SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED OCTOBER 31, 1998

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

Securities registered pursuant to section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of Act:
COMMON STOCK, PAR VALUE $.01 PER SHARE

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" if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $77,963,000 as of January 8, 1999. The number of shares of the Company's Common Stock outstanding on that date was 10,660,679 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 1999 annual meeting of stockholders to be filed not later than 120 days after October 31, 1998 are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS

Powell Industries, Inc. ("Powell" or the "Company") was incorporated under the laws of the State of Nevada in December 1968. The Company is the successor to a corporation founded by William E. Powell in 1947, which merged into the Company in 1977.

The Company sells, designs, develops, manufactures, packages and services systems and equipment for the distribution, control and management of electrical energy and other dynamic processes. The Company's offices are located in Houston, Texas with plants located in Houston, Greenville and Jacinto Port, Texas; Elyria and North Canton, Ohio; Franklin Park, Illinois; Pleasanton and Watsonville, California; and Norcross, Georgia. Most of the products manufactured by the Company are made pursuant to specifications required for a particular order.

PRODUCTS AND SYSTEMS

Powell designs, develops, manufactures, sells and services electrical power distribution and control equipment and systems through its subsidiaries: Powell Electrical Manufacturing Company; Powell-ESCO Company; Unibus, Inc.; Delta-Unibus Corp. and Transdyn Controls, Inc. As applicable to the context, the "Company" is also sometimes used herein to refer to Powell and its subsidiaries.

The principal products are switchgear and related equipment, bus duct and process control systems. These products and systems are utilized primarily by refineries, petrochemical plants, utilities, paper mills, offshore platforms, commuter railways, vehicular transportation and numerous other industrial, commercial and governmental facilities. A brief description of each of the major products follows:

Switchgear and other related Equipment:

Switchgear is defined as free-standing metal enclosures containing a selection of electrical components that protect, monitor and control the flow of electricity from its source to motors, transformers and other electrically powered equipment as well as customized portable buildings to house switchgear and related equipment (PCR(R)). Major electrical components include circuit breakers, protective relays, meters, control switches, fuses, motor control centers and both current and potential transformers. During the fiscal years ended October 31, 1998, 1997 and 1996, sales and service of switchgear and other related equipment accounted for 77%, 73% and 76%, respectively, of consolidated revenues of the Company.

Bus Duct:

Bus duct consists of insulated power conductors housed in a metal enclosure. Individual pieces of bus duct are arranged in whatever physical configuration may be required to distribute electrical power to or from a generator, transformer, switching device or other electrical apparatus. The Company can provide the nonsegregated phase, segregated phase and isolated phase styles of bus duct with numerous amperage and voltage ratings. Sales of bus duct accounted for 12%, 17% and 15% of consolidated revenues for fiscal years 1998, 1997 and 1996, respectively.

Process Control Systems:

The process control systems supplied by the Company consist principally of instrumentation, computer control, communications, and data management systems. Demand for process control systems has been for modernization and expansion projects as well as new facilities that mainly serve the Company=s transportation, environmental and utilities industries. During the fiscal years ended October 31, 1998, 1997 and 1996, sales of process control systems accounted for 11%, 10% and 9%, respectively, of consolidated revenues of the Company.

SUPPLIERS

All of the Company's products are manufactured using components and materials that are readily available from numerous domestic suppliers. The Company has three principal suppliers of components and anticipates no difficulty in obtaining its components in sufficient quantities to support its manufacturing and assembly operations.

METHODS OF DISTRIBUTION AND CUSTOMERS

The Company's products are sold through manufacturers' representatives and its internal sales force. The Company is not dependent on any single customer for sales and the loss of any specific customer would not have a material adverse effect upon the Company. No single customer or export country accounted for more than 10% of consolidated revenues in the fiscal years ended 1998, 1997 or 1996. Export revenues were $85,448,000, $88,107,000 and $63,884,000 in fiscal years 1998, 1997 and 1996, respectively. See Note I of the Notes to Consolidated Financial Statements showing the geographic areas in which these revenues were recorded.

COMPETITION

The Company is engaged in a highly competitive business which is characterized by a small number of much larger companies that dominate the bulk of the market and a large number of smaller companies that compete for a limited share of such market. In the opinion of management, the competitive position of the Company is dependent on the ability of the Company to provide quality products to a customer's specifications, on a timely basis, at a competitive price, utilizing state-of-the-art materials, design and production methods. Some of the Company's principal competitors are larger and have greater capital and management resources.

EMPLOYEES

At October 31, 1998, the Company employed 1,253 employees on a full-time basis. Management considers its employee relations to be good.

BACKLOG

The Company's backlog of orders was $143,394,000 and $137,295,000 at October 31, 1998 and 1997, respectively, and the percentage of its 1998 year end backlog that it does not expect to fill in fiscal year 1999 is 17%. Orders included in the backlog are represented by purchase orders which the Company believes to be firm. The terms on which the Company accepts orders include a penalty for cancellation. Historically, no material amount of orders included in backlog has been canceled. No material portion of the Company's business is seasonal in nature.

RESEARCH AND DEVELOPMENT

During the fiscal years ended October 31, 1998, 1997 and 1996, the Company spent approximately $2,693,000, $2,649,000 and $2,283,000 respectively, on research and development programs.

ITEM 2. PROPERTIES

The following table sets forth information about the Company's principal facilities at October 31, 1998.

LOCATION	ACRES	SQUARE FOOTAGE OF FACILITIES	OCCUPANCY
Owned:			
Franklin Park, IL..................	2.0	64,000	Delta-Unibus Corp. (Delta)
Greenville, TX.....................	19.0	109,000	Powell-ESCO Company (Esco)
Houston, TX........................	26.2	421,000	Powell Electrical Manufacturing Co. (PEMCO)
Jacinto Port, TX...................	42.0	9,600	PEMCO-Offshore Division
Elyria, OH.........................	8.6	64,000	Unibus, Inc. (Unibus)
Leased:			
Pleasanton, CA.....................		39,100	Transdyn Controls, Inc. and Power Electronics Company, Inc. (PPECO)
Watsonville, CA....................		9,600	PPECO
Norcross, GA.......................		19,200	Transdyn Controls, Inc.
North Canton, OH...................		53,000	PEMCO-North Canton Division

ITEM 3. LEGAL PROCEEDINGS

On August 5, 1993, the Company was served with a lawsuit filed by National Westminister Bank Plc ("NatWest") in the United States District Court, Southern District of New York, alleging that the Company had defaulted on a Construction Guaranty provided to NatWest in 1992 in connection with a project at MacDill Air Force Base. NatWest had sought damages in excess of $20,000,000.

On September 2, 1998, the Company signed a Settlement Agreement with NatWest to settle this litigation. The settlement closed on September 10, 1998. Under the terms of the Settlement Agreement, the Company paid NatWest $7,000,000 at closing, and delivered a promissory note in the principal amount of $1,000,000, bearing interest at 3% per annum, which will be due on December 31, 1999.

The Company recorded a charge of approximately $4.8 million (net of income taxes) to discontinued operations in its third quarter ended July 31, 1998 in connection with this settlement. The additional amount payable under the Settlement Agreement (net of income taxes) was accrued in prior periods. See the Settlement Agreement filed as Exhibit 10.11 to this report for additional terms of such settlement.

The Company is a party to other 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters which were submitted to a vote of security holders through proxies, or otherwise, during the fourth quarter of the fiscal year ended October 31, 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of October 31, 1998, there were approximately 865 holders of record of Powell Industries, Inc. common stock, which is traded on the over-the-counter market and listed on the NASDAQ National Market System under the symbol POWL.

Quarterly stock prices and trading volumes for the last two fiscal years are as follows:

	HIGH	LOW	LAST	AVERAGE DAILY VOLUME
1998				
First Quarter	$17.56	$12.63	$13.13	10,267
Second Quarter	14.00	10.00	12.63	22,518
Third Quarter	13.50	11.75	12.75	10,933
Fourth Quarter	12.63	7.25	9.25	9,764
1997				
First Quarter	$15.25	$ 9.88	$14.13	46,614
Second Quarter	15.00	10.50	14.00	19,637
Third Quarter	18.25	13.75	16.50	16,233
Fourth Quarter	17.75	14.75	14.75	13,031

The Company has paid no dividends on its common stock during the last three years and anticipates that it will not do so in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The following data has been derived from consolidated financial statements that have been audited by Arthur Andersen LLP, independent public accountants. The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K.

	YEARS ENDED OCTOBER 31,				
	1998	1997	1996	1995	1994
Statements of operations data:					
Revenues	$212,733,000	$191,651,000	$170,123,000	$139,534,000	$119,453,000
Earnings from continuing operations	11,465,000	12,629,000	10,758,000	7,080,000	4,559,000
Loss from discontinued operations (net of income taxes)	(4,800,000)	--	(5,998,000)	(1,382,000)	(164,000)
Net earnings	$ 6,665,000	$ 12,629,000	$ 4,760,000	$ 5,698,000	$ 4,395,000
Net earnings per common share:					
Continuing operations					
Basic:	$ 1.08	$ 1.19	$ 1.02	$ .67	$ .43
Diluted:	1.07	1.17	1.00	.67	.43
Discontinued operations					
Basic:	(.45)	--	(.57)	(.13)	(.01)
Diluted:	(.45)	--	(.56)	(.13)	(.01)
Net earnings per common share:					
Basic:	.63	1.19	.45	.54	.42
Diluted:	.62	1.17	.44	.54	.42
Weighted average number of common shares outstanding	10,644,427	10,622,521	10,566,934	10,534,371	10,505,204
Weighted average number of common and common equivalent shares outstanding	10,743,428	10,808,384	10,764,656	10,611,331	10,509,371
Balance Sheet Data:					
Working capital	$ 58,826,000	$ 51,769,000	$ 46,505,000	$ 32,642,000	$ 30,351,000
Total assets	127,131,000	122,867,000	99,523,000	90,534,000	84,327,000
Long-term debt	11,571,000	6,000,000	--	3,750,000	6,563,000
Stockholders' equity	83,336,000	76,307,000	63,225,000	57,657,000	51,656,000

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements.

