

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

FORM 10-Q

(Mark one)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended January 31, 1996

or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 0-6050

POWELL INDUSTRIES, INC.

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

NEVADA

88-0106100

-----  
(State or other jurisdiction of incorporation or organization)

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

8550 Mosley Drive, Houston, Texas

77075-1180

-----  
(Address of principal executive offices)

-----  
(Zip Code)

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

Indicate by "X" whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No  
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Common Stock, par value \$.01 per share; 10,542,704 shares outstanding on January 31, 1996.

## PART I - Financial Information

Item 1. Financial Statements ..... 3 - 7

Item 2. Management's Discussion and Analysis of  
Financial Condition and Quarterly  
Results of Operations ..... 8 - 9

PART II - Other Information and Signatures ..... 10 - 12

Powell Industries, Inc. and Subsidiaries  
Consolidated Balance Sheets  
(In Thousands, Except Share Data)

	January 31, 1996 (unaudited)	October 31, 1995
Assets	-----	-----
<b>Current Assets:</b>		
Cash and cash equivalents.....	\$1,131	\$3,035
Accounts receivable, less allowance for doubtful accounts of \$729 and \$724, respectively.....	42,754	32,181
Costs and estimated earnings in excess of billings.....	13,038	14,725
Inventories.....	19,084	20,114
Deferred income taxes.....	968	1,039
Income taxes receivable.....	0	718
Prepaid expenses and other current assets.....	1,373	1,889
	-----	-----
<b>Total Current Assets</b> .....	<b>78,348</b>	<b>73,701</b>
Property, plant and equipment, net.....	16,087	16,271
Deferred income taxes.....	1,337	1,286
Other assets.....	5,560	5,624
	-----	-----
<b>Total Assets</b> .....	<b>\$101,332</b>	<b>\$96,882</b>
	=====	=====
 <b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts and income taxes payable.....	\$13,518	\$10,843
Accrued salaries, bonuses and commissions.....	4,257	5,387
Accrued product warranty.....	3,155	3,015
Other accrued expenses.....	2,792	3,706
Billings in excess of costs and estimated earnings .....	7,416	5,563
Current maturities of long-term debt.....	2,813	2,813
	-----	-----
<b>Total Current Liabilities</b> .....	<b>33,951</b>	<b>31,327</b>
Long-term debt.....	3,750	3,750
Deferred compensation expense.....	2,175	2,006
Postretirement benefits liability.....	2,075	2,142
 <b>Stockholders' Equity:</b>		
Preferred stock, par value \$.01; 5,000,000 shares authorized; none issued		
Common stock, par value \$.01 a share; 15,000,000 shares authorized; 10,542,704 shares issued and outstanding .....	105	105
Additional paid-in capital.....	5,062	5,062
Retained earnings.....	57,867	56,183
Deferred compensation-ESOP.....	(3,653)	(3,693)
	-----	-----
<b>Total Stockholders' Equity</b> .....	<b>59,381</b>	<b>57,657</b>
	-----	-----
<b>Total Liabilities and Stockholders' Equity</b> .....	<b>\$101,332</b>	<b>\$96,882</b>
	=====	=====

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

Powell Industries, Inc. and Subsidiaries  
 Consolidated Statements of Operations (unaudited)  
 (In Thousands, Except Per Share Data)

	Three Months Ended January 31,	
	1996	1995
Revenues.....	\$49,568	\$36,589
Cost of goods sold.....	39,254	28,998
Gross profit.....	10,314	7,591
Selling, general and administrative expenses.....	7,655	6,337
Earnings from operations.....	2,659	1,254
Interest, net.....	43	122
Net earnings before income taxes.....	2,616	1,132
Income tax provision.....	932	329
Net earnings .....	<u>\$1,684</u>	<u>\$803</u>
Net earnings per common and common equivalent share.....	<u>\$0.16</u>	<u>\$0.08</u>
Weighted average number of shares outstanding.....	<u>10,695,776</u>	<u>10,517,704</u>

