

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark one)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended January 31, 2003

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

(State or other jurisdiction of incorporation or organization)

88-0106100

(I.R.S. Employer Identification No.)

8550 Mosley Drive, Houston, Texas

(Address of principal executive offices)

77075-1180

(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

Common Stock, par value \$.01 per share; 10,580,201 shares outstanding as of February 28, 2003.

Powell Industries, Inc. and Subsidiaries

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POWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

JANUARY 31, 2003	OCTOBER 31, 2002	(UNAUDITED)	ASSETS	Current
Assets: Cash and cash equivalents				
			\$ 12,091	\$ 14,362
Accounts receivable, less allowance for doubtful accounts of \$1,165 and \$1,209, respectively				
			70,982	69,521
Costs and estimated earnings in excess of billings				
			30,050	32,828
Inventories				
			23,767	19,558
Prepaid expenses and other current assets				
			4,250	2,230
--- Total Current Assets				
			141,140	138,499
Property, plant and equipment, net				
			45,610	45,020
Other assets				
			5,447	6,124
----- Total Assets				
			\$ 192,197	\$ 189,643
===== LIABILITIES AND STOCKHOLDERS' EQUITY Current				
Liabilities: Current maturities of long-term debt and capital lease obligations				
			\$ 4,388	\$ 4,746
Accounts and income taxes payable				
			17,961	15,030
Accrued salaries, bonuses and commissions				
			5,897	9,774
Billings in excess of costs and estimated earnings				
			13,478	15,337
Accrued product warranty				
			2,114	2,123
Other accrued expenses				
			6,205	6,882
----- Total Current Liabilities				
			51,902	52,033
Long-term debt and capital lease obligations, net of current maturities				
			7,248	7,264
Deferred compensation expense				
			1,613	1,522
Other liabilities				
			617	601
----- Total Liabilities				
			61,364	61,364
Commitments and contingencies				
Stockholders' Equity: Preferred stock, par value \$.01; 5,000,000 shares authorized; none issued				
			30,000,000	30,000,000
shares authorized; 10,985,000 and 10,979,000 shares issued, respectively; 10,580,000 and 10,595,000 shares outstanding, respectively ...				
			110	110
Additional paid-in capital				
			8,348	8,345
Retained earnings				
			125,872	128,396
Treasury stock, 404,875 shares and 383,920 shares respectively, at cost				
			(3,914)	(3,925)
Accumulated other comprehensive (loss): fair value of interest rate swap				
			(66)	(87)
Deferred compensation-ESOP				
			(2,108)	(2,041)
----- Total Stockholders' Equity				
			130,833	128,207
----- Total Liabilities and Stockholders' Equity				
			\$ 192,197	\$ 189,643
=====				

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,	2003	2002			Revenues
	\$ 71,580	\$ 76,487	Cost of goods sold		57,348
	60,896		Gross profit		
	14,232	15,591	Selling, general and administrative expenses		
		9,409	9,422		
			- Earnings before interest and income taxes		
		4,823	6,169	Interest expense	
			Interest income		86 359
					(92)
(54)			Earnings from continuing operations before income taxes and cumulative effect of change in accounting principle		
		4,829	5,864	Income tax provision	
	1,795	2,130	Earnings from continuing operations before cumulative effect of change in accounting principle		
					\$ 3,034
	3,734		Cumulative effect of change in accounting principle, net of \$285 tax		
					\$ (510)
					\$ --
					Net earnings
	2,524	\$ 3,734			\$
					Net earnings per common share: Basic:
			Earnings from continuing operations		\$ 0.29
					\$ 0.36
			Cumulative effect of change in accounting principle		\$
					(0.05)
					Net earnings
	0.24	\$ 0.36			\$
					Diluted: Earnings from continuing operations
					\$ 0.28
					\$ 0.35
			Cumulative effect of change in accounting principle		\$
					(0.04)
					Net earnings
	0.24	\$ 0.35			\$
					Weighted average number of common shares outstanding
					10,574
					10,448
					Weighted average number of common and common equivalent shares outstanding
					10,676
					10,680