Any forward-looking statements made by or on behalf of the Company 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 uncertainty in that actual results may differ materially from those projected in the forward-looking statements. These risks and uncertainties include, without limitation, the following:

- Difficulties in scheduling which could arise from the inability to obtain materials or components in sufficient quantities as needed for the Company's manufacturing and assembly operations,

- Difficulties in scheduling which could arise from significant customer-directed shipment delay,

- Significant decrease in the Company's backlog,

- Unforeseen political or economic problems in countries to which the Company exports its products,

- Unforeseen material employee relations problems,

- Problems in the quality, the design, the production methods or pricing of its products,

- Unfavorable material litigation or claims made against the Company, and

- Changes in general market conditions, competition and pricing.

RESULTS OF OPERATIONS

The following table sets forth, as a percentage of revenues, certain items from the Consolidated Statements of Operations.

	YEARS ENDED OCTOBER 31,		
	1998	1997	1996
Revenues	100.0%	100.0%	100.0%
Gross profit	22.5	24.5	25.3
Selling, general and administrative expenses	14.5	15.1	15.8
Interest (income) expense, net	.1	(.2)	.1
Earnings from continuing operations	5.4	6.6	6.3
Losses from discontinued operations	(2.3)	--	(3.5)
Net earnings	3.1	6.6	2.8

REVENUES

The Company reported revenues of $212,733,000, $191,651,000 and $170,123,000 in fiscal years 1998, 1997 and 1996, respectively. Revenues increased 11% in fiscal year 1998 as compared to fiscal year 1997 due primarily to the increased volume of shipments of electrical distribution equipment to domestic customers in fiscal 1998 that was partially offset by lower revenues from the bus duct product line. Revenues increased 13% in fiscal year 1997 when compared to fiscal year 1996 due primarily to increased sales to export customers. All product lines reported increased revenue for fiscal year 1997.

Export revenues continued to be an important component of the Company's operations, accounting for 40%, 46% and 38% of consolidated revenues in fiscal years 1998, 1997 and 1996, respectively. A schedule is provided in Note I of the Notes to Consolidated Financial Statements showing the geographic areas in which these sales were made. Management anticipates that consolidated revenues will increase in fiscal 1999 and that export revenues will continue to contribute approximately 35% to 40% of consolidated revenues.

GROSS PROFIT

Gross profit, as a percentage of revenues, was 22.5%, 24.5%, and 25.3% in fiscal years 1998, 1997 and 1996, respectively. The gross profit percentage decreased by 2.0% in 1998 from 1997 due primarily to losses at Powell-ESCO Company and revenues shifts to lower gross margin product lines. The decrease in 1997 when compared to 1996 was due to the shifts in revenues to lower gross margin product lines. The Company continues to focus on productivity improvements to respond to the competitive markets it serves.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses as a percentage of revenues were 14.5%, 15.1%, and 15.8% for fiscal years 1998, 1997 and 1996, respectively. The decrease in fiscal years 1998 and 1997, as a percentage of revenues, was due to controlling of expenses as volumes increased.

INTEREST (INCOME) EXPENSE, NET

Interest (income) expense reflects a net interest expense in fiscal years 1998 and 1996 and net interest income in fiscal year 1997. The net interest expense in 1998 was primarily due to an increase in total debt, partially offset by lower rates. The net interest income in 1997 was due to lower debt and more available funds to invest.

INCOME TAX PROVISION

The effective income tax rate on earnings from continuing operations before income taxes was 32%, 32%, and 33% for fiscal years 1998, 1997 and 1996, respectively. The effective income tax rates are lower than the statutory rate due primarily to foreign sales corporation credits.

EARNINGS FROM CONTINUING OPERATIONS

Earnings from continuing operations recorded in fiscal year 1998 were $11,465,000 or $1.07 per diluted share. This represented a 9.2% decrease in earnings compared to fiscal year 1997 earnings. The decrease was primarily due to losses at Powell-ESCO Company and revenue shifts to lower gross margin product lines. Earnings from continuing operations recorded in fiscal year 1997 were $12,629,000 or $1.17 per diluted share, an increase of 17.4% compared to earnings from continuing operations of $10,758,000 or $1.00 per diluted share in fiscal year 1996. This increase was primarily due to the increased volume and controlled costs.

DISCONTINUED OPERATIONS

See Note M to Notes to Consolidated Financial Statements for discussion of the operations that were discontinued in fiscal years 1998 and 1996.

NET EARNINGS

Net earnings were $6,665,000 or $.62 per diluted share in fiscal year 1998 compared to $12,629,000 or $1.17 per diluted share and $4,760,000 or $.44 per diluted share in fiscal year 1997 and 1996, respectively. The losses from discontinued operations, referred to in the previous paragraph, resulted in lower net earnings in fiscal year 1998 as compared to 1997.

LIQUIDITY AND CAPITAL RESOURCES

In September 1998, the Company amended a revolving line of credit agreement with a major domestic bank. The amendment provided for a $10,000,000 term loan and a revolving line of credit of $15,000,000. The term loan matures in five years with an amortization of seven years. The effective interest rate, after including a interest rate swap negotiated with the trust company of the same domestic bank, is 5.20 percent per annum plus a .75 to 1.25 fees based on financial covenants. The proceeds of the term loan were used to pay the Settlement Agreement discussed in Note M and to pay down the line of credit. As of October 31, 1998, the Company had $2,000,000 in borrowings outstanding under this revolving line of credit.

The Company's ability to satisfy its cash requirements is evaluated by analyzing key measures of liquidity applicable to the Company. The following table is a summary of the liquidity measures which management believes to be significant.

	1998	1997	1996
Working capital..............................	$58,826,000	$51,769,000	$46,505,000
Current ratio................................	2.95 to 1	2.36 to 1	2.42 to 1
Debt to total capitalization.................	.1 to 1	.1 to 1	.1 to 1

Management believes that the Company continues to maintain a strong liquidity position. The increase in working capital at October 31, 1998, as compared to October 31, 1997, is due mainly to an increase in costs and estimated earnings in excess of billings and inventories. These increases were partially offset by decreases in accounts receivable and increases in billings in excess of costs and estimated earnings.

Operating cash flows decreased $4,600,000 in fiscal 1998 as compared to fiscal 1997 due to payments made for the settlement of the NatWest litigation and decreased levels of billings in excess of costs and earnings, partially offset by increased collections on accounts receivable. Operating cash flows decreased $6,100,000 in fiscal 1997 as compared to fiscal 1996 due to the disposition of net assets of discontinued operations, partially offset by increased net income.

Capital expenditures totaled $9,739,000 during fiscal year 1998 compared to $14,773,000 during fiscal year 1997. During fiscal year 1998 and 1997 the majority of the capital expenditures was for plant expansions of operating facilities at PEMCO. Management expects the Company's capital expenditures program to be approximately $7,000,000 in fiscal year 1999, primarily for additions and replacement of machinery and equipment and the purchase of a facility in North Canton, Ohio currently being leased.

The Company's fiscal year 1998 asset management program will continue to focus on the reduction of receivables days outstanding and reduction in inventories. Management believes that the cash and cash equivalents of $601,000 at October 31, 1998, along with funds generated from operating activities and funds available through borrowings from the credit line will be sufficient to meet the capital requirements and operating needs of the Company for at least the next twelve months.

EFFECTS OF INFLATION AND RECESSION

During the last three years, the Company has not experienced any significant effects of inflation on its operations. Management continues to evaluate the potential impact inflation could have on future growth and minimize the impact by including escalation clauses in long-term contracts. Recent marketing and financial reports indicate that the current economic conditions should remain in 1999 at approximately the same level as 1998 and the Company does not anticipate significant increases in inflation in the immediate future.

YEAR 2000 COMPLIANCE

The Year 2000 issue results from the historical use in computer software programs and operating systems of a two digit number to represent the year. Certain software and hardware may fail to properly function when confronted with dates that contain "00" as a two digit year. New information about the nuances of the problem seems to become available on almost a daily basis and that is likely to continue as companies around the world focus increased attention and resources on finding solutions to the problem's many manifestations.

To address the potential risk for disruption of operations, each subsidiary of the Company has developed a compliance plan. The Company has substantially completed a comprehensive initial assessment of the readiness of its internal systems and manufacturing systems. Many of the readiness issues identified in internal systems during the course of the initial assessment have already been addressed. Numerous tests have been conducted to confirm the resolution of applied solutions. Additional testing will occur throughout 1999. While the Company's initial assessment is substantially complete, the Company intends to continue to update the assessment of its state of readiness based upon new information that may become available from third party vendors, suppliers and manufacturers in the months to come.

All components originally manufactured by the Company are inherently compliant in that the components do not manipulate, process, store or record date-related information. However, a few subsidiaries, including the Company's largest subsidiary, Powell Electrical Manufacturing Company, sell engineered systems that include potentially noncompliant components manufactured by third parties. The Company is pursuing a plan to evaluate the compliance status of all components manufactured by third parties and will pass through to its customers any compliance warranties provided by the components' manufacturers. The Company will continue to strongly recommend to its customers that each make an independent evaluation of the readiness of manufactured products that include potentially noncompliant components.

The Transdyn Controls, Inc. subsidiary is a systems integrator of primarily third party products. As an integrator, Transdyn must rely on the readiness information provided by the providers of those third party products. Microsoft is the primary provider of software Transdyn utilizes in its integrated systems. Based on currently available information, Transdyn believes that the versions of third party products currently integrated into systems it develops are either compliant or will be compliant upon application of readily available patches. Earlier versions of third party products integrated in systems delivered by Transdyn in the past are known to be noncompliant, and Transdyn will continue to work to identify and notify affected customers. Transdyn is offering its services to affected customers to assist in the testing, retrofit or upgrade process.

The costs to the Company to achieve Year 2000 readiness is not believed to be material. Most tasks associated with compliance plan implementation have been or will be completed by internal employees. Certain tasks will be performed by external solution providers; however, reliance on external resources will not be significant.

The most likely worst case Year 2000 scenario for the Company includes the following possibilities.

