



Industrial Inventory: Unlock Your Idle Capital

5 Steps to Turn Inventory into a Financing Lever

By SOKA Finance

International Alternative Financing Experts

Sōka Finance
Alternative financing for startups & SMEs.

The Industrial Paradox: Asset-Rich, Cash-Poor

In today's industrial landscape, financial agility has become a core survival factor. And yet, one paradox remains: companies with full order books and warehouses packed with raw materials still find themselves constrained by a lack of liquidity.

Traditional lenders often view inventory as a risk exposure or a cost center. At **SOKA Finance**, we see it for what it truly is: **capital waiting to be unlocked**.

This white paper is designed to help you navigate the complex mechanics of inventory-backed financing and release trapped working capital.

We present a structured, five-step approach, tested with industrial businesses across multiple markets.

Our Promise

Turn your dormant industrial assets into immediately available liquidity, without disrupting day-to-day operations.

80%

Advance rate

Against liquidation value

6 weeks

Average timeline

To unlock funding

Assess Inventory Value — From Book Value to Market Value

The first mistake many industrial companies make is presenting inventory to a lender based solely on its book value. For a financing provider, inventory is not worth what it cost, but what it could generate in a forced-sale or secondary market scenario. That distinction is fundamental: it directly impacts both eligibility for financing and the terms obtained.

Net Realizable Value (NRV)

Lenders focus on Net Realizable Value, not accounting value. This means estimating the likely resale price of inventory on the secondary market, minus:

- transportation costs
- storage costs
- commissions / disposal fees

This is the real collateral value in a liquidation scenario.

Strategic Inventory Segmentation

Not all inventory is viewed equally by lenders:

- **Raw Materials:** Most attractive category (metals, polymers, standard components), because they are generally more liquid and easier to remarket.
- **Semi-Finished Goods:** Often excluded or heavily discounted, because their value remains partly theoretical until final processing is completed.
- **Finished Goods:** Can carry higher value, but also face greater obsolescence, product-specific, or market demand risk.

How SOKA Finance Adds Value

SOKA Finance does not simply read your balance sheet. We work with sector specialists and market experts to assess both the true collateral value and the lender appeal of your inventory. Our role is to position and defend the quality of your assets in order to maximize financing capacity.

Key Formula: Loan-to-Value (LTV)

$$LTV = \frac{\textit{Financing Amount}}{\textit{Inventory Liquidation Value}}$$

SOKA Finance can help negotiate advance rates of up to 80%–90%, depending on the liquidity and quality of the underlying assets.

Identify the Right Funding Partners — Understanding the Inventory Finance Ecosystem

Inventory finance is a specialist financing discipline. Traditional commercial banks are often reluctant to lend once the structure moves beyond standard real estate collateral. Understanding the different lender profiles and what drives their credit decisions is essential to building the right financing strategy.

1	2
<p>Traditional Banks</p> <p>Advantages: Lower cost of debt</p> <ul style="list-style-type: none">• Existing banking relationship• Familiar credit framework <p>Limitations: Rigid covenants</p> <ul style="list-style-type: none">• Slower execution• Often require a near-flawless credit profile• Less appetite for non-standard collateral structures	<p>Alternative Financing Providers</p> <p>Examples: Debt funds, Asset-based lenders, Fintech lenders, Family offices, Specialist credit investors</p> <p>Advantages: More flexible underwriting approach; Broader view of asset value and operating context; Ability to structure tailor-made financing solutions</p> <p>Limitations: Higher cost of capital; Bespoke structures can require a more involved process</p>

Why Work with SOKA Finance

The alternative financing market is still fragmented, opaque, and highly specialized. **SOKA Finance** acts as your industrial financing advisor, helping you:

- **Access the right capital providers:** We connect industrial businesses with international debt funds and alternative lenders.
- **Create competitive tension:** We run a structured lender process to improve pricing, terms, and execution conditions.
- **Accelerate lender alignment:** Our deep understanding of both industrial constraints and lender expectations shortens the path to financing.

Understand the Structure – The Financial Engineering Behind Security Packages

Once inventory value has been assessed and the right funding partner identified, the next step is to define the legal and collateral framework. This is where the transaction becomes truly bankable and enforceable. The quality of the structure will directly affect your day-to-day operational flexibility.

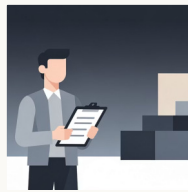
The objective is to strike the right balance between: lender protection, financing conditions, and operational simplicity.

Here are some of the structures commonly used in industrial inventory financing:



Non-Possessory Pledge

The industrial company retains control of its inventory. This is generally the most operationally flexible structure. The pledge is registered, while allowing the company to continue operating normally.



Possessory Pledge / Controlled Inventory Structure

An independent third party monitors inventory inflows and outflows on behalf of the lender. This is often considered the strongest collateral package, and can unlock the largest financing amounts.



Asset-Backed Bond / Private Note Structure

For larger financing needs (€20M+), SOKA Finance can structure a private bond issuance where inventory serves as direct collateral. This can open access to institutional capital market investors.



Other Tailor-Made Structures

Industrial constraints such as off-balance sheet requirements, sales cycle specifics, logistics constraints, and regulatory frameworks may require a custom-built financing structure.

SOKA Finance's International Structuring Expertise

Each jurisdiction comes with its own legal and enforcement rules. **SOKA Finance** oversees the structuring process to ensure the financing package does not interfere with the day-to-day operation of your plant or supply chain. Our network of specialist legal advisors ensures full compliance while preserving operational agility.