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, 2003 2002 -----
Operating Activities: Net earnings

	\$ 2,524	\$ 3,734	
Adjustments to reconcile net earnings to net cash provided by operating activities: Cumulative effect of change in accounting principle, net of tax	510	--	Depreciation and amortization
Loss on disposition of assets	1,267	1,173	
Deferred income tax provision (benefit)	--	24	
Changes in operating assets and liabilities: Accounts receivable, net	820	(207)	
Costs and estimated earnings in excess of billings	(1,461)	10,588	
Inventories	2,778	579	
Prepaid expenses and other current assets	(4,209)	(1,828)	
Other assets	(2,020)	(1,737)	
Accounts payable and income taxes payable	(320)	(99)	
Accrued liabilities	3,219	796	
Other liabilities	(2,812)	(5,419)	
Billings in excess of costs and estimated earnings	1,859	2,704	
Deferred compensation expense	159	111	
Other liabilities	(12)	(13)	
Net cash provided by (used in) operating activities	(84)	12,792	Investing
Activities: Purchases of property, plant and equipment	(1,840)	(5,520)	
Net cash used in investing activities	(1,840)	(5,520)	
Financing Activities: Repayments of debt	(357)	(9,357)	Proceeds from exercise of stock options
Net cash used in financing activities	(347)	(9,234)	
Net decrease in cash and cash equivalents	(2,271)	(1,962)	Cash and cash equivalents at beginning of period
Cash and cash equivalents at end of period	14,362	6,520	
	\$ 12,091	\$ 4,558	
=====			
Supplemental disclosures of cash flow information (in thousands): Cash paid during the period for: Interest			
	\$ 96	\$ 156	Income taxes
	\$ 860	\$ --	Non-cash investing and financing activities: Change in fair value of interest rate swap during the period, net of \$11 and \$20 income taxes, respectively
	\$ 21	\$ 35	
	=====		

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 in the notes to the consolidated financial statements normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America has 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, 2002. The interim period results are not necessarily indicative of the results to be expected for the full fiscal year.

Effective November 1, 2002, we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". Under the new rules, goodwill and other intangible assets with indefinite useful lives are no longer subject to amortization. As a result, we discontinued the amortization of goodwill beginning November 1, 2002. Upon adoption of SFAS No. 142, we performed an impairment analysis to assess the fair value of our reporting units as compared to their carrying values. As a result of this analysis, we recorded an impairment charge to write-off impaired goodwill amounts as a cumulative effect of a change in accounting principle. For additional information regarding the effect of the adoption of SFAS No. 142 and the pro forma net earnings and earnings per share for the three months ended January 31, 2002 as if SFAS No. 142 had been adopted as of the beginning of 2002, see Note F of these Notes to Condensed Consolidated Financial Statements.

New Accounting Standards

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. We adopted SFAS No. 144 on November 1, 2002. The adoption of SFAS No. 144 did not have a material impact on our financial statements.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that statement, SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers," and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". This statement amends SFAS No. 13, "Accounting for Leases," to eliminate inconsistencies between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Also, this statement amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Provisions of SFAS No. 145 related to the rescission of SFAS No. 4 were effective for the Company on November 1, 2002 and provisions affecting SFAS No. 13 were effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 did not have a material impact on our financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement covers restructuring type activities beginning with plans initiated after December 31, 2002. Activities covered by this standard that are entered into after that date will be recorded in accordance with the provisions of SFAS No. 146. We have adopted SFAS No. 146 and there has been no impact on our consolidated financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires that upon issuance of a

