported	$ 747	$ 2,524
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(228)	(169)
Pro forma net income	$ 519	$ 2,355
Basic earnings per share:		
As reported	$ 0.07	$ 0.24
Pro forma	$ 0.05	$ 0.22
Diluted earnings per share:		
As reported	$ 0.07	$ 0.24
Pro forma	$ 0.05	$ 0.22

F. BUSINESS SEGMENTS

We manage our business through operating subsidiaries, which are combined into two reportable business segments: Electrical Power Products and Process Control Systems. Electrical Power Products includes equipment and systems for the distribution and control of electrical energy. Process Control Systems consists principally of instrumentation, computer controls, communications and data management systems.

The tables below reflect certain information relating to our operations by segment. All revenues represent sales from unaffiliated customers. The accounting policies of the segments are the same as those described in the summary of significant accounting policies included in our annual report on Form 10-K for the year ended October 31, 2003. For purposes of this presentation, all general corporate expenses have been allocated among operating segments based primarily on revenues. The corporate assets are mainly cash and cash equivalents and marketable securities.

Detailed information regarding our business segments is shown below (in thousands):

	Three Months Ended January 31, 2004		Three Months Ended January 31, 2003	
Revenues:				
Electrical Power Products	$	46,159	$	65,561
Process Control Systems		7,068		6,019
Total	$	53,227	$	71,580
Income from continuing operations before income taxes and cumulative effect of change in accounting principle:				
Electrical Power Products	$	931	$	4,614
Process Control Systems		249		215
Total	$	1,180	$	4,829

	January 31, 2004		October 31, 2003	
Assets:				
Electrical Power Products	$	126,628	$	127,721
Process Control Systems		14,099		14,269
Corporate		49,288		48,350
Total	$	190,015	$	190,340

G. GOODWILL AND OTHER INTANGIBLE ASSETS

A summary of goodwill and other intangible assets follows (in thousands):

	January 31, 2004		October 31, 2003	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Goodwill	$ 304	$ 181	$ 304	$ 181
Intangible assets subject to amortization:				
Deferred loan costs	233	26	233	23
Patents and Trademarks	837	520	837	505

The above intangible assets are included in other assets on the consolidated balance sheet. Amortization expense related to intangible assets subject to amortization for the three months ended January 31, 2004 was $18 thousand. Estimated amortization expense for each of the subsequent five fiscal years is expected to be approximately $70 thousand.

H. COMMITMENTS AND CONTINGENCIES

Certain customers require us to post a bank letter of credit guarantee or performance bonds issued by a surety. These assure our customers that we will perform under terms of our contract and with associated vendors and subcontractors. In the event of default the customer may demand payment from the bank under a letter of credit or performance by the surety under a performance bond. To date there have been no significant expenses related to either for the periods reported. We were contingently liable for secured and unsecured letters of credit of $2.1 million as of January 31, 2004. We also had performance bonds totaling approximately $167.9 million that were outstanding at January 31, 2004.

The Company is a partner in a joint venture (the “Joint Venture”),which provided process control systems to the Central Artery/Tunnel Project (the

“Project”) in Boston, Massachusetts, under a contract with the Massachusetts Turnpike Authority (the “MTA”). The Joint Venture has submitted claims against the MTA seeking additional reimbursement for work done by the Joint Venture on the project. In a separate matter, the Joint Venture received notice dated May 9, 2002 (the “Notice”) from the MTA that a follow-on contractor has asserted a claim against the MTA in connection with work done or to be done by the follow-on contractor on the project. One component of the Project involved the Joint Venture performing specific work that the MTA then bid for the follow-on contractor to complete. Part of the follow-on contractor’s claim contains unsubstantiated allegations that such work performed by the Joint Venture was insufficient and defective, thus possibly contributing to the follow-on contractor’s claims for damages against the MTA. In the Notice of the potential claim, the MTA advised the Joint Venture that if it is required to pay the follow-on contractor additional amounts and such payment is the result of defective work by the Joint Venture, the MTA will seek indemnification from the Joint Venture for such additional amounts.