- A limited number of components manufactured by third parties will fail in some respect despite the manufacturers' assurances that such components are compliant. To the extent that this occurs and the Company is obligated to do so under a contractual warranties, the Company will make replacement components available to customers. Otherwise, the Company will facilitate the identification of viable compliant components and replacement of the noncompliant components.

- A limited number of customers who were notified of possible compliance issues associated with older equipment will fail to timely address the issue and will seek assistance from the Company after roll-over. To the extent sufficient and appropriate resources are available, the Company will facilitate component replacement or upgrades.

- Some customers may suffer failures that cause those customers to delay placing additional orders of new equipment during the first quarter of 2000 or to delay payment for previously ordered products. The Company plans to position itself to adjust to any temporary reduction of new orders and to withstand short term cash flow issues.

- One or more physical facilities may suffer some degree of infrastructure failure, due in part to the number of geographic locations of the various subsidiaries. The Company plans to carefully manage its contractual obligations to customers during the first month 2000 so as to minimize the effect any infrastructure failure might have on its ability to satisfy those obligations. At this time, the Company does not intend to invest in alternative sources of water, power or telecommunications. The Company will prepare further contingency plans to deal with potential infrastructure failure if and when additional information becomes available from current providers as to their state of readiness.

While other scenarios are possible given the interdependent nature of all businesses, the Company believes that the foregoing elements, individually or any combination of one or more other element, represent the most likely worst case scenario.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Board of Directors and Stockholders of Powell Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Powell Industries, Inc. (a Nevada corporation) and subsidiaries as of October 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended October 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Powell Industries, Inc. and subsidiaries as of October 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
November 30, 1998

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

ASSETS

	OCTOBER 31, 1998	OCTOBER 31, 1997
Current Assets:		
Cash and cash equivalents	$ 601	$ 2,219
Accounts receivable, less allowance for doubtful accounts of $761 and $465, respectively	44,255	50,391
Costs and estimated earnings in excess of billings	24,783	18,986
Inventories	16,284	13,603
Deferred income taxes	709	825
Income taxes receivable	945	1,351
Prepaid expenses and other current assets	1,441	2,594
Total Current Assets	89,018	89,969
Property, plant and equipment, net	32,311	26,374
Deferred income taxes	833	1,578
Other assets	4,969	4,946
Total Assets	$127,131	$122,867

LIABILITIES AND STOCKHOLDERS' EQUITY

	1998	1997
Current Liabilities:		
Accounts and income taxes payable	$ 12,094	$ 11,929
Accrued salaries, bonuses and commissions	6,784	6,737
Accrued product warranty	1,388	1,511
Accrued legal expenses	1,133	3,785
Other accrued expenses	3,519	3,282
Billings in excess of costs and estimated earnings	3,845	10,956
Current maturities of long-term debt	1,429	--
Total Current Liabilities	30,192	38,200
Long-term debt, net of current maturities	11,571	6,000
Deferred compensation expense	1,187	1,128
Postretirement benefits liability	845	1,232
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; 10,658,679 and 10,642,779 shares issued and outstanding, respectively	107	106
Additional paid-in capital	5,919	5,782
Retained earnings	80,237	73,572
Deferred compensation -- ESOP	(2,927)	(3,153)
Total Stockholders' Equity	83,336	76,307
Total Liabilities and Stockholders' Equity	$127,131	$122,867

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

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEARS ENDED OCTOBER 31,		
	1998	1997	1996
Revenues	$ 212,733	$ 191,651	$ 170,123
Cost of goods sold	164,944	144,645	127,075
Gross profit	47,789	47,006	43,048
Selling, general & administrative expenses	30,805	28,982	26,928
Earnings from continuing operations before interest and income taxes	16,984	18,024	16,120
Interest expense (income), net	239	(416)	117
Earnings from continuing operations before income taxes	16,745	18,440	16,003
Income tax provision	5,280	5,811	5,245
Earnings from continuing operations	11,465	12,629	10,758
Loss from discontinued operations, net of income taxes	(4,800)	--	(5,998)
Net earnings	$ 6,665	$ 12,629	$ 4,760
Earnings (loss) per common share:			
Continuing operations:			
Basic	$ 1.08	$ 1.19	$ 1.02
Diluted	1.07	1.17	1.00
Discontinued operations:			
Basic	$ (.45)	$ --	$ (.57)
Diluted	(.45)	--	(.56)
Net earnings:			
Basic	$ .63	$ 1.19	$ .45
Diluted	.62	1.17	.44
Weighted average number of common shares outstanding	10,644,427	10,622,521	10,566,934
Weighted average number of common and common equivalent shares outstanding	10,743,428	10,808,384	10,764,656

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

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

	COMMON STOCK		ADDITIONAL		DEFERRED
	SHARES	AMOUNT	PAID-IN CAPITAL	RETAINED EARNINGS	COMPENSATION ESOP
Balance, October 31, 1995	10,542,704	$105	$5,062	$56,183	$(3,693)
Net earnings				4,760	
Amortization of deferred compensation -- ESOP					268
Exercise of stock options	11,940	--	52		
Stock grants	50,000	1	487		
Balance, October 31, 1996	10,604,644	106	5,601	60,943	(3,425)
Net earnings				12,629	
Amortization of deferred compensation -- ESOP					272
Exercise of stock options	38,135	--	181		
Balance, October 31, 1997	10,642,779	106	5,782	73,572	(3,153)
Net earnings				6,665	
Amortization of deferred compensation -- ESOP					226
Exercise of stock options	15,900	1	137		
Balance, October 31, 1998	10,658,679	$107	$5,919	$80,237	$(2,927)

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

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED OCTOBER 31,		
	1998	1997	1996
Operating Activities:			
Net earnings	$ 6,665	$ 12,629	$ 4,760
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,070	3,376	3,270
Deferred income tax provision (benefit)	861	1,333	(2,112)
Postretirement benefits liability	(387)	(270)	(455)
Changes in operating assets and liabilities:			
Accounts receivable	6,136	(13,378)	(11,092)
Costs and estimated earnings in excess of billings	(5,797)	(5,052)	(2,820)
Inventories	(2,681)	511	948
Prepaid expenses and other current assets	1,153	(894)	(7)
Other assets	(291)	(708)	(205)
Accounts payable and income taxes payable or receivable	571	2,911	(272)
Accrued liabilities	(2,491)	394	5,334
Billings in excess of costs and estimated earnings	(7,111)	5,531	1,318
Deferred compensation expense	285	(757)	420
Changes in net assets of discontinued operations	--	--	12,674
Net cash provided by operating activities	983	5,626	11,761
Investing Activities:			
Purchases of property, plant and equipment	(9,739)	(14,773)	(3,349)
Net cash used in investing activities	(9,739)	(14,773)	(3,349)
Financing Activities:			
Net borrowings of long-term debt	7,000	6,000	--
Payments of long-term debt	--	(3,750)	(2,813)
Exercise of stock grants and options	138	181	540
Net cash provided by (used in) financing activities	7,138	2,431	(2,273)
Net increase (decrease) in cash and cash equivalents	(1,618)	(6,716)	6,139
Cash and cash equivalents at beginning of year	2,219	8,935	2,796
Cash and cash equivalents at end of year	$ 601	$ 2,219	$ 8,935

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

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. BUSINESS AND ORGANIZATION

Powell Industries, Inc. ("Powell" or the "Company") was incorporated under the laws of the state of Nevada in December 1968. The Company is the successor to a corporation founded by William E. Powell in 1947, which merged into the Company in 1977.

Powell designs, develops, manufactures, sells and services electrical power distribution and control equipment and systems through its subsidiaries: Powell Electrical Manufacturing Company; Powell-ESCO Company; Unibus, Inc.; Delta-Unibus Corp. and Transdyn Controls, Inc. As applicable to the context, "Company" is also sometimes used herein to refer to Powell and its subsidiaries.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Powell Industries, Inc. and its wholly-owned subsidiaries (the Company). All material intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of less than three months to be cash equivalents.

Accounts Receivable

The Company's receivables are generally not collateralized. Management performs ongoing credit analyses of the accounts of its customers and provides allowances as deemed necessary. Accounts receivable at October 31, 1998 and 1997 include $3,931,000 and $2,296,000, respectively, due from customers in accordance with applicable retainage provisions of engineering and construction contracts, which will become billable upon completion of such contracts. Approximately $2,384,000 of the retained amount at October 31, 1998 is expected to be billed subsequent to 1999.

Inventories

Inventories are stated at the lower of cost (primarily first-in, first-out method) or market and include material, labor and manufacturing overhead.

Property, Plant and Equipment

Property, plant and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments which extend the useful lives of existing equipment are capitalized and depreciated. Upon retirement or disposition of property, plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of operations.

Amortization of Intangibles

Included in other assets are net intangible assets totaling $2,004,000 and $2,272,000 at October 31, 1998 and 1997, respectively. Intangible assets primarily include goodwill and patents which are amortized using the straight-line method over periods ranging from five to twenty years. The accumulated amortization of intangible assets totaled $1,744,000 and $1,476,000 at October 31, 1998 and 1997, respectively. Management

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

continually evaluates whether events or circumstances have occurred that indicate the remaining estimated useful life of intangible assets may warrant revision or that remaining balances may not be recoverable.

Revenue Recognition

Revenues from product sales are recognized at the time of shipment. Revenues related to multiple unit orders and their associated costs are recorded as identifiable units are delivered. Contract revenues are recognized on a percentage-of-completion basis primarily using labor dollars or hours incurred to date in relation to estimated total labor dollars or hours of the contracts to measure the stage of completion. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies and depreciation costs. Provisions for total estimated losses on uncompleted contracts are recorded in the period in which they become evident.

Warranties

The Company provides for estimated warranty costs at the time of sale based upon historical rates applicable to individual product lines. In addition, specific provisions are made when the costs of such warranties are expected to exceed accruals.

Research and Development Expense

Research and development costs are charged to expense as incurred. Such amounts were $2,693,000, $2,649,000, and $2,283,000 in fiscal years 1998, 1997 and 1996, respectively.

Use of Estimates

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

Reclassification

Certain reclassifications of prior year amounts have been made in order to conform with the classifications used in the current year presentation.

