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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, 1997

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-6050

POWELL INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

NEVADA	88-0106100
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8550 MOSLEY DRIVE, HOUSTON, TEXAS	77075-1180
(Address of principal executive offices)	(Zip Code)

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

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 $97,049,000 as of January 14, 1998. The number of shares of the Company's Common Stock outstanding on that date was 10,645,946 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 1998 annual meeting of stockholders to be filed not later than 120 days after October 31, 1997 are incorporated by reference into Part III.

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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, "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:

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 (PCRH). 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, 1997, 1996 and 1995, sales and service of switchgear and other related equipment accounted for 73%, 76% and 73%, 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 17%, 15% and 15% of consolidated revenues for fiscal years 1997, 1996 and 1995, 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 transportation, environmental and utilities industries. During the fiscal years ended October 31, 1997, 1996 and 1995, sales of process control systems accounted for 10%, 9% and 12%, 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 1997, 1996 or 1995. Export revenues were $88,107,000, $63,884,000 and $39,491,000 in fiscal years 1997, 1996 and 1995, respectively. See Note H 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, 1997, the Company employed 1,163 employees on a full-time basis. Management considers its employee relations to be good.

BACKLOG

The Company's backlog of orders was $137,295,000 and $106,457,000 at October 31, 1997 and 1996, respectively, and the percentage of its 1997 year end backlog that it does not expect to fill in fiscal year 1998 is 15.3%. 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, 1997, 1996 and 1995, the Company spent approximately $2,649,000, $2,283,000 and $1,843,000 respectively, on research and development programs.

ITEM 2. PROPERTIES

The following table sets forth information about the Company's principal facilities at October 31, 1997.

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. (Transdyn)
Watsonville, CA.............		9,600	Powell Electrical Manufacturing Co.
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 by National Westminster Bank plc ("NatWest") alleging the Company had defaulted on a Construction Guaranty provided to NatWest in 1992 in connection with a project at MacDill Air Force Base. NatWest is seeking damages in excess of $20,000,000. The Company has denied the substantive allegations of the complaint and has filed counterclaims for damages against NatWest alleging fraud, bad faith and failure to preserve and protect its collateral and seeking a declaratory judgement that the Company is not in default of the Construction Guaranty.

On May 30, 1997, the United States District Court Southern District of New York issued a memorandum and order denying the Company's motion to dismiss the complaint for lack of subject matter jurisdiction and, alternatively, to stay its prosecution pending disposition by the Armed Services Board of Contract Appeals of an appeal by NatWest's borrower, Empire Energy Management Systems, Inc., from the allegedly wrongful default termination of a contract between Empire and the United States Air Force (the "Air Force Contract"). In reaching its decision on the stay motion, the Court rejected one of the Company's several alleged defenses, in particular, its defense that the Air Force Contract was terminated for the convenience of the government.

NatWest has expressed an interest in a prompt trial date on several occasions, but the Court has yet to set a trial date. Two motions remain pending before the Court.

The ultimate disposition of the NatWest litigation is not presently determinable. Accordingly, although an unfavorable outcome to the NatWest litigation could have a material adverse effect on the Company's financial position and results of operations, the Company believes it would be unreasonable to conclude that an unfavorable outcome is probable.

The Company is a party to other disputes arising in the ordinary course of business. Management does not believe the ultimate outcome of these disputes will materially effect 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, 1997.

PART II

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

As of October 31, 1997, there were approximately 898 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
1997				
First Quarter	$15.25	$ 9.88	$14.13	46,614
Second Quarter	15.00	10.50	14.00	20,302
Third Quarter	18.25	13.75	16.50	16,490
Fourth Quarter	17.75	14.75	14.75	13,031
1996				
First Quarter	$ 8.88	$ 6.38	$ 8.50	23,295
Second Quarter	10.63	8.38	9.63	31,914
Third Quarter	12.38	9.13	10.00	29,380
Fourth Quarter	12.25	8.75	10.50	20,617