The Joint Venture has no reason to believe the systems it delivered under contract to the MTA were defective and accordingly it intends to vigorously defend any such allegations. The ultimate disposition of the Joint Venture’s claim against the MTA and the MTA’s potential claim for indemnification based on the follow-on contractor’s claims are not presently determinable. Although an unfavorable outcome to the follow-on contractor’s claim could have a material adverse effect on the Company’s financial condition, results of operations, and cash flows, the Company believes that an unfavorable outcome with respect to these matters, under the circumstances and on the basis of the information now available, is unlikely.

I. SUBSEQUENT EVENT

In February 2004, we announced our decision to close our plant in Greenville, Texas, and relocate the manufacture of the associated distribution switch product lines to our North Canton, Ohio facility. We expect the transfer of the product lines to be completed during the third quarter of fiscal 2004. Pre-tax expenses associated with the plant closing are estimated to range from $500 to $750 thousand.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the accompanying condensed consolidated financial statements and related notes. In the course of operations, we are subject to certain risk factors, including but not limited to competition and competitive pressures, sensitivity to general economic and industry conditions, international political and economic risks, availability and price of raw materials and execution of business strategy. Any forward-looking statements made by or on our behalf are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that such forward-looking statements involve risks and uncertainties in that the actual results may differ materially from those projected in the forward-looking statements.

Results of Operations

Revenue and Gross Profit

Consolidated revenues decreased 26% to $53.2 million in the first quarter of fiscal 2004 as compared to first quarter 2003 revenues of $71.6 million, primarily due to a decline in new infrastructure investments in the industrial and utility markets served by our Electrical Power Products segement. Domestic revenues decreased $16.6 million to $45.3 million for the three months ended January 31, 2004. International revenues decreased 18% in the first quarter 2004 to $7.9 million from $9.6 million in the same quarter of the prior year. Revenues outside of the United States accounted for 15% of consolidated revenues in the first quarter of fiscal 2004 compared to 13% in the same period last year.

Electrical Power Products

Our Electrical Power Products segment recorded revenues of $46.2 million for the three months ended January 31, 2004 compared to $65.6 million for the same time period of the previous year. In the first quarter of 2004, revenues from public and private utilities were 38% lower than the first quarter of fiscal 2003. This was primarily due to a significant decline in new investments in electrical power generation facilities. Utility revenues were $19 million compared to $30 million in the first quarter of 2003. Revenues from industrial customers totaled $21 million, a decrease of $8 million, or 28%, from the same time period of the previous year. This decrease in revenue from industrial customers resulted primarily from lower revenues related to the manufacture and delivery of power control modules for new oil and gas production facilities. Municipal and transit projects generated revenues of $13 million during the first quarter of 2004 and 2003.

Gross profit, as a percentage of revenues, was 17.8% in the first quarter of fiscal 2004, compared to 19.4% in the first quarter of fiscal year 2003. Gross profit was adversely impacted by lower production volumes and competitive pricing pressures. Partially offsetting adverse market conditions were the results of our efforts to reduce our costs of production by improving operating efficiencies through the implementation of lean initiatives. In addition, we incurred separation costs of $0.2 million as a result of reductions in our workforce.

Process Control Systems

Revenues in our Process Control Systems segment increased 17% to $7.1 million compared to $6.0 million in the first quarter of fiscal 2003. Our most significant project during the first quarter of 2004 was a contract to design and build Intelligent Transportation Systems (ITS) for the Holland and Lincoln tunnels from the Port Authority of New York and New Jersey. First quarter revenue attributable to this project totaled $2.8 million. Gross profit, as a percentage of revenues, was

19.2% in the first quarter of fiscal 2004 compared to 25.1% in the first quarter of 2003. Margins fell during the first quarter of 2004 due to a higher proportion of segment revenue attributable to subcontract work, which carries substantially lower margins.

For additional information related to our business segments, see Note F of the Notes to Condensed Consolidated Financial Statements.

Operating Expenses

Selling, general and administrative expenses increased to 16.0% of revenues in the first quarter of 2004 compared to 13.1% of revenues in the first quarter of fiscal year 2003. Our commitment to continue to develop our customer markets and products resulted in an increase in operating expenses relative to our revenues. Research and development expenditures were $0.9 million in the first quarter of fiscal 2004 compared to $0.7 million in last year's first quarter. Our research efforts are directed toward the discovery and development of new products and processes as well as improvements in existing products and processes. For the full year, we anticipate research and development spending will be comparable to fiscal year 2003 expenditures of $3.6 million.