Income Taxes

The Company accounts for income taxes using Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes". Under SFAS No. 109, deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using enacted tax rates. Under this standard, the effect on deferred taxes of a change in tax rates is recognized in income in the period that the tax rate changes.

New Accounting Standards

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", was issued in June 1997. SFAS No. 131 provides revised disclosure guidelines for segments of an enterprise based on a management approach to defining operating segments. The Company will provide reporting disclosures as required by the statement during its fiscal year ending October 31, 1999.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In June 1998, the Accounting Standards Board issued SFAS No. 133 -- "Accounting for Derivative Instruments and Hedging Activities". This statement establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. The statement, which is to be applied prospectively, is effective for the Company's quarter ending January 31, 2000. The Company is currently evaluating the impact of SFAS No. 133 on its future results of operations and financial position.

In April 1998, Statement of Position ("SOP") No. 98-5 -- "Reporting on the Costs of Start-Up Activities" was issued by the American Institute of Certified Public Accountants. The statement requires costs of start-up activities and organization costs to be expensed as incurred. Initial application of the statement, which is effective for the Company's fiscal year 2000, is to be reported as a cumulative effect of a change in accounting principle. The Company believes that the future adoption of SOP No. 98-5 will not have a material effect on its results of operations or financial position.

C. EARNINGS PER SHARE

In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share." Statement No. 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options. Diluted earnings per share is very similar to the previously reported primary earnings per share. Earnings per share amounts for each period have been presented and restated to conform to the Statement 128 requirements.

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

	YEARS ENDED OCTOBER 31,		
	1998	1997	1996
Numerator:			
Numerator for basic and diluted earnings per share -- earnings from continuing operations available to common shareholders	$ 11,465	$ 12,629	$ 10,758
Denominator:			
Denominator for basic earnings per share -- weighted-average shares	10,644,427	10,622,521	10,566,934
Effect of dilutive securities -- Employee stock options	99,001	185,863	197,722
Denominator for diluted earnings per share -- adjusted weighted-average shares assumed conversions	10,743,428	10,808,384	10,764,656
Basic earnings per share	$ 1.08	$ 1.19	$ 1.02
Diluted earnings per share	$ 1.07	$ 1.17	$ 1.00

D. INVENTORIES

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

	OCTOBER 31,	
	1998	1997
Raw materials, parts and subassemblies	$ 9,795	$ 8,706
Work-in-process	6,489	4,897
Total inventories	$16,284	$13,603

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E. PROPERTY, PLANT AND EQUIPMENT

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

	OCTOBER 31, 1998	OCTOBER 31, 1997	RANGE OF ASSET LIVES
Land	$ 2,720	$ 2,720	--
Buildings and improvements	27,478	20,662	3-39 Years
Machinery and equipment	28,149	24,912	3-15 Years
Furniture and fixtures	4,039	3,121	3-10 Years
Construction in progress	3,364	4,596	--
	65,750	56,011	
Less -- accumulated depreciation	(33,439)	(29,637)	
Total property, plant and equipment, net	$ 32,311	$ 26,374	

F. EMPLOYEE BENEFIT PLANS

The Company has a defined contribution 401K plan for substantially all of its employees. The Company matches 50% of employee contributions up to six percent of their salary. The Company recognized expense of $934,000, $848,000, and $736,000 in fiscal years 1998, 1997 and 1996, respectively, under this plan.

Two long service employees are participants in a deferred compensation plan providing payments in accordance with a predetermined plan upon retirement or death. The Company recognizes the cost of this plan over the projected years of service of the participant. The Company has insured the lives of these key employees to assist in the funding of the deferred compensation liability.

The Company has established an employee stock ownership plan (ESOP) for the benefit of substantially all full-time employees other than employees covered by a collective bargaining agreement to which the ESOP has not been extended by agreement or by action of the Company. The ESOP purchased 793,525 shares of the Company's common stock from a major stockholder. The funding for this plan was provided through a loan from the Company of $4,500,000. This loan will be repaid over a twenty-year period with equal payments of $424,000 per year including interest at 7 percent. The Company recorded deferred compensation as a contra-equity account for the amount loaned to the ESOP in the accompanying consolidated balance sheets. The Company is required to make annual contributions to the ESOP to enable it to repay its loan to the Company. The deferred compensation account is amortized as compensation expense over twenty years as employees earn their shares for services rendered. The loan agreement also provides for prepayment of the loan if the Company elects to make any additional contributions. The compensation expense for fiscal years 1998, 1997 and 1996 was $226,000, $271,000, and $268,000, respectively.

In November 1992, the Company established a plan for each subsidiary to extend to retirees health benefits which are available to active employees under the Company's existing health plans. Participants become eligible for retiree health care benefits when they retire from active service at age 55 with ten years of service. Generally, the health plans pay a stated percentage of medical and dental expenses reduced for any deductible and co-payment. These plans are unfunded. Medical coverage may be continued by the retired employee up to age 65 at the average cost to the Company of active employees. At the age of 65, when the employee becomes eligible for Medicare, the benefits provided by the Company are reduced by the amount provided by Medicare and the cost to the retired employee is reduced to 50 percent of the average cost to the Company of active employees.

In January 1994, the Company modified its postretirement benefits to provide retiree healthcare benefits to only current retirees and active employees who will be eligible to retire by December 31, 1999. Participants eligible for such benefits will be required to pay between 20 percent and 100 percent of the Company's average cost of benefits based on years of service. In addition, benefits will end upon the employee's attainment of age 65. The effect of these modifications significantly reduced the Company's postretirement benefits cost and accumulated benefits obligation.

The following table sets forth the plans' combined status reconciled with the accrued retirement benefits cost included in the Company's consolidated balance sheets (in thousands):

	OCTOBER 31,	
	1998	1997
Accumulated postretirement benefits obligation:		
Retirees	$228	$ 242
Fully eligible active participants	316	353
Other active participants	25	62
Total accumulated postretirement benefits obligation	569	657
Unrecognized prior service credits	370	688
Unrecognized net loss	(94)	(113)
Postretirement benefits liability	$845	$1,232

Net periodic postretirement benefits expense (income) includes the following components (in thousands):

	YEARS ENDED OCTOBER 31,	
	1998	1997
Service cost of benefits earned during the period	$ 4	$ 5
Interest cost on accumulated postretirement benefit obligation	36	45
Amortization of unrecognized prior service credits	(318)	(310)
Amortization of net loss and transition obligation	(7)	33
Net periodic postretirement benefits expense (income)	$(285)	$(227)

The assumed health care cost trend rate in measuring the accumulated postretirement benefits obligation was 8 percent in fiscal year 1998 decreasing to six percent by fiscal year 2000. If the health care trend rate assumptions were increased by one percent, the accumulated postretirement benefits obligation, as of October 31, 1998, would be increased by 7.7 percent. The effect of this change on the net postretirement benefit cost for 1998 would be an increase of 6.9 percent. The weighted average discount rate used in determining the accumulated postretirement benefits obligation was 6.0 and 6.5 percent for fiscal years 1998 and 1997, respectively.

G. DEBT

In September 1998, the Company amended an existing agreement for a revolving line of credit with a major U.S. bank. The amendment provides for a $10,000,000 term loan and a revolving line of credit of $15,000,000. The term loan matures in five years with nineteen equal quarterly payments of $357,143 and a final payment of the remaining principal balance on September 30, 2003. The effective interest rate, after including the results of an interest rate swap negotiated with the trust company of the same domestic bank, is 5.20 percent per annum plus a .75 to 1.25 percent fee based on financial covenants. The notional amount of the swap agreement is $10,000,000 and follows the same reduction schedule as the term-loan. The Company considers the risk of non-performance by its swap partner to be minimal. The revolving line of credit provides for the Company to elect an interest rate on amounts borrowed of (1) the bank's prime rate less .5 percent (on the first $5,000,000) and prime rate on additional borrowings, or (2) the bank's IBOR rate plus an additional

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

percentage of .75% to 1.25% based on the Company's performance. Also, a fee of .20 to .25 percent is charged on the unused balance of the line. The agreement contains customary affirmative and negative covenants and requirements to maintain a minimum level of tangible net worth and profitability. As of October 31, 1998, $2,000,000 was borrowed against this line of credit. The agreement expires on February 28, 2000.

Long-term debt is summarized below (in thousands):

	OCTOBER 31,	
	1998	1997
5 year term note	$10,000	$
Revolving line of credit	2,000	6,000
NatWest promissory note (see Note J below)	1,000	
Total debt	13,000	6,000
Less -- current maturities	(1,429)	--
Total long-term debt	$11,571	$6,000

Interest paid during the year was $502,000, $529,000 and $683,000 in fiscal years 1998, 1997 and 1996, respectively. The interest expense recorded during the year was $558,000, $381,000 and $637,000 in 1998, 1997 and 1996, respectively. The annual maturities of long-term debt for the years 1999 through 2003 are as follows: $1,429,000, $4,429,000, $1,429,000, $1,428,000 and $4,285,000, respectively. Management estimates that the fair value of its debt obligations approximates the historical value of $13,000,000 at October 31, 1998.