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,				
	1997	1996	1995	1994	1993
Statements of operations data:					
Revenues	$191,651,000	$170,123,000	$139,534,000	$119,453,000	$94,790,000
Earnings from continuing operations	12,629,000	10,758,000	7,080,000	4,559,000	3,555,000
Earnings (loss) from discontinued operations (net of income taxes)	--	(5,998,000)	(1,382,000)	(164,000)	964,000
Cumulative effect of change in accounting principles (net of income taxes)	--	--	--	--	(1,588,000)
Net earnings	$ 12,629,000	$ 4,760,000	$ 5,698,000	$ 4,395,000	$ 2,931,000
Net earnings per common and common equivalent share:					
Continuing operations	$ 1.17	$ 1.00	$ .67	$ .43	$ .34
Discontinued operations	--	(.56)	(.13)	(.01)	.09
Cumulative effect of change in accounting principles	--	--	--	--	(.15)
Net earnings per common and common equivalent share	$ 1.17	$ .44	$ .54	$ .42	$ .28

	YEARS ENDED OCTOBER 31,				
	1997	1996	1995	1994	1993
Weighted average shares outstanding...	10,808,384	10,764,656	10,611,331	10,509,371	10,478,632
Balance Sheet Data:					
Working capital....................	$ 51,769,000	$ 46,505,000	$ 32,642,000	$ 30,351,000	$33,153,000
Total assets........................	122,867,000	99,523,000	90,534,000	84,327,000	76,114,000
Long-term debt......................	6,000,000	--	3,750,000	6,563,000	9,375,000
Stockholders' equity................	76,307,000	63,225,000	57,657,000	51,656,000	46,631,000

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,		
	1997	1996	1995
Revenues..	100.0%	100.0%	100.0%
Gross profit..	24.5	25.3	22.2
Selling, general and administrative expenses...............	15.1	15.8	14.5
Interest (income) expense, net............................	(.2)	.1	.5
Earnings from continuing operations........................	6.6	6.3	5.1
Losses from discontinued operations........................	--	(3.5)	(1.0)
Net earnings..	6.6	2.8	4.1

REVENUES

The Company reported revenues of $191,651,000, $170,123,000 and $139,534,000 in fiscal years 1997, 1996 and 1995, respectively. Revenues increased 13% in fiscal year 1997 as compared to fiscal year 1996 and 22% in fiscal year 1996 as compared to fiscal year 1995 due primarily to the increased volume of shipments of electrical distribution equipment to export customers.

Export revenues continued to be an important component of the Company's operations accounting for 46%, 38% and 28% of consolidated revenues in fiscal years 1997, 1996 and 1995, respectively. A schedule is

provided in Note H 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 1998 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 24.5%, 25.3% and 22.2% in fiscal years 1997, 1996 and 1995, respectively. The gross profit percentage decreased slightly in 1997 due primarily to product mix. Gross profit improved in fiscal year 1996 from fiscal year 1995 due to improved prices, higher volumes and higher margin contracts and services resulting primarily from a more favorable economy in most of the markets in which the Company competes. 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 15.1%, 15.8% and 14.5% for fiscal years 1997, 1996 and 1995, respectively. The increase in fiscal year 1996, as a percentage of revenues, was due to higher marketing, incentives and commission expenses.

INTEREST (INCOME) EXPENSE, NET

Interest (income) expense, net reflects a net interest income in fiscal year 1997 and a net interest expense in fiscal years 1996 and 1995. The more favorable amounts were primarily due to a reduction in total debt and the increased availability of funds to invest in 1997.

INCOME TAX PROVISION

The effective tax rate on earnings from continuing operations before income taxes was 32%, 33% and 30% for fiscal years 1997, 1996 and 1995, respectively. The effective 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 1997 were $12,629,000 or $1.17 per share. This represented a 17.4% increase in earnings when compared to fiscal year 1996 earnings. The increase was primarily due to the factors discussed above. Earnings from continuing operations recorded in fiscal year 1996 were $10,758,000 or $1.00 per share, an increase of 52.0% compared to net earnings in fiscal year 1995.

DISCONTINUED OPERATIONS

See Note L to Notes to Consolidated Financial Statements for discussion of the operations that were discontinued in fiscal year 1996.

NET EARNINGS

Net earnings were $12,629,000 or $1.17 per share in fiscal year 1997 compared to $4,760,000 or $.44 per share and $5,688,000 or $.54 per share in fiscal year 1996 and 1995, respectively. The losses from discontinued operations, referred to in the previous paragraph, resulted in lower net earnings in fiscal year 1996 as compared to 1995.