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

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

	Three Months Ended January 31,	
	1996	1995
Operating Activities:		
Net earnings.....	\$1,684	\$803
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization.....	967	851
Postretirement benefit liability.....	(67)	(24)
Changes in operating assets and liabilities:		
Accounts receivable.....	(10,573)	(2,733)
Costs and estimated earnings in excess of billings.....	1,687	(1,635)
Inventories.....	1,030	(2,579)
Prepaid expenses and other current assets.....	516	(518)
Other assets.....	(45)	(31)
Accounts and income taxes payable or receivable.....	3,393	1,296
Accrued liabilities.....	(1,904)	(2,626)
Billings in excess of costs and estimated earnings.....	1,853	2,962
Other long-term liabilities.....	208	---
Net cash used in operating activities.....	(1,251)	(4,234)
Investing Activities:		
Purchases of property, plant, and equipment.....	(653)	(632)
Net cash used in investing activities.....	(653)	(632)
Net decrease in cash and cash equivalents.....	(1,904)	(4,866)
Cash and cash equivalents at beginning of period.....	3,035	7,598
Cash and cash equivalents at end of period.....	\$1,131	\$2,732

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

Part I  
Item 1

POWELL INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of management, reflect all adjustments which are of a normal recurring nature necessary for a fair presentation of financial position, results of operations, and statements of cash flows.

B. INVENTORY

	January 31, 1996 (unaudited)	October 31, 1995
	-----	-----
The components of inventory are summarized below (in thousands):		
Raw materials and subassemblies.....	\$13,328	\$12,469
Work-in-process.....	5,756	7,645
	-----	-----
Total inventories.....	\$19,084	\$20,114
	=====	=====

C. PROPERTY, PLANT AND EQUIPMENT

	January 31, 1996 (unaudited)	October 31, 1995
	-----	-----
Property, plant and equipment is summarized below (in thousands):		
Land.....	\$2,514	\$2,514
Buildings and improvements.....	14,865	14,777
Machinery and equipment.....	24,222	23,889
Furniture & fixtures.....	3,981	3,910
Construction in process.....	518	417
	-----	-----
	46,100	45,507
Less-accumulated depreciation.....	30,013	29,236
	-----	-----
Total property, plant and equipment, net.....	\$16,087	\$16,271
	=====	=====

Part I  
Item 1

D. OTHER FINANCIAL INFORMATION

	Quarter Ended January 31, (unaudited)	
	1996	1995
Supplemental disclosure of cash flow information (in thousands):		
Cash paid during the quarter for:		
Interest.....	\$367	\$488
Income taxes.....	---	\$275

E. PRODUCTION CONTRACTS

Contracts for which the percentage-of-completion accounting method is used, costs and estimated earnings in excess of billings are shown as a current asset and billings in excess of costs and estimated earnings are shown as a current liability.

	January 31, 1996 (unaudited)	October 31, 1995
The components of these contracts are as follows (in thousands):		
Costs and estimated earnings.....	\$41,685	\$50,282
Progress billings.....	(28,647)	(35,557)
Total costs and estimated earnings in excess of billings.....	\$13,038	\$14,725
Progress billings.....	\$53,234	\$29,682
Costs and estimated earnings.....	(45,818)	(24,119)
Total billings in excess of costs and estimated earnings.....	\$7,416	\$5,563

Part I  
Item 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND QUARTERLY RESULTS  
OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

During 1990, the Company concluded a private placement of \$15,000,000 in term notes, of which \$6,563,000 was outstanding as of January 31, 1996. These notes are unsecured with a fixed interest rate of 10.4 percent. The notes mature through June 1997, with the next payment of \$2,813,000 due in June 1996.

In October 1995, the Company entered into a \$15,000,000 revolving line of credit agreement with a major domestic bank. As of January 31, 1996, the Company did not have borrowings outstanding under this line.

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 measures which are significant to management:

	January 31, 1996	October 31, 1995	January 31, 1995
Working Capital	\$44,397,000	\$42,374,000	\$40,282,000
Current Ratio	2.31 to 1	2.35 to 1	2.37 to 1
Debt to Capitalization	.10 to 1	.10 to 1	.15 to 1

Management believes that the Company continues to maintain a strong liquidity position. The increase in working capital at January 31, 1996, as compared to October 31, 1995 is due mainly to increased accounts receivable that were partially offset by increases in billings in excess of costs and estimated earnings and accounts payable. The primary reason for these changes was the increased business level.