guarantee, a guarantor must recognize a liability for the fair value of the obligation assumed under the guarantee. FIN 45 also requires additional disclosures about guarantees in the interim and annual financial statements. The provisions of FIN 45 related to initial recognition and measurement of guarantee agreements were effective for any guarantees issued or modified after December 31, 2002. The adoption of these recognition and measurement provisions did not have any impact on our consolidated financial position or results of operations. In accordance with the disclosure provisions of FIN 45, we have included in Note C a reconciliation of the changes in our product warranty liability for the three months ended January 31, 2003 and 2002. We provide for estimated warranty costs at the time of sale based upon historical experience rates. Our products contain warranties for parts and service for the earlier of 18 months from the date of shipment or 12 months from the date of initial operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123." This statement provides alternative methods of transition for a voluntary change in the method of accounting for stock-based employee compensation to the fair value method. The statement also amends the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation." Under SFAS No. 148, annual and interim financial statements are required to have prominent disclosures about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. These disclosure requirements are effective for our second quarter 2003 10-Q.

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, 2003	2002	-----	-----
----- Numerator: Net earnings from continuing operations available to common stockholders			
\$ 3,034	\$ 3,734	Cumulative effect of change in accounting principle	(510)
----- Net earnings available to common stockholders			
	\$ 2,524	\$ 3,734	=====
===== Denominator: Denominator for basic earnings per share-weighted average shares			
	10,574	10,448	
Dilutive effect of stock options			
	102	232	-----
----- Denominator for diluted earnings per share-adjusted weighted average shares with assumed conversions			
10,676	10,680	=====	===== Basic earnings per share: From continuing operations
			\$ 0.29
0.36		Cumulative effect of change in accounting principle	(0.05)
		Net earnings per share	
			\$
0.24	\$ 0.36	=====	===== Diluted earnings per share: From continuing operations
			\$ 0.28
0.35		Cumulative effect of change in accounting principle	(0.04)
		Net earnings per share	
			\$
0.24	\$ 0.35	=====	=====

For the quarters ended January 31, 2003 and 2002 outstanding stock options of 381 thousand and none respectively, were excluded from the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the 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, 2003	2002	
-----	-----	
-----	-----	Balance at beginning of period
		\$
1,209	\$ 551	Adjustments to the reserve
(42)	22	Deductions for uncollectible accounts written off,
		net of recoveries
	(2)	(72)
-----	-----	Balance at end of period
		\$ 1,165
		\$ 501
		=====
		=====

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

Three Months Ended January 31, 2003	2002	
-----	-----	
-----	-----	Balance at beginning of period
		\$
2,123	\$ 1,860	Adjustments to the reserve
524	692	Deductions for uncollectible accounts written off,
		net of recoveries
	(533)	(423)
-----	-----	Balance at end of period
		\$ 2,114
		\$ 2,129
		=====
		=====

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

January 31, October 31, 2003	2002		Raw
-----	-----		materials, parts and subassemblies
		\$ 17,771	\$ 14,111
			Work-in-process
5,996	5,447		Total inventories
		\$	
		23,767	\$ 19,558
		=====	=====

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

January 31, October 31, 2003	2002		Land
-----	-----		
		\$ 5,073	\$ 5,093
			Buildings and improvements
			37,056
			35,791
			Machinery and equipment
			38,480
			37,191
			Furniture & fixtures
			3,012
			3,012
			Construction in process
			5,769
			6,463
			89,390
			87,550
			Less-accumulated depreciation
			(43,780)
			(42,530)
			Total property, plant and equipment, net
		\$ 45,610	\$ 45,020
		=====	=====

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

January 31, October 31, 2003	2002	
-----	-----	
-----	-----	Costs and estimated earnings
		\$ 181,880
		\$ 190,106
		Progress billings
(151,830)	(157,278)	Total costs and estimated earnings in excess of billings
		\$ 30,050
		\$ 32,828
		=====
		=====