LIQUIDITY AND CAPITAL RESOURCES

In August 1997, the Company entered into a $20,000,000 revolving line of credit agreement with a major domestic bank. As of October 31, 1997, the Company had $6,000,000 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.

	1997	1996	1995
Working capital	51,769,000	$46,505,000	$32,642,000
Current ratio	2.36 to 1	2.42 to 1	2.30 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, 1997, as compared to October 31, 1996, is due mainly to increases in accounts receivable and costs and estimated earnings in excess of billings, partially offset by increases in accrued liabilities, and billings in excess of costs and estimated earnings.

Capital expenditures totaled $14,773,000 during fiscal year 1997 compared to $3,349,000 during fiscal year 1996. During fiscal year 1997 the majority of the capital expenditures was for plant expansions of operating facilities at PEMCO, Delta, and Unibus totaling approximately $12,000,000. Management expects the Company's capital expenditures program to be approximately $5,000,000 in fiscal year 1998 primarily for additions and replacement of machinery and equipment and the completion of the facility at Pemco.

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 $2,219,000 at October 31, 1997, 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.

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 improve slightly in 1998 and the Company does not anticipate significant increases in inflation in the immediate future.

YEAR 2000 COMPLIANCE

The Company has and will continue to make certain investments in its software systems and applications to ensure the Company is year 2000 compliant. The financial impact of such investments has not been and is not anticipated to be material to its financial position or its results of operations in any given year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

None

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The 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, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended October 31, 1997. 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 consolidated 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 financial position of Powell Industries, Inc. and subsidiaries as of October 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 1997, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Houston, Texas
December 3, 1997

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

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

ASSETS

	OCTOBER 31, 1997	OCTOBER 31, 1996
Current Assets:		
Cash and cash equivalents	$ 2,219	$ 8,935
Accounts receivable, less allowance for doubtful accounts of $465 and $777, respectively	50,391	37,013
Costs and estimated earnings in excess of billings	18,986	13,934
Inventories	13,603	14,114
Deferred income taxes	825	2,572
Income taxes receivable	1,351	876
Prepaid expenses and other current assets	2,594	1,700
Total Current Assets	89,969	79,144
Property, plant and equipment, net	26,374	14,602
Deferred income taxes	1,578	1,164
Other assets	4,946	4,613
Total Assets	$122,867	$99,523

LIABILITIES AND STOCKHOLDERS' EQUITY

	1997	1996
Current Liabilities:		
Accounts and income taxes payable	$ 11,929	$ 8,543
Accrued salaries, bonuses and commissions	6,737	5,687
Accrued product warranty	1,511	1,614
Accrued legal expenses	3,785	3,903
Other accrued expenses	3,282	3,717
Billings in excess of costs and estimated earnings	10,956	5,425
Current maturities of long-term debt	--	3,750
Total Current Liabilities	38,200	32,639
Long-term debt, net of current maturities	6,000	--
Deferred compensation expense	1,128	2,157
Postretirement benefits liability	1,232	1,502
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; 10,642,779 and 10,604,644 shares issued and outstanding, respectively	106	106
Additional paid-in capital	5,782	5,601
Retained earnings	73,572	60,943
Deferred compensation-ESOP	(3,153)	(3,425)
Total Stockholders' Equity	76,307	63,225
Total Liabilities and Stockholders' Equity	$122,867	$99,523

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,		
	1997	1996	1995
Revenues	$191,651	$170,123	$139,534
Cost of goods sold	144,645	127,075	108,525
Gross profit	47,006	43,048	31,009
Selling, general and administrative expenses	28,982	26,928	20,286
Earnings from continuing operations before interest and income taxes	18,024	16,120	10,723
Interest (income) expense, net	(416)	117	633
Earnings from continuing operations before income taxes	18,440	16,003	10,090
Income tax provision	5,811	5,245	3,010
Earnings from continuing operations	12,629	10,758	7,080
Discontinued operations (net of income taxes):			
Loss from operations	--	(4,860)	(1,382)
Loss on disposal of discontinued operations	--	(1,138)	--
Net earnings	$ 12,629	$ 4,760	$ 5,698
Earnings (loss) per common and common equivalent share:			
Continuing operations	$ 1.17	$ 1.00	$ .67
Discontinued operations	--	(.56)	(.13)
Net earnings per common and common equivalent share	$ 1.17	$ .44	$ .54

