

FLASH Note

Resurging Covid-19 Threat: Impact on Listed Companies

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SECURITIES

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Sri Lanka is experiencing a modest rise in COVID-19 cases

- The Medical Research Institute has confirmed the presence of two new Omicron subvariants—**LF.7** and **XFG**—now circulating in the country.
- These subvariants are also spreading across parts of Asia.
- In response, **Sri Lankan health authorities have intensified surveillance and monitoring efforts.**

India:

- As of late May 2025, India has reported a rise in active COVID-19 cases, **exceeding 2,700 cases.**
- Kerala has the highest number of active cases, followed by Maharashtra and Delhi.

Global Situation:

- As of May 11, 2025, the global COVID-19 test **positivity rate reached 11%** across 73 reporting countries.
- This matches the peak level seen in July 2024.
- The surge is primarily driven by rising cases in the Eastern Mediterranean, South-East Asia, and Western Pacific regions.

Overall Market Direction: Cautious Watch, Not Panic

Too Early to Quantify Impact

- Current data on the new variant is **limited**; no significant evidence yet of widespread **global transmission** or **severe symptoms**.
- Global health authorities **have not raised alert levels** significantly.
- Governments now **could be more reluctant to impose full-scale lockdowns** due to their severe impact on GDP, employment, and public finances.
- Most existing **vaccines can be modified quickly** to respond to new variants.
- Compared to 2020, governments and healthcare systems are **better equipped and prepared** in terms of treatment protocols
- Therefore, it is advisable to **monitor the situation closely** and **stay informed** as more data becomes available.

Market Sentiment

- Overall Index Impact: Short-term volatility is possible.
- Defensive and healthcare stocks may outperform broader market.
- Foreign investor sentiment may weaken if variant spreads globally, leading to outflows in the medium term

Healthcare, pharmaceutical and related services

Positive Impact

The combined rise in COVID-19 variants and vector-borne diseases like dengue and chikungunya further strengthens the case for healthcare stocks.

Hospitals

- Likely increase in demand for testing, inpatient care, ICU beds, and diagnostics.
- Upsurge in PCR/antigen testing.

Pharmaceuticals

- Potential increase in demand for antiviral drugs, vaccines, PPE, and immune-boosting medications.
- As a leading glove exporter, DIPD could benefit from higher volumes as well

Stock	Current Market Price	PE	PBV
ASIR.N	26.00	11.40	1.31
LHCL.N	79.00	11.00	1.22
SUN.N	24.60	11.42	2.38
UCAR.N	870.75	5.94	0.98
ECL.N	12.30	45.64	3.09
DIPD.N	52.40	8.09	0.99

E-commerce and technology

Positive Impact

E-commerce - Positive impact

- Consumers may avoid physical stores
- Increased adoption of online grocery, FMCG, medicine

Ride hailing – mixed impact

- May see higher demand in the delivery segment
- But may see reduced demand if the situation escalate to lockdowns in the medium term

Stock	Current Market Price	PE	PBV
KPHL.N	8.00	NM	1.54
PKME.N	76.50	21.79	9.86

Tourism

Negative impact only if the situation extends to lockdowns

- Cancellations of bookings due to fear of new variant.
- Risk of travel restrictions or quarantine rules reinstated.
- Impact on upcoming quarterly earnings if variant spreads widely or international travel slows.
- The impact on tourism will also affect Sri Lanka's level of foreign reserves

Stock	Current Market Price	PE	PBV
AHUN.N	79.00	11.67	1.13
KHL.N	20.30	NM	0.94
AHPL.N	53.00	NM	0.77
STAF.N	47.50	17.92	0.68
BERU.N	3.50	25.16	7.17
SERV.N	11.70	10.27	2.96

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