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

January 31, October 31, 2003	2002	
-----	-----	
-----	-----	Progress billings
		\$ 44,271
		\$ 131,840
		Costs and estimated earnings
		(28,934)
(118,362)	Total billings in excess of costs and estimated earnings	\$ 15,337
		\$
		13,478
		=====
		=====

D. COMPREHENSIVE INCOME

We adopted SFAS No. 133 as amended on November 1, 2000. Accordingly, at that time, we recorded the fair value of our interest rate swap agreement which is used as a cash flow hedge in the management of interest rate exposure. We realized this amount as a component of comprehensive income (loss). Our comprehensive income (loss), which encompasses net income and the change in fair value of hedge instruments, is as follows (in thousands):

Three Months Ended January 31, 2003	2002	-----	-----	Net
				income
\$ 2,524	\$ 3,734	Change in fair value of hedge instrument		
			21	35
		- Comprehensive income		
				\$ 2,545
	\$ 3,769	=====	=====	

E. 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.

Our "Electrical Power Products" segment serves the electrical utility and various industrial markets with equipment and systems. Electrical Power Products was previously reported as two separate segments: "Switchgear" and "Bus Duct". Because these segments share basic characteristics, including common raw materials, engineering techniques and manufacturing processes, and operate in the same competitive environment with substantially similar general economic and industrial conditions, we determined that reporting the business activities of Switchgear and Bus Duct products as one segment - "Electrical Power Products" - more accurately reflects our business operations. Historically, we reported our "Electrical Power Products" segment as two segments principally as a reflection of our organizational structure. The three months ended January 31, 2002 have been restated to conform to the new segment structure.

The tables below reflect certain information relating to our operations by segment. Substantially 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, 2002. For purposes of this presentation, all general corporate expenses have been allocated among operating segments based primarily on revenues. In addition, the corporate assets are mainly cash and cash equivalents transferred to the corporate office from the segments.

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

Three Months Ended January 31, 2003	2002	-----	-----	
				Revenues
				Electrical Power Products
			\$ 65,561	
		\$ 71,127		Process Control Systems
			6,019	
	5,360	-----	-----	Total Revenues
\$ 71,580	\$ 76,487	=====	=====	Earnings from continuing
				operations before income taxes and cumulative effect of change in
				accounting principle
			\$ 4,614	Electrical Power Products
		5,642		Process Control Systems
			215	222
				Total earnings from continuing operations
				before income taxes and cumulative effect of change in accounting
			\$ 4,829	\$ 5,864
		=====	=====	
January 31, October 31, 2003	2002	-----	-----	Assets
				Electrical Power Products
			\$ 161,346	
		156,584		Process Control Systems
			14,218	
				14,937 Corporate
	16,633	18,122	-----	-----
				Total Assets
				\$
	192,197	\$ 189,643	=====	=====

F. GOODWILL AND OTHER INTANGIBLE ASSETS

Effective November 1, 2002, we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". Under the new rules, goodwill and other intangible assets with indefinite useful lives are no longer subject to amortization. As a result, we discontinued the amortization of goodwill beginning November 1, 2002, and the first quarter 2003 results were favorably impacted by this reduction in amortization expense by \$23 thousand, net of \$13 thousand taxes, or less than \$0.01 per common share. The statement requires a test for impairment to be performed annually, or immediately if conditions indicate that impairment could exist. Intangible assets with definite useful lives will continue to be amortized over their estimated useful lives.

We estimated the fair value of our reporting units using a present value method that discounted estimated future cash flows. The cash flow estimates incorporated assumptions on future cash flow growth, terminal values and discount rates. Because the fair value of some reporting units was below their carrying value, application of SFAS No. 142 required us to complete the second step of the goodwill impairment test and compare the implied fair value of each reporting unit's goodwill with the carrying value. As a result of completing the impairment test, we recorded an impairment charge of \$510 thousand, net of \$285 thousand taxes, to write-off the impaired goodwill amounts as a cumulative effect of a change in accounting principle. We recorded an impairment charge of \$380 thousand, net of \$214 thousand taxes, in our Process Control Systems segment. In our Electrical Power Products segment, we recorded an impairment charge of \$130 thousand, net of \$71 thousand taxes.