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 SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	DEFERRED COMPENSATION ESOP
Balance, October 31, 1994	10,517,704	$105	$4,906	$50,485	$(3,840)
Net earnings				5,698	
Amortization of deferred compensation -- ESOP					147
Stock grants	25,000	--	156		
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)

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,		
	1997	1996	1995
Operating Activities:			
Net earnings	$ 12,629	$ 4,760	$ 5,698
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,376	3,270	2,800
Deferred income taxes (benefit)	1,333	(2,112)	742
Postretirement benefits liability	(270)	(455)	(418)
Changes in operating assets and liabilities:			
Accounts receivable	(13,378)	(11,092)	(1,290)
Costs and estimated earnings in excess of billings	(5,052)	(2,820)	(3,876)
Inventories	511	948	(4,079)
Prepaid expenses and other current assets	(894)	(7)	(749)
Other assets	(708)	(205)	(273)
Accounts payable and income taxes payable or receivable	2,911	(272)	562
Accrued liabilities	394	5,334	(276)
Billings in excess of costs and estimated earnings	5,531	1,318	2,314
Deferred compensation expense	(757)	420	266
Changes in net assets of discontinued operations	--	12,674	109
Net cash provided by operating activities	5,626	11,761	1,530
Investing Activities:			
Purchases of property, plant and equipment	(14,773)	(3,349)	(3,378)
Net cash used in investing activities	(14,773)	(3,349)	(3,378)
Financing Activities:			
Borrowings of long-term debt	6,000	--	--
Payments of long-term debt	(3,750)	(2,813)	(2,813)
Exercise of stock grants and options	181	540	156
Net cash provided by (used in) financing activities	2,431	(2,273)	(2,657)
Net increase (decrease) in cash and cash equivalents	(6,716)	6,139	(4,505)
Cash and cash equivalents at beginning of year	8,935	2,796	7,301
Cash and cash equivalents at end of year	$ 2,219	$ 8,935	$ 2,796

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.

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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, 1997 and 1996 include $2,296,000 and $3,603,000, 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 $533,000 of the retained amount at October 31, 1997 is expected to be billed subsequent to 1998.

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 $2,272,000 and $2,172,000 at October 31, 1997 and 1996, 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 accounts totaled $1,476,000 and $1,873,000 at October 31, 1997 and 1996, respectively. Management continually evaluates whether events or circumstances have occurred that indicate the remaining

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 incurred to date in relation to estimated total labor dollars 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 $2,649,000, $2,283,000 and $1,843,000 in fiscal years 1997, 1996 and 1995, respectively.

Earnings per Common and Common Equivalent Share

Per share data has been computed based on the weighted average number of common and common equivalent shares outstanding of 10,808,384, 10,764,656 and 10,611,331 in fiscal years 1997, 1996 and 1995, 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.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

New Accounting Standards

The Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of" and SFAS No. 123, "Accounting for Stock Based Compensation" during its fiscal year ending October 31, 1997. Adoption of SFAS No. 121 had no effect on the Company's consolidated financial statements. The fair value of options granted are disclosed in Note J of the Notes to Consolidated Financial Statements, as required by SFAS No. 123.

SFAS No. 128, "Earnings per Share", was issued in February 1997. The Company is required to adopt SFAS No. 128 in the first quarter of 1998. SFAS No. 128 revises the methodology to be used in computing earnings per share (EPS) such that the computations required for primary and fully diluted EPS are to be replaced with "basic" and "diluted" EPS. Basic EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted EPS is computed in the same manner as fully diluted EPS, except that, among other changes, the average share price for the period is used in all cases when applying the treasury stock method to potentially dilative outstanding options. If the Company had adopted the statement in the current year, earnings per share would have been reported as follows:

	1997	1996	1995
Basic	$1.19	$.45	$.54
Diluted	1.17	.44	.54

SFAS No. 130, "Reporting Comprehensive Income", was issued in June 1997. SFAS No. 130 requires the presentation of comprehensive income in an entity's financial statements. Comprehensive income represents all changes in equity of an entity during the reporting period, including net income and charges directly to equity which are excluded from net income. The Company will present the components of Comprehensive Income within its Consolidated Statements of Stockholder's Equity during its fiscal year ending October 31, 1999. The Company expects the adoption will not have a material effect on its consolidated financial position of results of operations.