H. INCOME TAXES

The net deferred income tax asset is comprised of the following (in thousands):

	OCTOBER 31,	
	1998	1997
Current deferred income taxes:		
Gross assets	$ 2,075	$ 2,469
Gross liabilities	(1,366)	(1,644)
Net current deferred income tax asset	709	825
Noncurrent deferred income taxes		
Gross assets	1,593	2,122
Gross liabilities	(760)	(544)
Net noncurrent deferred income tax asset	833	1,578
Net deferred income tax asset	$ 1,542	$ 2,403

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The tax effect of significant temporary differences representing deferred tax assets and liabilities are as follows (in thousands):

	OCTOBER 31, 1998	OCTOBER 31, 1997
Allowance for doubtful accounts	$ 259	$ 158
Reserve for accrued employee benefits	907	681
Warranty reserves	471	513
Uncompleted long-term contracts	(1,262)	(1,644)
Depreciation and amortization	92	(132)
Deferred compensation	404	384
Postretirement benefits liability	287	419
Accrued legal expenses	385	1,287
Other	(1)	737
Net deferred income tax asset	$ 1,542	$ 2,403

The components of the income tax provision (benefit) consist of the following (in thousands):

	YEARS ENDED OCTOBER 31, 1998	1997	1996
Continuing Operations:			
Current:			
Federal	$ 4,198	$4,237	$ 7,135
State	221	241	222
Deferred:			
Federal	861	1,333	(2,112)
Income tax provision continuing operations	5,280	5,811	5,245
Discontinuing Operations:			
Current	(3,821)	--	(1,435)
Deferred	1,371	--	(1,756)
Income tax provision discontinued operations	(2,450)	--	(3,191)
Total income tax provision	$ 2,830	$5,811	$ 2,054

A reconciliation of the statutory U.S. income tax rate and the effective income tax rate, as computed on earnings from continuing operations before income taxes reflected in each of the three years presented in the Consolidated Statements of Operations is as follows:

	YEARS ENDED OCTOBER 31, 1998	1997	1996
Statutory rate	34%	34%	34%
Foreign sales corporation credits	(3)	(3)	(4)
State income taxes, net of federal benefit	1	1	1
Other	--	--	2
Effective rate	32%	32%	33%

Total cash payments for income taxes during the year were $2,039,000,

$4,799,000, and $3,211,000 in fiscal years 1998, 1997 and 1996, respectively.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

I. SIGNIFICANT SALES DATA

No single customer or export country accounted for more than 10 percent of consolidated revenues in fiscal years 1998, 1997 and 1996.

Export sales are as follows (in thousands):

	YEARS ENDED OCTOBER 31,		
	1998	1997	1996
Europe (including former Soviet Union)	$ 500	$ 4,781	$ 5,680
Far East	27,502	29,343	24,948
Middle East and Africa	31,694	27,035	12,928
North, Central and South America (excluding U.S.)	25,752	26,948	20,328
Total export sales	$85,448	$88,107	$63,884

J. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain offices, facilities and equipment under operating leases expiring at various dates through 2003. At October 31, 1998, the minimum annual rental commitments under leases having terms in excess of one year are as follows (in thousands):

YEAR ENDING OCTOBER 31	OPERATING LEASES
1999	$1,255
2000	945
2001	678
2002	459
2003	4
Thereafter	--
Total lease commitments	$3,341

Lease expense for all operating leases, excluding leases with terms of less than one year, was $1,259,000, $1,067,000 and $908,000 for fiscal years 1998, 1997 and 1996, respectively.

Letters of Credit and Bonds

The Company is contingently liable for secured and unsecured letters of credit and performance bonds totaling approximately $4,997,000 and $67,008,000 respectively that were outstanding at October 31, 1998.

Litigation

On August 5, 1993, the Company was served with a lawsuit filed by National Westminister Bank Plc ("NatWest") in the United States District Court, Southern District of New York, alleging that the Company had defaulted on a Construction Guaranty provided to NatWest in 1992 in connection with a project at MacDill Air Force Base. NatWest had sought damages in excess of $20,000,000.

On September 2, 1998, the Company signed a Settlement Agreement with NatWest to settle this litigation. The settlement closed on September 10, 1998. Under the terms of the Settlement Agreement, the Company paid NatWest $7,000,000 at closing, and delivered a promissory note in the principal amount of $1,000,000, bearing interest at 3% per annum, which will be due on December 31, 1999.

The Company recorded a charge of approximately $4.8 million (net of income taxes) to discontinued operations in its third quarter ended July 31, 1998, in connection with this settlement. The additional amount payable under the Settlement Agreement (net of income taxes) was accrued in prior periods.

The Company is a party to other 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.

K. STOCK OPTIONS AND GRANTS

In March 1992, the stockholders approved an amendment to a plan that was adopted in March 1989, in which 750,000 shares of common stock would be made available through an incentive program for certain employees of the Company. In March 1996, the stockholders approved an amendment to increase the maximum shares available under the plan from 750,000 shares to 1,500,000 shares of common stock. The awards available under the plan include both stock options and stock grants and are subject to certain conditions and restrictions as determined by the Compensation Committee of the Board of Directors.

"Stock options" -- Options granted under the plan are non-qualified and are granted at a price equal to the fair market value of the common stock at the date of grant. Generally, options granted have a term of ten years from the date of grant and will vest in increments of 20 percent per year over a five year period on the yearly anniversary of the grant date. The plan provides for additional stock to be awarded equal to 20 percent of all options which are exercised and then held for a period of five years.

"Stock grants" -- The fair market value of shares awarded as stock grants has been deferred and amortized to compensation expense ratably as such shares are vested. The Company recognized compensation expense related to stock grants pursuant to this plan of $0, $0, and $487,000 in fiscal years 1998, 1997, and 1996, respectively.

There were 628,673 shares available under the plan to be granted as of October 31, 1998. Stock option and grant activity (number of shares) for the Company during fiscal years 1998, 1997 and 1996 was as follows:

	1998		1997		1996	
	OPTIONS	GRANTS	OPTIONS	GRANTS	OPTIONS	GRANTS
Outstanding, beginning of year..........	575,060		429,510	--	441,450	50,000
Granted:						
Stock options $6.25 per share......						
Stock options $15.81 per share.....			250,500			
Exercised:						
Stock grants......................						(50,000)
Stock options $6.25 per share......	(7,800)		(31,760)		(7,500)	
Stock options $6.75 per share......	(8,100)		(47,700)		(4,440)	
Forfeited:						
Stock options $6.25 per share......	(13,800)		(16,400)			
Stock options $6.75 per share......	(1,800)		(4,090)			
Stock options $15.81 per share.....	(18,000)		(5,000)			
Outstanding, ranging from $6.25 to $15.81 per share, at the end of year................................	525,560	--	575,060	--	429,510	--

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for employees stock options whereby no compensation expense is recorded related to the options granted equal to the market value of the stock on the date of grant. If compensation expense had been determined based on the Black-Scholes option pricing model value at the grant date for awards in 1998, 1997 and 1996 consistent with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net income and earnings per share would have been as follows:

	1998	1997	1996
Net income:			
As reported	$6,665	$12,629	$4,760
Pro forma	6,108	12,072	4,571
Earnings per share:			
As reported	$ .62	$ 1.17	$ .44
Pro forma	.57	1.12	.43

The SFAS No. 123 method of accounting has not been applied to options granted prior to October 31, 1995, and the resulting pro forma compensation expense may not be indicative of pro forma expense in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Expected life of options	10 years
Risk-free interest rate	6.07% -- 6.49%
Expected dividend yield	0.00%
Expected stock price volatility	55.22% -- 56.31%

L. PRODUCTION CONTRACTS

For contracts in which the percentage-of-completion method is used, costs and estimated earnings in excess of billings are reported as a current asset and billings in excess of costs and estimated earnings are reported as a current liability. The components of these contracts are as follows (in thousands):

	OCTOBER 31,	
	1998	1997
Costs and estimated earnings	$114,127	$ 85,126
Progress billings	(89,344)	(66,140)
Total costs and estimated earnings in excess of billings	$ 24,783	$ 18,986
Progress billings	$ 67,471	$ 69,213
Costs and estimated earnings	(63,626)	(58,257)
Total billings in excess of costs and estimated earnings	$ 3,845	$ 10,956

M. DISCONTINUED OPERATIONS

On July 26, 1996, the Company completed the sale of its power generation set packaging business to Rolls-Royce Acquisition Corporation. This business was operated by U.S. Turbine Corp. (USTC), the Company's subsidiary based in Maineville, Ohio. Total consideration received by the Company, as adjusted, was $12,889,000, including $3,660,000 of cash, a $500,000 note receivable bearing interest at the prime rate due July 1997 and the assumption of liabilities of $8,729,000. The Company recognized a gain on the sale of $89,000, net of taxes. The Company recognized a net loss from USTC operations of $3,173,000 for fiscal year 1996.

On August 1, 1996 the Company announced the discontinuance of its operations in the microprocessor-based equipment manufacturing business segment effective July 31, 1996. This business was operated by Powell-Process Systems, Inc. (PSI), a subsidiary of the Company based in Houston. On October 31, 1996,

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the Company completed the sale of these assets and the related business to Micon Systems LLC for approximately $874,000, including $650,000 cash and a $224,000 non-interest bearing note receivable due February 13, 1997. The Company recognized a loss on the sale of $1,227,000, net of taxes. The Company recognized net losses from PSI operations of $1,687,000 for fiscal year 1996.

As previously reported on Form 8-K in September 1998, and as discussed in Note J above, the Company entered into a Settlement Agreement with National Westminister Bank plc ("NatWest") to settle all litigation between them regarding completion of a project of USTC at MacDill Air Force Base (the responsibility for this project was not assumed by Rolls-Royce in the acquisition of USTC). Under the terms of such Settlement Agreement, the Company paid NatWest $7,000,000 at the closing (September 10, 1998) and delivered a promissory note in the principal amount of $1,000,000 bearing interest at the rate of 3 percent per annum, which will be due on December 31, 1999; accordingly, the Company has recorded a loss from discontinued operations of $4,800,000 (net of income taxes) or $.45 per diluted share, to reflect additional expense accruals related to this settlement.