The following pro forma information is presented to reflect the net earnings and net earnings per share to exclude amortization of goodwill for the three month period ended January 31, 2002, as if SFAS No. 142 had been adopted as of the beginning of that year (in thousands, except per share data):

Three Months Ended January 31, 2003	2002	-----	-----
Earnings from continuing operations before cumulative effect of change in accounting principle			\$
3,034	\$ 3,734	Cumulative effect of change in accounting principle	(510)
		-----	-----
		Reported net income	
2,524	3,734	Addback: Amortization of goodwill, net of \$13 taxes	23
		-----	-----
		Adjusted net earnings	
\$ 2,524	\$ 3,757	=====	=====
		Basic earnings per share: Net earnings per share - as reported	\$ 0.24 \$ 0.36
		Amortization of goodwill	
		-----	-----
		Adjusted net earnings	
			0.24
0.36		Diluted earnings per share: Net earnings per share - as reported	\$ 0.24 \$
		0.35	Amortization of goodwill
		-----	-----
		Adjusted net earnings	
			0.24
			0.35

A summary of goodwill and other intangible assets follows:

January 31, 2003	October 31, 2002	-----	-----
		-----	-----
		Historical	
Accumulated Historical Cost	Accumulated Cost	Amortization	
Cost Amortization	-----	-----	-----
		Goodwill	
\$ 304	\$ 181	\$ 2,133	\$ 1,215
		Intangible assets subject to amortization: Deferred loan costs	
		233	15
		Patents and Trademarks	233 12
		837	458
		837	444

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, 2003 was \$17,000.

G. 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 \$11.9 million as of January 31, 2003. We also had performance bonds totaling approximately \$152.6 million that were outstanding at January 31, 2003.

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.

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

Revenues decreased 6% to \$71.6 million in the first quarter of fiscal 2003 as compared to the first quarter of fiscal year 2002. Our Electrical Power Products segment recorded revenues in the quarter of \$65.6 million compared to \$71.1 million in the same quarter last year. This decrease in revenues was primarily due to lower net investments in electrical products by the power generation market. In addition, during the first quarter of 2003, we received requests for delayed shipments by several key customers, some of which impacted projects in production and halted work in process. Revenues in our Process Control Systems segment were \$6.0 million compared to \$5.4 million in first quarter 2002. Increased billable hours and costs incurred on percentage of completion projects during the quarter resulted in higher revenue recognition for this segment as compared to the same quarter of the previous year.

International revenues increased 68% in the first quarter 2003 to \$9.6 million from \$5.7 million in the same quarter of the prior year. Revenues outside of the United States accounted for 13% of consolidated revenues in the first quarter of fiscal 2003 compared to 7% in the same period last year. Worldwide investments in oil and gas production facilities have strengthened our export sales.

Gross profit as a percentage of revenues during the first quarter of 2003 decreased to 19.9% from 20.4% in the first quarter of 2002. The gross profit was adversely impacted by the incremental production costs associated with the disruptions caused by requests for delayed shipments. As a result of the depressed market, competitive pricing has also begun to affect gross profit.

Operating Expenses

Selling, general and administrative expenses, including research and development expenditures, were \$9.4 million (13.1% of revenues) in the first quarter of 2003 compared to \$9.4 million (12.3% of revenues) in the first quarter of fiscal 2002. As volumes decreased in the first quarter of 2003, our expenditures remained constant. As a result, the ratio of selling, general, and administrative expenses to revenues increased.

Interest Income and Expense

During the first quarter of 2003, we incurred \$86 thousand in interest expense on our term debt and outstanding industrial revenue bonds. The reduction in interest expense from the \$359 thousand incurred for the quarter ended January 31, 2002 is due to lower levels of debt. In addition, during the first quarter of 2002, estimates of variable interest expense were recorded which required an adjustment in the third quarter of 2002 as the estimates of variable interest expense were higher than actual interest incurred.