Interest Income and Expense

We incurred $27 thousand in interest expense on our outstanding industrial development revenue bonds during the quarter compared to $86 thousand for the three months ended January 31, 2003. In September 2003, we paid off our term debt, which accounted for the majority of the interest expense incurred in the first quarter of 2003. As a result of lower levels of debt and decreased interest rates, our interest expense has declined.

Interest income increased by $100 thousand to $192 thousand for the first quarter of 2004 compared to the same period of the previous year. An increase in invested funds during 2004 has been partially offset by the lower interest rate environment.

Provision for Income Taxes

Our provision for income taxes reflects an effective tax rate on earnings before income taxes of 36.7% in the first quarter of fiscal 2004 compared to 37.2% in the first quarter of fiscal 2003. The decrease in the provision is primarily due to the decrease in consolidated pre-tax earnings, which has changed our effective federal income tax rate from 35% in 2003 to 34% in 2004.

Net Income

Net income was $747 thousand, or $0.07 per diluted share, in the first quarter of fiscal 2004 compared to $2.5 million, or $0.24 per diluted share, in the first quarter of fiscal 2003. The decrease in net income primarily relates to lower business volume and decreased gross profits in fiscal 2004.

In the first quarter of fiscal 2003, net income was negatively impacted as a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". During that quarter, we recorded a goodwill impairment loss of $0.5 million as a cumulative effect of a change in accounting principle. The goodwill impairment charge accounted for a loss of $0.04 per diluted share.

Backlog

The order backlog on January 31, 2004, was $137.3 million, compared to $157.5 million at fiscal year end 2003 and $168.5 million at the end of the first quarter one year ago. New orders placed during the first quarter totaled $33.1 million versus $36.3 million in our fourth quarter 2003 and $50.7 million for the same period last year. Capital spending on new infrastructure projects has declined due to uncertainty with the U.S. economy, thus causing the decline in our backlog and bookings.

Liquidity and Capital Resources

We have maintained a strong liquidity position. Working capital was $97.7 million at January 31, 2004 compared to $96.9 million at October 31, 2003. As of January 31, 2004, current assets exceeded current liabilities by 3.3 times and our debt to capitalization ratio was less than 0.1 to 1.0.

As of January 31, 2004, we had cash and cash equivalents of $37.3 million, as well as $5.7 million in marketable debt securities, a slight increase from year end 2003. Long-term debt, including current maturities, totaled $7.3 million at January 31, 2004 compared to $7.4 million at October 31, 2003. In addition to our long-term debt, we have a $15 million revolving credit agreement expiring February 2006. As of January 31, 2004, there were no borrowings under this line of credit. We were in compliance with all debt covenants as of January 31, 2004.

Operating Activities

For the three months ended January 31, 2004, cash from operating activities provided $1.8 million. A net reduction in operating assets and liabilities provided $2.0 million compared to the net investment of $5.2 million in operating assets in the first quarter of 2003. During the first quarter of 2004, the primary source of cash from operating activities was due to increased billings on percentage of completion projects. In addition, reductions in inventory provided cash from operations as opposed to the increases in inventory during the first quarter of 2003 partially offset by increases in accounts receivable.

Investing Activities

Cash used for the purchase of property, plant and equipment during the three months ended January 31, 2004 was $1.5 million, as compared to $1.8 million for the three months ended January 31, 2003. The majority of our 2004 and 2003 capital expenditures were to increase our manufacturing capabilities available for the manufacture of electrical power control modules. These modules are provided to the oil and gas industry for use on offshore platforms.

Financing Activities

Financing activities provided $250 thousand in the first quarter of 2004. The primary source of cash from financing activities was the proceeds from the exercise of stock options. During the first quarter of 2003, the primary use of cash was to repay our term debt. The term loan was paid off in September 2003.