Build a Complete Financing File — The Art of Transparency



A weak financing package gets rejected. A lender must be able to understand your operating context, asset base, and credit story in under 10 minutes.

In inventory-backed finance, clarity, transparency, and presentation quality are decisive. They signal not only professionalism, but also your ability to manage a complex financing relationship over time.

SOKA Finance's transparent approach enables lenders to quickly assess whether and how they can support your business.

Preparing a truly institutional-grade financing package requires a deep understanding of credit committee expectations and the ability to anticipate their questions in advance.

01

01 — Credit Risk

Your ability to repay, supported by a rigorous review of: historical cash flows, projected cash flows, operating performance, and debt servicing capacity.

02

02 — Asset Risk

In the event of default, would the inventory provide sufficient protection? Lenders assess: asset value, turnover / rotation, shelf life, resale quality, and concentration risk.

03

03 — Market Risk

How could market fluctuations affect: the borrower's credit profile, the value of pledged inventory, and the lender's recovery assumptions.

Key Documents Required

- Corporate presentation
- Detailed inventory report and history
- Insurance policies
- Key supplier and customer contracts
- Inventory management and stock control procedures
- Financial statements and projections
- KYC / compliance documents

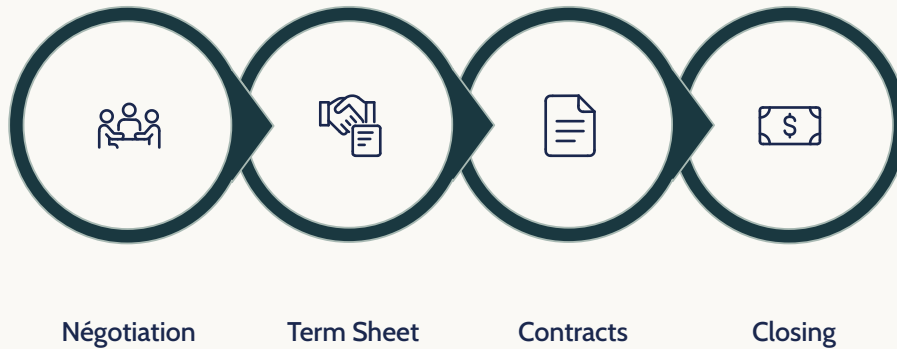
The Role of SOKA Finance

We prepare an institutional-grade Information Memorandum designed for alternative lenders and credit committees.

We anticipate lender questions upfront to avoid unnecessary back-and-forth and to ensure your case reaches decision-makers in a "ready-to-finance" format.

Negotiation & Closing — Reaching the Right Agreement

This is the final stage — and often the most sensitive one. At this point, details make all the difference. Every clause, covenant, drawdown condition, and reporting requirement can materially affect your future operational flexibility. A successful negotiation is not just about obtaining the lowest interest rate. It is about securing the right overall balance between: lender protection, execution certainty, and industrial freedom of action.



Negotiation of Terms

A lender may require you to maintain minimum levels of: equity, inventory, liquidity ratios, EBITDA or operating margin. SOKA Finance negotiates these provisions so they do not become constraints on future growth. Our role is to secure the right balance between credit protection and strategic flexibility.

Term Sheet

The term sheet summarizes the key commercial and legal terms of the proposed financing.

- Inventory scope and description
- Collateral and security mechanisms
- Financing amount / LTV
- Tenor and repayment profile
- Cost of capital
- Reporting obligations
- Audit / control framework

Contracts

This phase includes: signing the financing documents, satisfying conditions precedent, finalizing insurance and third-party guarantees, registering security interests, and completing the final legal and operational workstreams. This is a highly coordinated stage involving: lawyers, lenders, insurers, auditors, and operating teams.

Closing & Post-Closing

Our role does not stop at signature. We remain involved for: recurring audits, lender reporting, renewals and amendments, and facility evolution as your business scales. SOKA Finance becomes your long-term partner in managing and optimizing your financing structure.

Toward a More Agile Supply Chain Finance Strategy

Inventory-backed financing is no longer a last-resort solution. It is a strategic financial management tool. By turning physical assets into liquidity, industrial businesses can:

- regain control over supplier negotiations
- capture bulk purchasing opportunities
- and support international growth without excessive balance sheet pressure

Strategic Benefits

Immediate Liquidity

Access up to 80% of your inventory value without waiting for sales cycles to complete.

Accelerated Growth

Capture large purchasing opportunities and negotiate better supplier terms.

Operational Security

Diversify your funding sources and reduce dependency on traditional banks.

International Expansion

Finance export growth and cross-border development without diluting equity.

SOKA Finance is your trusted partner in sourcing and structuring industrial financing. Our international expertise and network of alternative lenders are key to turning your inventory into a reliable financing lever.

Since 2021, we have supported 50+ industrial businesses in their financing structuring, helping unlock €100M+ in additional liquidity. Our approach is always tailor-made — adapted to your sector, your operating model, your scale, and your ambitions.

[Request an Analysis](#)

Next Steps

- Assess the hidden value of your inventory.
- Start preparing your financing case.
- Book a free consultation with our experts.
- Define the right financing constraints and parameters together.
- Sign a financing advisory mandate.
- Finalize a complete financing package.
- Present your case to the most relevant funding partners.

Contact SOKA Finance

For a tailored review of your financing needs and a bespoke proposal.

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