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.

C. INVENTORIES

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

	OCTOBER 31,	
	1997	1996
Raw materials, parts and subassemblies	$ 8,706	$ 8,118
Work-in-process	4,897	5,996
Total inventories	$13,603	$14,114

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

D. PROPERTY, PLANT AND EQUIPMENT

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

	OCTOBER 31, 1997	OCTOBER 31, 1996	RANGE OF ASSET LIVES
Land	$ 2,720	$ 2,362	--
Buildings and improvements	20,662	13,255	3-39 Years
Machinery and equipment	24,912	21,157	3-15 Years
Furniture and fixtures	3,121	2,923	3-10 Years
Construction in progress	4,596	1,869	--
	56,011	41,566	
Less-accumulated depreciation	(29,637)	(26,964)	
Total property, plant and equipment, net	$ 26,374	$ 14,602	

E. EMPLOYEE BENEFIT PLANS

The Company has a defined contribution plan (401K) 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 $848,000, $736,000 and $658,000 in fiscal years 1997, 1996 and 1995, respectively, under this plan.

Three 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.

During January 1992, the Company 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%. 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 1997, 1996 and 1995 was $271,000, $268,000 and $147,000, 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, 1997	OCTOBER 31, 1996
Accumulated postretirement benefits obligation:		
Retirees	$ 242	$ 364
Fully eligible active participants	353	343
Other active participants	62	93
Total accumulated postretirement benefits obligation	657	800
Unrecognized prior service credits	688	1,006
Unrecognized net loss	(113)	(304)
Postretirement benefits liability	$1,232	$1,502

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

	YEARS ENDED OCTOBER 31, 1997	YEARS ENDED OCTOBER 31, 1996
Service cost of benefits earned during the period	$ 5	$ 10
Interest cost on accumulated postretirement benefit obligation	45	54
Amortization of unrecognized prior service credits	(310)	(318)
Amortization of net loss and transition obligation	33	32
Net periodic postretirement benefits expense (income)	$(227)	$(222)

The assumed health care cost trend rate in measuring the accumulated postretirement benefits obligation was nine percent in fiscal year 1997 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, 1997, would be increased by 7.8 percent. The effect of this change on the net postretirement benefit cost for 1997 would be an increase of 7.2 percent. The weighted average discount rate used in determining the accumulated postretirement benefits obligation was 6.5 and 7.0 percent for fiscal years 1997 and 1996, respectively.

F. DEBT

In August 1997, the Company entered into an agreement for a $20,000,000 unsecured revolving line of credit with a major U.S. bank that replaced an existing line of credit. The agreement provides for the Company to elect an interest rate on amounts borrowed of the bank's prime rate less .5 percent (on the first $5,000,000) and prime rate on additional borrowings, or the bank's IBOR rate plus an additional 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, 1997, $6,000,000 was borrowed against this line of credit. The agreement expires on August 15, 2000.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

	OCTOBER 31, 1997	OCTOBER 31, 1996
Long-term debt	$6,000	$ 3,750
Less-current maturities	--	(3,750)
Total long-term debt	$6,000	$ --

Interest paid during the year was $529,000, $683,000 and $1,157,000 in 1997, 1996 and 1995, respectively. The interest expense recorded during the year was $381,000, $637,000 and $1,047,000 in 1997, 1996 and 1995, respectively.

G. INCOME TAXES

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

	OCTOBER 31, 1997	OCTOBER 31, 1996
Current deferred income taxes:		
Gross assets	$ 2,469	$2,909
Gross liabilities	(1,644)	(337)
Net current deferred income tax asset	825	2,572
Noncurrent deferred income taxes		
Gross assets	2,122	1,673
Gross liabilities	(544)	(509)
Net noncurrent deferred income tax asset	1,578	1,164
Net deferred income tax asset	$ 2,403	$3,736

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

	OCTOBER 31, 1997	OCTOBER 31, 1996
Allowance for doubtful accounts	$ 158	$ 264
Reserve for accrued employee benefits	681	397
Warranty reserves	513	549
Uncompleted long-term contracts	(1,644)	(337)
Depreciation and amortization	(132)	(432)
Deferred compensation	384	733
Postretirement benefits liability	419	510
Accrued legal expenses	1,287	1,327
Other	737	725
Net deferred income tax asset	$ 2,403	$3,736