Interest income increased by \$38 thousand to \$92 thousand for the first quarter 2003 compared to the same period of the previous year. The lower interest rate environment has been offset by our higher level of invested funds during 2003.

Provision for Income Taxes

Our provision for income taxes reflects an effective income tax rate on earnings before income taxes of 37.2% in the first quarter of fiscal 2003 compared to 36.3% in the first quarter of fiscal 2002. The increase in our effective tax rate is primarily a result of incremental increases in our federal tax rate compared to the previous year as well as higher state taxes.

Net Earnings from continuing operations before cumulative effect of change in accounting principle

Net earnings from continuing operations before cumulative effect of change in accounting principle was \$3.0 million, or \$.28 per diluted share, in the first quarter of fiscal year 2003 compared to \$3.7 million, or \$.35 per diluted share in the first quarter of fiscal year 2002. Declines in business volume resulted in earnings weakening in the first quarter of fiscal 2003 versus the first quarter of fiscal 2002.

Cumulative effect of change in accounting principle

As a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", we recorded a goodwill impairment loss of \$510 thousand, net of \$285 thousand taxes, as a cumulative effect of a change in accounting principle during the first quarter of 2003. The goodwill impairment charge accounted for a loss of \$0.04 per diluted share.

Net Earnings

Net earnings were \$2.5 million, or \$.24 per diluted share, in the first quarter of fiscal year 2003 compared to \$3.7 million, or \$.35 per diluted share in the first quarter of fiscal year 2002. A decline in business volume and lower gross profits resulted in earnings weakening in the first quarter of fiscal 2003 along with the goodwill impairment charge versus the first quarter of fiscal 2002.

Backlog

The order backlog on January 31, 2003, was \$168.5 million, compared to \$189.4 million at fiscal year end 2002 and \$213.3 million at the end of the first quarter one year ago. New orders placed during the first quarter totaled \$50.7 million versus \$49.3 million in our fourth quarter 2002 and \$80.9 million for the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

We have maintained a strong liquidity position. Working capital was \$89.2 million at January 31, 2003 compared to \$86.5 million at October 31, 2002. As of January 31, 2003, current assets exceeded current liabilities by 2.7 times and our debt to capitalization ratio was less than 0.1 to 1.

As of January 31, 2003, we had cash and cash equivalents of \$12.1 million, a slight decrease from year end 2002. Long-term debt, including current maturities, totaled \$11.6 million at January 31, 2003 compared to \$12.0 million at October 31, 2002. In addition to our long-term debt, we have a \$25.0 million revolving credit agreement expiring February 2005. As of January 31, 2003, there were no borrowings under this line of credit.

Operating Activities

Operating activities used \$84 thousand in the first quarter of fiscal 2003. A net increase in operating assets and liabilities used \$5.2 million. This use of cash was offset by net earnings adjusted for non-cash costs such as depreciation, amortization and the cumulative effect of a change in accounting principle. For the three months ended January 31, 2002, operating activities provided \$12.8 million. The primary difference between the periods is due to the use of cash during the first quarter of 2003 from increases in operating assets such as accounts receivable and inventories.

Investing Activities

Cash used for the purchase of property, plant and equipment during the first quarter of fiscal 2003 was \$1.8 million, as compared to \$5.5 million in the first quarter fiscal 2002. The majority of our first quarter 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. During 2002, we completed a new facility in Northlake, IL for the manufacture of our isolated phase bus duct product line. The expansion of our North Canton, OH facility, which is used in the manufacture of electrical power products, was also completed. These expansions during 2002, as well as capital expenditures to support process improvements throughout our manufacturing operations, accounted for the increased capital expenditures in the first quarter 2002.