The following summarizes the results of operations and consolidated balance sheets of the discontinued operations:

	YEARS ENDED OCTOBER 31,	
	1998	1996
Revenues	--	$29,182
Loss from operations before income taxes	$(7,250)	$(7,464)
Benefit for income taxes	2,450	2,604
Loss on disposal before income taxes		(1,725)
Benefit for income taxes		587
Net loss from discontinued operations	$(4,800)	$(5,998)

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

N. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The table below sets forth the unaudited consolidated operating results by fiscal quarter for the years ended October 31, 1998 and 1997 (in thousands, except per share data):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1998 --				
Revenues	$46,350	$53,989	$56,258	$56,136
Gross profit	10,631	12,281	12,370	12,507
Net Earnings:				
Earnings from continuing operations	2,398	3,314	3,193	2,560
Loss from discontinued operations	--	--	(4,700)	(100)
Net earnings (loss)	2,398	3,314	(1,507)	2,460
Net earnings (loss) per common share:				
Continuing operations:				
Basic	.23	.31	.30	.24
Diluted	.22	.31	.30	.24
Discontinued operations:				
Basic	--	--	(.44)	(.01)
Diluted	--	--	(.44)	(.01)
Net earnings (loss):				
Basic	.23	.31	(.14)	.23
Diluted	.22	.31	(.14)	.23
1997 --				
Revenues	$43,128	$48,439	$46,061	$54,023
Gross profit	10,288	12,542	11,720	12,456
Net earnings	2,369	3,273	3,432	3,555
Net earnings per common and common equivalent share:				
Basic	.22	.31	.32	.33
Diluted	.22	.30	.32	.33

PART III

ITEMS 10, 11, 12 AND 13. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT; EXECUTIVE COMPENSATION; SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT; AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by these items is omitted because the Company will file, within 120 days after the end of the fiscal year ended October 31, 1998, a definitive proxy statement pursuant to Regulation 14A, which information is herein incorporated by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

Financial Statements -- See Index to Consolidated Financial Statements at Item 8 of this report

EXHIBITS	
2.1	-- Asset Purchase Agreement dated as of June 20, 1996 by and between Rolls-Royce North America, Inc. and Rolls-Royce Acquisition Corp. and U.S. Turbine Corp. and the Company (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 8, 1996 and incorporated herein by reference).
2.2	-- First Amendment to Asset Purchase Agreement dated July 26, 1996 by and between Rolls-Royce North America, Inc. and Rolls-Royce Acquisition Corp. and U.S. Turbine Corp. and the Company (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K dated August 8, 1996 and incorporated herein by reference).
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 the Company's 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 quarter ended April 30, 1992, respectively, and incorporated herein by reference).
3.2	-- By-laws of Powell Industries, Inc. (filed as Exhibit 3(ii) to the Company's Form 10-Q for the quarter ended April 30, 1995 and incorporated herein by reference).
10.1	-- Powell Industries, Inc., Incentive Compensation Plan for 1998.
10.2	-- Salary Continuation Agreement with William E. Powell, dated July 17, 1984 (filed as Exhibit 10 to the Company's Form 10-K for the fiscal year ended October 31, 1984, and incorporated herein by reference).
10.3	-- Description of Supplemental Executive Benefit Plan (filed as Exhibit 10 to the Company's Form 10-K for the fiscal year ended October 31, 1984, and incorporated herein by reference).
10.5	-- Credit Agreement dated August 15, 1997 between Powell Industries, Inc. and Bank of America Texas, N.A. (Filed as an Exhibit to the Company's Form 10-Q for the quarter ended July 31, 1997 and incorporated herein by reference).
10.6	-- Amendments dated September 16, 1998, September 25, 1998 and October 15, 1998 to credit agreement between Powell Industries, Inc., and Bank of America Texas, N.A.

EXHIBITS

10.7	--	1992 Powell Industries, Inc. Stock Option Plan (filed as Exhibit 4.2 to the Company's registration statement on Form S-8 dated July 26, 1994 (File No. 33-81998) and incorporated herein by reference).
10.8	--	The Powell Industries, Inc. Directors' Fees Program (filed as Exhibit 10.7 to the Company's Form 10-K for the fiscal year ended October 31, 1992, and incorporated herein by reference).
10.9	--	The Powell Industries, Inc. Executive Severance Protection Plan (filed as an exhibit to the Company's Form 10-Q for the quarter ended April 30, 1996, and incorporated herein by reference).
10.10	--	Amendment to Powell Industries, Inc. Stock Option Plan (filed as an exhibit to the Company's Form 10-Q for the quarter ended April 30, 1996 and incorporated herein by reference).
10.11	--	Settlement Agreement effective September 3, 1998 by and among National Westminister Bank, plc, Powell Industries, Inc., Powell Energy Systems, Inc., Empire Energy Management Systems, Inc., Empire Cogen and Brian Travis (filed as Exhibit 10.11 to the Company's Form 10-Q for quarter ended July 31, 1998 and incorporated herein by reference).
21.1	--	Subsidiaries of the Company.
23.1	--	Consent of Independent Public Accountants.
27.0	--	Financial data schedule.

(b) Reports on Form 8-K.

The Registrant filed a Form 8-K during the last quarter of the fiscal year covered by this report, reporting the settlement of litigation discussed in Item 3 of Part I above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By /s/ THOMAS W. POWELL

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

By /s/ J.F. AHART

J.F. Ahart
Vice President
Secretary and Treasurer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the date indicated:

SIGNATURE	TITLE
/s/ THOMAS W. POWELL Thomas W. Powell	Chairman of the Board
/s/ J. F. AHART J. F. Ahart	Director
/s/ JOSEPH L. BECHERER Joseph L. Becherer	Director
/s/ EUGENE L. BUTLER Eugene L. Butler	Director
/s/ BONNIE L. POWELL Bonnie L. Powell	Director
/s/ STEPHEN W. SEALE, JR. Stephen W. Seale, Jr.	Director
/s/ LAWRENCE R. TANNER Lawrence R. Tanner	Director

Date: January 8, 1999

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
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EXHIBIT NO.	DESCRIPTION
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21.1	-- Subsidiaries of the Company.
23.1	-- Consent of Independent Public Accountants.
27.0	-- Financial data schedule.

EXHIBIT 10.1

POWELL INDUSTRIES, INC.
INCENTIVE COMPENSATION PLAN FOR 1998

JANUARY, 1998

1. PLAN PURPOSE

The purpose of the plan is to recognize and reward key corporate and subsidiary employees for their contributions to the growth and profitability of Powell Industries, Inc. and its operating subsidiaries through the opportunity to earn incentive compensation, in addition to their base salaries, based on the performance of the Company or subsidiary.

2. GENERAL DESCRIPTION

Key corporate and subsidiary executives and managers will be selected for participation on an annual basis. For each participant, a maximum incentive compensation Opportunity will be established, and expressed as a percentage of the individual's base salary at the beginning of the plan year. The actual amount of incentive compensation earned by each participant will be based on the performance of the Company or subsidiary against pre-established performance measures. The performance measures for the subsidiary participants will include "return on revenues" and "revenue growth". For corporate participants, the performance measures will include "Powell Industries, Inc. earnings per share", and "revenue growth". Specific performance levels will be established each year based on an assessment of historical results, the budgeted performance for the plan year, and general business conditions.

The plan will be administered by the Compensation Committee of the Board of Directors, in conjunction with the Chief Executive Officer.

3. ELIGIBILITY AND INCENTIVE COMPENSATION OPPORTUNITY

On an annual basis key corporate and subsidiary participants will be identified for participation. Participation in one year does not guarantee participation in the following year.

Subsidiary presidents will submit their recommended participants to the CEO for approval. In addition, each subsidiary president may identify a general incentive "pool", which may be used to recognize the contributions of individuals within the subsidiary who are not named participants.

The CEO will recommend corporate participants for approval by the Compensation Committee. The CEO may identify a general incentive "pool" which may be used to recognize the contributions of individuals who are not named participants.

For each named participant, their "maximum incentive opportunity" will be identified, which is expressed as a percentage of base salary at the beginning of the plan year.

4. PERFORMANCE MEASURES AND WEIGHTS

The following performance measures will be used to measure the performance of the Company and determine the incentive award earned by each participant. The weighting percentage reflects the relative weight given to each performance measure.

SUBSIDIARY PARTICIPANTS

- 70% Return on Revenues - Net profits before taxes divided by total revenues
- 30% Growth of Total Revenues

CORPORATE PARTICIPANTS

- 70% Powell Industries, Inc. Earnings Per Share
- 30% Growth of Total Revenues Over Prior Year

Prior to the beginning of the plan year, the performance standards for each subsidiary and Powell Industries, Inc. will be finalized, approved by the Compensation Committee, and communicated to participants. The performance standards will be based on historical results, management's expectations for the coming year, and the general business environment. The CEO will approve subsidiary performance standards, and the Compensation Committee will approve the company-wide performance standards.

5. COMPUTATION OF AWARDS

For each subsidiary and Powell Industries, Inc., an Incentive Compensation Calculation Form will be prepared at the beginning of the plan year, which will include a listing of the participants, their base salary, and maximum incentive opportunity. For each performance measure, a funding table will be attached which establishes the amount of incentive compensation earned at various performance levels. The Incentive Compensation Calculation Form is attached.

In order to activate the plan for each subsidiary, the threshold Return on Revenue (ROR) must be achieved. If the ROR threshold is not achieved, no incentive awards will be paid, regardless of the revenue growth percentage.

In order to activate the plan for corporate participants, the threshold Earnings Per Share (EPS) must be achieved. If the EPS threshold is not achieved, no incentive awards will be paid, regardless of the revenue growth percentage.

In computing performance results, ROR and EPS will be net of the incentive compensation payments.

In addition to the incentive award computed under this plan, Compensation Committee may, in its sole discretion, make additional discretionary awards to recognize significant individual contributions. This discretionary award is limited to no more than 30% of the individual's maximum incentive opportunity.

The Compensation Committee, in conjunction with the CEO, may make adjustments to the subsidiary or Company performance results to eliminate the impact of extraordinary charges to earnings, both positive and negative. The purpose of any such adjustment is to better reflect the performance of the subsidiary or Company. Each August, the Company will meet to review the interim performance results of the Company and determine if extraordinary charges have occurred or are likely to occur that should be eliminated.

6. PAYMENT OF AWARDS

The annual incentive awards will be determined after the and of the plan year and paid as soon as practical. Prior to payment of awards, the Compensation Committee will review and certify the incentive awards for all participants.

Incentive awards will be computed based on the participant's base salary at the beginning of the plan year.

A participant must be an active employee on the last day of the plan year in order to receive an incentive award.

Participants added to the plan after the beginning of the plan year, will be eligible to receive a prorated award based on their salary when they became eligible.

Participants who die, retire, or become disabled during the plan year will be eligible for a prorated award based on the number of months of active participation during the plan year.

7. ADMINISTRATION OF PLAN

The plan will be administered by the Compensation Committee, in conjunction with the CEO. The Committee reserves the right to amend or terminate the plan at any time, except that such amendment or termination will not affect any awards that have been earned but not paid.