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

	YEARS ENDED OCTOBER 31,		
	1997	1996	1995
Current:			
Federal	$4,237	$7,135	$2,154
State	241	222	114
Deferred:			
Federal	1,333	(2,112)	742
Total income tax provision	$5,811	$5,245	$3,010

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,		
	1997	1996	1995
Statutory rate	34%	34%	34%
Foreign sales corporation credits	(3)	(4)	(3)
Revision of previous estimates of income taxes payable	--	--	(3)
State income taxes, net of federal benefit	1	1	1
Other	--	2	1
Effective rate	32%	33%	30%

Total cash payments for income taxes during the year were $4,799,000, $3,211,000 and $2,062,000 in fiscal years 1997, 1996 and 1995, respectively.

H. SIGNIFICANT SALES DATA

No single customer or export country accounted for more than 10 percent of consolidated revenues in fiscal years 1997, 1996 and 1995.

Export sales are as follows (in thousands):

	YEARS ENDED OCTOBER 31,		
	1997	1996	1995
Europe (including former Soviet Union)	$ 4,781	$ 5,680	$ 2,908
Far East	29,343	24,948	16,778
Middle East and Africa	27,035	12,928	5,997
North, Central and South America (Excluding U.S.)	26,948	20,328	13,808
Total export sales	$88,107	$63,884	$39,491

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

I. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain offices, facilities and equipment under operating leases expiring at various dates through 2003. At October 31, 1997, 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
1998	$ 876
1999	756
2000	611
2001	533
2002	408
Thereafter	--
Total lease commitments	$3,184

Lease expense for all operating leases, excluding leases with terms of less than one year, was $1,067,000, $908,000 and $623,000 for fiscal years 1997, 1996 and 1995, respectively.

Letters of Credit

The Company is contingently liable for secured and unsecured letters of credit totaling approximately $8,733,000 that were outstanding at October 31, 1997.

Litigation

On August 5, 1993, the Company was served with a lawsuit by National Westminster Bank plc ("NatWest") alleging the Company had defaulted on a Construction Guaranty provided to NatWest in 1992 in connection with a project at MacDill Air Force Base. NatWest is seeking damages in excess of $20,000,000. The Company has denied the substantive allegations of the complaint and has filed counterclaims for damages against NatWest alleging fraud, bad faith and failure to preserve and protect its collateral and seeking a declaratory judgement that the Company is not in default of the Construction Guaranty.

On May 30, 1997, the Court issued a memorandum and order denying the Company's motion to dismiss the complaint for lack of subject matter jurisdiction and, alternatively, to stay its prosecution pending disposition by the Armed Services Board of Contract Appeals of an appeal by NatWest's borrower, Empire Energy Management Systems, Inc., from the allegedly wrongful default termination of a contract between Empire and the United States Air Force (the "Air Force Contract"). In reaching its decision on the stay motion, the Court rejected one of the Company's several alleged defenses, in particular, its defense that the Air Force Contract was terminated for the convenience of the government.

NatWest has expressed an interest in a prompt trial date on several occasions, but the Court has yet to set a trial date. Two motions remain pending before the Court.

The ultimate disposition of the NatWest litigation is not presently determinable. Accordingly, although an unfavorable outcome to the NatWest litigation could have a material effect on the Company's financial position and results of operations, the Company believes it would be unreasonable to conclude that an unfavorable outcome is probable.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company is a party to other disputes arising in the ordinary course of business. Management does not believe the ultimate outcome of these disputes will materially effect the financial position or results of operations of the Company.

J. 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, $487,000 and $156,000 in fiscal years 1997, 1996, and 1995, respectively. At October 31, 1997, there were no stock grants awarded under this plan which had not been exercised.