Financing Activities

Financing activities used \$0.3 million in fiscal 2002. Approximately \$0.4 million was used for net repayments on our long-term debt. Other financing activities were limited to the exercise of stock options. Net cash used in financing activities for the three months ended January 31, 2002 was \$9.2 million. The decrease in cash used in financing activities during the first quarter 2003 as compared to the same period in 2002 is due to lower levels of debt during 2003.

OUTLOOK FOR FISCAL 2003

Due to the current economic environment and the outlook for the markets we serve, we anticipate consolidated revenues to decline in 2003. We anticipate new investments in oil and gas facilities to strengthen our export sales during the coming year. However, additional investments in power generation facilities have already begun to soften in 2003.

For the second quarter of 2003, we expect earnings from continuing operations to range between \$0.21 and \$0.26 per diluted share. For the fiscal year 2003, we expect earnings from continuing operations to range between \$1.05 and \$1.15 per diluted share. Fiscal year 2003 revenue is expected to range between \$250 million and \$265 million.

We will continue to invest in our manufacturing capabilities and expect capital expenditures during fiscal year 2003 to range between \$5.0 million and \$8.0 million. Of this amount, approximately \$4.0 million will be needed to complete a project to increase our manufacturing capacity available for the manufacture of electrical power control modules. This project was initiated during 2002 and will be completed in 2003.

As a result of our internal operating efficiencies, cost containment, and low levels of debt, we anticipate that our cash position will continue to grow during 2003. 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 policy has the greatest impact on the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenues from product sales upon transfer of title at the time of shipment or delivery according to terms of the contract, when all significant contractual obligations have been satisfied, the price is fixed or determinable, and collectibility is reasonably assured. Contract revenues are recognized on a percentage-of-completion basis primarily using the ratio of labor dollars or hours incurred to date to total estimated labor dollars or hours to measure the stage of completion. Contract costs include direct material and labor, and certain indirect costs. Revenues are not recognized on change orders until customer approval is obtained. Provisions for total estimated losses on uncompleted contracts are recorded in the period in which such losses are estimable. Conditions such as changes in job performance, job conditions, estimated contract costs and profitability may result in revisions to original assumptions in the period in which the change becomes evident. Thus, actual results could differ from original assumptions, resulting in a different outcome for profits or losses than anticipated.

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 and fixed rate debt and an interest rate hedge. A 1.0% increase in interest rates would result in an annual increase in interest expense of less than \$100 thousand. 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.

CONTROLS AND PROCEDURES

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-4(c) and 15d-14(c) of the Securities Exchange Act of 1934, as amended) as of a date ("Evaluation Date") within 90 days prior to the filing date of this quarterly report. Based on such evaluation, our CEO and CFO have each concluded that as of the Evaluation Date, 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. There were no significant changes in our internal controls or in other factors that could significantly affect the internal controls subsequent to the Evaluation Date.

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 position 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

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

99.2 -Certification 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

None

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 4, 2003

Date

/s/ THOMAS W. POWELL

Thomas W. Powell
President and Chief Executive Officer
(Principal Executive Officer)

March 4, 2003

Date

/s/ DON R. MADISON

Don R. Madison
Vice President and Chief Financial Officer
(Principal Financial Officer)

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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 4, 2003

/s/ THOMAS W. POWELL

Thomas W. Powell,
President and 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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 4, 2003

/s/ DON R. MADISON

Don R. Madison
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

EXHIBIT
NUMBER
DESCRIPTION

99.1 -
Certification
Pursuant to
Section 18
U.S.C.
Section
1350, as
Adopted
Pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002. 99.2 -
Certification
Pursuant to
Section 18
U.S.C.
Section
1350, as
Adopted
Pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002.

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, 2003 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 4, 2003

/s/ THOMAS W. POWELL

Thomas W. Powell
President and Chief Executive Officer

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, 2003 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 4, 2003

/s/ DON R. MADISON

Don R. Madison
Vice President and Chief Financial Officer