Outlook

For the second quarter of 2004, we expect earnings from continuing operations to range between $0.04 and $0.09 per diluted share. For the full year 2004, we expect earnings from continuing operations to range between $0.35 and $0.50 per diluted share. Fiscal year 2004 revenue is expected to range between $205 million and $220 million.

We will continue to invest in our manufacturing capabilities and expect capital expenditures for full fiscal year 2004 to range between $5.0 million and $8.0 million. During 2002, we initiated a project to increase our manufacturing capacity available for the manufacture of electrical power control modules. This project is expected to be completed in the first half of fiscal year 2004.

In spite of declining business volumes, we anticipate that our cash position will improve slightly during 2004 due to cost containment and investment income. We believe that working capital, borrowing capabilities, and funds generated from operations should be sufficient to finance anticipated operational activities, capital improvements, debt repayment and possible future acquisitions for the foreseeable future.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments with respect to the selection and application of accounting policies that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

We believe the following critical accounting policies have the greatest impact on the preparation of our consolidated financial statements.

Revenue Recognition

Our revenues are generated from the manufacture and delivery of custom-manufactured products. We recognize revenues under both the completed contract method and the percentage-of-completion method depending upon the duration and the scope of the project. At the onset of each project, the size and duration of the contract is reviewed to determine the appropriate revenue recognition method based upon company policy. Due to the nature of the projects in the Process Control Systems segment, all revenues are recorded using percentage-of-completion. However, projects in the Electrical Power Products segment vary widely; thus, both the completed contract and percentage-of-completion methods are used.

Under the completed contract method, revenues are recognized upon the transfer of title, which is generally at the time of shipment or delivery depending upon the terms of the contract, when all significant contractual obligations have been satisfied, the price is fixed or determinable, and collectibility is reasonably assured. We use shipping documents and customer acceptance, when applicable, to verify the transfer of title to the customer. We assess whether the price is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. Collectibility is assessed based on the creditworthiness of the customer based on credit verification and the customer’s payment history.

Under the percentage-of-completion method, revenues are recognized as work is performed based upon the ratio of labor dollars or hours incurred to date to total estimated labor dollars or hours to measure the stage of completion. The sales and gross profit recognized in each period are adjusted prospectively for any revisions in the total estimated contract costs, total estimated labor hours to complete the project, or total contract value. Whenever revisions of estimated contract costs and contract values indicate that the contract costs will exceed estimated revenues, thus creating a loss, a provision for the total estimated loss is recorded in that period. Due to the number of estimates used in the percentage-of-completion calculations, conditions such as changes in job performance, job conditions, estimated contract costs and profitability may result in revisions to original assumptions, thus causing actual results to differ from original estimates.

Valuation Accounts

Our most significant accounting uncertainty for which a valuation account is set up is in the area of accounts receivable collectibility.

An allowance for doubtful accounts has been established to provide for estimated losses on our accounts receivable. This estimated allowance is based on historical experience of uncollected accounts, the level of past due accounts, the overall level of outstanding accounts receivable, information about specific customers with respect to their inability to make payments and expectations of future conditions that could impact the collectibility of accounts receivable. We continually assess our allowance for doubtful accounts and may increase or decrease our periodic provision as additional information regarding collectibility becomes available.

Impairment of Long-Lived Assets

We evaluate the recoverability of the carrying amount of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable. For long-lived assets to be held and used, the evaluation is based on impairment indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, we determine whether impairment has occurred through the use of an undiscounted cash flows analysis of the asset at the lowest level for which identifiable cash flows exist, or quoted market prices. If an asset is considered to be impaired, a loss is recognized for the amount by which the carrying amount of the asset exceeds its fair value. For assets held for sale or disposal, the fair value of the asset is measured using quoted market prices or an estimation of net realizable value. Assets are classified as held for sale when there is a plan for disposal and those assets meet the held for sale criteria of SFAS No. 144. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

Accruals for Contingent Liabilities

We account for contingencies in accordance with SFAS No. 5, “Accounting for Contingencies”. SFAS No. 5 requires that we record an estimated loss from a loss contingency when information available prior to the issuance of our financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amounts we record for insurance claims, warranties, legal and other contingent liabilities require judgments regarding the amount of expenses that will ultimately be incurred. We use past experience and history, as well as other specific circumstances surrounding these claims in evaluating the amount of liability that should be recorded. Actual results could differ from our estimates.