EXHIBIT 10.6

[LOGO] BANK OF AMERICA

AMENDMENT TO DOCUMENTS

THIRD AMENDMENT TO BUSINESS LOAN AGREEMENT

This Third Amendment to Business Loan Agreement is entered into as of October 15, 1998, between Bank of America Texas, N.A. ("Bank") and Powell Industries, Inc. ("Borrower").

RECITALS

A. WHEREAS, Bank and Borrower have entered into that certain Business Loan Agreement dated August 21, 1997, and amended on September 16, 1998 and September 25, 1998 (collectively the "Agreement"); and

B. WHEREAS, Borrower and Bank desire to amend certain terms and provisions of said Agreement as more specifically hereinafter set forth.

AGREED

NOW, THEREFORE, in consideration of the foregoing recitals and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower mutually agree to amend said Agreement as follows:

1. In Paragraph 1.5 (Letters of Credit) of the Agreement, the amount "Fifteen Million and No/100 Dollars ($15,000,000.00)" is substituted for the amount "Twenty Million and No/100 Dollars ($20,000,000.00)".

This Amendment will become effective as of the date first written above, provided that each of the following conditions precedent have been satisfied in a manner satisfactory to Bank:

> The Bank has received from the Borrower a duly executed original of this Amendment, together with a duly executed Guarantor Acknowledgment and Consent in the form attached hereto (the "Consent").

Except as provided in this Amendment, all of the terms and provisions of the Agreement and the documents executed in connection therewith shall remain in full force and effect. All references in such other documents to the Agreement shall hereafter be deemed to be references to the Agreement as amended hereby.

THIS WRITTEN AMENDMENT AND THE DOCUMENTS EXECUTED IN CONNECTION HEREWITH REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

IN WITNESS WHEREOF, this Amendment has been executed by the parties hereto as of the date first written above.

BANK OF AMERICA TEXAS, N.A.	POWELL INDUSTRIES, Inc.
By: /s/ JOSEPH PATTERSON	By: /s/ J.F. AHART
Joseph Patterson, Vice President	J.F. Ahart, Vice President

[LOGO] BANK OF AMERICA

AMENDMENT TO DOCUMENTS

SECOND AMENDMENT TO BUSINESS LOAN AGREEMENT

This Second Amendment to Business Loan Agreement is entered into as of 25 SEPT, 1998, between Bank of America Texas, N.A. ("Bank") and Powell Industries, Inc. ("Borrower").

RECITALS

A. WHEREAS, Bank and Borrower have entered into that certain Business Loan Agreement dated August 21, 1997, as amended by that First Amendment to Business Loan Agreement dated as of September 16, 1998 (as amended, the "Agreement"); and

B. WHEREAS, Borrower and Bank desire to amend certain terms and provisions of said Agreement as more specifically hereinafter set forth.

AGREED

NOW, THEREFORE, in consideration of the foregoing recitals and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower mutually agree to amend said Agreement as follows:

1. The first paragraph of Section 2.5 of the Agreement is amended in its entirety to read as follows:

   2.5 LIBOR RATE. The Borrower may elect to have all or portions of the principal balance of the Facility No. 2 Commitment bear interest at the rate equal to the lesser of (a) the Maximum Rate or (b) the LIBOR Rate plus the Applicable Margin then in affect, corresponding to the Funded Debt to EBITDA Ratio then in effect, as specified below:

Funded Debt to EBITDA Ratio	Applicable Margin
Less than 1.00:1.00	0.75%
Greater than or equal to 1.00:1.00, but less then 1.50:1.00	1.00%
Greater than or equal to 1.50:1.00	1.25%

This Amendment will become effective as of the date first written above, provided that each of the following conditions precedent have been satisfied in a manner satisfactory to Bank:

The Bank has received from the Borrower a duly executed original of this Amendment, together with duly executed Guarantor Acknowledgments and Consents In the form attached hereto (the "Consent").

Except as provided in this Amendment, all of the terms and provisions of the Agreement and the documents executed in connection therewith shall remain in full force and effect. All references in such other documents to the Agreement shall hereafter be deemed to be references to the Agreement as amended hereby.

THIS WRITTEN AMENDMENT AND THE DOCUMENTS EXECUTED IN CONNECTION HEREWITH REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

IN WITNESS WHEREOF, this Amendment has been executed by the parties hereto as of the date first written above.

BANK OF AMERICA TEXAS, N.A.	POWELL INDUSTRIES, Inc.
By: /s/ JOE PATTERSON	By: /s/ J.F. AHART
Joe Patterson, Vice President	J.F. Ahart, Vice President

[LOGO] BANK OF AMERICA

AMENDMENT TO DOCUMENTS

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FIRST AMENDMENT TO BUSINESS LOAN AGREEMENT

This First Amendment to Business Loan Agreement is entered into as 16 September, 1998, between Bank of America Texas, N.A. ("Bank") and Powell Industries, Inc. ("Borrower").

RECITALS

A. WHEREAS, Bank and Borrower have entered into that certain Business Loan Agreement dated August 21, 1997 (the "Agreement"); and

B. WHEREAS, Borrower and Bank desire to amend certain terms and provisions of said Agreement as more specifically hereinafter set forth.

AGREED

NOW, THEREFORE, in consideration of the foregoing recitals and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower mutually agree to amend said Agreement as follows:

1. Paragraph 1 (LINE OF CREDIT AMOUNT AND TERMS) of the Agreement 14 amended and restated in its entirety to read as follows:

   1. FACILITY NO. 1: LINE OF CREDIT AMOUNT AND TERMS.

2. Paragraph 1.1 (Line of Credit Amount) of the Agreement is amended in its entirety to read as follows:

   1.1 LINE OF CREDIT AMOUNT. During the availability period described below, the Bank will provide a line of credit to the Borrower. The amount of the line of credit (the "Facility No. 1 Commitment") is Fifteen Million and No/100 Dollars ($15,000,000.00).

   This is a revolving line of credit with a within line facility for letters of credit. During the availability period, the Borrower may repay principal amounts and reborrow them.

   Each advance must be for at least One Hundred Thousand and No/100 Dollars ($100,000.00), or for the amount of the remaining available line of credit, if less.

   The Borrower agrees not to permit the outstanding principal balance of the line of credit plus the outstanding amounts of any letters of credit, including amounts drawn on letters of credit and not yet reimbursed, to exceed the Facility No. 1 Commitment.

3. The first Paragraph of Paragraph 1.3 (Interest Rate) of the Agreement is amended and restated in its entirety to read as follows:

   1.3 INTEREST RATE. Unless the Borrower elects an optional interest rate as described below, the interest rate is the lesser of (a) the maximum lawful rate of interest permitted under applicable usury laws, now or hereafter enacted (the "Maximum Rate"), of (b) the rate (the "Basic Rate") that is equal to the Bank's Reference Rate minus 1/2% for Basic Rate borrowings up to Five Million and No/100 Dollars ($5,000,000.00) In the aggregate for advances under the Facility No. 1 Commitment and the Facility No. 2 Commitment, and the Bank's Reference Rate for the portion of any Basic Rate borrowings exceeding Five Million and No/100 Dollars ($5,000,000.00) in the aggregate for advances under the Facility No. 1 Commitment and the Facility No. 2 Commitment.

4. Sections 2 (FEES AND EXPENSES) through 8 (ENFORCING THIS AGREEMENT; MISCELLANEOUS) are hereby renumbered as Sections 3 through 9 respectively.

5. A new Paragraph 2 (FACILITY NO. 2: TERM LOAN AMOUNT AND TERMS) is added to the Agreement in its entirety to read as follows:

2. FACILITY NO. 2: TERM LOAN AMOUNT AND TERMS.

2.1 LOAN AMOUNT. The Bank agrees to provide a term loan to the Borrower in the amount of Ten Million and No/100 Dollars ($10,000,000.00) (the "Facility No. 2 Commitment").

The loan is available in one disbursement from the Bank between the date of this Agreement and September 30, 1998 unless the Borrower is in default.

2.2 INTEREST RATE. Unless the Borrower elects an optional interest rate as described below, the interest rate is the lesser of (a) (Maximum Rate), or (b) the (Basic Rate).

Notwithstanding the foregoing, if at any time the Basic Rate shall exceed the Maximum Rate and thereafter the Basic Rate shall become less then the Maximum Rate, the Rate of interest payable shall be the Maximum Rate until the Bank shall have received the amount of interest it otherwise would have received if the interest payable had not been limited by the Maximum Rate during the period of time the Basic Rate exceeded the Maximum Rate.

2.3 REPAYMENT TERMS.

(a) The Borrower will pay Interest on December 31, 1998 and on the last day of each quarter thereafter until payment in full of any principal outstanding under this term loan. (b) The Borrower will repay principal in 19 successive quarterly installments of Three Hundred Fifty Seven Thousand One Hundred Forty Two and 86/100 Dollars ($357,142.86) each, starting December 31, 1998, and in one final installment on September 30, 2003, in the amount of the remaining principal balance plus all accrued unpaid interest. (c) Subject to paragraph 2.5 (g) below, the Borrower may prepay the loan in full or in part at any time. The prepayment will be applied to the most remote installment of principal due under this Agreement

2.4 OPTIONAL INTEREST RATES. Instead of the interest rate based on the Bank's Reference Rate, the Borrower may elect to have all or portions of the Facility No. 2 Commitment (during the availability period) bear interest at the rate(s) described below during an interest period agreed to by the Bank and the Borrower; provided, however, that the Borrower shall not have the option or right to elect to have all or any portion of the loan bear interest at the rate(s) described in Section 2.5 below when such rate(s) exceeds the Maximum Rate. Each interest rate is a rate per year. Interest will be paid on the last day of the applicable interest period. At the end of any interest period, the interest rate will revert to the rate based on the Reference Rate, unless the Borrower has designated another optional interest rate for the portion.