There were 595,073 shares available under the plan to be granted as of October 31, 1997. Stock option and grant activity (number of shares) for the Company during fiscal years 1997, 1996 and 1995 was as follows:

	1997		1996		1995	
	OPTIONS	GRANTS	OPTIONS	GRANTS	OPTIONS	GRANTS
Outstanding, beginning of year	429,510	--	441,450	50,000	175,800	75,000
Granted:						
Stock options $6.25 per share					265,650	
Stock options $15.81 per share	250,500					
Exercised:						
Stock grants				(50,000)		(25,000)
Stock options $6.25 per share	(31,760)		(7,500)			
Stock options $6.75 per share	(47,700)		(4,440)			
Forfeited:						
Stock options $6.25 per share	(16,400)					
Stock options $6.75 per share	(4,090)					
Stock options $15.81 per share	(5,000)					
Outstanding, ranging from $6.25 to $15.81 per share, at the end of year	575,060	--	429,510	--	441,450	50,000

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 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:

	1997	1996
Net income:		
As reported	$12,629	$4,760
Pro forma	12,072	4,571
Earnings per share:		
As reported	$ 1.17	$ .44
Pro forma	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%

K. 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,	
	1997	1996
Costs and estimated earnings	$ 85,126	$ 45,559
Progress billings	(66,140)	(31,625)
Total costs and estimated earnings in excess of billings	$ 18,986	$ 13,934
Progress billings	$ 69,213	$ 50,667
Costs and estimated earnings	(58,257)	(45,242)
Total billings in excess of costs and estimated earnings	$ 10,956	$ 5,425

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

L. 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 net losses from USTC operations of $3,173,000 and $799,000 for the fiscal years 1996 and 1995, respectively.

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, 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, and $583,000 for the fiscal years 1996 and 1995, respectively.

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

	YEARS ENDED OCTOBER 31,	
	1996	1995
Revenues	$29,182	$30,309
Loss from operations before income taxes	$(7,464)	$(2,085)
Benefit for income taxes	2,604	703
Loss on disposal before income taxes	(1,725)	--
Benefit for income taxes	587	--
Net loss from discontinued operations	$(5,998)	$(1,382)

POWELL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

M. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The table below sets forth the unaudited consolidated operating results by fiscal quarter for the years ended October 31, 1997 and 1996 (in thousands, except per share data):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
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	$ .22	$ .30	$ .32	$ .33
1996 --				
Revenues	$39,861	$43,127	$45,903	$41,232
Gross profit	8,860	11,123	12,212	10,853
Net earnings:				
Earnings from continuing operations	1,862	2,911	3,046	2,939
Losses from discontinued operations	(178)	(268)	(5,506)	(46)
Net earnings	1,684	2,643	(2,460)	2,893
Net earnings per common and common equivalent share:				
Continuing operations	$ .18	$ .27	$ .28	$ .27
Discontinued operations	(.02)	(.03)	(.51)	--
Net earnings	$ .16	$ .24	$ (.23)	$ .27

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, 1996, 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 1997.
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.)
10.7	-- 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).

EXHIBITS

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).
21.1	--	Subsidiaries of the Company.
23.1	--	Consent of Independent Public Accountants.
27.0	--	Financial data schedule.

(b) Reports on Form 8-K.

No reports on Form 8-K have been filed during the last quarter of the fiscal year covered by this report.

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/ D.D. SYKORA D.D. Sykora	Director
/s/ LAWRENCE R. TANNER Lawrence R. Tanner	Director
/s/ RONALD J. WOLNY Ronald J. Wolny	Director

Date: January 9, 1998

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
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 1997.
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.)
10.7	-- 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).
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 1997

JANUARY, 1997

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.

For 1997 the revenue growth standard for the corporation and subsidiaries will be 15%.

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 accrued incentive compensation payments.

In addition to the incentive award computed under this plan, the 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 end 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 21.1

SUBSIDIARIES OF POWELL INDUSTRIES, INC.

NAME OF DOMESTIC SUBSIDIARY	STATE OF INCORPORATION
Powell Electrical Manufacturing Co.	Delaware
Powell-Process Systems, Inc. (Inactive)	Utah
Powell-ESCO Company	Texas
Unibus, Inc.	Ohio
U.S. Turbine Corp. (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 ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated December 3, 1997, included in this Form 10-K, into the Powell Industries, Inc. previously filed Form S-8 Registration File No. 33-81998.

Arthur Andersen LLP

Houston, Texas
January 23, 1998

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The Schedule contains summary financial information extracted from the Company's unaudited pro forma condensed consolidated financial statements for the quarter ended October 31, 1997 and is qualified in its entirety by reference to such financial statements.

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12-MOS
OCT-31-1997
OCT-31-1997
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0