Part 1
Item 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks arising from transactions we have entered into in the normal course of business. These risks primarily relate to fluctuations in interest rates, foreign exchange rates, and commodity prices.

We manage our exposure to changes in interest rates by optimizing the use of variable rate debt. A 1.0% increase in interest rates would result in an annual increase in interest expense of less than $100 thousand. In addition to variable rate debt, we also invest in marketable debt securities that are carried at fair value on the consolidated balance sheet, with unrealized gains and losses reported in other comprehensive income. Changes in interest rates will affect the fair value of the marketable securities as reported. However, we believe that changes in interest rates will not have a material near-term impact on our future earnings or cash flows.

We manage our exposure to changes in foreign exchange rates primarily through arranging compensation in U.S. dollars. Risks associated with changes in commodity prices are primarily managed through utilizing contracts with suppliers. Risks related to foreign exchange rates and commodity prices are monitored and actions could be taken to hedge these risks in the future. We believe that fluctuations in foreign exchange rates and commodity prices will not have a material near-term effect on our future earnings and cash flows.

Part 1
Item 4

CONTROLS AND PROCEDURES

Management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, our CEO and CFO have each concluded that as of the end of such period, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

We also maintain a system of internal accounting controls that are designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our policies and procedures are followed. There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II

OTHER INFORMATION

ITEM 1. Legal Proceedings
The Company is a party to disputes arising in the ordinary course of business. Management does not believe that the ultimate outcome of these disputes will materially affect the financial condition or results of operations of the Company.

ITEM 2. Changes in Securities and Use of Proceeds
None

ITEM 3. Defaults Upon Senior Securities
Not applicable

ITEM 4. Submission of Matters to a Vote of Security Holders
None

ITEM 5. Other Information
None

ITEM 6. Exhibits and Reports on Form 8-K

a. Exhibits

3.1 - Articles of Incorporation and Certificates of Amendment of Powell Industries, Inc. dated July 20, 1987 and March 13, 1992 (filed as Exhibit 3 to our Form 10-K for the fiscal year ended October 31, 1982, Form 10-Q for the quarter ended July 31, 1987, and Form 10-Q for the quarter ended April 30, 1992, respectively, and incorporated herein by reference).

3.2 - Bylaws of Powell Industries, Inc. (filed as Exhibit 3.2 to our Form 10-Q for the quarter ended April 30, 1995 and incorporated herein by reference).

31.1 - Certification of Thomas W. Powell pursuant to Rule 13a-14(a)/15d-14(a).

31.2 - Certification of Don R. Madison pursuant to Rule 13a-14(a)/15d-14(a).

32.1 - Certification of Thomas W. Powell Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 - Certification of Don R. Madison Pursuant to Section 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b. Reports on Form 8-K

Form 8-K filed on February 27, 2004

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.

POWELL INDUSTRIES, INC.
Registrant

March 1, 2004	/s/ THOMAS W. POWELL
Date	Thomas W. Powell President & Chief Executive Officer (Principal Executive Officer)
March 1, 2004	/s/ DON R. MADISON
Date	Don R. Madison Vice President & Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION

I, Thomas W. Powell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Powell Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2004

/s/ THOMAS W. POWELL
Thomas W. Powell
President & Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Don R. Madison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Powell Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant’s internal control over financial reporting (as defined in Exchange Act Rules 13-15(f) and 15d-15(f)) that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting, and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 1, 2004

/s/ DON R. MADISON
Don R. Madison
Vice President & Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report (the “Report”) of Powell Industries, Inc. (the “Company”) on Form 10-Q for the period ended January 31, 2004 as filed with the Securities and Exchange Commission on the date hereof, I, Thomas W. Powell, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2004

/s/ THOMAS W. POWELL
Thomas W. Powell
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report (the “Report”) of Powell Industries, Inc. (the “Company”) on Form 10-Q for the period ended January 31, 2004 as filed with the Securities and Exchange Commission on the date hereof, I, Don R. Madison, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2004

/s/ DON R. MADISON
Don R. Madison
Vice President and Chief Financial Officer