2.5 LIBOR RATE. The Borrower may elect to have all or portions of the principal balance of the Facility No. 2 Commitment bear interest at the rate equal to the lesser of (a) the Maximum Rate or (b) the LIBOR Rate plus the Applicable Margin then in effect, as indicated below, corresponding to the Funded Debt to EBITDA Ratio then in effect, as specified below (a "Eurodollar Rate"):

Funded Debt to EBITDA Ratio	Applicable Margin
Less than or equal to 0.50:1.00	0.50%
Greater than 1.00:1.00 but less than 1.50:1.00	1.00%
Greater than or equal to 1.50:1.00	1.25%

For purposes of determining the Applicable Margin in effect on any date, the "Funded Debt to EBITDA Ratio" means the ratio of (i) the Borrower's consolidated Funded Debt, to (ii) the Borrower's consolidated EBITDA, as such ratio is defined and calculated in paragraph 7.5 of this Agreement. (The sum of the LIBOR Rate plus the Applicable Margin is referred to herein as the "Eurodollar Rate").

Borrower shall give Bank notice of its election of a Eurodollar Rate by such time, and in such manner, as shall be acceptable to Bank. Each such election shall be for an interest period of not less than one month or more than 3 months. At the end of any Interest period, the interest rate will revert to the Basic Rate unless the Borrower has elected another Eurodollar Rate interest period.

Designation of a Eurodollar Rate portion is subject to the following requirements:

(a) The interest period during which the Eurodollar Rate will be in effect will be 30, 60 or 90 days. The last day of the interest period will be determined by the Bank using the practices of the London inter-bank market.

(b) Each Eurodollar Rate portion will be for an amount not less than Five Hundred Thousand Dollars ($500,000).

(c) The Borrower shall irrevocably request a Eurodollar Rate portion no later than 11:00 a.m. Houston time three (3) banking days before the commencement of the interest period.

(d) The "LIBOR Rate" means the interest rate determined by the following formula, rounded upward to the nearest 1/100 of one percent. (All amounts in the calculation will be determined by the Bank as of the first day of the interest period.)

$$\text{LIBOR Rate} = \frac{\text{London Rate}}{(1.00 - \text{Reserve Percentage})}$$

Where,

(i) "London Rate" means the interest rate (rounded upward to the nearest 1/16th of one percent) at which the London Branch, London, Great Britain, of Bank of America National Trust and Savings Association, would offer U.S. dollar deposits for the applicable interest period to other major banks in the London inter-bank market at approximately 11:00 a.m. London time two (2) Banking Days prior to the commencement of the interest period.

(ii) "Reserve Percentage" means the total of the maximum reserve percentages for determining the reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency Liabilities, as defined in Federal Reserve Board Regulation D, rounded upward to the nearest 1/100 of one percent. The percentage will be expressed as a decimal, and will include, but not be limited to, marginal, emergency, supplemental, special, and other reserve percentages.

(e) The Borrower may not elect an Eurodollar Rate with respect to any portion of the principal balance of the line of credit which is scheduled to be repaid before the last day of the applicable interest period.

(f) Any portion of the principal balance of the line of credit already bearing interest at the Eurodollar Rate will not be converted to a different rate during its interest period.

(g) Each prepayment of an Eurodollar Rate portion will be accompanied by the amount of accrued interest on the amount prepaid; and a prepayment fee equal to the amount (if any) by which:

(i) the additional interest which would have been payable on the amount prepaid had it not been paid until the last day of the interest period, exceeds

(ii) the interest which would have been recoverable by the Bank by placing the amount prepaid on deposit in the offshore dollar market for a period starting on the date on which it was prepaid and ending on the last day of the interest period for such portion.

(h) The Bank will have no obligation to accept an election for a Eurodollar Rate portion if any of the following described events has occurred and is continuing:

(i) Dollar deposits in the principal amount and for periods equal to the interest period, of a

Eurodollar Rate portion are not available in the London inter-bank markets; or

(ii) the Eurodollar Rate does not accurately reflect the cost of an Eurodollar Rate portion.

(i) If at any time during any applicable interest period the Eurodollar Rate shall exceed the Maximum Rate and thereafter the Eurodollar Rate shall become less than the Maximum Rate, the rate of interest payable shall be the Maximum Rate until the Bank shall have received the amount of interest it otherwise would have received if the interest payable had not been limited by the Maximum Rate during the period of time the Eurodollar Rate exceeded the Maximum Rate.

6. A new Paragraph 6(i) (REPRESENTATIONS AND WARRANTIES) is added to the Agreement in its entirety to read as follows:

(i) Borrower represents and warrants that it has instituted, and is in the process of implementing, a plan ("Year 2000 Plan") for addressing the "Year 2000 issue" (that is, the inability of computers, as well as embedded microchips in non-computing devices, to perform properly date-sensitive functions with respect to certain dates prior to and after December 31, 1999). Borrower reasonably believes that under its Year 2000 Plan, Borrower's systems and equipment will be year 2000 compliant (that is, the ability to perform property date-sensitive functions with respect to certain dates prior to and after December 31, 1999) provided, however:

BORROWER DOES NOT WARRANT AND EXPRESSLY DISCLAIMS ANY WARRANTY THAT ITS YEAR 2000 PLAN WILL RESULT IN YEAR 2000 COMPLIANCE BY BORROWER, OR ANY OF ITS SUPPLIERS, VENDORS OR CUSTOMERS.

The Borrower represents that it will take such actions with respect to its operations and properties as may be reasonably necessary to properly address any adverse impacts of the year 2000 problem on its operations, properties, and prospects, or ability to repay the Borrowers obligations to the Bank.

7. Paragraph 7.1 (Use of Proceeds) of the Agreement is amended and restated in its entirety to read as follows:

7.1 USE OF PROCEEDS. To use the proceeds of the credit only for the following:

FACILITY NO. 1: working capital, letters of credit and other general corporate purposes.

FACILITY NO. 2: repaying the principal outstanding balance on the existing revolving line of credit, previously incurred capital expenditures, and other corporate purposes.

8. The second Paragraph of Paragraph 7.5 (Funded Debt to EBITDA Ratio) of the Agreement is amended and restated in its entirety to read as follows:

"EBITDA" means the sum of net income before taxes, plus interest expense, depreciation and amortization, less taxes paid, excluding non-recurring charges taken in the Borrower's third (3rd) fiscal quarter of 1998 not to exceed Eight Million and No/100 Dollars ($8,000,000.00).

9. In Paragraph 7.6 (d) (Other Debts) of the Agreement, the amount "Five Million and No/100 Dollars ($5,000,000.00)" is substituted for the amount "Ten Million and No/100 Dollars ($10,00,000.00)".

10. A new Paragraph 7.18 (Fixed Charge Coverage Ratio) is added to the Agreement in its entirety to read as follows:

7.18 FIXED CHARGE COVERAGE RATIO. To maintain on a consolidated basis a Fixed Charge Coverage Ratio of at least 1.25:1.0.

"FIXED CHARGE COVERAGE RATIO" means the ratio of EBITDA to the sum of interest expense, dividends paid, capital expenditures and the current portion of long-term debt.

For the definition of EBITDA, refer to Paragraph 7.5 of this Agreement.

This ratio will be calculated at the end of each fiscal quarter, using the results of that quarter and each of the 3 immediately preceding quarters. The current portion of long term debt will be measured as of the last day of the preceding fiscal quarter.

This Amendment will become effective as of the date first written above, provided that each of the following conditions precedent have been satisfied in a manner satisfactory to Bank:

The Bank has received from the Borrower a duly executed original of this Amendment, together with a duly executed Guarantor Acknowledgments and Consents in the form attached hereto (the "Consent").

The Bank has received from the Borrower a Corporate Resolution authorizing loans in the aggregate amount of Twenty Five Million and No/100 Dollars ($25,000,000.00).

The Bank has received from the Borrower a duly executed original Corporate Resolution Authorizing Execution of Guaranty signed by the authorized officers of Powell Electrical Manufacturing Company, Delta-Unibus Corp., Unibus, Inc., Powell-ESCO Company and Transdyn Controls, Inc. each in the aggregate amount of Twenty Five Million and No/100 Dollars ($25,000,000.00).

The Bank has received guaranties signed by Powell Electrical Manufacturing Company, Delta-Unibus Corp., Unibus, Inc., Powell-ESCO Company and Transdyn Controls, Inc. each in the amount of Twenty Five Million and No/100 Dollars ($25,000,000.00).

The Bank has received from the Borrower a duly executed Compliance Certificate.

Except as provided in this Amendment, all of the terms and provisions of the Agreement and the documents executed in connection therewith shall remain in full force and effect. All references in such other documents to the Agreement shall hereafter be deemed to be references to the Agreement as amended hereby.

THIS WRITTEN AMENDMENT AND THE DOCUMENTS EXECUTED IN CONNECTION HEREWITH REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

IN WITNESS WHEREOF, this Amendment has been executed by the parties hereto as of the date first written above.

BANK OF AMERICA TEXAS, N.A.	POWELL INDUSTRIES, INC.
By: /s/ JOE PATTERSON	By: /s/ J.F. AHART
Joe Patterson, Vice President	J.F. Ahart, Vice President

EXHIBIT 21.1

SUBSIDIARIES OF POWELL INDUSTRIES, INC.

NAME OF DOMESTIC SUBSIDIARY	STATE OF INCORPORATION
Delta-Unibus Corp.	Illinois
Powell Electrical Manufacturing Co.	Delaware
Powell Power Electronics Company, Inc.	Delaware
Powell-Process Systems, Inc. (Inactive)	Utah
Powell-ESCO	Texas
Unibus, Inc.	Ohio
Powell Energy Systems Inc. (Inactive)	Nevada
Transdyn Controls, Inc.	California

NAME OF FOREIGN SUBSIDIARY	COUNTRY OF INCORPORATION
Powell Foreign Sales Corporation	Barbados, West Indies

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated November 30, 1998, included in this Form 10-K, into the Powell Industries, Inc. previously filed Form S-8 Registration No. 33-81998.

Arthur Andersen LLP

Houston, Texas
January 26, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATMENTS FOR THE YEAR ENDED OCTOBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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OCT-31-1998
OCT-31-1998
601
0
45,016
761
16,284
89,018
65,750
33,439
127,131
30,192
11,571
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