The consolidated statements of cash flows show that approximately \$1,900,000 of cash was used during the three months ended January 31, 1996. The increase in accounts receivables requiring the use of cash was due to the increased volume of business with extended progress and prebilling terms. The other major use of cash was the reduction of accrued liabilities. Costs and estimated earnings and inventories decreased and accounts payable increased, having a positive effect on the Company's cash flow during the quarter. The use of cash for capital expenditures during the three months of 1996 was \$653,000 which was primarily invested in machinery and equipment.

The Company's fiscal 1996 asset management program will continue to focus on the collection of receivables and reduction in inventories. The Company plans to satisfy its fiscal 1996 capital requirements and operating needs primarily with funds available in cash and cash equivalents of \$1,131,000, funds generated from operating activities and funds available under its existing revolving credit line.



## RESULTS OF OPERATIONS

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

Quarters Ended January 31	1996	1995
Revenues	100.0%	100.0%
Gross Profit	20.8	20.7
Selling, general and administration expenses	15.4	17.3
Interest, net	.1	.3
Net earnings before income tax	5.3	3.1
Income tax provision	1.9	.9
Net earnings	3.4	2.2

Revenues for the quarter ended January 31, 1996 were up 35 percent to \$49,568,000 from \$36,589,000 in the first quarter of last year. This increase in volume was due primarily to higher electrical distribution equipment product line revenues. However, all products had increases in the record first quarter results.

Gross profit, as a percentage of revenues, was 20.8 percent and 20.7 percent for the quarters ended January 31, 1996 and 1995.

Selling, general and administration expense as a percentage of revenues was 15.4% and 17.3% for the quarters ended January 31, 1996 and 1995. The decrease reflects the effect of higher revenue volume without corresponding increases in expense.

Interest, net is lower in 1996 than in 1995 due to the reduction in outstanding debt.

Income tax provision The effective tax rates were 35.6% and 29.1% for the quarters ended January 31, 1996 and 1995 respectively. The lower than statutory rate is due to larger foreign sales corporation credits in 1995 which are not projected for 1996.

Net earnings were \$1,684,000 or \$.16 per share for the first quarter of fiscal 1996, an increase of 109% from \$803,000 or \$.08 per share for the same period last year. This increase was mainly due to the higher revenue volume for the 1996 quarter.

The order backlog at January 31, 1996 was \$125,329,000 compared to \$112,569,000 at October 31, 1995. The increase is the result of record bookings in electrical distribution and control equipment. The total bookings of \$62,328,000 during the quarter was the largest total for a quarter in the Company's history.

## OTHER INFORMATION

- ITEM 1. Legal Proceedings  
No material developments in litigation previously reported.
- ITEM 2. Changes in Securities  
None
- ITEM 3. Defaults Upon Senior Securities  
Not applicable
- ITEM 4. Submission of Matters to a Vote of Security Holders  
None
- ITEM 5. Other Information  
None
- ITEM 6. Exhibits and Reports on Form 8-K
- a. Exhibits  
27.0 Financial Data Schedule
  - b. Reports on Form 8K  
None

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POWELL INDUSTRIES, INC.  
Registrant

March 13, 1996

-----  
Date

/s/ THOMAS W. POWELL  
-----

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

March 13, 1996

-----  
Date

/s/ J.F. AHART  
-----

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

EXHIBIT INDEX

27 -- Financial Data Schedule

The Schedule contains summary financial information extracted from the Company's unaudited pro forma condensed consolidated financial statements for the quarter ended January 31, 1996 and is qualified in its entirety by reference to such financial statements.

	1,000	
	3-MOS	
OCT-31-1995		
JAN-31-1996		1,131
	0	
	43,483	
	729	
	19,084	
	78,348	43,586
	30,013	
	101,332	
33,951		0
		105
0		0
	57,867	
101,332		49,568
	49,568	
		39,254
	39,254	
	7,655	
	0	
	43	
	2,616	
		932
	0	
		0
		0
	1,684	
	0.16	
	0	